FINAL TRANSCRIPT

Thomson StreetEvents℠

XRAY - Q1 2009 DENTSPLY International Inc. Earnings Conference Call

Event Date/Time: May. 01. 2009 / 12:30PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Bret Wise
DENTSPLY International Inc. - Chairman & CEO

Chris Clark
DENTSPLY International Inc. - President & COO

Bill Jellison
DENTSPLY International Inc. - CFO

CONFERENCE CALL PARTICIPANTS

Jon Wood
Banc of America - Analyst

Derek Leckow
Barrington Research - Analyst

Jeff Johnson
Robert W. Baird - Analyst

Yi-Dan Wang
Deutsche Bank - Analyst

Greg Halter
Great Lakes Review - Analyst

Heidi Lawrence
George Weiss - Analyst

Adam Poussard
Barclays Capital - Analyst

Ilan Chaitowitz
Redburn Partners - Analyst

Gary Hatton
Granahan Investments - Analyst

John Venusti
Kynikos - Analyst

PRESENTATION

Operator

Good day and welcome to the DENTSPLY International first quarter year 2009 earnings conference call. Today's conference is being recorded.

At this time I would like to turn the conference over to Mr. Bret Wise, the Chairman and Chief Executive Officer. Please go ahead, sir.

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

Okay, Camille, thank you. And welcome, everyone. Thank you for joining us for our first quarter call. This is Bret Wise, Chairman and Chief Executive Officer, and also with us today are Chris Clark, our President and Chief Operating Officer, and Bill Jellison, our Senior Vice President and Chief Financial Officer. I'd like to begin today's call with some overview comments regarding our results for the quarter and also some insights into where we see the state of the global dental market. Chris is then going to provide some insights into our cost containment efforts and how we are balancing that with growth initiatives, as well as new product launches and Bill Jellison then will provide some detailed insights on the financial results. And following our comments, of course, we will be glad to take any questions that you have.

Before we get started, it's important to note that this call may include forward-looking statements involving risks and uncertainties and these should be considered in conjunction with the risk factors and uncertainties described in our most recent annual report on form 10-K and also the periodic reports we have, form 10-Qs, press releases, et cetera. A recording this call in its entirety will also be available on our website. Last night we announced our results for the first quarter 2009. As noted in the release, first quarter sales declined 9.6% on a GAAP reported basis and declined 6.2% excluding precious metals. This decline of 6.2% in sales in the quarter was greatly influenced by the strength of the dollar, as you know, which resulted in a negative impact from currency translation of 6.9%. Accordingly, absent the adverse impact of currency translation we reported sales growth of 0.7% in local currencies.

This constant currency growth reflects internal growth, which was negative 3.7%, and acquisition growth that offset that, which was positive 4.4%. The global dental market appears to be contracting slightly in the first quarter. I would say probably in the 2% to 4% range. The slowing is most notable in the equipment side of the business including small equipment, which appears to be impacted more in this slowdown than past economic downturns. This is pertinent to us as, while we are predominantly a consumable Company, we do sell small equipment that goes along with those consumables and that represents just over 10% of our mix. Anecdotal evidence from the market includes a notable lower attendance at recent US dental shows, certainly probably some slowing in office visits and in some cases downgrading of procedures.

In Europe I would say the signals are more mixed. The international dental show, or IDS, which is held every two years in Cologne, Germany, took place in March. It had record attendance, which was up double digits from the last show held in 2007. And to us that indicates a high level of continuing interest in new dental technologies in that market. However, dental product sales in Europe are now certainly contracting versus 2008 in many ways comparable to what we see in the US market. Our own internal growth performance in the quarter was influenced by a couple things. First, the performance of our non-dental business, but also the performance of small dental equipment and to some degree dental inventory reductions. You will recall that approximately 3% of our mix is non-dental. Those product categories had a negative impact of almost a full percentage point on our internal growth in the quarter.

Accordingly, our dental business contracted just under 3% in the quarter on internal growth basis and with acquisitions our dental business grew between 1% to 2% constant currency. In addition, if we look at the small dental equipment categories across all of our product groups, those products contracted double digits in the quarter and contributed to almost another full percentage point of negative growth during the period. We normally don't break our sales down in this fashion, but in this period of rapid changes in the economy and the substantial swings we have seen in currency, I think it's important to understand that the underlying dental consumables in our mix were essentially down only slightly in the quarter on an internal growth basis and grew low single digits constant currency. This despite some continued inventory reductions by our dealers and end users in many geographies.

Geographic internal growth was balanced this quarter with the US contracting 3.9%, ex-precious metals. Again this in on internal growth basis. Europe was down 3.3% and rest of world was down 4.2%. The rest of world category was greatly influenced by developing countries, where currencies have devalued rapidly against both the dollar and the Euro. Interestingly our specialty businesses as a group continued to grow in the quarter, with ortho and endo generating low to mid-single-digit internal growth and the implant category down just slightly on internal growth basis, but that was due entirely to demand declining and inventory reductions in the developing countries. Absent those markets, our implant business continued to grow in the developed world. Our chair side consumable products and our laboratory product categories both contracted in the quarter, influenced by the slow economy, but also these are the categories most impacted by inventory reductions at dealers and to a lesser degree end user locations, and also these categories are most affected by those small equipment categories.

Moving to earnings, we encountered significant headwind from currency in the first quarter with the dollar strengthening 13% against the Euro, 6.5% against the Swiss franc and 20% to 30% against the basket development country currencies compared to the end of last year. This reduces our earnings from translation of profits generated in those countries, which usually is offset to some degree by our hedging activities. Despite this headwind, we did report $0.43 per diluted share on a non-GAAP basis in the quarter, down about 4% from the prior year quarter. And Bill will cover our earnings in more detail, but overall we viewed this as a reasonably good performance given the state of the global economy and the dramatic strengthening of the dollar that we have seen. Looking forward, the economic outlook certainly remains uncertain. As noted previously, we believe dental consumables have and will continue to hold up better than the overall economy in good times and in bad and we have no reason to believe otherwise at this point.

