

Dentsply Sirona Reports First Quarter 2024 Results

- Net sales of \$953 million decreased (2.6%), organic sales decreased (1.9%)
- GAAP gross margin of 53.1%, GAAP net income of \$18 million or \$0.09 per share
- Adjusted EBITDA margin of 16.8%, adjusted EPS of \$0.42
- Maintaining FY24 outlook for organic sales and adjusted EPS, trending towards the low-end of both ranges; reported sales adjusted for additional foreign currency impact
- Company expects to repurchase up to \$150 million of its common stock in Q2 2024

Charlotte, N.C., May 2, 2024 - DENTSPLY SIRONA Inc. ("Dentsply Sirona" or the "Company") (Nasdaq: XRAY) today announced its financial results for the first quarter of 2024.

First quarter net sales of \$953 million decreased (2.6%) (organic sales decreased (1.9%)), compared to the first quarter of 2023. Net income (loss) was \$18 million, or \$0.09 per share, compared to net income (loss) of (\$19) million, or (\$0.09) per share in the first quarter of 2023. Adjusted earnings per diluted share were \$0.42, compared to \$0.39 in the first quarter of 2023. A reconciliation of Non-GAAP measures (including organic sales, adjusted EBITDA and margin, adjusted EPS, adjusted free cash flow conversion, and segment adjusted operating income) to GAAP measures is provided below.

"With first quarter sales softer than anticipated due to continued lower demand for imaging equipment, we believe our full year is trending towards the low end of the outlook range for both organic sales and adjusted EPS. We did see some bright spots in the business in Q1, with over 50% growth in China, double-digit growth in our global aligners business and U.S. CAD/CAM, and mid-single digit growth in Wellspect Healthcare," said Simon Campion, President and Chief Executive Officer. "While the macroeconomic environment remains uncertain, we continue to make progress on our strategic initiatives and believe that our transformation will position us to deliver long-term sustainable performance."

Q1 24 Summary Results (GAAP)

(in millions, except per share amount and percentages)	Q1 24	Q1 23	YoY
Net Sales	\$953	\$978	(2.6%)
Gross Profit	\$506	\$519	(2.5%)
Gross Margin	53.1%	53.1%	
Net Income (Loss) Attributable to Dentsply Sirona	\$18	(\$19)	NM
Diluted Earnings (Loss) Per Share	\$0.09	(\$0.09)	NM

NM - not meaningful

Percentages are based on actual values and may not reconcile due to rounding.

Q1 24 Summary Results (Non-GAAP)^[1]

(in millions, except per share amount and percentages)	Q1 24	Q1 23	YoY
Net Sales	\$953	\$978	(2.6%)
Organic Sales Growth %			(1.9%)
Adjusted EBITDA	\$160	\$162	(1.1%)
Adjusted EBITDA Margin	16.8%	16.5%	
Adjusted EPS	\$0.42	\$0.39	7.9%

^[1] Organic sales growth, adjusted EBITDA, and adjusted EPS are Non-GAAP financial measures which exclude certain items. Please refer to "Non-GAAP Financial Measures" below for a description of these measures and to the tables at the end of this release for a reconciliation between GAAP and Non-GAAP measures. Percentages are based on actual values and may not reconcile due to rounding.

Q1 24 Segment Results

	Net Sales Growth %	Organic Sales Growth %
Connected Technology Solutions	(6.9%)	(5.7%)
Essential Dental Solutions	(5.9%)	(5.5%)
Orthodontic and Implant Solutions	4.4%	5.6%
Wellspect Healthcare	5.4%	4.8%
Total	(2.6%)	(1.9%)

Q1 24 Geographic Results

	Net Sales Growth %	Organic Sales Growth %
United States	1.5%	1.4%
Europe	(5.2%)	(5.8%)
Rest of World	(4.4%)	(0.1%)
Total	(2.6%)	(1.9%)

Cash Flow and Liquidity

Operating cash flow in the first quarter of 2024 was \$25 million, compared to (\$21) million in the prior year, primarily as a result of a lower inventory build and improved cash collections. In the first quarter of 2024, the Company paid \$29 million in dividends. The Company had \$291 million of cash and cash equivalents as of March 31, 2024.

