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XRAY - Q4 2011 DENTSPLY International Inc. Earnings Conference Call

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OVERVIEW:

XRAY reported full-year 2011 sales of \$2.54b and net income attributable to Co. of \$244.5m or \$1.70 per diluted share. 4Q11 adjusted or reported net income attributable to Co. was \$40.6m or \$0.28 per diluted share. Expects 2012 adjusted diluted EPS to be \$2.22-2.30.



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PRESENTATION

Operator

Good day and welcome to the DENTSPLY International fourth quarter and year end 2011 earnings call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Derek Leckow, Vice President of Investor Relations. Please go ahead, sir.

Derek Leckow - *DENTSPLY International Inc. - VP of IR*

Thanks very much, Audra and my thanks to each of you for joining us today to discuss DENTSPLY International's fourth quarter and fiscal 2011 results. Joining us on the call today are Bret Wise, Chairman and CEO, Chris Clark, President and COO, and Bill Jellison, Senior Vice President and CFO. Each of us will have some prepared remarks and then we'll be glad to answer any questions that you may have. I hope you all had a chance to review our press release which we issued earlier this morning. A copy of the press release is also available for downloading on our website, www.dentsply.com. We have also provided a set of supplemental slides that is available for download as well.

Before we get started it's important to note that this call may include forward-looking statements involving risks and uncertainties. These should be considered in conjunction with the risk factors and uncertainties that are described in our SEC filings. The Company undertakes no obligation to update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this call. And a recording of this call in its entirety will be available on our website. As you can see in the release, our results this quarter include a number of nonrecurring items and other non-GAAP adjustments. In an effort to provide clarity from the distortion of some of these items our comments on this call will focus on results including certain adjustments which are noted on the non-GAAP reconciliation tables contained in the release. You'll note that our earnings guidance is also on an adjusted basis. With that I'd now like to turn the call over to Chairman and CEO, Bret Wise. Bret?



Bret Wise - DENTSPLY International Inc. - Chairman, CEO

Thank you, Derek and good morning everyone. Thank you for joining us here on our year end call. We're very pleased this morning to report record sales and adjusted earnings for 2011. I think as we look back on 2011, there were four major themes for us. When we entered the year, 2011 was very much a story about new product introductions and innovation, and on that level we performed very well, in fact, above our expectations, particularly in endodontics, preventatives and restorative. On March 11, of course, we were faced with another situation with the crisis in Japan and the loss of supply to about 9% of our business. We've managed through that this year, facing the supply shortage essentially throughout the year and we're hoping to get back to a full supply by mid-year this year.

The third item of course was the opportunity to acquire Astra Tech which we viewed as a significant opportunity to grow our business. Astra Tech added over \$150 million in sales for the quarter and over \$200 million in sales for the four months under our ownership. We're very pleased with the performance of both the implant and the healthcare businesses for this early period of our ownership and have great expectations for this transaction. The fourth theme of course was economic activity where we saw a gradual strengthening in the US economy and frankly the US dental market throughout the year. And we saw a sequential weakening of the European economy throughout the year which culminated in a contraction for that economy in the fourth quarter. With this backdrop we're very pleased to report that sales for the full year were \$2.54 billion. That's an increase of 14.3% for the full year including precious metals and 14.8% excluding precious metal content.

From a market perspective, overall we're very encouraged by the progression of the dental market in the fourth quarter and our own sales growth. In total for the quarter sales grew 29.9% with metal and 30% excluding precious metal content. The growth number ex-PM breaks down with internal growth in total declining 1.2%. Acquisitions added 30.4% and translation was a positive 0.8%. Internal growth excluding orthodontics in Japan was a positive 3.9%. That's consistent with the trend that we saw all year. And in fact our internal growth for the full year excluding orthodontics in Japan was also 3.9%.

Geographic internal growth, and I'll give this first to you in total with orthodontics in Japan and then subsequently without those two factors. First in total, growth ex-PM was a positive 0.7% in the US, this is internal growth, 0.7% in the US. It was negative 1.9% for Europe and it was negative 2.2% for the rest of the world. Of course, orthodontics in Japan are significantly influencing these results, so without orthodontics in Japan internal growth ex-PM was a positive 7.6% in the US which is a material improvement compared to really any measure that we've seen in the last five years. Internal growth in Europe ex-ortho was a positive 2.8%. That's not bad considering the environment in Europe. And rest of world was a positive 1.0%. On geographic growth in the US we saw really strong growth across all of our business units, essentially all of the business units except of course orthodontics. Improving sequentially and year-over-year. Although these results are strong and our data suggests that the retail sales of our products were at least in line with this growth and perhaps were stronger because we think we probably reduced dealer inventories modestly during the quarter.

Our new products continue to gain traction and are driving growth well above market in the United States now and we expect that to continue as we move into 2012. Europe's internal growth again was 2.8% excluding orthodontics and that was driven by new product introductions and we're also very pleased with this performance. Although I'd say we continue to be concerned about the market in Europe and the economic and the political uncertainty in that region. All that said our results continue to be positive driven again by new product innovations and growth well above the market in Europe. In rest of the world we had a mixed bag with very strong growth in many of the developing regions. However, that was offset by two regions where we reduced promotional activities, increased prices and reduced dealer inventories. On a consumption basis or a retail basis we're probably mid single digit growth in the rest of the world in total with emerging market growth high single digits and the developed markets lower. I think from your perspective I'd probably take our rest of the world results for the last two quarters and average them and think that's a more reflective number for us.

Just to frame up the year, growth for the full 12 months ex-PM was a positive internal growth of 0.4%. Acquisition growth was 10.8% and translation was positive 3.6%. For the full year, internal growth ex-ortho in Japan was positive 3.9% and we think that's well above what the global dental consumable market is growing. Overall I think our results reflect a global dental market that continues to expand but is driven today by the US and the emerging markets whereas a year ago it was Europe and the emerging markets. By category, again, this is ex-ortho in Japan, both consumables and our specialties were up mid single digits. While lab was just barely negative, I'd say a red zero. Lab without the contraction in the metals, metals market was positive, that's the second quarter in a row for that and it was much stronger this quarter than last, so sequential improvement there.



