



# Dentsply Sirona JP Morgan Healthcare Conference

January 9, 2019

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THE DENTAL  
SOLUTIONS  
COMPANY™

 Dentsply  
Sirona

# Forward-Looking Statements and Associated Risks

Information the Company has included or incorporated by reference in this presentation, and information which may be contained in other filings with the U.S. Securities and Exchange Commission ("SEC") as well as 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 Company's ability to remain profitable in a very competitive marketplace, which depends upon the Company's ability to differentiate its products and services from those of competitors
- the Company's failure to realize assumptions and projections which may result in the need to record additional impairment charge
- the effect of changes to the Company's distribution channels for its products and the failure of significant distributors to effectively manage their inventories or purchase required minimum quantities of products
- the Company's ability to control costs and failure to realize expected benefits of cost reduction and restructuring efforts
- the effect of changes in the Company's management and personnel
- the Company's failure to anticipate and appropriately adapt to changes or trends within the rapidly changing dental industry
- changes in applicable laws, rules or regulations, or their interpretation or enforcement, or the enactment of new laws, rules or regulations, which apply to the Company's business practices (past, present or future) or require the Company to spend significant resources for compliance
- the Company's failure to execute on, or other issues arising under, certain key client contracts
- a significant failure or disruption in service within the Company's operations or the operations of key distributors
- the Company's failure to successfully integrate the business operations or achieve the anticipated benefits from any acquired businesses
- 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
- the Company's failure to attract and retain talented employees, or to manage succession and retention for its Chief Executive Officer or other key executives
- the impact of the Company's debt service obligations on the availability of funds for other business purposes, the terms of and required compliance with covenants relating to the Company's indebtedness and its access to the credit markets in general
- general economic conditions
- 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 and any other information included or incorporated by reference in this presentation, and information which may be contained in the Company's other filings with the SEC, when reviewing any forward-looking statement. The Company notes these factors for investors as permitted under the Private Securities Litigation Reform Act of 1995. 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.

# Non-GAAP Financial Measures

In addition to the results reported in accordance with US GAAP, the Company provides adjusted net income attributable to Dentsply Sirona and adjusted earnings per diluted common share ("adjusted EPS"). The Company discloses adjusted net income attributable to Dentsply Sirona International to allow investors to evaluate the performance of the Company's operations exclusive of certain items that impact the comparability of results from period to period and may not be indicative of past or future performance of the normal operations of the Company and certain large non-cash charges related to purchased intangible assets. The Company believes that this information is helpful in understanding underlying operating trends and cash flow generation.

Adjusted net income and adjusted EPS are important internal measures for the Company. Senior management receives a monthly analysis of operating results that includes adjusted net income and adjusted EPS and the performance of the Company is measured on this basis along with other performance metrics.

The adjusted net income attributable to Dentsply Sirona consists of net income attributable to Dentsply Sirona adjusted to exclude the net of tax impact of the following:

(1) Business combination related costs. These adjustments include costs related to integrating and consummating recently acquired businesses and costs, gains and losses related to the disposal of businesses or product lines. 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, 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 impairment 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. Beginning in 2011, the Company began recording large non-cash charges related to the values attributed to purchased intangible assets. As such, amortization expense has been excluded from adjusted net income attributed 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) Certain fair value adjustments related to an unconsolidated affiliated company. This adjustment represents the fair value adjustment of the unconsolidated affiliated company's convertible debt instrument held by the Company. The affiliate is accounted for under the equity method of accounting. The fair value adjustment is driven by open market pricing of the affiliate's equity instruments, which has a high degree of variability and may not be indicative of the operating performance of the affiliate or the Company.

(6) Income tax related adjustments. These adjustments include both income tax expenses and income tax benefits that are representative of income tax adjustments mostly related to prior periods, as well as the final settlement of income tax audits, and discrete tax items resulting from the implementation of restructuring initiatives. These adjustments are irregular in timing and amount and may significantly impact the Company's operating performance. As such, these items may not be indicative of past and future performance of the Company and therefore are excluded for comparability purposes.

Adjusted earnings per diluted common share is calculated by dividing adjusted net income attributable to Dentsply Sirona by diluted weighted-average common shares outstanding. Adjusted net income attributable to Dentsply Sirona and adjusted earnings per diluted common share are considered measures not calculated in accordance with US GAAP, and therefore are non-US GAAP measures. These non-US GAAP measures may differ from other companies. Income tax related adjustments may include the impact to adjust the interim effective income tax rate to the expected annual effective tax rate. The non-US GAAP financial information should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP.

