



Dentsply Sirona Third Quarter 2019

November 7, 2019

Forward-Looking Statements and Associated Risks

Information the Company has included or incorporated by reference in this Form 10-K, and information which may be contained in other filings with the SEC as well as press releases or other public statements, contains or may contain forward-looking statements. These forward-looking statements include, among other things, statements about the Company's plans, objectives, expectations (financial or otherwise) or intentions.

The Company's forward-looking statements involve risks and uncertainties. Actual results may differ significantly from those projected or suggested in any forward-looking statements. The Company does not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Any number of factors could cause the Company's actual results to differ materially from those contemplated by any forward-looking statements, including, but not limited to, the risks associated with the following:

- the Company's ability to successfully implement its cost reduction and restructuring plans
- the Company's ability to remain profitable in a very competitive marketplace, which depends upon the Company's ability to differentiate its products and services from those of competitors
- the Company's failure to anticipate and appropriately adapt to changes or trends within the rapidly changing dental industry
- the effect of changes in the Company's management and personnel
- changes in applicable laws, rules or regulations, or their interpretation or enforcement, or the enactment of new laws, rules or regulations, which apply to the Company's business practices (past, present or future) or require the Company to spend significant resources for compliance
- a significant failure or disruption in service within the Company's operations or the operations of key distributors
- results in pending and future litigation, investigations or other proceedings which could subject the Company to significant monetary damages or penalties and/or require us to change our business practices, or the costs incurred in connection with such proceedings
- the Company's failure to attract and retain talented employees, or to manage succession and retention for its Chief Executive Officer or other key executives
- the Company's failure to successfully integrate the business operations or achieve the anticipated benefits from any acquired businesses
- the Company's failure to execute on, or other issues arising under, certain key client contracts
- the impact of the Company's debt service obligations on the availability of funds for other business purposes, the terms of and required compliance with covenants relating to the Company's indebtedness and its access to the credit markets in general
- general economic conditions
- other risks described from time to time in the Company's filings with the SEC

You should carefully consider these and other relevant factors, including those risk factors in Part I, Item 1A, "Risk Factors" of this Form 10-K and any other information included or incorporated by reference in this report, and information which may be contained in the Company's other filings with the SEC, when reviewing any forward-looking statement. Investors should understand it is impossible to predict or identify all such factors or risks. As such, you should not consider either foregoing lists, or the risks identified in the Company's SEC filings, to be a complete discussion of all potential risks or uncertainties associated with an investment in the Company.

Non-GAAP Financial Measures

In addition to the results reported in accordance with US GAAP, the Company provides adjusted net income attributable to Dentsply Sirona and adjusted earnings per diluted common share (“adjusted EPS”). The Company discloses adjusted net income attributable to Dentsply Sirona to allow investors to evaluate the performance of the Company’s operations exclusive of certain items that impact the comparability of results from period to period and may not be indicative of past or future performance of the normal operations of the Company and certain large non-cash charges related to intangible assets either purchased or acquired through a business combination. The Company believes that this information is helpful in understanding underlying operating trends and cash flow generation.

Adjusted net income and adjusted EPS are important internal measures for the Company. Senior management receives a monthly analysis of operating results that includes adjusted net income and adjusted EPS and the performance of the Company is measured on this basis along with other performance metrics.

The adjusted net income attributable to Dentsply Sirona consists of net income attributable to Dentsply Sirona adjusted to exclude the following:

(1) Business combination related costs and fair value adjustments. These adjustments include costs related to integrating and consummating mergers and recently acquired businesses, as well as costs, gains and losses related to the disposal of businesses or significant product lines. In addition, this category includes the roll off to the consolidated statement of operations of fair value adjustments related to business combinations, except for amortization expense noted below. These items are irregular in timing and as such may not be indicative of past and future performance of the Company and are therefore excluded to allow investors to better understand underlying operating trends.

