DENTSPLY SIRONA Inc.
Form 10-K
March 08, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended **December 31, 2018**
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.)
221 West Philadelphia Street, York, PA	**17401-2991**
(Address of principal executive offices)	(Zip Code)

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

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

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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No x
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 o

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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 o	Non-Accelerated Filer o	Smaller Reporting Company o
Emerging Growth Company o	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. o		

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant computed by reference to the closing price as of the last business day of the registrants most recently completed second quarter June 30, 2018, was $9,706,575,983.

The number of shares of the registrant's common stock outstanding as of the close of business on February 21, 2019 was 223,218,138.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive Proxy Statement of DENTSPLY SIRONA Inc. (the "Proxy Statement") to be used in connection with the 2019 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K to the extent provided herein. Except as specifically incorporated by reference herein the Proxy Statement is not deemed to be filed as part of this Form 10-K.

DENTSPLY SIRONA Inc.

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PART I

FORWARD-LOOKING STATEMENTS

Information included in or incorporated by reference in this Form 10-K, 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 our forward-looking statements and associated risks in Part I, Item 1 "Business- Forward-Looking Statements and Associated Risks" and Part 1, Item 1A "Risk Factors" of this Form 10-K.

GENERAL

Unless otherwise stated herein, reference throughout this Form 10-K to "Dentsply Sirona", or the "Company," "we," "us" or "our" refers to financial information and transactions of DENTSPLY International Inc. ("DENTSPLY") prior to February 29, 2016 and to financial information and transactions of DENTSPLY SIRONA Inc., thereafter, in each case, with its subsidiaries on a consolidated basis, unless the Company states or the context implies otherwise.

INDUSTRY AND MARKET DATA

Unless indicated otherwise, the information concerning our industry contained in this Annual Report is based on our general knowledge of and expectations concerning the industry. The Company's market position, market share and industry market size are based on estimates using our internal data and estimates, based on data from various industry analyses, its internal research and adjustments and assumptions that it believes to be reasonable. The Company has not independently verified data from industry analyses and cannot guarantee their accuracy or completeness. In addition, we believe that data regarding the industry, market size and its market position and market share within such industry provide general guidance but are inherently imprecise. Further, the Company estimates and assumptions involve risks and uncertainties and are subject to change based on various factors, including those discussed in Part I, Item 1A "Risk Factors" of this form 10-K. These and other factors could cause results to differ materially from those expressed in the estimates and assumptions.

Item 1. Business

History and Overview

Dentsply Sirona is the world's largest manufacturer of professional dental products and technologies, with a 132-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 and oral health products as well as other consumable medical devices under a strong portfolio of world class brands. 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 York, Pennsylvania. The Company's shares of common stock are listed in the United States on Nasdaq under the symbol XRAY.

Dentsply Sirona dates its history back to 1886. The Company is a designer, developer, manufacturer and marketer of a broad range of consumable dental products and technologically-advanced dental equipment. The Company also manufacturers and markets other consumable medical device products. The Company introduced the first dental electric drill over 130 years ago, the first dental X-ray unit approximately 100 years ago, the first dental computer-aided design/computer-aided manufacturing ("CAD/CAM") system over 30 years ago, and numerous other significant innovations including pioneering ultrasonic scaling to increase the speed, effectiveness and comfort of cleaning and revolutionizing both file and apex locater technology to make root canal procedures easier and safer. Dentsply Sirona continues to make significant investments in research and development ("R&D"), and its track record

of innovative and profitable new products continues today.

Dental products and technology and equipment accounted for approximately 91% of both Dentsply Sirona's consolidated net sales and consolidated net sales, excluding precious metal content, for the year ended December 31, 2018. The remaining consolidated net sales, excluding precious metal content, are primarily related to consumable medical device products. The presentation of net sales, excluding precious metal content, is considered a measure not calculated in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), and is therefore considered a non-US GAAP measure. This non-US GAAP measure is discussed further in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K and a reconciliation of net sales to net sales, excluding precious metal content, is provided there.

The Company conducts its business in the United States of America ("U.S."), as well as in over 120 foreign countries, principally through its foreign subsidiaries. Dentsply Sirona has a long-established presence in the European market, particularly in Germany, Sweden, France, the United Kingdom ("UK"), Switzerland and Italy, as well as in Canada. The Company also has a significant market presence in the countries of the Commonwealth of Independent States ("CIS"), Central and South America, the Middle-East region and the Pacific Rim.

Principal Products

The worldwide professional dental industry encompasses the diagnosis, treatment and prevention of disease and ailments of the teeth, gums and supporting bone. Dentsply Sirona's principal dental product categories are dental consumable products, dental laboratory products, dental specialty products and dental equipment. Additionally, the Company's consumable medical device products provide for urological and surgical applications. These products are produced by the Company in the U.S. and internationally and are distributed throughout the world under some of the most well-established brand names and trademarks in these industries, including but not limited to: ANKYLOS, AQUASIL ULTRA, ARTICADENT, ASTRA TECH, ATLANTIS, CALIBRA, CAULK, CAVITRON, CELTRA, CERAMCO, CERCON, CEREC, CEREC MCX, CITANEST, DAC, DELTON, DENTSPLY, DETREY, DYRACT, ESTHET.X, GALILEOS, INLAB, IN-OVATION, INTEGO, LOFRIC, MAILLEFER, MIDWEST, MTM, NUPRO, OMNICAM, ORAQIX, ORIGO, ORTHOPHOS, OSSEOSPEED, PALODENT PLUS, PEPGEN P-15, PORTRAIT, PRIME & BOND, PROFILE, PROGLIDER, PROTAPER, RECIPROC, RINN, SANI-TIP, SCHICK, SENTALLOY, SINIUS, SIROLASER, SIRONA, SLIMLINE, STYLUS, SULTAN, SUREFIL, T1, T2, T3, T4, TENEO, THERMAFIL, TRIODENT, TRUBYTE, VIPI, WAVEONE, WELLSPECT, XENO, XIVE, XYLOCAINE and ZHERMACK.

Consumables Segment

Dental Consumable Products

Dental consumable products consist of value added dental supplies and small equipment used in dental offices for the treatment of patients. It also includes specialized treatment products used within the dental office and laboratory settings including products used in the preparation of dental appliances by dental laboratories. Net sales of dental consumable products accounted for approximately 46%, 44% and 44% of the Company's consolidated net sales for the years ended December 31, 2018, 2017, and 2016, respectively.

Dentsply Sirona's dental supplies include endodontic (root canal) instruments and materials, dental anesthetics, prophylaxis paste, dental sealants, impression materials, restorative materials, tooth whiteners and topical fluoride. Small equipment products include dental handpieces, intraoral curing light systems, dental diagnostic systems and ultrasonic scalers and polishers.

The Company's products used in dental laboratories include dental prosthetics, including artificial teeth, precious metal dental alloys, dental ceramics and crown and bridge materials. Dental laboratory equipment products include amalgamators, mixing machines and porcelain furnaces.

Technologies & Equipment Segment

Dental Technology and Equipment Products

Dental technology products consist of basic and high-tech dental equipment such as treatment centers, imaging equipment and computer aided design and machining CAD/CAM systems equipment for dental practitioners and laboratories. The product category also includes high-tech state-of-art dental implants and related scanning equipment and treatment software, orthodontic appliances for dental practitioners and specialist and dental laboratories. The

Company offers the broadest line of products to fully outfit a dental practitioner’s office. Net sales of dental technology and equipment products accounted for approximately 45%, 48% and 48% of the Company’s consolidated net sales for the years ended December 31, 2018, 2017, and 2016, respectively.

Treatment centers comprise a broad range of products from basic dentist chairs to sophisticated chair-based units with integrated diagnostic, hygiene and ergonomic functionalities, as well as specialist centers used in preventive treatment and for training purposes. Imaging systems consist of a broad range of diagnostic imaging systems for 2D or 3D, panoramic, and intra-oral applications. Dental CAD/CAM Systems are products designed for dental offices and laboratories used for dental restorations, which includes several types of restorations, such as inlays, onlays, veneers, crowns, bridges, copings and bridge frameworks made from ceramic, metal or composite blocks. This product line also includes high-tech CAD/CAM techniques of chairside economical restoration of aesthetic ceramic dentistry, or CEREC, equipment. This equipment allows for in-office application that enables dentists to produce high quality restorations from ceramic material and insert them into the patient's mouth during a single appointment. CEREC has a number of advantages compared to the traditional out-of-mouth pre-shaped restoration method, as CEREC does not require a physical model, restorations can be created in the dentist's office and the procedure can be completed in a single visit. The Company estimates that at December 31, 2018 the market penetration for in-office CAD/CAM systems in the U.S. and Germany was approximately 18%.

Healthcare Consumable Products

Healthcare consumable products consist mainly of urology catheters, medical drills and other non-medical products. Net sales of healthcare consumable products accounted for approximately 9%, 8% and 8% of the Company's consolidated net sales for the years ended December 31, 2018, 2017, and 2016, respectively.

Markets, Sales and Distribution

The Company believes that the market for its products will grow over the long-term based on the following factors:

•increasing worldwide population.

•aging population in developed countries with access to greater amounts of discretionary income will require more dental care.

•natural teeth are being retained longer - individuals with natural teeth are much more likely to visit a dentist in a given year than those without any natural teeth remaining.

•earlier preventive care and a growing demand for aesthetic dentistry - dentistry has evolved from a profession primarily dealing with pain, infections and tooth decay to one with increased emphasis on preventive care and cosmetic dentistry.

•increasing demands for patient comfort and ease of product use and handling.

•increasing demand for more efficiency and better workflow in the dental office, including digital and integrated solutions.

•per capita and discretionary incomes are increasing in emerging markets. As personal incomes continue to rise in emerging economies, healthcare, including dental services, is a growing priority. Many surveys indicate the middle class population will expand significantly within these emerging markets.

•the Company's business is less susceptible than many other industries to general downturns in the economies in which it operates. Many of the products the Company offers relate to dental procedures and health conditions that are considered necessary by patients regardless of the economic environment. Dental specialty products, dental equipment and products that support discretionary dental procedures are the most susceptible to changes in economic conditions.

Dentsply Sirona employs approximately 5,200 highly trained, product-specific sales and technical staff to provide comprehensive marketing and service tailored to the particular sales and technical support requirements of its distributors, dealers and the end-users.

Dental Sales and Distribution

Dentsply Sirona distributes approximately 60% of its dental consumable and technology and equipment products through third-party distributors. Certain highly technical products such as dental technology equipment, dental ceramics, crown and bridge porcelain products, endodontic instruments and materials, orthodontic appliances, dental implants are often sold directly to the dental laboratory or dental professionals in some markets. For the year ended December 31, 2018, one customer, Henry Schein, Inc ("Henry Schein"), accounted for approximately 10% of consolidated net sales. At December 31, 2018, two customers, Henry Schein and Patterson Companies, Inc. ("Patterson"), accounted for approximately 10% and 13%, respectively, of the consolidated accounts receivable balance. For the year ended December 31, 2017, one customer, Henry Schein., accounted for approximately 15% of consolidated net sales. At December 31, 2017, two customers, Henry Schein and Patterson Companies, accounted for approximately 14% and 15%, respectively, of the consolidated accounts receivable balance. For the year ended December 31, 2016, the Company had two customers, Henry Schein, and Patterson, each accounted for approximately 12% of consolidated net sales.

During 2018 the Company continued to be impacted by the transition in distribution strategy with Patterson and Henry Schein. In 2017, the Company signed new distribution agreements with Patterson and Henry Schein for the Company's equipment products. The Company shipped initial stocking orders for the equipment products to Henry Schein under the agreements primarily in the second and third quarters of 2017 which resulted in unfavorable year-over-year sales growth comparisons. Based on the Company's estimate, year-over-year changes in distributor inventories associated with these agreements negatively impacted the Company's reported sales growth for the year ended December 31, 2018 by approximately $127 million. Based on the Company's estimate, distributor inventories increased for the year ended December 31, 2017 by approximately $27 million as compared to a decrease of approximately $100 million for the full year 2018.

Although many of its dental sales are made to distributors, dealers and importers, Dentsply Sirona focuses much of its marketing efforts on the dentists, dental hygienists, dental assistants, dental laboratories and dental schools which are the end-users of its products. As part of this end-user "pull through" marketing approach, the Company conducts extensive distributor, dealer and end-user marketing programs. Additionally, the Company trains laboratory technicians, dental hygienists, dental assistants and dentists in the proper use of its products and introduces them to the latest technological developments at its educational courses conducted throughout the world. The Company also maintains ongoing consulting and educational relationships with various dental associations and recognized worldwide opinion leaders in the dental field.

As part of the restructuring plan announced in November 2018, the Company is creating more meaningful solutions for dentists built around innovative products and differentiated clinical education. In order to achieve this goal, the Company introduced five key operating principles:

•*Approach customers as one:* Put the customer at the center of how Dentsply Sirona is organized. The Company is creating one integrated approach to customer service, direct and indirect selling, and clinical education to strengthen the relationship with the customer and better serve the customers' needs.

•*Assumegreater responsibility for Dentsply Sirona's demand creation:* To better support dealer partners and end-user customers, the Company launched a sales force effectiveness program, with a view to improving returns on sales and marketing investments.

•*Ensure that innovation is substantial and supported:* Create a comprehensive R&D program that prioritizes spending across the entire Company portfolio resulting in more impactful innovations each year.

•*Lead in clinical education:* Dentsply Sirona is investing to further its leadership position through local training events and enhancing online training presence to strengthen the relationship with the dental professionals.

•*Take advantage of scale:* The Company is focused on integrating its dental product portfolios to unlock operational efficiencies, including performance improvements in procurement, logistics, manufacturing, sales force and marketing programs. In addition, Dentsply Sirona is taking significant measures to simplify the business. In combination, these initiatives will improve organizational efficiency and better leverage the Company's selling, general and administrative infrastructure.

Medical Sales and Distribution

The Company's urology products are sold directly in approximately 15 countries throughout Europe and North America, and through distributors in approximately 20 additional markets. The Company's largest markets include the UK, Germany and France. Key customers include urologists, urology nurses, general practitioners and direct-to-patients.

Historical reimbursement levels within Europe have been higher for intermittent catheters which explain a greater penetration of single-use catheter products in that market. In the United States, which the Company considers an important growth market, the reimbursement environment has improved since 2008 as the infection control cost benefits of disposable catheters gain acceptance among payers.

The Company's surgery products are sold directly in approximately 13 countries and through distributors in approximately 20 additional markets. The Company's largest markets include Australia, Norway and the UK. Key customers include surgeons, hospital nurses, physiotherapists, hospital purchasing departments and medical supply distributors.

The Company also maintains ongoing consulting and educational relationships with various medical associations and recognized worldwide opinion leaders in this field.

Product Development

Innovation and successful product development are critical to keeping market leadership position in key product categories and growing market share in other products categories while strengthening the Company's prominence in the dental and medical markets that it serves. While many of Dentsply Sirona's existing products undergo brand extensions, the Company also continues to focus efforts on successfully launching innovative products that have a more significant impact on how dental and clinical professionals treat their patients.

New advances in technology are also anticipated to have a significant influence on future products in dentistry and in select areas of healthcare. As a result, the Company pursues research and development initiatives to support this technological development, including collaborations with external research institutions, dental and medical schools. Through its own internal research centers as well as through its collaborations with external research institutions, dental and medical schools, the Company directly invested in the development of new products, improvement of existing products and advances in technology. The global investment for R&D is impacted by foreign currency translation, which creates reported expense variations. The continued development of these areas is a critical step in meeting the Company's strategic goal as a leader in defining the future of dentistry and in select areas in health care.

