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 September 30, 2021

Commission File Number 0-16211

DENTSPLY SIRONA Inc.

(Exact name of registrant as specified in its charter)

Delaware	39-1434669
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
13320 Ballantyne Corporate Place, Charlotte, North Carolina	28277-3607
(Address of principal executive offices)	(Zip Code)

(844) 848-0137
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $.01 per share	**XRAY**	**The Nasdaq Stock Market LLC**

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 x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At November 2, 2021, DENTSPLY SIRONA Inc. had 218,607,026 shares of common stock outstanding.

DENTSPLY SIRONA Inc.

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PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net sales	$ 1,069	$ 895	$ 3,163	$ 2,260
Cost of products sold	478	453	1,395	1,174
Gross profit	591	442	1,768	1,086
Selling, general, and administrative expenses	394	315	1,177	935
Research and development expenses	35	27	112	79
Goodwill impairment	—	—	—	157
Restructuring and other costs	3	18	11	62
Operating income (loss)	159	82	468	(147)
Other income and expenses:				
Interest expense, net	13	14	43	32
Other expense (income), net	8	1	4	4
Income (loss) before income taxes	138	67	421	(183)
Provision (benefit) for income taxes	35	13	102	(1)
Net income (loss)	103	54	319	(182)
Less: Net income attributable to noncontrolling interest	—	1	—	—
Net income (loss) attributable to Dentsply Sirona	$ 103	$ 53	$ 319	$ (182)
Net income (loss) per common share attributable to Dentsply Sirona:				
Basic	$ 0.47	$ 0.25	$ 1.46	$ (0.83)
Diluted	$ 0.47	$ 0.25	$ 1.45	$ (0.83)
Weighted average common shares outstanding:				
Basic	218.6	218.5	218.6	219.4
Diluted	220.5	219.2	220.7	219.4

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss)	$ 103	$ 54	$ 319	$ (182)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation (loss) gain	(68)	84	(130)	40
Net gain (loss) on derivative financial instruments	10	(19)	19	(22)
Pension liability gain	2	2	8	5
Total other comprehensive (loss) income, net of tax	(56)	67	(103)	23
Total comprehensive income (loss)	47	121	216	(159)
Less: Comprehensive income (loss) attributable to noncontrolling interests	—	—	—	—
Total comprehensive income (loss) attributable to Dentsply Sirona	$ 47	$ 121	$ 216	$ (159)

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except per share amounts)
(unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current Assets:		
Cash and cash equivalents	$ 281	$ 438
Accounts and notes receivables-trade, net	748	673
Inventories, net	532	466
Prepaid expenses and other current assets	243	214
Total Current Assets	1,804	1,791
Property, plant, and equipment	771	791
Operating lease right-of-use assets, net	183	176
Identifiable intangible assets, net	2,402	2,504
Goodwill	4,000	3,986
Other noncurrent assets	128	94
Total Assets	$ 9,288	$ 9,342
Liabilities and Equity		
Current Liabilities:		
Accounts payable	$ 276	$ 305
Accrued liabilities	641	653
Income taxes payable	58	60
Notes payable and current portion of long-term debt	151	299
Total Current Liabilities	1,126	1,317
Long-term debt	1,925	1,978
Operating lease liabilities	139	130
Deferred income taxes	413	393
Other noncurrent liabilities	560	554
Total Liabilities	4,163	4,372
Equity:		
Preferred stock, $1.00 par value; 0.25 million shares authorized; no shares issued	—	—
Common stock, $0.01 par value;	3	3
400.0 million shares authorized, and 264.5 million shares issued at September 30, 2021 and December 31, 2020		
218.6 million and 218.7 million shares outstanding at September 30, 2021 and December 31, 2020		
Capital in excess of par value	6,659	6,604
Retained earnings	1,481	1,233
Accumulated other comprehensive loss	(567)	(464)
Treasury stock, at cost, 45.9 million and 45.8 million shares at September 30, 2021 and December 31, 2020, respectively	(2,454)	(2,409)
Total Dentsply Sirona Equity	5,122	4,967
Noncontrolling interests	3	3
Total Equity	5,125	4,970
Total Liabilities and Equity	$ 9,288	$ 9,342

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in millions, except per share amounts)
(unaudited)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Dentsply Sirona Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2020	$ 3	$ 6,604	$ 1,233	$ (464)	$ (2,409)	$ 4,967	$ 3	$ 4,970
Net income	—	—	117	—	—	117	—	117
Other comprehensive loss	—	—	—	(90)	—	(90)	—	(90)
Exercise of stock options	—	11	—	—	22	33	—	33
Stock based compensation expense	—	13	—	—	—	13	—	13
Funding of employee stock purchase plan	—	1	—	—	2	3	—	3
Treasury shares purchased	—	—	—	—	(90)	(90)	—	(90)
Restricted stock unit distributions	—	(11)	—	—	7	(4)	—	(4)
Cash dividends ($0.10 per share)	—	—	(22)	—	—	(22)	—	(22)
Balance at March 31, 2021	$ 3	$ 6,618	$ 1,328	$ (554)	$ (2,468)	$ 4,927	$ 3	$ 4,930
Net income	—	—	99	—	—	99	—	99
Other comprehensive income	—	—	—	43	—	43	—	43
Exercise of stock options	—	3	—	—	9	12	—	12
Stock based compensation expense	—	19	—	—	—	19	—	19
Restricted stock unit distributions	—	(2)	—	—	1	(1)	—	(1)
Cash dividends ($0.11 per share)	—	—	(25)	—	—	(25)	—	(25)
Balance at June 30, 2021	$ 3	$ 6,638	$ 1,402	$ (511)	$ (2,458)	$ 5,074	$ 3	$ 5,077
Net income	—	—	103	—	—	103	—	103
Other comprehensive (loss) income	—	—	—	(56)	—	(56)	—	(56)
Exercise of stock options	—	—	—	—	1	1	—	1
Stock based compensation expense	—	23	—	—	—	23	—	23
Funding of employee stock purchase plan	—	1	—	—	1	2	—	2
Restricted stock unit distributions	—	(4)	—	—	2	(2)	—	(2)
Restricted stock unit dividends	—	1	(1)	—	—	—	—	—
Cash dividends ($0.11 per share)	—	—	(23)	—	—	(23)	—	(23)
Balance at September 30, 2021	$ 3	$ 6,659	$ 1,481	$ (567)	$ (2,454)	$ 5,122	$ 3	$ 5,125

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (cont.)
(in millions, except per share amounts)
(unaudited)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Dentsply Sirona Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2019	$ 3	$ 6,587	$ 1,404	$ (600)	$ (2,301)	$ 5,093	$ 2	$ 5,095
Net loss	—	—	(140)	—	—	(140)	—	(140)
Other comprehensive loss	—	—	—	(112)	—	(112)	—	(112)
Exercise of stock options	—	—	—	—	4	4	—	4
Stock based compensation expense	—	9	—	—	—	9	—	9
Funding of employee stock purchase plan	—	1	—	—	1	2	—	2
Treasury shares purchased	—	(28)	—	—	(112)	(140)	—	(140)
Restricted stock unit distributions	—	(15)	—	—	9	(6)	—	(6)
Cash dividends ($0.10 per share)	—	—	(22)	—	—	(22)	—	(22)
Balance at March 31, 2020	$ 3	$ 6,554	$ 1,242	$ (712)	$ (2,399)	$ 4,688	$ 2	$ 4,690
Net loss	—	—	(95)	—	—	(95)	(1)	(96)
Other comprehensive income	—	—	—	68	—	68	—	68
Exercise of stock options	—	—	—	—	1	1	—	1
Stock based compensation expense	—	10	—	—	—	10	—	10
Treasury shares purchased	—	28	—	—	(28)	—	—	—
Restricted stock unit distributions	—	(16)	—	—	10	(6)	—	(6)
Cash dividends ($0.10 per share)	—	—	(22)	—	—	(22)	—	(22)
Balance at June 30, 2020	$ 3	$ 6,576	$ 1,125	$ (644)	$ (2,416)	$ 4,644	$ 1	$ 4,645
Net income	—	—	53	—	—	53	1	54
Other comprehensive income	—	—	—	67	—	67	—	67
Stock based compensation expense	—	17	—	—	—	17	—	17
Funding of employee stock purchase plan	—	1	—	—	2	3	—	3
Restricted stock unit distributions	—	(2)	—	—	1	(1)	—	(1)
Cash dividends ($0.10 per share)	—	—	(22)	—	—	(22)	—	(22)
Balance at September 30, 2020	$ 3	$ 6,592	$ 1,156	$ (577)	$ (2,413)	$ 4,761	$ 2	$ 4,763

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

DENTSPLY SIRONA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	$ 319	$ (182)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	94	104
Amortization of intangible assets	167	143
Goodwill impairment	—	157
Indefinite-lived intangible asset impairment	—	39
Deferred income taxes	(11)	(53)
Stock based compensation expense	54	36
Other non-cash expense	12	9
(Gain) loss on sale of non-strategic businesses and product lines	(14)	—
Changes in operating assets and liabilities, net of acquisitions:		
Accounts and notes receivable-trade, net	(98)	149
Inventories, net	(82)	74
Prepaid expenses and other current assets	(27)	50
Other noncurrent assets	(12)	8
Accounts payable	(39)	(65)
Accrued liabilities	41	(73)
Income taxes	11	(10)
Other noncurrent liabilities	20	(14)
Net cash provided by operating activities	435	372
Cash flows from investing activities:		
Capital expenditures	(101)	(60)
Cash paid for acquisitions of businesses and equity investments, net of cash acquired	(248)	(2)
Cash received on sale of non-strategic businesses or product lines	27	—
Cash received on derivative contracts	1	58
Cash paid on derivative contracts	—	(1)
Proceeds from sale of property, plant, and equipment	2	—
Net cash used in investing activities	(319)	(5)
Cash flows from financing activities:		
Proceeds (repayments) on short-term borrowings, net	147	(1)
Cash paid for treasury stock	(90)	(140)
Cash dividends paid	(68)	(66)
Cash paid for acquisition of noncontrolling interest of consolidated subsidiary	—	(2)
Proceeds from long-term borrowings, net of deferred financing costs	15	1,449
Repayments on long-term borrowings, net	(297)	(701)
Deferred financing costs	—	(6)
Proceeds from exercised stock options	47	6
Cash paid on derivative contracts	—	(31)
Other financing activities, net	(11)	(4)
Net cash (used in) provided by financing activities	(257)	504
Effect of exchange rate changes on cash and cash equivalents	(16)	(4)
Net (decrease) increase in cash and cash equivalents	(157)	867
Cash and cash equivalents at beginning of period	438	405
Cash and cash equivalents at end of period	$ 281	$ 1,272

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and the rules of the U.S. Securities and Exchange Commission ("SEC"). In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of the results for interim periods have been included. Results for interim periods should not be considered indicative of results for a full year. These financial statements and related notes contain the accounts of DENTSPLY SIRONA Inc. and subsidiaries ("Dentsply Sirona" or the "Company") on a consolidated basis and should be read in conjunction with the consolidated financial statements and notes included in the Company's most recent Form 10-K for the year ended December 31, 2020.

The accounting policies of the Company, as applied in the interim consolidated financial statements presented herein, are substantially the same as presented in the Company's Form 10-K for the year ended December 31, 2020, except as may be indicated below. Certain prior period amounts within the Consolidated Statements of Operations have been reclassified in order to conform with the current year presentation of separately reported Research and development expenses.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of Net sales and expense during the reporting period. Actual results could differ materially from those estimates.

Revenue Recognition

At September 30, 2021, the Company had $43 million of deferred revenue recorded predominantly in Accrued liabilities in the Consolidated Balance Sheets, with an immaterial portion recorded in Other noncurrent liabilities. The Company expects to recognize substantially all of this deferred revenue within the next 12 months.

Accounts and Notes Receivable

The Company records a provision for doubtful accounts, which is included in Selling, general, and administrative expenses in the Consolidated Statements of Operations.

Accounts and notes receivables-trade, net are stated net of allowances for doubtful accounts and trade discounts, which were $14 million at September 30, 2021 and $18 million at December 31, 2020.

Inventory

As of September 30, 2021, all of the Company's inventories were determined by the first-in, first-out ("FIFO") or average cost methods. As of the end of the first quarter of 2021, the Company had $1 million of inventories accounted for under the last-in first-out ("LIFO") method of inventory costing. Effective as of the beginning of the second quarter, the method of accounting for these inventories was changed from LIFO to FIFO. This change in accounting is preferable as the value of inventory for which cost was previously determined using a LIFO cost flow assumption has declined from prior years due to changes in the business, it allows for a more consistent methodology to be utilized across the Company, and provides improved comparability with industry peers. The change in accounting principle was recognized during the second quarter of 2021 by adjusting these inventories to cost as determined using the FIFO method, resulting in an increase in inventories of $4 million and a corresponding reduction to Cost of products sold in the Company's Consolidated Statements of Operations. The impact of this change was not material to the Company's financial position as of December 31, 2020, or the Company's results of operations for any previously reported prior periods nor is the cumulative effect of the change material to the results of operations for the six months ended June 30, 2021. Therefore, prior period amounts have not been retrospectively adjusted.

