



# Dentsply Sirona Fourth Quarter and FY 2020

March 1, 2021

# Forward-Looking Statements and Associated Risks

All statements in this presentation that do not directly and exclusively relate to historical facts constitute “forward-looking statements.” These statements represent current expectations and beliefs, and no assurance can be given that the results described in such statements will be achieved. 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. Furthermore, many of these risks and uncertainties are currently amplified by and may continue to be amplified by or may, in the future, be amplified by, the novel coronavirus (“COVID-19”) pandemic and the impact of varying private and governmental responses that affect our customers, employees, vendors and the economies and communities where they operate. For a written description of these factors, see the section titled “Risk Factors” in Dentsply Sirona’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020. 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.

# Non-GAAP Financial Measures

## 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. The Company discloses these measures 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 which 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 operating results including net sales, operating income, and net income.

## Organic Sales

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 translating current period sales using the comparable prior periods currency conversion rates. 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 and the performance of the Company is measured on this metric along with other performance metrics.

## Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Diluted Common Share

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

- (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 the disposed businesses. In addition, this category includes the subsequent impact roll-off to the consolidated statements of operations which results from fair value adjustments 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. They 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 and related professional service costs, duplicate facility and labor costs associated with specific restructuring initiatives. Other costs include legal settlements and impairments of assets. The Company's restructuring programs usually require several years to fully implement and the Company is continually seeking to take actions that could enhance its efficiency. While restructuring charges are recurring, they are subject to significant fluctuations from period to period due to the varying levels of restructuring activity and the inherent imprecision in the estimates used to recognize the impairment of assets and the wide variety of costs and taxes associated with severance and termination benefits in the countries in which the restructuring actions occur.

(3) *Amortization of purchased intangible assets.* This adjustment excludes the periodic amortization expense related to purchased intangible assets recorded in purchase accounting. 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.

(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. Income tax related adjustments may also include the impact to adjust the interim effective income tax rate to the expected annual effective tax rate. These adjustments are irregular in timing the variability in amounts may not be indicative of past and future performance of the Company and therefore are excluded for comparability purposes.

Both adjusted net income (loss) 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 (loss) and adjusted EPS. The performance of the Company is measured on these metrics along with other performance metrics.

## Adjusted Operating Income (Loss) and Margin

In addition to reporting operating income (loss) in accordance with US GAAP, the Company provides adjusted operating income (loss) and margin. The Company defines "adjusted operating income (loss)" as operating income (loss) in accordance with US GAAP excluding certain items noted above which are excluded on a pre-tax basis to arrive at adjusted operating income (loss), a Non-GAAP measure. The adjusted operating margin is calculated by dividing adjusted operating income (loss) by net sales. Both adjusted operating income (loss) 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 (loss) and margin. The performance of the Company is measured on these metrics along with the adjusted net income (loss) and adjusted EPS metrics noted above as well as other performance metrics.

# Fourth Quarter and FY 2020 Agenda



Introduction		
Introduction	Kari Dixon	VP, FP&A
Overview	Don Casey	CEO
Financials & Outlook	Jorge Gomez	EVP & CFO
Operating Update	Don Casey	CEO
Q & A		

# Overview

Don Casey  
Chief Executive Officer



# Fourth Quarter 2020 Summary Performance

Q4 20 Net Sales	Q4 20 Organic Sales	Q4 20 Non-GAAP EPS
<b>\$1,082M</b> <i>(-2.6% YOY, with a 2.6% favorable currency impact)</i>	<b>(3.3%)</b>	<b>\$0.87</b>

Q4 20 Non-GAAP OI Margin	Cash Flow From Operations
<b>23.2%</b> <i>(up 320 bps YOY)</i>	<b>\$263M</b>