In addition to the direct investment in product development and improvement, the Company also invests in these activities through acquisitions, by entering into licensing agreements with third parties, and by purchasing technologies developed by third parties.

Acquisition Activities

Dentsply Sirona believes that the dental consumable and technology products industries continue to experience consolidation with respect to both product manufacturing and distribution, although they remain fragmented thereby creating a number of acquisition opportunities.

The Company views acquisitions as a key part of its growth strategy. These acquisition activities are intended to supplement the Company's core growth and assure ongoing expansion of its business, including new technologies, additional products, organizational strength and geographic breadth. Information regarding the Company's acquisition

activity for the years ended December 31, 2018, 2017, and 2016 can be found in Note 4, Business Combinations, in the Notes to the Consolidated Financial Statements in Item 15 of this Form 10-K.

Operating and Technical Expertise

Dentsply Sirona believes that its manufacturing capabilities are important to its success. The manufacturing processes of the Company's products require substantial and varied technical expertise. Complex materials technology and processes are necessary to manufacture the Company's products. The Company endeavors to automate its global manufacturing operations in order to improve quality and customer service and lower costs.

Financing

Information about Dentsply Sirona's working capital, liquidity and capital resources is provided in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

Competition

The Company conducts its operations, both domestic and foreign, under highly competitive market conditions. Competition in the dental and healthcare consumable products and dental technology and equipment products industries is based primarily upon product performance, quality, safety and ease of use, as well as price, customer service, innovation and acceptance by clinicians, technicians and patients. Dentsply Sirona believes that its principal strengths include its well-established brand names, its reputation for high quality and innovative products, its leadership in product development and manufacturing, its global sales force, the breadth of its product line and distribution network, its commitment to customer satisfaction and support of the Company's products by dental and medical professionals.

The size and number of the Company's competitors vary by product line and from region to region. There are many companies that produce some, but no company produces all, of the same types of products as those produced by the Company.

Regulation

The development, manufacture, sale and distribution of the Company's products are subject to comprehensive governmental regulation both within and outside the United States. The following sections describe certain, but not all, of the significant regulations that apply to the Company. For a description of the risks related to the regulations that the Company is subject to, please refer to Part I, Item 1A. "Risk Factors" of this Form 10-K.

The majority of the Company's products are classified as medical devices and are subject to restrictions under domestic and foreign laws, rules, regulations, self-regulatory codes, circulars and orders, including, but not limited to, the United States Food, Drug, and Cosmetic Act (the "FDCA"), Council Directive 93/42/EEC on Medical Devices ("MDD") (1993) in the European Union (and implementing and local measures adopted thereunder) and similar international laws and regulations. The FDCA requires these products, when sold in the United States, to be safe and effective for their intended use and to comply with the regulations administered by the United States Food and Drug Administration ("FDA"). Certain medical device products are also regulated by comparable agencies in non-U.S. countries in which they are produced or sold.

Dental and medical devices of the types sold by Dentsply Sirona are generally classified by the FDA into a category that renders them subject to the same controls that apply to all medical devices, including regulations regarding alteration, misbranding, notification, record-keeping and good manufacturing practices. In the European Union, Dentsply Sirona's products are subject to the medical devices laws of the various member states, which are based on a Directive of the European Commission. Such laws generally regulate the safety of the products in a similar way to the FDA regulations. Dentsply Sirona products in Europe bear the CE mark showing that such products comply with European regulations.

All dental amalgam filling materials, including those manufactured and sold by Dentsply Sirona, contain mercury. Various groups have alleged that dental amalgam containing mercury is harmful to human health and have actively lobbied state, federal and foreign lawmakers and regulators to pass laws or adopt regulatory changes restricting the use, or requiring a warning against alleged potential risks, of dental amalgams. The FDA, the National Institutes of Health and the U.S. Public Health Service have each indicated that there are no demonstrated direct adverse health effects due to exposure to dental amalgam. In response to concerns raised by certain consumer groups regarding

dental amalgam, the FDA formed an advisory committee in 2006 to review peer-reviewed scientific literature on the safety of dental amalgam. In July 2009, the FDA concluded its review of dental amalgam, confirming its use as a safe and effective restorative material for adults and children ages 6 and above. Also, as a result of this review, the FDA classified amalgam and its component parts, elemental mercury and powder alloy, as a Class II medical device. Previously there was no classification for encapsulated amalgam, and dental mercury (Class II) and alloy (Class II) were classified separately. This new regulation places encapsulated amalgam in the same class of devices as most other restorative materials, including composite and gold fillings, and makes amalgam subject to special controls by the FDA. In that respect, the FDA recommended that certain information about dental amalgam be provided, which includes information indicating that dental amalgam releases low levels of mercury vapor, and that studies on people ages six and over as well as FDA estimated exposures of children under six, have not indicated any adverse health risk associated with the use of dental amalgam. After the FDA issued this regulation, several petitions were filed asking the FDA to reconsider its position. Another advisory panel was established by the FDA to consider these petitions. Hearings of the advisory panel were held in December 2010. The FDA has taken no action indicating a change in its position as of the filing date of this Form 10-K.

In Europe, particularly in Scandinavia and Germany, the contents of mercury in amalgam filling materials have been the subject of public discussion. As a consequence, in 1994 the German health authorities required suppliers of dental amalgam to amend the instructions for use of amalgam filling materials to include a precaution against the use of amalgam for children less than eighteen years of age and to women of childbearing age. Additionally, some groups have asserted that the use of dental amalgam should be prohibited because of concerns about environmental impact from the disposition of mercury within dental amalgam, which has resulted in the sale of mercury containing products being banned in Sweden and severely curtailed in Norway. In the United States, the Environmental Protection Agency proposed in September 2014 certain effluent limitation guidelines and standards under the Clean Water Act to help cut discharges of mercury-containing dental amalgam to the environment. The rule would require affected dentists to use best available technology (amalgam separators) and other best management practices to control mercury discharges to publicly-owned treatment works. Similar regulations exist in Europe and in February 2016, the European Union adopted a ratification package regarding the United Nations Minamata Convention on Mercury, proposing rules restricting the use of dental amalgam to the encapsulated form and requiring the use of separators by dentists. The Company strongly recommends adherence to the American Dental Association's Best Management Practices for Amalgam Waste and includes this in every package of dental amalgam. Dentsply Sirona also manufactures and sells non-amalgam dental filling materials that do not contain mercury.

The Company is also subject to domestic and foreign laws, rules, regulations, self-regulatory codes, circulars and orders regarding anti-bribery and anti-corruption, including, but not limited to, the United States Foreign Corrupt Practices Act ("FCPA"), the U.S. Federal Anti-Kickback Statute ("AKS"), the United Kingdom's Bribery Act 2010 (c.23), Brazil's Clean Company Act 2014 (Law No. 12,846) China's National Health and Family Planning Commission ("NHFPC") circulars No. 40 and No. 50, and similar international laws and regulations. The FCPA and similar anti-bribery and anti-corruption laws applicable in non-United States jurisdictions generally prohibit companies and their intermediaries from improperly offering or paying anything of value to foreign government officials for the purpose of obtaining or retaining business. Some of our customer relationships are with governmental entities and therefore may be subject to such anti-bribery laws. The AKS and similar fraud and abuse laws applicable in non-United States jurisdictions prohibit persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing or arranging for a good or service, for which payment may be made under a health care program, such as, in the United States, Medicare or Medicaid. In the sale, delivery and servicing of our products to other countries, we must also comply with various domestic and foreign export control and trade embargo laws and regulations, including those administered by the Department of Treasury's Office of Foreign Assets Control ("OFAC"), the Department of Commerce's Bureau of Industry and Security ("BIS") and similar international governmental agencies, which may require licenses or other authorizations for transactions relating to certain countries and/or with certain individuals identified by the respective government. Despite our internal compliance program, our policies and procedures may not always protect us from reckless or criminal acts committed by our employees or agents. Violations of these requirements are punishable by criminal or civil sanctions, including substantial fines and imprisonment.

The Company is subject to domestic and foreign laws, rules, regulations, self-regulatory codes, circulars and orders governing data privacy and transparency, including, but not limited to, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 (the "HITECH Act"), the Physician Payments Sunshine Provisions of the Patient Protection and Affordable Care Act, the EU Directive 2002/58/EC (and implementing and local measures adopted thereunder), France's Data Protection Act of 1978 (rev. 2004) and France's Loi Bertrand, certain rules issued by Denmark's Health and Medicines Authority, and similar international laws and regulations. HIPAA, as amended by the HITECH Act, and similar data-privacy laws applicable in non-United States jurisdictions, restrict the use and disclosure of personal health information, mandate the adoption of standards relating to the privacy and security of individually identifiable health information and require us to report certain breaches of unsecured, individually identifiable health information. The Physician Payments Sunshine Provisions of the Patient Protection and Affordable Care Act require the Company to record all transfers of value to physicians and teaching hospitals and to report this data to the Centers for Medicare

and Medicaid Services for public disclosure. Similar reporting requirements have also been enacted in several states, and an increasing number of countries worldwide either have adopted or are considering similar laws requiring transparency of interactions with health care professionals.

The Company believes it is in substantial compliance with the laws and regulations that regulate its business.There are, however, significant uncertainties involving the application of various legal requirements, the violation of which could result in, among other things, sanctions. See Part I, Item 1A, "Risk Factors" of this Form 10-K for additional detail.

Sources and Supply of Raw Materials and Finished Goods

The Company manufactures the majority of the products sold by the Company. Most of the raw materials used by the Company in the manufacture of its products are purchased from various suppliers and are typically available from numerous sources. No single supplier accounts for more than 10% of Dentsply Sirona's supply requirements.

Intellectual Property

Products manufactured by Dentsply Sirona are sold primarily under its own tradenames and trademarks. Dentsply Sirona also owns and maintains more than 4,000 patents throughout the world and is licensed under a number of patents owned by others.

Dentsply Sirona's policy is to protect its products and technology through patents and trademark registrations both in the U.S. and in significant international markets. The Company monitors trademark use worldwide and promotes enforcement of its patents and trademarks in a manner that is designed to balance the cost of such protection against obtaining the greatest value for the Company. Dentsply Sirona believes its patents and trademark properties are important and contribute to the Company's marketing position but it does not consider its overall business to be materially dependent upon any individual patent or trademark. Additional information regarding certain risks related to our intellectual property is included in Part I, Item 1A "Risk Factors" of this Form 10-K and is incorporated herein by reference.

Employees

At December 31, 2018, the Company and its subsidiaries employed approximately 16,400 employees. Of these employees, approximately 4,000 were employed in the United States and 12,400 in countries outside of the United States. Some of the Company's employees outside of the United States are covered by collective bargaining, union contract, worker councils, or other similar type programs. The Company believes that it generally has a positive relationship with its employees.

As part of the Company's previously announced restructuring plan in November 2018, the Company anticipates a net reduction in global workforce of approximately 6% to 8%.

Environmental Matters

Dentsply Sirona believes that its operations comply in all material respects with applicable environmental laws and regulations. Maintaining this level of compliance has not had, and is not expected to have, a material effect on the Company's capital expenditures or on its business.

Other Factors Affecting the Business

The Company's business is subject to quarterly fluctuations of consolidated net sales and net income. The Company typically implements most of its price changes in the beginning of the first or fourth quarter. Price changes, other marketing and promotional programs including trade shows, management of inventory levels by distributors and the implementation of strategic initiatives, may impact sales levels in a given period. In addition, major new product introductions may also impact net sales as older products become less desirable compared to the new products. Sales for the industry and the Company are generally strongest in the second and fourth calendar quarters and weaker in the first and third calendar quarters, due to the effects of the items noted above and due to the impact of holidays and vacations, particularly throughout Europe.

The Company tries to maintain short lead times within its manufacturing, as such, the backlog on products is generally not material to the financial statements.

Securities Exchange Act Reports

The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC. The public can obtain any documents that the Company files with the SEC at http://www.sec.gov. The Company files annual reports, quarterly reports, proxy statements and other documents with the SEC under the Securities Exchange Act of 1934, as amended ("Exchange Act").

Dentsply Sirona also makes available free of charge through its website at www.dentsplysirona.com its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such materials are filed with or furnished to the SEC. Information on the Company's website does not constitute part of this document.

Forward-Looking Statements and Associated Risks

Information the Company has included or incorporated by reference in this Form 10-K, and information which may be contained in other filings with the SEC as well as press releases or other public statements, contains or may contain forward-looking statements. These forward-looking statements include, among other things, statements about the Company's plans, objectives, expectations (financial or otherwise) or intentions.

The Company's forward-looking statements involve risks and uncertainties. Actual results may differ significantly from those projected or suggested in any forward-looking statements. The Company does not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Any number of factors could cause the Company's actual results to differ materially from those contemplated by any forward-looking statements, including, but not limited to, the risks associated with the following:

•the Company's ability to successfully implement its cost reduction and restructuring plans

•the Company's ability to remain profitable in a very competitive marketplace, which depends upon the Company's ability to differentiate its products and services from those of competitors

•the Company's failure to anticipate and appropriately adapt to changes or trends within the rapidly changing dental industry

•the effect of changes in the Company's management and personnel

•changes in applicable laws, rules or regulations, or their interpretation or enforcement, or the enactment of new laws, rules or regulations, which apply to the Company's business practices (past, present or future) or require the Company to spend significant resources for compliance

•a significant failure or disruption in service within the Company's operations or the operations of key distributors

•results in pending and future litigation, investigations or other proceedings which could subject the Company to significant monetary damages or penalties and/or require us to change our business practices, or the costs incurred in connection with such proceedings

•the Company's failure to attract and retain talented employees, or to manage succession and retention for its Chief Executive Officer or other key executives

•the Company's failure to successfully integrate the business operations or achieve the anticipated benefits from any acquired businesses

•the Company's failure to execute on, or other issues arising under, certain key client contracts

•the impact of the Company's debt service obligations on the availability of funds for other business purposes, the terms of and required compliance with covenants relating to the Company's indebtedness and its access to the credit markets

in general

•general economic conditions

•other risks described from time to time in the Company’s filings with the SEC

You should carefully consider these and other relevant factors, including those risk factors in Part I, Item 1A, “Risk Factors” of this Form 10-K and any other information included or incorporated by reference in this report, and information which may be contained in the Company’s other filings with the SEC, when reviewing any forward-looking statement. Investors should understand it is impossible to predict or identify all such factors or risks. As such, you should not consider either foregoing lists, or the risks identified in the Company’s SEC filings, to be a complete discussion of all potential risks or uncertainties associated with an investment in the Company.

Item 1A. Risk Factors

The following are the significant risk factors that could materially impact Dentsply Sirona's business, financial condition or future results. The order in which these factors appear should not be construed to indicate their relative importance or priority.

The Company may fail to realize the expected benefits of its announced cost reduction and restructuring efforts.

In order to operate more efficiently and control costs, the Company may announce restructuring plans from time to time, including workforce reductions, global facility consolidations and other cost reduction initiatives that are intended to generate operating expense or cost of goods sold savings through direct and indirect overhead expense reductions as well as other savings.

The Company's ability to achieve the anticipated cost savings and other benefits from these initiatives within the expected time frame is subject to many estimates and assumptions and other factors that we may not be able to control. The Company may also incur significant charges related to restructuring plans, which would reduce our profitability in the periods such charges are incurred. Consistent with these efforts, on November 5, 2018, the Board of Directors of the Company approved a plan to restructure the Company's business to support revenue growth and margin expansion and to simplify its organization. The Company expects to incur approximately $275 million in one-time expenditures and charges through 2021. The Company anticipates a net reduction in global workforce of approximately 6% to 8%. There can be no assurance that the cost reductions and results will be achieved.

