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SIRO - Sirona and DENTSPLY Merger - M&A Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Good afternoon, and welcome to today's conference to discuss the combination of DENTSPLY and Sirona Dental, which was announced this afternoon.

(Operator Instructions)

As a reminder, today's call is being recorded, and a copy of the slide presentation is available on Investor Relation sections of DENTSPLY's and Sirona's websites. An audio archive of this call will be available shortly after the call has concluded, and will also be available until September 29, 2015. I would now like to turn the conference over to Mr. Derek Leckow, Vice President, Investor Relations of DENTSPLY. Mr. Leckow, please go ahead, sir.

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

Hello, everyone, and thank you for taking the time to join us on this call to talk about our announcement of the combination of DENTSPLY and Sirona. Before we begin, I would like to note that today's discussion contains forward-looking statements that are subject to the risks identified in both Company's SEC filings, and other written communications related to the merger announcement. Actual results may differ materially from those discussed here. You should refer to the information on slide 1 of the presentation, as well as the additional information contained in the SEC filings of both Sirona and DENTSPLY.

Joining me on the call today, are Mr. Bret Wise, Chairman and Chief Executive Officer of DENTSPLY International; Mr. Jeff Slovin, President and Chief Executive Officer of Sirona; Christopher Clark, President and Chief Financial Officer of DENTSPLY; and Uli Michel, Executive Vice President and Chief Financial Officer of Sirona. With that, I'm pleased to turn the call over to Mr. Bret Wise, Chairman and CEO of DENTSPLY. Bret?

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

Thank you, Derek. Good afternoon, everyone. Thanks for joining us on our call today, especially on such short notice. As always, we appreciate your interest in our story.

Today is a historic day for the dental community, as we bring together two global dental leaders, combining DENTSPLY and Sirona in a \$13.3 billion merger of equals. This transaction creates the largest global manufacturer of professional dental products and technologies with net revenues of approximately \$3.8 billion, and adjusted EBITDA of over \$900 million on a trailing 12 month basis. As we will explain on our call this afternoon, there is also a significant synergy opportunity to accelerate growth, in both sales and earnings over a relatively short period of time.

This is an important milestone for customers, our employees and shareholders. As one united company, DENTSPLY SIRONA, will have enhanced technology, scale, and product breadth, partnering with the dental professional to address every dental procedure with world-class products on a global basis. Our combined Company will be able to offer dental practitioners integrated solutions, encompassing the best in consumables, equipment and technology, with the end result being enhanced patient care. Dentists and dental laboratories across the globe will also be supported by the industry's largest sales and service infrastructure, combining the world-class sales forces of both of DENTSPLY and Sirona. This creates a global sales organization of over 4,000 sales professionals, combined with the best distributors in the global market.

It is important to note that both of our companies have proud records and strong cultures of innovation, and are supported by industry-leading investment in continuing professional education. Together, we'll have a combined team of over 600 scientists and R&D staff, and we'll have the largest investment in clinical education in our markets. Reinvesting in fundamental sciences that support dentistry, as well as the continuing knowledge base of the dental professional is the foundation on which we will build the future of our markets. Looking ahead, DENTSPLY SIRONA will be well-positioned to unlock significant shareholder value, and capitalize on key industry trends, such as accelerating adoption of digital dentistry, providing us with growth opportunities over the long-term. In particular, the combination of Sirona's digital capabilities with DENTSPLY's leading position in the dental specialties, creates a unique opportunity to advance technology in our markets.

Lastly, together the two companies will be very strong financially. We'll have a very strong balance sheet, with robust free cash flow to invest in growth, and return the capital to shareholders. As evidence of this, our confidence in the combination, we expect to repurchase \$500 million of the combined Company stock as soon as possible. This will be executed quickly after the combination, and will complement a robust business development program both designed to enhance shareholder value. The transaction is expected to be accretive to each company's shareholder within the first year, and it is expected to deliver at least \$125 million-plus in annual pre-tax synergies in the third year post-close. We're confident that bring together these two innovative industry leaders will make dentistry better, faster, and safer around the globe.

Slide 3 provides an overview of the transaction structure, initial announcement of the governance of the Company, and the path towards closing this transaction. This transaction is a stock-for-stock merger of equals that was unanimously approved by both Companies' Board of Directors, and is expected to be tax-free to the shareholders of both companies. Once the deal closes, DENTSPLY shareholders will own 58%, and Sirona shareholders will own 42% of the combined company. In addition, when the deal closes, I will become Executive Chairman of the Board of the combined Company, Jeff Slovin, the current CEO of Sirona who you will hear from here shortly, will be assuming the will of CEO of the new Company. I have known Jeff for more than 10 years, and we've worked together on numerous collaborations and industry matters, and I look forward to working with him, and our combined team to execute our corporate strategy, and integrate the two companies and cultures.