One other data point here is dental implants. Our total portfolio of dental implants, this includes Astra Tech on an organic basis, had pro forma organic growth in the mid single digits. It's was stronger in the US as you might expect and weaker in Europe. Of course the Astra Tech growth is reported as acquisition growth rather than internal growth. Also, our healthcare business grew organically mid single digits, but again, this is included in the acquisition growth rather than internal growth.

On earnings, there's a lot of moving parts here this quarter so Bill's going to provide more details. Overall, EPS non-GAAP came in at \$0.51 for the quarter and \$2.03 for the year. For the quarter, orthodontics continue to be a drag on earnings in the \$0.05 to \$0.06 per share range. That's generally in line with our expectations we had coming into the quarter. For modeling purposes this will continue to be a negative year-over-year basis for the next two quarters, more so in the first quarter than the second but should turn positive in the back half of 2012 and for the full year we think it will be neutral to slightly positive on our earnings on a year-over-year comparison. Our supplier continues to gradually improve production levels, although a bit slower than we had anticipated when we gave our last update. We're pleased to see the sequential improvement in supply levels, but we're still far below the pre-crisis capacities of production. Lastly, we're getting more visibility into the capacity schedule now and feel that we'll be able to do the full relaunch of this product line mid-year.

Currency was an increasing headwind sequentially during the quarter with the Euro in particular weakening significantly. It was down about 5% sequentially from the third quarter to the fourth quarter. Although it's still slightly positive, currency in total was slightly positive for our top line in Q4. It was slightly negative on the bottom line and Bill will provide more discussion of the currency impacts in his comments.

So let's move on now to 2012. Overall for the year we're anticipating a continued gradual recovery in the US market. For Europe we're modeling a market that can stay slightly positive despite the negative economic headwinds facing the region. Based on these assumptions and continued strong performance of our new product portfolio we're estimating that non-GAAP EPS will grow to the range of \$2.22 to \$2.30 for full year 2012. This of course reflects continued integration of Astra Tech, a slight year-over-year earnings improvement in orthodontics, organic growth in our other legacy DENTSPLY businesses, and some headwind from currency.

As far as Astra Tech, we expect some continued integration charges in the first quarter and maybe the second but going forward the earnings statement is going to be much cleaner and easier to follow than it was here in the fourth quarter. As far as quarterly progression on earnings it's important to remember that the orthodontics headwind will be the strongest in the first half, in fact strongest in the first quarter. Currency is also a headwind for the first half of the year at current exchange rates. So in closing my remarks, overall, 2011 was a busy year for us with many challenges but also several important opportunities. Overall we're pleased with the results and we look forward to continued growth in 2012. I'd like to now turn the call over to Chris Clark who is going to discuss our new product performance and a brief update on the Astra Tech integration. Chris?

Chris Clark - *DENTSPLY International Inc. - President, COO*

Thank you, Bret. Good morning, everyone. I'm going to take a few moments and provide some deeper insights into the impact of our innovation efforts this past year. Also an update on our integration efforts relative to Astra Tech. As we mentioned on previous calls, innovation has been a key driver of our results in 2011 and it remains a critical growth strategy for us. I'd like to briefly highlight some of the most impactful new products that help drive our growth this past year and provide a few insights into our strong continuing innovation pipeline moving forward.

In the materials side consumables area we had several new products in 2011 that gained solid market share and should continue to drive growth in 2012 and beyond. As you may recall early in the year we introduced ChemFil Rock Advanced Glass Ionomer Restorative in both the US and in Europe with its superior mechanical properties and simplified placement process. This was our first entry into an estimated \$100 million global category and it has already reached a number four market position in the US and we are approaching double-digit market share in Germany. We continue to see strong sequential growth and we expect that to continue in 2012.

Mid-year we introduced the PALODENT Plus Matrix System to the US market and in the first six months we already represent about a quarter of the US market. This product is now being expanded to European markets utilizing the same launch plan that has been so successful in the US. Later in the year we launched the RDH Freedom, cordless handpiece which is a lightweight cordless prophylaxis handpiece that delivers clear ergonomic benefits for the hygienist. In the first two months since introduction, sales have far exceeded our expectations and it's clear that this will be a key growth engine for our preventative business in 2012.

Before leaving the consumables area I'd like to briefly mention SureFil SDR flowable composite. While this product was introduced in late 2009, I think it's a really good example of how we use additional marketing, key opinion leader support, clinical studies, and product add-ons to help our innovation efforts drive significant growth for several years after introduction. With respect to SureFil SDR Flow these efforts enabled us to achieve a 38% growth in the US last year off of an already very strong sales base. Perhaps our strongest innovation impact in 2011 however was in the endodontics franchise. The introduction of the WaveOne and Reciproc reciprocating platforms was likely our largest and most impactful new product introduction in years. These products have received numerous innovation awards around the globe and have clearly driven strong incremental market share gains in the endodontics area. We're very pleased with the rates that we're seeing in trial, repurchase and cannibalization and we estimate that we've trained over 35,000 dentists on the system thus far. We're also very pleased with the market acceptance of the GuttaCore Obturation System, and the early success of the QMix 2in1 Irrigating Solution. Together with the reciprocating platform these products are defining the next generation of endodontic therapy.

Perhaps most importantly we're continuing to leverage the innovation pipeline as we enter 2012. This year we've already launched several new products including VOLO disinfectant wipes from Sultan. Which provides us an entry into a \$40 million category that we've not previously competed in. We've also launched the Vortex Blue nickel titanium endodontic file in the US. This file provides greater resistance to cyclical fatigue, increased torque strength and reduced shape memory. Next week we will be launching the Cavitron Evolution Ultrasonic Scaling System. This system includes a patented touch and go foot pedal that provides a much broader range of freedom -- freedom of movement, excuse me, for the hygienist during the scaling procedure. We will be featuring these products as well as several other innovations at next week's Chicago Mid-Winter Dental Show.

I'd now like to provide some brief comments on the Astra Tech integration efforts. I would characterize the integration as moving forward very much as expected. Our integration strategy includes the creation of a new combined global implant business named DENTSPLY Implants that combines the strengths of the Friadent and Astra Tech organizations. This new entity will focus on growing on all of the combined brands of the Friadent and Astra Tech portfolios including XiVE, Ankylos, OsseoSpeed, Atlantis and ISIS. We're tremendously excited about the combination of these brands and the organizations and the critical mass that this provides us in the implant market. A second core integration strategy is to create a dedicated healthcare business that provides specific focus on the growth opportunities in that platform. We continue to be very impressed with the market position Astra Tech created with the LoFric platform and believe the business will further benefit from the additional attention and focus that a separate healthcare organization will provide.