Due to the complexities inherent in implementing these types of cost reduction and restructuring activities, and the quarterly phasing of related investments, the Company may fail to realize expected efficiencies and benefits or may experience a delay in realizing such efficiencies and benefits, and its operations and business could be disrupted. Company management may be required to divert their focus to managing these disruptions, and implementation may require the agreement of third parties, such as labor unions or works councils. Risks associated with these actions and other workforce management issues include delays in implementation of anticipated workforce reductions, additional unexpected costs, changes in restructuring plans that increase or decrease the number of employees affected, negative impact on the Company's relationship with labor unions or works councils, adverse effects on employee morale, and the failure to meet operational targets due to the loss of employees, any of which may impair the Company's ability to achieve anticipated cost reductions or may otherwise harm its business, and could have a material adverse effect on its competitive position, results of operations, cash flows or financial condition.

The Company recognized substantial goodwill impairment charges in 2017 and 2018 and may be required to recognize additional goodwill and intangible asset impairment charges in the future.

The Company acquires other companies and intangible assets and may not realize all the economic benefit from those acquisitions, which could cause an impairment of goodwill or intangibles. The Company reviews amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The Company tests goodwill for impairment at least annually. Events or changes indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include reduced future cash flow estimates, slower growth rates in industry segments in which the Company participates and a decline in our stock price and market capitalization. The Company may be required to record a significant charge in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, negatively affecting the Company's results of operations.

During 2017 and 2018 the Company had recorded an aggregate of $3.3 billion in charges for the impairment of certain financial reporting units:

•In connection with the Company's April 30, 2017 annual goodwill impairment test and the preparation of the financial statements for the quarter ended June 30, 2017, the Company recorded a $1,092.9 million non-cash goodwill impairment charge associated with the CAD/CAM, Imaging and Treatment Center equipment reporting units. In addition, the Company tested the indefinite-lived intangible assets related to the CAD/CAM and Imaging reporting units and determined that certain tradenames and trademarks were impaired, resulting in the recording of an impairment charge of $79.8 million for the three months ended June 30, 2017.

•In preparing the financial statements for the year ended December 31, 2017, the Company identified a triggering event and recorded a $558.0 million non-cash goodwill impairment charge associated with the CAD/CAM, Imaging and Treatment Center equipment reporting units. In addition, the Company tested the indefinite-lived intangible assets related to these reporting units and determined that certain tradenames and trademarks were impaired, resulting in the recording of an impairment charge of $266.9 million for the three months ended December 31, 2017.

•In connection with the Company's April 30, 2018 annual goodwill impairment test and the preparation of the financial statements for the quarter ended June 30, 2018, the Company recorded a $1,085.8 million non-cash goodwill impairment charge associated with the CAD/CAM and Imaging equipment reporting units and the Orthodontics reporting unit. In addition, the Company tested the indefinite-lived intangible assets related to the equipment reporting units and determined that certain tradenames and trademarks were impaired, resulting in the recording of an impairment charge of $179.2 million for the three months ended June 30, 2018.

These charges resulted from changes in the Company's estimates of discounted cash flows which, in turn, resulted from changes in management's assumptions such as future revenue growth rates, operating margins, weighted average cost of capital, and future economic and market conditions affecting the dental and medical device industries. Given the uncertainty in the marketplace and other factors affecting management's assumptions underlying the Company's discounted cash flow model, the Company's current estimates could vary significantly in the future, which may result in a goodwill impairment charge at that time. For example, for the Company's reporting units that were not impaired at April 30, 2018, the Company applied a hypothetical sensitivity analysis. Had the discount rate of each of these reporting units been hypothetically increased by 100 basis points at April 30, 2018, the fair value of one reporting unit, Treatment Centers, would not exceed net book value. If the fair value of each of these reporting units had been hypothetically reduced by 10% at April 30, 2018, the fair value of one reporting unit, Treatment Centers, would not exceed net book value. Goodwill for the Treatment Centers reporting unit totals $292.4 million at December 31, 2018.

Any changes to the assumptions and estimates made by management may cause a change in circumstances indicating that the carrying value of the goodwill and indefinite-lived assets in the Treatment Centers reporting unit may not be recoverable. See Note 9, Goodwill and Intangible Assets, in the Notes to Consolidated Financial Statements in Part IV, Item 15, of this Form 10-K.

The Company's quarterly operating results and market price for the Company's common stock may continue to be volatile.

Dentsply Sirona has experienced in 2018 and may continue to experience significant fluctuations in quarterly sales and earnings due to a number of factors, some of which are substantially outside of the Company's control, including but not limited to:

•the execution of the Company's restructuring plan;
•the complexity of the organization;
•the timing of new product introductions by Dentsply Sirona and its competitors;
•the timing of industry trade shows;
•changes in customer inventory levels;
•developments in government or third party payor reimbursement policies;
•changes in customer preferences and product mix;
•the Company's ability to supply products to meet customer demand;
•fluctuations in manufacturing costs;
•changes in income tax laws and incentives which could create adverse tax consequences;
•competitors' sales promotions;
•fluctuations in currency exchange rates; and
•general economic conditions, as well as those specific to the healthcare industry and related industries.

As a result, the Company may fail to meet the expectations of securities analysts and investors, which could cause its stock price to decline. Quarterly fluctuations generally result in net sales and operating profits historically being higher in the second and fourth quarters. The Company typically implements most of its price changes early in the fourth quarter or beginning of the year. These price changes, other marketing and promotional programs, which are offered to customers from time to time in the ordinary course of business, the management of inventory levels by distributors and the implementation of strategic initiatives, may impact sales levels in a given period. Net sales and operating profits generally have been lower in the first and third quarters, primarily due not only to increased sales in the quarters preceding these quarters, but also due to the impact of holidays and vacations, particularly throughout Europe.

In addition to fluctuations in quarterly earnings, a variety of other factors may have a significant impact on the market price of Dentsply Sirona's common stock causing volatility. These factors include, but are not limited to, the publication of earnings estimates or other reports and speculation in the press or investment community; changes in the Company's industry and competitors; the Company's financial condition and cash flows; any future issuances of Dentsply Sirona's common stock, which may include primary offerings for cash, stock splits, issuances in connection with business acquisitions, restricted stock and the grant or exercise of stock options from time to time; general market and economic conditions; and any outbreak or escalation of hostilities in geographical areas in which the Company does business.

Also, the Nasdaq Stock Market ("Nasdaq") can experience extreme price and volume fluctuations that can be unrelated or disproportionate to the operating performance of the companies listed on the Nasdaq. Broad market and industry factors may negatively affect the market price of the Company's common stock, regardless of actual operating performance.

Dentsply Sirona is dependent upon a limited number of distributors for a significant portion of Dentsply Sirona's revenue, and loss of these key distributors could result in a loss of a significant amount of Dentsply Sirona's revenue.

Historically, a substantial portion of Dentsply Sirona's revenue has come from a limited number of distributors. For example, the Company's two largest distributors accounted for approximately 15% of the annual revenue of Dentsply Sirona for the year ended December 31, 2018. It is anticipated that Patterson and Henry Schein will continue to be the largest distribution contributors to Dentsply Sirona's revenue for the foreseeable future. There can be no assurance that Patterson Companies, Inc. and Henry Schein, Inc. will purchase any specified minimum quantity of products from Dentsply Sirona or that they will continue to purchase any products at all. If Patterson or Henry Schein ceases to purchase a significant volume of products from Dentsply Sirona, it could have a material adverse effect on Dentsply Sirona's results of operations and financial condition. Dentsply Sirona cannot assure that the cessation of exclusivity will not adversely affect the Companys results of operations.

The Company faces the inherent risk of litigation and claims.

The Company faces the risk of purported securities class actions, investigations by governmental agencies, product liability and other types of legal actions or claims, including possible recall actions affecting the Company's products. The primary litigation risks to which the Company is exposed are related to defending against various putative class action suits in federal and state court alleging that the Company and certain of its present and former officers and directors violated U.S. securities laws by allegedly making false and misleading statements in connection with a February 2016 registration statement issued in connection with the merger with former Sirona Dental Systems, Inc. by the entity formerly known as Dentsply International Inc., and in connection with the Company's regular securities filings, and to lawsuits related to the products manufactured by the Company. The Company has insurance policies, including directors and officers' insurance and product liability insurance, covering these risks in amounts that are considered adequate; however, the Company cannot provide assurance that the maintained coverage is sufficient to cover future claims or that the coverage will be available in adequate amounts or at a reasonable cost. Also, other types of claims asserted against the Company may not be covered by insurance. A successful claim brought against the Company in excess of available insurance, or another type of claim which is uninsured or that results in significant adverse publicity against the Company, could harm its business and overall cash flows of the Company.

Various parties, including the Company, own and maintain patents and other intellectual property rights applicable to the dental and medical device fields. Although the Company believes it operates in a manner that does not infringe upon any third party intellectual property rights, it is possible that a party could assert that one or more of the Company's products infringe upon such party's intellectual property and force the Company to pay damages and/or discontinue the sale of certain products.

The Company relies heavily on information and technology to operate its business networks, and any cyber-attacks or other disruption to its technology infrastructure or the Internet could harm the Company's operations.

Due to the global nature of the Company's business and reliance on information systems to provide the Company's services, the Company may use web-enabled and other integrated information systems in delivering the Company's services. As the breadth and complexity of Company's information systems continue to grow, the Company will increasingly be exposed to the risks inherent in the development, integration and ongoing operation of evolving information systems, including:

•disruption, impairment or failure of data centers, telecommunications facilities or other key infrastructure platforms;
•security breaches of, cyberattacks on and other failures or malfunctions in our critical application systems or their associated hardware; and
•excessive costs, excessive delays or other deficiencies in systems development and deployment.

Any disruption to the Internet or to the Company's or its service providers' global technology infrastructure, including malware, insecure coding, "Acts of God," cyber-attacks and other attempts to penetrate networks, data leakage and human error, could pose a threat to the Company's operations. The Company's network and storage applications may be subject to unauthorized access by hackers or breached due to operator error, malfeasance or other system disruptions and the Company may be the victim of cyber-attacks, targeted at the theft of financial assets, intellectual property, personal information of individuals and customers, or other sensitive information. Cyber threats are rapidly evolving and are becoming increasingly sophisticated. Despite the Company's efforts to ensure the integrity of the Company's systems, as cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the measures that the Company or our vendors take to anticipate, detect, avoid or mitigate such threats. Certain techniques used to obtain unauthorized access, introduce malicious software, disable or degrade service, or sabotage systems may be designed to remain dormant until a triggering event and the Company may be unable to anticipate these techniques or implement adequate preventative measures since techniques change frequently or are not recognized until launched, and because cyberattacks can originate from a wide variety of sources. These data breaches and any unauthorized access or disclosure of the Company's information could compromise intellectual property and expose sensitive business information. Cyber-attacks could also cause the Company to incur significant remediation costs, disrupt key business operations and divert attention of management and key information technology resources.

The materialization of any of these risks may impede the processing of data and the day-to-day management of the Company's business and could result in the corruption, loss or unauthorized disclosure of proprietary, confidential or other data. Disaster recovery plans, where in place, might not adequately protect the Company in the event of a system failure. Further, the Company currently does not have excess or standby computer processing or network capacity everywhere in the world to avoid disruption in the receipt, processing and delivery of data in the event of a system failure. Despite any precautions the Company take, damage from fire, floods, hurricanes, power loss, telecommunications failures, computer viruses, break-ins and similar events at our various computer facilities could result in interruptions in the flow of data to the Company's servers.

Any of the foregoing incidents could also subject the Company to liability, expose the Company to significant expense, or cause significant harm to the Company's reputation, which could result in lost revenues. While Dentsply Sirona has invested and continues to invest in information technology risk management and disaster recovery plans, these measures cannot fully insulate the Company from cyber-attacks, technology disruptions or data loss and the resulting adverse effect on the Company's operations and financial results.

Inadequate levels of reimbursement from governmental or other third-party payors for procedures using Dentsply Sirona's products may cause Dentsply Sirona's revenue to decline.

Third-party payors, including government health administration authorities, private health care insurers and other organizations regulate the reimbursement of fees related to certain diagnostic procedures or medical treatments. Third-party payors are increasingly challenging the price and cost-effectiveness of medical products and services. While Dentsply Sirona cannot predict what effect the policies of government entities and other third-party payors will have on future sales of our products, there can be no assurance that such policies would not cause Dentsply Sirona's revenue to decline.

Due to the Company's international operations, the Company is exposed to the risk of changes in foreign exchange rates.

Due to the international nature of Dentsply Sirona's business, movements in foreign exchange rates may impact the consolidated statements of operations, consolidated balance sheets and cash flows of the Company. With approximately two-thirds of the Company's sales located in regions outside the U.S., the Company's consolidated net sales are impacted negatively by the strengthening or positively by the weakening of the U.S. dollar as compared to

certain foreign currencies. Additionally, movements in certain foreign exchange rates may unfavorably or favorably impact the Company's results of operations, financial condition and liquidity as a number of the Company's manufacturing and distribution operations are located outside of the U.S. Changes in exchange rates may have a negative effect on the Company's customers' access to credit as well as on the underlying strength of particular economies and dental markets. Although the Company currently uses and may in the future use certain financial instruments to attempt to mitigate market fluctuations in foreign exchange rates, there can be no assurance that such measures will be effective or that they will not create additional financial obligations on the Company. Additionally, as a result of Brexit or other similar future actions in the EU, global markets and foreign currencies may be adversely impacted. Volatility in foreign currencies compared to the U.S. dollar could have a negative effect on our business, financial condition and results of operations.

Changes in the Company's credit ratings or macroeconomic impacts on credit markets may increase our cost of capital and limit financing options.

On August 8, 2018, S&P Global Ratings lowered its long-term issuer credit rating on the Company to 'BBB' from 'BBB+'. The Company utilizes the short and long-term debt markets to obtain capital from time to time. Adverse changes in our credit ratings or disruptions in the credit markets may result in increased borrowing costs for future long-term debt or short-term borrowing facilities which may in turn limit financing options, including our access to the unsecured borrowing market. We may also be subject to additional restrictive covenants that would reduce our flexibility. In addition, macroeconomic conditions, such as continued or increased volatility or disruption in the credit markets, would adversely affect our ability to refinance existing debt or obtain additional financing to support operations or to fund new acquisitions or capital-intensive internal initiatives.

Changes in or interpretations of tax rules, operating structures, country profitability mix and regulations may adversely affect the Company's effective tax rates.

The Company is a U.S. based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. Unanticipated changes in the Company's tax rates could affect its future results of operations. The Company's future effective tax rates could be unfavorably affected by factors such as changes in, or interpretation of, tax rules and regulations in the jurisdictions in which the Company does business, by structural changes in the Company's businesses, by unanticipated decreases in the amount of revenue or earnings in countries with low statutory tax rates, or by changes in the valuation of the Company's deferred tax assets and liabilities. On December 22, 2017, the U.S. government enacted legislation referred to as the Tax Cuts and Jobs Act, which significantly revises the Internal Revenue Code of 1986, as amended. This law may have a significant impact on the Company's U.S. tax liabilities, particularly as a result of certain complex international provisions contained in the law in light of the Company's extensive international operations. The U.S. Treasury Department and the Internal Revenue Service ("IRS") began to issue major proposed regulations related to this law during the second half of 2018 and are expected to continue issuing such regulations through spring of 2019. The proposed regulations are generally subject to comment before being finalized. While there can be no assurance as to the impact of any additional guidance by the IRS, or of any guidance that may be issued by the SEC or the Financial Accounting Standards Board relating to the Tax Cuts and Jobs Act, the Company has recorded a provisional amount of income tax to reflect the impact of the law change based on management's current interpretation of the new legislation. The ultimate impact of U.S. tax reform could be materially different from current estimates based on the Company's actual results and further analysis of the new law. In addition, it is uncertain if and to what extent various states will conform to the newly enacted federal tax law.

