



# Dentsply Sirona First Quarter 2020

May 8, 2020

# Forward-Looking Statements and Associated Risks

Information the Company has included in this press release, and information which may be contained or incorporated by reference in filings with the U. S. Securities and Exchange Commission (the "SEC") as well as other 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 preliminary nature of the financial results contained in this release
- the effects of the COVID-19 outbreak and the adverse impact on the Company's business, financial condition, results of operations and cash flows, including, but not limited to, the Company's growth, operating costs, customer demand for products and industry demand generally, margins, and its ability to access capital markets, and the global economy and financial markets generally;
- the effects of the COVID-19 outbreak, and the current economic environment generally, on the Company's working capital, cash flows and liquidity;
- the Company may be unable to execute key strategic activities due to competing priorities and strategies of its distribution partners and other factors
- the Company's ability to protect its technology infrastructure from cyber-attacks and other disruptions
- the Company's ability to maintain effective internal controls during periods of restructuring and organizational changes
- a significant failure or disruption in service within the Company's operations or the operations of key distributors
- the Company's failure to attract and retain talented employees, or to manage succession and retention for its key executives
- the Company's ability to successfully implement its cost reduction and restructuring plans
- the Company's ability to regain profitability in a very competitive marketplace, which depends upon the Company's ability to differentiate its products and services from those of competitors
- 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
- 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" in the Company's most recent Form 10-K, in Part II, Item 1A, "Risk Factors" in the Company's subsequent Form 10-Qs, 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

## Non-GAAP Financial Measures

Beginning with the quarter ended March 31, 2020 the Company no longer presents net sales excluding precious metals as a Non-GAAP measure. The use of precious metals has declined in the dental industry as other materials, including zirconia oxide and other ceramics have become widely used. As a result of this decline, the amount of precious metal sales in net sales is not meaningful to the Company's financial results.

Beginning with the quarter ended March 31, 2020, the Company has started to use the term "organic sales" as an alternative Non-GAAP measure. Prior to this, the Company traditionally had disclosed "internal sales growth" as a Non-GAAP measure. The Company has updated the prior period to conform to the current year organic sales presentation.

The Company defines "organic sales" as the increase or decrease in net sales excluding: (1) net sales from acquired and divested businesses recorded prior to the first anniversary of the acquisition or divestiture, (2) net sales attributable to discontinued product lines in both the current and prior year periods, and (3) the impact of foreign currency translation, which is calculated by comparing current-period sales to prior-period sales, with both periods converted to the U.S. dollar rate at local currency foreign exchange rates for each month of the prior period.

The "organic sales" measure is not calculated in accordance with accounting principles generally accepted in the United States ("US GAAP"); therefore, this item represents a Non-GAAP measure. This Non-GAAP measure 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. Organic sales is an important internal measure for the Company. The Company's senior management receives a monthly analysis of operating results that includes organic sales. The performance of the Company is measured on this metric along with other performance metrics.

The Company discloses organic sales 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. The Company believes that this information is helpful in understanding underlying net sales trends.

## Adjusted Net Income and Adjusted Earnings per Diluted Common Share

In addition to reporting net income attributable to Dentsply Sirona and earnings per diluted common share in accordance with US GAAP, the Company provides adjusted net income and adjusted earnings per diluted common share ("adjusted EPS") measures. The Company defines "adjusted net income" as net income attributable to Dentsply Sirona excluding certain items as noted below. Adjusted EPS is calculated by dividing adjusted net income by diluted common shares outstanding.

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 statements 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 termination 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 attributable 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) 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.

The "adjusted net income" and "adjusted EPS" measures are not calculated in accordance with accounting principles generally accepted in the United States; therefore, these items 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. Income tax related adjustments may include the impact to adjust the interim effective income tax rate to the expected annual effective tax rate.