Finally we've announced the top level leadership of these organizations both of which will be under the executive responsibility of Jim Mosch, Executive Vice President. The leadership team is a true blending of the top talent for both the DENTSPLY and Astra Tech organizations and will provide strong organizational foundations for these businesses. Beyond the top level of management we have a number of integration teams that are focused on specific functional or geographic opportunities. We remain very pleased with the level of collaboration and cooperation within these teams and with the progress they're making. I look forward to providing additional updates on our integration efforts on future quarterly calls. I'd now like to turn the call over to Bill Jellison who will cover the financial results for the quarter and for the year in greater detail. Bill?

Bill Jellison - DENTSPLY International Inc. - CFO, SVP

Thanks, Chris. Good morning, everyone. Bret already discussed our sales growth within the quarter and the year but I'd like to add a couple of additional comments regarding our sales. The 2011 geographic mix of sales without precious metal content was as follows. The US represents 34% of sales, Europe was 43% this year and the rest of the world was 23%. Our sales mix will shift a few points more once Astra Tech is included for the entire 12 month period as its sales are more heavily weighted in Europe.

Despite the recent strengthening of the dollar within the quarter, we will still benefit from a slightly weaker dollar year-over-year which benefited our top line growth by about 0.8% in the quarter and 3.6% on a full year basis. FX had a slight negative impact on earnings per share compared to last year in the quarter. A negative impact sequentially versus the third quarter and we were favorably impacted overall for the year. We expect a headwind from current foreign exchange rates on both the top line and the bottom line with the largest impact in the first half of the year. For the full year, at today's exchange rate, the top line would be impacted by as much as 3 to 4 percentage points negatively.

As Derek mentioned and as you can see in our earnings release, the fourth quarter as well as the full year included a number of items which impacted our results which we have identified as non-GAAP adjustments. Most of the following comments exclude the impacts of those items. Gross profit

margins on an adjusted basis as a percentage of sales ex-precious metal content in the fourth quarter of 2011 were 56.5%, compared to 55.6% for the fourth quarter of 2010. When compared to the same period last year, this rate was positively impacted by favorable product mix and price increases. Our product mix was benefited by the strong gross margin rates of our recent acquisitions and from strong sales of endodontic and general consumable products. These positive impacts were partially offset by the effects of negative exchange rate impacts mostly caused by some key products that are purchased or produced in Switzerland and Japan. This impact is more easily understood when you look at the 18% to 20% strengthening of the Swiss franc to the dollar earlier in the year and even the roughly 10% strengthening of the Swiss franc to the Euro in mid-2011. The impact of these higher exchange rates was in our inventory coming into the quarter and came through the income statement in the fourth quarter despite the weakening of these currencies during the quarter. In the aggregate, currency rates hurt non-GAAP EPS by about \$0.02 in the period.

Our recent acquisitions are expected to have a positive mix impact on gross profit margin rates over each of the next three quarters as they are fully reflected in the Company's results. SG&A included approximately \$18 million of acquisition and integration expenses and other adjustments. Absent these costs, SG&A on an adjusted basis would have been \$274 million or 40.5% of sales excluding precious metals in the fourth quarter of 2011, versus 35.6% in the prior year's fourth quarter. As we mentioned on our third quarter call, our SG&A is expected to run higher for two reasons. First, our recent acquisitions have much higher SG&A expenses as a percentage of sales than our base business and thus we bring those into the mix. They will increase this ratio but will be mitigated somewhat as we complete integration over the next few years.

Second, although our orthodontic business sales are down substantially due to the supply outage, we are maintaining the infrastructure of this business, anticipating resupply and the relaunch of the product line. This year-over-year comparison with higher expense level as a percentage of sales will continue through the third quarter of this year when the acquisition impacts annualize and the orthodontic business supply disruption begin to show year-over-year improvements. Operating margins based on sales excluding precious metals on an adjusted basis were 16% in the fourth quarter compared to 20% last year in the same period. As Bret noted the Japanese natural disaster negatively impacted our earnings per share by approximately \$0.05 to \$0.06 in the fourth quarter, mostly from lost sales in our orthodontic business from the lack of consistent product supply. While the supply situation is gradually improving, we expect this business will have a negative impact on results in the first quarter of 2012 of approximately \$0.05, and a more modest, but still negative impact in the second quarter measured on a year-over-year basis as the disaster occurred late in the quarter, late in the first quarter, and had little impact on our business in that period. Net interest and other expense in the fourth quarter on a reported basis was \$14.6 million compared to \$4.8 million last year in the fourth quarter. This increase in expense resulted primarily from higher net interest expense associated with the acquisition of Astra Tech.

Our reported tax rate for the fourth quarter of 19.7% is not really meaningful as there are tax adjustments and non-GAAP impacts reflected in that rate. On an adjusted basis, our operating tax rate for this quarter was approximately 22% and ended the year slightly below 23%. The tax rate continues to have a slightly favorable impact compared to last year and is a result of two items. First, we are benefiting from a more favorable geographic mix as our US-based income has been reduced due to the impacts of a weaker dollar and the negative impacts of our supply outage of orthodontic products. We expect this impact will gradually go away as our sales and earnings in this business are rebuilt over the next few years. We are also benefiting from permanently reinvesting international income as we are able to more efficiently utilize those earnings. We believe that a tax rate of approximately 23% is reasonable when looking at 2012, despite the higher tax rate of the Astra Tech business.

To better understand and follow some of following comments, you can look at the tables included in our recent press release which reconciles performance from US generally accepted accounting principles or GAAP to adjusted non-GAAP performance. Net income attributable to DENTSPLY International in the fourth quarter of 2011 on an adjusted or on a reported basis, excuse me, was \$40.6 million or \$0.28 per diluted share, compared to \$67.8 million or \$0.47 per diluted share in the fourth quarter of 2010. These results include a number of non-GAAP items, mostly associated with recent acquisitions. On an adjusted basis, earnings excluding restructuring, acquisition related costs and other related items and tax adjustments in both periods which constitute a non-GAAP measure were \$72.6 million or \$0.51 per diluted share in the fourth quarter of 2011, compared to \$75.2 million or \$0.52 per diluted share in the fourth quarter of 2010.