2024 Outlook

The Company is maintaining its 2024 outlook for organic sales growth in the range of flat to up 1.5%, and adjusted EPS in the range of \$2.00 to \$2.10. Based on its latest view of the macroeconomic environment, the Company believes adjusted EPS and organic sales are trending towards the low-end of both ranges. The Company is revising its anticipated reported sales to a new range of \$3.91 billion to \$3.97 billion, due to an additional estimated foreign currency translation headwind of \$50 million.

Other 2024 outlook assumptions are included in the first quarter 2024 earnings presentation posted on the Investors section of the Dentsply Sirona website at <https://investor.dentsplysirona.com>. The Company does not provide forward-looking estimates on a GAAP basis as certain information, which may include but is not limited to restructuring charges, transformation related costs, impairment charges, certain tax adjustments, and other significant items, is not available without unreasonable effort and cannot be reasonably estimated. The exact amounts of these charges or credits are not currently determinable but may be significant.

Conference Call/Webcast Information

Dentsply Sirona's management team will host an investor conference call and live webcast on May 2, 2024, at 8:30 am ET. A live webcast of the investor conference call and a presentation related to the call will be available on the Investors section of the Company's website at <https://investor.dentsplysirona.com>.

For those planning to participate on the call, please register at <https://register.vevent.com/register/B138d1b6b4e3b7425085657a508bdb7633>. A webcast replay of the conference call will be available on the Investors section of the Company's website following the call.

About Dentsply Sirona

Dentsply Sirona is the world's largest manufacturer of professional dental products and technologies, with over a century of innovation and service to the dental industry and patients worldwide. Dentsply Sirona develops, manufactures, and markets a comprehensive solutions offering including dental and

oral health products as well as other consumable medical devices under a strong portfolio of world-class brands. Dentsply Sirona's products provide innovative, high-quality and effective solutions to advance patient care and deliver better and safer dental care. Dentsply Sirona's headquarters is located in Charlotte, North Carolina. The Company's shares are listed in the United States on Nasdaq under the symbol XRAY. Visit www.dentsplysirona.com for more information about Dentsply Sirona and its products.

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Forward-Looking Statements and Associated Risks

All statements in this Press Release that do not directly and exclusively relate to historical facts constitute “forward-looking statements.” Such statements are subject to numerous assumptions, risks, uncertainties and other factors that could cause actual results to differ materially from those described in such statements, many of which are outside of our control, including those described in Part I, Item 1A, “Risk Factors” of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Form 10-K"), and other factors which may be described in the Company's other filings with the Securities and Exchange Commission (the “SEC”). No assurance can be given that any expectation, belief, goal or plan set forth in any forward-looking statement can or will be achieved, and readers are cautioned not to place undue reliance on such statements which speak only as of the date they are made. We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date of this Press Release or to reflect the occurrence of unanticipated events. Investors should understand it is not possible to predict or identify all such factors or risks. As such, you should not consider 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.

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2024	2023
Net sales	\$ 953	\$ 978
Cost of products sold	447	459
Gross profit	506	519
Selling, general, and administrative expenses	415	416
Research and development expenses	42	46
Intangible asset impairments	6	—
Restructuring and other costs	1	59
Operating income (loss)	42	(2)
Other income and expenses:		
Interest expense, net	18	20
Other (income) expense, net	(7)	6
Income (loss) before income taxes	31	(28)
Provision (benefit) for income taxes	14	(5)
Net income (loss)	17	(23)
Less: Net loss attributable to noncontrolling interest	(1)	(4)
Net income (loss) attributable to Dentsply Sirona	\$ 18	\$ (19)
Net income (loss) per common share attributable to Dentsply Sirona:		
Basic	\$ 0.09	\$ (0.09)
Diluted	\$ 0.09	\$ (0.09)
Weighted average common shares outstanding:		
Basic	207.4	214.5
Diluted	208.5	214.5