# Financials & Outlook

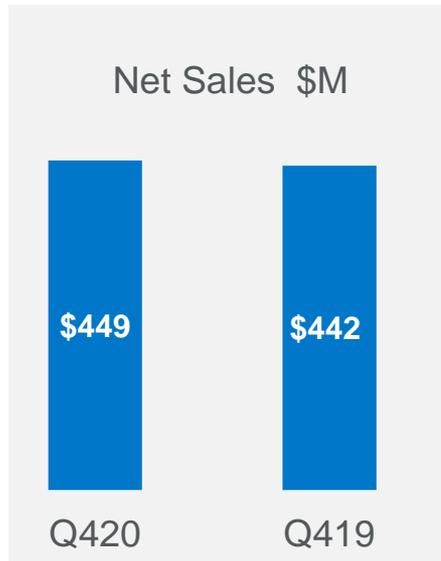
Jorge Gomez  
EVP & Chief Financial Officer



# Fourth Quarter 2020 Financial Summary – Non-GAAP

In Millions of USD	Q4 20	Q4 19	% chg.
<b>Net Sales</b>	\$ 1,082	\$ 1,111	(2.6%)
<i>Organic Sales %</i>			(3.3%)
Gross Profit	613	642	(4.5%)
<i>Gross Profit %</i>	56.7%	57.8%	(110) bps
Total SG&A Expenses	362	420	(13.8%)
<i>SG&amp;A %</i>	33.5%	37.8%	(430) bps
Operating Income	251	222	13.1%
<i>Operating Income %</i>	23.2%	20.0%	320 bps
<b>Net Income / (Loss)</b>	\$ 192	\$ 164	17.1%
<b>Diluted EPS</b>	\$ 0.87	\$ 0.73	19.2%

# Fourth Quarter 2020 Consumables Segment



- Net sales of \$449M, up 1.6% YoY. Currency increased sales by 1.8%. Consumables organic sales increased 1.1% driven by strong growth in Europe and the US offset by decline in ROW
- Sales of Restorative and Preventive rebounded in the quarter but were partially offset by declines in Lab
- Divestitures and discontinued products negatively impacted sales by 1.3%



# Fourth Quarter 2020 Technologies & Equipment



- Net sales of \$633M, down 5.4% YoY. Organic sales down 6.2% compared to prior year
- The decline in organic sales was led by the U.S. and Europe, with a slight increase in ROW
- Results reflect a decline against a difficult comparison versus the 2019 launch of Primescan and live DS World
- Foreign currency favorably impacted sales by 3.0%, while divestitures and discontinued products negatively impacted sales by 2.2%



# Fourth Quarter 2020 Net Sales by Region (\$M)



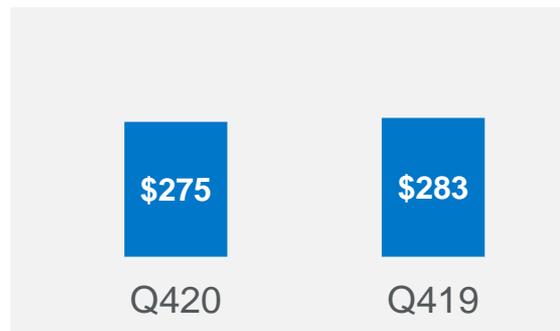
## U.S. Net Sales – (33% of total)

- Net sales declined 8.7%
- Currency increased sales by 1.1%
- M&A/disc. products negatively impacted sales by 2.5%
- Organic sales down 7.3%



## Europe Net Sales – (41% of total)

- Net sales increased 3.0%
- Currency increased sales by 5.0%
- M&A/disc. products negatively impacted sales by 2.4%
- Organic sales up 0.4%



## Rest of World Net Sales – (26% of total)

- Net sales declined 2.8%
- Currency increased sales by 0.8%
- M&A/disc. products negatively impacted sales by 0.2%
- Organic sales down 3.4%

# Fourth Quarter and FY 2020 Cash Flow

(\$ in millions)	Q4 20	Q4 19	% Δ	12 mo 20	12 mo 19	% Δ
Cash Flow From Operations	\$263	\$299	(12%)	\$635	\$633	0%
Less: Capital Expenditures	\$27	\$36	(25%)	\$87	\$123	(29%)
<b>Free Cash Flow</b>	<b>\$236</b>	<b>\$263</b>	<b>(10%)</b>	<b>\$548</b>	<b>\$510</b>	<b>7%</b>