Remember, though, that this quarter includes a negative \$0.05 to \$0.06 per share negative impact from our ortho and Japanese business. Net income attributable to DENTSPLY International in 2011 for the full year was \$244.5 million, or \$1.70 per diluted share. Net income for 2010 was \$265.7 million or \$1.82 per diluted share. Net income for comparability analysis on a non-GAAP basis excluding the reconciling items in the press release for the years ending 2011 and 2010 were \$290.9 million, and \$283.9 million respectively. This represents earnings of \$2.03 per diluted share



for 2011 compared to \$1.94 in 2010 which was an increase of 4.6% for the year. Cash flow from operating activities in 2011 was approximately \$393 million, compared to \$377 million in 2010. Keep in mind, we had a number of payments this year for costs associated with acquisitions, legal settlements and other items of approximately \$40 million, which negatively impacted operating cash flows for the period.

Capital expenditures were \$71 million in the year, with depreciation and amortization of approximately \$93 million. Capital expenditures in 2012 are expected to be approximately \$100 million to \$120 million. Inventory days were 93 at the end of 2011, most of this benefit was from currency compared to 103 days at the end of 2010. These levels now also reflect the addition of Astra Tech inventory as well. Accounts receivable days were 52 days including similar days for Astra Tech at the end of 2011, compared to 55 days at the end of 2010. At the end of 2011, we had \$77 million in cash and short-term investments, total debt was \$1.77 billion at the end of 2011 with net debt at the time of our acquisition of Astra Tech was \$1.8 billion and has been reduced to \$1.69 billion by the end of the year. In 2011, we repurchased approximately \$80 million of our stock or approximately 2.2 million shares at an average price of approximately \$36 per share, and based on the Company's authorization to maintain up to 34 million shares of treasury stock, we now have approximately 12 million shares available for repurchase. However, as we have now completed our acquisition of Astra Tech, our preference will be working to pay some of that debt down before we utilize the remaining authorization, although we will more than likely continue to offset options.

We believe a reasonably stable global economy in 2012 should allow the global dental market to once again show modest growth for the year. As mentioned before, the acquisition of Astra Tech does increase the volatility that changes in FX rates have on our sales and earnings, as more of our sales and production is now located outside of the US. We are most impacted on sales by changes in the Euro and our purchases and cost structures are most impacted by the Euro, Swiss franc, Swedish corona and also the Japanese yen. We are utilizing additional systematic cash flow hedges on certain transactions to help minimize the volatility that these FX fluctuations may otherwise have on our business. At current exchange rates we expect to have a negative impact from foreign exchange rates in 2012 on both our sales and our bottom line. Finally, as Bret stated, despite the softness and uncertainty that still plagues the broader global economy, we are establishing our 2012 diluted earnings per share guidance at \$2.22 to \$2.30 per share on an adjusted basis. That concludes our prepared remarks. Thanks for your support and we would be glad to answer any questions that you may have at this time.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Jeff Johnson, Robert W. Baird.

Jeff Johnson - Robert W. Baird & Company, Inc. - Analyst

Thank you, good morning guys. Bret, I was hoping I could start with you just on that US organic growth number, obviously a strong number there at 7.6%. As I look at how the year progressed you kind of started maybe in line to slightly below market early in the year. Obviously in the second half you've been 100, maybe 300 basis points above market. How do you feel like 2012 is going to play out? If the market does X would you expect DENTSPLY to be X plus 100 to 200 basis, kind of where you've been in the second half of 2011?

Bret Wise - DENTSPLY International Inc. - Chairman, CEO

I think, Jeff, our performance in the US market this year was really stellar particularly at the end of the year. You might recall that coming into the year we were talking about new product launches. We had this full pipeline coming. Those started to launch in the first quarter but some of them didn't launch until third or fourth quarter. In fact, the endodontics portfolio that WaveOne filed in the US didn't launch I think until late third quarter.

And thus that momentum has been building throughout the year and new products, the benefit of new product launches is really a three, four year period and so we're just now in the first year of this what could be a good tailwind for us on the new products so we expect that to contribute again to above market growth in 2012. I'm a little reluctant to say exactly how much above market because there's a lot of variables to measure there but I'd say we're highly confident that we can grow above the consumable market in 2012 in the US.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

All right. That's helpful. And then on your orthodontics comments, I'll have to go back and look at maybe how you phrased it last quarter. My sense is maybe just a little push out on the time line or maybe not feeling as confident you get the full product pipeline back as soon as maybe you were thinking. Any comments there?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Yes, I think that we are a little more optimistic coming into the fourth quarter than we are right now. The progress made during the fourth quarter at the supplier and the ramp-up of the production was not what we had expected. We're still expecting full launch by mid-year this year. I think before we were probably saying sometime in the third -- excuse me, in the second quarter. We're still confident about the recovery plan but the ramp-up wasn't quite as fast as we thought it would be.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Is there anything you can share that's maybe creating some headwind there and gives us comfort that this won't then get pushed third quarter or fourth quarter, something like that?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Well, our supplier's very optimistic and continues to give us capacity schedules which we think would be great if they hit them but they may be optimistic in some ways and so I think we're taking a little bit more conservative stance now on their ability to get back to the timing to get back to a full 5,000 SKU assortment of products. At this point we don't think that it will slip further than we're giving you guidance on now. We think this is a mid-year full relaunch both in the US and Europe and we're just going to have to update you on that as we go through the year.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Fair enough. Last question for Bill, I'll jump after that. Pretty aggressive deleveraging already off the deal at \$100 million plus. Should we think of that and just kind of double that for 2012. Is it \$200 million, \$300 million deleveraging expected in 2012 or how to think about that, Bill?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

I'd say that that's a reasonable expectation. We utilize pretty much all of our free cash flow in deleveraging that so you know how much operating cash flow that we generate, we're expecting to probably generate similar levels obviously again in 2012, so unless we're putting any money back into some additional small or mid-size acquisitions you should expect us to be paying down at that kind of level.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

It's the lower interest rate debt that gets paid off first, right? That 1%, 2% debt if I remember right?



Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Yes, that's correct.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

All right. Thank you.

Operator

Larry Marsh, Barclays Capital.