(2) Restructuring program related costs and other costs. These adjustments include costs related to the implementation of restructuring initiatives as well as certain other costs. These costs can include, but are not limited to, severance costs, facility closure costs, lease and contract terminations costs, related professional service costs, duplicate facility and labor costs associated with specific restructuring initiatives, as well as, legal settlements and impairments of assets. These items are irregular in timing, amount and impact to the Company’s financial performance. As such, these items may not be indicative of past and future performance of the Company and are therefore excluded for the purpose of understanding underlying operating trends.

(3) Amortization of purchased intangible assets. This adjustment excludes the periodic amortization expense related to purchased intangible assets. Amortization expense has been excluded from adjusted net income attributed to Dentsply Sirona to allow investors to evaluate and understand operating trends excluding these large non-cash charges.

(4) Credit risk and fair value adjustments. These adjustments include both the cost and income impacts of adjustments in certain assets and liabilities including the Company’s pension obligations, that are recorded through net income which are due solely to the changes in fair value and credit risk. These items can be variable and driven more by market conditions than the Company’s operating performance. As such, these items may not be indicative of past and future performance of the Company and therefore are excluded for comparability purposes.

(5) Gain on sale of marketable securities. This adjustment represents the gain on the sale of marketable securities held by the Company. The gain has been excluded from adjusted net income attributed to Dentsply Sirona to allow investors to evaluate and understand operating trends excluding this gain.

(6) Income tax related adjustments. These adjustments include both income tax expenses and income tax benefits that are representative of income tax adjustments mostly related to prior periods, as well as the final settlement of income tax audits, and discrete tax items resulting from the implementation of restructuring initiatives and the vesting and exercise of employee share-based compensation. These adjustments are irregular in timing and amount and may significantly impact the Company’s operating performance. As such, these items may not be indicative of past and future performance of the Company and therefore are excluded for comparability purposes.

Adjusted earnings per diluted common share is calculated by dividing adjusted net income attributable to Dentsply Sirona by diluted weighted-average common shares outstanding. Adjusted net income attributable to Dentsply Sirona and adjusted earnings per diluted common share are considered measures not calculated in accordance with US GAAP, and therefore are non-US GAAP measures. These non-US GAAP measures may differ from other companies. Income tax related adjustments may include the impact to adjust the interim effective income tax rate to the expected annual effective tax rate. The non-US GAAP financial information should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP.

The Company defines “constant currency” sales growth as the increase or decrease in net sales from period to period excluding precious metal content and the impact of changes in foreign currency exchange rates. This impact is calculated by comparing current-period revenues to prior-period revenues, with both periods converted at the U.S. dollar to local currency foreign exchange rate for each month of the prior period, for the currencies in which the Company does business. The Company defines “internal” sales growth as constant currency sales growth excluding the impacts of net acquisitions and divestitures and discontinued products.

Management believes that the presentation of net sales, excluding precious metal content, provides useful information to investors because a portion of Dentsply Sirona’s net sales is comprised of sales of precious metals generated through sales of the Company’s precious metal dental alloy products, which are used by third parties to construct crown and bridge materials. Due to the fluctuations of precious metal prices and because the cost of the precious metal content of the Company’s sales is largely passed through to customers and has minimal effect on earnings, Dentsply Sirona reports net sales both with and without precious metal content to show the Company’s performance independent of precious metal price volatility and to enhance comparability of performance between periods. The Company uses its cost of precious metal purchased as a proxy for the precious metal content of sales, as the precious metal content of sales is not separately tracked and invoiced to customers. The Company believes that it is reasonable to use the cost of precious metal content purchased in this manner since precious metal dental alloy sale prices are typically adjusted when the prices of underlying precious metals change.