We are also blessed with a very strong management team which I'll cover more in a moment, including their bios on the subsequent slide. The DENTSPLY SIRONA Board of Directors will consist of 11 members, 6 of which including myself, our current DENTSPLY Directors, and 5 of which including Jeff are current Sirona Directors. Together with approximately 15,000 employees in more than 120 countries, we will bring scale and product breadth to the market on a global basis. The combined company will be called DENTSPLY SIRONA, and will trade on the NASDAQ under the ticker symbol, XRAY. The global headquarters will be in York, Pennsylvania, and the international headquarters will be in Salzburg, Austria. We

expect the transaction to be completed in the first calendar quarter of 2016, subject to receipt of regulatory approvals, other customary closing conditions, and the approval of the shareholders of both DENTSPLY and Sirona.

Slide 4 presents an overview of each Company. I will hand the call over to Jeff to highlight Sirona in a moment, but for those of you that are not familiar with the DENTSPLY, the Company was founded in 1899, has \$2.7 billion in revenue, and we currently have approximately 11,600 employees across the globe. Today, we believe we serve an estimated 600,000 dental and medical professionals worldwide, reaching customers in more than 120 countries. DENTSPLY is known as a leader in value-added dental consumables, with six global strategic business units focused on each of the major treatment categories in dentistry. This encompasses preventive, restorative and prosthetic dentistry, as well as the three specialties including implants, endodontics and orthodontics. In addition, we have a seventh SBU which serves several important categories in the medical markets, focused on value-added consumables of that can enhance people's lives and living conditions.

Over our history, spanning more than a century, we have maintained a focus on innovation and clinical education. We are very proud of our capacity to introduce more than 30 significant new products every year, and the commitment we've made to clinical research as evidenced by one of the largest libraries of clinical research in our markets. In addition, our commitment to continuing clinical education is evidenced by the more than 300,000 dental professionals who attend at least one of our clinical programs each year. This commitment to continuing clinical education is the broadest in our market, and is a key investment that we continue to make in advancing the science of dentistry globally.

DENTSPLY also has a core competency in, and a long history of growth of, growth via acquisition, expanding technology and product reach, through our global infrastructure. Since 2000, DENTSPLY has completed 25 acquisitions, covering each of our strategic verticals. As evidence of our global reach, essentially anywhere that you find professional dentistry practiced around the world, you will also find DENTSPLY's products. We have this global reach through our own sales and distribution resources, but also combined with solid distributor relationships to engage essentially every practitioner around the world. With that, let me turn call over to Jeff Slovin, President and CEO of Sirona, and soon to be the CEO of the new DENTSPLY SIRONA. Jeff?

Jeff Slovin - Sirona Dental Systems Inc. - President & CEO

Thank you very much, Bret. I am very excited to be talking to you all today. I believe this transaction is truly in the best interest of Sirona and DENTSPLY for our shareholders, customers and employees. For those of you who aren't familiar with Sirona, let me start with a brief overview. And then, I would like to spend some time providing a deeper look at the combined Company benefits that Bret touched on in his opening remarks.

Staying on slide 4, Sirona is the leader in dental technology and equipment, with approximately 3,500 employees and \$1.1 billion in revenue. Innovation is at the core of what we do, and we have introduced many firsts to the dental industry, like the first electric dental drill, the first panoramic x-ray system, and CEREC, the first dental chairside CAD/CAM system just to name a few. These innovations and many others have supported our strong track record of top and bottom line growth, and have positioned us at the forefront of many dental growth trends. For over 30 years, Sirona has been driving the adoption of digital technologies, and enabling single-visit dentistry to improve patient care. We have made significant investments in our sales and service infrastructure, and sell in more than 120 countries, and operates in 29 locations worldwide. Like DENTSPLY, we are supported by some of the leading distributors in the industry, led by Patterson in the US, and Henry Schein in Europe

Turning to slide 5, we have provided an overview of the dental market, so you can better understand the opportunity ahead of us. Dental is an attractive and growing global market, favorable demographics such as aging population, and driving demand for specialties, prosthetics, restorative, aesthetic dentistry. In addition, there is a growing demand for higher quality dentistry in emerging markets. This represents approximately 80% of the global population. We are seeing a couple of important trends as a result. The adoption of digital technology is accelerating, and the demand for efficiency, and driving a need for integrated solutions. DENTSPLY SIRONA will be well-positioned to capitalize on these trends. Combining our two companies will result in the most comprehensive dental solutions offering available, to meet customers demand in every major digital category across consumables, specialty, equipment and on a global basis. Together, we will create the dental solutions company.

Moving to slide 6. I will now provide you with a little more color around the scale and offering breadth of the combined company. As Bret mentioned earlier, the combination will result in a company with net revenues of approximately \$3.8 billion and adjusted EBITDA of more than \$900 million, excluding the incremental benefits of synergies. We will have the complementary suite of product offerings, bringing dental, consumables and

equipment under one roof. Our combined product offering will consist of approximately 70% of sales driven from consumables, and approximately 30% from equipment and technology. This product mix will provide scale and stability, and is essential to a perfect match to a product mix of broader dental market. And as discussed on the prior page, we will be geographically balanced, with 34% of our sales in the US, 40% of sales in Europe, and 26% in the rest of the market -- rest of the world, including a significant presence in Asia-Pacific. Dental practices and labs across the globe also will be supported by the leading education, sales and service infrastructure in the industry.