As we look to the rest of the year, we are not expecting a dramatic improvement in the market in Q2, but we do believe that conditions could improve somewhat in the back half of this year. So based on our Q1 performance and expectations for a continued slow market in Q2, our current estimate is for full year diluted earnings per share to be in the $1.80 to $1.90 range, which is slightly lower than the original guidance we gave you at the end of January. This, of course, is on a non-GAAP basis and excludes restructurings and other cost, the acquisition-related costs recognized here in Q1, which Bill will elaborate on more, and any tax adjustments. In these market circumstances we have been working very hard to balance our cost management initiatives with our continued investments for growth, including new products and Chris Clark, our President and COO, is going to elaborate on that for you further now. Chris.

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

Thank you, Bret, and good morning, everyone. I'd like to take a few moments and give you some insights into two areas. First an update to the approach we are taking from a cost containment standpoint and then key initiatives and new product launches that should provide us a solid growth platform, even in the currently challenged economic environment. A key contributor of our first quarter results was a strong organizational focus on cost containment, because our businesses proactively took actions to create and maintain both operating and financial flexibility as a result of the uncertain underlying economic conditions. While our first quarter expenses reflect the impact of our recent acquisitions, as well as the cost of the biannual IDS show, we were very pleased with the spending approach of our businesses. Our business leaders continue to closely monitor discretionary spending, delaying and eliminating nonessential or lower priority programs.

For example, our travel within and from the US is down by more than one-third so far this year, as our managers utilize video conferencing and other more cost-effective communication approaches where possible. On the fixed cost side we are continuing our pragmatic approach of identifying cascading contingency plans that can be implemented on a business specific basis should the situation warrant. Many of our businesses, primarily those that are more heavily impacted by the current economic climate, have already taken steps to reduce their fixed costs. You might remember that on our fourth quarter call we mentioned that we anticipate modest restructuring charges as we move through 2009 as our businesses address fixed cost. In Q1 we took approximately $1.6 million in restructuring and other charges, most of which were related to these actions, and we anticipate a generally similar approach as we move through the remainder of the year.

I'd like to reiterate that any actions taken will likely be very minimal in the areas of sales representation and research and development. This approach allows us to address the need for flexibility during the period, while also insuring that we maintain focus and support towards strategic growth areas and initiatives, both now and in the future. To that end, we continue to make targeted investments in key growth areas and initiatives, despite the current negative economic conditions. We are continuing to invest in sales representation on some key businesses, as we believe that additional customer reach and call frequency will provide meaningful growth over the next few years. We are also spending to leverage opportunities created from our recent acquisitions. We continue to focus on value oriented product opportunities through the Sultan and Zhermack platforms. These brands often address a more price sensitive customer segment compared to users of our premium restorative brands.

In addition, we are continuing to expand the geographic reach of our customized precision implant bars and bridges that are manufactured by ES Healthcare and now we are leveraging that through the established DENTSPLY infrastructure. We continue to be very pleased with the customer acceptance of the ES products and, again, we are particularly pleased in the current economic environment. We also continue to focus spending on innovation efforts on leveraging new product introductions, as customer adoption to new technologies continues to be a key driver of market share. We're very -- we were very active in this front and we introduced 15 new products in the quarter, most of which were introduced at either the IDS show or the Chicago mid-winter show in February. In the specialty areas we have recently introduced our OrthoPlex 3D orthodontic modeling solution from GAC.

This system assists clinicians in case analysis and planning, it accelerates the production of customized orthodontic appliances and eliminates the need for the orthodontist to keep historical patient models, thereby reducing both cost and inconvenience for the customer. This system continues to expand our presence in the developing digital orthodontic market. In endodontics we introduced eight new products in this segment alone in the first quarter of 2009, including the X-Mark Easy cordless endodontic motor. This system delivers the benefits of stronger performance and it improved ease of use for the dentist. Finally, at the IDS we introduced the next generation zircon milling machine, the Cercon Brain 2, as well as the next generation of Cercon Art software. These launches allow for the milling of larger zirconia blanks, as well as for the use of expanded materials and applications, and provides cost efficiencies and more business opportunities to our laboratory customers.

We were very pleased with the reaction of the laboratory customers in Europe to the next generation of the Cercon system at the IDS and we anticipate initial shipments in Europe later this quarter. I would now like to turn the call over to Bill Jellison, our Chief Financial Officer, to discuss the first quarter financial results in greater detail. Bill.

Bill Jellison - *DENTSPLY International Inc. - CFO*

Good morning, everyone. As Bret mentioned, net sales for the first quarter of 2009 decreased by 9.6% in total and decreased by 6.2% excluding precious metals. The sales decrease, ex precious metals, for the quarter included a constant currency increase of 0.7%, which includes a 3.7% decrease from internal growth and a 4.4% increase from acquisitions. The quarter also was negatively impacted 6.9% from foreign currency translation as the dollar strengthened against most currencies from last year's first quarter. The geographic mix of sales, ex precious metals, in the first quarter of 2009 included -- the US at 39.6%; Europe represented 42.1%; and the rest of the world was 18.3% of sales. Our non-dental business had a negative impact on our total internal growth rate of nearly a full percentage point in the period.

The strong dollar in the first quarter compared to most currencies in the same period last year not only negatively impacted our sales growth, but also had a negative impact on earnings per share in the period of approximately $0.03. Gross profit margins as a percentage of sales, ex precious metal content, in the first quarter of 2009 were 57.3% compared to 57.5% for the first quarter of 2008. The rate was negatively impacted in the quarter compared to the same period last year due to the impact of recent acquisitions, including over a half a percentage point for recent acquisitions-related activities, which was the roll-off of the inventory step-up. Operating improvements and product mix within the product lines helped to offset most of the rate impact from the acquisitions. We do expect the recent acquisitions to continue to have a modest negative impact on margin rates for the rest of this year.