Third Quarter 2019 – Agenda



Introduction		
Introduction	John Sweeney	VP IR
Overview	Don Casey	CEO
Financials & Outlook	Jorge Gomez	EVP & CFO
Operating Update	Don Casey	CEO
Q & A		

Overview



Don Casey
Chief Executive Officer

3Q19 – Summary Performance

3Q19 Sales (ex. PM)	3Q19 Internal Sales Growth	3Q19 Adj. EPS
\$951M <i>(+2.9% YOY, with a -2.3% Currency Impact)</i>	7.5%	\$0.57 <i>(up 51% YOY)</i>

3Q19 Adj. OI Margin	3Q19 Cash Flow From Operations
18.1% <i>(up 510 bps YOY)</i>	\$159M

Financials & Outlook



Jorge Gomez
EVP & Chief Financial Officer



3Q19 – Financial Summary – Non-GAAP

In Millions of USD	Q3 2019 Actual	Q3 2018 Actual	% Change
Net Sales	\$ 951	\$ 924	2.9%
Gross Profit	548	512	7.0%
Gross Profit %	57.6%	55.4%	219 bps
Total SG&A Expenses	376	392	-4.1%
SG&A %	39.5%	42.4%	-290 bps
Operating Income	172	120	43%
Operating Margin %	18.1%	13.0%	510 bps
Other (Income)/Expense	\$ 2	\$ 11	-83%
Net Income	\$ 128	\$ 85	52%
Adjusted EPS	\$ 0.57	\$ 0.38	51%

3Q19 – Consumables Segment

(44% of Total Sales)



- Sales of \$416 million, up 1.0% YoY
- Currency negatively impacted sales by (2.2%)
- Internal sales growth of 3.2%, with growth in restorative and endodontic products, offset in part by declines in laboratory products
- Consumables OI margin of 27.3%, up 250 bps vs prior year mainly driven by ongoing cost saving initiatives and favorable pricing

3Q19 - Technologies & Equipment Segment

(56% of Total Sales)



- Sales (ex. PM) of \$535M, up 4.5% YOY
- Currency reduced sales by 2.4%. 3Q19 internal growth of 11%
- T&E product categories: Digital Dentistry saw strong growth, Healthcare up slightly, while Equipment & Instruments sales declined
- Operating income margin of 19.6%, up 1,020 bps YoY due to higher sales, dealer destocking in 3Q18, and ongoing efficiency initiatives

3Q19 – Regional Sales (ex. PM) Performance



U.S. Sales – (35% of total)

- Sales increased 1.5%
- Acquisitions/disc. products reduced sales growth by 3.1%
- Internal sales growth of 4.6%.



Europe Sales – (37% of total)

- Sales increased 2.7%
- Acquisitions/disc. products reduced sales by (1.1%)
- Foreign exchange reduced sales by (4.6%)
- Internal sales growth of 8.4%



Rest of World Sales (28% of total)

- Sales increased 5.1%
- Acquisitions/disc. products reduced sales by (2.6%)
- Foreign exchange reduced sales by (2.3%)
- Internal growth of 10.0%

3Q19 - Free Cash Flow

	3Q19	3Q18	% Δ		9mo'19	9mo'18	% Δ
Cash Flow From Operations	\$159	\$126	27%		\$334	\$298	12%
Capital Expenditures	23	49	(53%)		87	131	(34%)
Free Cash Flow	\$136	\$76	78%		\$247	\$167	48%



Updated FY19 Guidance

	Previous 2019 Guidance	2019 Updated Guidance
Revenue	\$3.95 - \$4.05B	\$3.95 - \$4.05B
Internal Revenue Growth	4% - 5%	Towards the upper end of range of 4% - 5%
OI Margin	18%-19%	18%-19%
EPS	\$2.35-\$2.45	\$2.42-\$2.48

Dentsply Sirona Financial Targets - Ontrack

Item	Target	Commentary
Sales Growth	~3-4%	<ul style="list-style-type: none"> Consumables growth steady at ~2-3% Technologies & Equipment returning to growth in 2019 & 4%+ thereafter New product introductions Investing in global scale and faster growing regions Overall growth at or above dental market
EBIT Margin	20% by the end of 2020 & 22% by the end of 2022	<ul style="list-style-type: none"> Restructuring to save \$200-225M by 2021 Portfolio shaping Continuing plans for margin expansion after 2020
EPS Growth	Double Digit	<ul style="list-style-type: none"> Accelerated EPS growth in the near-term as cost savings are realized
Net Debt to EBITDA	Investment Grade	<ul style="list-style-type: none"> Utilize balance sheet to enhance EPS growth

Operating Update

Don Casey
Chief Executive Officer

Our Strategy & Vision

Take advantage of the unique global breadth and depth of Dentsply Sirona to create more meaningful solutions for dentists built around innovative products and differentiated clinical education.