Slide 7 covers in more detail the combined company's significant, broadened platform of well-established brands and products with strong market positions. By combining DENTSPLY's leading consumables platform with Sirona's leading dental technology and equipment offerings, we will be an end-to-end solution provider, and we believe this represents a key competitive advantage in our industry. When you have a little more time to study this slide, you will get a real sense of the breadth of our offering, and the dozens of well-established brands we have in the different niche dental markets. With consumables, equipment and technology under one roof, the new Company will be able to deliver differentiated digital technologies and integrated solutions and workloads to enhance efficiencies and patient care for general practitioners and specialists. As a leading total solution provider, DENTSPLY SIRONA will be well-positioned to better serve dental practitioners.

As many of you know, and as slide 8 highlights, DENTSPLY and SIRONA have significant R&D capabilities. We believe that our shared commitment to innovation will contribute to a smooth integration, and allow us to retain and cross-pollinate our leading talent of scientists and engineers. In particular, Sirona has a reputation for innovation in equipment, and that is matched and complemented by DENTSPLY's achievements in consumables innovation. Our combined brands are built on thousands of clinical studies, and well over 3,000 patents and patent applications. The work continues, and we remain committed and focused on new product introductions that improve clinical outcomes, and provide increased value for dentists and patients.

Turning to slide 9. I want to zero in on how we will be positioned to capitalize on key industry trends and drive growth. The dental industry is becoming increasingly focused on the adoption of CAD/CAM, 3D imaging, and digital solutions. Dental practitioners are taking on more specialized procedures that require advanced technologies, and patients are demanding a better overall experience. Integrated solutions and workflows are being driven by this demand, both in developed and developing markets.

As a combined Company, we will be a leader in digital technologies and solutions. That means we will have complementary offerings of chairside solutions, with the digital workflow for restorative and specialty procedures like implants and ortho. Dentists, labs, and specialists will be digitally connected, so that a procedure can be seamlessly planned and executed. The combination will drive adoption of single-visit dentistry, resulting in reduced chairside time, and better patient experience overall. We will also increase dental practice efficiency, providing better outcomes for everyone involved. And importantly, we will have the global infrastructure to execute on these evolving trends and demands. In short, we will create better, faster, and safer dentistry, and this is our promise to dental professionals and patients around the globe.

Here on slide 10, we expand on the benefits of this transaction for our dentists. With this transaction, we will be better able to improve solutions and advanced patient care and enabling better dentistry. Among other benefits, practitioners will see faster technologies and workflow solutions, as well as more innovative and better integrated product offerings. This will improve the efficiency and the profitability of the dental practice and labs. And with dentists benefiting from improved solutions, this means that patients will benefit from better and more advanced care. This is very important, and something we're very excited about. After all, we are all patients. Patients will have shorter fewer visits, safer procedures and improve clinical outcomes.

Moving to slide 11, the combination of DENTSPLY and Sirona is expected to generate substantial synergies, at least \$125 million of annual pre-tax synergies in the third year following the completion of the transaction. Let me walk you through our thinking here. The combined Company plans to achieve these synergies by enhancing growth and optimizing its infrastructure. We will work toward offering integrated solutions, expanding product lines, and pursuing potential cross-selling opportunities across the combined company's expanded customer base. In terms of optimizing infrastructure, we will look towards manufacturing efficiencies, procurement savings, and corporate savings. With that, let me turn it back to Bret to discuss our commitment to delivering shareholder value.

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

Thank you, Jeff. Through the achievement of these synergies, the combination is expected to unlock significant shareholder value, and be accretive to both DENTSPLY and Sirona shareholders on an adjusted earnings per share basis in the first year. As we mentioned earlier on the call, DENTSPLY SIRONA is expected to benefit from a very strong financial profile and significant cash flow, enabling continued growth reinvestment, broadening our M&A scope, and return of capital to shareholders. To that end, in connection with closing of this transaction, we expect to execute a \$500 million share buyback as soon as possible to drive incremental shareholder value. We will also maintain the capacity for additional share buybacks in the future. The new Company also plans to maintain DENTSPLY's current dividend level of \$0.29 per common share. We will have a highly flexible capital structure that will enable us to not only to continue to return capital to shareholders, but also continue to be very active in business development and M&A opportunities.

Slide 13 highlights our experienced Management team that will lead the combined Company. As I mentioned, Jeff and I have known and respected each other for quite some time, and have worked together in the dental industry. We share a common set of values and a passion for dentistry. Jeff is a seasoned dental executive, having been CEO of two publicly traded dental companies, and has a strong track record of driving growth and creating shareholder value. I am also pleased to announce that in addition to Jeff and myself, the new leadership team of DENTSPLY SIRONA will include talent from both companies.