Goodwill & Intangible Assets

Effective 2021 and prospectively, the Company is performing its required annual goodwill impairment test as of April 1 rather than as of April 30 which was the Company's previous practice. The Company believes this change is preferable as it more closely aligns with the timing of the Company's strategic business planning process. This change did not result in any delay, acceleration or avoidance of impairment. Furthermore, a retrospective application to prior periods is impracticable as the Company is unable to objectively determine, without the use of hindsight, the assumptions which would be used in earlier periods.

Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU No. 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting", which was subsequently amended by ASU No. 2021-01 "Reference Rate Reform (Topic 848): Scope" in January 2021. The new standard provides optional expedients and exceptions to contracts, hedging relationships, and other transactions that reference the London Interbank Offer Rate ("LIBOR") or another rate expected to be discontinued due to the reference rate reform. This standard is permitted to be adopted any time through December 31, 2022, and does not apply to contract modifications made or hedging relationships entered into or evaluated after December 31, 2022. The Company is currently assessing the impact that this standard will have on its financial position, results of operations, cash flows, and disclosures.

NOTE 2 – STOCK COMPENSATION

The amounts of stock compensation expense recorded in the Company's Consolidated Statements of Operations for the three and nine months ended September 30, 2021 and 2020 were as follows:

	Three Months Ended		Nine Months Ended	
(in millions)	2021	2020	2021	2020
Cost of products sold	$ 2	$ —	$ 4	$ 1
Selling, general, and administrative expense	19	15	48	33
Research and development expense	1	1	2	1
Total stock based compensation expense	$ 22	$ 16	$ 54	$ 35
Related deferred income tax benefit	$ 2	$ 2	$ 6	$ 4

NOTE 3 – COMPREHENSIVE INCOME (LOSS)

Changes in Accumulated other comprehensive income (loss) ("AOCI"), net of tax, by component for the nine months ended September 30, 2021 and 2020 were as follows:

(in millions)	Foreign Currency Translation Gain (Loss)	Gain (Loss) on Cash Flow Hedges	Gain (Loss) on Net Investment and Fair Value Hedges	Pension Liability Gain (Loss)	Total
Balance, net of tax, at December 31, 2020	$ (187)	$ (25)	$ (119)	$ (133)	$ (464)
Other comprehensive (loss) income before reclassifications and tax impact	(74)	(6)	9	3	(68)
Tax (expense) benefit	(25)	2	(2)	(1)	(26)
Other comprehensive (loss) income, net of tax, before reclassifications	(99)	(4)	7	2	(94)
Amounts reclassified from accumulated other comprehensive income, net of tax	—	2	—	2	4
Net (decrease) increase in other comprehensive loss	(99)	(2)	7	4	(90)
Balance, net of tax, at March 31, 2021	$ (286)	$ (27)	$ (112)	$ (129)	$ (554)
Other comprehensive income before reclassifications and tax impact	31	3	1	—	35
Tax benefit (expense)	6	(2)	(1)	—	3
Other comprehensive income, net of tax, before reclassifications	37	1	—	—	38
Amounts reclassified from accumulated other comprehensive income, net of tax	—	3	—	2	5
Net increase in other comprehensive income	37	4	—	2	43
Balance, net of tax, at June 30, 2021	$ (249)	$ (23)	$ (112)	$ (127)	$ (511)
Other comprehensive (loss) income before reclassifications and tax impact	(59)	6	3	—	(50)
Tax expense	(9)	(1)	(1)	—	(11)
Other comprehensive (loss) benefit, net of tax, before reclassifications	(68)	5	2	—	(61)
Amounts reclassified from accumulated other comprehensive income, net of tax	—	3	—	2	5
Net increase in other comprehensive (loss) income	(68)	8	2	2	(56)
Balance, net of tax, at September 30, 2021	$ (317)	$ (15)	$ (110)	$ (125)	$ (567)

(in millions)	Foreign Currency Translation Gain (Loss)	Gain (Loss) on Cash Flow Hedges	Gain (Loss) on Net Investment and Fair Value Hedges	Pension Liability Gain (Loss)	Total
Balance, net of tax, at December 31, 2019	$ (368)	$ (11)	$ (101)	$ (120)	$ (600)
Other comprehensive (loss) income before reclassifications and tax impact	(117)	(16)	25	—	(108)
Tax (expense) benefit	(2)	4	(8)	—	(6)
Other comprehensive (loss) income, net of tax, before reclassifications	(119)	(12)	17	—	(114)
Amounts reclassified from accumulated other comprehensive income, net of tax	—	—	—	2	2
Net (decrease) increase in other comprehensive income	(119)	(12)	17	2	(112)
Balance, net of tax, at March 31, 2020	$ (487)	$ (23)	$ (84)	$ (118)	$ (712)
Other comprehensive income (loss) before reclassifications and tax impact	77	—	(15)	—	62
Tax (expense) benefit	(2)	—	7	—	5
Other comprehensive income (loss)\, net of tax, before reclassifications	75	—	(8)	—	67
Amounts reclassified from accumulated other comprehensive income, net of tax	—	—	—	1	1
Net increase (decrease) in other comprehensive income	75	—	(8)	1	68
Balance, net of tax, at June 30, 2020	$ (412)	$ (23)	$ (92)	$ (117)	$ (644)
Other comprehensive income (loss) before reclassifications and tax impact	67	(3)	(17)	—	47
Tax benefit (expense)	17	(2)	2	—	17
Other comprehensive income (loss), net of tax, before reclassifications	84	(5)	(15)	—	64
Amounts reclassified from accumulated other comprehensive income, net of tax	—	1	—	2	3
Net increase (decrease) in other comprehensive income	84	(4)	(15)	2	67
Balance, net of tax, at September 30, 2020	$ (328)	$ (27)	$ (107)	$ (115)	$ (577)

At September 30, 2021 and December 31, 2020, the cumulative tax adjustments were $182 million and $216 million, respectively, primarily related to foreign currency translation gains and losses.

The cumulative foreign currency translation adjustments included translation losses of $113 million and $25 million at September 30, 2021 and December 31, 2020, respectively, and cumulative losses on loans designated as hedges of net investments of $204 million and $162 million, respectively. These foreign currency translation losses were partially offset by movements on derivative financial instruments.

Reclassifications out of AOCI to the Consolidated Statements of Operations for the three and nine months ended September 30, 2021 and 2020 were insignificant.

NOTE 4 – EARNINGS PER COMMON SHARE

The computation of basic and diluted earnings per common share for the three and nine months ended September 30, 2021 and 2020 were as follows:

Basic Earnings (Loss) Per Common Share	Three Months Ended		Nine Months Ended	
(in millions, except per share amounts)	2021	2020	2021	2020
Net income (loss) attributable to Dentsply Sirona	$ 103	$ 53	$ 319	$ (182)
Weighted average common shares outstanding	218.6	218.5	218.6	219.4
Earnings (loss) per common share - basic	$ 0.47	$ 0.25	$ 1.46	$ (0.83)

Diluted Earnings (Loss) Per Common Share	Three Months Ended		Nine Months Ended	
(in millions, except per share amounts)	2021	2020	2021	2020
Net income (loss) attributable to Dentsply Sirona	$ 103	$ 53	$ 319	$ (182)
Weighted average common shares outstanding	218.6	218.5	218.6	219.4
Incremental weighted average shares from assumed exercise of dilutive options from stock-based compensation awards	1.9	0.7	2.1	—
Total weighted average diluted shares outstanding	220.5	219.2	220.7	219.4
Earnings (loss) per common share - diluted	$ 0.47	$ 0.25	$ 1.45	$ (0.83)

For the three and nine months ended September 30, 2021, the Company excluded from the computation of weighted average diluted shares outstanding 0.9 million and 0.9 million, respectively, of equivalent shares of common stock from stock options and RSUs because their effect would be antidilutive. For the three and nine months ended September 30, 2020, the Company excluded 3.5 million and 3.2 million, respectively, of equivalent shares of common stock outstanding from stock options and RSUs because their effect would be antidilutive.

The calculation of weighted average diluted common shares outstanding excluded 0.9 million of potentially diluted common shares because the Company reported a net loss for the nine months ended September 30, 2020.

During the nine months ended September 30, 2021, the Company repurchased approximately 1.5 million shares pursuant to its open market shares repurchase plan for a net cost of $90 million at an average price of $60.62.

On July 28, 2021, the Board of Directors of the Company approved an increase in the value of shares of common stock that may be repurchased under the share repurchase program, up to $1.0 billion. Share repurchases may be made through open market purchases, Rule 10b5-1 plans, accelerated share repurchases, privately negotiated transactions or other transactions in such amounts and at such times as the Company deems appropriate based upon prevailing market and business conditions and other factors.

NOTE 5 – BUSINESS COMBINATIONS

Acquisitions

2021 Transactions

On July 1, 2021, the effective date of the transaction, the Company paid $7 million to acquire the remaining interest in the dental business of a partially owned affiliate based in Switzerland that primarily develops highly specialized software with a focus on CAD/CAM systems. The acquisition is expected to further accelerate the development of the Company's specialized software related to CAD/CAM systems.

The preliminary fair values of the assets acquired and liabilities assumed in connection with the acquisition of the affiliate included $4 million of Other current assets, $3 million of Intangible assets and $1 million of Other long-term liabilities. The purchase price and the $4 million fair value of the previously-held interest in the entity prior to the acquisition has been allocated on the basis of the preliminary estimates of fair values of assets acquired and liabilities assumed, resulting in the recording of $5 million in goodwill. This goodwill is considered to represent the value associated with the acquired workforce and synergies the two companies anticipate realizing as a combined company and is not expected to be deductible for tax purposes. Management is continuing to finalize its valuation of certain assets including other intangible assets and will conclude its valuation no later than one year from the acquisition date.

Identifiable intangible assets acquired were as follows:

(in millions, except for useful life)	Amount	Weighted Average Useful Life (in years)
In-process R&D	$ 3	Indefinite
Total	$ 3	

On June 1, 2021, the effective date of the transaction, the Company paid $132 million to acquire substantially all of the assets of Propel Orthodontics LLC, a privately-held company based in New York and California. Propel Orthodontics manufactures and sells orthodontic devices and provides in-office and at-home orthodontic accessory devices to orthodontists and their patients primarily within the clear aligner market. The acquisition is expected to further accelerate the growth and profitability of the Company's combined clear aligners business.

The preliminary fair values of the assets acquired and liabilities assumed in connection with the Propel Orthodontics acquisition were as follows:

(in millions)	
Other current assets	$ 4
Intangible assets	66
Current liabilities	(1)
Net assets acquired	69
Goodwill	63
Purchase consideration	$ 132

The purchase price has been allocated on the basis of the preliminary estimates of fair values of assets acquired and liabilities assumed, resulting in the recording of $63 million in goodwill, which is considered to represent the value associated with the acquired workforce and synergies the two companies anticipate realizing as a combined company. The goodwill is expected to be deductible for tax purposes. Management is continuing to finalize its valuation of certain assets including other intangible assets and will conclude its valuation no later than one year from the acquisition date. Measurement period adjustments made to the fair values of the assets acquired and liabilities assumed during three months ended September 30, 2021 were immaterial to the financial statements, resulting in a reduction to goodwill of $2 million.

Identifiable intangible assets acquired were as follows:

(in millions, except for useful life)	Amount		Weighted Average Useful Life (in years)
Developed technology	$	66	10
Total	$	66	

On January 21, 2021, the effective date of the transaction, the Company paid $94 million with the potential for additional earn-out provision payments of up to $10 million, to acquire 100% of the outstanding shares of Datum Dental, Ltd., a privately-held producer and distributor of specialized regenerative dental material based in Israel. The fair value of the earn-out provision has been valued at $9 million as of the transaction date, resulting in a total purchase price of $103 million.

The preliminary fair values of the assets acquired and liabilities assumed in connection with the Datum acquisition were as follows:

(in millions)		
Cash and cash equivalents	$	2
Other current assets		2
Intangible assets		76
Current liabilities		(2)
Other long-term assets (liabilities), net		(14)
Net assets acquired		64
Goodwill		39
Purchase consideration	$	103

The purchase price has been allocated on the basis of the preliminary estimates of fair values of assets acquired and liabilities assumed, resulting in the recording of $39 million in goodwill, which is considered to represent the value associated with the acquired workforce and synergies the two companies anticipate realizing as a combined company. The goodwill is not deductible for tax purposes. Measurement period adjustments made to the fair values of the assets acquired and liabilities assumed during the first nine months of 2021 were immaterial to the financial statements, resulting in an increase to goodwill of $6 million. Management is continuing to finalize its valuation of certain assets including other intangible assets and will conclude its valuation no later than one year from the acquisition date.

Identifiable intangible assets acquired were as follows:

(in millions, except for useful life)	Amount		Weighted Average Useful Life (in years)
Developed technology	$	66	15
In-process R&D		10	Indefinite
Total	$	76	

2020 Transactions

On December 31, 2020, the effective date of the transaction, the Company acquired 100% of the outstanding interests of Straight Smile, LLC ("Byte"), a privately-held company, for approximately $1.0 billion using cash on hand. Byte is a doctor-directed, direct-to-consumer, clear aligner business. The acquisition is expected to enhance scale and accelerate the growth and profitability of the Company's combined clear aligners business.