The Company defines "constant currency sales growth" as the increase or decrease in net sales from period to period excluding precious metal content and the impact of changes in foreign currency exchange rates. This impact is calculated by comparing current-period revenues to prior-period revenues, with both periods converted at the U.S. dollar to local currency average foreign exchange rate for each month of the prior period, for the currencies in which the Company does business.

The Company defines "internal sales growth" as constant currency sales growth excluding the impacts of net acquisitions and divestitures, merger accounting impacts and discontinued products.

Management also believes that the presentation of net sales, excluding precious metal content, provides useful information to investors because a portion of Dentsply Sirona's net sales is comprised of sales of precious metals generated through sales of the Company's precious metal dental alloy products, which are used by third parties to construct crown and bridge materials. Due to the fluctuations of precious metal prices and because the cost of the precious metal content of the Company's sales is largely passed through to customers and has minimal effect on earnings, Dentsply Sirona reports net sales both with and without precious metal content to show the Company's performance independent of precious metal price volatility and to enhance comparability of performance between periods. The Company uses its cost of precious metal purchased as a proxy for the precious metal content of sales, as the precious metal content of sales is not separately tracked and invoiced to customers. The Company believes that it is reasonable to use the cost of precious metal content purchased in this manner since precious metal dental alloy sale prices are typically adjusted when the prices of underlying precious metals change.

# Today's Discussion

## Review of Announced Restructuring Plan

- Completed Extensive Business Diagnostic
- Developed Plan Focused on Growth, Margin and Simplification
- Targeting \$200 - \$225mm in Annual Cost Savings by 2021
- Established Targets:
  - ~3 - 4% revenue growth
  - ~OI Margin of 20% by the end of 2020 and 22% by the end of 2022

## Update on Restructuring Progress

# Business Diagnostic Reaffirmed Key Strengths...



## Attractive End Market Dynamics

- >\$27bn market, growing in mid single-digits
- Favorable demographics
- Technology is rewarded



## Evolving Market Opportunities

- Growth opportunities in developing markets
- Technology Innovation (digital software, 3D)
- Generalists expanding procedure range



## Company Is Well Positioned

- Largest global dental manufacturer with diversified platform
- Marquee brands with enduring customer loyalty
- Strong reputation as an innovation leader

# ... And Helped Identify Areas for Improvement



## Inconsistent Growth

- Lack of innovation
- Lack of scale with customer
- Need to improve sales and marketing execution
- Product focus vs. customer focus



## Margin Compression

- High fixed cost structure
- Expanded sales and marketing spending
- Pricing challenges and mix



## Organization

- Legacy of multiple roll-ups without integration
- Complex business model
- Siloed systems

# Operating Principles



There is one customer



Responsible for demand creation



Innovation that is substantial and supported



Lead in clinical education



Take advantage of scale

# Our Future Direction

## Our Strategy & Vision

Take advantage of the unique global breadth and depth of Dentsply Sirona to create more meaningful solutions for dentists built around innovative products and differentiated clinical education.

**Grow  
Revenues**

**Improve  
Margins**

**Simplify the  
Organization**

# Growth

- Organizational Structure
- Focused Innovation
- Salesforce Effectiveness
- Invest in Growing Markets

