

# Transaction Rationales

## Purchases

### Straumann

We initiate a position in Straumann Group after the stock lost more than 30% off its 2023 highs and declined by 10% following the Q3 earnings release of Align Technologies. We think that this bout of weakness provides a great opportunity to start building a position in a high-quality business that should double its revenue by the end of this decade, powered by multiple structural drivers.

Straumann Group is a global leader in tooth replacement solutions with a dominant position in premium implants (50% market share) and a leading position in the value segment. The quality of its implant is unmatched and results from the compounding of decades of knowledge in product design & manufacturing knowhow. The company has built an entrenched position within the dental ecosystem where it not only sells but also provides training and education to dentists worldwide. The company has developed partnerships with Dental Service Organizations (DSO) and R&D partnerships with a large range of universities, labs, research institutes, ... These competitive advantages constitute a fat Moat enabling Straumann to sustain and expand its operating profit margins to the high 20s.

The implant market grows at mid-to-high single digit rates as the needs of a global ageing population increase, as premium solution continues to be favored by wealthier Western patients and as the deployment of value solutions helps to increase the penetration of implants over inferior quality bridges solutions. The consolidation of standalone dentists to Dental Service Organizations also helps drive implant penetration. DSOs have an incentive to raise the awareness of patients on the superiority of the implant solutions as those are higher margin procedures.

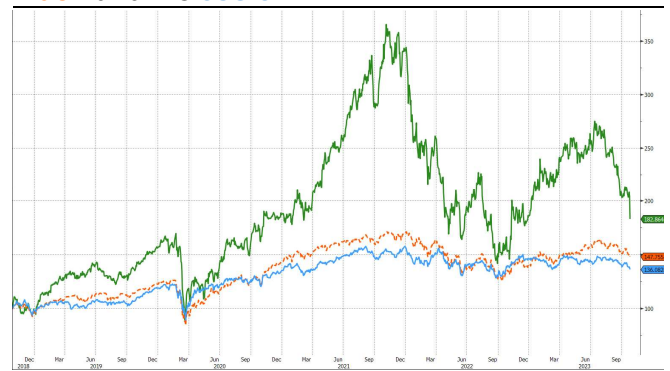
Straumann has been able to grow at more than twice the market rate in the past years as it entered the value segment following a finely crafted multi-brands strategy. The company has conquered 20% of that segment without cannibalizing its high-end segment and continues to gradually grow its share. The increasing penetration of DSOs offers Straumann the opportunity to expand the scope of its franchise to Orthodontics, including the faster growing aligner market, and CAM/CAD dentistry software.

After the stock sharp consolidation, the valuation multiples fell to levels we feel are reasonable (reported P/E closer to 30x and earning power Yield at 4%), given the quality of this franchise and given the pace and the long-term visibility of its growth.

With kind regards,

**Emerald Wealth Partners AG**, Investment Office

### 5-year chart: Straumann vs. the Bloomberg World Index and the Sector



Source: Bloomberg  
Total return in USD  
Data range 26.10.2018 – 26.10.2023  
Note: past performance is not a reliable indicator of future results

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