

DENTSPLY SIRONA Inc.  
Form 10-Q  
May 10, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2017  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-16211

DENTSPLY SIRONA Inc.  
(Exact name of registrant as specified in its charter)

Delaware 39-1434669  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

221 West Philadelphia Street, York, PA 17401-2991  
(Address of principal executive offices) (Zip Code)

(717) 845-7511  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

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filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):  
Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Emerging growth company  If an emerging growth company, indicate by check mark if the registrant  
has elected not to use the extended transition period for complying with  
any new or revised financial accounting standards provided pursuant to  
Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: At

May 5, 2017, DENTSPLY SIRONA Inc. had 229,229,908 shares of Common Stock outstanding, with a par value of \$.01 per share.

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DENTSPLY SIRONA Inc.

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## PART I – FINANCIAL INFORMATION

## Item 1 – Financial Statements

DENTSPLY SIRONA INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

(unaudited)

	Three Months Ended March 31,	
	2017	2016
Net sales	\$900.5	\$772.6
Cost of products sold	408.5	353.7
Gross profit	492.0	418.9
Selling, general and administrative expenses	404.7	342.1
Restructuring and other costs	3.1	4.1
Operating income	84.2	72.7
Other income and expenses:		
Interest expense	9.3	9.2
Interest income	(0.7 )	(0.5 )
Other expense (income), net	(1.0 )	(3.4 )
Income before income taxes	76.6	67.4
Provision (benefit) for income taxes	16.9	(57.9 )
Net income	59.7	125.3
Less: Net (loss) income attributable to noncontrolling interests	(0.1 )	0.3
Net income attributable to Dentsply Sirona	\$59.8	\$125.0
Earnings per common share attributable to Dentsply Sirona:		
Basic	\$0.26	\$0.72
Diluted	\$0.26	\$0.70
Weighted average common shares outstanding:		
Basic	230.1	174.8
Diluted	234.0	178.4

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY SIRONA INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
 (In millions)  
 (unaudited)

	Three Months Ended March 31,	
	2017	2016
Net income	\$59.7	\$125.3
Other comprehensive income (loss), net of tax:		
Foreign currency translation gain	49.7	186.8
Net loss on derivative financial instruments	(3.3 )	(24.8 )
Pension liability gain	1.2	0.9
Total other comprehensive income (loss), net of tax	47.6	162.9
Total comprehensive income	107.3	288.2
Less: Comprehensive (loss) income attributable to noncontrolling interests	(0.2 )	0.4
Comprehensive income attributable to Dentsply Sirona	\$107.5	\$287.8

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY SIRONA INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In millions, except per share amounts)  
(unaudited)

	March 31, 2017	December 31, 2016
Assets		
Current Assets:		
Cash and cash equivalents	\$363.3	\$ 383.9
Accounts and notes receivables-trade, net	598.6	636.0
Inventories, net	565.1	517.1
Prepaid expenses and other current assets, net	193.6	173.5
Total Current Assets	1,720.6	1,710.5
Property, plant and equipment, net	807.1	799.8
Identifiable intangible assets, net	2,955.1	2,957.6
Goodwill, net	5,958.2	5,952.0
Other noncurrent assets, net	153.0	107.7
Total Assets	\$11,594.0	\$ 11,527.6
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$258.4	\$ 223.0
Accrued liabilities	424.3	462.7
Income taxes payable	42.1	60.8
Notes payable and current portion of long-term debt	22.7	21.1
Total Current Liabilities	747.5	767.6
Long-term debt	1,528.1	1,511.1
Deferred income taxes	753.2	723.5
Other noncurrent liabilities	401.6	399.5
Total Liabilities	3,430.4	3,401.7
Commitments and contingencies		
Equity:		
Preferred stock, \$1.00 par value; 0.25 million shares authorized; no shares issued	—	—
Common stock, \$.01 par value; 400.0 million shares authorized at March 31, 2017 and December 31, 2016, respectively 264.5 million shares issued at March 31, 2017 and December 31, 2016, respectively 229.9 million and 230.1 million shares outstanding at March 31, 2017 and December 31, 2016, respectively	2.6	2.6
Capital in excess of par value	6,516.2	6,516.7
Retained earnings	3,986.4	3,948.0
Accumulated other comprehensive loss	(658.0	) (705.7 )

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Treasury stock, at cost, 34.6 million and 34.4 million shares at March 31, 2017 and December 31, 2016, respectively	(1,695.0 )	(1,647.3 )
Total Dentsply Sirona Equity	8,152.2	8,114.3
Noncontrolling interests	11.4	11.6
Total Equity	8,163.6	8,125.9
Total Liabilities and Equity	\$11,594.0	\$ 11,527.6