**Grow
Revenues**

SBU/RCO Consolidation
Innovation
Demand Creation – SFE
Clinical Education
Invest in Growing Markets

**Improve
Margins**

Supply Chain Integration
Portfolio Shaping

**Simplify the
Organization**

Reduce Headcount
Portfolio Shaping
Cost Restructuring

Primescan Roll Out



Healthy U.S. New Product Launch Platform



Carbon JV
Digital Dentures



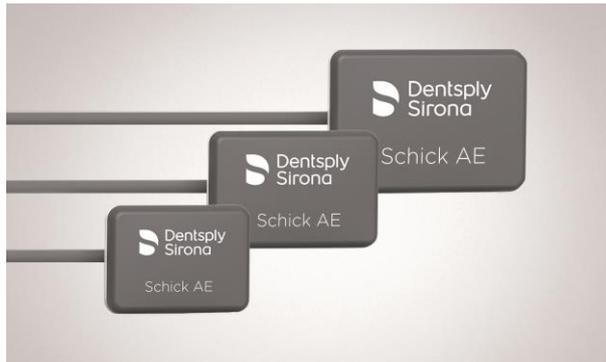
TruAnatomy



AstraTech Implant System EV



CEREC 5.1 with Oracheck



Schick AE

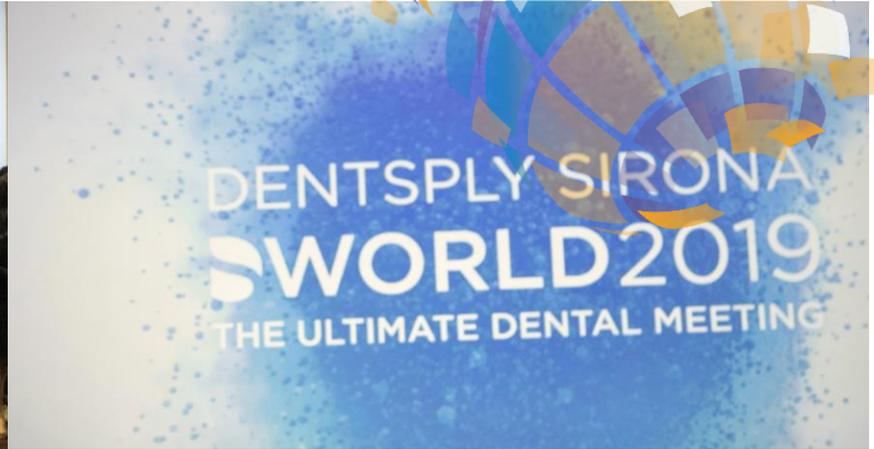


Orthophos E, S & SL

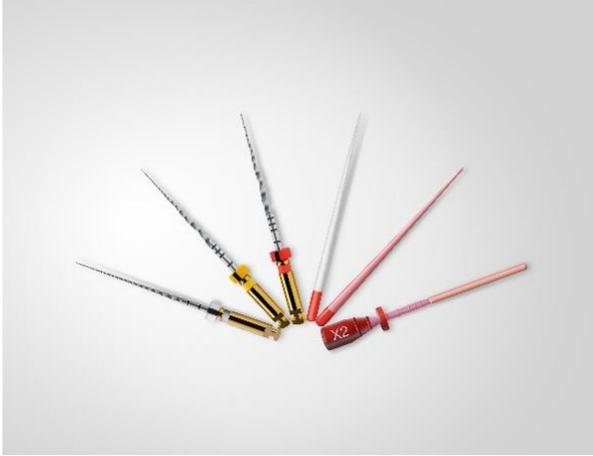
Changing Rewards Program to Enhance Customer Intimacy