# Fiscal 2021 – Expectations

## Planning Assumptions

	FY21	FY20
Revenue	\$4.0B - \$4.3B	\$3.3B
Organic Growth vs. '20	15% - 25%	
Reported Growth vs. '20	20% - 30%	
Adjusted OI %	≥ 20%	15.9%
Adjusted EPS	\$2.60 - \$2.80	\$1.79

### Other Planning Assumptions

Interest & Other	\$55M - \$60M
Adjusted ETR	23% - 24%
Diluted Weighted Average Shares Outstanding	~ 221M
Capital Expenditures	~ \$160M
R&D Expenses	~ \$160M

## Key Highlights

- Expect 2021 to reflect improved patient confidence with the vaccine rollout; however, continue to operate cautiously given the lingering uncertainty around COVID-19
- Confident in attractiveness of the dental market over time
- Increasing R&D spend; investing in innovation and new product launches
- Focused on systemic cost improvements and enhancing operational flexibility
- Effective working capital management and high cash conversion remain key priorities

# Operating Update

Don Casey  
Chief Executive Officer



# Our Strategy & Vision

We develop superior, integrated workflows built on diagnostic excellence, easy to use treatment planning and essential products that improve outcomes for patients and dental professionals.

Priorities



**Grow  
Revenues**

- 4-5% Long-term Organic Growth\*

**Improve  
Margins**

- 22% OI margin by end '22

**Simplify the  
Organization**

- Cost savings of \$250M (increased from \$200-225M)

**Targeting Double Digit Adjusted EPS Growth**

*\*Inclusive of the impact from the Byte acquisition*

# Grow Revenue



- Accelerating product launches
  - Procedure Approach
  - Increased Investment
- Organic and Inorganic Opportunities
- Commercial Excellence



# Grow Revenue – Accelerating product launches



# Grow Revenue – Strategic Acquisition

**byte**<sup>®</sup>



- Significantly enhances scale in the important clear aligner market
- Integration is on-track with planned workstreams meeting milestones
- Expect 2021 run-rate sales of at least \$200 million
- Accretive to long-term financial targets and Non-GAAP EPS in 2021

# Grow Revenue – Datum Acquisition



- Closed transaction January 21, 2021
- Expands biomaterial portfolio with Ossix Brands and Glymatrix Technology
- Important to accelerate implant performance



# Grow Revenue – Commercial Excellence



- Sales Force Effectiveness
- Promotional Program
- Digital Clinical Education



# Improve Margins

- Spending Discipline
- Supply Chain Footprint
- Portfolio Management



# Sustainable Growth Supported by Environmental, Social and Governance (ESG) Initiatives



- Getting ESG right has become a business imperative
- ESG Initiatives are aligned with our ambition to use our reach and scale to improve the quality and access to healthcare globally
- As a global leader in the dental health sector, we are striving to become an ESG leader

# Conclusion

- While still some uncertainty around the impact of the pandemic, feel the market is improving
- Feel 2021 will see sequential improvement
- Our results in Q4 have demonstrated our resilience
- Dentsply Sirona well positioned to create sustainable growth
  - Growth
  - Margin improvement



# Appendix

# Reconciliation of Non-GAAP Financial Measures

## Net Sales to Organic Sales Q4 20

(unaudited)

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

(in millions, except percentages)	Three Months Ended December 31, 2020				Q4 2020 Growth				Three Months Ended December 31, 2019			
	US	Europe	ROW	Total	US	Europe	ROW	Total	US	Europe	ROW	Total
<b>Net sales</b>	\$ 359	\$ 448	\$ 275	\$ 1,082	(8.7%)	3.0%	(2.8%)	(2.6%)	\$ 393	\$ 435	\$ 283	\$ 1,111
Foreign exchange impact					1.1%	5.0%	0.8%	2.6%				
Acquisitions and divestitures					0.0%	(1.0%)	0.0%	(0.4%)				
Discontinued products					(2.5%)	(1.4%)	(0.2%)	(1.5%)				
Organic sales					(7.3%)	0.4%	(3.4%)	(3.3%)				