The preliminary fair values of the assets acquired and liabilities assumed in connection with the Byte acquisition for the year ended December 31, 2020 were as follows:

(in millions)		
Cash and cash equivalents	$	14
Current assets		17
Intangible assets		416
Current liabilities		(28)
Net assets acquired		419
Goodwill		626
Purchase consideration	$	1,045

The purchase price has been allocated on the basis of the preliminary estimates of fair values of assets acquired and liabilities assumed, which resulted in the recording of $626 million in goodwill. The amount of goodwill is considered to represent the value associated with the acquired workforce and synergies the two companies anticipate realizing as a combined company, including alignment with the Company's existing clear aligner business, and is deductible for tax purposes. Measurement period adjustments made to the fair values of the assets acquired and liabilities assumed during the first nine months of 2021 were immaterial to the financial statements, resulting in a reduction to goodwill of $5 million.

Intangible assets acquired were as follows:

(in millions, except for useful life)		Amount	Weighted Average Useful Life (in years)
Non-compete agreements	$	16	5
Technology know-how		210	10
Tradenames and trademarks		190	20
Total	$	416	

The results of operations for each of the acquired businesses above upon the effective date of each transaction have been included in the accompanying financial statements. These results, as well as the historical results for the above acquired businesses for the periods ended September 30, 2021 and 2020, are not material in relation to the Company's net sales and earnings for those periods. The Company therefore does not believe these acquisitions represent material transactions either individually or in the aggregate requiring the supplemental pro-forma information prescribed by ASC 805 and accordingly, this information is not presented.

Investments in Affiliates

On June 4, 2021, the effective date of the transaction, the Company paid $16 million to acquire a minority interest in a U,K.-based, privately-held provider of healthcare consumables. The Company records this investment and subsequent profit or losses under equity method accounting within Other noncurrent assets.

Divestitures

On April 1, 2021, the Company disposed of certain orthodontics businesses based in Japan previously included as part of the Technologies and Equipment segment in exchange for a cash receipt of $8 million. The divestiture resulted in an immaterial loss recorded in Other expense (income), net in the Consolidated Statements of Operations for the nine months ended September 30, 2021.

On February 1, 2021, the Company disposed of an investment casting business previously included as part of the Consumables segment in exchange for a cash receipt of $19 million. The divestiture resulted in a pre-tax gain of $13 million recorded in Other expense (income), net in the Consolidated Statements of Operations for the nine months ended September 30, 2021.

NOTE 6 – SEGMENT INFORMATION

The Company’s two operating segments are organized primarily by product and generally have overlapping geographical presence, customer bases, distribution channels, and regulatory oversight. These operating segments also comprise the Company’s reportable segments in accordance with how the Company’s chief operating decision-maker regularly reviews financial results and uses this information to evaluate the Company’s performance and allocate resources.

The Company evaluates performance of the segments based on net sales and adjusted operating income. Segment adjusted operating income is defined as operating income before income taxes and before certain corporate headquarters unallocated costs, restructuring and other costs, interest expense, net, other expense (income), net, amortization of intangible assets and depreciation resulting from the fair value step-up of property, plant, and equipment from acquisitions.

A description of the products and services provided within each of the Company’s two reportable segments is provided below.

Technologies & Equipment

This segment is responsible for the design, manufacture, and sales of the Company’s Dental Technology and Equipment Products and Healthcare Consumable Products. These products include dental implants, CAD/CAM systems, orthodontic clear aligner products, imaging systems, treatment centers, instruments, as well as consumable medical device products.

Consumables

This segment is responsible for the design, manufacture, and sales of the Company’s Dental Consumable Products which include preventive, restorative, endodontic, and dental laboratory products.

The Company’s segment information for the three and nine months ended September 30, 2021 and 2020 was as follows:

Net Sales

	Three Months Ended		Nine Months Ended	
(in millions)	2021	2020	2021	2020
Technologies & Equipment	$ 629	$ 504	$ 1,848	$ 1,328
Consumables	440	391	1,315	932
Total net sales	$ 1,069	$ 895	$ 3,163	$ 2,260

Segment Adjusted Operating Income

(in millions)	Three Months Ended 2021	Three Months Ended 2020	Nine Months Ended 2021	Nine Months Ended 2020
Technologies & Equipment (a)	$ 148	$ 127	$ 409	$ 234
Consumables (a)	135	115	439	160
Segment adjusted operating income (loss)	283	242	848	394
Reconciling items expense (income):				
All other (b)	66	91	198	175
Goodwill impairment	—	—	—	157
Restructuring and other costs	3	18	11	62
Interest expense, net	13	14	43	32
Other expense (income), net	8	1	4	4
Amortization of intangible assets	56	49	167	143
Depreciation and other adjustments resulting from the fair value step-up of property, plant, and equipment from business combinations	(1)	2	4	4
Income (loss) before income taxes	$ 138	$ 67	$ 421	$ (183)

(a) Certain charges related to discontinuance of product lines which were previously reported in adjusted operating income for the reportable segments, $33 million and $34 million for the three and nine months ended September 30, 2020, respectively, have been reclassified to the "All other" category to conform to current year presentation and the Company's internal reporting in the Chief Operating Decision Maker package. These amounts are not material to the measure of segment results for the years presented.

(b) Includes the results of unassigned Corporate headquarters costs and inter-segment eliminations.

NOTE 7 – INVENTORIES

Inventories, net were as follows:

(in millions)	September 30, 2021	December 31, 2020
Finished goods	$ 327	$ 264
Work-in-process	73	68
Raw materials and supplies	132	134
Inventories, net	$ 532	$ 466

The Company's inventory reserve was $89 million and $117 million at September 30, 2021 and December 31, 2020, respectively. Inventories are stated at the lower of cost and net realizable value.

NOTE 8 – RESTRUCTURING AND OTHER COSTS

During the three and nine months ended September 30, 2021, the Company recorded net restructuring and other costs of $6 million and $14 million, respectively, which consists of severance and other restructuring costs of $6 million and $17 million, respectively, offset by adjustments to inventory reserves of $3 million for the nine months ended September 30, 2021.

During the three and nine months ended September 30, 2020, the Company recorded restructuring and other costs of $52 million and $96 million, respectively, which consists of inventory write-downs of $25 million for both the three and nine months ended, severance costs of $16 million and $21 million, respectively, accelerated depreciation of $9 million for both the three and nine months ended, and asset impairments of $2 million and $41 million, respectively.

The details of total restructuring and other costs for the three and nine months ended September 30, 2021 and 2020 were as follows:

Affected Line Item in the Consolidated Statements of Operations (in millions)	Three Months Ended 2021	Three Months Ended 2020	Nine Months Ended 2021	Nine Months Ended 2020
Cost of products sold	$ —	$ 33	$ (3)	$ 33
Selling, general, and administrative expenses	3	1	6	1
Restructuring and other costs	3	18	11	62
Total restructuring and other costs	$ 6	$ 52	$ 14	$ 96

Restructuring Programs and Accruals

The Company announced on August 6, 2020 that it will exit its traditional orthodontics business as well as both exit and restructure certain portions of its laboratory business (the "2020 Plan"). The traditional orthodontics business is part of the Technologies & Equipment segment and the laboratory business is part of the Consumables segment. The Company is exiting several of its facilities and reducing its workforce by approximately 4% to 5%. The Company expects to record restructuring charges in a range of $60 million to $70 million for inventory write-downs, severance costs, fixed asset write-offs, and other facility closure costs. The Company recorded total expenses of approximately $58 million related to these actions which consists primarily of inventory write-downs of approximately $28 million, accelerated depreciation of approximately $14 million, and severance costs of approximately $11 million. For the nine months ended September 30, 2021, the Company made a $3 million adjustment related to inventory reserves and recorded severance costs of $2 million. The Company expects nearly all of the remaining restructuring charges to be completed by the first quarter of 2022.

The Company's restructuring accruals at September 30, 2021 were as follows:

	Severance			
(in millions)	2019 and Prior Plans	2020 Plans	2021 Plans	Total
Balance at December 31, 2020	$ 12	$ 17	$ —	$ 29
Provisions	2	4	7	13
Amounts applied	(8)	(11)	(3)	(22)
Change in estimates	(1)	(5)	—	(6)
Balance at September 30, 2021	$ 5	$ 5	$ 4	$ 14

	Other Restructuring Costs			
(in millions)	2019 and Prior Plans	2020 Plans	2021 Plans	Total
Balance at December 31, 2020	$ 3	$ 2	$ —	$ 5
Provisions	2	3	3	8
Amounts applied	(2)	(4)	(2)	(8)
Change in estimate	—	(1)	—	(1)
Balance at September 30, 2021	$ 3	$ —	$ 1	$ 4

The cumulative amounts for the provisions and adjustments and amounts applied for all the plans by segment were as follows:

(in millions)	December 31, 2020	Provisions	Amounts Applied	Change in Estimates	September 30, 2021
Technologies & Equipment	$ 16	$ 6	$ (13)	$ (5)	$ 4
Consumables	17	12	(14)	(2)	13
All Other	1	3	(3)	—	1
Total	$ 34	$ 21	$ (30)	$ (7)	$ 18

The associated restructuring liabilities are recorded in Accrued liabilities and Other noncurrent liabilities in the Consolidated Balance Sheets.

NOTE 9 – FINANCIAL INSTRUMENTS AND DERIVATIVES

Derivative Instruments and Hedging Activities

The Company's activities expose it to a variety of market risks, which primarily include the risks related to the effects of changes in foreign currency exchange rates and interest rates. These financial exposures are monitored and managed by the Company as part of its overall risk management program. The objective of this risk management program is to reduce the volatility that these market risks may have on the Company's operating results and equity. The Company employs derivative financial instruments to hedge certain anticipated transactions, firm commitments, or assets and liabilities denominated in foreign currencies. Additionally, the Company utilizes interest rate swaps to convert fixed rate debt into variable rate debt or variable rate debt to fixed rate debt. The Company does not hold derivative instruments for trading or speculative purposes.

Derivative Instruments

The following summarizes the notional amounts of cash flow hedges, hedges of net investments, fair value hedges, and derivative instruments not designated as hedges for accounting purposes by derivative instrument type at September 30, 2021 and the notional amounts expected to mature during the next 12 months.

(in millions)	Aggregate Notional Amount	Aggregate Notional Amount Maturing within 12 Months
Cash Flow Hedges		
Foreign exchange forward contracts	$ 323	$ 246
Total derivative instruments designated as cash flow hedges	$ 323	$ 246
Hedges of Net Investments		
Foreign exchange forward contracts	$ 185	$ 93
Cross currency basis swaps	309	—
Total derivative instruments designated as hedges of net investments	$ 494	$ 93
Fair Value Hedges		
Interest Rate Swaps	$ 250	$ —
Foreign exchange forward contracts	217	134
Total derivative instruments designated as fair value hedges	$ 467	$ 134
Derivative Instruments not Designated as Hedges		
Foreign exchange forward contracts	$ 342	$ 342
Total derivative instruments not designated as hedges	$ 342	$ 342

Cash Flow Hedges

Foreign Exchange Risk Management

The Company uses a program to hedge select anticipated foreign currency cash flows to reduce volatility in both cash flows and reported earnings. The Company accounts for the designated foreign exchange forward contracts as cash flow hedges. As a result, the Company records the fair value of the contracts primarily through AOCI based on the assessed effectiveness of the foreign exchange forward contracts. The Company measures the effectiveness of cash flow hedges of anticipated transactions on a spot-to-spot basis rather than on a forward-to-forward basis. Accordingly, the spot-to-spot change in the derivative fair value will be deferred in AOCI and released and recorded in the Consolidated Statements of Operations in the same period that the hedged transaction is recorded. The time-value component of the fair value of the derivative is reported on a straight-line basis in Cost of products sold in the Consolidated Statements of Operations in the period which it is applicable. Any cash flows associated with these instruments are included in operating activities in the Consolidated Statements of Cash Flows.

These foreign exchange forward contracts generally have maturities up to 18 months, which is the period over which the Company is hedging exposures to variability of cash flows and the counterparties to the transactions are typically large international financial institutions.

Interest Rate Risk Management

The Company enters into interest rate swap contracts infrequently as they are only used to manage interest rate risk on long-term debt instruments and not for speculative purposes. Any cash flows associated with these instruments are included in operating activities in the Consolidated Statements of Cash Flows.

AOCI Release

Overall, the derivatives designated as cash flow hedges are considered to be highly effective for accounting purposes. At September 30, 2021, the Company expects to reclassify $1 million of deferred net losses on cash flow hedges recorded in AOCI in the Consolidated Statements of Operations during the next 12 months. For the rollforward of derivative instruments designated as cash flow hedges in AOCI see Note 3, Comprehensive (Loss) Income.

Hedges of Net Investments in Foreign Operations

The Company has significant investments in foreign subsidiaries. The net assets of these subsidiaries are exposed to volatility in currency exchange rates. The Company employs both derivative and non-derivative financial instruments to hedge a portion of this exposure. The derivative instruments consist of foreign exchange forward contracts and cross currency basis swaps. The non-derivative instruments consist of foreign currency denominated debt held at the parent company level. Translation gains and losses related to the net assets of the foreign subsidiaries are offset by gains and losses in derivative and non-derivative financial instruments; which are designated as hedges of net investments and are included in AOCI. The time-value component of the fair value of the derivative is reported on a straight-line basis in Other expense (income), net in the Consolidated Statements of Operations in the applicable period. Any cash flows associated with these instruments are included in investing activities in the Consolidated Statements of Cash Flows except for derivative instruments that include an other-than-insignificant financing element, for which all cash flows are classified as financing activities in the Consolidated Statements of Cash Flows.