# Consolidation of Strategic Business Units

## Rationale

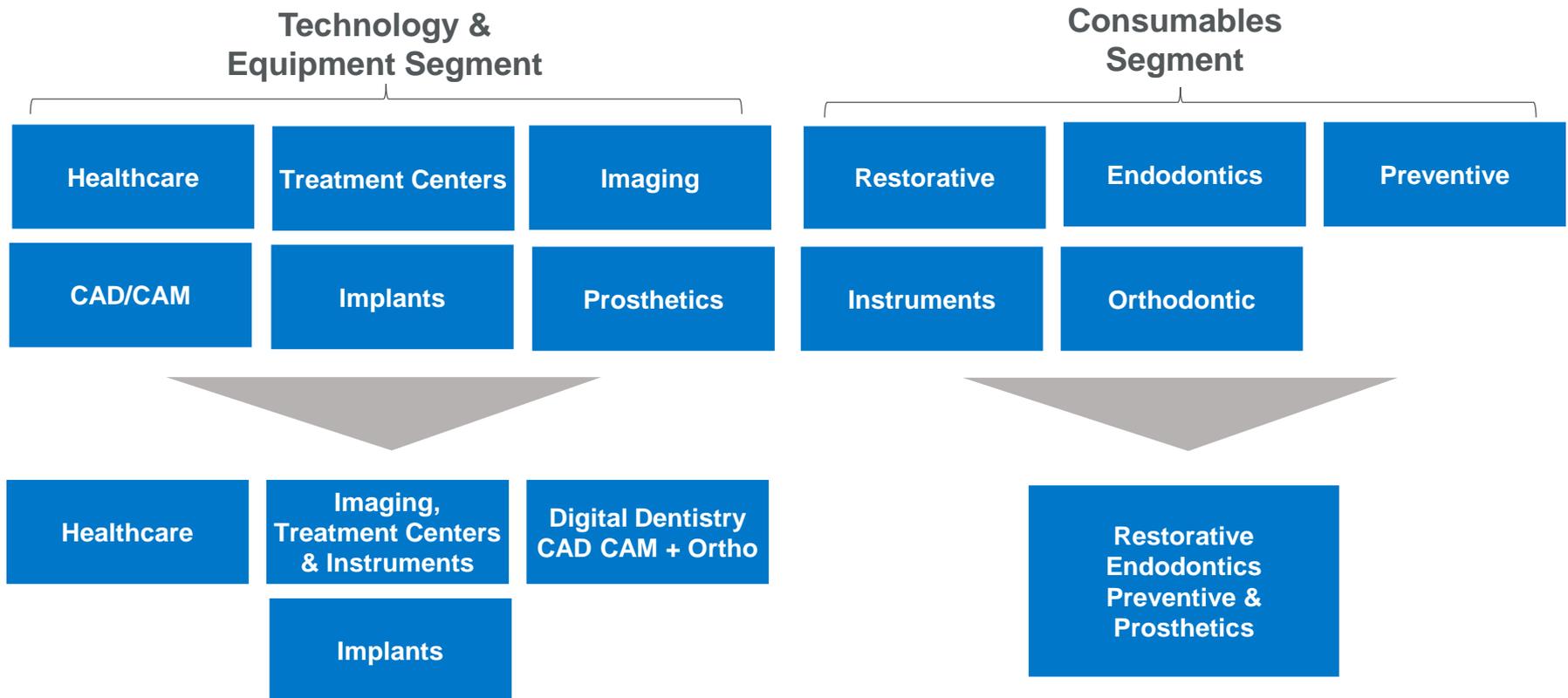
- Better align with new sales structure
- Consolidation will create more focus

## Actions

- Supply Chain moves to single, dedicated organization
- Cross company R&D portfolio prioritization
- Creation of bigger marketing ideas built around deeper insights
- Eliminate significant duplication
- Group products logically