From DENTSPLY, Chris Clark will serve as President and Chief Operating Officer of DENTSPLY SIRONA technology segment, building on his 23 years of experience in the dental market. Also from DENTSPLY, Jim Mosch will serve as President and Chief Operating Officer of DENTSPLY SIRONA's dental and healthcare consumables segment, capitalizing on his 22 years of dental experience. From Sirona, Uli Michel, a seasoned executive with 25 years of financial management and close to 10 years of experience as the CFO of two public -- US publicly traded companies will serve as Executive Vice President and Chief Financial Officer. Combined, the Senior Leadership team has more than 75 years of dental market experience. Of course, there's a number of additional Senior Executive positions to be named. We are blessed by the depth of the Executive talent in both organizations, and we view the combined team as a core strength of this combination.

So as you can see, the combined Management team is highly experienced and proven in dental. What's more, their expertise and leadership will provide stability and continuity, as we work to integrate the two organizations. Together we will accelerate global adoption of digital dentistry and differentiated integrated solutions, all with a view towards creating greater shareholder value, with the benefits of the combined management and governance structure. With a strong track record of growth and leadership in integrating and optimizing global product offerings, management team will be well-positioned to drive DENTSPLY SIRONA forward. I know we are all excited to work together at integrating our two companies, and setting the stage for continued growth through product development, additional capabilities, and bolt-on acquisitions.

I would like to now hand the call back to Jeff.

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

Thank you, Bret. And I echo the support for the new Management team, and the rich talent that we have, and certainly, I'm looking forward to working with you Brett.

Slide 14 highlights the pathway to completion for our merger of equals. Again, we expect close the transaction in the first quarter of calendar year 2016. I want to express my enthusiasm for this transaction. I am excited for the bright future we have ahead. I truly believe this transaction is in the best interest of our shareholders, dentists, labs, and our employees, and our partners around the globe. I want to thank all of these Sirona employees who have worked so hard to get Sirona to where we are today, and will be instrumental in creating the dental solutions Company with DENTSPLY. I also want to thank our key distributors and material partners, as we look to continue to collaborate for the benefit of all of our stakeholders.

I look forward to seeing some of you at CEREC 30 on Thursday, where we'll announce some additional exciting developments. I will now turn the call back to Bret, before we take your questions.



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

All right. Thank you, Jeff. So to summarize, we believe this is an exciting step forward for DENTSPLY and Sirona, as well as our customers, our investors and our employees. The transaction creates significant shareholder value, and will lead to enhanced product offerings for dentists laboratories across the globe. I'm proud of the DENTSPLY employees, and what they've accomplished in our more than 100 year history, and I look forward to executing on the expanded potential that we'll have, when combined with the strong employee base of Sirona. With the combined Management talent of each organizations, we will be well-positioned to improve the experience of dental professionals and the patient and accelerate our growth, and the impact we have on the market. The combination is a big win for our customers, who will realize meaningful improvements in their ability to serve patients and grow their practices.

So thank you once again, for joining us today to discuss the announcement. We look forward to working with the Sirona team to complete the combination. And would like to now turn the call back to the operator for questions. Thank you.

QUESTIONS AND ANSWERS

Operator

Thank you, sir.

(Operator Instructions)

Brandon Couillard, Jefferies.

Brandon Couillard - *Jefferies LLC - Analyst*

Good afternoon. Thanks for taking the question. Bret, if we look back 10 or 15 years ago, I mean, DENTSPLY got out of the equipment business. I mean, philosophically, why is now the right time to -- for the combined franchise, why does it make sense today, what's different?

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

Well, I think if you look back 10 or 15 years, we were basically in one category of dental equipment, and it was a pretty narrow category. This is a completely different circumstance. What we are doing today, is we are combining the strongest player in dental technologies and dental equipment, with the strongest player in dental consumables. And it's clear, that the market is trending towards increased use of integrated systems, digital technologies, and consumables that can do more, when combined with the equipment. So I really think of this as not -- a reintroduction into an equipment play, but a reintroduction into a technology play. And I would like to let Jeff comment on that as well.

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

Thank you, Bret. Yes, Brandon, I think the fact of the matter that we're so complementary, that we can create differentiated integrated solution in this day and age, is a big deal to the patient and the dental practitioners. The ability to understand that you can create solutions that really can lead to better clinical outcomes. We can't do this alone, and that's why we are better together. And frankly, when you look at it from a standpoint of where we are at, as the innovator in technology, and where DENTSPLY is, it is a different calculation today. We bring so much to the marketplace with our innovative capabilities, that we're so well-positioned.



Brandon Couillard - *Jefferies LLC - Analyst*

So maybe a question for Uli. In terms of the combined free cash flow of the company, I mean, I believe DENTSPLY had a channel to access overseas cash through Astra Tech deal, and Sirona had more of a problem accessing OUS cash. How much of the free cash flow is really accessible for the combined Company going forward?

Uli Michel - *Sirona Dental Systems Inc. - EVP, CFO*

I think it is a bit early to really give you an exact numbers on this, but this is definitely one of the values that this combination will unlock. We will have a better opportunity to use our strong foreign cash flows, to either return them to our shareholders in the US, or to reinvest them wherever we want in the world for future growth and shareholder value creation. Chris, do you want to add?