Larry Marsh - *Barclays Capital - Analyst*

Thanks. Good morning. Just a couple of things, if I could. First, as you talk about -- as Chris talked a little about the introduction of products and sort of how it was disproportionately beneficial in the fourth quarter. As you sort of said your fourth quarter internal growth US best looks like -- as we look at it since mid-'05 so as we think about this year for the US does that mean the comps for the first half of the year should be particularly good and then slow down a little bit as you get toward the ends of 2012? Or as you look at it with product introductions your confidence level with growth with US growth being certainly above market, better than it would have been maybe three to four months ago.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

I think our confidence is better than it was three to four months ago. Chris may have something to add to this. But the uptake on these new products has been really encouraging. It's true we're going to have easier comps earlier in the year in the US than we've we'll have in the fourth quarter. 7.6% is a pretty high number to overcome. But I think for the full year, when we look at longer periods of time for full year we feel really good about our prospects in this market and the benefit we have from this new innovation.

Chris Clark - *DENTSPLY International Inc. - President, COO*

The only thing I would add, Larry, is say feel like we got a pretty solid head of momentum at this point on some of those new products and I would expect that to continue obviously early in the year and we'll just obviously keep driving it, keep it going.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

The other thing I would add to that is that the pipeline for this year is pretty good as well. We're going to have another slew of new products that hit the market this year and we should get the uptake from those as well as the carryover uptake from the ones we launched this year.

Larry Marsh - *Barclays Capital - Analyst*

Right, okay. So look for continued information there. And just elaboration a little bit about -- so Europe as you said more challenging, no new news there. Rest of world, mixed. So maybe you could elaborate a little bit. You said two particular regions where there was pullback on inventory, increased pricing and some impact on sales. Can you remind us of what those were?



Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Yes, I don't want to give you the regions from a competitive standpoint but in two of the larger regions in what we call rest of world we increased prices coming into this quarter. We reduced promotional activity and we did that because we saw dealer inventories getting too high. We wanted to get them a little bit lower and leaner and we wanted to improve our margins, so we reduced the promotional activity and that had the expected impact of restraining growth just for this one quarter. It should bounce back next quarter. Overall in the rest of world region, particularly in the emerging markets or the developing markets, our performance continues to be very strong and that will continue to be a growth driver for us next year.

Larry Marsh - *Barclays Capital - Analyst*

Okay. Second thing, just little bit of elaboration on the communication around Astra Tech. You mentioned now sort of an integrated team in place with the brand staying the same, some of the implants, dedicated healthcare platform and top level leadership. Can you reflect on, I know some of the conversation before have been about the investments Astra Tech made that you're going to be able to leverage with your focus on costs and consolidation and coordination with your other brands. I think a lot of confidence in the management team of the healthcare platform you've acquired. So as you look at it in 2012, as you see what you've done already with Astra Tech, do you feel like -- sounds like the message is you're right on plan with every component of what you hoped to achieve and is it fair to say that your view of overall dental implant market growth is no different or no worse than it was when you acquired the asset?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Couple things there. First of all, with respect to our ability to increase operating margins of the combined business, I think that is -- that's clearly on track although the first three months there's a little bit of chaos, so we're working through how best to create the value as one organization in the dental implant side and I think we're making good progress there under Jim's leadership. With respect to healthcare, we're very pleased with their performance with the quality of the people running that business and with their capabilities we think to grow that business going forward. With respect to the dental implant market, now we're the fourth major player to report. I think we've seen a range of results, organic growth range of results of slightly negative to maybe positive 2%. We're positive mid single digits. There's another large player to report yet.

I think with all those data points put together you have to believe that the market must be growing low single digits or in the fourth quarter is growing low single digits. In our acquisition model we expected low to maybe mid single digits for 2011 and probably a good part of 2012 but we were expecting that market to pick up later in 2012. That's yet to be seen. We're hopeful that will happen. But in the US, the US the market is extraordinarily strong and underpenetrated, so I would say the US market's now growing close to double digits and we expect that to continue as we see employment improve and this economy tick up. Europe's going to be a little bit tougher this year for obvious reasons. We'll just have to see how that develops as we go.

Larry Marsh - *Barclays Capital - Analyst*

Okay. Is it fair to say, when you first announced the acquisition, you had said \$0.12 to \$0.17 of accretion on sort of adjusted earnings basis first full year after close. Is that still an appropriately wide range or are you able to narrow that or think about that differently now?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Well, we're not going to give an update on the range of accretion of Astra Tech although you can see in our earnings guidance there's a meaningful impact there. We're pleased with the outlook of that business from an earnings -- both a sales growth and an earnings perspective and the ability to continue to innovate and invest in it. So obviously the \$2.22 to \$2.30 includes a meaningful component from Astra Tech and we think we're on target.



Larry Marsh - *Barclays Capital - Analyst*

Great. And then just a quick clarification on the tax rate. Sounds like a little bit of a good guy there. I was thinking it would be more like 24%, 25%, I guess, Bill, you're saying 23% is your thought even with Astra Tech. So that's just good asset management and I think that's something you think would be sustainable even after 2012, as you look forward?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Yes, we've got a lot of activity going on around that aspect. Any time you do a major international acquisition as well too there's a lot of restructuring or structuring related activities that take place and especially around the tax side. There's projects that are still in the works associated with that that will kind of come to fruition as we kind of move through this period. At this point we're comfortable with the 23% estimation.

Larry Marsh - *Barclays Capital - Analyst*

Okay. I'll stop there. Thanks.

Operator

Robert Jones, Goldman Sachs.

Robert Jones - *Goldman Sachs - Analyst*

Thanks for the questions. Just sticking with Astra Tech, looks like it added about \$150 million this quarter. I was curious how that matched up relative to your internal expectations and then maybe how we should think about that relative to your annual run rate expectations.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Frankly, it's right on. What we had said when we announced the deal is we thought we were paying -- by the time the deal would close we would be paying about 3 times sales on the trailing basis which would be \$600 million. They've hit those numbers in the period that we've owned them. They've met our expectations and they're continuing to deliver really pretty strong results. So I would say it's right in line with what we expected.