# Organizational Focus

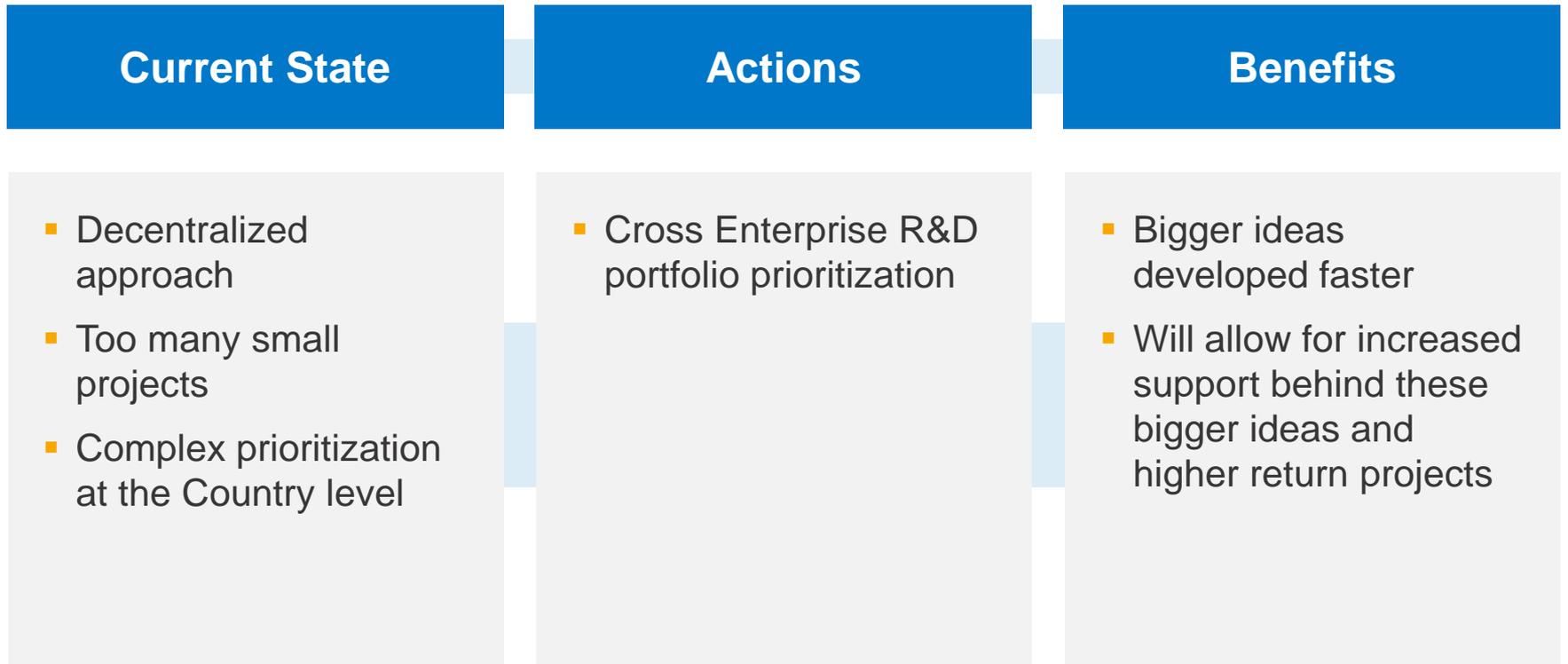
- Review of Product Groups Consolidation Structure



# RCO Consolidation

- **New RCO design to increase transparency and accountability**
- **Create more** regional common country clusters to simplify the organization and eliminate redundancy
  - High cultural proximity and similarities, one supply chain, and realigned central functions
- **Top 20** countries represent 89% of total revenues
- **Major transitions**
  - One Country Structure
  - Focused R&D projects will lead to greater concentration and more efficient marketing spending
  - Centralization of Supply Chain and QA/RA

# Innovation



6 Focused R&D Initiatives for IDS and Chicago

# Demand Creation: Improving Salesforce Effectiveness

## One Customer & One Country Approach: Building disciplined targeting, message and call planning

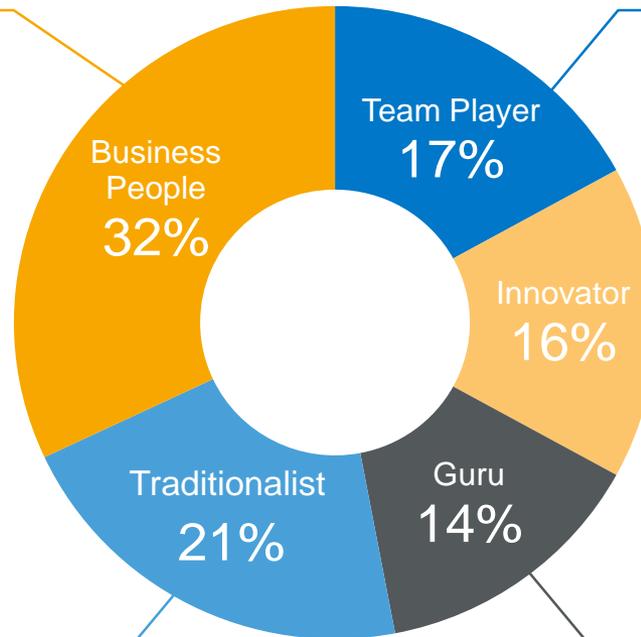
- Consolidated country sales and marketing leadership
- Serving one set of customers
- Customer segmentation
- Common database / insights / CRM approach
- Analytically driven Salesforce alignment and call planning
- One integrated approach to customer service, direct & indirect selling and outbound media programs
- One sales operations platform

Redesign & Alignment will not Disrupt Revenue Stream

# Overview of the 5 Identified Dentist Segments

**“I want to grow my practice and use digital channels”**

**“I’m an employee who follows practice protocols”**



**“I’m always up to date and focus on quality”**

**“I’m an experienced GP with a focus on patient outcomes”**

**“I’m a specialty practitioner with a focus on dental health”**

# Continue to Invest in Growing Markets

Our recent experience shows that focused support can deliver strong growth in developing markets