Christopher Clark - *DENTSPLY International, Inc. - President & CFO*

No, I agree with that. Again, the Company is -- the combination is complementary in a number of ways. Obviously, we have planning that we need to do in this area, but I would expect this to be complementary as well.

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

I think it is an extraordinary cash flow and firepower, it is exactly what our shareholders would like to see when you combine these two market-leading companies.

Brandon Couillard - *Jefferies LLC - Analyst*

Super. Thank you.

Operator

Tycho Peterson, JPMorgan.

Tycho Peterson - *JPMorgan - Analyst*

Hey, thanks. Jeff, on the question of why now, why does this combination make sense? I have a number of people [highlighting] today that you're not really, you're not getting a premium here. And obviously, you have a lot of momentum with CEREC 30 and the Ortho JV with a line, and your expanded Patterson agreement. So why this price now, and not more of a premium?

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

I think this is a unique opportunity in time, and our shareholders will get the benefit from the value creation that we are able to deliver. And I think -- the way I look at it is, there so much upside to what we are creating and it being a stock for stock -- expected to be tax-free transaction, they receive all of the benefits that this combination creates and it is going to be significant. And we see real synergies here -- at least \$125 million in the third year post close. So this to me, when you have the opportunity of a lifetime, you have to seize it in the life of the opportunity, and I think that's what we see here.



Tycho Peterson - *JPMorgan - Analyst*

And then, can you talk on the closing time lines, 1Q 2016 seems little bit aggressive. Maybe what's your confidence around the regulatory approvals, and maybe talk to any FTC risks? And then lastly, just can you give us a split between revenue synergies and cost synergies in that \$125 million number?

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

Okay, Tycho, I will take the first question, and Jeff, maybe you can follow-up on the synergies. The time line we are giving you is within the first quarter next year. Of course, there's not a lot of direct product overlap between the two companies, but as you point out, we will have to go through the customary regulatory filings to get -- before we can close the deal, but we feel reasonably confident that we will get it done in that time frame.

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

Yes, with regard to the synergies, there is a bias towards, slight bias towards the cost synergies. But we have so many growth opportunities, that I would not underestimate what we are able to do from a revenue synergies -- when we look at the cross-selling opportunities, expansion of our products suites, and truly the differentiated integrated solutions that we'll bring to market.

Tycho Peterson - *JPMorgan - Analyst*

Okay. Thank you.

Operator

Jeff Johnson, Robert Baird.

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

Yes, thanks. Good afternoon guys. Jeff, let me just follow-up on that -- on the answer you just gave there on the \$125 million. So am I to read that, as out of the \$125 million, a little over half of that is cost synergies, and a little over half of that is revenue synergies or --?

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

Yes, that's a fair assessment.

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

That's helpful. And then, just from a tax rate perspective, I mean, you'll both have low 20% tax rates, so I don't think an inversion is even really a question. But can you talk to me maybe about the sustainability of those tax -- the tax rates, and where you think that they could go over time? Is there any play here at all with this deal?

Uli Michel - *Sirona Dental Systems Inc. - EVP, CFO*

Sure. If you don't mind, I would like to ask Chris to --



Christopher Clark - *DENTSPLY International, Inc. - President & CFO*

Sure. I mean, as you know, Jeff, both companies have been pretty efficient on the tax side. This is one that -- with the post integration planning, obviously, the teams come together in a -- far more dedicated manner to address that. I guess, I would say, based on some early looks, we are optimistic that there is some opportunities here. So I would just leave it at that and say, we will know more as we get into this.

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

Okay. And then, my last question, just in the emerging markets, Jeff, you guys sell a lot of your stuff direct there. Bret, you go through distribution, I think in a lot of those markets for your general consumables. What is the more likely surviving entity there, selling model? Bret, is there an opportunity to put your consumables through the Sirona sales force, or do you need stay in distribution channels in those kind of emerging markets where Sirona may already have a presence?

Jeff Slovín - *Sirona Dental Systems Inc. - President & CEO*

Let me start, and then I will pass it to Bret. But I think that the beauty of this situation in the emerging markets is that, we have got to look country by country. We have a rich pool of talent. We have to look at, what are the dynamics? Who are the distributors that they are working with that, and how we go about it? So there is nothing definitive that we want to say, just that we understand there's a huge opportunity, and we have the confidence of that we will figure it out together. Bret?

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

Yes, I think that is fair. And I think it is also fair to say that at this point, we would not anticipate any disruption to the channels that we use today. Because as you know, Jeff, we sell about half of our products direct, but those are typically to specialties where we have to have a highly trained sales force to move those products. In the restorative and preventive products, we typically to go through distribution almost everywhere in the world. And at this point, I don't view there as being a disruption to any of that.

Jeff Slovín - *Sirona Dental Systems Inc. - President & CEO*

This is a win across the board for everyone.

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

Operator, next question, please?

Operator

John Kreger, William Blair.

John Kreger - *William Blair & Company - Analyst*

Hi, thanks very much. Jeff and Bret, could you guys just maybe elaborate a little bit more on drivers of some of the opportunities to accelerate revenues that you talked about at the beginning of the call? Maybe just an example or two? Thanks.

