

SAL. OPPENHEIM

Straumann

Health Care

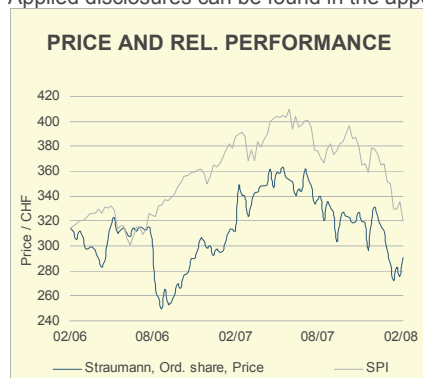
2008-02-08

Applied disclosures can be found in the appendix

Buy

Fair Value CHF360.00

Price CHF291.00 (Closing price as of 2008-02-07)



FEEDBACK FROM CONF CALL & ESTIMATES ADJUSTMENTS

ASSESSMENT

Below, we outline the key take-aways from yesterday's conference call as well as the revisions of our estimates for FY 2008e and beyond.

- Straumann's geographical market positions underpinned: Europe stable, North America gaining market share (signs of market recovery & ramp-up seems sustainable, Bone Level implant and especially SLActive are very well accepted and Biora import detention in the US to be settled which should further support growth) and, in Asia, recent loss of a little market share as a result of acquired distributors in Korea and Japan (still investments needed for reorganization & ramp-up as Japanese distributor had disregarded the business).
- FY 2008 company guidance: confident, pretty bullish and optimistic statements. EBIT margin: +50bp to ~29% due to improving underlying biz and despite dilutive effects from amortizations of intangibles acquired, etkon ramp-up, restructuring of acquired Asian distributors, bone level implant (higher production costs due to complexity) and slightly negative currency impacts to (weakening of EUR). Sales growth: mid-twenties LC sales growth which includes estimated ~2-3% (SOPe) from acquisitions – such as still etkon (2 months), Asian distributors & eastern European acquisitions in Hungary, Czech Republic & Slovakia – and is based on company's observations of a pick-up in North America (recovery & acceleration), stable Europe and Asia to be driven by reorganized businesses of recently acquired distributors.
- US dental implant market: [company related] set-up more or less concluded (motivated sales force and this should be powerful) as well as [market conditions] slight slow down could be observed but has been starting to recover (we rather observe a stabilization of market growth ~10% which could likely recover and pick-up towards mid-2008e) and claimed recession has not as sharply popped-up to market as "feared" (acc. to company and to discussions with many specialists).

MARKET DATA

Reuters	STMN.S
Bloomberg	STMN SW
Market cap CHFbn	4.6
Free float %	49.3

KEY DATA

Yr.end 12/31	2007	2008e	2009e
Revenues m	713.65	868.66	1,028.77
Net profit m	175.87	208.18	267.26
Adj. EPS	11.41	13.50	17.32
PER	29.2	21.6	16.8
EV/EBIT	25.7	18.0	13.5
EBIT mgn. %	28.2	29.0	31.3
EPS CAGR 07-10e: 24 %			

NEXT EVENTS

AGM	2008-03-28
Quarterly results	2008-04-28
Quarterly results	2008-08-07

VALUATION

Our DCF model points to a value per share of CHF389. Relative to Nobel Biocare (Buy, FV CHF430), Straumann is still trading at a premium of ~18% based on P/E and EV/EBITA 2009e. We consider that the two companies should trade in line based on the companies' respective prospects. Our fair values are reflecting this.

CONCLUSION

In accordance with our yesterday's indications and the elements mentioned, we slightly increase our sales forecast for FY 2008e to CHF869m (sales growth: 21.7% organically and 23.9% in LC) but reduce our EBIT margin estimate for FY 2008e to 29.0%. However, these adjustments do not lead to changes in valuation and thus fair value because our new EBIT 2008e does not change much compared to previous estimates. Furthermore, we change our adjusted EPS estimates by -4% for FY 2008e and +1% for FY 2009e. Therefore, we confirm our Buy recommendation and fair value of CHF360.

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Straumann – New Estimates for FY 2008e & FY 2009e Key Figures			
CHFm	FY 2007	FY 2008e	FY 2009e
Group Sales	713.7	868.7	1,028.8
Growth (%)	19.1	21.7	18.4
Currencies (%)	2.0	-2.2	0.0
in LC (%)	17.1	23.9	18.4
Acquisitions (%)	6.4	2.2	
Organic (%)	10.7	21.7	18.4
EBITDA	244.1	293.1	364.4
Margin (%)	34.2	33.7	35.4
Growth (%)	10.4	20.1	24.4
EBITA	208.6	258.6	328.9
Margin (%)	29.2	29.8	32.0
Growth (%)	16.9	24.0	27.2
EBIT	201.5	251.5	321.8
Margin (%)	28.2	29.0	31.3
Growth (%)	14.9	24.8	27.9
Adj. net profit	177.7	211.1	271.1
Margin (%)	24.9	24.3	26.4
Growth (%)	26.2	18.8	28.4
Adj. EPS (CHF)	11.4	13.5	17.3
Growth (%)	26.3	18.3	28.3
Dividend per share (CHF)	3.75	4.50	5.70
Growth (%)	25.0	20.0	26.7
Pay-out ratio (%)	32.9	33.3	32.9