Robert Jones - *Goldman Sachs - Analyst*

Okay. Great. And then just I think you just commented on this Bret but for the implant expectations, the market itself in 2012, could you maybe just share with us what's the underlying assumption behind the guidance for the implant market globally.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

I think the implant market globally will be low single digits to perhaps moving into the mid single digit range but probably at the low end of that. My belief is that it will start out reasonably weak, kind of low single digits. We'll learn a lot more when the last of the five majors report. Later in the year, particularly if Europe works through some of its problems, that could accelerate.

Robert Jones - *Goldman Sachs - Analyst*

Got it. Just relative to third quarter, did that market stay the same? Decelerate, accelerate?



Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

I think the overall market was the same to maybe slightly slower.

Robert Jones - *Goldman Sachs - Analyst*

Got you. Okay. The last one I had on Astra Tech, sounds like you're separating out the medical business. Any update or anything we should read from that on whether or not this is being viewed as a strategic asset for the Company going forward?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

It is a strategic asset for the Company. The reason we're separating it obviously is we have two major dental implant businesses that we need to bring together in integration and it makes no sense to bring those together in an organization that has the healthcare business also merged into it. So we're trying to separate it to give it its own life. We've got dedicated management. We're making some investments there that we think will help that business grow and I think you should view that as the same as you view our other 45 businesses.

Robert Jones - *Goldman Sachs - Analyst*

Got you. That makes a lot of sense. Thanks.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Thank you.

Operator

Glen Santangelo, Credit Suisse.

Glen Santangelo - *Credit Suisse - Analyst*

Thanks a lot. Bill, I just wanted to follow up with you on some of the FX comments you made earlier. You seem to suggest that FX costs you about \$0.02 in the quarter. Was that correct?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Yes, that's correct.

Glen Santangelo - *Credit Suisse - Analyst*

And so I thought if I heard you correctly you said that for '12 if the currencies kind of stay where they are, it would be about a 3% to 4% top line headline impact but you didn't give the bottom line. Am I correct in assuming it would be about a 4% impact on the bottom line in fiscal '12 as well?



Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Yes, I think from your perspective on the earnings side of the equation, obviously it makes a big difference on which currencies are stronger or weaker within that average because they all don't move in the same direction. But if you look at kind of what we show on our presentation as well too and the grid there to give you some guidance on how earnings move relative to the sales side, earnings do move at least a little bit more in line with that if currencies are moving in the same direction. So yes, you could think that it's somewhere in that probably 3% to 4% range as well.

Glen Santangelo - *Credit Suisse - Analyst*

Okay. Thanks. And it kind of sounds like -- I'm just trying to reconcile all the moving pieces relative to your guidance because it kind of sounds like obviously you're going to have an FX headwind in fiscal '12 but an obvious benefit from Astra Tech as well as it sounds like the orthodontic business can be a positive contributor year over year. If I kind of reconcile all those pieces it kind of sounds like you're implying mid to single digit organic EPS growth in fiscal '12. Are there any other big swing factors or moving pieces I should be thinking about?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

No, I think that that's reasonable for how you're thinking about that on that side. I'd say on the orthodontics piece as well, as Bret mentioned that first quarter we were originally expecting that we were going to already see some sequential improvement in the first quarter on ortho. That's obviously not taking place. So we're thinking that this year because the first half is obviously going to be a drag, that it will probably take pretty much through the second half of the year to kind of offset that negative impact that's occurring in that first half of the year. So orthodontic for us right now is expected to kind of be flat, maybe a slight positive. But that's probably a little bit softer than we would have expected before but, yes, your other components that you were talking about there make sense in relationship to the guidance that we're giving out.

Glen Santangelo - *Credit Suisse - Analyst*

Bret, maybe if I could just ask one follow-up question on the ortho business. It kind of sounds like you believe that it's reasonable to think that we're going to have a full relaunch of the product by the middle of the year to help out the back half of the year, but I guess what my question is, how confident are you in this recovery plan because presumably these orthodontists are buying their self-ligating brackets somewhere else. And so as the supply improves how confident are you that you'll be able to win all that market share back beginning in the back half of this year?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Well, I'm not confident we can win all the market share back in the back half of the year. I think this will be a multi-year recovery plan. But what gives me some confidence is right now we're trying to sell products that were on back order on which is not an easy thing to do. Once we have full supply or full range of products we can get that in the hands of our reps. It makes their job a lot easier. And I think that with respect to the recovery plan, some of the market share we'll get back quickly. Loyal customers that are hanging with us and we're trying to serve their needs through allocation, et cetera. Some of it will be a little bit longer term project and of course once customers converts sometimes you don't get them back at all. I do think this is a multi-year thing. In our guidance we're not counting on getting a major part of the market share back in the back half of the year. We're counting on having full supply so that we can get people, the customers we have now off back order.

Glen Santangelo - *Credit Suisse - Analyst*

As I think about into fiscal '13, not that you want to talk that far out but theoretically presumably, it's going to be an ongoing process here regaining market share, which could be a benefit to you in fiscal '13 versus '12 as well.



Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

I think that's very fair to assume. That's a good assumption.

Glen Santangelo - *Credit Suisse - Analyst*

Okay. Thanks for the comments.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Okay.

Operator

John Kreger. William Blair.

Robbie Fatta - *William Blair & Company - Analyst*

Good morning, guys. This is actually Robbie Fatta, in for John Kreger today. Bill, I think I heard you say you guys were starting to take a look at some small and mid-sized acquisitions recently. Can you give us any more detail on where those might be focused geographically and functionally?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Well, I didn't really say that we were looking, although we're always looking. But I said that on the cash flow side if we did use any of the cash flow for acquisitions, that may offset any of the pay down although it's our expectation in 2012 that we are going to still pay down a significant amount of that debt. On the acquisition side, though, similar to any time, we're always looking at different opportunities, both in different regions as well as in the primary key product categories that we have out there. So when and if kind of those come to fruition is up in the air. You never know when those happen. But you can be assured that we're still always looking at a number of different opportunities.

Robbie Fatta - *William Blair & Company - Analyst*

Got it. Thanks. And is there any update on the potential launch of the MTM product in the United States?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

No, at this point Robbie we're still in the US waiting for FDA approval and again, that's hard to predict exactly when that's going to happen.

Robbie Fatta - *William Blair & Company - Analyst*

Got it. How has the product gained traction outside the US, in the geographies you have launched in?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

We're certainly gaining some traction with it. I would say it's early in the launch process if you will but at this point in time I wouldn't see anything that I would be concerned about.