The fair value of the foreign exchange forward contracts and cross currency basis swaps is the estimated amount the Company would receive or pay at the reporting date, taking into account the effective interest rates, cross currency swap basis rates, and foreign exchange rates. The effective portion of the change in the value of these derivatives is recorded in AOCI, net of tax effects.

On May 25, 2021, the Company re-established its euro net investment hedge portfolio by entering into eight foreign exchange forward contracts, each with a notional amount of 10 million euro. The contracts have quarterly maturity dates through March 31, 2023.

On July 2, 2021, the Company entered into a cross currency basis swap totaling a notional amount of $300 million which matures on June 3, 2030. The cross currency basis swap is designated as a hedge of net investments. This contract effectively converts a portion of the $750 million bond coupon from 3.3% to 1.7%, which will result in a net reduction of interest expense in 2021.

Fair Value Hedges

Foreign Exchange Risk Management

The Company has intercompany loans denominated in Swedish kronor that are exposed to volatility in currency exchange rates. The Company employs derivative financial instruments to hedge these exposures. The Company accounts for these designated foreign exchange forward contracts as fair value hedges. The Company measures the effectiveness of fair value hedges of anticipated transactions on a spot-to-spot basis rather than on a forward-to-forward basis. Accordingly, the spot-to-spot change in the derivative fair value will be recorded in the Consolidated Statements of Operations. The time-value component of the fair value of the derivative is reported on a straight-line basis in Other expense (income), net in the Consolidated Statements of Operations in the applicable period. Any cash flows associated with these instruments are included in operating activities in the Consolidated Statements of Cash Flows.

On January 6, 2021 the Company entered into foreign exchange forward contracts with a notional value of SEK 1.3 billion as a result of an increase in intercompany loans denominated in Swedish kronor. The foreign exchange forwards are designated as fair value hedges.

On July 1, 2021, the Company entered into variable interest rate swaps with a notional amount of $250 million, which effectively converts a portion of the underlying fixed rate of 3.3% on the $750 million Senior Notes due June 2030 to a variable interest rate. Of the $250 million notional amount, $100 million has a term of five-years maturing on June 1, 2026 and $150 million has a term of nine years maturing on March 1, 2030.

Derivative Instruments Not Designated as Hedges

The Company enters into derivative instruments with the intent to partially mitigate the foreign exchange revaluation risk associated with recorded assets and liabilities that are denominated in a non-functional currency. The Company primarily uses foreign exchange forward contracts to hedge these risks. The gains and losses on these derivative transactions offset the gains and losses generated by the revaluation of the underlying non-functional currency balances and are recorded in Other expense (income), net in the Consolidated Statements of Operations. Any cash flows associated with these instruments are included in cash from operating activities in the Consolidated Statements of Cash Flows.

Gains and (losses) recorded in the Company's Consolidated Statements of Operations related to the economic hedges not designated as hedges for the three and nine months ended September 30, 2021 and 2020 were insignificant.

Derivative Instrument Activity

The amount of gains and losses recorded in the Company's Consolidated Balance Sheets and Consolidated Statements of Operations related to all derivative instruments for the three months ended September 30, 2021 and 2020 were as follows:

	Three Months Ended September 30, 2021			
(in millions)	Gain (Loss) recognized in AOCI	Consolidated Statements of Operations Location	Effective Portion Reclassified from AOCI into Income (Expense)	Recognized in Income (Expense)
Cash Flow Hedges				
Foreign exchange forward contracts	$ 6	Cost of products sold	$ (2)	$ —
Interest rate swaps	—	Interest expense, net	(1)	—
Total for cash flow hedging	$ 6		$ (3)	$ —
Hedges of Net Investments				
Cross currency basis swaps	$ (1)	Interest expense, net	$ —	$ 1
Foreign exchange forward contracts	4	Other expense (income), net	—	—
Total for net investment hedging	$ 3		$ —	$ 1
Fair Value Hedges				
Interest rate swaps	$ —	Interest expense, net	$ —	$ 1
Foreign exchange forward contracts	—	Other expense (income), net	—	6
Total for fair value hedging	$ —		$ —	$ 7

	Three Months Ended September 30, 2020			
(in millions)	Gain (Loss) recognized in AOCI	Consolidated Statements of Operations Location	Effective Portion Reclassified from AOCI into Income (Expense)	Recognized in Income (Expense)
Cash Flow Hedges				
Foreign exchange forward contracts	$ (6)	Cost of products sold	$ 1	$ 1
Interest rate swaps	3	Interest expense, net	(2)	—
Total for cash flow hedging	$ (3)		$ (1)	$ 1
Hedges of Net Investments				
Cross currency basis swaps	$ (17)	Interest expense, net	$ —	$ 2
Total for net investment hedging	$ (17)		$ —	$ 2

The amount of gains and losses recorded in AOCI in the Consolidated Balance Sheets and Consolidated Statement of Operations related to all derivative instruments for the nine months ended September 30, 2021 and 2020 were as follows:

	Nine Months Ended September 30, 2021			
(in millions)	Gain (Loss) recognized in AOCI	Consolidated Statements of Operations Location	Effective Portion Reclassified from AOCI into Income (Expense)	Recognized in Income (Expense)
Cash Flow Hedges				
Foreign exchange forward contracts	$ 3	Cost of products sold	$ (4)	$ 1
Interest rate swaps	—	Interest expense, net	(4)	—
Total for cash flow hedging	$ 3		$ (8)	$ 1
Hedges of Net Investments				
Cross currency basis swaps	$ 6	Interest expense, net	$ —	$ 5
Foreign exchange forward contracts	7	Other expense (income), net	—	—
Total for net investment hedging	$ 13		$ —	$ 5
Fair Value Hedges				
Interest rate swaps	$ —	Interest expense, net	$ —	$ 1
Foreign exchange forward contracts	—	Other expense (income), net	—	18
Total for fair value hedging	$ —		$ —	$ 19

	Nine Months Ended September 30, 2020			
(in millions)	Gain (Loss) recognized in AOCI	Consolidated Statements of Operations Location	Effective Portion Reclassified from AOCI into Income (Expense)	Recognized in Income (Expense)
Cash Flow Hedges				
Foreign exchange forward contracts	$ (2)	Cost of products sold	$ 2	$ 2
Interest rate swaps	(17)	Interest expense, net	(3)	—
Total for cash flow hedging	$ (19)		$ (1)	$ 2
Hedges of Net Investments				
Cross currency basis swaps	$ (13)	Interest expense, net	$ —	$ 7
Foreign exchange forward contracts	6	Other expense (income), net	—	6
Total for net investment hedging	$ (7)		$ —	$ 13

Consolidated Balance Sheets Location of Derivative Fair Values

The fair value and the location of the Company's derivatives in the Consolidated Balance Sheets were as follows:

	September 30, 2021			
(in millions)	Prepaid Expenses and Other Current Assets	Other Noncurrent Assets	Accrued Liabilities	Other Noncurrent Liabilities
Designated as Hedges:				
Foreign exchange forward contracts	$ 13	$ 11	$ 2	$ —
Interest rate swaps	3	—	—	5
Cross currency basis swaps	3	—	—	14
Total	$ 19	$ 11	$ 2	$ 19
Not Designated as Hedges:				
Foreign exchange forward contracts	$ 1	$ —	$ 2	$ —
Total	$ 1	$ —	$ 2	$ —

	December 31, 2020			
(in millions)	Prepaid Expenses and Other Current Assets	Other Noncurrent Assets	Accrued Liabilities	Other Noncurrent Liabilities
Designated as Hedges:				
Foreign exchange forward contracts	$ 5	$ 2	$ 10	$ 3
Cross currency basis swaps	—	—	20	—
Total	$ 5	$ 2	$ 30	$ 3
Not Designated as Hedges:				
Foreign exchange forward contracts	$ 3	$ —	$ 2	$ —
Total	$ 3	$ —	$ 2	$ —

Balance Sheet Offsetting

Substantially all of the Company’s derivative contracts are subject to netting arrangements; whereby the right to offset occurs in the event of default or termination in accordance with the terms of the arrangements with the counterparty. While these contracts contain the enforceable right to offset through netting arrangements with the same counterparty, the Company elects to present them on a gross basis in the Consolidated Balance Sheets.

Offsetting of financial assets and liabilities under netting arrangements at September 30, 2021 were as follows:

(in millions)	Gross Amounts Recognized	Gross Amount Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received/Pledged	
Assets						
Foreign exchange forward contracts	$ 25	$ —	$ 25	$ (10)	$ —	$ 15
Interest rate swaps	3	—	3	(3)	—	—
Cross currency basis swaps	3	—	3	(3)	—	—
Total assets	$ 31	$ —	$ 31	$ (16)	$ —	$ 15
Liabilities						
Foreign exchange forward contracts	$ 4	$ —	$ 4	$ (3)	$ —	$ 1
Interest rate swaps	5	—	5	(3)	—	2
Cross currency basis swaps	14	—	14	(10)	—	4
Total liabilities	$ 23	$ —	$ 23	$ (16)	$ —	$ 7

Offsetting of financial assets and liabilities under netting arrangements at December 31, 2020 were as follows:

(in millions)	Gross Amounts Recognized	Gross Amount Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received/Pledged	
Assets						
Foreign exchange forward contracts	$ 9	$ —	$ 9	$ (9)	$ —	$ —
Total assets	$ 9	$ —	$ 9	$ (9)	$ —	$ —
Liabilities						
Foreign exchange forward contracts	$ 15	$ —	$ 15	$ —	$ —	$ 15
Interest rate swaps	20	—	20	(7)	—	13
Total liabilities	$ 35	$ —	$ 35	$ (7)	$ —	$ 28

NOTE 10 – FAIR VALUE MEASUREMENT

The estimated fair value and carrying value of the Company's total debt was $2,227 million and $2,076 million, respectively, at September 30, 2021. At December 31, 2020, the estimated fair value and carrying value were $2,509 million and $2,281 million, respectively. The fair value of long-term debt is based on recent trade information in the financial markets of the Company’s public debt or is determined by discounting future cash flows using interest rates available at September 30, 2021 and December 31, 2020 to companies with similar credit ratings for issues with similar terms and maturities. It is considered a Level 2 fair value measurement.

Assets and liabilities measured at fair value on a recurring basis

The Company’s financial assets and liabilities set forth by level within the fair value hierarchy that were accounted for at fair value on a recurring basis were as follows:

	September 30, 2021			
(in millions)	Total	Level 1	Level 2	Level 3
Assets				
Interest rate swaps	$ 3	$ —	$ 3	$ —
Cross currency basis swaps	3	—	3	—
Foreign exchange forward contracts	25	—	25	—
Long-term debt	2	—	2	—
Total assets	$ 33	$ —	$ 33	$ —
Liabilities				
Interest rate swaps	$ 5	$ —	$ 5	$ —
Cross currency basis swaps	14	—	14	—
Foreign exchange forward contracts	4	—	4	—
Contingent considerations on acquisitions	11	—	—	11
Total liabilities	$ 34	$ —	$ 23	$ 11

	December 31, 2020			
(in millions)	Total	Level 1	Level 2	Level 3
Assets				
Foreign exchange forward contracts	$ 10	$ —	$ 10	$ —
Total assets	$ 10	$ —	$ 10	$ —
Liabilities				
Cross currency basis swaps	$ 20	$ —	$ 20	$ —
Foreign exchange forward contracts	15	—	15	—
Contingent considerations on acquisitions	5	—	—	5
Total liabilities	$ 40	$ —	$ 35	$ 5

There have been no transfers between levels during the nine months ended September 30, 2021.

NOTE 11 – INCOME TAXES

Uncertainties in Income Taxes

The Company recognizes the impact of a tax position in the interim consolidated financial statements if that position is more likely than not of being sustained on audit based on the technical merits of the position.

It is reasonably possible that certain amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date of the Company’s quarterly consolidated financial statements. Final settlement and resolution of outstanding tax matters in various jurisdictions during the next 12 months are not expected to be significant.

Other Tax Matters

During the three months ended September 30, 2021, the Company recorded $4 million of tax expense for discrete tax matters.

During the three months ended September 30, 2020, the Company recorded $2 million of tax expense for discrete tax matters.

NOTE 12 – FINANCING ARRANGEMENTS

At September 30, 2021, the Company had $607 million of borrowing available under lines of credit, including lines available under its short-term arrangements and revolving credit facility.

The Company has a $500 million commercial paper program. The $700 million multi-currency revolving credit facility serves as a back-stop credit facility for the Company's commercial paper program. At September 30, 2021 and December 31, 2020, there were no outstanding borrowings under the multi-currency revolving credit facility. The Company had $139 million outstanding borrowings under the commercial paper facility at September 30, 2021 and no outstanding borrowings under the commercial paper facility at December 31, 2020. As of September 30, 2021, the weighted-average interest rate for this short-term debt was 0.2%.