Product warranty claims exposure could be significant.

Dentsply Sirona generally warrants each of Dentsply Sirona's products against defects in materials and workmanship for a period of one year from the date of shipment plus any extended warranty period purchased by the customer. The future costs associated with providing product warranties could be material. Successful product warranty claims brought against Dentsply Sirona could reduce Dentsply Sirona's profits and/or impair our financial condition, and damage Dentsply Sirona's reputation.

Dentsply Sirona's failure to obtain issued patents and, consequently, to protect Dentsply Sirona's proprietary technology could hurt Dentsply Sirona's competitive position.

Dentsply Sirona's success will depend in part on Dentsply Sirona's ability to obtain and enforce claims in our patents directed to Dentsply Sirona's products, technologies and processes, both in the United States and in other countries. Risks and uncertainties that Dentsply Sirona faces with respect to Dentsply Sirona's patents and patent applications include the following:

•the pending patent applications that Dentsply Sirona has filed, or to which Dentsply Sirona has exclusive rights, may not result in issued patents or may take longer than Dentsply Sirona expects to result in issued patents;
•the allowed claims of any patents that are issued may not provide meaningful protection;
•Dentsply Sirona may be unable to develop additional proprietary technologies that are patentable;
•the patents licensed or issued to Dentsply Sirona may not provide a competitive advantage;
•other companies may challenge patents licensed or issued to Dentsply Sirona;
•disputes may arise regarding inventions and corresponding ownership rights in inventions and know-how resulting from the joint creation or use of intellectual property by Dentsply Sirona and Dentsply Sirona's respective licensors; and
•other companies may design around the technologies patented by Dentsply Sirona.

Dentsply Sirona's profitability could suffer if third parties infringe upon Dentsply Sirona's intellectual property rights or if Dentsply Sirona's products are found to infringe upon the intellectual property rights of others.

Dentsply Sirona's profitability could suffer if third parties infringe upon Dentsply Sirona's intellectual property rights or misappropriate Dentsply Sirona's technologies and trademarks for their own businesses. To protect Dentsply Sirona's rights to Dentsply Sirona's intellectual property, Dentsply Sirona relies on a combination of patent and trademark law, trade secret protection, confidentiality agreements and contractual arrangements with Dentsply Sirona's employees, strategic partners and others. Dentsply Sirona cannot assure you that any of Dentsply Sirona's patents, any of the patents of which Dentsply Sirona are a licensee or any patents which may be issued to Dentsply Sirona or which we may license in the future, will provide Dentsply Sirona with a competitive advantage or afford Dentsply Sirona protection against infringement by others, or that the patents will not be successfully challenged or circumvented by third parties, including Dentsply Sirona's competitors. The protective steps we have taken may be inadequate to deter misappropriation of Dentsply Sirona's proprietary information. Dentsply Sirona may be unable to detect the unauthorized use of, or take appropriate steps to enforce, Dentsply Sirona's intellectual property rights. Effective patent, trademark and trade secret protection may not be available in every country in which Dentsply Sirona will offer, or intend to offer, Dentsply Sirona's products. Any failure to adequately protect Dentsply Sirona's intellectual property could devalue Dentsply Sirona's proprietary content and impair Dentsply Sirona's ability to compete effectively. Further, defending Dentsply Sirona's intellectual property rights could result in the expenditure of significant financial and managerial resources.

Litigation may also be necessary to enforce Dentsply Sirona's intellectual property rights or to defend against any claims of infringement of rights owned by third parties that are asserted against Dentsply Sirona. In addition, Dentsply Sirona may have to participate in one or more interference proceedings declared by the United States Patent and Trademark Office, the European Patent Office or other foreign patent governing authorities, to determine the priority of inventions, which could result in substantial costs. Acquisitions by Dentsply Sirona of products or businesses that are found to infringe upon the intellectual property rights of others and the resulting changes to the competitive landscape of the industry could further increase this risk.

If Dentsply Sirona becomes involved in litigation or interference proceedings, Dentsply Sirona may incur substantial expense, and the proceedings may divert the attention of Dentsply Sirona's technical and management personnel, even if Dentsply Sirona ultimately prevails. An adverse determination in proceedings of this type could subject us to significant liabilities, allow Dentsply Sirona's competitors to market competitive products without obtaining a license from Dentsply Sirona, prohibit Dentsply Sirona from marketing Dentsply Sirona's products or require us to seek licenses from third parties that may not be available on commercially reasonable terms, if at all. If Dentsply Sirona cannot obtain such licenses, Dentsply Sirona may be restricted or prevented from commercializing Dentsply Sirona's products.

The enforcement, defense and prosecution of intellectual property rights, including the United States Patent and Trademark Office's, the European Patent Office's and other foreign patent offices' interference proceedings, and related legal and administrative proceedings in the United States and elsewhere, involve complex legal and factual questions. As a result, these proceedings are costly and time-consuming, and their outcome is uncertain. Litigation may be necessary to:

•assert against others or defend Dentsply Sirona against claims of patent or trademark infringement;
•enforce patents owned by, or licensed to Dentsply Sirona from, another party;
•protect Dentsply Sirona's trade secrets or know-how; or
•determine the enforceability, scope and validity of Dentsply Sirona's proprietary rights or the proprietary rights of others.

Due to the international nature of our business, including increasing exposure to markets outside of the U.S. and Europe, political or economic changes or other factors could harm our business and financial performance.

Approximately two-thirds of the Company's sales are located in regions outside the United States. In addition, we anticipate that sales outside of the U.S. and Europe will continue to expand and account for a significant portion of Dentsply Sirona's revenue. Operating internationally is subject to a number of uncertainties, including, but not limited to, the following:

•economic and political instability;
•import or export licensing requirements;
•additional compliance-related risks;
•trade restrictions and tariffs;
•product registration requirements;
•longer payment cycles;
•changes in regulatory requirements and tariffs;

•fluctuations in currency exchange rates;
•potentially adverse tax consequences; and
•potentially weak protection of intellectual property rights.

Certain of these risks may be heightened as a result of changing political climates, both of which may lead to changes in areas such as trade restrictions and tariffs, regulatory requirements and exchange rate fluctuations, which may adversely affect our business and financial performance.

A large number of the Company's products are manufactured or obtained from sole source manufacturing facilities and a significant portion of the Company's raw materials are purchased from a limited number of suppliers.

Although the Company maintains multiple manufacturing facilities, a large number of the products manufactured by the Company are manufactured in facilities that are the sole source of such products. As there are a limited number of alternative suppliers for these products, any disruption at a particular Company manufacturing facility could lead to delays, increased expenses, and may damage the Company's business and results of operations.

Additionally, a significant portion of the Company's injectable anesthetic products, orthodontic products, certain dental cutting instruments, catheters, nickel titanium products and certain other products and raw materials are purchased from a limited number of suppliers and in certain cases single source suppliers pursuant to agreements that are subject to periodic renewal, some of which may also compete with the Company. As there are a limited number of suppliers for these products, there can be no assurance that the Company will be able to obtain an adequate supply of these products and raw materials in the future. Any delays in delivery of or shortages in these products could interrupt and delay manufacturing of the Company's products and result in the cancellation of orders for these products. In addition, these suppliers could discontinue the manufacture or supply of these products to the Company at any time or supply products to competitors. Dentsply Sirona may not be able to identify and integrate alternative sources of supply in a timely fashion or at all. Any transition to alternate suppliers may result in delays in shipment and increased expenses and may limit the Company's ability to deliver products to customers. If the Company is unable to develop reasonably priced alternative sources in a timely manner, or if the Company encounters delays or other difficulties in the supply or manufacturing of such products and other materials internally or from third parties, the Company's business and results of operations may be harmed.

Certain of the Company's products are dependent on consumer discretionary spending.

Certain dental specialty products, dental equipment and products that support discretionary dental procedures may be susceptible to unfavorable changes in economic conditions. Decreases in consumer discretionary spending could negatively affect the Company's business and result in a decline in sales and financial performance.

Dentsply Sirona has a significant amount of indebtedness. A breach of the covenants under Dentsply Sirona's debt instruments outstanding from time to time could result in an event of default under the applicable agreement.

The Company has debt securities outstanding of approximately $1.6 billion. Dentsply Sirona also has the ability to incur up to $700.0 million of indebtedness under the revolving credit facility, as discussed below, and may incur significantly more indebtedness in the future.

Dentsply Sirona's level of indebtedness and related debt service obligations could have negative consequences including:

•making it more difficult for the Company to satisfy its obligations with respect to its indebtedness;

•requiring Dentsply Sirona to dedicate significant cash flow from operations to the payment of principal and interest on its indebtedness, which would reduce the funds the Company has available for other purposes, including working capital, capital expenditures and acquisitions; and
•reducing Dentsply Sirona's flexibility in planning for or reacting to changes in its business and market conditions.

Dentsply Sirona's current debt agreements contain a number of covenants and financial ratios, which the Company is required to satisfy. Under the Note Purchase Agreement dated December 11, 2015, the Company will be required to maintain ratios of debt outstanding to total capital not to exceed the ratio of 0.6 to 1.0, and operating income excluding depreciation and amortization to interest expense of not less than 3.0 times, in each case, as such terms are defined in the Note Purchase Agreement. All of the Company's outstanding debt agreements have been amended to reflect these covenants. The Company may need to reduce the amount of its indebtedness outstanding from time to time in order to comply with such ratios, though no assurance can be given that Dentsply Sirona will be able to do so. Dentsply Sirona's failure to maintain such ratios or a breach of the other covenants under its debt agreements outstanding from time to time could result in an event of default under the applicable agreement. Such a default may allow the creditors to accelerate the related indebtedness and may result in the acceleration of any other indebtedness.

The Company may not be able to repay its outstanding debt in the event that cross default provisions are triggered due to a breach of loan covenants.

Dentsply Sirona's existing borrowing documentation contains a number of covenants and financial ratios, which it is required to satisfy. Any breach of any such covenants or restrictions, the most restrictive of which pertain to asset dispositions, maintenance of certain levels of net worth, and prescribed ratios of indebtedness to total capital and operating income excluding depreciation and amortization of interest expense, would result in a default under the existing borrowing documentation that would permit the lenders to declare all borrowings under such documentation to be immediately due and payable and, through cross default provisions, would entitle Dentsply Sirona's other lenders to accelerate their loans. Dentsply Sirona may not be able to meet its obligations under its outstanding indebtedness in the event that any cross default provisions are triggered or to the extent that no other parties are willing to extend financing.

The Company may not generate sufficient cash flow to service its debt, pay its contractual obligations and operate the business.

Dentsply Sirona's ability to make payments on its indebtedness and contractual obligations, and to fund its operations depends on its future performance and financial results, which, to a certain extent, are subject to general economic, financial, competitive, regulatory and other factors and the interest rate environment that are beyond its control. Although senior management believes that the Company has and will continue to have sufficient liquidity, there can be no assurance that Dentsply Sirona's business will generate sufficient cash flow from operations in the future to service its debt, pay its contractual obligations and operate its business.

Certain provisions in the Company's governing documents, and of Delaware law, may make it more difficult for a third party to acquire Dentsply Sirona.

Certain provisions of Dentsply Sirona's Certificate of Incorporation and By-laws and of Delaware law could have the effect of making it difficult for a third party to acquire control of Dentsply Sirona. Such provisions include, among others, a provision allowing the Board of Directors to issue preferred stock having rights senior to those of the common stock and certain requirements which make it difficult for stockholders to amend Dentsply Sirona's By-laws and prevent them from calling special meetings of stockholders. Delaware law imposes some restrictions on mergers and other business combinations between the Company and any "interested stockholder" with beneficial ownership of 15% or more of the Company's outstanding common stock.

Dentsply Sirona's ability to prevent fraud while growing, restructuring and managing the business is dependent on the management of the Company's financial reporting and internal controls.

The Company's implementation of its business plans, restructuring plans and compliance with regulations requires that Dentsply Sirona effectively manage it's financial reporting and internal controls. During this period of restructuring and other organizational changes, the Company continues to focus on maintaining effective internal controls so as to provide continued assurance with respect to the Company's financial reports and to effectively prevent fraud. Dentsply Sirona's operating results could be harmed if Dentsply Sirona cannot provide reasonable assurance with respect to Dentsply Sirona's financial reports and effectively prevent fraud. The Sarbanes-Oxley Act of 2002 requires Dentsply Sirona to furnish a report by management on internal control over financial reporting, including managements' assessment of the effectiveness of such control. Internal control over financial reporting may not prevent or detect misstatements because of its certain limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. As a result, even effective internal controls may not provide reasonable assurances with respect to the preparation and presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become either obsolete or inadequate as a result of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If Dentsply Sirona fails to maintain adequate internal controls, including any failure to implement required new or improved controls, or if Dentsply Sirona experiences difficulties in implementing new or revised controls, Dentsply Sirona's business and operating results could be harmed and Dentsply Sirona could fail to meet Dentsply Sirona's reporting obligations.

If we fail to comply with laws and regulations relating to health care fraud, we could suffer penalties or be required to make significant changes to Dentsply Sirona's operations, which could adversely affect Dentsply Sirona's business.

Dentsply Sirona is subject to federal, state, local and foreign laws, rules, regulations, self-regulatory codes, circulars and orders relating to health care fraud, including, but not limited to, the U.S. Federal Anti-Kickback Statute, the United Kingdom's Bribery Act 2010 (c.23), Brazil's Clean Company Act 2014 (Law No. 12,846) and China's National Health and Family Planning Commission ("NHFPC") circulars No. 49 and No. 50. Some of these laws, referred to as "false claims laws," prohibit the submission or causing the submission of false or fraudulent claims for reimbursement to federal, state and other health care payors and programs. Other laws, referred to as "anti-kickback laws," prohibit soliciting, offering, receiving or paying remuneration in order to induce the referral of a patient or ordering, purchasing, leasing or arranging for or recommending ordering, purchasing or leasing, of items or services that are paid for by federal, state and other health care payors and programs.

The U.S. government has expressed concerns about financial relationships between suppliers on the one hand and physicians and dentists on the other. As a result, we regularly review and revise Dentsply Sirona's marketing practices as necessary to facilitate compliance. In addition, under the reporting and disclosure obligations of the U.S.Physician Payment Sunshine Act and similar foreign laws, rules, regulations, self-regulatory codes, circulars and orders, such as France's Loi Bertrand and rules issued by Denmark's Health and Medicines Authority, the general public and government officials will be provided with access to detailed information with regard to payments or other transfers of value to certain practitioners (including physicians, dentists and teaching hospitals) by applicable drug and device manufacturers subject to such reporting and disclosure obligations, which includes us. This information may lead to greater scrutiny, which may result in modifications to established practices and additional costs.

Failure to comply with health care fraud laws, rules, regulations, self-regulatory codes, circulars and orders could result in significant civil and criminal penalties and costs, including the loss of licenses and the ability to participate in federal and state health care programs, and could have a material adverse impact on Dentsply Sirona's business. Also, these laws may be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that could require Dentsply Sirona to make changes in Dentsply Sirona's operations or incur substantial defense and settlement

expenses. Even unsuccessful challenges by regulatory authorities or private relators could result in reputational harm and the incurring of substantial costs. In addition, many of these laws are vague or indefinite and have not been interpreted by the courts, and have been subject to frequent modification and varied interpretation by prosecutorial, regulatory authorities, increasing compliance risks.

We cannot predict whether changes in applicable laws, rules, regulations, self-regulatory codes, circulars and orders, or the interpretation thereof, or changes in Dentsply Sirona's services or marketing practices in response, could adversely affect Dentsply Sirona's business.