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)
(unaudited)

	March 31, 2024	December 31, 2023
Assets		
Current Assets:		
Cash and cash equivalents	\$ 291	\$ 334
Accounts and notes receivable-trade, net	656	695
Inventories, net	613	624
Prepaid expenses and other current assets	342	320
Total Current Assets	<u>1,902</u>	<u>1,973</u>
Property, plant, and equipment, net	782	800
Operating lease right-of-use assets, net	171	178
Identifiable intangible assets, net	1,618	1,705
Goodwill	2,400	2,438
Other noncurrent assets	250	276
Total Assets	<u>\$ 7,123</u>	<u>\$ 7,370</u>
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$ 279	\$ 305
Accrued liabilities	681	749
Income taxes payable	27	49
Notes payable and current portion of long-term debt	343	322
Total Current Liabilities	<u>1,330</u>	<u>1,425</u>
Long-term debt	1,747	1,796
Operating lease liabilities	120	125
Deferred income taxes	214	228
Other noncurrent liabilities	454	502
Total Liabilities	<u>3,865</u>	<u>4,076</u>
Total Equity	<u>3,258</u>	<u>3,294</u>
Total Liabilities and Equity	<u>\$ 7,123</u>	<u>\$ 7,370</u>

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)
(unaudited)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ 17	\$ (23)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	32	31
Amortization of intangible assets	54	53
Fixed asset impairment	—	4
Indefinite-lived intangible asset impairment	6	—
Deferred income taxes	(9)	(21)
Stock based compensation expense	11	17
Restructuring and other costs	—	48
Other non-cash expense	19	9
Changes in operating assets and liabilities, net of acquisitions:		
Accounts and notes receivable-trade, net	27	(15)
Inventories, net	(5)	(30)
Prepaid expenses and other current assets	(28)	(17)
Other noncurrent assets	(6)	(1)
Accounts payable	(28)	(14)
Accrued liabilities	(50)	(31)
Income taxes	(2)	(37)
Other noncurrent liabilities	(13)	6
Net cash provided by (used in) operating activities	25	(21)
Cash flows from investing activities:		
Capital expenditures	(34)	(39)
Cash received on derivative contracts	—	2
Cash paid on derivative contracts	(9)	—
Net cash used in investing activities	(43)	(37)
Cash flows from financing activities:		
Cash paid for treasury stock	—	(150)
Proceeds on short-term borrowings	23	198
Cash dividends paid	(29)	(27)
Repayments on long-term borrowings	(3)	—
Other financing activities, net	(5)	(4)
Net cash (used in) provided by financing activities	(14)	17
Effect of exchange rate changes on cash and cash equivalents	(11)	(6)
Net decrease in cash and cash equivalents	(43)	(47)
Cash and cash equivalents at beginning of period	334	365
Cash and cash equivalents at end of period	<u>\$ 291</u>	<u>\$ 318</u>

Non-GAAP Financial Measures

In addition to results determined in accordance with U.S. generally accepted accounting principles ("US GAAP"), the Company provides certain measures in this press release, described below, which are not calculated in accordance with US GAAP and therefore represent Non-GAAP measures. These Non-GAAP measures may differ from those used by other companies and should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP. These Non-GAAP measures are used by the Company to measure its performance and may differ from those used by other companies.

Management believes that these Non-GAAP measures are helpful as they provide a measure of the results of operations, and are frequently used by investors and analysts to evaluate the Company's performance exclusive of certain items that impact the comparability of results from period to period, and which may not be indicative of past or future performance of the Company.

Organic Sales

The Company defines "organic sales" as the reported net sales adjusted for: (1) net sales from acquired businesses recorded prior to the first anniversary of the acquisition; (2) net sales attributable to disposed businesses or discontinued product lines in both the current and prior year periods; and (3) the impact of foreign currency changes, which is calculated by translating current period net sales using the comparable prior period's foreign currency exchange rates.