## China –

Growing high single digits



## Latin America –

Growing high single digits

# Margin

- Supply Chain Integration
- Portfolio Management

# Supply Chain Integration

Create single integrated Supply Chain responsible for:

- Manufacturing
- Inventory / CAPEX in this area
- Logistics and distribution
- Procurement
- Global demand planning



**Daniel Key**  
Chief Supply Chain Officer

- Three decades of business management /supply chain experience
  - SVP / Chief Supply Chain Officer - Axalta Coating Systems
  - VP / Supply Chain Officer - Sigma Aldrich
  - VP Integrated Supply Chain at UOP, a Honeywell Company

## Key Responsibilities:

- Centralize operations, sourcing & supply chain network
- Develop strategic direction for critical center of excellence
- Design supply chain capabilities to support strategic priorities
- Customer service, inventories, cost, quality, cycle times and order delivery

# Shaping the Portfolio

## Evaluating several portfolio management opportunities



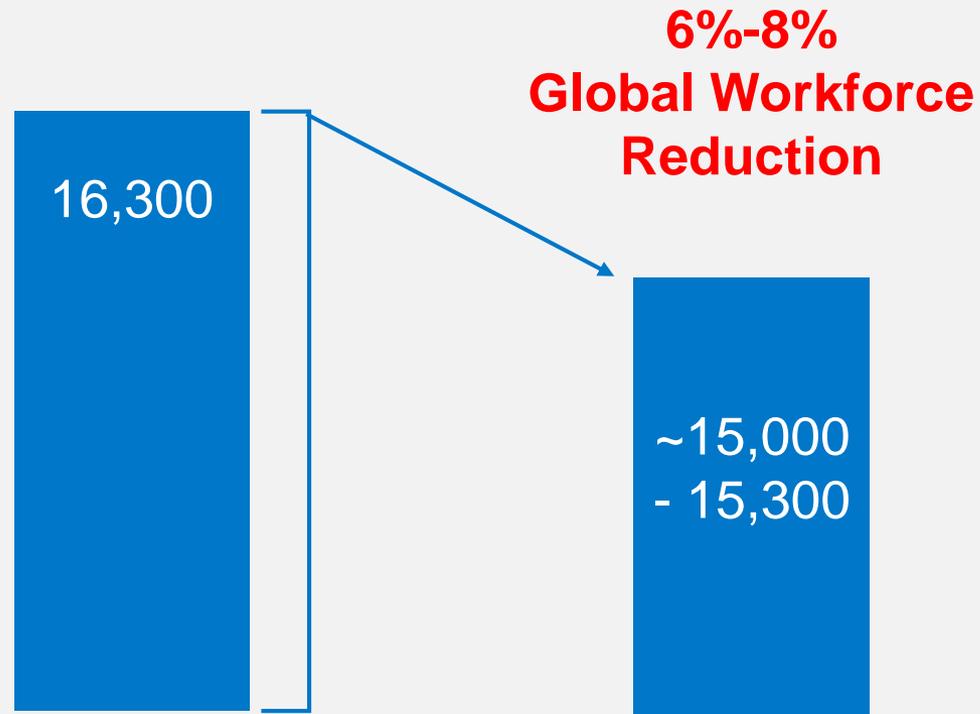
- Non-profitable businesses
- Underperforming businesses (revenue and operating income)
- Non-core businesses

- FONA
- SICAT
- Surgical and Respiratory portion of the Wellspect business
- Additional candidates for portfolio shaping

# Simplification

- Headcount Reduction
- Reducing Costs

# Headcount Reduction



Headcount reduction in SBU/RCO Consolidation / Corporate streamlining and through Portfolio Shaping

# Aggressively Reducing Costs via Major Restructuring

Aggregate global headcount reduction of ~6 - 8%

Expect to generate \$200 - \$225mm in Annual Cost Savings by 2021 and Operating Margin of 20% by the end of 2020 and 22% by end of 2022