Source: Company data, Oppenheim Research

Straumann - P&L (Cost of Sales)					
CHFm (Yr. end: 12/31)	2006	2007	2008e	2009e	2010e
Sales	599.2	713.7	868.7	1,028.8	1,205.4
Cost of goods sold	-119.5	-131.4	-161.2	-182.6	-209.9
Gross profit	479.7	582.3	707.5	846.2	995.5
Selling costs	-232.9	-293.8	-351.9	-401.4	-452.0
Administrative costs	-49.3	-62.3	-74.2	-85.7	-97.9
R&D costs	-30.5	-31.2	-35.0	-41.3	-48.2
Other operating income/expenses (net)	8.3	6.5	5.2	4.1	3.2
EBITDA	221.0	244.1	293.1	364.4	445.3
EBIT	175.3	201.5	251.5	321.8	400.6
Interest result	0.9	-2.5	-0.1	0.2	0.9
Other Financial income / expenses	-2.3	-4.5	0.0	0.0	0.0
Financial result	-1.4	-7.0	-0.1	0.2	0.9
Profit or loss on ordinary activities	174.0	194.5	251.4	322.0	401.5
EBT	174.0	194.5	251.4	322.0	401.5
Taxes	-32.0	-17.2	-42.7	-54.7	-68.2
Profit / loss for the year (cont. operations)	141.9	177.3	208.7	267.3	333.2
Minority	-0.2	-1.4	-0.5	0.0	0.0
Net profit	141.7	175.9	208.2	267.3	333.2
+ /- Net profit adjustments	-0.9	1.9	3.0	3.8	4.5
Adjusted net profit	140.8	177.7	211.1	271.1	337.7
Key ratios and figures					
CHFm (Yr. end: 12/31)	2006	2007	2008e	2009e	2010e
Valuation					
PER	32.7	29.2	21.6	16.8	13.5
P/BV	9.2	8.4	5.9	4.7	3.8
Dividend yield %	0.8	0.9	1.3	1.5	2.0
EV/Sales	7.4	7.3	5.2	4.2	3.4
EV/EBITDA	20.1	21.2	15.4	11.9	9.3
Sustainable FCF yield %	3.0	3.6	1.1	5.3	6.9
Data per share					
Weighted avg. number of shares	15.59	15.57	15.64	15.65	15.67
EPS (reported)	9.09	11.29	13.31	17.07	21.27
adj. EPS	9.04	11.41	13.50	17.32	21.56
Dividend	3.00	3.75	4.50	5.70	7.10
Book value per share	32.25	39.65	49.17	61.69	77.19
Sustainable FCFPS	8.7	12.0	3.2	14.8	18.4
Growth rates %					
Sales	17.6	19.1	21.7	18.4	17.2
EBITDA	22.1	10.4	20.1	24.4	22.2
EBIT	12.4	14.9	24.8	27.9	24.5
Net profit	10.8	24.1	18.4	28.4	24.7
adj. EPS	10.0	26.3	18.3	28.3	24.5
Margins %					
Gross	80.1	81.6	81.4	82.2	82.6
EBITDA	36.9	34.2	33.7	35.4	36.9
EBIT	29.3	28.2	29.0	31.3	33.2
Net profit	23.7	24.6	24.0	26.0	27.6
Expense ratios %					
Personnel cost to sales	29.2	24.6	24.3	23.5	22.8
R&D to sales	5.1	4.4	4.0	4.0	4.0
Depreciation to sales (Cost of sales)	7.1	5.0	4.0	3.5	3.1
Tax rate	18.4	8.9	17.0	17.0	17.0
Other ratios					
Interest cover	-308.7	-37.1	-103.3	-2,052.9	-2,508.7

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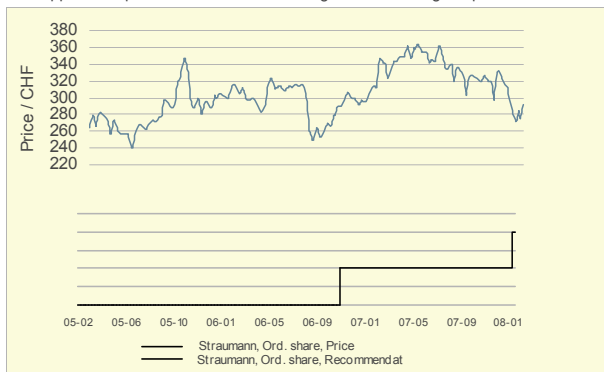
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Neutral	132	35.6	16	29
Reduce	18	4.9	0	0
Sell	0	0.0	0	0
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Previous report with differing recommendation published at 2007-07-03.

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