SG&A expenses were $179.2 million or 38.5% of sales, ex precious metals, in the first quarter of 2009 versus 37.1% in the prior year's first quarter. These expenses were lower than those in last year's first quarter, however, they were negatively impacted when measured as a percent of sales primarily due to higher expense levels in our acquisitions and costs associated with the biannual International Dental Show or IDS. The recent acquisitions, which have a higher expense to sales run rate than our base business, also had a negative impact on our SG&A expense levels. These acquisitions are expected to run at a higher percent level through the remainder of the year as these businesses are fully integrated into the Company. Operational margins for the quarter were 17% compared to 18% in the first quarter of last year. Operating margins based on sales, excluding precious metals, were 18.5% compared to 20.4% in the same period last year.

And operating margins based on sales, excluding precious metals for comparative purposes, excluding recent acquisitions, acquisition-related activities and restructuring and other costs in both periods, would have been 19.4% in the first quarter of 2009 and 20.4% in 2008. Most of the change in operating margin rates is due to the fact that we are in the early stages of integrating and investing in the recent acquisitions, as I mentioned earlier. So our base businesses continue to have very solid drop-through in the quarter despite the negative sales pressure in the period. Net interest and other expense in the first quarter was $5.1 million compared to income of -- or interest expense of $6.2 million last year in the first quarter. The reduction in expense in this area resulted from lower foreign exchange transaction losses in the period offset somewhat by slightly higher net interest expense, as interest income rates have dropped significantly and also from the strengthening dollar as our cash investments are held in Europe.

The current tax rate in the quarter decreased to approximately 26% from approximately 28% in the first quarter of 2008. This rate reduction primarily relates to the benefit of the global business and tax reorganization, which was recently completed. We expect this to be a reasonable assumption for an operational tax rate for 2009 and is consistent with 2008's full year operational tax rate. DENTSPLY's net income in the first quarter of 2009 was $61.7 million or $0.41 per diluted share compared to $68.2 million or $0.45 per diluted share in the first quarter of 2008. DENTSPLY's net income on an adjusted non-GAAP basis, excluding the roll-off of the inventory step-up, restructuring and other costs and income tax-related adjustments, was $64.1 million or $0.43 diluted share in 2009 compared to $68.9 million or $0.45 per diluted share in the first quarter of 2008. Cash flow from operating activities in the first quarter of 2009 was approximately $11 million compared to $30 million in the same period last year.

The cash flow in the first quarter of 2009 was lower than last year really due to both the lower net income in the first quarter last -- compared to last year and also an increase in inventory levels in the first quarter of this year. The capital expenditures were $14.2 million in the first quarter, with depreciation and amortization of $16.4 million in the period. Inventory days were 110 at the end of the first quarter of 2009 compared to 100 at the end of the first quarter last year and also at the end of 2008. Inventory increased primarily due to increases in purchased products and due to the softer sales in the period without the corresponding reduction in our production. Receivable days were 58 days at the end of the first quarter of 2009 compared to 57 days at the end of the first quarter of 2008 and 54 days at the end of 2008. We believe our accounts receivable are actually in good shape considering the worldwide softening of the global economy and continue to be focused on that activity within our entire team.

At the end of the first quarter of 2009, we had $226 million in cash and short-term investments, total debt was $486 million at the end of the first quarter and we had availability between both our cash and our available debt under a revolving credit agreement of between $500 million and $600 million. During the first quarter we have repurchased approximately $5 million of our stock or approximately 200,000 shares at an average price of roughly $23. Based on the Company's authorization to maintain up to 17 million shares of treasury stock, we still have approximately 3 million shares available for repurchase. Finally, as Bret noted, based on an updated assessment of the global economy and the dental markets around the world, we are revising our full-year guidance for diluted EPS to a range of $1.80 to $1.90 per share, excluding the impact of restructuring and other costs, acquisition-related activities and one-time tax adjustments.

That concludes our prepared remarks. Thanks for your support and we'd be glad to answer any questions that you may have at this time.

QUESTIONS AND ANSWERS

Operator

Thank you, Mr. Jellison . (Operator Instructions) Our first question is from Jon Wood with Banc of

Jon Wood - *Banc of America - Analyst*

Hey, good morning.

Bill Jellison - *DENTSPLY International Inc. - CFO*

Good morning.

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

Good morning, Jon.

Jon Wood - *Banc of America - Analyst*

So, Bret, first on the small equipment situation, I know it's difficult to probably estimate this but the IDS show, did that have any impact in pushing some of that into the June quarter? I guess another way to say it is the order book for the small equipment better in April?

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

Good morning, Jon. I wouldn't characterize it that way. The way we are interpreting what we see in small equipment is that in many ways small equipment is a deferrable purchase. You can continue to limp along with your existing equipment or not upgrade your existing equipment and thus it's more deferrable than a consumable that you've got to use on the patient or in the patient that day in your practice and thus our interpretation, and that's all it is, is that dentists are just getting a little bit more conservative and deferring to the extent they can those purchases which are not huge purchases. They are usually items in the $3000 to $5000 range. But in this economic environment they are choosing to be a little bit more conservative with their cash. That's the way we are interpreting it.

Jon Wood - *Banc of America - Analyst*

Understood. So, Bill, did Zhermack lose money in the quarter or is that Materialise? I'm just surprised to see the minority line swing negative.

Bill Jellison - *DENTSPLY International Inc. - CFO*

Yes. Keep in mind that the minority interest line there reflects about three different acquisitions that we have that have -- actually, there's minority interest in those acquisitions and a couple of the acquisitions, both Zhermack and Materialise are both -- both new acquisitions that we have that actually we have acquired because we think that they have got some good technology, we are investing in that technology within the period and also keep in mind that their margin rates for both of those businesses are lower than our overall Company average. So it's both a combination of working on the first quarter of the integration as well as the heavier investment level in those divisions.

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

And Jon, I would add to that that remember Zhermack was bought on the last day of last year and the way we do purchase accounting is we have to value their inventory they owned on that date at its sales value. So the first turn to inventory there's no gross margin on it and thus you've got to cover all your fixed costs with no gross margins, which is not an easy trick to do.

So that number in the first quarter is much bigger than it would have been had we not had that inventory -- that acquisition-related cost that Bill had mentioned earlier.