On July 2, 2021 the Company pre-paid the fixed rate Senior Notes totaling $296 million that were scheduled to mature on August 16, 2021 using cash and short-term commercial paper.

The Company’s revolving credit facilities and senior unsecured notes contain certain affirmative and negative debt covenants relating to the Company's operations and financial condition. At September 30, 2021, the Company was in compliance with all affirmative and negative debt covenants.

NOTE 13 – GOODWILL AND INTANGIBLE ASSETS

The Company assesses both goodwill and indefinite-lived intangible assets for impairment annually during the second quarter or more frequently if events or changes in circumstances indicate the asset might be impaired. The Company conducted its annual goodwill and indefinite-lived intangible assets impairment test as of April 1, 2021. Based on the Company's 2021 impairment test, it was determined that the fair values of its reporting units and indefinite-lived intangible assets more likely than not exceed their respective carrying values, resulting in no impairment.

The fair values of reporting units were computed using a discounted cash flow model with inputs developed using both internal and market-based data. Intangible assets were evaluated for impairment using an income approach, specifically a relief from royalty method, or using a qualitative assessment. A change in any of the estimates and assumptions used in the annual test, a decline in the overall markets or in the use of intangible assets among other factors, could have a material adverse effect to the fair value of either the reporting units or intangible assets and could result in a future impairment charge. There can be no assurance that the Company’s future asset impairment testing will not result in a material charge to earnings.

Subsequent to the annual impairment test, as of September 30, 2021, the Company considered whether any events or changes in circumstances had resulted in the likelihood that the goodwill or indefinite-lived intangible assets may have become impaired during the course of the quarter, and concluded that there were no such indicators.

During the three months ended March 31, 2020, as a result of updating the estimates and assumptions pertaining to the impact of the ongoing COVID-19 pandemic, the Company recorded a goodwill impairment charge of $157 million related to the goodwill associated with the Technologies & Equipment segment. Additionally, during the three months ended March 31, 2020, the Company recorded an indefinite-lived intangible asset impairment charge of $39 million within the Technologies & Equipment segment which was driven by a decline in forecasted sales as a result of the COVID-19 pandemic and an unfavorable change in the discount rate.

A reconciliation of changes in the Company's goodwill by reportable segment were as follows:

(in millions)	Technologies & Equipment	Consumables	Total
Balance at December 31, 2020			
Goodwill	$ 5,985	$ 894	$ 6,879
Accumulated impairment losses	(2,893)	—	(2,893)
Goodwill, net	$ 3,092	$ 894	$ 3,986
Acquisition related additions (a)	107	—	107
Translation and other	(140)	47	(93)
Balance at September 30, 2021			
Goodwill	$ 5,952	$ 941	$ 6,893
Accumulated impairment losses	(2,893)	—	(2,893)
Goodwill, net	$ 3,059	$ 941	$ 4,000

(a) Refer to Note 5, "Business Combinations" for more information regarding recent acquisitions.

Identifiable definite-lived and indefinite-lived intangible assets were as follows:

	September 30, 2021			December 31, 2020		
(in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology and patents	$ 1,752	$ (743)	$ 1,009	$ 1,681	$ (677)	$ 1,004
Tradenames and trademarks	269	(76)	193	273	(70)	203
Licensing agreements	36	(31)	5	37	(30)	7
Customer relationships	1,105	(533)	572	1,142	(494)	648
Total definite-lived	$ 3,162	$ (1,383)	$ 1,779	$ 3,133	$ (1,271)	$ 1,862
Indefinite-lived tradenames and trademarks	$ 610	$ —	$ 610	$ 642	$ —	$ 642
In-process R&D [(a)]	13	—	13	—	—	—
Total indefinite-lived	$ 623	$ —	$ 623	$ 642	$ —	$ 642
Total identifiable intangible assets	$ 3,785	$ (1,383)	$ 2,402	$ 3,775	$ (1,271)	$ 2,504

(a) Intangible assets acquired in a business combination that are in-process and used in research and development ("R&D") activities are considered indefinite-lived until the completion or abandonment of the R&D efforts. The useful life and amortization of those assets will be determined once the R&D efforts are completed.

During the second quarter of 2021, the Company purchased certain developed technology rights for an initial payment of $3 million. The purchase consideration also includes contingent payments of $17 million to be made upon reaching certain regulatory and commercial milestones, which were not yet deemed probable at September 30, 2021.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation

On January 25, 2018, Futuredontics, Inc., a former wholly-owned subsidiary of the Company, received service of a purported class action lawsuit brought by Henry Olivares and other similarly situated individuals in the Superior Court of the State of California for the County of Los Angeles. In January 2019, an amended complaint was filed adding another named plaintiff, Rachael Clarke, and various claims. The plaintiff class alleges several violations of the California wage and hours laws, including, but not limited to, failure to provide rest and meal breaks and the failure to pay overtime. The parties have engaged in written and other discovery. On February 5, 2019, Plaintiff Calethia Holt (represented by the same counsel as Mr. Olivares and Ms. Clarke) filed a separate representative action in Los Angeles Superior Court alleging a single violation of the Private Attorneys’ General Act that is based on the same underlying claims as the Olivares/Clarke lawsuit. On April 5, 2019, Plaintiff Kendra Cato filed a similar action in Los Angeles Superior Court alleging a single violation of the Private Attorneys’ General Act that is based on the same underlying claims as the Olivares/Clarke lawsuit. The Company has agreed to resolve all three actions (Olivares, Holt, and Cato). The court in Cato approved the settlement in that case, the settlement payment has been made, and the court dismissed the lawsuit. The parties to Olivares and Holt are in the process of seeking court approval of that settlement. The expected settlement amount, which is immaterial to the financial statements, has been recorded as an accrued liability within the Company's consolidated balance sheet as of September 30, 2021.

On June 7, 2018, and August 9, 2018, two putative class action suits were filed, and later consolidated, in the Supreme Court of the State of New York, County of New York claiming that the Company and certain individual defendants, violated U.S. securities laws (the "State Court Action") by making material misrepresentations and omitting required information in the December 4, 2015 registration statement filed with the SEC in connection with the Merger. The amended complaint alleges that the defendants failed to disclose, among other things, that a distributor had purchased excessive inventory of legacy Sirona products and that three distributors of the Company's products had been engaging in anticompetitive conduct. The plaintiffs seek to recover damages on behalf of a class of former Sirona shareholders who exchanged their shares for shares of the Company's stock in the Merger. On September 26, 2019, the Court granted the Company's motion to dismiss all claims and a judgment dismissing the case was subsequently entered. On February 4, 2020, the Court denied plaintiffs' post-judgment motion to vacate or modify the judgment and to grant them leave to amend their complaint. The plaintiffs appealed the dismissal and the denial of the post-judgment motion to the Supreme Court of the State of New York, Appellate Division, First Department, and the Company cross-appealed select rulings in the Court's decision dismissing the action. The plaintiffs' appeals and the Company's cross-appeal were consolidated and argued on January 12, 2021. On February 2, 2021, the Appellate Division issued its decision upholding the dismissal of the State Court Action with prejudice on statute of limitations grounds. The Plaintiffs did not appeal the Appellate Division decision.

On December 19, 2018, a related putative class action was filed in the U.S. District Court for the Eastern District of New York against the Company and certain individual defendants (the "Federal Class Action"). The plaintiff makes similar allegations and asserts the same claims as those asserted in the State Court Action. In addition, the plaintiff alleges that the defendants violated U.S. securities laws by making false and misleading statements in quarterly and annual reports and other public statements between February 20, 2014, and August 7, 2018. The plaintiff asserts claims on behalf of a putative class consisting of (a) all purchasers of the Company's stock during the period February 20, 2014 through August 7, 2018 and (b) former shareholders of Sirona who exchanged their shares of Sirona stock for shares of the Company's stock in the Merger. The Company moved to dismiss the amended complaint on August 15, 2019. The plaintiff filed its second amended complaint on January 22, 2021, and the Company filed a motion to dismiss the second amended complaint on March 8, 2021. Briefing on the motion to dismiss was fully submitted on May 21, 2021, and that motion is currently pending before the Court.

The Company intends to defend itself vigorously in these actions.

As a result of an audit by the IRS for fiscal years 2012 through 2013, on February 11, 2019, the IRS issued to the Company a “30-day letter” and a Revenue Agent’s Report (“RAR”), relating to the Company’s worthless stock deduction in 2013 in the amount of $546 million. The RAR disallows the deduction and, after adjusting the Company’s net operating loss carryforward, asserts that the Company is entitled to a refund of $5 million for 2012, has no tax liability for 2013, and owes a deficiency of $17 million in tax for 2014, excluding interest. In accordance with ASC 740, the Company recorded the tax benefit associated with the worthless stock deduction in the Company’s 2012 financial statements. In March 2019, the Company submitted a formal protest disputing on multiple grounds the proposed taxes. The Company and its advisors discussed its position with the IRS Appeals Office Team on October 28, 2020 and, on November 13, 2020, submitted a supplemental response to questions raised by the Appeals Team. The Company’s position continues to be reviewed by the IRS Appeals Office team. The Company believes the IRS' position is without merit and believes that it is more likely-than-not the Company’s position will be sustained in 2021 upon further review by the IRS Appeals Office Team. The Company has not accrued a liability relating to the proposed tax adjustments. However, the outcome of this dispute involves a number of uncertainties, including those inherent in the valuation of various assets at the time of the worthless stock deduction, and those relating to the application of the Internal Revenue Code and other federal income tax authorities and judicial precedent. Accordingly, there can be no assurance that the dispute with the IRS will be resolved favorably. If determined adversely, the dispute would result in a current period charge to earnings and could have a material adverse effect in the consolidated results of operations, financial position, and liquidity of the Company.

The Swedish Tax Agency has disallowed certain of the Company’s interest expense deductions for the tax years from 2013 to 2018. If such interest expense deductions were disallowed, the Company would be subject to an additional $49 million in tax expense. The Company has appealed the disallowance to the Swedish Administrative Court. With respect to such deductions taken in the tax years from 2013 to 2014, the Court ruled against the Company on July 5, 2017. On August 7, 2017, the Company appealed the unfavorable decision of the Swedish Administrative Court. On November 5, 2018, the Company delivered its final argument to the Administrative Court of Appeals at a hearing. The European Union Commission has taken the view that Sweden’s interest deduction limitation rules are incompatible with European Union law and supporting legal opinions, and therefore the Company has not paid the tax or made provision in its financial statements for such potential expense. This view has now been confirmed by the European Union Court of Justice in a preliminary ruling requested by the Swedish Supreme Administrative Court. Subsequently, the Swedish Tax Authority has conceded in pending court proceedings that the Company should be granted further interest expense deductions, but still claims that interest expense deductions incurring a maximum additional tax expense of $12 million should be disallowed on grounds not relating to European Union law. The Company intends to vigorously defend its position and pursue related appeals.

In addition to the matters disclosed above, the Company is, from time to time, subject to a variety of litigation and similar proceedings incidental to its business. These legal matters primarily involve claims for damages arising out of the use of the Company’s products and services and claims relating to intellectual property matters including patent infringement, employment matters, tax matters, commercial disputes, competition and sales and trading practices, personal injury, and insurance coverage. The Company may also become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, divested businesses. Some of these lawsuits may include claims for punitive and consequential, as well as compensatory damages. Based upon the Company’s experience, current information, and applicable law, it does not believe that these proceedings and claims will have a material adverse effect on its consolidated results of operations, financial position, or liquidity. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to the Company’s business, financial condition, results of operations, or liquidity.

While the Company maintains general, product, property, workers’ compensation, automobile, cargo, aviation, crime, fiduciary and directors’ and officers’ liability insurance up to certain limits that cover certain of these claims, this insurance may be insufficient or unavailable to cover such losses. In addition, while the Company believes it is entitled to indemnification from third parties for some of these claims, these rights may also be insufficient or unavailable to cover such losses.

Commitments

From time to time, the Company enters into long-term inventory purchase commitments with minimum purchase requirements for raw materials and finished goods to ensure the availability of products for production and distribution. Future minimum annual payments for inventory purchase commitments were immaterial as of September 30, 2021.

DENTSPLY SIRONA Inc. and Subsidiaries

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Information included in or incorporated by reference in this Form 10-Q, and other filings with the U.S. Securities and Exchange Commission (the "SEC") and the Company's press releases or other public statements, contains or may contain forward-looking statements. Please refer to a discussion of the Company's forward-looking statements and associated risks in Part I, "Forward-Looking Statements," Part I, Item 1, "Business" and Part I, Item 1A, "Risk Factors" of the Company's Form 10-K for the year ended December 31, 2020. See Part II, Item 1A, "Risk Factors" of this Form 10-Q for any updated risk factors.

Company Profile

DENTSPLY SIRONA Inc. ("Dentsply Sirona" or the "Company"), is the world's largest manufacturer of professional dental products and technologies, with a 134-year history of innovation and service to the dental industry and patients worldwide. Dentsply Sirona develops, manufactures, and markets a comprehensive solutions offering including dental equipment and dental consumable products under a strong portfolio of world class brands. The Company also manufactures and markets healthcare consumable products. As The Dental Solutions Company, Dentsply Sirona's products provide innovative, high-quality, and effective solutions to advance patient care and deliver better, safer, and faster dentistry. Dentsply Sirona's worldwide headquarters is located in Charlotte, North Carolina. The Company's shares of common stock are listed in the United States on Nasdaq under the symbol XRAY.