Adjusted Operating Income and Margin

Adjusted operating income is computed by excluding the following items from operating income (loss) as reported in accordance with US GAAP:

(1) Business combination related costs and fair value adjustments. These adjustments include costs related to consummating and integrating acquired businesses, as well as net gains and losses related to disposed businesses. In addition, this category includes the post-acquisition roll-off of fair value adjustments recorded related to business combinations, except for amortization expense of purchased intangible assets noted below. Although the Company is regularly engaged in activities to find and act on opportunities for strategic growth and enhancement of product offerings, the costs associated with these activities may vary significantly between periods based on the timing, size and complexity of acquisitions and as such may not be indicative of past and future performance of the Company.

(2) Restructuring related charges and other costs. These adjustments include costs related to the implementation of restructuring initiatives, including but not limited to, severance costs, facility closure costs, and lease and contract termination costs, as well as related professional service costs associated with these restructuring initiatives and global transformation activity. The Company is continually seeking to take actions that could enhance its efficiency; consequently, restructuring charges may recur but are subject to significant fluctuations from period to period due to the varying levels of restructuring activity, and as such may not be indicative of past and future performance of the Company. Other costs include gains and losses on the sale of property, charges related to legal settlements, executive separation costs, write-offs of inventory as a result of product rationalization, and changes in accounting principles recorded within the period. This category also includes costs related to investigations, related ongoing legal matters and associated remediation activities which primarily include legal, accounting and other professional service fees, as well as turnover and other employee-related costs.

(3) Goodwill and intangible asset impairments. These adjustments include charges related to goodwill and intangible asset impairments.

(4) Amortization of purchased intangible assets. This adjustment excludes the periodic amortization expense related to purchased intangible assets, which are recorded at fair value. Although these costs contribute to revenue generation and will recur in future periods, their amounts are significantly impacted by the timing and size of acquisitions, and as such may not be indicative of the future performance of the Company.

(5) Fair value and credit risk adjustments. These adjustments include the non-cash mark-to-market changes in fair value associated with pension assets and obligations, and equity-method investments. Although these adjustments are recurring in nature, they are subject to significant fluctuations from period to period due to changes in the underlying assumptions and market conditions. The non-service component of pension expense is a recurring item, however it is subject to significant fluctuations from period to period due to changes in actuarial assumptions, interest rates, plan changes, settlements, curtailments, and other changes in facts and circumstances. As such, these items may not be indicative of past and future performance of the Company.

Adjusted operating income margin is calculated by dividing adjusted operating income by net sales.

Adjusted Gross Profit

Adjusted gross profit is computed by excluding from gross profit the impact of any of the above adjustments on either sales or cost of sales.

Adjusted Net Income (Loss)

Adjusted net income (loss) consists of net income (loss) as reported in accordance with US GAAP, adjusted to exclude the items identified above, as well as the related income tax impacts of those items. Additionally, net income is adjusted for other tax-related adjustments such as: discrete adjustments to valuation allowances and other uncertain tax positions, final settlement of income tax audits, discrete tax items resulting from the implementation of restructuring initiatives and the windfall or shortfall relating to exercise of employee share-based compensation, any difference between the interim and annual effective tax rate, and adjustments relating to prior periods.

These adjustments are irregular in timing, and the variability in amounts may not be indicative of past and future performance of the Company and therefore are excluded for comparability purposes.

Adjusted EBITDA and Margin

In addition to the adjustments described above in arriving at adjusted net income, adjusted EBITDA is computed by further excluding any remaining interest expense, net, income tax expense, depreciation and amortization.

Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by net sales.

Adjusted Earnings (Loss) Per Diluted Share

Adjusted earnings (loss) per diluted share (adjusted EPS) is computed by dividing adjusted earnings (loss) attributable to Dentsply Sirona shareholders by the diluted weighted average number of common shares outstanding.