Bill Jellison - *DENTSPLY International Inc. - CFO*

Yes. That 1.8 -- that $1.8 million that you see there, if you exclude the step-up of -- the roll-off of the step-up of the inventory, it would have probably been about $1 million.

Jon Wood - *Banc of America - Analyst*

$1 million loss?

Bill Jellison - *DENTSPLY International Inc. - CFO*

$1 million loss, that's correct.

Jon Wood - *Banc of America - Analyst*

Okay. All right. So, Bill, on the balance sheet is there -- can you talk about -- just give us some parameters around cash flow this year? I mean, should we expect a flattish type experience for the year on cash flow?

Bill Jellison - *DENTSPLY International Inc. - CFO*

Yes, I mean, based on kind of the guidance that we are giving on the earnings per share side of the equation, Jon, I think that the guidance that we have got out there is for our earnings to be at or slightly below where we ended last year at. So with that, yes, we would expect our cash flow to be slightly under where we were last year. I think some of the impact in the first quarter is because of the inventory-related activities, which we have got a lot of -- a lot of focus on, as well as in the AR area, although AR, I think, the accounts receivable area I think was in pretty good -- pretty good shape considering the broader based economy. Do we think that it's maybe a day or two different over the course of the year than last year? Yes, I think that that's reasonable on the AR side and I would hope that our inventory levels that we would continue to work on bringing those back in line.

Jon Wood - *Banc of America - Analyst*

Okay. Understood. Last quick one. Should we assume stock buyback continues at a more tempered pace here, given the visibility or do you have appetite to step that up in the near-term?

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

Well, Jon, we usually -- we don't comment on our intentions about stock buybacks, but we do have the 3 million shares authorized. You saw us buy a little bit of stock back this period and, as we have said in the past, we will probably be active in buying back our stock kind of on a consistent basis. So that's the guidance we give you at this point.

Jon Wood - *Banc of America - Analyst*

Understood. Thank you.

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

Okay.

Operator

Our next question comes from Derek Leckow with Barrington Research.

Derek Leckow - *Barrington Research - Analyst*

Thank you. Good morning.

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

Good morning.

Bill Jellison - *DENTSPLY International Inc. - CFO*

Good morning.

Derek Leckow - *Barrington Research - Analyst*

North American consumables, you're one of the few manufacturers that has pretty high quality end user data and I just wondered if you could compare for us the sales to your dealers versus sales to end users and what that tells you about the progression of sales growth for the year.

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

I'll give you a shot at that. What we saw in the consumable category, this excludes the small equipment segment that we kind of outlined for you today, was that retail sales of our products were more like flat, whereas on a wholesale basis they contracted. So we saw -- we saw a pretty meaningful inventory reduction in the dealer channel. The United States is the only place we get the end user data, keep in mind, so in other areas of the world it's a little bit more difficult to figure it out, although we do have some indications what's going on in those parts of the world as well, especially the developing countries where we think there's been a pretty big inventory reduction. But at this point I would say wholesale is trailing retail by a couple percentage points.

Derek Leckow - *Barrington Research - Analyst*

And despite that, you said you grew low single digit in consumables?

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

No, no. Our consumables and our lab consumables contracted this quarter.

Derek Leckow - *Barrington Research - Analyst*

What was North American dental consumables?

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

Well, we don't break -- we don't beak it down to that level of granularity. But we gave you the -- what the non-dental piece was on the results we gave you, the equipment effect on the results and the specialties where there are no -- there are no dealers between us and the end user group. So by inference, you can look -- you can see that wholesale our dental and lab consumables are down low to mid single digits.

Derek Leckow - *Barrington Research - Analyst*

Oh, I see. Okay. Do you feel that the inventory levels at dealers are such that there might be some customer service issues at this point or have we not gotten to that level yet?

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

I'll let Chris answer that. I'm not aware of any.

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

It's hard to tell, Derek. To be honest with you, we have not had significant reports of significant customer service issues because of lower dealer inventories. What I would say, though, is that my sense is that dealer inventories could continue to contract a bit moving forward. I think the phenomenon that we have seen certainly worldwide over the last couple of quarters, there's no reason to believe that it would necessarily stop here. So from that angle, I think that it is something that we look at and we want to continue to monitor in terms of customer service levels, but at this point in time we haven't seen any huge outages.

Derek Leckow - *Barrington Research - Analyst*

Okay. And then just a second question to follow up on the European situation. With the IDS show, if memory serves, that did in fact in the past lead to some deferral of purchasing, purchasing activity, as doctors wait to attend the show, to see the new equipment and then make a decision. And did I hear you correctly to say that you don't feel that that's the case this year, which is a little bit unusual, I think.

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

I think it's too early to tell to be honest. There is a lot of interest in new technologies at the show and as I mentioned, the attendance was up double digits at the show. So it was a robust environment for reviewing technologies and so forth and so on. What usually happens then is that our reps get follow-up leads, they go out in the field in the couple months following the show and that's, if they are going to make a sale, that's where they make it on the equipment side. So I'm not being negative about that. I'm just saying it's probably too early to really tell whether -- what impact that had on small equipment in the first quarter and whether that will cause it to rebound in the second quarter. I think the jury is still out on it.

Derek Leckow - *Barrington Research - Analyst*

Okay. And then on the operating expenses, you mentioned that you had a little bit unusual higher expense in the first quarter related to acquisitions and also to the show itself, but just wondering if you think it's still reasonable to expect operating margin to be relatively flat with last year or should we think about that as being a little bit more of a -- some of the investments you're making, would that lead that to be a little bit lower than last year on a ex precious metals basis?

Bill Jellison - *DENTSPLY International Inc. - CFO*

But, Derek, this is Bill, I think that from an operating margin perspective, I think it's realistic to expect that the acquisitions that we have completed already will have a drag on our operating margin rate this year, probably not quite to the same level that it was in the first Q, but I think they will still have a drag. I think as far as our overall business is concerned, with the volume down in the first Q, that obviously puts more pressure on it, also from a favorable mix perspective. So in general I would say that we were probably on our base businesses not too far off from kind of relatively flat, excluding the acquisitions, and I'd say that in this kind of market environment that's probably more of a realistic expectation than to think that they would expand.