The success of our business depends in part on achieving our strategic objectives, including through acquisitions and dispositions.

With respect to acquisitions and dispositions of assets and businesses, the Company may not achieve expected returns and other benefits associated with business combinations as a result of various factors, including integration and collaboration challenges, such as personnel and technology. In addition, the Company may not achieve anticipated synergies from related integration activities. Further, acquisitions or dispositions may distract the Company's management's time and attention and disrupt our ongoing business operations or relationships with customers, employees, suppliers or other parties. However, the Company continues to evaluate the potential disposition of assets and businesses that may no longer help the Company achieve its strategic objectives, and to view acquisitions as a key part of its growth strategy.

After reaching an agreement with a buyer or seller for the acquisition or disposition of a business, the transaction may remain subject to necessary regulatory and governmental approvals on acceptable terms as well as the satisfaction of pre-closing conditions, which may prevent the Company from completing the transaction in a timely manner, or at all. From a workforce perspective, risks associated with acquisitions and dispositions include, among others, delays in anticipated workforce reductions, additional unexpected costs, changes in restructuring plans that increase or decrease the number of employees affected, negative impacts on the Company's relationship with labor unions, adverse effects on employee morale, and the failure to meet operational targets due to the loss of employees, any of which may impair the Company's ability to achieve anticipated cost reductions or may otherwise harm its business, and could have a material adverse effect on its competitive position, results of operations, cash flows or financial condition.

When the Company decides to sell assets or a business, the Company may encounter difficulty in finding buyers or executing alternative exit strategies on acceptable terms in a timely manner, which could delay the accomplishment of its strategic objectives. Alternatively, the Company may dispose of a business at a price or on terms that are less than the Company had anticipated, or with the exclusion of assets that must be divested or run off separately. Dispositions may also involve continued financial involvement in a divested business, such as through continuing equity ownership, transition service agreements, guarantees, indemnities or other current or contingent financial obligations. Under these arrangements, performance by the acquired or divested business, or other conditions outside the Company's control, could affect its future financial results.

In the context of acquisitions, there can be no assurance that the Company will achieve any of the benefits that it might anticipate from such an acquisition and the attention and effort devoted to the integration of an acquired business could divert management's attention from normal business operations. The Company may not achieve the full revenue and cost synergies anticipated to result from an acquisition. If the Company makes acquisitions, it may incur debt, assume contingent liabilities and/or additional risks, or create additional expenses, any of which might adversely affect its financial results. Any financing that the Company might need for acquisitions may only be available on terms that restrict its business or that impose additional costs that reduce its operating results.

Inventories maintained by the Company's customers may fluctuate from time to time.

The Company relies in part on its dealer and customer relationships and predictions of dealer and customer inventory levels in projecting future demand levels and financial results. These inventory levels may fluctuate, and may differ from the Company's predictions, resulting in the Company's projections of future results being different than expected. These changes may be influenced by changing relationships with the dealers and customers, economic conditions and customer preference for particular products. There can be no assurance that the Company's dealers and customers will maintain levels of inventory in accordance with the Company's predictions or past history, or that the timing of customers' inventory build or liquidation will be in accordance with the Company's predictions or past history.

Dentsply Sirona hedging and cash management transactions may expose Dentsply Sirona to loss or limit Dentsply Sirona's potential gains.

As part of Dentsply Sirona's risk management program, we use foreign currency exchange forward contracts. While intended to reduce the effects of exchange rate fluctuations, these transactions may limit Dentsply Sirona's potential gains or expose Dentsply Sirona to loss. Should Dentsply Sirona's counterparties to such transactions or the sponsors of the exchanges through which these transactions are offered fail to honor their obligations due to financial distress or otherwise, we would be exposed to potential losses or the inability to recover anticipated gains from these transactions.

We enter into foreign currency exchange forward contracts as economic hedges of trade commitments or anticipated commitments denominated in currencies other than the functional currency to mitigate the effects of changes in currency rates. Although we do not enter into these instruments for trading purposes or speculation, and although Dentsply Sirona's management believes all of these instruments are economically effective for accounting purposes as hedges of underlying physical transactions, these foreign exchange commitments are dependent on timely performance by Dentsply Sirona's counterparties. Their failure to perform could result in Dentsply Sirona having to close these hedges without the anticipated underlying transaction and could result in losses if foreign currency exchange rates have changed.

We enter into interest rate swap agreements from time to time to manage some of Dentsply Sirona's exposure to interest rate volatility. These swap agreements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements. In addition, these arrangements may not be effective in reducing Dentsply Sirona's exposure to changes in interest rates. If such events occur, Dentsply Sirona's results of operations may be adversely affected.

Most of Dentsply Sirona's cash deposited with banks is not insured and would be subject to the risk of bank failure. Dentsply Sirona's total liquidity also depends in part on the availability of funds under Dentsply Sirona's multi-currency revolving credit facility. The failure of any bank in which we deposit Dentsply Sirona's funds or that is part of Dentsply Sirona's multi-currency revolving credit facility could reduce the amount of cash we have available for operations and additional investments in Dentsply Sirona's business.

The Company may be unable to develop innovative products or obtain regulatory approval for new products or maintain approvals for existing products.

The worldwide markets for dental and medical products is highly competitive and is driven by rapid and significant technological change, new intellectual property associated with that technological change, evolving industry standards, and new product introductions. Additionally, some markets for products, such as orthodontics, are also subject to significant negative price pressures. Dentsply Sirona's patent portfolio continues to change with patents expiring through the normal course of their life. There can be no assurance that Dentsply Sirona's products will not lose their competitive advantage or become noncompetitive or obsolete as a result of such factors, or that we will be able to generate any economic return on the Company's investment in product development. If the Company's products or technologies lose their competitive advantage or become noncompetitive or obsolete, Dentsply Sirona's business could be negatively affected.

The size and number of the Company's competitors vary by product line and from region to region. Certain of Dentsply Sirona's competitors may have greater resources than the Company. In addition, the Company is exposed to the risk that its competitors or its customers may introduce private label, generic, or low cost products that compete with the Company's products at lower price points. If these competitors' products capture significant market share or result in a decrease in market prices overall, this could have a negative impact on the Company's results of operations and financial condition.

Dentsply Sirona has identified new products as an important part of its growth opportunities. There can be no assurance that Dentsply Sirona will be able to continue to develop innovative products or that regulatory approval of any new products will be obtained from applicable U.S. or international government or regulatory authorities, or that if such approvals are obtained, such products will be favorably accepted in the marketplace. Additionally, there is no assurance that entirely new technology or approaches to dental treatment or competitors' new products will not be introduced that could render the Company's products obsolete.

The Company's products will need to be certified under the European Medical Directive that has been revised to become the Medical Device Regulation ("MDR"). Dentsply Sirona as well as all medical device manufacturers have to

perform significant upgrades to quality systems and processes including technical documentation and subject them to new certification under MDR in order to continue to sell those products in the European Union (“EU”). The new regulations become effective in May 2020, which will require the Company to have all products it markets and sells in Europe certified before this date. The Company is in the process of certification. Failure to have the certification completed by May 2020 could unfavorably impact the Company’s sales and financial condition.

Additionally, the United Kingdom (“UK”) is currently negotiating exit from the EU, "Brexit". Terms of the Brexit agreement could impact the UK’s ability to certify medical devices for sale in the EU. The Company has been working on alternative plans for the impacted products. The inability to certify the Company’s products for sale in the EU could unfavorable impact the Company’s sales.

Dentsply Sirona's business is subject to extensive, complex and changing domestic and foreign laws, rules, regulations, self-regulatory codes, directives, circulars and orders that failure to comply with could subject us to civil or criminal penalties or other liabilities.

Dentsply Sirona is subject to extensive domestic and foreign laws, rules, regulations, self-regulatory codes, circulars and orders which are administered by various international, federal and state governmental authorities, including, among others, the FDA, the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC"), the Bureau of Industry and Security of the United States Department of Commerce ("BIS"), the United States Federal Trade Commission, the United States Department of Justice, the Environmental Protection Agency ("EPA"), and other similar domestic and foreign authorities. These laws, rules, regulations, self-regulatory codes, circulars and orders include, but are not limited to, the United States Food, Drug and Cosmetic Act, the European Council Directive 93/42/EEC on Medical Devices ("MDD") (1993) (and implementing and local measures adopted thereunder), the Federal Health Information Technology for Economic and Clinical Health Act ("HITECH Act"), the Federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), France's Data Protection Act of 1978 (rev. 2004), the U.S. Foreign Corrupt Practices Act (the "FCPA"), the U.S. Federal Anti-Kickback Statute and similar international anti-bribery and anti-corruption laws, the Physician Payments Sunshine Act, regulations concerning the supply of conflict minerals, various environmental regulations such as the Federal Water Pollution Control Act (the "Clean Water Act"), the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (the "Health Care Reform Law"), and regulations relating to trade, import and export controls and economic sanctions. Such laws, rules, regulations, self-regulatory codes, circulars and orders are complex and are subject to change. For example, since a significant proportion of the regulatory framework in the United Kingdom is derived from EU directives and regulations, Brexit could materially affect the regulatory regime applicable to our operations and customers with operations connected to the United Kingdom. Any such changes to the regulatory regime could have a material adverse effect on the Company's business and results of operations.

The Health Care Reform Law contains many provisions designed to generate the revenues necessary to fund the coverage expansions and to reduce costs of Medicare and Medicaid. One such provision that began in 2013 imposed a 2.3% excise tax on domestic sales of many medical devices by manufacturers and importers. This provision was temporarily suspended through December 31, 2017, and recently suspended again through December 31, 2019 by the U.S. Tax Cuts and Jobs Act of 2017. If this provision delaying the excise tax is not repealed or further suspended, it may adversely affect sales and cost of goods sold thereafter if not repealed. The Health Care Reform Law may also adversely affect payors by increasing their medical cost trends, which could have an effect on the industry and potentially impact our business and revenue as payors seek to offset these increases by reducing costs in other areas, although the extent of this impact is currently unknown. Additionally, further federal and state proposals for health care reform are uncertain at this time, and the Health Care Reform Law may be invalidated, in whole or in part, or it may be repealed. We cannot predict what further reform proposals, if any, will be adopted, when they may be adopted, or what impact they may have on us.

Compliance with the numerous applicable existing and new laws, rules, regulations, self-regulatory codes, circulars and orders could require us to incur substantial regulatory compliance costs. There can be no assurance that governmental authorities will not raise compliance concerns or perform audits to confirm compliance with such laws, rules, regulations, self-regulatory codes, circulars and orders. Failure to comply with applicable laws, rules, regulations, self-regulatory codes, circulars or orders could result in a range of governmental enforcement actions, including fines or penalties, injunctions and/or criminal or other civil proceedings. Any such actions could result in higher than anticipated costs or lower than anticipated revenue and could have a material adverse effect on the Company's reputation, business, financial condition and results of operations.

Dentsply Sirona may be unable to obtain necessary product approvals and marketing clearances.

Dentsply Sirona must obtain certain approvals by, and marketing clearances from, governmental authorities, including the FDA and similar health authorities in foreign countries to market and sell Dentsply Sirona's products in those countries. These agencies regulate the marketing, manufacturing, labeling, packaging, advertising, sale and distribution of medical devices. The FDA enforces additional regulations regarding the safety of X-ray emitting devices. Dentsply Sirona's products are currently regulated by such authorities and certain of Dentsply Sirona's new products will require approval by, or marketing clearance from, various governmental authorities, including the FDA. Various states also impose similar regulations.

The FDA review process typically requires extended proceedings pertaining to the safety and efficacy of new products. A 510(k) application is required in order to market a new or modified medical device. If specifically required by the FDA, a pre-market approval, or PMA, may be necessary. Such proceedings, which must be completed prior to marketing a new medical device, are potentially expensive and time consuming. They may delay or hinder a product's timely entry into the marketplace. Moreover, there can be no assurance that the review or approval process for these products by the FDA or any other applicable governmental authority will occur in a timely fashion, if at all, or that additional regulations will not be adopted or current regulations amended in such a manner as will adversely affect us. The FDA also oversees the content of advertising and marketing materials relating to medical devices which have received FDA clearance. Failure to comply with the FDA's advertising guidelines may result in the imposition of penalties.

We are also subject to other federal, state and local laws, regulations and recommendations relating to safe working conditions, laboratory and manufacturing practices. The extent of government regulation that might result from any future legislation or administrative action cannot be accurately predicted.

Similar to the FDA review process, the EU review process typically requires extended proceedings pertaining to the safety and efficacy of new products. Such proceedings, which must be completed prior to marketing a new medical device, are potentially expensive and time consuming and may delay or prevent a product's entry into the marketplace.

Failure to comply with these rules, regulations, self-regulatory codes, circulars and orders could result in significant civil and criminal penalties and costs, including the loss of licenses and the ability to participate in federal and state health care programs, and could have a material adverse impact on Dentsply Sirona's business. Also, these regulations may be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that could require Dentsply Sirona to make changes in Dentsply Sirona's operations or incur substantial defense and settlement expenses. Even unsuccessful challenges by regulatory authorities or private relators could result in reputational harm and the incurring of substantial costs. In addition, many of these laws are vague or indefinite and have not been interpreted by the courts, and have been subject to frequent modification and varied interpretation by prosecutorial, regulatory authorities, increasing compliance risks.

Challenges may be asserted against the Company's products due to real or perceived quality, health or environmental issues.

The Company manufactures and sells a wide portfolio of dental and medical device products. While the Company endeavors to ensure that its products are safe and effective, there can be no assurance that there may not be challenges from time to time regarding the real or perceived quality, health or environmental impact of the Company's products or certain raw material components of the Company's products. All dental amalgam filling materials, including those manufactured and sold by Dentsply Sirona, contain mercury. Some groups have asserted that amalgam should be discontinued because of its mercury content and/or that disposal of mercury containing products may be harmful to the environment. In the United States, the EPA proposed in September 2014 certain effluent limitation guidelines and standards under the Clean Water Act to help cut discharges of mercury-containing dental amalgam to the environment. The rule would require affected dentists to use best available technology (amalgam separators) and other best management practices to control mercury discharges to publicly-owned treatment works. Similar regulations exist in Europe and in February 2016, the European Union adopted a ratification package regarding the United Nations Minamata Convention on Mercury, proposing rules restricting the use of dental amalgam to the encapsulated form and requiring the use of separators by dentists. If governmental authorities elect to place restrictions or significant regulations on the sale and/or disposal of dental amalgam, that could have an adverse impact on the Company's sales of dental amalgam. Dentsply Sirona also manufactures and sells non-amalgam dental filling materials that do not contain mercury but that may contain bisphenol-A, commonly called BPA. BPA is found in many everyday items, such as plastic bottles, foods, detergents and toys, and may be found in certain dental composite materials or sealants either as a by-product of other ingredients that have degraded, or as a trace material left over

from the manufacture of other ingredients used in such composites or sealants. The FDA currently allows the use of BPA in dental materials, medical devices, and food packaging. Nevertheless, public reports and concerns regarding the potential hazards of dental amalgam or of BPA could contribute to a perceived safety risk for the Company's products that contain mercury or BPA. Adverse publicity about the quality or safety of our products, whether or not ultimately based on fact, may have an adverse effect on our brand, reputation and operating results and legal and regulatory developments in this area may lead to litigation and/or product limitations or discontinuation.

The Company's results could be negatively impacted by a natural disaster or similar event.

