

DENTSPLY INTERNATIONAL INC /DE/  
Form 10-Q  
May 06, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-16211

DENTSPLY International Inc.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

39-1434669  
(I.R.S. Employer  
Identification No.)

221 West Philadelphia Street, York, PA  
(Address of principal executive offices)

17405-2558  
(Zip Code)

(717) 845-7511  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer" and "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: At

April 28, 2015, DENTSPLY International Inc. had 139,815,027 shares of Common Stock outstanding, with a par value of \$.01 per share.

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DENTSPLY International Inc.

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## PART I – FINANCIAL INFORMATION

## Item 1 – Financial Statements

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS(In thousands, except per share amounts)  
(unaudited)

	Three Months Ended March 31,		
	2015	2014	
Net sales	\$656,320	\$730,114	
Cost of products sold	282,952	335,909	
Gross profit	373,368	394,205	
Selling, general and administrative expenses	270,233	287,842	
Restructuring and other costs	5,426	793	
Operating income	97,709	105,570	
Other income and expenses:			
Interest expense	10,668	10,955	
Interest income	(742	) (1,435	)
Other expense (income), net	609	388	
Income before income taxes	87,174	95,662	
Provision for income taxes	18,853	22,452	
Equity in net loss of unconsolidated affiliated company	(4,367	) (290	)
Net income	63,954	72,920	
Less: Net (loss) income attributable to noncontrolling interests	(7	) 42	
Net income attributable to DENTSPLY International	\$63,961	\$72,878	
Earnings per common share:			
Basic	\$0.46	\$0.51	
Diluted	\$0.45	\$0.50	
Weighted average common shares outstanding:			
Basic	140,296	142,053	
Diluted	142,804	144,453	

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)  
 (unaudited)

	Three Months Ended March	
	31,	
	2015	2014
Net income	\$63,954	\$72,920
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(188,904 )	(1,035 )
Net gain on derivative financial instruments	24,752	1,757
Net unrealized holding gain (loss) on available-for-sale securities	30,851	(2,041 )
Pension liability adjustments	1,417	318
Total other comprehensive income (loss), net of tax	(131,884 )	(1,001 )
Total comprehensive (loss) income	(67,930 )	71,919
Less: Comprehensive income attributable to noncontrolling interests	540	114
Comprehensive (loss) income attributable to DENTSPLY International	\$(68,470 )	\$71,805

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)  
 (unaudited)

	March 31, 2015	December 31, 2014
Assets		
Current Assets:		
Cash and cash equivalents	\$ 100,619	\$ 151,639
Accounts and notes receivables-trade, net	409,865	426,606
Inventories, net	380,098	387,095
Prepaid expenses and other current assets, net	309,500	241,630
Total Current Assets	1,200,082	1,206,970
Property, plant and equipment, net	556,766	588,845
Identifiable intangible assets, net	613,457	670,840
Goodwill, net	1,953,271	2,089,339
Other noncurrent assets, net	61,254	94,271
Total Assets	\$ 4,384,830	\$ 4,650,265
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$ 134,090	\$ 132,611
Accrued liabilities	240,040	379,202
Income taxes payable	40,072	28,948
Notes payable and current portion of long-term debt	247,631	112,831
Total Current Liabilities	661,833	653,592
Long-term debt	1,078,823	1,152,882
Deferred income taxes	150,470	165,551
Other noncurrent liabilities	319,452	356,042
Total Liabilities	2,210,578	2,328,067
Commitments and contingencies		
Equity:		
Preferred stock, \$.01 par value; .25 million shares authorized; no shares issued	—	—
Common stock, \$.01 par value; 200.0 million shares authorized; 162.8 million shares issued at March 31, 2015 and December 31, 2014	1,628	1,628
Capital in excess of par value	211,114	221,669
Retained earnings	3,434,484	3,380,748
Accumulated other comprehensive loss	(573,567)	(441,136)
Treasury stock, at cost, 22.9 million and 21.9 million shares at March 31, 2015 and December 31, 2014, respectively	(900,866)	(841,630)

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Total DENTSPLY International Equity	2,172,793	2,321,279
Noncontrolling interests	1,459	919
Total Equity	2,174,252	2,322,198
Total Liabilities and Equity	\$4,384,830	\$4,650,265

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

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DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Three months ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$63,954	\$72,920
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	19,311	21,370
Amortization	10,906	12,569
Amortization of deferred financing costs	1,089	1,142
Deferred income taxes	20,172	(11,505)
Share-based compensation expense	4,895	5,786
Restructuring and other costs - non-cash	4,832	—
Stock option income tax benefit	(381)	(69)
Equity in net loss from unconsolidated affiliates	4,367	290
Other non-cash income	(8,005)	(3,405)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts and notes receivable-trade, net	(10,246)	(22,920)
Inventories, net	(7,431)	(15,180)
Prepaid expenses and other current assets, net	(5,635)	(5,751)
Other noncurrent assets, net	(2,511)	1,465
Accounts payable	5,247	8,047
Accrued liabilities	(36,258)	(21,901)
Income taxes	(4,488)	23,423
Other noncurrent liabilities	5,813	(1,716)
Net cash provided by operating activities	65,631	64,565
Cash flows from investing activities:		
Capital expenditures	(16,243)	(25,322)
Cash received on derivatives contracts	8,593	864
Cash paid on derivatives contracts	(810)	(2,103)
Expenditures for identifiable intangible assets	(178)	(1,305)
Purchase of short-term investments	—	(1,144)
Proceeds from sale of property, plant and equipment, net	91	168
Net cash used in investing activities	(8,547)	(28,842)
Cash flows from financing activities:		
Increase in short-term borrowings	160,117	64,886
Cash paid for treasury stock	(85,009)	(40,395)
Cash dividends paid	(9,416)	(8,979)
Cash paid for acquisition of noncontrolling interests of consolidated subsidiary	(80,452)	(33)



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Repayments on long-term borrowings	(100,143	) (75,174	)
Proceeds from exercised stock options	14,065	4,149	
Excess tax benefits from share-based compensation	381	69	
Net cash used in financing activities	(100,457	) (55,477	)
Effect of exchange rate changes on cash and cash equivalents	(7,647	) 623	
Net decrease in cash and cash equivalents	(51,020	) (19,131	)
Cash and cash equivalents at beginning of period	151,639	74,954	
Cash and cash equivalents at end of period	\$100,619	\$55,823	

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In thousands)  
(unaudited)

Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total DENTSPLY
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