Derek Leckow - *Barrington Research - Analyst*

So that's what you've applied in your new guidance then, right?

Bill Jellison - *DENTSPLY International Inc. - CFO*

Yes.

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

Yes.

Derek Leckow - *Barrington Research - Analyst*

All right, well great. Thanks a lot and good luck.

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

Thank you.

Bill Jellison - *DENTSPLY International Inc. - CFO*

Thanks.

Operator

Our next question is from Jeff Johnson with Robert W. Baird.

Jeff Johnson - *Robert W. Baird - Analyst*

Thank you. Good morning, guys.

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

Hey, Jeff.

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

Morning, Jeff.

Jeff Johnson - *Robert W. Baird - Analyst*

Wondering if we can talk about the destocking issue a little bit more. From a geographic standpoint last quarter it sounds like in the US it hit you by maybe 400 or 500 basis points, I think if I remember the last call correctly. Have we worked through at least the majority of that in the US and this quarter it was maybe more a little biased towards Europe or rest of world or -- and how do we think about that going forward.

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

Yes, Jeff, it's Chris. I would say that what we saw in the first quarter, we saw a broader impact outside of the US than in the US. Whereas in Q4 really it was more focused on the US dealer inventory contractions. But I think I would characterize it as saying while we certainly see some in many, if not most geographies, the fact is that it was far more spread out this time around and particularly in the developing world, some in Europe and, frankly, some in other developed countries. So I would characterize it as pretty broad.

Jeff Johnson - *Robert W. Baird - Analyst*

And, Chris, the risk profile I guess over the next quarter or two of inventory stocking really taking the number down dramatically, would you characterize that as high, low, just the -- the very near-term acute impact that could potentially have?

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

Yes, I guess I would say, Jeff, that looking at it, there's -- there's a fair amount of inventory in the channel at any given point in time and as our customers, both at a dealer as well at end user level, look at it and manage their crash, quite frankly, they are going to end up in a scenario where they may choose to take, try to take inventories down. And I think that we have certainly seen it the last two quarters. I don't think we can really predict in terms of what's going to happen moving forward with a whole lot of granularity, particularly given the broad geographic base and the fact that we don't have visibility to a lot of our customers in terms of inventories. But I would say -- I would say that what's happened has been -- has been, I think relatively indicative of what could happen in an economic downturn and, again, because of that, it very well could continue here for a little bit.

Jeff Johnson - *Robert W. Baird - Analyst*

Sure. Okay. Understood. And then, Bret, I guess on the non-dental side and the small equipment side, could you give us just a historical perspective of what those businesses maybe had been growing and do we think of that as a one to two quarter type impact here. And I know the small equipment especially is going to be hard to predict, but I'm not sure on the dental -- non-dental side that I quite understand the dynamics well enough to know how to think about that over the next few quarters.

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

I think the non-dental side, you need to think about it being tied more to industrial-type businesses, which are more commodity driven and thus -- for instance, one of the businesses served through that -- through that segment for us is the jewelry business, which is way off at this point. So it has the -- it has the likelihood of reacting more significantly to an economic downturn than say a dental composite or a dental consumable and thus it's, I think, easier -- it's easier to say that it probably will continue to be down for another quarter or two or at least until we see an economic recovery, a real economic recovery start to take -- take place. So at this time that's what my expectations are for that business. The point from our perspective, of course, is that it's small, it's only 3% of our mix.

Jeff Johnson - *Robert W. Baird - Analyst*

Yes, fair enough. And that is not included in the precious metals, even though I know the golf clubs, the jewelry stuff and that are metals, that's not included in your precious metals number?

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

No it's not in our precious metals numbers.

Jeff Johnson - *Robert W. Baird - Analyst*

Okay. All right, fair enough. And then Bill, just a couple clarifying questions, I guess, for you. How should we think about the net other line going forward? Is it a little bit bigger of a -- of an expense this quarter then we would have thought. Is that a good run rate going forward? If you can also just update us on selling days rest of year, if there's anything between the quarters we should be thinking about. And then I have one more question on the Zhermack, but I'll follow up here in a second.

Bill Jellison - *DENTSPLY International Inc. - CFO*

Yes. As far as the -- as far as the net interest in other category, I would say that we would expect that the interest expense, net expense category, should continue to run favorable in comparison to last year. I would say it would have been probably running more favorable, but for the fact that the interest income earned on our cash balances are significantly down. I mean, I think we are earning probably a full 3 percentage point less on our cash invested this year because of the significant drop in overall rates.

As far as the -- as far as the FX transaction side of the equation, that was actually more favorable to us this year because we had a -- a bigger FX transaction loss in the first quarter of last year. And moving forward from a projection perspective, we normally forecast in each of the quarters and for the remaining part of the year on the FX transaction side to be neutral, that there's no impact on, at least, our current year expectations, because we don't know what the movement is going to be within a period. That could be a plus or minus. But if you look at what that line did last year, I would say that it was probably not -- not far off of kind of neutral in the second and third Q, but if you recall, we had -- we had almost a $6 million hit in the fourth quarter for that last year, so we should run favorable to that in the fourth quarter.

Jeff Johnson - *Robert W. Baird - Analyst*

Great. And then on the selling days issue and then I'll just get the Zhermack question in there. So you say that ex the inventory step, the backout of the minority loss would have been maybe closer to $1 million instead of $1.8 million, but I'm assuming inventory there doesn't turn in one quarter, so should we continue that run rate to back out at about the 1 -- north of $1 million, anyway, for the next couple quarters?

Bill Jellison - *DENTSPLY International Inc. - CFO*

No. Almost -- almost -- literally almost all of that burnt off. I mean, there might be a couple hundred thousand dollars max, but the large majority of that, 90% of it already burnt off in the first Q.