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

Sure. Again, we are both big believers that digital dentistry is here to stay, and it's defining the standard of care. And with all of the outstanding clinical programs that DENTSPLY has, this will help. Also when you think about, standpoint of 3D, the things that we can do on the ortho side together, on CAD/CAM with regard to implants. There's so many different things that we can do, providing unique end-to-end solutions, while respecting the relationship we have with our partners. It is as unique to the two of us combining together.

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

Yes, I think and I'll just add to that. I mean, if you look at the R&D resources, the innovation resources we have today, and bringing some of those resources together to focus on integrated solutions, I am very positive and very confident that we will come up with some pretty unique solutions, that we would not have otherwise gotten on our own.

John Kreger - *William Blair & Company - Analyst*

Great, thanks. And then a follow-up, I think to Tycho's question about any FTC regs -- can remind us you remind us how big the combined Company will be in the CAD/CAM block business? What sort of market share do you think you will have in that category?

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

I don't think that it will be significant at this point, so I don't see that being an issue. Again, the fact that we are so complementary, I think we have to go through the process, but we have also given a target date of the first quarter of 2016, because in dealing with our advisors, we believe that we can do that. But that's a process we need to go through.

John Kreger - *William Blair & Company - Analyst*

Okay, great. Thanks.

Operator

Robert Jones, Goldman Sachs.

Robert Jones - *Goldman Sachs - Analyst*

Thanks for the questions, Bret and Jeff. Yes, I guess, just sticking with the synergies, because it does seem to be clearly a key part of this deal. And candidly, as you guys have acknowledged is the overlap is not that obvious to us. So maybe just to come back to this, could you guys share some more specifics on what exactly the source is of the synergies will be, whether it will be less than half from revenue, and than more than half from cost? Just anything specific on the due diligence you guys put in place to come up with that \$125 million number would be really helpful for us.

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

Yes, again, we still need to operate as two separate companies, and there will be more to this integration. But when you look at manufacturing efficiencies, and you look at the manufacturing footprint, there is some real opportunities for improvement in overhead utilization on that. Logistics and procurement, when you look at being a \$3.8 billion, and what the opportunities for our supply chain, they are not insignificant. And of course, when you look at our potential for shared services, there is a lot of opportunity on that.

I think the revenue side of this is really going to be significant, because as Bret talked about earlier and we tried to allude, when you get to our engineering and sciences together working together, we will have unique offerings that will differentiate ourselves. And this is what the dentist is looking to, and the patient, and it is around single-visit dentistry and better clinical outcomes. And there's a lot this is possible for us to do, not only in North America, but around the globe. The infrastructure alone that we have is substantial, education, sales and service, being able to drive better customer satisfaction is a key component that we think will lead to loyalty as well.

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

Yes, and I would like to add to that. We have a specific product offering ideas that are on the table. We have the specifics, but most of its competitively sensitive. We wouldn't want to telegraph that to our competitors at this point.

Robert Jones - *Goldman Sachs - Analyst*

Understood. And I guess, just a quick follow-up, and I know we will probably get more of this with the filing. But any background you can share, just as far as how the deal came together, I guess, specifically curious, were there any other parties interested in either company?

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

Well, the background I am willing to give or we're willing to give this point is, Sirona and DENTSPLY have been partners collaborating on products, mainly materials offerings that could go to market for some time. And I think you've seen that over the last couple IDS, there's been a lot of cross work that has been done in launching products and so forth. And I think it is reasonable to assume that the two companies grew together closely through that process. You are right, that when we file the merger documents, you will see the history that describes this in more detail. I would resist, or I'm reluctant to get into any more discussion there, though at this time.

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

I would echo that sentiment.

Robert Jones - *Goldman Sachs - Analyst*

Got it. Thanks for the comments.

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

Thanks.

Operator

Erin Wilson, Bank of America Merrill Lynch.

Erin Wilson - *BofA Merrill Lynch - Analyst*

Thanks for taking the questions. On the distribution front, just to follow-up on that. So do you plan on maintaining the exclusive clauses, like with the Patterson relationship? And how would you characterize your current relationship with Patterson at this point, and do you expect it to continue going forward?



Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

Absolutely, and we have both have excellent relationships with both Patterson and Schein. They are aware of this announcement, supportive, recognize that this is historic, as Bret led the call talking about it, two legends of dentistry coming together, over 100 year history. This is a game changer, and distribution is part of that. So Erin, I think both Patterson and Schein see the possibilities. As Bret alluded, these revenue synergies that we are talking about, we have clear ideas how we do this -- are able to do this, and distribution is part of that process and plan. Because at the end of the day, this is also about being able to execute this in the dental office.

Erin Wilson - *BofA Merrill Lynch - Analyst*

Okay. Great. And can you speak to the strategy going forward with some of the product lines where there may be some conflict of interest, like in Clear Liners on the orthodontic side, as well as in implants? And do you continue or plan to continue to take a more agnostic approach as to the interoperability with your systems? Or any sort of color on what -- how you expect that to unfold would be great?