Adjusted Free Cash Flow and Conversion

The Company defines adjusted free cash flow as net cash provided by operating activities minus capital expenditures during the same period, and adjusted free cash flow conversion is defined as adjusted free cash flow divided by adjusted net income (loss). Management believes this Non-GAAP measure is important for use in evaluating the Company's financial performance as it measures our ability to efficiently generate cash from our business operations relative to earnings. It should be considered in addition to, rather than as a substitute for, net income (loss) as a measure of our performance or net cash provided by operating activities as a measure of our liquidity.

DENTSPLY SIRONA INC. AND SUBSIDIARIES

(In millions, except percentages)

(unaudited)

A reconciliation of reported net sales to organic sales by geographic region is as follows:

(in millions, except percentages)	Three Months Ended March 31, 2024				Q1 2024 Change				Three Months Ended March 31, 2023			
	U.S.	Europe	ROW	Total	U.S.	Europe	ROW	Total	U.S.	Europe	ROW	Total
Net sales	\$ 356	\$ 376	\$ 221	\$ 953	1.5%	(5.2%)	(4.4%)	(2.6%)	\$ 351	\$ 396	\$ 231	\$ 978
Foreign exchange impact					0.1%	0.6%	(4.3%)	(0.7%)				
Organic sales					1.4%	(5.8%)	(0.1%)	(1.9%)				

Percentages are based on actual values and may not reconcile due to rounding.

A reconciliation of reported net sales to organic sales by segment is as follows:

(in millions, except percentages)	Three Months Ended March 31, 2024					Q1 2024 Change					Three Months Ended March 31, 2023				
	Connected Technology Solutions	Essential Dental Solutions	Orthodontic and Implant Solutions	Wellspect Healthcare	Total	Connected Technology Solutions	Essential Dental Solutions	Orthodontic and Implant Solutions	Wellspect Healthcare	Total	Connected Technology Solutions	Essential Dental Solutions	Orthodontic and Implant Solutions	Wellspect Healthcare	Total
Net sales	\$ 247	\$ 364	\$ 271	\$ 71	\$ 953	(6.9%)	(5.9%)	4.4%	5.4%	(2.6%)	\$ 265	\$ 386	\$ 259	\$ 68	\$ 978
Foreign exchange impact						(1.2%)	(0.4%)	(1.2%)	0.6%	(0.7%)					
Organic sales						(5.7%)	(5.5%)	5.6%	4.8%	(1.9%)					

Percentages are based on actual values and may not reconcile due to rounding.

DENTSPLY SIRONA INC. AND SUBSIDIARIES

(In millions, except percentages)

(unaudited)

The Company's segment adjusted operating income for the three months ended March 31, 2024 and 2023 was as follows:

(in millions)	Three Months Ended March 31,	
	2024	2023
Connected Technology Solutions	\$ 2	\$ 6
Essential Dental Solutions	115	125
Orthodontic and Implant Solutions	42	49
Wellspect Healthcare	23	18
Segment adjusted operating income	182	198
Reconciling items expense (income):		
All other (a)	79	88
Intangible asset impairments	6	—
Restructuring and other costs	1	59
Interest expense, net	18	20
Other (income) expense, net	(7)	6
Amortization of intangible assets	54	53
Income (loss) before income taxes	<u>\$ 31</u>	<u>\$ (28)</u>

(a) Includes unassigned corporate headquarters costs.