Jeff Johnson - *Robert W. Baird - Analyst*

Okay, great. And just the follow-up there is so if we drop that down to $1 million, but on the $1.8 million this quarter, you said typically we look at a non-GAAP number as adjusting out inventory step-up, those kind of things, and I know you adjusted out to get to the $0.43 number some acquisition stuff, but the $1.8 million is still in the minority loss line. I'm just trying to figure out if that $800,000 or so delta that was related to inventory step is backed out into the $0.43 number or how do I think about that?

Bill Jellison - *DENTSPLY International Inc. - CFO*

Yes, that's not -- that 2.6 roughly million of roll-off is netted out and it's also got the minority interest piece. So the net number that we are backing out or adjusting to the EPS line is including DENTSPLY ending net impact of that.

Jeff Johnson - *Robert W. Baird - Analyst*

Okay. Great. And just again selling days? Sorry to keep coming back to that. If you could just step up -- step us through the next three quarters. Any difference -- difference in your over year selling days.

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

Yes, Jeff, this is Bret. I'll address that. I think the selling days in the next three quarters are pretty neutral to the prior year, meaning maybe it's a day or flat in each quarter. The one consequence that's probably not exactly equal is that Easter fell in April this year, whereas it fell in March last year. And it doesn't have such a huge impact in the United States, but the Europeans typically take several days off at Easter and thus -- and thus that may -- that can have an impact in the second quarter this year. But absent that, Chris, I think that selling days are pretty equally (multiple speakers).

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

Still pretty equal. We are down -- I think we are down one in one -- one quarter and for everything else it's pretty flat.

Jeff Johnson - *Robert W. Baird - Analyst*

Okay. Got it. Thanks, guys.

Operator

(Operator instructions) And our next question comes from Yi-Dan Wang from Deutsche Bank.

Yi-Dan Wang - *Deutsche Bank - Analyst*

Thank you very much for taking my question. I've got essentially three questions. First of all, it would be great if you can give us the internal growth rate of your implant business in the US. Ex US and globally I think you said it declined slightly in internal terms. And then you commented that the decline you saw was, I think if I heard it correctly, largely due to destocking. So it would be great if you can give us some sense of what percentage of your implant sales is from distributors versus direct markets and to what extent destocking has affected you, how much of that or how much of the decline in the quarter came from that and what additional destocking do you anticipate would occur in the second quarter. And my last question is with regard to, I suppose, deferral of capital equipment purchases and increasing competition in the CAD/CAM dentistry area, how should we think about the performance of your CAD/CAM business in 2009 versus that in 2008? Thank you.

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

Okay. I'll try to run through those. It's a number of questions. Internal growth, our dental implant business includes implants, meaning the implant device itself and the abutment, which we kind of call the implant devices, includes some small equipment, because there's some drills and so forth that go and kits that go with the implants occasionally, includes bone growth products and more recently it includes drill guides. In total the category was just slightly negative, meaning low single digits negative. The developed -- and that all occurred because of the developing countries, which are not a huge part of the mix, but developing countries contracted somewhat meaningfully. So without developing countries, the developed countries were up low single digits. If you look at just the dental -- just the implant devices, meaning the implants plus the abutments, those grew more robustly, kind of mid single digits in the US, low to mid single digits in Europe and of course, as I said, they contracted in the developing countries.

In the developed countries we typically take implants direct. So in the US and Japan, in most European countries, in Australia, in Canada, et cetera, we're direct. In most other countries we have some form of distribution and thus the effect on our mix is maybe -- I don't have that number with me now, but I would say maybe 15% to 20% of our mix is through distribution, if that. What additional destocking will happen in the implant category in Q2, we have no idea. We just don't have insights into those developing countries and what those dealers might do in the next three months. And deferral of capital equipment, I think -- we don't have a lot of capital equipment. The entire equipment category for us is only 10%, 11% of our mix and most of that is small equipment, so the larger equipment, CAD/CAM, is a fraction of that.

And I would expect -- I would expect some deferral or slowness of heavy equipment for the next few quarters, although as Chris mentioned, we just launched a new CAD/CAM unit, which had a lot of interest at the IDS, so it's possible that, in fact, that will pick up when that's launched, which probably won't be until late Q2, early Q3.

Yi-Dan Wang - *Deutsche Bank - Analyst*

Thank you very much. That answered all my questions.

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

Okay. Thank you.

Operator

Our next question is from Greg Halter with Great Lakes Review.

Greg Halter - *Great Lakes Review - Analyst*

Yes. Good morning.

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

Good morning.

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

Good morning.

Greg Halter - *Great Lakes Review - Analyst*

Wondering if you could comment on your capital spending plan for 2009.

Bill Jellison - *DENTSPLY International Inc. - CFO*

Sure. I would say that based on kind of what the overall dental market is looking like, we would probably say that our capital expenditures would be modestly down in comparison to 2008.

Greg Halter - *Great Lakes Review - Analyst*

Okay. And I just noticed today that there was a story about Harvard's Dental School closed because of a possible case of swine flu. I know it's early here and maybe this is overblown, but just wanted to get your read on what's happening with dental offices given the situation.

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

Well, it's a good question, Greg, although I don't have very good insights into what might have -- might or might not be happening. We haven't heard anything from the ADA. We haven't heard anything from the government with respect to dental practices. The news about Harvard Dental School, frankly, is news to me this morning. I haven't seen that announcement yet. Certainly dental practices are a place where people do congregate and so forth, but I would say in addition to that, it's probably one of the places where we have best infection control in practices. So at this point I guess I would not expect an impact any greater than what we might see elsewhere in the economy from this flu season, if in fact it gets worse. But I must say that there's not a lot of data or indicators out there for us to rely on at this point.

Greg Halter - *Great Lakes Review - Analyst*

Okay. Thanks.

Operator

Our next question is from Heidi Lawrence with George Weiss.

Heidi Lawrence - *George Weiss - Analyst*

Oh, hi, Bill. Can you hear me?

Bill Jellison - *DENTSPLY International Inc. - CFO*

Yes, I can.

Heidi Lawrence - *George Weiss - Analyst*

How are you doing?

Bill Jellison - *DENTSPLY International Inc. - CFO*

Very good. How are you?