BUSINESS

The Company operates in two operating segments, Technologies & Equipment and Consumables.

The Technologies & Equipment segment is responsible for the design, manufacture, sales and distribution of the Company's Dental Technology and Equipment Products and Healthcare Consumable Products. These products include dental implants, CAD/CAM systems, orthodontic clear aligner products, imaging systems, treatment centers, instruments, as well as consumable medical device products.

The Consumables segment is responsible for the design, manufacture, sales and distribution of the Company's Dental Consumable Products which include preventive, restorative, endodontic, and dental laboratory products.

The impact of COVID-19 and the Company's response

Information pertaining to the impact of the COVID-19 pandemic on the Company's operations and financial results during the course of 2020 as well as the Company's overall response can be found in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. Updates to that summary of impact for the nine months ended September 30, 2021 are as follows:

- Continuing the trend from the last two quarters, the Company has seen customer demand and dental patient traffic normalize in major markets. Certain markets including regions of Southeast Asia and South America have experienced setbacks in demand in the second and third quarters as a result of renewed COVID-19 infections from recent variants of the virus. While most government authorities have lifted many of their restrictions, the end dates for all restrictions being lifted are still unknown, and it is uncertain when customer demand will fully return to pre-COVID-19 levels upon lifting these restrictions, or whether a resurgence of the virus may have an impact on demand in affected markets.

- The Company continues to monitor the impact of global supply chain issues related to the pandemic, including potential downside related to labor shortages, shipping disruption and inflation of material inputs. To date, there have been no significant disruptions to the Company's production, distribution network or ability to procure raw materials used in the development of its products. Although the Company has experienced an increase in supply chain related costs including freight and shipping rates during the first nine months of 2021, these have not yet resulted in a material impact to the results of operations.

- The Company's COVID-19 infection crisis management process implemented in 2020 remains in effect, and there have been no significant disruptions to operations as a result of infections. During the course of the pandemic, the Company has utilized this process to manage several incidents of exposure at facilities. All potential and actual cases have been reviewed to ensure that the Company managed exposed employees appropriately, consistently and safely. None of these incidents have resulted in a material loss of production or financial impact to the results for the nine months ended September 30, 2021.

- The Company previously undertook various initiatives during the second quarter of 2020, to ensure its ongoing liquidity which included, among other actions, entering into a $310 million revolving credit facility on April 9, 2020, a 40 million euro revolving credit on May 5, 2020, a 30 million euro revolving credit facility on May 12, 2020 and 3.3 billion Japanese yen revolving credit facility on June 11, 2020. These additional short-term facilities were entered into in an abundance of caution and have all expired as planned as of June 30, 2021.

- During the third quarter the Company has continued to prioritize employee safety and preventing the possible spread of COVID-19 by encouraging ongoing work-from-home where possible and maintaining travel restrictions.

Up through the date of the filing of this Form 10-Q, the Company’s principal manufacturing facilities and other operations have remained operational at a more normalized level than during the preceding year. The Company continues to monitor the COVID-19 pandemic. As governmental authorities adjust restrictions globally, the Company plans to appropriately staff sales, manufacturing, and other functions to meet customer demand and deliver on continuing critical projects while also complying with all government requirements.

Restructuring Announcement

In November 2018, the Board of Directors of the Company approved a plan to restructure and simplify the Company’s business. The goal of the restructuring is to drive annualized net sales growth of 3% to 4% and adjusted operating income margins of 22% by the end of 2022 as well as achieve net annual cost savings of $200 million to $225 million by 2021. In July 2020, the Board of Directors of the Company approved an expansion of this plan that is intended to further optimize the Company’s product portfolio and reduces operating expenses. The product portfolio optimization has resulted in the divestiture or closure of certain underperforming businesses. The operating expense reductions will come as a result of additional leverage from continued integration and simplification of the business. The Company had initially anticipated one-time expenditures and charges of approximately $275 million yielding annual cost savings of $200 million to $225 million by 2021. The program expansion is expected to result in total charges of approximately $375 million and annual cost savings of approximately $250 million. The Company expects that these expanded actions will result in incremental global headcount reductions of 6% to 7% in addition to the original projections of 6% to 8%. Since November 2018, the Company has incurred expenditures of approximately $321 million under this program, of which, approximately $123 million were non-cash charges. These amounts include the charges for the portfolio shaping initiatives announced on August 6, 2020 which are further discussed below.

As part of this expanded plan, the Company announced on August 6, 2020 that it will exit its traditional orthodontics business as well as both exit and restructure certain portions of its laboratory business. The traditional orthodontics business is part of the Technologies & Equipment segment and the laboratory business is part of the Consumables segment. The Company is exiting several of its facilities and reducing its workforce by approximately 4% to 5%. The Company expects to record total restructuring charges in a range of $60 million to $70 million for inventory write-downs, severance costs, fixed asset write-offs, and other facility closure costs related to these actions. The Company estimates that $45 million to $55 million of these restructuring charges will be non-cash charges related to inventory write-downs and fixed asset write-offs. The Company has recorded expenses of approximately $58 million related to these actions, of which approximately $46 million were non-cash charges. For the nine months ended September 30, 2021, the Company made a $3 million adjustment related to inventory reserves and paid $2 million in severance costs. The Company expects nearly all of the remaining restructuring charges to be completed by the first quarter of 2022.

RESULTS OF OPERATIONS, THREE MONTHS ENDED SEPTEMBER 30, 2021 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2020

Net Sales

The Company presents net sales comparing the current year periods to the prior year periods. In addition, the Company also compares net sales on an organic sales basis, which is a Non-GAAP measure.

The Company defines "organic sales" as net sales excluding: (1) net sales from acquired and divested businesses recorded prior to the first anniversary of the acquisition or divestiture, (2) net sales attributable to discontinued product lines in both the current and prior year periods, and (3) the impact of foreign currency translation, which is calculated by comparing current-period sales to prior-period sales, with both periods converted to the U.S. dollar rate at local currency foreign exchange rates for each month of the prior period.

The "organic sales" measure is not calculated in accordance with US GAAP; therefore, this item represents a Non-GAAP measure. This Non-GAAP measure may differ from those used by other companies and should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with US GAAP. Organic sales is an important internal measure for the Company. The Company's senior management receives a monthly analysis of operating results that includes organic sales. The performance of the Company is measured on this metric along with other performance metrics.

The Company discloses organic sales 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. The Company believes that this information is helpful in understanding underlying net sales trends.

	Three Months Ended September 30,			
(in millions, except percentages)	2021	2020	$ Change	% Change
Net sales	$ 1,069	$ 895	$ 174	19.4 %

A reconciliation of net sales to organic sales for the three months ended September 30, 2021 was as follows:

	% Change
Net sales	19.4 %
Foreign exchange impact	1.3 %
Acquisitions	4.3 %
Divestitures and discontinued products	(7.3 %)
Organic sales	21.1 %

The increase in organic sales was attributable to increased volumes in both the Technologies & Equipment and Consumables segments due to a recovery in demand from the impact of the COVID-19 pandemic, sales attributed to recent product launches, and an increase of sales to dealers in the third quarter ahead of annual price increases, which previously occurred in the fourth quarter of 2020.

Segment Results

Net Sales

Technologies & Equipment

(in millions, except percentages)	Three Months Ended September 30, 2021	2020	$ Change	% Change
Technologies & Equipment	$ 629	$ 504	$ 125	24.8 %

A reconciliation of net sales to organic sales for the three months ended September 30, 2021 was as follows:

	% Change
Net sales	24.8 %
Foreign exchange impact	1.2 %
Acquisitions	7.7 %
Divestitures and discontinued products	(9.4 %)
Organic sales	25.3 %

Consumables

(in millions, except percentages)	Three Months Ended September 30, 2021	2020	$ Change	% Change
Consumables	$ 440	$ 391	$ 49	12.4 %

* Percentages are based on actual values and may not recalculate due to rounding.

A reconciliation of net sales to organic sales for the three months ended September 30, 2021 was as follows:

	% Change
Net sales	12.4%
Foreign exchange impact	1.3%
Acquisitions	—%
Divestitures and discontinued products	(4.8%)
Organic sales	15.9%

Segment Adjusted Operating Income (a)

	Three Months Ended September 30,			
(in millions, except percentages)	2021	2020	$ Change	% Change
Technologies & Equipment (b)	$ 148	$ 127	$ 21	16.5 %
Consumables (b)	135	115	20	17.4 %

(a) See Note 6, Segment and Geographic Information, in the Notes to Consolidated Financial Statements in Item 8 of this Form 10-Q for a reconciliation from segment adjusted operating income to a US GAAP measure of consolidated pre-tax income..
(b) Certain charges related to discontinuance of product lines which were previously reported in adjusted operating income for the reportable segments, $33 million for the three months ended September 30, 2020, have been reclassified to the "All other" category to conform to current year presentation and the Company's internal reporting to the Chief Operating Decision Maker package. These amounts are not material to the measure of segment results for the years presented.

Technologies & Equipment

The increase in organic sales occurred across all dental businesses and resulted from overall higher volumes during the three months ended September 30, 2021 due to a recovery in demand from the COVID-19 pandemic, timing of sales to dealers, and sales attributed to recent product launches.

The adjusted operating income increase was primarily driven by the increase in net sales.

Consumables

The increase in organic sales occurred across all regions and resulted from overall higher volumes during the three months ended September 30, 2021 due to a recovery in demand from the COVID-19 pandemic primarily driven by the Endodontic, Restorative, and Preventive businesses, as well as an increase in sales to dealers in the third quarter ahead of annual price resets which previously occurred in the fourth quarter of 2020.

The adjusted operating income increase was primarily driven by the increase in net sales as well as favorable mix including increased volumes for higher margin products.

Net Sales by Region

United States

	Three Months Ended September 30,			
(in millions, except percentages)	2021	2020	$ Change	% Change
United States	$ 399	$ 319	$ 80	25.3 %

* Percentages are based on actual values and may not recalculate due to rounding.

A reconciliation of net sales to organic sales for the three months ended September 30, 2021 was as follows:

	% Change
Net sales	25.3 %
Foreign exchange impact	(0.1 %)
Acquisitions	11.2 %
Divestitures and discontinued products	(5.9 %)
Organic sales	20.1 %

The increase in organic sales was attributable to both the Technologies & Equipment and the Consumables segments and resulted from the overall higher volumes during the three months ended September 30, 2021 due to the recovery in demand from the COVID-19 pandemic, sales attributed to recent product launches, and an increase in sales to dealers in the third quarter ahead of annual price increases which previously occurred in the fourth quarter of 2020.

Europe

	Three Months Ended September 30,			
(in millions, except percentages)	2021	2020	$ Change	% Change
Europe	$ 399	$ 351	$ 48	13.6 %

* Percentages are based on actual values and may not recalculate due to rounding.

A reconciliation of net sales to organic sales for the three months ended September 30, 2021 was as follows:

	% Change
Net sales	13.6 %
Foreign exchange impact	1.7 %
Acquisitions	0.1 %
Divestitures and discontinued products	(6.0 %)
Organic sales	17.8%

The increase in organic sales was attributable to both the Technologies & Equipment and the Consumables segments and resulted from the overall higher volumes during the three months ended September 30, 2021 due to the recovery in demand from the COVID-19 pandemic.

Rest of World

	Three Months Ended September 30,			
(in millions, except percentages)	2021	2020	$ Change	% Change
Rest of World	$ 271	$ 225	$ 46	20.1 %

* Percentages are based on actual values and may not recalculate due to rounding.

A reconciliation of net sales to organic sales for the three months ended September 30, 2021 was as follows:

	% Change
Net sales	20.1 %
Foreign exchange impact	2.3 %
Acquisitions	1.1 %
Divestitures and discontinued products	(11.1 %)
Organic sales	27.8 %

The increase in organic sales was attributable to both the Technologies & Equipment and the Consumables segments and resulted from the overall higher volumes during the three months ended September 30, 2021 due to an ongoing recovery in demand from the COVID-19 pandemic.

Gross Profit

	Three Months Ended September 30,			
(in millions, except percentages)	2021	2020	$ Change	% Change
Gross profit	$ 591	$ 442	$ 149	33.5%
Gross profit as a percentage of net sales	55.3%	49.4%		

* Percentages are based on actual values and may not recalculate due to rounding.

For the three months ended September 30, 2021, the increase in the gross profit rate as a percentage of net sales was primarily driven by favorable mix including an increase in net sales for higher margin products, as compared to the period ended September 30, 2020.

Operating Expenses

	Three Months Ended September 30,			
(in millions, except percentages)	2021	2020	$ Change	% Change
Selling, general and administrative expenses ("SG&A")	$ 394	$ 315	$ 79	24.7 %
Research and development expenses ("R&D")	35	27	8	32.2 %
Restructuring and other costs	3	18	(15)	NM
SG&A as a percentage of net sales	36.8 %	35.2 %		
R&D as a percentage of net sales	3.3 %	3.0 %		

* Percentages are based on actual values and may not recalculate due to rounding.
NM - Not meaningful

SG&A Expenses

For the three months ended September 30, 2021, the increase in SG&A expenses as a percentage of net sales was primarily driven by the resumption of more normalized advertising and promotional expenses as well as increased investment in employee headcount and compensation relative to the comparative period ended September 30, 2020 which was impacted by cost-saving measures in response to COVID-19.