DENTSPLY SIRONA INC. AND SUBSIDIARIES

(In millions, except percentages)

(unaudited)

For the three months ended March 31, 2024, a reconciliation of selected items as reported in the Condensed Consolidated Statements of Operations to adjusted Non-GAAP items is as follows:

(in millions, except percentages and per share data)	Gross Profit	Operating Income	Net Income Attributable to Dentsply Sirona (a)	Diluted EPS
GAAP	\$ 506	\$ 42	\$ 18	\$ 0.09
Non-GAAP Adjustments:				
Amortization of Purchased Intangible Assets	31	54	40	0.19
Restructuring Related Charges and Other Costs	3	17	13	0.06
Goodwill and Intangible Asset Impairments	—	6	4	0.02
Business Combination Related Costs and Fair Value Adjustments	—	1	1	—
Income Tax Related Adjustments	—	—	11	0.06
Adjusted Non-GAAP	\$ 540	\$ 120	\$ 87	\$ 0.42
GAAP Margin		4.4%		
Adjusted Non-GAAP Margin		12.6%		

Weighted average common shares outstanding used in calculating diluted GAAP net income per common share 208.5

Weighted average common shares outstanding used in calculating diluted Non-GAAP net income per common share 208.5

(a) The total tax expense associated with the Non-GAAP adjustments above was \$9 million.

Percentages are based on actual values and may not reconcile due to rounding.

DENTSPLY SIRONA INC. AND SUBSIDIARIES

(In millions, except percentages)

(unaudited)

For the three months ended March 31, 2023, a reconciliation of selected items as reported in the Condensed Consolidated Statements of Operations to adjusted Non-GAAP items is as follows:

(in millions, except percentages and per share data)	Gross Profit	Operating (Loss) Income	Net (Loss) Income Attributable to Dentsply Sirona (a)	Diluted EPS
GAAP	\$ 519	\$ (2)	\$ (19)	\$ (0.09)
Non-GAAP Adjustments:				
Amortization of Purchased Intangible Assets	30	53	39	0.18
Restructuring Related Charges and Other Costs	4	79	71	0.33
Business Combination Related Costs and Fair Value Adjustments	1	3	—	—
Income Tax Related Adjustments	—	—	(7)	(0.03)
Adjusted Non-GAAP	\$ 554	\$ 133	\$ 84	\$ 0.39
GAAP Margin		(0.3%)		
Adjusted Non-GAAP Margin		13.6%		
Weighted average common shares outstanding used in calculating diluted GAAP net loss per common share				214.5
Weighted average common shares outstanding used in calculating diluted Non-GAAP net income per common share				216.0
(a) The total tax expense associated with the Non-GAAP adjustments above was \$33 million.				

Percentages are based on actual values and may not reconcile due to rounding.

DENTSPLY SIRONA INC. AND SUBSIDIARIES

(In millions, except percentages)

(unaudited)

A reconciliation of reported net income (loss) attributable to Dentsply Sirona to adjusted EBITDA and margin for the three months ended March 31, 2024 and 2023 is as follows:

(in millions, except percentages)	Three Months Ended March 31,	
	2024	2023
Net income (loss) attributable to Dentsply Sirona	\$ 18	\$ (19)
Interest expense, net	18	20
Income tax expense	14	(5)
Depreciation ⁽¹⁾	32	30
Amortization of purchased intangible assets	54	53
Restructuring related charges and other costs	17	79
Goodwill and intangible asset impairments	6	—
Business combination related costs and fair value adjustments	1	4
Adjusted EBITDA⁽²⁾	\$ 160	\$ 162
Net sales	\$ 953	\$ 978
Adjusted EBITDA margin	16.8%	16.5%

(1) Excludes those depreciation related amounts which were included as part of the business combination related adjustments.

(2) Adjusted EBITDA for 2023 has been updated to reflect the reclassification of \$1 million in certain gains from hedging instruments from Interest expense to Other expense (income) in order to conform with current year presentation.

A reconciliation of adjusted free cash flow conversion for the three months ended March 31, 2024 and 2023 is as follows:

(in millions, except percentages)	Three Months Ended March 31,	
	2024	2023
Net cash provided by (used in) operating activities	\$ 25	\$ (21)
Capital expenditures	(34)	(39)
Adjusted free cash flow	\$ (9)	\$ (60)
Adjusted net income	\$ 87	\$ 84
Adjusted free cash flow conversion	(10%)	(71%)