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

Well, first of all, I would say there's no conflicts. We are the most open on the ortho. We have been telling you that from the get-go, that the Omnicam will have the most open platform there. And when it comes to implants, we are also very open. But we are excited about the possibilities what our engineers can do to differentiate ourselves, but we welcome partnerships. This is not about being a closed system. This is about expanding. This is accelerating the adoption of technologies.

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

And, Erin, I would echo that. If you look at DENTSPLY's partnerships with other companies in the market, they are all built upon open systems. So I see this being a furtherance of that strategy, rather than a change in direction.

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

I mean, where we expect to continue our relationship with their material partners. They have been important drivers of our success, and we are looking forward to continuing that. This is really about a growth opportunity in dentistry.

Erin Wilson - *BofA Merrill Lynch - Analyst*

Okay, great. Thanks so much.

Operator

Jon Block, Stifel.

Jon Block - *Stifel Nicolaus & Company - Analyst*

Great. Thanks, and good evening. You mentioned accretive to shareholders in year one. Any comments you can give on a level of accretion? And/or when we think about the annual synergies that you talked about of \$125 million in year three, any details around maybe the ramp to get there in year one, versus year three?

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

Sure. I will take a stab at that, Jon. The reason we said accretive within year one, was at the outset, of course DENTSPLY is the issuer here. There is a difference in trading multiples. It will take us a while to get the synergies ramped up. And so, we are much more comfortable towards the end of the first year, rather than on the first day after closing. I don't want to characterize the level of synergies by year here. But if you are thinking of a third, a third, a third, the amount in the first year would be less than a third. Because you may exit the year at a run rate of a third, but you're certainly not going to get a third in the first year. So a couple things to consider, is the earnings multiples of both companies, where they both trade, the \$0.5 billion stock buyback, the normal stock buyback programs that we have historically had underway. And then on top of that, the benefits of the synergy program.

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

Well said.

Jon Block - *Stifel Nicolaus & Company - Analyst*

Okay. Great. Very helpful. And then, just to shift gears, looking at maybe leverage on a pro forma basis, it looks like it is maybe roughly 1 times, assuming \$900 million EBITDA before the share repo. You mentioned the \$500 million and the share repo and a willingness get more aggressive. Just trying to think about use of cash, is there sort of this combined entity leverage target that we should start thinking about, if we want to sort of conceptualize on how aggressive you can be on the share repo side of things? Thanks, guys.

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

Yes, I would say we don't want to talk right now about the optimal leverage point. But I would say that look, we are fantastic platform for M&A opportunities, and there's great scope and scale with what we have created. Certainly, we feel very comfortable with this leverage and let's not forget about the net cash that Sirona has as well. So there's a lot of opportunity for DENTSPLY and Sirona in the future here.

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

Yes. And I would add to that, if you looked at the balance sheet, the pro forma balance sheet that we will have, we will be well under 1 in leverage at closing, if you looked at the balance sheets today. And even with the \$0.5 billion share buyback, we will be between 1 and 1.25 times leverage ratio. So I think we're going to have a lot of flexibility to do more internally, to do more in the business development and M&A area. And obviously, we will have more to return to shareholders, while generating a lot of cash flow in each year moving forward. So we feel pretty positive about that.

Jon Block - *Stifel Nicolaus & Company - Analyst*

Thanks, guys.

Operator

Steve Beuchaw, Morgan Stanley.

Steve Beuchaw - Morgan Stanley - Analyst

Hi, good afternoon, and thanks for taking the questions. So we've touched a little bit on revenue and cost synergies, but I wonder if you could spend a minute on other operational drivers of incremental cash flow? I know this is a big topic at DENTSPLY. Can you talk about how the combination of the companies might potentially unlock other components of the balance sheet, other than access to international cash at Sirona? And Chris, if you wouldn't mind giving us an update on how you are thinking about the targets that you've laid out for accessing capital via working efficiencies at DENTSPLY? Thanks.

Bret Wise - DENTSPLY International Inc. - Chairman & CEO

Okay. Steve, I'm going to start on that, and I think Chris will have some things to offer here as well. As you identified, we have a global efficiency program going at DENTSPLY. We have seen some pretty good margin accretion from that program. We've also seen some improvements in the balance sheet. I expect those to continue. When we look at the possibility of bringing these two companies together, we look at the platform that we have created to go after those efficiencies, including the balance sheet efficiencies that you are commenting on here. So for us, there is pretty clear path to bring the two companies together. Of course, they will have multiple logistic points that we can probably combine, Jeff commented on that earlier. So we do see a pathway to continue along that path. So Chris, do you have anything you would like to add on?

Christopher Clark - DENTSPLY International, Inc. - President & CFO

I think it's good points. Bottom line, is obviously we have made some progress relative to working capital and unlocking that. We have considerable progress yet to make, a number of initiatives underway with that. I think this helps us in the context of moving those initiatives forward. Bret hit the logistic synergies. I think those are not small, and frankly help us in terms of unlocking really cash -- cash that is really captured at this point in time on our balance sheet. I view this as a helpful enabler to really accelerate our efforts.

