



# DENTSPLY INTERNATIONAL

**DENTSPLY** Supplemental Materials

NASDAQ-XRAY

**DENTSPLY International, Inc.**

# **Third Quarter 2014 Earnings Supplemental Materials**

**October 29, 2014**

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# Forward Looking Statements

This presentation contains forward-looking information (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding future events or the future financial performance of the Company that involve substantial risks and uncertainties. Actual events or results may differ materially from those in the projections or other forward-looking information set forth herein as a result of certain risk factors. These risk factors include, without limitation; the continued strength of dental and medical markets, the timing, success and market reception for our new and existing products, uncertainty with respect to governmental actions with respect to dental and medical products, outcome of litigation and/or governmental enforcement actions, volatility in the capital markets or changes in our credit ratings, continued support of our products by influential dental and medical professionals, our ability to successfully integrate acquisitions, risks associated with foreign currency exchange rates, risks associated with our competitors' introduction of generic or private label products, our ability to accurately predict dealer and customer inventory levels, our ability to successfully realize the benefits of any cost reduction or restructuring efforts, our ability to obtain a supply of certain finished goods and raw materials from third parties and changes in the general economic environment that could affect the business. Changes in such assumptions or factors could produce significantly different results.

For additional information regarding the factors that may cause actual results to differ materially from these forward-looking statements, please refer to the Company's most recent Form 10-K and its subsequent periodic reports on Forms 10-Q filed with the Securities and Exchange Commission.

# Non-GAAP Financial Measures

In addition to the results reported in accordance with US GAAP, the Company provides adjusted net income attributable to DENTSPLY International and adjusted earnings per diluted common share. The Company discloses adjusted net income attributable to DENTSPLY International 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 certain large non-cash charges related to purchased intangible assets. The Company believes that this information is helpful in understanding underlying operating trends and cash flow generation. The adjusted net income attributable to DENTSPLY International consists of net income attributable to DENTSPLY International adjusted to exclude the impact of the following:

(1) Acquisition related costs. These adjustments include costs related to integrating recently acquired businesses and specific costs related to the consummation of the acquisition process. These costs 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 and other costs. These adjustments include both costs and income that 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. Following a significant acquisition in 2011, the Company began recording large non-cash charges related to the values attributed to purchased intangible assets. These charges have been excluded from adjusted net income attributed to DENTSPLY International to allow investors to evaluate and understand operating trends excluding these large non-cash charges.

(4) Income related to credit risk and fair value adjustments. These adjustments include both the cost and income impacts of adjustments in certain assets and liabilities 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) Certain fair value adjustments related to an unconsolidated affiliated company. This adjustment represents the fair value adjustment of the unconsolidated affiliated company's convertible debt instrument held by the Company. The affiliate is accounted for under the equity method of accounting. The fair value adjustment is driven by open market pricing of the affiliate's equity instruments, which has a high degree of variability and may not be indicative of the operating performance of the affiliate or the Company.

(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. 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 International by diluted weighted-average common shares outstanding. Adjusted net income attributable to DENTSPLY International 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.

# Q3 2014 Performance Summary

- ✓ Sales, ex PM, grew +1.8%
  - ✓ Internal growth +2.4%%
- ✓ Adjusted operating margin expanded 80 bps to 18.7%
- ✓ Operating cash flow increased 17% to \$148 million
- ✓ EPS on an adjusted basis grew +9% to \$0.62

# 9M 2014 Performance Summary

- ✓ Sales, ex PM, grew +2.1%
  - ✓ Internal growth +0.9%
- ✓ Adjusted operating margin expanded 80 bps to 18.6%
- ✓ Operating cash flow increased 42% to \$368 million
- ✓ EPS on an adjusted basis grew +9% to \$1.90

# Q3 2014 Internal Growth, Ex. PM

**Consolidated internal growth: Q3 2014: +2.4%**

## United States

**Q3 2014: 36% of total  
Internal growth: +2.0%**

## Europe

**Q3 2014: 42% of total  
Internal growth: +1.0%**

## Rest of World

**Q3 2014: 22% of total  
Internal growth: 5.9%**

# Cash Flow and Balance Sheet Highlights

- Q3 2014 cash flow from operating activities of \$148 million
  - Depreciation of \$21 million and amortization of \$13 million
  - Capital expenditures of \$24 million
- Total debt of \$1.3 billion; net debt of \$1.2 billion
  - Net debt\*: 32% of total capitalization
  - Leverage\*\*: 2.0 x
- Inventory down 4 days to 119 compared to 123 at Q2 2014
- DSO's of 62, up 3 sequentially, down 2 vs. Q3 2014

\* Net debt : long term debt and notes payable minus cash and equivalents. Total capitalization: net debt + equity

\*\* Leverage ratio: net debt to adjusted TTM EBITDA; TTM EBITDA calculated using adjusted operating income and adding depreciation

# 2014 Earnings Guidance

- 2014 adjusted earnings in the range of \$2.49 to \$2.53 per diluted share.