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

(in millions, except percentages)	Three Months Ended December 31, 2020			Q4 2020 Growth			Three Months Ended December 31, 2019		
	Technologies & Equipment	Consumables	Total	Technologies & Equipment	Consumables	Total	Technologies & Equipment	Consumables	Total
<b>Net sales</b>	\$ 633	\$ 449	\$ 1,082	(5.4%)	1.6%	(2.6%)	\$ 669	\$ 442	\$ 1,111
Foreign exchange impact				3.0%	1.8%	2.6%			
Acquisitions and divestitures				(0.5%)	(0.2%)	(0.4%)			
Discontinued products				(1.7%)	(1.1%)	(1.5%)			
Organic sales				(6.2%)	1.1%	(3.3%)			

# Reconciliation of Non-GAAP Financial Measures

## Condensed Consolidated Statements of Operations Q4 20

(unaudited)

(in millions, except per share amounts and percentages)	GAAP								ADJUSTED NON-GAAP
	Three Months Ended December 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 December 31, 2020
GROSS PROFIT	\$ 571	30	11	1	-	-	-	\$ 42	\$ 613
% OF NET SALES	52.8%								56.7%
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	421	(19)	(24)	(16)	-	-	-	(59)	362
% OF NET SALES	38.9%							-	33.5%
RESTRUCTURING AND OTHER COSTS	15	-	(15)	-	-	-	-	(15)	-
OPERATING INCOME	135	49	50	17	-	-	-	116	251
% OF NET SALES	12.5%								23.2%
OTHER INCOME AND EXPENSE	12	-	-	-	(4)	-	-	(4)	8
INCOME BEFORE INCOME TAXES	123	49	50	17	4	-	-	120	243
PROVISION FOR INCOME TAXES	24	-	-	-	-	15	12	27	51
% OF PRE-TAX INCOME	19.5%								21.0%
NET INCOME ATTRIBUTABLE TO DENTSPLY SIRONA	\$ 99							\$ 93	\$ 192
% OF NET SALES	9.1%								17.7%
EARNINGS PER SHARE - DILUTED	\$ 0.45							\$ 0.42	\$ 0.87

# Reconciliation of Non-GAAP Financial Measures

## Condensed Consolidated Statements of Operations Q4 19

(unaudited)

(in millions, except per share amounts and percentages)	GAAP								ADJUSTED NON-GAAP
	Three Months Ended December 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 December 31, 2019
GROSS PROFIT	\$ 610	30	1	1	-	-	-	\$ 32	\$ 642
% OF NET SALES	54.9%							-	57.8%
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	460	(17)	(23)	-	-	-	-	(40)	420
% OF NET SALES	41.4%							-	37.8%
RESTRUCTURING AND OTHER COSTS	13	-	(13)	-	-	-	-	(13)	-
OPERATING INCOME	137	47	37	1	-	-	-	85	222
% OF NET SALES	12.3%								20.0%
OTHER INCOME AND EXPENSE	-	-	6	(2)	(1)	-	-	3	3
INCOME BEFORE INCOME TAXES	137	47	31	3	1	-	-	82	219
PROVISION OF INCOME TAXES	35	-	-	-	-	24	(4)	20	55
% OF PRE-TAX INCOME	25.5%								25.1%
NET INCOME ATTRIBUTABLE TO DENTSPLY SIRONA	\$ 102							\$ 62	\$ 164
% OF NET SALES	9.2%								14.8%
EARNINGS PER SHARE - DILUTED	\$ 0.46							\$ 0.27	\$ 0.73

# Reconciliation of Non-GAAP Financial Measures

## Net Sales to Organic Sales FY 20

(unaudited)

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

(in millions, except percentages)	Year Ended December 31, 2020				FY 20 Growth				Year Ended December 31, 2019			
	US	Europe	ROW	Total	US	Europe	ROW	Total	US	Europe	ROW	Total
<b>Net sales</b>	\$ 1,109	\$ 1,387	\$ 846	\$ 3,342	(19.2%)	(14.1%)	(18.8%)	(17.1%)	\$ 1,373	\$ 1,614	\$ 1,042	\$ 4,029
Foreign exchange impact					0.3%	1.3%	(1.1%)	0.3%				
Acquisitions and divestitures					(0.5%)	(0.9%)	(0.2%)	(0.6%)				
Discontinued products					(0.6%)	(0.1%)	0.5%	(0.1%)				
Organic sales					(18.4%)	(14.4%)	(18.0%)	(16.7%)				