The Company operates in more than 120 countries and its and its suppliers' manufacturing facilities are located in multiple locations around the world. Any natural or other disaster in such a location could result in serious harm to the Company's business and consolidated results of operations. Any insurance maintained by the Company may not be adequate to cover our losses resulting from such disasters or other business interruptions, and our emergency response plans may not be effective in preventing or minimizing losses in the future.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following is a listing of Dentsply Sirona's principal manufacturing and distribution locations:

Location	Function	Leased or Owned
United States:		
Milford, Delaware (2)	Manufacture of dental consumable products	Owned
Sarasota, Florida (2)	Manufacture of orthodontic accessory products	Owned
Waltham, Massachusetts (1)	Manufacture and distribution of dental implant products	Leased
Long Island City, New York (1)	Manufacture of dental equipment products	Leased
Charlotte, North Carolina (1)	Distribution of dental equipment products	Leased
Lancaster, Pennsylvania (3)	Distribution of dental products	Leased
York, Pennsylvania (1) (2)	Manufacture of small dental equipment, bone grafting products, and preventive dental products	Owned
Johnson City, Tennessee (2)	Manufacture and distribution of endodontic instruments and materials	Leased
Richardson, Texas (2)	Manufacture of orthodontic products	Leased
Foreign:		
Pirassununga, Brazil (1)	Manufacture and distribution of artificial teeth	Owned
Bensheim, Germany (1)	Manufacture and distribution of dental	Owned

	equipment	
Hanau, Germany (1)	Manufacture and distribution of precious metal dental alloys, dental ceramics and dental implant products	Owned
Konstanz, Germany (2)	Manufacture and distribution of dental consumable products	Owned
Mannheim, Germany (1)	Manufacture and distribution of dental implant products	Owned/Leased
Munich, Germany (2)	Manufacture and distribution of endodontic instruments and materials	Owned
Radolfzell, Germany (3)	Distribution of dental products	Leased
Bar Lev Industrial Park, Israel (1)	Manufacture and distribution of dental implant products	Owned/Leased
Badia Polesine, Italy (2)	Manufacture and distribution of dental consumable products	Owned/Leased
Otawara, Japan (1) (2)	Manufacture and distribution of precious metal dental alloys, dental consumable products and orthodontic products	Owned
Venlo, Netherlands (3)	Distribution of dental consumable products	Leased
Mölndal, Sweden (1)	Manufacture and distribution of dental implant products and healthcare consumable products	Owned
Ballaigues, Switzerland (2)	Manufacture and distribution of endodontic	Owned

	instruments, plastic components and packaging material	
Ankara, Turkey (1)	Manufacture and distribution of healthcare consumable products	Owned

1These properties are included in the Technologies & Equipment segment.
2These properties are included in the Consumables segment.
3This property is a distribution warehouse not managed by named segments.

In addition, the Company maintains sales and distribution offices at certain of its foreign and domestic manufacturing facilities, as well as at various other U.S. and international locations. Most of these sites around the world that are used exclusively for sales and distribution are leased. Dentsply Sirona believes that its properties and facilities are well maintained and are generally suitable and adequate for the purposes for which they are used.

The Company also owns its worldwide headquarters located in York, Pennsylvania.

Item 3. Legal Proceedings

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. For additional details, see Part II, Item 8, Note 19, Commitments and Contingencies - "Litigation", in the Notes to Consolidated Financial Statements in Item 15 of this Form 10-K, which is incorporated by reference.

Item 4. Mine Safety Disclosure

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is traded on the Nasdaq National Market under the symbol "XRAY." Approximately 95,375 holders of the Company's common stock are "street name" or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions. In addition, the Company estimates, based on information supplied by its transfer agent, that there are 268 holders of record of the Company's common stock.

Stock Repurchase Program

During the year ended December 31, 2018, the Board of Directors of the Company approved an increase in the authorized number of shares of common stock that may be repurchased under the share repurchase program for a total authorization of $1.0 billion. Share repurchases 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.

During the quarter ended December 31, 2018, the Company had no repurchases of common shares under the stock repurchase program.

For the year ended December 31, 2018, the Company purchased approximately 5.4 million shares at a cost of $250.2 million for an average price of $45.92, thus, at December 31, 2018, the Company has remaining authorization to repurchase $749.8 million worth of common stock.

Stock Authorized for Issuance Under Equity Compensation Plans

The information required under this item is set forth in the 2019 Proxy Statement, which is incorporated herein by reference.

Performance Graph

The graph below compares DENTSPLY SIRONA Inc.'s cumulative 5-year total shareholder return on common stock with the cumulative total returns of the S&P 500 index and the S&P Health Care index. The graph tracks the performance of a $100 investment in DENTSPLY SIRONA's common stock and in each index (with the reinvestment of all dividends) from December 31, 2013 to December 31, 2018. The S&P 500 Stock Index and the S&P Health Care Index are included for comparative purposes only. They do not necessarily reflect management's opinion that such indices are an appropriate measure of the relative performance of the stock involved, and they are not intended to forecast or be indicative of possible future performance of the Company's common stock.

	12/13	12/14	12/15	12/16	12/17	12/18
DENTSPLY SIRONA Inc.	**100.00**	**110.49**	**126.89**	**121.00**	**138.47**	**79.09**
S&P 500	**100.00**	**113.69**	**115.26**	**129.05**	**157.22**	**150.33**
S&P Health Care	**100.00**	**125.34**	**133.97**	**130.37**	**159.15**	**169.44**

Item 6. Selected Financial Data

DENTSPLY SIRONA INC. AND SUBSIDIARIES
SELECTED FINANCIAL DATA
(in millions, except per share amounts, days and percentages)

The following selected financial data is qualified by reference to, and should be read in conjunction with, the Consolidated Financial Statements, including the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K.

	Year ended December 31,				
	2018 (e)	2017	2016 (a)	2015	2014
Statements of Operations Data:					
Net sales	$ 3,986.3	$ 3,993.4	$ 3,745.3	$ 2,674.3	$ 2,922.6
Net sales, excluding precious metal content (b)	3,949.1	3,952.9	3,681.0	2,581.5	2,792.7
Gross profit	2,067.8	2,188.5	2,000.9	1,517.2	1,599.8
Goodwill impairment	1,085.8	1,650.9	—	—	—
Restructuring and other costs	221.0	425.2	23.2	64.7	11.1
Operating (loss) income	(958.1)	(1,562.3)	454.7	375.2	445.6
(Loss) income before income taxes	(958.4)	(1,603.5)	440.9	329.7	404.4
Net (loss) income	(1,010.9)	(1,550.3)	431.4	251.1	322.9
Net (loss) income attributable to Dentsply Sirona	$ (1,011.0)	$ (1,550.0)	$ 429.9	$ 251.2	$ 322.9
Net (loss) income per common share attributable to Dentsply Sirona:					
Basic	(4.51)	(6.76)	1.97	1.79	2.28
Diluted	(4.51)	(6.76)	1.94	1.76	2.24
Cash dividends declared per	0.350	0.350	0.310	0.290	0.265

common share					
Weighted Average Common Shares Outstanding:					
Basic	224.3	229.4	218.0	140.0	141.7
Diluted	224.3	229.4	221.6	142.5	144.2
Balance Sheet Data:					
Cash and cash equivalents	309.6	320.6	383.9	284.6	151.6
Property, plant and equipment, net	870.6	876.0	799.8	558.8	588.8
Goodwill and other intangibles, net	5,851.6	7,339.9	8,909.6	2,588.3	2,760.1
Total assets	8,687.0	10,374.5	11,555.8	4,402.9	4,646.5
Total long term debt, current and long-term portions (c)	1,975.5	1,620.8	1,522.1	1,150.2	1,259.9
Equity	5,133.0	6,627.9	8,125.9	2,339.4	2,322.2
Return on average equity	NM	NM	8.2%	10.8%	13.2%
Total net debt to total capitalization (d)	20.8%	16.6%	12.4%	27.1%	32.3%
Other Data:					
Depreciation and amortization	$ 330.8	$ 316.4	$ 271.7	$ 122.9	$ 129.1
Cash flows from operating activities	499.8	601.9	563.4	497.4	560.4
Capital expenditures	182.5	144.3	125.0	72.0	99.6
	35.2	35.9	33.9	53.7	41.3

Interest expense (income), net				
Inventory days	124	131	113	110	113
Receivable days	59	61	58	54	55
Effective tax rate	NM	3.3%	2.2%	23.4%	20.1%

NM - Not meaningful

(a) Includes the results of the Sirona merger from February 29, 2016 through December 31, 2016. Information prior to February 29, 2016 refers to DENTSPLY International Inc only.

(b) The presentation of net sales, excluding precious metal content, is considered a measure not calculated in accordance with US GAAP, and is therefore considered a non-US GAAP measure.

(c) Total debt amounts shown are net of deferred financing costs, including capital leases.

(d) The Company defines net debt as total debt, including current and long-term portions less deferred financing costs, less cash and cash equivalents and total capitalization as the sum of net debt plus equity.

(e) The Company adopted Accounting Standard Codification Topic 606, "*Revenue from Contracts with Customers"* ("ASC 606") effective January 1, 2018, using the modified retrospective method to contracts which were not completed as of December 31, 2017. Results for the years ended December 31, 2017, 2016, 2015, and 2014 are accounted for in accordance with the accounting standards in effect during those years.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") is intended to help the reader understand the Company's operations and business environment. MD&A is provided as a supplement to, and should be read in conjunction with, the Consolidated Financial Statements and Notes to Consolidated Financial Statements contained in Items 8 and 15 of this Form 10-K. The following discussion includes forward-looking statements that involve certain risks and uncertainties. See Part I, Item 1, "Business- Forward-Looking Statements and Associated Risks" in the beginning of this Form 10-K. The MD&A includes the following sections:

•Business - a general description of Dentsply Sirona's business and how performance is measured;
•Results of Operations - an analysis of the Company's consolidated results of operations for the three years presented in the Consolidated Financial Statements;
•Critical Accounting Estimates - a discussion of accounting policies that require critical judgments and estimates; and
•Liquidity and Capital Resources - an analysis of cash flows; debt and other obligations; off-balance sheet arrangements; and aggregate contractual obligations.

On February 29, 2016, DENTSPLY International Inc. merged with Sirona Dental Systems, Inc. ("Sirona") to form Dentsply Sirona Inc. (the "Merger"). The accompanying financial information for the Company for the year ended December 31, 2016, include the results of operations for Sirona for the period February 29, 2016 to December 31, 2016.

References to the "combined business" or the "combined businesses" are included below to provide comparisons of net sales performance from year to year as if the businesses were combined on January 1, 2016.

2018 Operational Highlights

•For the year ended December 31, 2018, net sales decreased 0.2% compared to the year ended December 31, 2017. Net sales, excluding precious metal content, decreased 0.1% compared to the prior year. Net sales decreased 1.3% on a constant currency basis including a benefit of 0.5% from net acquisitions. Net sales, excluding precious metal content, were favorably impacted by approximately 1.3% due to the weakening of the U.S. dollar over the prior period.

•For the year ended December 31, 2018, the Company reported a net loss attributable to Dentsply Sirona of $1,011.0 million as compared to the net loss attributable to Dentsply Sirona of $1,550.0 million for the year ended December 31, 2017. The Company reported a net loss per share of $4.51 per share compared to a net loss per share of $6.76 in the prior year. On an adjusted basis (a non-US GAAP measure as defined under the heading "Net Income attributable to Dentsply Sirona"), full year 2018 net income decreased by $163.7 million or 26.5% compared to the prior year and earnings per diluted share declined 24.3% to $2.01 from $2.66 in the prior year.

•On November 5, 2018, the Board of Directors of the Company approved a plan to restructure the Company's business to support revenue growth and margin expansion and to simplify its organization. The Company expects to incur approximately $275 million in one-time expenditures and charges.

BUSINESS

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

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

The Consumables segment includes responsibility for the worldwide design, manufacture, sales and distribution of the Company's Dental Consumable Products which include preventive, restorative, endodontic and orthodontic dental products, dental handpieces, and instruments.

Principal Measurements

The principal measurements used by the Company in evaluating its business are: (1) constant currency sales growth by segment and geographic region; (2) internal sales growth by segment and geographic region; and (3) adjusted operating income and margins of each reportable segment, which excludes the impacts of purchase accounting, corporate expenses, and certain other items to enhance the comparability of results period to period. These principal measurements are not calculated in accordance with accounting principles generally accepted in the United States; therefore, these items represent non-US GAAP measures. These non-US GAAP measures may differ from 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.

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

Business Drivers

The primary drivers of internal growth include macroeconomic factors, global dental market growth, innovation and new product launches by the Company, as well as continued investments in sales and marketing resources, including clinical education. Management believes that the Company's ability to execute its strategies should allow it to grow faster than the underlying dental market over time. On a short term basis, changes in strategy or distributor inventory levels can impact internal growth.

The Company has a focus on maximizing operational efficiencies on a global basis. The Company has expanded the use of technology as well as process improvement initiatives to enhance global efficiency. In addition, management continues to evaluate the consolidation of operations and functions, as part of integration activities, to further reduce costs. While the current period results continue to reflect the unfavorable impact of incomplete integration related activities, the Company believes that the future benefits from these global efficiency and integration initiatives will improve its cost structure. In 2017, the Company targeted a cost reduction initiative of approximately $100 million expected to be achieved over the next several years as the benefits of these initiatives, net of related investments, are realized over time. For the year ended December 31, 2018, the Company achieved cost savings of approximately $50 million related to this target. The Company expects to realize the remainder of the cost savings through the restructuring plan noted below.

On November 5, 2018, the Board of Directors of the Company approved a plan to restructure the Company’s business to support revenue growth and margin expansion and to simplify its organization, with the understanding that such restructuring plan may continue to evolve as the Company progresses through the continued planning and execution of the plan. The plan includes a restructuring of the business through streamlining the Company's organization and consolidating functions. The restructuring plan anticipates a net reduction in the Company’s global workforce of approximately 6% to 8%, and the Company will consult with employee representation in connection with the execution of the restructuring plan where required. The Company anticipates that the restructuring will result in annualized topline growth of 3% to 4%, an adjusted operating income margin of 20% by the end of the year 2020, an adjusted operating income margin of 22% by the year 2022 and approximately $225 million in net annual cost savings by 2021. The Company expects to incur approximately $275 million in one-time expenditures and charges through 2021. There can be no assurance that the cost reductions and results will be achieved.

As part of this restructuring plan, the Company is creating more meaningful solutions for dentists built around innovative products and differentiated clinical education. In order to achieve this goal, the Company introduced five key operating principles:

•*Approach customers as one:* Put the customer at the center of how Dentsply Sirona is organized. The Company is creating one integrated approach to customer service, direct and indirect selling, and clinical education to strengthen the relationship with the customer and better serve the customers' needs.

•*Assume greater responsibility for Dentsply Sirona's demand creation:* To better support dealer partners and end-user customers, the Company launched a sales force effectiveness program, with a view to improving returns on sales and marketing investments.

•*Ensure that innovation is substantial and supported:* Create a comprehensive R&D program that prioritizes spending across the entire Company portfolio resulting in more impactful innovations each year.

•*Lead in clinical education:* Dentsply Sirona is investing to further its leadership position through local training events and enhancing online training presence to strengthen the relationship with the dental professionals.

•*Take advantage of scale:* The Company is focused on integrating its dental product portfolios to unlock operational efficiencies, including performance improvements in procurement, logistics, manufacturing, sales force and marketing programs. In addition, Dentsply Sirona is taking significant measures to simplify the business. In combination, these initiatives will improve organizational efficiency and better leverage the Company's selling, general and administrative infrastructure.

Product innovation is a key component of the Company's overall growth strategy. New advances in technology are anticipated to have a significant influence on future products in the dentistry and consumable medical device markets in which the Company operates. As a result, the Company continues to pursue research and development initiatives to support technological development, including collaborations with various research institutions and dental schools. In addition, the Company licenses and purchases technologies developed by third parties. Although the Company believes these activities will lead to new innovative dental, healthcare consumable and dental technology products, they involve new technologies and there can be no assurance that commercialized products will be developed.