Both adjusted net income and adjusted EPS are important internal measures for the Company. The Company's senior management receives a monthly analysis of operating results that includes adjusted net income and adjusted EPS. The performance of the Company is measured on these metrics along with other performance metrics.

The Company discloses adjusted net income and adjusted EPS 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.

# Non-GAAP Financial Measures

## Adjusted Operating Income and Margin

In addition to reporting operating income in accordance with US GAAP, the Company provides adjusted operating income and margin. The Company defines "adjusted operating income" as operating income in accordance with US GAAP excluding certain items noted above which are excluded on a pre-tax basis to arrive at adjusted operating income, a Non-GAAP measure. The adjusted operating margin is calculated by dividing adjusted operating income by net sales.

The "adjusted operating income" and "adjusted operating margin" measures are not calculated in accordance with accounting principles generally accepted in the United States; therefore, these items 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.

Both adjusted operating income and adjusted operating margin are important internal measures for the Company. The Company's senior management receives a monthly analysis of operating results that includes adjusted operating income and margin. The performance of the Company is measured on these metrics along with the adjusted net income and adjusted EPS metrics noted above as well as other performance metrics.

The Company discloses adjusted operating income and margin 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.

# First Quarter 2020 – Agenda



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



# Summary Observations



- Solid start to Q1 20, driven by new product introductions (Primescan & Primemill) and improved organizational efficiency
- Moved quickly to ensure employee safety, high customer service levels and continued balance sheet strength
- Steady performance at the Wellspect Healthcare business
- Took steps to contain costs in both SG&A and in our supply chain
- In mid-March, the global response to the COVID-19 pandemic changed the market dynamics for both dental practitioners and their patients
- Starting to see early signs of improvement in demand in countries that are beginning to reopen their economies
- Dentsply Sirona's financial strength, broad portfolio and global reach position the company to succeed and win

# Q1 20 – Summary Performance

Q1 20 Net Sales	Q1 20 Organic Sales	Q1 20 non-GAAP EPS
<b>\$874.3M</b> <i>(-7.6% YOY, with a 1.9% negative currency impact)</i>	<b>(4.3%)</b>	<b>\$0.43</b> <i>(down 12.2% YOY)</i>

Q1 20 non-GAAP OI Margin	Cash Flow From Operations
<b>14.9%</b> <i>(down 50 bps YOY)</i>	<b>(\$10.7 M)</b>

# Financials & Outlook

**Jorge Gomez**  
EVP & Chief Financial Officer



# Q1 20 – Financial Summary – non-GAAP

In Millions of USD	Q1 20	Q1 19	% chg.
<b>Net Sales</b>	\$ 874.3	\$ 946.2	(7.6%)
<i>Organic Sales %</i>			(4.3%)
Gross Profit	498.1	540.1	(7.8%)
<i>Gross Profit %</i>	57.0%	57.1%	(10) bps
Total SG&A Expenses	367.4	394.6	(6.9%)
<i>SG&amp;A %</i>	42.0%	41.7%	(30) bps
Operating Income	130.7	145.5	(10.2%)
<i>Operating Income %</i>	14.9%	15.4%	(50) bps
<b>Net Income</b>	\$ 95.5	\$ 109.8	(13.0%)
<b>non-GAAP EPS</b>	\$ 0.43	\$ 0.49	(12.2%)

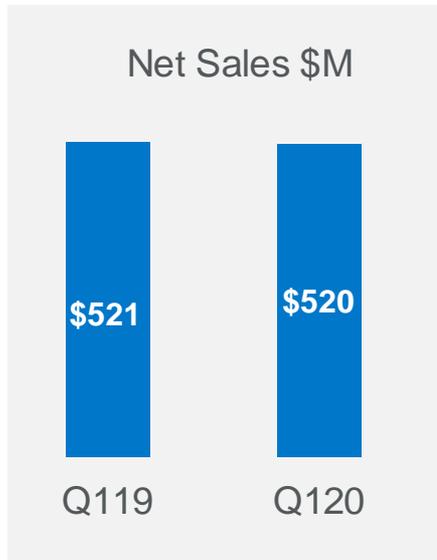
# Q1 20 – Consumables Segment



- Net sales of \$354M, down 16.8% YoY
- Currency negatively impacted sales by 1.6%
- Consumables organic sales declined 15.2%
- Consumables operating income margin was 17.4% vs. 24.8% in the prior year. Lower volumes / negative manufacturing variance more than offset the positive impact from our cost reduction measures



