

Kieger – Thoughts from the Street

International Dental Show 2017

Zurich, March 27, 2017

End markets seem to remain stable or even improving. Focus on end to end workflow solutions should drive digitalisation in dentistry

We attended the biannual International Dental Show (IDS) from March 21 to 25 2017 in Cologne, Germany, including expert meetings, booth tours and the Straumann investors breakfast.

With over 140'000 visitors and 2'300 exhibitors from 60 countries IDS is the worldwide landmark trade fair in dentistry. We had the impression that in general the tone at the show was upbeat with companies pointing to significant foot traffic at booths and stable to improving end markets. Product introductions were more evolutionary than in previous years.

Dental supply manufacturers use the IDS traditionally as a platform for product introductions. This year however new launches were more evolutionary in nature with the exception of a new chairside mil from Ivoclar and new promising two piece ceramic implants from Straumann and Camlog.

A greater emphasis was on digital back to back workflow solutions that should increase awareness and penetration of new products and services introduced during the past several years especially chairside CAD/CAM products. This

trend toward digitalisation in dentistry could lead to increased consolidation across the industry.

Digitalisation gaining traction...

During the past few years the dental supplies manufacturer space has gone through a phase of consolidation (e.g. Zimmer - Biomet, Danaher - Nobel Biocare, Dentsply - Sirona, Straumann - several partnerships). At this year's IDS it became apparent that during this process the manufacturers are no longer just focusing on specific product segments, but start to try to provide a digitally tied together end to end workflow solution in order to expand the addressable market or simply to defend their core businesses.

Most of this workflow solutions are based around chairside CAD/CAM solutions (computer-aided design and computer aided manufacturing) next (chairside) to the patient. The first chairside CAD/CAM solution CEREC was developed at the University of Zürich in the 80s and was later commercialised by Siemens (today DentsplySirona). In a chairside CAD/CAM restoration a digital image (scan) of the broken tooth area is taken and used to calculate a digital replacement for the missing tooth. Based on this data an in practice milling machine carves out the replacement crown from a ceramic or composite block. The crown is then bonded or cemented on the dental implant. For the patient the advantage is that he gets his restoration in one step. The dentist on the other side gets a higher share of wallet as he cuts out the dental lab.

Workflow solutions were presented among others by Danaher with its DTX software, DentsplySirona and Straumann that revealed its verified CAD/CAM restoration process. On top of that also the two largest dental distributors Patterson and Henry Schein are bundling intra oral scanners, software and chairside mills to help the dentists choose from the increased number of possibilities. While the technology is not new, the higher number of options beyond CEREC and corresponding sales pushes by more vendors should increase awareness and penetration of chairside CAD/CAM solutions.

...could lead to further industry consolidation

With a largely consolidated manufacturer space, increased revenue and cost benefits for dentists that are willing to invest in new technologies, the opportunity to vertically integrate into the lab space and benefits of scale in equipment utilisation, we see increasing signs that the next consolidation wave in dentistry is happening at the dentist practise level. The private equity accelerated formation of dental chains and dental support organisations (DSO - dental service organisations) across the globe could just be the beginning. Longer term this could even lead to a forward integration of dental manufacturers observed in other medtech spaces (e.g. contact lenses and hearing aids).

Bottom line: Upbeat tone, digitalisation gaining traction

The tone at this year's IDS remained positive given more foot traffic and stable to improving end markets. Product introductions were more evolutionary with a focus on digital end to end workflows mostly around chairside CAD/CAM solutions. This should increase awareness and penetration beyond early adaptors. New technologies and economies of scale could lead to a consolidation wave on the level of the dentist practise.

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