

Straumann Holding AG

CORE HOLDING*

Recommended since 06.05.20

27.02.2024



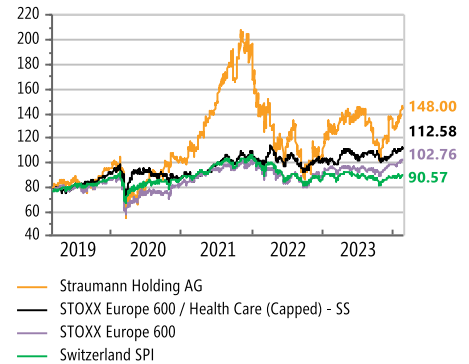
| | | |
|--------------------|-------------------------------------|----------------------------|
| Country CH | Market capitalization (bn) CHF 23,6 | Perf. since reco. (%) |
| Sector Health Care | Free float 66,7% | Straumann Holding AG 100,2 |
| Factset STMN-CH | Closing price CHF 148,00 | Sector 21,0 |
| ISIN CH1175448666 | ESG Risk score* 22,4 Medium risk | |



*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

Profile

Straumann was founded in 1954 as a research institute originally focusing on the watchmaking industry. The group subsequently evolved to specialise in dental implants from 1974. Through a policy of targeted acquisitions, Straumann diversified into dental supply and equipment, becoming a key player in the sector. Implants account for 58% of the group's sales, restorative solutions 28% and other activities (biomaterials, scanner hardware, software and clear aligners) 14%.



Source: Factset

Market - competition - positions - barriers to entry

The dental supply and equipment market is valued at CHF 27-29bn, with growth averaging c. 4-5% a year, buoyed by population expansion and innovation. Straumann ranks sixth in the market with a 6% share but is market leader in dental implants, where it has a 26% share, ahead of Envista.

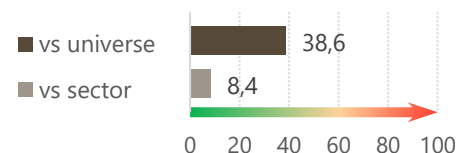
Investment case

- After initially specialising in high-quality dental implants, Straumann diversified by expanding its presence into markets offering a more buoyant growth outlook. Through this strategy, the group has been able to establish itself as a key player in esthetic dentistry. Through targeted acquisitions, the group has expanded its presence in dental implants by offering more affordable solutions, allowing access to fast-growing emerging markets, and has moved into CAD/CAM restorative solutions (digital design and manufacture of dental prosthetics) and orthodontics, with clear teeth aligners (mouthguards). Penetration is still low in these segments, which thus offer significant growth potential.
- Expansion in these markets and constant innovation will enable the group to extend its presence and to pursue growth which we estimate at 11% on average/year over the medium-to-long term, ahead of underlying market growth.
- Nevertheless, the business is sensitive to economic trends and their impact on consumer confidence, implying temporary postponements of elective procedures in times of recession due to lack of reimbursement. For 2024, the company expects organic growth of +7-9%, which remains below the long-term average, and persistent currency pressure on operating margin, estimated at 24-25% (vs. 25% in 2023).
- Straumann is a long-term growth stock in the Healthcare sector. With a strong balance sheet and relatively low gearing, the Group is in a position to pursue its development.

ESG - risks and key points

- Straumann's level of ESG risk is high with ESG issues management in line with the sector. Nevertheless, the company has not experienced any major controversies in the past.
- As a supplier of dental implants, prostheses and biomaterials, Straumann must guarantee the quality and safety of its products to avoid any harm to patients. Design or manufacturing errors could lead to product recalls and litigation.
- Given the importance of innovation and competition in the industry, the Group must be able to attract and train highly qualified professionals.

ESG risk vs. universe & sector (percentile)*



Source: Sustainalytics

Valuation** in CHF

| Current price | Value Bordier Scenario |
|---------------|------------------------|
| 148 | 140 |

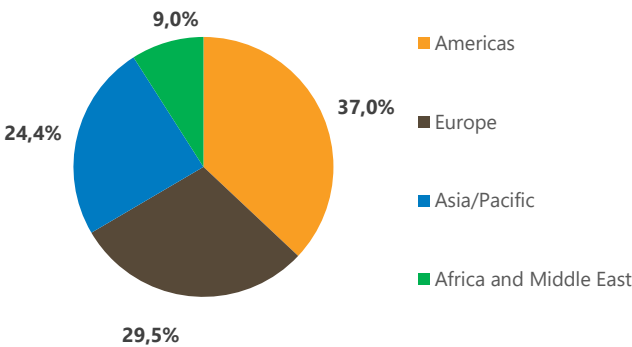
Our scenario assumes Swiss 10-year yields rising to 1.75%; sales growth averaging 11% a year; an EBITDA margin improvement towards 36% at the end of the period.

** The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

"Bordier Core Holding" indicators

| In millions of CHF | 2022 | 2023 | 2024e | 2025e | 2026e |
|---------------------|-------|-------|--------|--------|---------|
| Sales revenue | 2 321 | 2 412 | 2 569 | 2 877 | 3 395 |
| Sales growth % | 13,5% | 3,9% | 6,5% | 12,0% | 18,0% |
| o/w organic | 15,0% | 9,8% | 9,5% | 12,0% | 18,0% |
| EBIT adjusted | 603 | 606 | 642 | 754 | 934 |
| % of sales | 26,0% | 25,1% | 25,0% | 26,2% | 27,5% |
| Net income | 482 | 440 | 483 | 584 | 742 |
| Adjusted EPS | 3,02 | 2,76 | 3,03 | 3,66 | 4,65 |
| Adjusted EPS growth | 6,5% | -8,6% | 9,7% | 20,9% | 27,0% |
| Capex/Sales | 8,4% | 7,8% | 5,0% | 5,0% | 5,0% |
| Free cash-flow | 220 | 317 | 465 | 544 | 670 |
| FCF/Sales | 9,5% | 13,1% | 18,1% | 18,9% | 19,8% |
| Dividend per share | 0,80 | 0,85 | 0,78 | 0,95 | 1,21 |
| Dividend yield | 0,8% | 0,6% | 0,5% | 0,6% | 0,8% |
| ROCE - WACC | 22,7% | 16,5% | 17,9% | 17,0% | 17,3% |
| ROE (%) | 26,0% | 24,0% | 22,3% | 22,5% | 23,5% |
| Net debt/Ebitda | 2,0% | 5,8% | -37,5% | -78,8% | -111,2% |

Sales breakdown - 12/2022



Governance and ownership structure

Since 2020 - CEO Guillaume Daniellot

Key shareholders (if any):

Thomas Straumann (Vice-Chairman of the Board of Directors) owns 16.9% of the capital; Rudolf Maag 11.5%; Simone Maag de Moura Cunha 3.7%; Gabriella Straumann 3%.

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements)

None

Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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