# Q1 20 - Technologies & Equipment



- Net sales of \$520M, down 10 bps vs prior year
- Currency negatively impacted net sales by 2.2%
- Portfolio shaping reduced revenue growth 2.7%
- Organic sales up 4.8%, with strength in Digital Dentistry and Healthcare, partially offset by declines in Equipment & Instruments and Implants
- T&E operating income margin was 21.4%, up 760 bps YoY. Cost reduction measures, favorable product mix, higher volumes, & IDS related expenses in 2019 drove the strong margin expansion



# Q1 20 – Regional Net Sales



## U.S. Net Sales – (34% of total)

- Net sales declined 4.1%
- M&A/disc. products negatively impacted sales by 2.2%
- Foreign exchange negatively impacted sales by 0.7%
- Organic sales down 1.2%.



## Europe Net Sales – (43% of total)

- Net sales declined 5.7%
- M&A/disc. products negatively impacted sales by 1.2%
- Foreign exchange negatively impacted sales by 2.5%
- Organic sales down 2.0%



## Rest of World Net Sales – (23% of total)

- Net sales declined 15.3%
- M&A/disc. products negatively impacted sales by 0.9%
- Foreign exchange negatively impacted sales by 2.4%
- Organic sales down 12.0%

# Q1 20 Cash Flow

	Q1 20	Q1 19	% Δ
Cash Flow From Operations	(\$10.7)	\$29.3	<i>NM</i>
Less: Capital Expenditures	\$25.6	33.9	(24.5%)
<b>Free Cash Flow</b>	<b>(\$36.3)</b>	<b>(\$4.6)</b>	<b><i>NM</i></b>



# Enhancing Liquidity & Cost Reduction Measures

## Liquidity:

- Increased credit facility by \$354 million to ~\$1.1 billion
- Drew down \$700 million from credit facilities
- Total liquidity available of ~\$1.3 billion

## Cost Reduction Measures:

- Aligned level of production to meet current lower level of demand
- SG&A reductions
- Utilized short time work in Europe, furloughs in the U.S.
- Executive compensation reductions



# Outlook



# Operating Update

Don Casey  
Chief Executive Officer



# Priority – Keeping Employees Safe

- Ensuring the safety and well-being of our employees and their families is paramount
- Company has established additional protocols in all manufacturing facilities and workplaces
- Taking prudent precautions around travel and remote work