The Company will continue to pursue opportunities to expand the Company's product offerings, technologies and sales and service infrastructure through partnerships and acquisitions. Although the professional dental and the consumable medical device markets in which the Company operates have experienced consolidation, they remain fragmented. Management believes that there will continue to be adequate opportunities to participate as a consolidator in the industry for the foreseeable future.

The Company's business is subject to quarterly fluctuations of consolidated net sales and net income. Price increases, promotional activities as well as changes in inventory levels at distributors contribute to this fluctuation. The Company typically implements most of its price increases in October or January of a given year across most of its businesses. Distributor inventory levels tend to increase in the period leading up to a price increase and decline in the period following the implementation of a price increase. Required minimum purchase commitments under agreements with key distributors may increase inventory levels in excess of retail demand. These net inventory changes have impacted the Company's consolidated net sales and net income in the past, and may continue to do so in the future, over a given period or multiple periods. In addition, the Company may from time to time, engage in new distributor relationships that could cause quarterly fluctuations of consolidated net sales and net income. Distributor inventory levels may fluctuate, and may differ from the Company's predictions, resulting in the Company's projections of future results being different than expected. There can be no assurance that the Company's dealers and customers will maintain levels of inventory in accordance with the Company's predictions or past history, or that the timing of

customers' inventory build or liquidation will be in accordance with the Company's predictions or past history. Any of these fluctuations could be material to the Company's consolidated financial statements.

During 2018 the Company continued to be impacted by the transition in distribution strategy with Patterson Companies, Inc. (“Patterson”) and Henry Schein, Inc. (“Henry Schein”). In 2017, the Company signed new distribution agreements with Patterson and Henry Schein for the Company’s equipment products. The Company shipped initial stocking orders for the equipment products to Henry Schein under the agreements primarily in the second and third quarters of 2017 which resulted in unfavorable year-over-year sales growth comparisons. Based on the Company’s estimate, year-over-year changes in distributor inventories associated with these agreements negatively impacted the Company’s reported sales growth for the year ended December 31, 2018 by approximately $127 million. Based on the Company’s estimate, distributor inventories increased for the year ended December 31, 2017 by approximately $27 million as compared to a decrease of approximately $100 million for the full year 2018. For more information about the drivers of our business and related risks, see Part I, Item 1, "Business" and Part I, Item 1A, "Risk Factors."

Impact of Foreign Currencies and Interest Rates

Due to the Company’s significant international presence, movements in foreign exchange and interest rates may impact the Consolidated Statements of Operations. With approximately two-thirds of the Company’s net sales located in regions outside the United States, the Company’s consolidated net sales are impacted negatively by the strengthening or positively impacted by the weakening of the U.S. dollar. Additionally, movements in certain foreign exchange rates may unfavorably or favorably impact the Company’s results of operations, financial condition and liquidity as a number of the Company’s manufacturing and distribution operations are located outside of the U.S.

Reclassification of Prior Year Amounts

Certain reclassifications have been made to prior years’ data in order to conform to current year presentation.

RESULTS OF OPERATIONS

2018 Compared to 2017

Net Sales

The discussion below summarizes the Company’s net sales growth, excluding precious metal content, applying the following adjustments: (1) constant currency sales growth, which includes internal sales growth and net acquisition sales growth, and (2) foreign currency translation. The discussion below also summarized the Company's adjusted non-US GAAP net sales growth, excluding precious metal content, after applying additional adjustments related to the Merger and other acquisitions. These disclosures provide the reader with sales results on a comparable basis between periods.

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

The presentation of net sales, excluding precious metal content, is considered a measure not calculated in accordance with US GAAP, and is therefore considered a non-US GAAP measure. The Company provides the following reconciliation of net sales to net sales, excluding precious metal content. The Company’s definitions and calculations of net sales, excluding precious metal content, and other operating measures derived using net sales, excluding precious metal content, may not necessarily be the same as those used by other companies.

	Year Ended December 31,			
(in millions, except percentage amounts)	2018	2017	$ Change	% Change
Net sales	$ 3,986.3	$ 3,993.4	$ (7.1)	(0.2%)
Less: Precious metal content of sales	37.2	40.5	(3.3)	(8.1%)
Net sales, excluding precious metal content	$ 3,949.1	$ 3,952.9	$ (3.8)	(0.1%)

Net sales, excluding precious metal content, for the year ended December 31, 2018 were $3,949.1 million, a decrease of $3.8 million from the year ended December 31, 2017. Net sales, excluding precious metal content, was negatively impacted, based on the Company's estimate, by approximately $127 million as a result of net changes in equipment inventory levels in the current year as compared to the prior year at certain distributors primarily in the United States, which the Company believes is primarily related to the transition in distribution strategy (see "Business Drivers" under this section for further detail). Based on the Company's estimate, distributor inventories increased for the year ended December 31, 2017 by approximately $27 million as compared to a decrease of approximately $100 million for the full year 2018.

For the year ended December 31, 2018, net sales, excluding precious metal content, decreased 1.3% on a constant currency basis. This includes a benefit of 0.5% from net acquisitions, which leads to negative internal sales growth of 1.8%. Net sales, excluding precious metal content, were positively impacted by approximately 1.3% due to the weakening of the U.S. dollar over the prior year period. The negative internal sales growth was attributable to the Technologies & Equipment segment, partially offset by the Consumables segment.

The Company expects that the impact of divestitures of nonstrategic product lines will negatively impact reported net sales by approximately $70 million for the full year of 2019.

A reconciliation of reported net sales to non-US GAAP net sales, excluding precious metal content, for the years ended December 31, 2018 and 2017, respectfully, were as follows:

(in millions, except percentage amounts)	2018	2017	$ Change	% Change
Net sales	$ 3,986.3	$ 3,993.4	$ (7.1)	(0.2%)
Less: precious metal content of sales	37.2	40.5	(3.3)	(8.1%)
Net sales, excluding precious metal content	3,949.1	3,952.9	(3.8)	(0.1%)
Acquisition/merger related adjustments (a)	6.4	4.0	2.4	NM
Non-US GAAP, net sales, excluding precious metal content	$ 3,955.5	$ 3,956.9	$ (1.4)	(0.1%)

(a) For 2018, amounts represent an adjustment to reflect deferred revenue and for 2017, amounts represents an adjustment to reflect deferred subscription and warranty revenue which was eliminated under business combination accounting standards to make the non-US GAAP results comparable for both years.
NM - Not meaningful

Sales Growth by Region

Net sales, excluding precious metal content, for the years ended December 31, 2018 and 2017, respectively, by geographic region were as follows:

(in millions, except percentage amounts)	2018	2017	$ Change	% Change
United States	$ 1,269.2	$ 1,366.8	$ (97.6)	(7.1%)
Europe	1,637.2	1,575.2	62.0	3.9%
Rest of World	1,042.7	1,010.9	31.8	3.1%

A reconciliation of reported net sales to non-US GAAP net sales, excluding precious metal content, by geographic region for the years ended December 31, 2018 and 2017, respectively, were as follows:

	December 31, 2018			
(in millions)	United States	Europe	Rest of World	Total
Net sales	$ 1,274.3	$ 1,665.9	$ 1,046.1	$ 3,986.3
Less: precious metal content of sales	5.1	28.7	3.4	37.2

Net sales, excluding precious metal content	1,269.2	1,637.2	1,042.7	3,949.1
Acquisition related adjustments (a)	6.4	—	—	6.4
Non-US GAAP, net sales, excluding precious metal content	$ 1,275.6	$ 1,637.2	$ 1,042.7	$ 3,955.5

(a) Represents an adjustment to reflect deferred revenue that was eliminated under business combination accounting standards to make the 2018 and 2017 non-US GAAP results comparable.

	December 31, 2017			
(in millions)	United States	Europe	Rest of World	Total
Net sales	$ 1,372.5	$ 1,606.2	$ 1,014.7	$ 3,993.4
Less: precious metal content of sales	5.7	31.0	3.8	40.5
Net sales, excluding precious metal content	1,366.8	1,575.2	1,010.9	3,952.9
Merger related adjustments (a)	4.0	—	—	4.0
Non-US GAAP, net sales, excluding precious metal content	$ 1,370.8	$ 1,575.2	$ 1,010.9	$ 3,956.9

(a) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combination accounting standards to make the 2018 and 2017 non-US GAAP results comparable.

United States

Reported net sales decreased by 7.2% for the year ended December 31, 2018 as compared to the year ended December 31, 2017. Reported net sales, excluding precious metal content, decreased by 7.1% for the year ended December 31, 2018 as compared to the year ended December 31, 2017. The decrease in net sales, excluding precious metal content, was unfavorably impacted, based on the Company's estimate, by approximately $127 million as a result of net changes in equipment inventory levels in the current year as compared to the prior year at two distributors in the United States primarily related to the transition in distribution strategy as discussed above. Based on the Company's estimate, distributor inventories increased for the year ended December 31, 2017 by approximately $27 million as compared to a decrease of approximately $100 million for the full year 2018.

For the year ended December 31, 2018, net sales, excluding precious metal content, including acquisition related adjustments, decreased 6.8% on a constant currency basis. This includes a benefit of 0.9% from net acquisitions which results in a negative internal sales growth rate of 7.7%. The negative internal sales growth in this region was driven by lower sales in the Technologies & Equipment segment. Based on the Company's assessment, the internal sales growth was impacted as a result of the net changes in equipment inventory levels in the current year over the prior year as discussed above. The impact from net changes in inventory levels was entirely within the Technologies & Equipment segment.

Europe

Reported net sales increased by 3.7% for the year ended December 31, 2018 as compared to the year ended December 31, 2017. Reported net sales, excluding precious metal content, increased by 3.9% for the year ended December 31, 2018 as compared to the year ended December 31, 2017.

For the year ended December 31, 2018, net sales, excluding precious metal content, increased 0.3% on a constant currency basis offset by a benefit of 0.3% from net acquisitions. Internal sales growth was led by the Consumables segment, offset by the negative internal sales growth in the Technologies & Equipment segment.

Rest of World

Reported net sales increased by 3.1% for the year ended December 31, 2018 as compared to the year ended December 31, 2017. Reported net sales, excluding precious metal content, increased by 3.1% for the year ended December 31, 2018 as compared to the year ended December 31, 2017.

For the year ended December 31, 2018, net sales, excluding precious metal content, increased 3.8% on a constant currency basis. This includes a benefit of 0.4% from net acquisitions, which results in internal sales growth of 3.4%. The internal sales growth in this region was driven by stronger growth in the Consumables segment.

Gross Profit

	Year Ended December 31,			
(in millions, except percentage amounts)	2018	2017	$ Change	% Change
Gross profit	$ 2,067.8	$ 2,188.5	$ (120.7)	(5.5%)
Gross profit as a	51.9%	54.8%		

percentage of net sales, including precious metal content		
Gross profit as a percentage of net sales, excluding precious metal content	52.4%	55.4%

Gross profit as a percentage of net sales, excluding precious metal content, decreased by 300 basis points for the year ended December 31, 2018 as compared to the year ended December 31, 2017. The decrease in the gross profit rate was primarily driven by higher manufacturing costs, unfavorable product pricing including the impact of geographic sales mix, business combination related costs and product line eliminations, and the effect of dealer destocking, which collectively impacted the gross profit rate by approximately 350 basis points, partially offset by the benefit of the Company’s global efficiency initiatives as compared to the year ended December 31, 2017.

Operating Expenses

(in millions, except percentage amounts)	Year Ended December 31, 2018	2017	$ Change	% Change
Selling, general and administrative expenses ("SG&A")	$ 1,719.1	$ 1,674.7	$ 44.4	2.7%
Goodwill impairment	1,085.8	1,650.9	(565.1)	(34.2%)
Restructuring and other costs	221.0	425.2	(204.2)	NM
SG&A as a percentage of net sales, including precious metal content	43.1%	41.9%		
SG&A as a percentage of net sales, excluding precious metal content	43.5%	42.4%		

NM - Not meaningful

SG&A Expenses

SG&A expenses, including research and development expenses, as a percentage of net sales, excluding precious metal content, for the year ended December 31, 2018 increased 110 basis points compared to the year ended December 31, 2017. The higher rate was primarily driven by increased compensation costs and selling and marketing expenses as compared to the year ended December 31, 2017.

Goodwill Impairment

For the year ended December 31, 2018, the Company recorded a goodwill impairment charge of $1,085.8 million, related to two reporting units in the Technologies & Equipment segment and one reporting unit within the Consumables segment. For the year ended December 31, 2017, the Company recorded a goodwill impairment charge of $1,650.9 million, related to three reporting units in the Technologies & Equipment segment. For further information see Note 9, Goodwill and Intangible Assets, in the Notes to Audited Consolidated Financial Statements in Part IV, Item 15 of this Form 10-K.

Restructuring and Other Costs

The Company recorded net restructuring and other costs of $221.0 million for the year ended December 31, 2018 compared to $425.2 million for the year ended December 31, 2017. The Company recorded $32.1 million in restructuring costs during the year ended December 31, 2018 compared to $55.4 million in restructuring costs during the year ended December 31, 2017.

During the year ended December 31, 2018, the Company recorded other costs of $188.9 million which consist of impairment charges of $179.2 million and $9.7 million primarily related to legal settlements. For further information on the impairment charges, see Note 9, Goodwill and Intangible Assets, and Note 19, Commitments and Contingencies, each in the Notes to the Audited Consolidated Financial Statements in Part IV, Item 15 of this Form 10-K.

During the year ended December 31, 2017, the Company recorded other costs of $369.8 million which consist of impairment charges of $346.7 million and legal settlements of $23.1 million.

On November 5, 2018, the Board of Directors of the Company approved a plan to restructure the Company’s business to support revenue growth and margin expansion and to simplify the organization. The Company anticipates that the restructuring will result in annualized topline growth of 3% to 4%, an adjusted operating income margin of 20% by the end of the year 2020, an adjusted operating income margin of 22% by the year 2022 and approximately $225 million in net annual cost savings by 2021. The Company expects to incur approximately $275 million in one-time expenditures and charges through 2021. There can be no assurance that the cost reductions and results will be achieved.

Other Income and Expenses

(in millions, except percentage amounts)	Year Ended December 31, 2018	2017	$ Change	% Change
Net interest expense	$ 35.2	$ 35.9	$ (0.7)	(1.9%)
Other expense (income), net	(34.9)	5.3	(40.2)	NM
Net interest and other expense	$ 0.3	$ 41.2	$ (40.9)	

NM - Not meaningful

Net Interest Expense

Net interest expense for the year ended December 31, 2018 decreased $0.7 million as compared to the year ended December 31, 2017. Lower average interest rates partially offset by increased debt levels in 2018 when compared to the prior year resulted in the decrease in net interest expense.

Other Expense (Income), Net

Other expense (income), net for the year ended December 31, 2018 decreased $40.2 million compared to the year ended December 31, 2017. Other expense (income), net for the year ended December 31, 2018 includes foreign exchange loss of $5.8 million and $40.7 million of other non-operating income including a gain of $44.1 million from the sale of marketable securities. Other income, net for the year ended December 31, 2017 was $5.3 million, includes foreign exchange loss of $1.7 million and $3.6 million of other non-operating expenses.