R&D Expenses

For the three months ended September 30, 2021, the increase in R&D expenses from the comparable quarter of the prior year was primarily driven by significant spend controls put in place in 2020 in response to the COVID-19 pandemic, as well as current year increased investment in digital workflow solutions and the non-capitalizable costs associated with software development including clinical application suite and cloud deployment. The Company intends to continue to increase its R&D investments over time.

Restructuring and Other Costs

The Company recorded restructuring and other costs of $3 million for the three months ended September 30, 2021 compared to $18 million for the three months ended September 30, 2020.

In connection with the various restructuring initiatives, as described earlier, the Company recorded $2 million of restructuring costs and $1 million in other costs for the three months ended September 30, 2021. For the three months ended September 30, 2020, the Company recorded $14 million of restructuring costs and $4 million in other costs.

Other Income and Expense

(in millions)	Three Months Ended September 30, 2021	2020	$ Change
Net interest expense	$ 13	$ 14	$ (1)
Other expense (income), net	8	1	7
Net interest and other expense (income)	$ 21	$ 15	$ 6

The increase in other expense for the three months ended September 30, 2021 is primarily due to foreign exchange losses of $5 million as compared to a gain of $3 million in the prior year period.

Income Taxes and Net Income

(in millions, except percentages)	Three Months Ended September 30, 2021	2020	$ Change
Provision for income taxes	$ 35	$ 13	$ 22
Effective income tax rate	25.2 %	18.8 %	
Net income attributable to Dentsply Sirona	$ 103	$ 53	$ 50

* Percentages are based on actual values and may not recalculate due to rounding.

Provision for income taxes

For the three months ended September 30, 2021, the provision for income taxes was $35 million as compared to $13 million during the three months ended September 30, 2020.

During the three months ended September 30, 2021, the Company recorded $4 million of tax expense for discrete tax matters.

During the three months ended September 30, 2020, the Company recorded $2 million of tax expense for discrete tax matters.

The increase in the effective tax rate is primarily from an increase in mix of higher-taxed foreign income. The Company continues to reassess the realizability of its deferred tax assets and, after weighing all positive and negative evidence, continues to maintain a valuation allowance on certain deferred tax assets.

RESULTS OF OPERATIONS, NINE MONTHS ENDED SEPTEMBER 30, 2021 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2020

Net Sales

	Nine Months Ended September 30,			
(in millions, except percentages)	2021	2020	$ Change	% Change
Net sales	$ 3,163	$ 2,260	$ 903	40.0 %

A reconciliation of net sales to organic sales for the nine months ended September 30, 2021 was as follows:

	% Change
Net sales	40.0 %
Foreign exchange impact	4.9 %
Acquisitions	6.3 %
Divestitures and discontinued products	(7.0 %)
Organic sales	35.8 %

The increase in organic sales was attributable to both the Technologies & Equipment and Consumables segments which were affected by overall higher volumes primarily due to a recovery in demand from the impact of the COVID-19 pandemic, as well as sales attributed to recent product launches. During the nine months ended September 30, 2020, the Company saw normal sales levels for the months of January and February and started to experience a decline in sales volume beginning in March and extending through September due to the onset of the pandemic.

Segment Results

Net Sales

Technologies & Equipment

	Nine Months Ended September 30,			
(in millions, except percentages)	2021	2020	$ Change	% Change
Technologies & Equipment	$ 1,848	$ 1,328	$ 520	39.2%

A reconciliation of net sales to organic sales for the nine months ended September 30, 2021 was as follows:

	% Change
Net sales	39.2%
Foreign exchange impact	5.1%
Acquisitions	10.8%
Divestitures and discontinued products	(8.1%)
Organic sales	31.4%

Consumables

(in millions, except percentages)	Nine Months Ended September 30, 2021	2020	$ Change	% Change
Consumables	$ 1,315	$ 932	$ 383	41.1%

A reconciliation of net sales to organic sales for the nine months ended September 30, 2021 was as follows:

	% Change
Net sales	41.1%
Foreign exchange impact	4.5%
Acquisitions	—%
Divestitures and discontinued products	(5.3%)
Organic sales	41.9%

Segment Adjusted Operating Income (a)

(in millions, except percentages)	Nine Months Ended September 30, 2021	2020	$ Change	% Change
Technologies & Equipment (b)	$ 409	$ 234	$ 175	NM
Consumables (b)	439	160	279	NM

NM - Not meaningful
(a) See Note 6, Segment and Geographic Information, in the Notes to Consolidated Financial Statements in Item 8 of this Form 10-Q for a reconciliation from segment adjusted operating income to a US GAAP measure of consolidated pre-tax income.
(b) Certain charges related to discontinuance of product lines which were previously reported in adjusted operating income for the reportable segments, $34 million for the nine months ended September 30, 2020, have been reclassified to the "All other" category to conform to current year presentation and the Company's internal reporting to the Chief Operating Decision Maker package. These amounts are not material to the measure of segment results for the years presented.

Technologies & Equipment

The increase in organic sales occurred across all dental businesses and was the result of overall higher volumes during the nine months ended primarily due to demand recovery from the impact of the COVID-19 pandemic, as well as sales attributed to recent product launches.

The adjusted operating income increase was primarily driven by the increase in net sales as well as expense discipline during the nine months of 2021 relative to the comparative period.

Consumables

The increase in organic sales occurred across all regions and was the result of overall higher volumes during the nine months ended primarily due to demand recovery from the impact of the COVID-19 pandemic driven by the Endodontic, Restorative, and Preventive businesses.

The adjusted operating income increase was primarily driven by favorable mix including increased volumes for higher margin products, and expense discipline during the nine months of 2021 relative to the comparative period.

Net Sales by Region

United States

(in millions, except percentages)	Nine Months Ended September 30, 2021	2020	$ Change	% Change
United States	$ 1,112	$ 750	$ 362	48.2 %

* Percentages are based on actual values and may not recalculate due to rounding.

A reconciliation of net sales to organic sales for the nine months ended September 30, 2021 was as follows:

	% Change
Net sales	48.2 %
Foreign exchange impact	0.8 %
Acquisitions	18.3 %
Divestitures and discontinued products	(6.9 %)
Organic sales	36.0%

The increase in organic sales was attributable to both the Technologies & Equipment and the Consumables segments and was primarily due to overall higher volumes during the nine months ended September 30, 2021 following periods of lower demand resulting from the COVID-19 pandemic. as well as sales attributed to recent product launches.

Europe

(in millions, except percentages)	Nine Months Ended September 30, 2021	2020	$ Change	% Change
Europe	$ 1,248	$ 939	$ 309	32.9 %

A reconciliation of net sales to organic sales for the nine months ended September 30, 2021 was as follows:

	% Change
Net sales	32.9 %
Foreign exchange impact	7.6 %
Acquisitions	— %
Divestitures and discontinued products	(5.8 %)
Organic sales	31.1%

The increase in organic sales was attributable to both the Consumables and the Technologies & Equipment segments and was primarily due to overall higher volumes during the nine months ended September 30, 2021 following periods of lower demand resulting from the COVID-19 pandemic.

Rest of World

(in millions, except percentages)	Nine Months Ended September 30, 2021	2020	$ Change	% Change
Rest of World	$ 803	$ 571	$ 232	40.8 %

* Percentages are based on actual values and may not recalculate due to rounding.

A reconciliation of net sales to organic sales for the nine months ended September 30, 2021 was as follows:

	% Change
Net sales	40.8 %
Foreign exchange impact	5.6 %
Acquisitions	1.0 %
Divestitures and discontinued products	(9.3 %)
Organic sales	43.5%

The increase in organic sales was attributable to both the Technologies & Equipment and the Consumables segments and was primarily due to overall higher volumes during the nine months ended September 30, 2021 following periods of lower demand resulting from the COVID-19 pandemic. During the nine months ended September 30, 2020, the Company experienced a decline in sales volume beginning in March due to the COVID-19 pandemic, particularly in China and other Asian markets.

Gross Profit

	Nine Months Ended September 30,			
(in millions, except percentages)	2021	2020	$ Change	% Change
Gross profit	$ 1,768	$ 1,086	$ 682	62.8 %
Gross profit as a percentage of net sales	55.9 %	48.1 %		

* Percentages are based on actual values and may not recalculate due to rounding.

For the nine months ended September 30, 2021, the increase in the gross profit rate as a percentage of net sales was primarily driven by favorable mix including the increase in net sales for higher margin products, as compared to the same period ended September 30, 2020.

Operating Expenses

	Nine Months Ended September 30,			
(in millions, except percentages)	2021	2020	$ Change	% Change
Selling, general and administrative expenses ("SG&A")	$ 1,177	$ 935	$ 242	25.8 %
Research and development expenses ("R&D")	112	79	33	42.5 %
Goodwill impairment	—	157	(157)	NM
Restructuring and other costs	11	62	(51)	NM
SG&A as a percentage of net sales	37.2 %	41.4 %		
R&D as a percentage of net sales	3.6 %	3.5 %		

* Percentages are based on actual values and may not recalculate due to rounding.
NM - Not meaningful

SG&A Expenses

For the nine months ended September 30, 2021, the decrease in SG&A expenses as a percentage of net sales was primarily driven by greater absorption of expenses due to higher sales as well as expense discipline, as compared to the same period ended September 30, 2020.

R&D Expenses

For the nine months ended September 30, 2021, the increase in R&D expenses from the comparable quarter of the prior year was primarily driven by significant spend controls put in place in 2020 in response to the COVID-19 pandemic, as well as current year increased investments in digital workflow solutions and other product development initiatives, and the non-capitalizable costs associated with software development including clinical application suite and cloud deployment. The Company also has additional spend in the current year associated with our recent acquisitions and the opening of a new innovation center in Charlotte, North Carolina. The Company intends to continue to increase its R&D investments over time.

Goodwill Impairment

There were no impairments recorded in the nine months ended September 30, 2021. During the nine months ended September 30, 2020, as a result of updating the estimates and assumptions pertaining to the impact of the ongoing COVID-19 pandemic the Company determined that the goodwill associated with the Equipment & Instruments reporting unit within the Technologies & Equipment segment was impaired. As a result, the Company recorded a goodwill impairment charge of $157 million.

Restructuring and Other Cost

The Company recorded restructuring and other costs of $11 million for the nine months ended September 30, 2021 compared to $62 million for the nine months ended September 30, 2020.

In connection with the various restructuring initiatives, as described earlier, the Company recorded $14 million of restructuring costs and a benefit of $3 million in other costs for the nine months ended September 30, 2021.

During the nine months ended September 30, 2020, the Company recorded $19 million of restructuring costs and $43 million in other costs, which consisted primarily of impairment charges of $39 million related to indefinite-lived intangible assets within the Technologies & Equipment segment driven by a decline in forecasted sales as a result of the COVID-19 pandemic as well as an unfavorable change in the discount rate.

Other Income and Expense

	Nine Months Ended September 30,		
(in millions)	2021	2020	Change
Net interest expense	$ 43	$ 32	$ 11
Other expense (income), net	4	4	—
Net interest and other expense	$ 47	$ 36	$ 11

The increase in net interest expense was due to higher average debt levels particularly during the first six months of 2021 compared to the prior year period. As noted in Part I, Item 1, Note 9, Financial Instruments, in July 2021 the Company entered into a cross currency basis swap which effectively converts a portion of the Company's $750 million bond coupon from 3.3% to 1.7%. Also in July 2021, the Company entered into variable interest rate swaps which convert a portion of the $750 million Senior Notes from a fixed rate of 3.3% into a variable interest rate. Together, these instruments are expected to continue to result in a net reduction of interest expense for the second half of 2021.

Income Taxes and Net Income (Loss)

	Nine Months Ended September 30,		
(in millions, except percentages)	2021	2020	$ Change
Provision (benefit) for income taxes	$ 102	$ (1)	$ 103
Effective income tax rate	24.2 %	0.7 %	
Net income (loss) attributable to Dentsply Sirona	$ 319	$ (182)	$ 501

* Percentages are based on actual values and may not recalculate due to rounding.

Provision (benefit) for income taxes

For the nine months ended September 30, 2021, the provision for income taxes was $102 million as compared to a tax benefit of $1 million during the nine months ended September 30, 2020.

During the nine months ended September 30, 2021, the Company recorded $7 million of tax expense for discrete tax matters. The Company also recorded a $4 million tax expense as a discrete item related to business divestitures.

During the nine months ended September 30, 2020, the Company recorded $9 million of tax expense for discrete matters. The Company also recorded a $11 million tax benefit as a discrete item related to the indefinite-lived intangible asset impairment charge.

The increase in the effective tax rate is primarily from an increase in mix of higher-taxed foreign income. The Company continues to reassess the realizability of its deferred tax assets and, after weighing all positive and negative evidence, continues to maintain a valuation allowance on certain deferred tax assets.

CRITICAL ACCOUNTING POLICIES

There have been no changes to the critical accounting policies as disclosed in the Company’s Form 10-K for the year ended December 31, 2020 other than those changes explained in Part I, Item 1, Note 1, Significant Accounting Policies, in the Notes of the Unaudited Consolidated Financial Statements of this Form 10-Q.