# Priority – Taking Care of Our Customers

## Continued Customer Service:

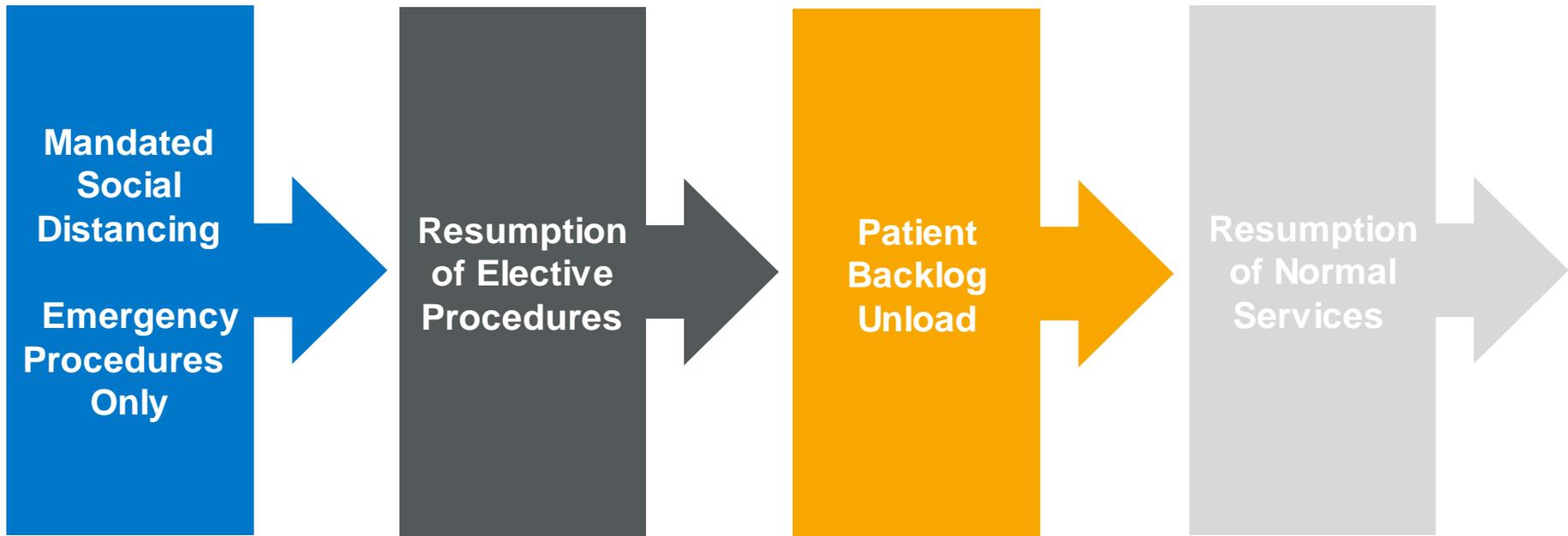
- Remain open & shipping to customers
- Uninterrupted customer service & technical support

## Online Education:

- U.S. - DS Academy Website: 81 live courses with 33,000+ attendees in five weeks
- China - Wechat: 66 live webinars with 650,000+ views
- Germany - DS Academy Website: 2,000+ attendees



# Overview of a Recovery



# Conclusion



- Ensuring employee safety, continued high customer service levels, and improved liquidity
- Took steps to contain costs in both SG&A and in our supply chain
- Starting to see early signs of improvement in demand as countries begin to reopen their economies
- Dentsply Sirona's financial strength, broad portfolio and global reach position the company to succeed and win

# Appendix

# Reconciliation of Non-GAAP Financial Measures

## Net Sales Q1 20

(unaudited)

(in millions, except percentages)	Three Months Ended March 31, 2020				Q1 2020 Growth				Three Months Ended March 31, 2019			
	US	Europe	ROW	Total	US	Europe	ROW	Total	US	Europe	ROW	Total
<b>Net sales</b>	\$ 300.5	\$ 373.1	\$ 200.7	\$ 874.3	(4.1%)	(5.7%)	(15.3%)	(7.6%)	\$ 313.4	\$ 395.8	\$ 237.0	\$ 946.2
Foreign exchange impact					(0.7%)	(2.5%)	(2.4%)	(1.9%)				
Acquisitions and divestitures					(2.2%)	(1.1%)	(0.5%)	(1.3%)				
Discontinued products					0.0%	(0.1%)	(0.4%)	(0.1%)				
Organic sales					(1.2%)	(2.0%)	(12.0%)	(4.3%)				