Taking one-time restructuring charges and expenses of approximately \$275mm

# Dentsply Sirona Financial Targets

Item	Target	Commentary
Revenue Growth	~3-4%	<ul style="list-style-type: none"> <li>Consumables growth steady at ~2-3%</li> <li>T&amp;E returning to growth in 2019 &amp; 4%+ thereafter</li> <li>New product introductions</li> <li>Investing in global scale and faster growing regions</li> <li>Overall growth at or above dental market</li> </ul>
EBIT Margin	20% by the end of 2020 & 22% by the end of 2022	<ul style="list-style-type: none"> <li>Restructuring to save \$200-225M by 2021</li> <li>Portfolio shaping</li> <li>Continuing plans for margin expansion after 2020</li> </ul>
EPS Growth	Double Digit	<ul style="list-style-type: none"> <li>Accelerated EPS growth in the near-term as cost savings are realized</li> </ul>
Net Debt to EBITDA	Investment Grade	<ul style="list-style-type: none"> <li>Utilize balance sheet to enhance EPS growth</li> </ul>

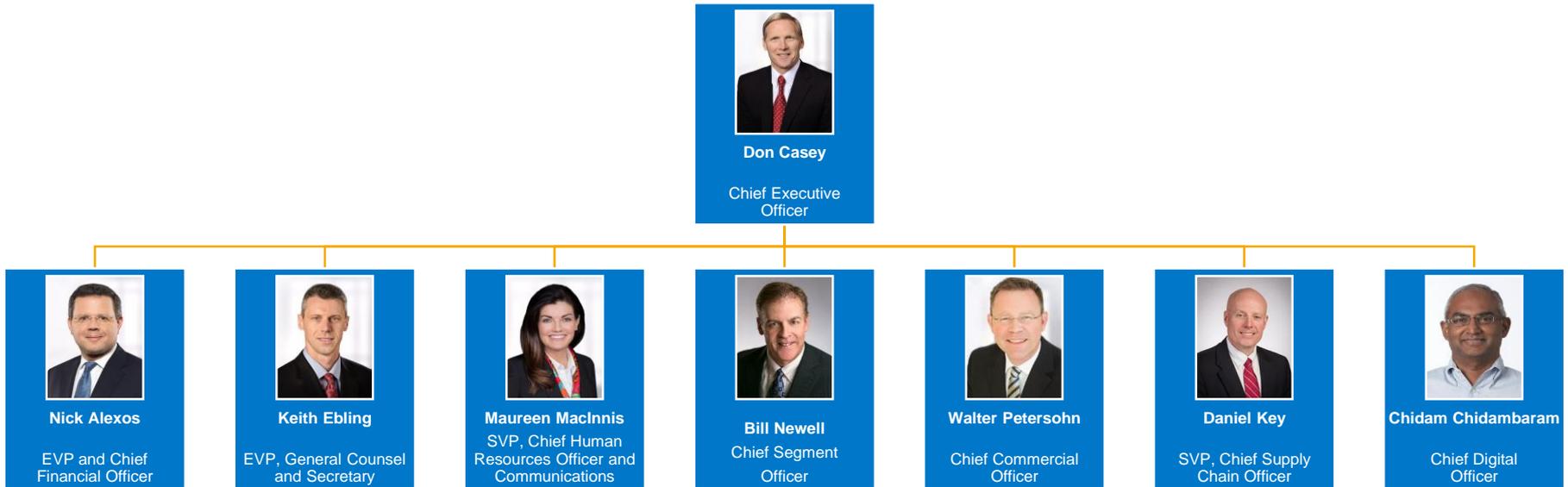
# KPIs – Measuring Our Success

Activities	Expectation
SBU / RCO Consolidation	1H19
R&D Portfolio Consolidation	1H19
Salesforce Effectiveness	2019
Portfolio Shaping	Ongoing

Key Metrics	Targets
Headcount reduction progress	Now to 2021
Growth metrics in designated markets	Ongoing
Clinical Visits	30,000 annually

Financial Measures	Targets
Revenue Growth	3 – 4%
Operating Income Margin	20% by end of 2020; 22% by 2022
Operating Expenses	2019 – lower than 2018
Timing of Restructuring Charges	By end of 2021

# Putting Together a Winning Organization...



- Now operating as one company
- Merging established performers with outside executives – CTO hired
- Centralizing the duplicative SBU structure
- RCO – creating a single view on the commercial organization
- Outcome – enhanced accountability, leveraging scale and improving financial performance

# Progress Since the Restructuring Announcement...

- ✓ Portfolio Shaping
- ✓ Organization in Place – SBU and RCO
- ✓ US Sales Force Effectiveness Program Launched
- ✓ 6 Focused R&D Initiatives for IDS & Chicago
- ✓ Supply Chain Organization Leadership Selected