# Appendix

# Non-GAAP Reconciliation: Q3 2014

DENTSPLY INTERNATIONAL INC.  
CONSOLIDATED STATEMENTS OF INCOME

**GAAP**  
THREE MONTHS ENDED

**NON-GAAP**  
THREE MONTHS ENDED

	September 30, 2014	Acquisition Related Activities	Restructuring, Credit Risks & Other Costs	Income Tax Related Adjustments	Amortization of purchased intangible assets	Total Non-GAAP Adjustments	September 30, 2014
NET SALES	\$ 708,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 708,240
NET SALES-without precious metals	681,584	-	-	-	-	-	681,584
GROSS PROFIT	388,064	920	1,275	-	3,271	5,466	393,530
% OF NET SALES-without precious metals	56.9%						57.7%
SG&A EXPENSES	275,980	(1,146)	86	-	(8,623)	(9,683)	266,297
% OF NET SALES-without precious metals	40.5%						39.1%
RESTRUCTURING AND OTHER COSTS	2,503	-	(2,503)	-	-	(2,503)	-
INCOME FROM OPERATIONS	109,581	2,066	3,692	-	11,894	17,652	127,233
% OF NET SALES-without precious metals	16.1%						18.7%
NET INTEREST AND OTHER EXPENSE	12,065	-	(1,363)	-	-	(1,363)	10,702
PRE-TAX INCOME	97,516	2,066	5,055	-	11,894	19,015	116,531
INCOME TAXES	21,283	672	1,692	(595)	3,477	5,246	26,529
EQUITY EARNINGS (LOSS) OF UNCONSOLIDATED AFFILIATES	(967)	-	221	-	-	221	(746)
LESS: NET INCOME/(LOSS) ATTRIBUTABLE TO THE NON-CONTROLLING INTERESTS	(7)	-	-	-	-	-	(7)
NET INCOME ATTRIBUTABLE TO DENTSPLY INTERNATIONAL	\$ 75,273	\$ 1,394	\$ 3,584	\$ 595	\$ 8,417	\$ 13,990	\$ 89,263
% OF NET SALES-without precious metals	11.0%						13.1%
EARNINGS PER SHARE - DILUTED	\$ 0.52	\$ 0.01	\$ 0.03	\$ -	\$ 0.06	\$ 0.10	\$ 0.62

# Non-GAAP Reconciliation: Q3 2013

DENTSPLY INTERNATIONAL INC.  
CONSOLIDATED STATEMENTS OF INCOME

**GAAP**  
THREE MONTHS ENDED

**NON-GAAP**  
THREE MONTHS ENDED

	September 30, 2013	Acquisition Related Activities	Restructuring, Credit Risks & Other Costs	Income Tax Related Adjustments	Amortization of purchased intangible assets	Total Non-GAAP Adjustments	September 30, 2013
NET SALES	\$ 704,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 704,018
NET SALES-without precious metals	669,425	-	-	-	-	-	669,425
GROSS PROFIT	376,417	2	-	-	2,689	2,691	379,108
% OF NET SALES-without precious metals	56.2%						56.6%
SG&A EXPENSES	269,165	(1,171)	(54)	-	(8,548)	(9,773)	259,392
% OF NET SALES-without precious metals	40.2%						38.7%
RESTRUCTURING AND OTHER COSTS	2,231	-	(2,231)	-	-	(2,231)	-
INCOME FROM OPERATIONS	105,021	1,173	2,285	-	11,237	14,695	119,716
% OF NET SALES-without precious metals	15.7%						17.9%
NET INTEREST AND OTHER EXPENSE	10,885	-	802	-	-	802	11,687
PRE-TAX INCOME	94,136	1,173	1,483	-	11,237	13,893	108,029
INCOME TAXES	13,187	429	16	6,882	3,386	10,713	23,900
EQUITY EARNINGS (LOSS) OF UNCONSOLIDATED AFFILIATES	(83)	-	(823)	-	-	(823)	(906)
LESS: NET INCOME/(LOSS) ATTRIBUTABLE TO THE NON-CONTROLLING INTERESTS	1,015	-	-	-	-	-	1,015
NET INCOME ATTRIBUTABLE TO DENTSPLY INTERNATIONAL	\$ 79,851	\$ 744	\$ 644	\$ (6,882)	\$ 7,851	\$ 2,357	\$ 82,208
% OF NET SALES-without precious metals	11.9%						12.3%
EARNINGS PER SHARE - DILUTED	\$ 0.55	0.01	-	(0.05)	0.06	0.02	\$ 0.57