Heidi Lawrence - *George Weiss - Analyst*

Good. Just a question on the non-dental business. Can you just breakout for us how much that's contributed to your internal growth metrics over the past year?

Bill Jellison - *DENTSPLY International Inc. - CFO*

Yes. I mean, non-dental has actually been not having much of an impact over the last year. I would say it's literally maybe a little bit more in the fourth Q of last year, but it's literally just impacting it now and it's because of the industrial side. So the industrial piece has actually performed relatively well for us last year, but, obviously, it's a -- a different story in this -- in this environment and I would expect that, at least in the first half of the year, that it will probably have the same level of drag.

Heidi Lawrence - *George Weiss - Analyst*

Okay. So -- but in the past can you breakout how much it's actually contributed to that -- your overall -- ?

Bill Jellison - *DENTSPLY International Inc. - CFO*

I would that -- I would say it probably didn't change it by more than probably a tenth of a whole point or so in comparison.

Heidi Lawrence - *George Weiss - Analyst*

Okay.

Bill Jellison - *DENTSPLY International Inc. - CFO*

It's been growing pretty -- pretty similar to what our overall dental business had been growing.

Heidi Lawrence - *George Weiss - Analyst*

Okay. Great.

Bill Jellison - *DENTSPLY International Inc. - CFO*

It's just that there was a wide swing this quarter, which is why it made such a big difference.

Heidi Lawrence - *George Weiss - Analyst*

Okay. Okay. And any commentary on just overall pricing in the market right now?

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

Yes. I think that it's -- it's a little bit difficult to tell, Heidi, in terms of where things will settle out. We took a price increase, obviously, in -- across most of our lines late -- later last year, end of Q3, in some cases in Q4. We are finding that in some cases we are having to increase promotional activity in light of the competitive environment in order to maintain volume. But I would say it's really too early to tell will all of the price increase -- will some of the price increase stick. My guess is we will get a little bit of it, but we are also having to spend some of that back. So, again, it -- it will vary depending on the market and the product category, but we are still finding some opportunities to take price and we actually had a couple of businesses that took incremental price this past quarter.

Heidi Lawrence - *George Weiss - Analyst*

Okay. Great. Okay. Thanks so much. Oh, you know what? Just last question also, just on the impact you're seeing on the private label side of your business. I know it's sort of tied to pricing also.

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

Sure. Well, Heidi, this is Bret. We do sell a few products private label, but not many, so I don't think we are seeing much of an impact at all there. There had been reports of some dealers promoting private label over branded products in the last several months or so, but that seems to have died down at this point. So at this point we -- we would say we are probably not having much of an impact from private label at all.

Heidi Lawrence - *George Weiss - Analyst*

Okay. Great. Thanks so much, guys.

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

Thank you.

Operator

Our next question comes from Adam Poussard with Barclays Capital.

Adam Poussard - *Barclays Capital - Analyst*

Hi, good morning, guys.

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

Good morning.

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

Good morning, Adam.

Adam Poussard - *Barclays Capital - Analyst*

Just -- most of my questions were asked, but just kind I guess wanted to follow up on the acquisition environment. I guess, have kind of the difference in price kind of closed recently in kind of what I guess maybe some areas of interest for you guys.

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

Well, we continue to be interested and active in evaluating acquisitions. I would say the pipeline today is about what it was mid, late last year. Timing risk is always -- is always significant when speaking of acquisitions, but I would say that we will probably be active in 2009 similar to what we were in 2008, where we completed five transactions and I think we had five also in 2007. So we have a very strong balance sheet, good cash flow, lots of liquidity from the banks and I think we are in pretty good shape to execute transactions if we can negotiate them at prices that make sense to us.

Adam Poussard - *Barclays Capital - Analyst*

I think, last question for Bill, just underlying currency expectations for the full year and then that 4% to 5% acquisition contribution, is that still the same from February?

Bill Jellison - *DENTSPLY International Inc. - CFO*

Yes, I think if you look at the -- I mean, if you look at the FX expectations moving forward here, that we ended up close to 7% negative top-line in the first Q, I think that that will still be pretty high in the second and third Q, a little bit better than that in the fourth Q. So for the whole year we will be probably a little bit better in general on the top-line side if rates stay where they are now, but I would say that the general impact as well on the EPS side will continue at about that level, again, unless -- unless current FX rates change from where they are.

Adam Poussard - *Barclays Capital - Analyst*

And the 4% to 5% from acquisition?

Bill Jellison - *DENTSPLY International Inc. - CFO*

And the 4% to 5% from acquisition is still -- it should still be a reasonable level for the whole year.

Adam Poussard - *Barclays Capital - Analyst*

Thanks a lot, guys.

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

Thank you.

Bill Jellison - *DENTSPLY International Inc. - CFO*

Thank you.

Operator

Our next question is from Ilan Chaitowitz with Redburn Partners.

Ilan Chaitowitz - *Redburn Partners - Analyst*

Good morning, this is Ilan Chaitowitz from Redburn Partners in London. Thank you very much for taking some questions. Three questions on the -- on your dental implant business. I was just wondering if you could give us some color on pricing that you are seeing in your dental implant business year on year in Q1. The second question relates to the impact of low pricing competitors and if you are seeing any shift away from your business from -- well, towards those lower priced competitors in your dental implant business. And the final question relates to your quite impressive growth rates in your dental implant business, which are way above what most -- well, pretty much all the other reported -- reporting companies have come out with and I was wondering if could you give us a bit of color in terms of where you're seeing the strongest growth and what you think is driving that growth.

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

Okay. Let me start with pricing in Q1. I would say we haven't seen any significant change in pricing in Q1 from our perspective. We haven't been promoting the implants heavily or discounting heavily and we haven't seen a lot of that from competitors. We've seen it a little bit in local, certain local markets but not broad based. Likewise, I don't think we have seen much of an impact on -- from low pricing competitors in the developed world. As I mentioned before, our implant growth was down the most in the developing countries where, of course, there's been a 20% to 30% price increase for them on our implants just because the currencies have weakened. And in those countries we see slower sales from ourselves, we think that their -- the dealers are reducing their inventories.