Success at Dentsply Sirona World 2019



Conclusion



- Restructuring Plan Delivering Results
- Growing Revenues
- Expanding Margins – Portfolio Management, Efficiency & Spending Discipline
- Simplification – Centralized Supply Chain Function, Procurement & Leveraging Scale
- Achieved Headcount Target

Appendix

Non-GAAP Reconciliation – Net Sales

(in millions, except percentages)	Three Months Ended September 30, 2019				Q3 2019 Growth				Three Months Ended September 30, 2018			
	US	Europe	ROW	Total	US	Europe	ROW	Total	US	Europe	ROW	Total
Net sales	\$ 337.0	\$ 361.4	\$ 263.7	\$ 962.1	2.5%	3.6%	5.1%	3.6%	\$ 328.7	\$ 348.8	\$ 250.9	\$ 928.4
Less: precious metal content of sales	1.5	9.1	0.9	11.5					1.3	5.6	0.9	7.8
Net sales, excluding precious metal content	335.5	352.3	262.8	950.6	2.5%	2.7%	5.1%	3.3%	327.4	343.2	250.0	920.6
Acquisition related adjustments (a)	-	-	-	-					3.2	-	-	3.2
Non-GAAP, net sales, excluding precious metal content	\$ 335.5	\$ 352.3	\$ 262.8	\$ 950.6	1.5%	2.7%	5.1%	2.9%	\$ 330.6	\$ 343.2	\$ 250.0	\$ 923.8
Foreign exchange impact					0.0%	(4.6%)	(2.3%)	(2.3%)				
Constant currency growth					1.5%	7.3%	7.4%	5.2%				
Acquisitions					(2.7%)	(0.1%)	(0.6%)	(1.2%)				
Discontinued products					(0.4%)	(1.0%)	(2.0%)	(1.1%)				
Internal sales growth					4.6%	8.4%	10.0%	7.5%				

(a) Represents an adjustment to reflect deferred revenue that was eliminated under business combination accounting standards.

(in millions, except percentages)	Three Months Ended September 30, 2019			Q3 2019 Growth			Three Months Ended September 30, 2018		
	Technologies & Equipment	Consumables	Total	Technologies & Equipment	Consumables	Total	Technologies & Equipment	Consumables	Total
Net sales	\$ 534.5	\$ 427.6	\$ 962.1	5.1%	1.8%	3.6%	\$ 508.5	\$ 419.9	\$ 928.4
Less: precious metal content of sales	-	11.5	11.5				-	7.8	7.8
Net sales, excluding precious metal content	534.5	416.1	950.6	5.1%	1.0%	3.3%	508.5	412.1	920.6
Acquisition related adjustments (a)	-	-	-				3.2	-	3.2
Non-GAAP, net sales, excluding precious metal content	\$ 534.5	\$ 416.1	\$ 950.6	4.5%	1.0%	2.9%	\$ 511.7	\$ 412.1	\$ 923.8
Foreign exchange impact				(2.4%)	(2.2%)	(2.3%)			
Constant currency growth				6.9%	3.2%	5.2%			
Acquisitions				(2.1%)	0.0%	(1.2%)			
Discontinued products				(2.0%)	0.0%	(1.1%)			
Internal sales growth				11.0%	3.2%	7.5%			

(a) Represents an adjustment to reflect deferred revenue that was eliminated under business combination accounting standards.