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# Non-GAAP Reconciliation: YTD 2014

DENTSPLY INTERNATIONAL INC.  
CONSOLIDATED STATEMENTS OF INCOME

**GAAP**  
NINE MONTHS ENDED

**NON-GAAP**  
NINE MONTHS ENDED

	September 30, 2014	Acquisition Related Activities	Restructuring, Credit Risks & Other Costs	Income Tax Related Adjustments	Amortization of purchased intangible assets	Total Non-GAAP Adjustments	September 30, 2014
NET SALES	\$ 2,203,579	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,203,579
NET SALES-without precious metals	2,101,665	-	-	-	-	-	2,101,665
GROSS PROFIT	1,206,738	2,031	1,275	-	9,363	12,669	1,219,407
% OF NET SALES-without precious metals	57.4%						58.0%
SG&A EXPENSES	859,943	(3,588)	(67)	-	(27,067)	(30,722)	829,221
% OF NET SALES-without precious metals	40.9%						39.5%
RESTRUCTURING AND OTHER COSTS	4,538	-	(4,538)	-	-	(4,538)	-
INCOME FROM OPERATIONS	342,257	5,619	5,880	-	36,430	47,929	390,186
% OF NET SALES-without precious metals	16.3%						18.6%
NET INTEREST AND OTHER EXPENSE	32,602	-	(194)	-	-	(194)	32,408
PRE-TAX INCOME	309,655	5,619	6,074	-	36,430	48,123	357,778
INCOME TAXES	69,831	1,879	1,829	(3,536)	10,782	10,954	80,785
EQUITY EARNINGS (LOSS) OF UNCONSOLIDATED AFFILIATES	(1,624)	-	(910)	-	-	(910)	(2,534)
LESS: NET INCOME/(LOSS) ATTRIBUTABLE TO THE NON-CONTROLLING INTERESTS	56	-	-	-	-	-	56
NET INCOME ATTRIBUTABLE TO DENTSPLY INTERNATIONAL	\$ 238,144	\$ 3,740	\$ 3,335	\$ 3,536	\$ 25,648	\$ 36,259	\$ 274,403
% OF NET SALES-without precious metals	11.3%						13.1%
EARNINGS PER SHARE - DILUTED	\$ 1.65	\$ 0.02	\$ 0.03	\$ 0.02	\$ 0.18	0.25	\$ 1.90

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# Non-GAAP Reconciliation: YTD 2013

DENTSPLY INTERNATIONAL INC.  
CONSOLIDATED STATEMENTS OF INCOME

**GAAP**  
NINE MONTHS ENDED

**NON-GAAP**  
NINE MONTHS ENDED

	September 30, 2013	Acquisition Related Activities	Restructuring, Credit Risks & Other Costs	Income Tax Related Adjustments	Amortization of purchased intangible assets	Total Non-GAAP Adjustments	September 30, 2013
NET SALES	\$ 2,197,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,197,112
NET SALES-without precious metals	2,058,029	-	-	-	-	-	2,058,029
GROSS PROFIT	1,179,573	417	-	-	8,882	9,299	1,188,872
% OF NET SALES-without precious metals	57.3%						57.8%
SG&A EXPENSES	852,763	(4,025)	(278)	-	(25,770)	(30,073)	822,690
% OF NET SALES-without precious metals	41.4%						40.0%
RESTRUCTURING AND OTHER COSTS	5,065	-	(5,065)	-	-	(5,065)	-
INCOME FROM OPERATIONS	321,745	4,442	5,343	-	34,652	44,437	366,182
% OF NET SALES-without precious metals	15.6%						17.8%
NET INTEREST AND OTHER EXPENSE	40,337	-	(4,381)	-	-	(4,381)	35,956
PRE-TAX INCOME	281,408	4,442	9,724	-	34,652	48,818	330,226
INCOME TAXES	39,599	1,599	2,574	18,388	10,423	32,984	72,583
EQUITY EARNINGS (LOSS) OF UNCONSOLIDATED AFFILIATES	320	-	(1,333)	-	-	(1,333)	(1,013)
LESS: NET INCOME/(LOSS) ATTRIBUTABLE TO THE NON-CONTROLLING INTERESTS	3,366	-	-	-	-	-	3,366
NET INCOME ATTRIBUTABLE TO DENTSPLY INTERNATIONAL	\$ 238,763	\$ 2,843	\$ 5,817	\$ (18,388)	\$ 24,229	\$ 14,501	\$ 253,264
% OF NET SALES-without precious metals	11.6%						12.3%
EARNINGS PER SHARE - DILUTED	\$ 1.65	\$ 0.02	\$ 0.04	\$ (0.13)	\$ 0.17	\$ 0.10	\$ 1.75

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