Robbie Fatta - *William Blair & Company - Analyst*

Great.Thanks very much.

Operator

Brandon Couillard, Jefferies.

Brandon Couillard - *Jefferies & Company - Analyst*

Hi, good morning.

Chris Clark - *DENTSPLY International Inc. - President, COO*

Good morning.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Good morning.

Brandon Couillard - *Jefferies & Company - Analyst*

Bret, what's your sense of the general demand environment? I guess specifically in the US. Do you still feel like there's a pent-up demand scenario in the market and what is your sense of the strength in the US, can you quantify maybe how much might be attributable to a better utilization trend versus the new product contribution?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Sure, Brandon. I think couple things. When the US kind of hit the skids in late 2008, early 2009, we saw unemployment really skyrocket and we saw that cause the dental market to kind of go flat to just slightly negative, despite the fact that unemployment went from like 5% to 10% which was a body blow to the economy. The dental market still performed pretty well in that environment and what our thesis has been all along because of how we've seen it in past recessions is the dental market then will kind of flatten out and start to grow again, even though unemployment's still high, it will grow modestly. Once we see employment start to improve meaningfully month after month the dental market can really accelerate, because we're adding a whole new slew of customers to a low baseline already. Our theory is that that's what's happening right now. We saw the results of a major distributor yesterday. They had very strong consumable growth, near 5%. You see our number here of 7.6%. I think that's reflective of higher utilization in general and the market improving in general, particularly in the United States. And then our number at 7.6% I think is also reflective of very strong uptake on these new products that we're launching.

Brandon Couillard - *Jefferies & Company - Analyst*

Thanks. I believe dental reimbursement in Germany's stepping up somewhere in the 5% to 6% range next year. How might that impact your demand from there if at all?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

I think in Germany there's a little bit of confusion about what's going on there. I think in the private part of the market which is maybe 15%, 20% of the market, it's a regulated market meaning a dentist can only charge so much for a given procedure and the change that happened was there was a pretty meaningful increase in that regulated price, how much a dentist could charge. It wasn't necessarily a change in reimbursement, it was just a change in how much they can charge the customer. I don't think that that will have a major impact. Some dentists will charge a higher price, some will not. But I think that it's not really change in reimbursement, it's just a change in what the price can be charged. Same thing happened in Holland by the way and there's been a little bit of an increase in the government funding to the market in the UK which was encouraging.

Brandon Couillard - *Jefferies & Company - Analyst*

Okay. Fair enough. And then last one, Bill. The cash flow experience seemed pretty strong in the fourth quarter. I know Astra Tech in general has a lower cash conversion cycle than the Legacy x-ray profile. Should we anticipate continued progress there on the working capital front as you get a full year of Astra contribution and can you give us a better sense of your operating cash flow expectations for the year?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

On the working capital side especially both in 2011 and in 2012, there's a lot of different activities that are in there because of a number of these non-GAAP adjustments that are impacting it associated with the acquisition and other items that are kind of distorting a little bit as I mentioned. I think our cash flow in general at the kind of in the \$393 million range in 2011 as I mentioned includes some of those additional outflows of cash as well. So we would expect that that would be stronger. As we look at their operations, you heard kind of the inventory numbers and even the receivable numbers that we talked about, and actually Astra Tech's pretty much in line where with where we're at. I think we've got a lot of additional activities and focus areas in this and I think over the next couple of years as we continue to integrate this business we think that there will be some opportunities on the working capital end as well.

Brandon Couillard - *Jefferies & Company - Analyst*

Great. Thank you.

Operator

Steve Beuchaw, Morgan Stanley.

Steve Beuchaw - *Morgan Stanley - Analyst*

Hi, thanks and good morning.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Good morning.

Steve Beuchaw - *Morgan Stanley - Analyst*

I wonder if you could give us an update with a bit more granular detail on the end markets in Europe, geographically by product line. Did you see any of the incremental weakness and more recent rebound in some of the core markets like Germany that others have cited? Is there any sign of incremental weakness in peripheral Europe? How might that answer be different say in implants relative to consumables?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

I think generally the market in Europe has weakened. This is not necessarily our results but the market in Europe weakened sequentially in the fourth quarter. Certain parts -- it's a mixed bag. Southern Europe's very weak, kind of the mature part of Europe's kind of stable or maybe a little bit up or a little bit down depending on the market. The CIS region which we include in Europe continues to be pretty strong. So it's a mixed bag. In particular on dental implants we've seen the results of these three other competitors which it looks like they were all very negative in Europe. Our results were still positive in Europe organically but I think that's a sign that the dental implant market in Europe at least has weakened somewhat sequentially. I think that's probably the case.

Steve Beuchaw - *Morgan Stanley - Analyst*

Okay. Another question on the US market which I know you've touched on. I wanted to get more specific to trends in the fourth quarter. Could you spend a bit more time there on the detail on the strength sequentially in the end markets? Is that more base consumables or endo, or are you seeing more of an aesthetic rebound? Again, thinking specifically about the quarter and what you're seeing here in the early days of '12.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Okay, this is going to sound like a gross general statement but it's true. We saw sequential improvement in every platform we have in the US except for orthodontics which of course is because of those other circumstances. It was across the board. And frankly, if you go back to our conference in the third quarter it was across the board then as well. We've had two quarters back to back where we've seen sequential improvement across essentially all of our platforms in the US in both the third and fourth quarter.

Steve Beuchaw - *Morgan Stanley - Analyst*

Okay. Thanks again, guys, and have a great morning.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Thank you.

Operator

Jonathan Block, SunTrust.

Jonathan Block - *SunTrust Robinson Humphrey - Analyst*

Thanks, guys. Good morning. Bill, maybe the first question for you, just more from a modeling perspective. When we think about OpEx into 2012, based on your comments from Astra Tech and the orthodontics division, should we think about the OpEx leverage starting to come back in the third quarter of '12 or is that still what you annualize a bit of Astra, or is that still a bit too soon considering that deal closed in September and think about a little bit of OpEx leverage in 4Q '12 and then accelerating into '13?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Well, I think it's probably fair to say that from a mix perspective, that you'll probably see similar mix impacts both in gross margin and SG&A in kind of the OpEx area as you saw in the fourth quarter as we move into both the first, second and even third quarters of this year until we fully anniversary

that. I'd say as you get into the third quarter, you're going to see some where it's already been annualized on the Astra Tech at least in the month of September. And then on the ortho side, again, we were already beginning to feel more of the heavier impacts in the third quarter. So we would expect that the third quarter won't get worse from that perspective. It should begin to show improvements on the ortho front.