Jeff Slovin - Sirona Dental Systems Inc. - President & CEO

Yes, I would echo that. I think that clearly integrating the companies will be a priority and a focus, and we've got a good platform that DENTSPLY has started with their Project One. So we look at this as an opportunity to be able to do this better and faster because of what they have in place.

Steve Beuchaw - Morgan Stanley - Analyst

That's helpful. If I just think about the \$125 million for total synergies, and I say, okay, a little less than half of that is revenue, \$50 million. And I think about that over the next three years on a base of \$3.8 billion, it is frankly, just not a very big number. And when I think about the different footprints of the two companies, and the many ways -- we didn't touch on very many of them here today -- the many ways you can go about leveraging product lines across different call points, I am wondering how much conservatism there is in this \$125 million, particularly on the top line? Are there constraints to -- going about more effective cross-selling and call point leverage that I am not thinking about? Thanks.

Jeff Slovin - Sirona Dental Systems Inc. - President & CEO

Steve, I appreciate that you see the value that we see in combining the two companies together. It is clear to us that at least \$125 million is the appropriate synergy to talk about, and we are excited to get together, and explore what is possible when we are one team. But that's the number that we are coming out with, and that's the one we feel comfortable with.

Steve Beuchaw - Morgan Stanley - Analyst

Okay. Thanks so much.

Operator

Steven Valiquette, UBS.

Steven Valiquette - UBS - Analyst

Thanks. Good afternoon, and congrats on the transaction.

Bret Wise - DENTSPLY International Inc. - Chairman & CEO

Thanks.

Steven Valiquette - UBS - Analyst

So for me, I see some of the strategic merit of deal, but I have to admit it is a little bit hard to get to some of the accretion with stock being used to finance the deal, as opposed to maybe cash or some lower cost debt. So I guess with you guys highlighting that \$500 million buyback to be completed as soon as possible after the close, I guess, just based on your own math, is that buyback essentially required to make the deal accretive in year one, or could it still be accretive without that buyback? Thanks.

Bret Wise - DENTSPLY International Inc. - Chairman & CEO

Yes, this is Bret, and I will address that. I think that if you look at the balance sheet of the two companies post-deal, it is a very unleveraged Company, with extraordinarily strong and consistent cash flow. So we think it's important that we put some of the cash flow to work for shareholders benefit immediately. And, of course, the buyback will benefit both sets of shareholders. Earlier I talked about accretion with accretion dilution, and the difference in the trading multiples, of course the synergies will inure to the benefit of both shareholder groups, as will the stock buyback. But I do think that's important element in reaching accretion in a relatively short period of time.

Steven Valiquette - UBS - Analyst

Okay. Got it. Okay, thanks.

Bret Wise - DENTSPLY International Inc. - Chairman & CEO

Thank you.

Operator

Bob Willoughby, Bank of America.

Bob Willoughby - BofA Merrill Lynch - Analyst

Yes, just a quick one. DENTSPLY has been an active acquirer historically. What are the holes in the combined offering for the Company here that you might fill with additional acquisitions? Anything major you could speak to?

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

I think -- no, go ahead.

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

I was going to say, I don't like to speculate on the companies we might acquire and the areas we might acquire, only because I don't really want my competitors to see those and target those. But let's say, after the transaction, we will have about 20% market share. That means there's 80% market share yet to go. We operate in an extraordinarily fragmented market. Most companies in our markets are small, so it takes number of transactions to add up to something significant. But I am going to let Jeff comment in a minute. But from my perspective, there is still a host of opportunities out there, and being together, it opens opportunities that may be one of us wouldn't have pursued on our own in the past because of product mix.

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

I think that's right. And I think that we have both been looking at various platforms acquisitions for our current basis. And now you combined the two, and it gets even more exciting, I mean to think about it. And if you take a look at the side, where we look at the overall product that we bring to market, there isn't an area that we are not playing in, and there is tremendous opportunities for us to do this. And I think when we are together, we will have the likelihood of others joining us, increase, and we are excited about that. But I agree with Bret, for competitive reasons, it does not make sense to telegraph where we are going.

Bob Willoughby - *BofA Merrill Lynch - Analyst*

Great. Thank you.

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

Thanks.

Operator

Thank you. We are now out of time for questions, ladies and gentlemen. And this does conclude today's question and answer period. I would now like to turn the call over to Mr. Bret Wise for any closing remarks.

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

Okay, well, thank you again for joining us today. This is a historic day for the DENTSPLY, for Sirona, and for the global dental market. We are very excited about this transaction, and our ability to provide better, faster, and safer dentistry to the global market. And lastly, I would like to close, by thanking our 15,000 employees around the world from both companies. They have done a tremendous job in building these two organizations, and it is going to be even stronger when we bring them together. So thank you for your interest today, and we will speak to you soon, I'm sure. Thank you.

Jeff Slovin - *Sirona Dental Systems Inc. - President & CEO*

Thank you.

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