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

(in millions, except percentages)	Year Ended December 31, 2020			FY 20 Growth			Year Ended December 31, 2019		
	Technologies & Equipment	Consumables	Total	Technologies & Equipment	Consumables	Total	Technologies & Equipment	Consumables	Total
<b>Net sales</b>	\$ 1,961	\$ 1,381	\$ 3,342	(14.1%)	(20.9%)	(17.1%)	\$ 2,283	\$ 1,746	\$ 4,029
Foreign exchange impact				0.6%	0.0%	0.3%			
Acquisitions and divestitures				(1.0%)	(0.1%)	(0.6%)			
Discontinued products				(0.2%)	0.0%	(0.1%)			
Organic sales				(13.5%)	(20.8%)	(16.7%)			

# Reconciliation of Non-GAAP Financial Measures

## Condensed Consolidated Statements of Operations FY 20

(unaudited)

(in millions, except per share amounts and percentages)	GAAP								ADJUSTED NON-GAAP
	Year Ended December 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	Year Ended December 31, 2020
GROSS PROFIT	\$ 1,657	118	44	5	-	-	-	\$ 167	\$ 1,824
% OF NET SALES	49.6%								54.6%
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	1,435	(74)	(57)	(17)	-	-	-	(148)	1,287
% OF NET SALES	42.9%							-	38.5%
GOODWILL IMPAIRMENT	157		(157)					(157)	-
RESTRUCTURING AND OTHER COSTS	77	-	(77)	-	-	-	-	(77)	-
OPERATING (LOSS) INCOME	(12)	192	335	22	-	-	-	549	537
% OF NET SALES	(0.4%)								16.1%
OTHER INCOME AND EXPENSE	48	-	-	-	(9)	-	-	(9)	39
(LOSS) INCOME BEFORE INCOME TAXES	(60)	192	335	22	9	-	-	558	498
PROVISION FOR INCOME TAXES	23	-	-	-	-	90	(9)	81	104
% OF PRE-TAX INCOME	(38.3%)								20.9%
NET (LOSS) INCOME ATTRIBUTABLE TO DENTSPLY SIRONA	\$ (83)							\$ 477	\$ 394
% OF NET SALES	(2.5%)								11.8%
EARNINGS PER SHARE - DILUTED	\$ (0.38)							\$ 2.17	\$ 1.79

# Reconciliation of Non-GAAP Financial Measures

## Condensed Consolidated Statements of Operations FY19

(unaudited)

(in millions, except per share amounts and percentages)	GAAP								ADJUSTED NON-GAAP
	Year Ended December 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	Year Ended December 31, 2019
GROSS PROFIT	\$ 2,165	116	25	6	-	-	-	\$ 147	\$ 2,312
% OF NET SALES	53.7%							-	57.4%
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	1,723	(74)	(78)	(1)	-	-	-	(153)	1,570
% OF NET SALES	42.8%							-	39.0%
RESTRUCTURING AND OTHER COSTS	81	-	(81)	-	-	-	-	(81)	-
OPERATING INCOME	361	190	184	7	-	-	-	381	742
% OF NET SALES	9.0%								18.4%
OTHER INCOME AND EXPENSE	16	-	1	(3)	(5)	-	-	(7)	9
INCOME BEFORE INCOME TAXES	345	190	183	10	5	-	-	388	733
PROVISION OF INCOME TAXES	82	-	-	-	-	102	(1)	101	183
% OF PRE-TAX INCOME	23.8%								25.0%
NET INCOME ATTRIBUTABLE TO DENTSPLY SIRONA	\$ 263							\$ 287	\$ 550
% OF NET SALES	6.5%								13.7%
EARNINGS PER SHARE - DILUTED	\$ 1.17							\$ 1.28	\$ 2.45