But in those markets it's possible that the low price implants are taking share because they're low priced and many times they are manufactured in that currency rather than imported from a US dollar or a Euro based Company. Our own implant growth I think is driven by innovation and the product mix we have. We have got a couple brands in implants that I think are gaining in popularity and we have been -- we have been doing a lot of marketing to help promote those, including opinion, key opinion leader support. We have got a product, a tissue care product, it's called ANKYLOS, which we think is very good for getting the tissue to return to close to the implant and thus you don't have some of the negative effects if bone were to move away from the implant at -- where the abutment joins it and that's gained in popularity. So I think overall our growth is being driven by good products and good marketing.

Ilan Chaitowitz - *Redburn Partners - Analyst*

Thank you very much.

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

Okay. Thank you.

Operator

Our next question is from Gary Hatton with Granahan Investments.

Gary Hatton - *Granahan Investments - Analyst*

Hi, good morning.

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

Good morning.

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

Good morning, Gary.

Gary Hatton - *Granahan Investments - Analyst*

I was just curious just following up on that implant business, do you have a sense of what the implant market actually grew at during the quarter?

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

Well, it's anecdotal, of course, and it's probably based on the same information that is in the public domain. I mean, we've -- we've looked at the announcements of our competitors and several of them have seen contractions kind of double digits, kind of the 10% range. Others have been closer to our own growth. So we think if you average it all out, it's probably mid-single-digit down right now. It would be our best guess.

Gary Hatton - *Granahan Investments - Analyst*

So obviously you're gaining some share and you just mentioned kind of why you think you are, but is there anybody else out there you think is gaining share?

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

Well, I mean, there's others out there that have announced relative growth that's higher than their competition, so by definition I think those people are gaining share.

Gary Hatton - *Granahan Investments - Analyst*

And just one other question on dental office visits. Do you have a sense of what that was down in the quarter?

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

Well, no. There's no real strong evidence of that. For instance, we don't have broad -- there's 150,000 dentists or so in the US alone and we don't have really broad based surveys.

Gary Hatton - *Granahan Investments - Analyst*

Okay.

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

What we -- what we do have is surveys of 100 dentists here, 100 dentists there and it looks like their appointment books have a few more holes in them than they did maybe a year ago when the economy was stronger, but it's anecdotal to us and makes sense that there would be some reduction in office visits and to the extent we can -- we have asked our own customers it seems to be there's been a modest decline.

Gary Hatton - *Granahan Investments - Analyst*

And then just last one on the orthodontic side, are you seeing -- what kind of volumes are you seeing on that side?

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

Our orthodontist business -- orthodontics business has been relatively strong. It's the fastest growing business we have on an internal growth basis right now and that's mainly a developed market business for us. So, it's one of the -- the specialty businesses in total grew and it was the strongest of the three.

Gary Hatton - *Granahan Investments - Analyst*

Okay. Thank you.

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

Yes.

Operator

Our next question is from John Venusti with Kynikos.

John Venusti - *Kynikos - Analyst*

Yes, hi, good morning. Just a couple of quick questions for you because most of my questions have been answered already. On the IDS show, can you give us any idea about what the expenses were that were associated with that show in the quarter?

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

Bill, do you have a good estimate?

Bill Jellison - *DENTSPLY International Inc. - CFO*

Sure. I think -- keep in mind it's probably in the -- in the $2 million to $4 million range, in general, is what we would be spending, but when you look at that, you have to keep in mind that that show takes place every two years and that in years that that show does occur, we have other types of expenses that we cut back on within those same periods. So if you're looking at it from an incremental perspective, it's -- it would be a different -- different story than that.

John Venusti - *Kynikos - Analyst*

Okay. I mean, can you give us some color on that?

Bill Jellison - *DENTSPLY International Inc. - CFO*

I would say -- I mean, I would say realistically probably you should be reducing that number by about half anyways.

John Venusti - *Kynikos - Analyst*

Yes. Okay.

Bill Jellison - *DENTSPLY International Inc. - CFO*

In comparison to spending that would have been reduced specifically in years that that generally occurs.

John Venusti - *Kynikos - Analyst*

Right. And that's all recognized in the quarter, right?

Bill Jellison - *DENTSPLY International Inc. - CFO*

That's all in the quarter, that's correct.

John Venusti - *Kynikos - Analyst*

Right. Okay. Thank you. Also was there any FX impact on the operating margin line?

Bill Jellison - *DENTSPLY International Inc. - CFO*

Sure. There's FX impact in each one of the different component areas. I mean, the -- the overall impact for us, as I mentioned, is about $0.03 negative within this period.

John Venusti - *Kynikos - Analyst*

Okay.

Bill Jellison - *DENTSPLY International Inc. - CFO*

And I would say that on the operating income, end of the equation, that that's obviously the bulk of that number.

John Venusti - *Kynikos - Analyst*

Right. Okay, good, I missed that $0.03 thing. Thank you very much.

Bill Jellison - *DENTSPLY International Inc. - CFO*

Yes.

Operator

You have a follow-up question from Jeff Johnson with R.W. Baird.

Jeff Johnson - *Robert W. Baird - Analyst*

Sorry, guys. Just the acquisition question was my follow-up and it's been answered. Thank you.

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

Okay. Thanks, Jeff.

Operator

At this time we have no further questions so I'd like to turn the conference back over to Mr. Wise for closing remarks.

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

Thank you, Camille. Thank you, everyone, for joining us this morning and for your continuing interest in DENTSPLY. As noted today we have faced a slightly slower market here in early 2009, which we believe will probably continue in some form throughout 2009. We have been working hard, as Chris noted, to balance our fixed and our variable cost structure to adapt to this environment and we are comfortable with our capabilities to continue to adapt to it as we move through the year. We have a strong balance sheet, a good cash flow model and we are confident with our position and believe we can easily weather this storm and perhaps come out the other side of it with an improved position going forward. So we look forward to updating you on our progress as we move through 2009. Thank you.

Operator

Replay information for this call can be found on DENTSPLY's website. That concludes today's conference. Thank you for your participation.