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

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DENTSPLY SIRONA INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(unaudited)

	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net income	\$59.7	\$125.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	30.9	23.5
Amortization of intangible assets	45.2	21.8
Amortization of deferred financing costs	0.7	1.1
Deferred income taxes	9.8	(80.4 )
Stock based compensation expense	10.8	4.8
Restructuring and other costs - non-cash	0.6	2.6
Stock option income tax benefit	—	(8.4 )
Other non-cash income	(14.4 )	(3.4 )
Loss on disposal of property, plant and equipment	0.3	—
Changes in operating assets and liabilities, net of acquisitions:		
Accounts and notes receivable-trade, net	46.2	(67.1 )
Inventories, net	(38.3 )	8.6
Prepaid expenses and other current assets, net	(9.2 )	(16.9 )
Other noncurrent assets, net	(14.4 )	(2.4 )
Accounts payable	23.4	1.2
Accrued liabilities	(36.0 )	(15.5 )
Income taxes	(31.4 )	(1.1 )
Other noncurrent liabilities	(1.4 )	7.0
Net cash provided by operating activities	82.5	0.7
Cash flows from investing activities:		
Capital expenditures	(31.1 )	(20.8 )
Cash assumed in Merger	—	522.3
Cash and deposits paid for acquisitions of businesses, net of cash acquired	(9.1 )	(0.4 )
Cash received from sale of business or product line	—	2.4
Cash received on derivatives contracts	2.4	5.7
Cash paid on derivatives contracts	—	(3.5 )
Expenditures for identifiable intangible assets	(4.8 )	—
Purchase of short-term investments	(0.1 )	—
Purchase of Company-owned life insurance policies	—	(1.7 )
Proceeds from sale of property, plant and equipment, net	1.6	0.4
Net cash (used in) provided by investing activities	(41.1 )	504.4
Cash flows from financing activities:		



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Increase (decrease) in short-term borrowings	1.3	(2.1 )
Cash paid for treasury stock	(77.9 )	(428.8 )
Cash dividends paid	(18.0 )	(10.1 )
Proceeds from long-term borrowings	3.0	79.9
Repayments on long-term borrowings	(5.4 )	(127.5 )
Proceeds from exercised stock options	29.4	7.4
Excess tax benefits from stock based compensation	—	8.4
 Net cash used in financing activities	 (67.6 )	 (472.8 )
 Effect of exchange rate changes on cash and cash equivalents	 5.6	 6.2
 Net (decrease) increase in cash and cash equivalents	 (20.6 )	 38.5
 Cash and cash equivalents at beginning of period	 383.9	 284.6
 Cash and cash equivalents at end of period	 \$363.3	 \$323.1
 Schedule of non-cash investing activities:		
Merger financed by common stock	\$—	\$6,256.2
See accompanying Notes to Unaudited Interim Consolidated Financial Statements.		

DENTSPLY SIRONA INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions)

(unaudited)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Dentsply Sirona Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2015	\$ 1.6	\$237.8	\$3,591.0	\$ (594.0 )	\$ (898.4 )	\$ 2,338.0	\$ 1.4	\$2,339.4
Net income	—	—	125.0	—	—	125.0	0.3	125.3
Other comprehensive income	—	—	—	162.8	—	162.8	0.1	162.9
Common stock issuance related to Merger	1.0	6,253.4	—	—	—	6,254.4	1.8	6,256.2
Exercise of stock options	—	(1.6 )	—	—	9.0	7.4	—	7.4
Tax benefit from stock options exercised	—	8.4	—	—	—	8.4	—	8.4
Stock based compensation expense	—	4.8	—	—	—	4.8	—	4.8
Funding of Employee Stock Ownership Plan	—	2.1	—	—	4.2	6.3	—	6.3
Treasury shares purchased	—	—	—	—	(500.0 )	(500.0 )	—	(500.0 )
RSU distributions	—	(15.4 )	—	—	8.4	(7.0 )	—	(7.0 )
RSU dividends	—	0.2	(0.2 )	—	—	—	—	—
Cash dividends (\$0.0775 per share)	—	—	(18.3 )	—	—	(18.3 )	—	(18.3 )
Balance at March 31, 2016	\$ 2.6	\$6,489.7	\$3,697.5	\$ (431.2 )	\$ (1,376.8)	\$ 8,381.8	\$ 3.6	\$8,385.4

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Dentsply Sirona Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2016	\$ 2.6	\$6,516.7	\$3,948.0	\$ (705.7 )	\$ (1,647.3)	\$ 8,114.3	\$ 11.6	\$8,125.9
Net income	—	—	59.8	—	—	59.8	(0.1 )	59.7
Other comprehensive income	—	—	—	47.7	—	47.7	(0.1 )	47.6
Exercise of stock options								