Non-GAAP Reconciliation – Consolidated Statements of Income

	GAAP								NON-GAAP	
	Three Months Ended September 30, 2019	Amortization of Purchased Intangible Assets	Restructuring Program Related Costs and Other Costs (a)	Business Combination Related Costs and Fair Value Adjustments	Credit Risk and Fair Value Adjustments	Tax Impact of Non-GAAP Adjustments	Income Tax Related Adjustments	Total Non-GAAP Adjustments	Three Months Ended September 30, 2019	
NET SALES	\$ 962.1	-	-	-	-	-	-	\$ -	\$ 962.1	
NET SALES-excluding precious metals	950.6	-	-	-	-	-	-	-	950.6	
GROSS PROFIT	514.0	28.8	3.6	1.5	-	-	-	33.9	547.9	
% OF NET SALES-excluding precious metals	54.1%								57.6%	
SG&A EXPENSES	399.3	(18.6)	(4.8)	(0.3)	-	-	-	(23.7)	375.6	
% OF NET SALES-excluding precious metals	42.0%								39.5%	
RESTRUCTURING AND OTHER COSTS	5.2	-	(5.2)	-	-	-	-	(5.2)	-	
INCOME FROM OPERATIONS	109.5	47.4	13.6	1.8	-	-	-	62.8	172.3	
% OF NET SALES-excluding precious metals	11.5%								18.1%	
NET INTEREST AND OTHER EXPENSE	3.0	-	0.4	-	(1.6)	-	-	(1.2)	1.8	
PRE-TAX INCOME	106.5	47.4	13.2	1.8	1.6	-	-	64.0	170.5	
INCOME TAXES	21.5	-	-	-	-	16.5	4.2	20.7	42.2	
% OF PRE-TAX INCOME	20.2%								24.8%	
NET INCOME ATTRIBUTABLE TO DENTSPLY SIRONA	\$ 85.0							\$ 43.3	\$ 128.3	
% OF NET SALES-excluding precious metals	8.9%								13.5%	
EARNINGS PER SHARE - DILUTED	\$ 0.38							\$ 0.19	\$ 0.57	

Non-GAAP Reconciliation – Consolidated Statements of Income

	GAAP								NON-GAAP	
	Three Months Ended September 30, 2018	Amortization of Purchased Intangible Assets	Restructuring Program Related Costs and Other Costs	Business Combination Related Costs and Fair Value Adjustments	Credit Risk and Fair Value Adjustments	Tax Impact of Non-GAAP Adjustments	Income Tax Related Adjustments	Total Non-GAAP Adjustments	Three Months Ended September 30, 2018	
NET SALES	\$ 928.4	-	-	3.2	-	-	-	\$ 3.2	\$ 931.6	
NET SALES-excluding precious metals	920.6	-	-	3.2	-	-	-	3.2	923.8	
GROSS PROFIT	476.1	29.7	1.6	4.7	-	-	-	36.0	512.1	
% OF NET SALES-excluding precious metals	51.7%							-	55.4%	
SG&A EXPENSES	418.5	(19.9)	(4.9)	(1.8)	-	-	-	(26.6)	391.9	
% OF NET SALES-excluding precious metals	45.5%							-	42.4%	
RESTRUCTURING AND OTHER COSTS	12.1	-	(12.1)	-	-	-	-	(12.1)	-	
INCOME FROM OPERATIONS	45.5	49.6	18.6	6.5	-	-	-	74.7	120.2	
% OF NET SALES-excluding precious metals	4.9%								13.0%	
NET INTEREST AND OTHER EXPENSE	13.8	-	-	(0.2)	(2.2)	-	-	(2.4)	11.4	
PRE-TAX INCOME	31.7	49.6	18.6	6.7	2.2	-	-	77.1	108.8	
INCOME TAXES	4.2	-	-	-	-	20.8	(0.3)	20.5	24.7	
% OF PRE-TAX INCOME	13.2%								22.7%	
LESS: NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(0.5)							-	(0.5)	
NET INCOME ATTRIBUTABLE TO DENTSPLY SIRONA	\$ 28.0							\$ 56.6	\$ 84.6	
% OF NET SALES-excluding precious metals	3.0%								9.2%	
EARNINGS PER SHARE - DILUTED	\$ 0.13							\$ 0.25	\$ 0.38	