Jonathan Block - SunTrust Robinson Humphrey - Analyst

Okay. Great. And then this builds a little on the earlier question in Europe but there was obviously a ton of headline risk throughout the quarter, yet your results picked up a bit in Europe from 3Q to 4Q when you X out the ortho. Maybe just some commentary, is that just pulled up a little bit by having a full quarter of Astra in there? I think you mentioned Astra's business was in and around mid single digits. How are you guys able to it seems like sidestep a bit of the weakness in the overall market in Europe in 3Q to 4Q?

Bret Wise - DENTSPLY International Inc. - Chairman, CEO

For us, I think it's kind of specific for us, but for us it was we're launching a really powerful portfolio of new products, not just in Europe but globally. You see the impact of that in United States number as well. But it's clear from the analysis that we've done it's the uptick from those products that's driving this 2.8% growth we had in the quarter, much more than the overall market is growing, and for instance the Astra Tech number's not in that 2.8%, right. This was internal growth, not total growth. So for us it's much more a story of innovation, bringing new products to market that are changing the way dentistry's done and getting great uptake from those, even in a rough environment in Europe, getting great uptake in those in our portfolio.

Jonathan Block - SunTrust Robinson Humphrey - Analyst

Okay. Great. Maybe just a last question. You mentioned the US business or the US implant market growing in an around double-digits and just when you take a step back are you seeing any change in sort of the evolution of the market? And what I mean by that is sort of a GPs willingness to go move forward and take on a greater share of the implant business. And if that's the case are you seeing anything that you can point to on a share shift of maybe a GP being more willing to swim downstream in terms of the type of implant they're using. Thanks, guys.

Bret Wise - DENTSPLY International Inc. - Chairman, CEO

Okay. That's kind of a complex question but what we see is actually GPs being much more interested in restoring implants rather than placing them. We have in the past seen GPs or the GP market buy a kit, 10 implants, they place one or maybe they place two and then it goes on the shelf. We haven't seen a big uptake in GPs becoming large users of dental implants. On the contrary what we've seen is GPs partnering with a surgeon to drive implant placement for their patients but they're focused more on restoring the implant rather than placing it.

Jonathan Block - SunTrust Robinson Humphrey - Analyst

Okay. Thanks for your time, guys.

Bret Wise - DENTSPLY International Inc. - Chairman, CEO

Thank you.

Operator

George Humphries, Deutsche Bank.



George Humphries - Deutsche Bank - Analyst

Good morning. First question, just on CAD/CAM. Could you tell me how quickly that grew in Q4, please?

Bret Wise - DENTSPLY International Inc. - Chairman, CEO

Well, CAD/Cam is not a major market for us. That's more of an equipment market. Of course, we're a consumable Company. We did launch this year a new monolithic material called Cercon HT. We launched it in Europe mid-year and we launched it in the US, really kind of a soft launch in December. It got approved by the FDA in November. We've seen great uptake in that product which is a CAD/CAM type product, but it's a consumable more than equipment. So with respect to the equipment, I'm not sure we're the best measure of how that market's going.

George Humphries - Deutsche Bank - Analyst

Sure, okay. Thank you. And then just going back to dental implants, was there much difference in performance between DENTSPLY and the Astra Tech dental implant businesses in Q4?

Bret Wise - DENTSPLY International Inc. - Chairman, CEO

We view those as one business now. That's why we gave you the pro forma number that we did. As we bring those two businesses together for instance, certain product lines that used to be resident in one business are now being moved across to the other platform. So we're going to -- like the rest of our businesses, when we give you insights, we don't break it down by three or four businesses within a category. We kind of give you insights on directionally how our business is doing in total. That's why we gave you the mid single digit number here on the call today.

George Humphries - Deutsche Bank - Analyst

Yes, okay. Thank you. Just the final question, on the dental implants market as a whole, just in terms of your overall -- your expectation of growth in 2012, do you see much difference in the premium part of the market versus the budget part of the implant market?

Bret Wise - DENTSPLY International Inc. - Chairman, CEO

Well, my comments earlier were about the premium segment primarily. There's not much insight really into the budget part. We do have an interest in a Company in South Korea that's kind of a value implant player. But outside of that it's hard to get good statistics on the value segment. So the comments I had about probably low, perhaps getting into mid single digit growth next year were for the premium segment.

George Humphries - Deutsche Bank - Analyst

Great. Okay. Thanks very much.

Bret Wise - DENTSPLY International Inc. - Chairman, CEO

Thank you.

Operator

And that does conclude the question and answer -- I'm sorry, we do have one more question. Greg Halter, Great Lakes Review.



Greg Halter - *Great Lakes Review - Analyst*

Good morning, guys. Thanks for letting me in here at the end.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Good morning, Greg.

Chris Clark - *DENTSPLY International Inc. - President, COO*

Good morning, Greg.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Getting under the wire, so --

Greg Halter - *Great Lakes Review - Analyst*

Yes, thank you. And this goes across overseas, so a long question. I know you have some sort of either options or warrants or some sort of derivative in the DIO Corp. I think the stock's doubled or tripled here recently. Just wondered if you could make any comments on your position there?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Yes, obviously we did do an investment a year ago, December, in that company. We think we're very pleased with the acquisition and our involvement in that at this stage. We think that they're making some good progress on a number of fronts. But as far as the comment associated with their current stock price or what our expectations are on the conversion of, the converts that we do have out there or the rights we wouldn't obviously comment on any of that at this point.

Greg Halter - *Great Lakes Review - Analyst*

Okay. Thanks.

Chris Clark - *DENTSPLY International Inc. - President, COO*

Thanks, Greg.

Operator

That does conclude the question-and-answer session. At this time I'll turn the conference back over to Mr. Leckow for any closing remarks.

Derek Leckow - *DENTSPLY International Inc. - VP of IR*

Thank you everyone. That concludes our conference call today. We thank you for your interest in DENTSPLY. If you have any follow-up questions please contact Investor Relations. Good bye.



Operator

That does conclude today's conference. Again, thank you for your participation.

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