Goodwill Impairment

Goodwill represents the excess cost over the fair value of the identifiable net assets of business acquired. Goodwill is not amortized; instead, it is tested for impairment annually or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired. Judgment is involved in determining if an indicator of impairment has occurred during the course of the year. Such indicators may include a decline in expected cash flows, unanticipated competition or slower growth rates, among others. When testing goodwill for impairment, the Company may assess qualitative factors for its reporting units to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount including goodwill. Alternatively, the Company may bypass this qualitative assessment and perform the quantitative goodwill impairment test.

Goodwill is allocated among reporting units and evaluated for impairment at that level. The Company's reporting units are either an operating segment or one level below its operating segments, as determined in accordance with ASC 350.

Effective 2021 and prospectively, the Company is performing its required annual goodwill impairment test as of April 1 rather than on April 30 which was the Company’s previous practice. The Company believes this change is preferable as it more closely aligns with the timing of the Company’s strategic business planning process. The Company does not believe this change resulted in any delay, acceleration or avoidance of impairment. Furthermore, a retrospective application to prior periods is impracticable as the Company is unable to objectively determine, without the use of hindsight, the assumptions which would be used in earlier periods.

For the fiscal year 2021, the Company performed its goodwill impairment test as of April 1, 2021 and elected to bypass the qualitative assessment and performed a quantitative assessment. The Company did not record any goodwill impairment during the first nine months of 2021. During the comparative first nine months of 2020, the Company recorded a goodwill impairment charge of $157 million associated with one reporting unit within the Technologies & Equipment segment.

In conjunction with its annual goodwill impairment test, the Company applied a hypothetical sensitivity analysis to each of its reporting units by increasing the discount rate of these reporting units by 100 basis points and, in a separate test, reducing by 10% the fair value of those reporting units. All of the Company's reporting units passed the hypothetical tests without the fair value being reduced below carrying value, and therefore it was noted that there were currently no reporting units deemed at risk of being impaired based on the sensitivity analysis.

To determine the fair value of the reporting units, the Company used a discounted cash flow model which utilizes both internal and market-based data as its valuation technique. The discounted cash flow model uses five-to-ten year forecasted cash flows plus a terminal value based on a multiple of earnings or by capitalizing the last period's cash flows using a perpetual growth rate. The Company's significant assumptions in the discounted cash flow model include, but are not limited to, the weighted average cost of capital, revenue growth rates (including perpetual growth rates), and operating margin percentages of the reporting unit's business. These assumptions were developed in consideration of current market conditions. The Company reconciled the aggregate fair values of its reporting units to its market capitalization, which included a reasonable control premium based on market conditions.

Indefinite-Lived Intangible Asset Impairment

Indefinite-lived intangible assets consist of tradenames and trademarks and are not subject to amortization; instead, tested for impairment annually or more frequently if events or circumstances indicate that the carrying value of indefinite-lived intangible assets may be impaired or if a decision is made to sell a business. The Company performed this annual impairment test as of April 1, 2021 in conjunction with the goodwill impairment annual test.

The Company did not record any indefinite-lived intangible asset impairment during the first nine months of 2021. During the comparative first nine months of 2020, the Company recorded an indefinite-lived intangible asset impairment charge of $39 million within the Technologies & Equipment segment.

The fair value of acquired tradenames and trademarks is estimated by the use of a relief from royalty method, which values an indefinite-lived intangible asset by estimating the royalties saved through the ownership of an asset. Under this method, an owner of an indefinite-lived intangible asset determines the arm’s length royalty that likely would have been charged if the owner had to license the asset from a third party. The royalty rate, which is based on the estimated rate applied against forecasted sales, is tax-effected and discounted at present value using a discount rate commensurate with the relative risk of achieving the cash flow attributable to the asset. Management judgment is necessary to determine key assumptions, including revenue growth rates, perpetual revenue growth rates, royalty rates, and discount rates. Other assumptions are consistent with those applied to goodwill impairment testing.

The Company also applied a hypothetical sensitivity analysis as part of the annual impairment test of indefinite-lived intangibles. It was noted that if the fair value of each of these indefinite-lived intangibles assets had been hypothetically reduced by 10% or the discount rate had been hypothetically increased by 100 basis points as of April 1st, 2021, the fair value of these assets would still exceed their book value and none of the indefinite-lived intangible assets were considered at-risk based on the sensitivity analysis.

The determination of fair value involves uncertainties around the forecasted cash flows as it requires management to make assumptions and apply judgement to estimate future business expectations. Those future expectations include, but are not limited to, the current and ongoing impact of the COVID-19 pandemic and new product development changes for these reporting units. The Company also considers the current and projected market and economic conditions amid the ongoing pandemic for the dental industry both in the U.S. and globally, when determining its assumptions.

A change in any of these estimates and assumptions used in the annual test, as well as unfavorable changes in the ongoing COVID-19 pandemic, or in the overall markets served by these reporting units, among other factors, could have a negative material impact to the fair value of the reporting units and the indefinite-lived tangible assets and could result in a future impairment charge. There can be no assurance that the Company’s future goodwill and indefinite-lived assets impairment testing will not result in a material adverse impact to the Company’s results of operations.

Refer to Part I, Item 1, Note 13, Goodwill and Intangible Assets, in the Notes of the Unaudited Consolidated Financial Statements of this Form 10-Q for further discussion of the Company's annual goodwill and indefinite-lived intangible asset impairment testing.

LIQUIDITY AND CAPITAL RESOURCES

(in millions, except percentages)	Nine Months Ended September 30, 2021	2020	$ Change
Cash provided by (used in):			
Operating activities	$ 435	$ 372	$ 63
Investing activities	(319)	(5)	(314)
Financing activities	(257)	504	(761)
Effect of exchange rate changes on cash and cash equivalents	(16)	(4)	(12)
Net (decrease) increase in cash and cash equivalents	$ (157)	$ 867	$ (1,024)

The increase in cash provided by operating activities was driven primarily by the higher cash receipts in the current period as a result of higher sales, offset by changes in working capital including a build-up in inventory during the current period to meet recovered demand.

At September 30, 2021, the number of days of sales outstanding in accounts receivable after adjusting for the impact of foreign currency translation increased by 8 days to 62 days as compared to 54 days at December 31, 2020. The number of days of sales in inventory increased by 8 days to 110 days at September 30, 2021 as compared to 102 days at December 31, 2020. The Company removes the impact of foreign currency translation in these ratios by comparing current-period sales, accounts receivables, and inventory to prior-period sales, accounts receivable, and inventory, with both periods converted to the U.S. dollar rate at local currency foreign exchange rates for each month of the prior period.

Cash used in investing activities during the first nine months of 2021 included net cash paid for acquisitions of $248 million and capital expenditures of $101 million, offset by the receipt of $27 million in net cash from the sale of a non-core business. The Company expects critical capital expenditures to be in the range of approximately $150 million to $170 million for the full year 2021.

Cash used in financing activities for the nine months ended September 30, 2021 was primarily driven by the repayment of fixed senior notes totaling $296 million, offset by the partial financing of this repayment through the Company's commercial paper program which resulted in proceeds of $147 from short-term borrowings. Primarily as a result of this activity, combined with an a decrease of $66 million due to exchange rate fluctuations on debt denominated in foreign currencies, the Company's total borrowings decreased by a net $201 million during the nine months ended September 30, 2021. Other uses of cash for financing included net share repurchases of $90 million and dividend payments of $68 million, offset by proceeds from the exercise of stock options of $47 million.

During the nine months ended September 30, 2021, the Company repurchased approximately 1.5 million shares under its open market share repurchase plan for a cost of $90 million at a weighted average price of $60.62. On July 28, 2021, the Board of Directors of the Company approved an increase in the value of shares of common stock that may be repurchased under the share repurchase program to $1 billion, all of which is unused and available to be repurchased as of September 30, 2021. Additional share repurchases, if any, will be made through open market purchases, Rule 10b5-1 plans, accelerated share repurchases, privately negotiated transactions, or other transactions in such amounts and at such times as the Company deems appropriate based upon prevailing market and business conditions and other factors.

The Company's ratio of total net debt to total capitalization was as follows:

(in millions, except percentages)	September 30, 2021		December 31, 2020	
Current portion of debt	$	151	$	296
Long-term debt		1,925		1,978
Less: Cash and cash equivalents		281		438
Net debt	$	1,795	$	1,836
Total equity		5,125		4,970
Total capitalization	$	6,920	$	6,806
Total net debt to total capitalization ratio		**25.9 %**		**27.0 %**

At September 30, 2021, the Company had a borrowing capacity of $607 million available under lines of credit, including lines available under its short-term arrangements and revolving credit facility. Through the date of the filing of this Form 10-Q, the Company has no outstanding borrowings under any of its credit facilities.

These agreements are unsecured and contain certain affirmative and negative covenants relating to the operations and financial condition of the Company. The most restrictive of these covenants pertain to asset dispositions and prescribed ratios of indebtedness to total capital and operating income, plus depreciation and amortization to interest expense. At September 30, 2021, the Company was in compliance with these covenants and expects to remain in compliance with all covenants over the next twelve months.

At September 30, 2021, the Company held $44 million of precious metals on consignment from several financial institutions. The consignment agreements allow the Company to acquire the precious metals at market rates at a point in time which is approximately the same time and for the same price as alloys are sold to the Company's customers. In the event that the financial institutions would discontinue offering these consignment arrangements, and if the Company could not obtain other comparable arrangements, the Company may be required to obtain third party financing to fund an ownership position in the required precious metal inventory levels.

The cash held by foreign subsidiaries for permanent reinvestment is generally used to finance the subsidiaries' operating activities and future foreign investments. The Company has the ability to repatriate additional funds to the U.S., which could result in an adjustment to the tax liability for foreign withholding taxes, foreign and/or U.S. state income taxes, and the impact of foreign currency movements. At September 30, 2021, management believed that sufficient liquidity was available in the United States and expects this to remain for the next twelve months. The Company has repatriated and expects to continue repatriating certain funds from its non-U.S. subsidiaries that are not needed to finance local operations, however, these particular repatriation activities have not and are not expected to result in a significant incremental tax liability to the Company.

Except as stated above, there have been no material changes to the Company's scheduled contractual cash obligations disclosed in its Form 10-K for the year ended December 31, 2020.

The Company continues to review its debt portfolio and may refinance additional debt or add debt in the near-term as interest rates remain at historically low levels. The Company believes there is sufficient liquidity available for the next twelve months.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to Part 1, Item 1, Note 1, Significant Accounting Policies, to the Unaudited Interim Consolidated Financial Statements of this Form 10-Q for a discussion of recent accounting pronouncements.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

There have been no significant material changes to the market risks as disclosed in the Company’s Form 10-K for the year ended December 31, 2020.

Item 4 – Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and that it is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting that occurred during the three months ended September 30, 2021, that have materially affected, or are likely to materially affect, its internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

Reference to Part I, Item 1, Note 14 Commitments and Contingencies, in the Notes to Unaudited Interim Consolidated Financial Statements of this Form 10-Q.

Item 1A – Risk Factors

There have been no significant material changes to the risk factors as disclosed in Part 1A, "Risk Factors" in the Company's Form 10-K for the year ended December 31, 2020.

Item 2 – Unregistered Sales of Securities and Use of Proceeds

On July 28, 2021, the Board of Directors of the Company approved an increase in the value of shares of common stock that may be repurchased under the share repurchase program, up to $1.0 billion. During the three months ended September 30, 2021, the Company had no repurchases of common shares under the program and therefore the newly authorized $1.0 billion remains available as of the end of the period.

Item 6 – Exhibits

Exhibit Number	Description
31.1	Section 302 Certification Statement Chief Executive Officer
31.2	Section 302 Certification Statement Chief Financial Officer
32	Section 906 Certification Statements
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DENTSPLY SIRONA Inc.

/s/	*Donald M. Casey, Jr.*	November 4, 2021
	Donald M. Casey, Jr. Chief Executive Officer	Date
/s/	*Jorge M. Gomez*	November 4, 2021
	Jorge M. Gomez Executive Vice President and Chief Financial Officer	Date

Exhibit 31.1

Section 302 Certifications Statement

I, Donald M. Casey, Jr, certify that:

1. I have reviewed this Form 10-Q of DENTSPLY SIRONA Inc..;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ *Donald M. Casey, Jr.*

Donald M. Casey, Jr.
Chief Executive Officer

Exhibit 31.2

Section 302 Certifications Statement

I, Jorge M. Gomez, certify that:

1. I have reviewed this Form 10-Q of DENTSPLY SIRONA Inc..;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ Jorge M. Gomez

Jorge M. Gomez
Executive Vice President and
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of DENTSPLY SIRONA Inc. (the "Company") on Form 10-Q for the period ending September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), We, Donald M. Casey, Jr., Chief Executive Officer of the Company and Jorge M. Gomez, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge and belief:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of the date of the Report.

/s/ *Donald M. Casey, Jr.*
Donald M. Casey, Jr.
Chief Executive Officer

/s/ *Jorge M. Gomez*
Jorge M. Gomez
Executive Vice President and
Chief Financial Officer

November 4, 2021