(in millions, except percentages)	Three Months Ended March 31, 2020			Q1 2020 Growth			Three Months Ended March 31, 2019		
	Technologies & Equipment	Consumables	Total	Technologies & Equipment	Consumables	Total	Technologies & Equipment	Consumables	Total
<b>Net sales</b>	\$ 520.3	\$ 354.0	\$ 874.3	(0.1%)	(16.8%)	(7.6%)	\$ 520.8	\$ 425.4	\$ 946.2
Foreign exchange impact				(2.2%)	(1.6%)	(1.9%)			
Acquisitions and divestitures				(2.4%)	0.0%	(1.3%)			
Discontinued products				(0.3%)	0.0%	(0.1%)			
Organic sales				4.8%	(15.2%)	(4.3%)			

# Reconciliation of Non-GAAP Financial Measures

## Consolidated Statements of Operations Q1 20

(unaudited)

	GAAP							NON-GAAP	
	Three Months Ended March 31, 2020	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 March 31, 2020
GROSS PROFIT	467.8	29.0	-	1.3	-	-	-	30.3	498.1
% OF NET SALES	53.5%								57.0%
SG&A EXPENSES	393.5	(18.2)	(7.1)	(0.8)	-	-	-	(26.1)	367.4
% OF NET SALES	45.0%							-	42.0%
GOODWILL IMPAIRMENT	156.6		(156.6)					(156.6)	-
RESTRUCTURING AND OTHER COSTS	42.5	-	(42.5)	-	-	-	-	(42.5)	-
(LOSS) INCOME FROM OPERATIONS	(124.8)	47.2	206.2	2.1	-	-	-	255.5	130.7
% OF NET SALES	(14.3%)								14.9%
NET INTEREST AND OTHER EXPENSE	4.9	-	0.2	-	(0.8)	-	-	(0.6)	4.3
PRE-TAX (LOSS) INCOME	(129.7)	47.2	206.0	2.1	0.8	-	-	256.1	126.4
INCOME TAXES	10.2	-	-	-	-	26.8	(6.1)	20.7	30.9
% OF PRE-TAX INCOME	(7.9%)								24.4%
NET (LOSS) INCOME ATTRIBUTABLE TO DENTSPLY SIRONA	\$ (139.9)							\$ 235.4	\$ 95.5
% OF NET SALES	(16.0%)								(10.9%)
EARNINGS PER SHARE - DILUTED	\$ (0.63)							\$ 1.06	\$ 0.43
Weighted average common shares outstanding used in calculating diluted GAAP net loss per common share									220.9
Weighted average common shares outstanding used in calculating diluted Non-GAAP net income per common share									222.3

# Reconciliation of Non-GAAP Financial Measures

## Consolidated Statements of Operations Q1 19

(unaudited)

	GAAP								NON-GAAP	
	Three Months Ended March 31, 2019	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 March 31, 2019	
GROSS PROFIT	499.7	29.2	9.6	1.6	-	-	-	40.4	540.1	
% OF NET SALES	52.8%							-	57.1%	
SG&A EXPENSES	431.9	(19.0)	(17.8)	(0.5)	-	-	-	(37.3)	394.6	
% OF NET SALES	45.6%							-	41.7%	
RESTRUCTURING AND OTHER COSTS	20.5	-	(20.5)	-	-	-	-	(20.5)	-	
INCOME FROM OPERATIONS	47.3	48.2	47.9	2.1	-	-	-	98.2	145.5	
% OF NET SALES	5.0%								15.4%	
NET INTEREST AND OTHER EXPENSE	(6.5)	-	9.0	(0.2)	(1.3)	-	-	7.5	1.0	
PRE-TAX INCOME	53.8	48.2	38.9	2.3	1.3	-	-	90.7	144.5	
INCOME TAXES	14.6	-	-	-	-	22.6	(2.5)	20.1	34.7	
% OF PRE-TAX INCOME	27.1%								24.0%	
NET INCOME ATTRIBUTABLE TO DENTSPLY SIRONA	\$ 39.2							\$ 70.6	\$ 109.8	
% OF NET SALES	4.1%								11.6%	
EARNINGS PER SHARE - DILUTED	\$ 0.17							\$ 0.32	\$ 0.49	