Income Taxes and Net Income

(in millions, except per share and percentage amounts)	Year Ended December 31, 2018	2017	$ Change
Provision (benefit) from income taxes	$ 52.5	$ (53.2)	$ 105.7
Effective income tax rate	NM	3.3%	
Net loss attributable	$ (1,011.0)	$ (1,550.0)	$ 539.0

to Dentsply Sirona		
Net loss per common share - diluted	$ (4.51)	$ (6.76)

NM - Not meaningful

Provision for Income Taxes

For the year ended December 31, 2018, income taxes were a net expense of $52.5 million. During the year ended December 31, 2018, the Company recorded the following discrete tax items: $4.3 million of excess tax benefit related to employee share-based compensation, tax benefit of $3.3 million related to enacted statutory rate changes, tax expense of $8.3 million for other discrete tax matters, $4.1 million tax benefit related to U.S. tax reform, and tax expense of $54.8 million related to valuation allowance on foreign tax credits and other deferred tax assets. The Company also recorded a $50.4 million tax benefit as a discrete item related to the indefinite-lived intangible asset impairment charge, $1.1 million for the fixed asset impairment charge, and $3.3 related to tax-deductible goodwill for the twelve months ended December 31, 2018. In addition, the Company also recorded $2.5 million of tax expense as a discrete item related to the gain on sale of marketable securities. Excluding these discrete tax items and adjusting pretax income for the gain on the sale of marketable securities, net of tax and adjusting for the pretax loss related to the impairment of indefinite-lived intangible assets, and tax deductible and non-deductible goodwill impairment charges, the Company’s effective tax rate was 20.0%. Further information regarding the details of income taxes is presented in Note 14, Income Taxes, in the Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act" or "U.S. tax reform") was enacted. U.S. tax reform, among other things, reduced the U.S. federal income tax rate to 21% in 2018 from 35%, instituted a dividends received deduction for foreign earnings with a related tax for the deemed repatriation of unremitted foreign earnings and created a new U.S. minimum tax on earnings of foreign subsidiaries. In addition, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which provides guidance on accounting for enactment effects of the Act and provides a measurement period of up to one year from the Act’s enactment date for companies to complete their accounting under Accounting Standards Codification No. 740 “Income Taxes”, (“ASC 740”). In accordance with SAB 118, income tax effects of The Act were refined upon obtaining, preparing, and analyzing additional information during the measurement period. At December 31, 2018 the Company had completed its accounting for the tax effects of The Act.

The undistributed earnings of foreign subsidiaries that are deemed to be permanently invested amount to $1,137.2 million at December 31, 2018 and $1,071.1 million at December 31, 2017. The Act imposed U.S. tax on all post-1986 foreign unrepatriated earnings accumulated through December 31, 2017. Unrepatriated earnings generated after December 31, 2017, are now subject to tax in the current year under the Global Intangible Low Tax Income (“GILTI”) provision of the Act. All undistributed earnings are still subject to certain taxes upon repatriation, primarily where foreign withholding taxes apply.

For the GILTI provision of the Act, the Company has made the policy election to record any liability associated with GILTI in the period in which it is incurred.

The U.S. Department of the Treasury continues to issue interpretative guidance and regulations associated with the Act.

The Company’s effective income tax rate for 2018 included the net impact of restructuring program related costs and other costs, amortization of purchased intangible assets, business combination related costs and fair value adjustments, credit risk and fair value adjustments, gain on sale of marketable securities and income tax related adjustments which impacted loss before income taxes and the provision for income taxes by $1,544.2 million and $78.7 million, respectively.

The Company’s effective income tax rate for 2017 included the net impact of restructuring program related costs and other costs, amortization of purchased intangible assets, business combination related costs and fair value adjustments, credit risk and fair value adjustments and income tax related adjustments which impacted loss before income taxes and the provision for income taxes by $2,351.8 million and $183.6 million, respectively.

Net (Loss) Income attributable to Dentsply Sirona

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

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

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

(1) *Business combination related costs and fair value adjustments.* These adjustments include costs related to integrating and consummating mergers and recently acquired businesses, as well as costs, gains and losses related to the disposal of businesses or significant product lines. In addition, this category includes the roll off to the consolidated statements of operations of fair value adjustments related to business combinations, except for amortization expense noted below. These items are irregular in timing and as such may not be indicative of past and future performance of the Company and are therefore excluded to allow investors to better understand underlying operating trends.

(2) *Restructuring program related costs and other costs.* These adjustments include costs related to the implementation of restructuring initiatives as well as certain other costs. These costs can include, but are not limited to, severance costs, facility closure costs, lease and contract terminations costs, related professional service costs, duplicate facility and labor costs associated with specific restructuring initiatives, as well as, legal settlements and impairments of assets. These items are irregular in timing, amount and impact to the Company's financial performance. As such, these items may not be indicative of past and future performance of the Company and are therefore excluded for the purpose of understanding underlying operating trends.

(3) *Amortization of purchased intangible assets.* This adjustment excludes the periodic amortization expense related to purchased intangible assets. Amortization expense has been excluded from adjusted net income attributed to Dentsply Sirona to allow investors to evaluate and understand operating trends excluding these large non-cash charges.

(4) *Credit risk and fair value adjustments.* These adjustments include both the cost and income impacts of adjustments in certain assets and liabilities including the Company's pension obligations, that are recorded through net income which are due solely to the changes in fair value and credit risk. These items can be variable and driven more by market conditions than the Company's operating performance. As such, these items may not be indicative of past and future performance of the Company and therefore are excluded for comparability purposes.

(5) *Gain on sale of marketable securities.* This adjustment represents the gain on the sale of marketable securities held by the Company. The gain has been excluded from adjusted net income attributed to Dentsply Sirona to allow investors to evaluate and understand operating trends excluding this gain.

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

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

	Year Ended December 31, 2018	
(in millions, except per share amounts)	Net (Loss) Income	Per Diluted Common Share
Net loss attributable to Dentsply Sirona	$ (1,011.0)	$ (4.51)
Pre-tax non-US GAAP adjustments:		
Restructuring program related costs and other costs	1,353.1	
Amortization of purchased intangible assets	197.9	
Business combination related costs and fair value adjustments	22.8	
Credit risk and fair value adjustments	14.5	
Gain on sale of	(44.1)	

marketable securities		
Tax impact of the pre-tax non-US GAAP adjustments (a)	(130.2)	
Subtotal non-US GAAP adjustments	1,414.0	6.26
Adjustment for calculating non-US GAAP net income per diluted common share (b)		0.23
Income tax related adjustments	51.5	0.03
Adjusted non-US GAAP net income	$ 454.5	$ 2.01

(a) The tax amount was calculated using the applicable statutory tax rate in the tax jurisdiction where the non-US GAAP adjustments were generated.

(b) The Company had a net loss for the year ended December 31, 2018, but had net income on a non-US GAAP basis. The shares used in calculating diluted non-US GAAP net income per share includes the dilutive effect of common stock.

Shares used in calculating diluted GAAP	224.3

net loss per share	
Shares used in calculating diluted non-US GAAP net income per share	226.0

Year End December 31, 2017

(in millions, except per share amounts)	Net (Loss) Income	Per Diluted Common Share
Net loss attributable to Dentsply Sirona	$ (1,550.0)	$ (6.76)
Pre-tax non-US GAAP adjustments:		
Restructuring program related costs and other costs	2,119.3	
Amortization of purchased intangible assets	189.1	
Business combination related	38.5	

costs and fair value adjustments		
Credit risk and fair value adjustments	4.9	
Tax impact of the pre-tax non-US GAAP adjustments (a)	(199.8)	
Subtotal non-US GAAP adjustments	2,152.0	9.26
Adjustment for calculating non-US GAAP net income per diluted common share (b)		0.09
Income tax related adjustments	16.2	0.07
Adjusted non-US GAAP net income	$ 618.2	$ 2.66

(a) The tax amount was calculated using the applicable statutory tax rate in the tax jurisdiction where the non-US GAAP adjustments were generated.

(b) The Company had a net loss for the year ended December 31, 2017, but had net income on a non-US

GAAP basis. The shares used in calculating diluted non-US GAAP net income per share includes the dilutive effect of common stock.

Shares used in calculating diluted GAAP net loss per share	229.4
Shares used in calculating diluted non-US GAAP net income per share.	232.7

Adjusted Operating Income and Margin

Adjusted operating income and margin is another important internal measure for the Company. Operating income in accordance with US GAAP is adjusted for the items noted above which are excluded on a pre-tax basis to arrive at adjusted operating income, a non-US GAAP measure. The adjusted operating margin is calculated by dividing adjusted operating income by net sales, excluding precious metal content.

Senior management receives a monthly analysis of operating results that includes adjusted operating income. The performance of the Company is measured on this basis along with the adjusted non-US GAAP earnings noted above as well as other performance metrics. This non-US GAAP measure may differ from 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.

	Year Ended December 31, 2018	
(in millions, except percentage of net sales amount)	Operating (Loss) Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating loss attributable to Dentsply Sirona	$ (958.1)	(24.3%)
Restructuring program related costs and other costs	1,353.1	34.3%
Amortization of purchased intangible assets	197.9	5.0%
Business combination related costs and fair value adjustments	21.3	0.5%
Adjusted non-US GAAP Operating Income	$ 614.2	15.5%

	Year Ended December 31, 2017	

(in millions, except percentage of net sales amounts)	Operating (Loss) Income	Percentage of Net Sales, Excluding Precious Metal Content
Operating loss attributable to Dentsply Sirona	$ (1,562.3)	(39.5%)
Restructuring program related costs and other costs	2,119.9	53.6%
Amortization of purchased intangible assets	189.1	4.8%
Business combination related costs and fair value adjustments	37.7	0.9%
Credit risk and fair value adjustments	7.0	0.2%
Adjusted non-US GAAP Operating Income	$ 791.4	20.0%

Operating Segment Results

Net Sales, Excluding Precious Metal Content	Year Ended December 31,			
(in millions, except percentage amounts)	2018	2017	$ Change	% Change
Technologies & Equipment	$ 2,098.4	$ 2,160.3	$ (61.9)	(2.9%)
Consumables	$ 1,850.7	$ 1,792.6	$ 58.1	3.2%

Segment Operating Income	Year Ended December 31,			
(in millions, except percentage amounts)	2018	2017	$ Change	% Change

Technologies & Equipment	$	255.6	$	412.6	$	(157.0)	(38.1%)
Consumables	$	495.8	$	493.0	$	2.8	0.6%

A reconciliation of reported net sales to non-US GAAP net sales, excluding precious metal content, by segment for the years ended December 31, 2018 and 2017, respectively, were as follows:

	December 31, 2018		
(in millions)	Technologies & Equipment	Consumables	Total
Net sales	$ 2,135.6	$ 1,850.7	$ 3,986.3
Less: precious metal content of sales	37.2	—	37.2
Net sales, excluding precious metal content	2,098.4	1,850.7	3,949.1
Acquisition related adjustments (a)	—	6.4	6.4
Non-US GAAP net sales, excluding precious metal content	$ 2,098.4	$ 1,857.1	$ 3,955.5

(a) Represents an adjustment to reflect deferred revenue that was eliminated under business combination accounting standards to make the 2018 and 2017 non-US GAAP results comparable.

	December 31, 2017		
(in millions)	Technologies & Equipment	Consumables	Total
Net sales	$ 2,200.8	$ 1,792.6	$ 3,993.4
Less: precious metal content of sales	40.5	—	40.5
Net sales, excluding precious metal content	2,160.3	1,792.6	3,952.9
Merger related adjustments (a)	4.0	—	4.0
Non-US GAAP net	$ 2,164.3	$ 1,792.6	$ 3,956.9

sales,
excluding
precious
metal content

(a) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combination accounting standards to make the 2018 and 2017 non-US GAAP results comparable.

Technologies & Equipment

Reported net sales decreased by 3.0% for the year ended December 31, 2018 as compared to the year ended December 31, 2017. Reported net sales, excluding precious metal content, decreased by $61.9 million or 2.9% for the year ended December 31, 2018 as compared to the year ended December 31, 2017. The decrease in net sales, excluding precious metal content, was negatively impacted, based on the Company's estimate, by approximately $127 million as a result of net changes in equipment inventory levels in the current year as compared to the prior year at certain distributors primarily in the United States, that the Company believes is primarily related to the transition in distribution strategy (see "Business Drivers" under this section for further detail). Based on the Company's estimate, distributor inventories increased for the year ended December 31, 2017 by approximately $27 million as compared to a decrease of approximately $100 million for the full year 2018.

For the year ended December 31, 2018, net sales, excluding precious metal content, decreased 4.2% on a constant currency basis, or negative internal sales growth of 4.2%. The decline in internal sales growth was driven by the U.S., partially offset by internal sales growth in Rest of World region.

The operating income decreased $157.0 million or 38.1% for the year ended December 31, 2018 as compared to 2017. The decrease is primarily the result of the net change in equipment inventory at certain distributors, higher manufacturing costs, unfavorable product pricing, higher selling and marketing investments, as well as unfavorable product mix as compared to the year ended December 31, 2017.

Consumables

Reported net sales increased by 3.2% for the year ended December 31, 2018 as compared to the year ended December 31, 2017. Reported net sales, excluding precious metal content, increased by $58.1 million or 3.2% for the year ended December 31, 2018 as compared to the year ended December 31, 2017.

For the year ended December 31, 2018, net sales, excluding precious metal, including acquisition related adjustments, increased 2.3% on a constant currency basis. This includes a benefit of 1.1% from net acquisitions which results in internal growth of 1.2%. The internal sales growth was primarily driven by the Rest of World and Europe, partially offset by a decrease in the United States.

The operating income increased $2.8 million or 0.6% for the year ended December 31, 2018 as compared to 2017. The increase is primarily related to higher sales volume and product pricing as compared to the year ended December 31, 2017.

RESULTS OF OPERATIONS

2017 Compared to 2016

Net Sales

	Year Ended December 31,			
(in millions, except percentage amounts)	2017	2016	$ Change	% Change
Net sales	$ 3,993.4	$ 3,745.3	$ 248.1	6.6%
Less: Precious metal content of sales	40.5	64.3	(23.8)	(37.0%)
Net sales, excluding precious metal content	$ 3,952.9	$ 3,681.0	$ 271.9	7.4%

Net sales, excluding precious metal content, for the year ended December 31, 2017 were $3,952.9 million, an increase of $271.9 million from the year ended December 31, 2016. The increase in net sales, excluding precious metal content, reflects sales of $112.7 million as a result of the consolidation of two additional months of Sirona for the year end December 31, 2017 compared to the prior year period. This excludes approximately $4.0 million of revenue that was eliminated in fair value purchase accounting adjustments to deferred income. The increase in net sales, excluding precious metal content, was favorably impacted, based on the Company's estimate, by approximately $23 million as a result of net changes in equipment inventory levels in the current year as compared to the prior year at certain distributors in North America and Europe, that the Company believes is related to the transition in distribution strategy (see "Business Drivers" under this section for further detail). Based on the Company's estimate, inventory held by these distributors increased by approximately $26 million during the current year compared to an increase of approximately $3 million in 2016. The inventory increase in 2017 was more than anticipated, in the Company's assessment, as a result of lower equipment sales to end-users as well as higher than anticipated stocking of inventory by distributors in the U.S.

Sales related to precious metal content declined 37.0% during 2017, which was primarily related to the continued reduction in the use of precious metal alloys in dentistry.

For the year ended December 31, 2017, sales of our combined businesses grew 1.6% on a constant currency basis. This includes a benefit of 1.8% from net acquisitions which leads to negative internal sales growth of 20 basis points. Net sales, excluding precious metal content, were favorably impacted by approximately 1.0% due to the weakening of the U.S. dollar over the prior year period. Based on the Company's assessment, the internal sales growth was benefited by approximately 60 basis points as a result of the net changes in equipment inventory levels in the current year other the prior year as discussed above. A reconciliation of reported net sales to net sales, excluding precious metal content, of the combined business for the year ended December 31, 2017 and 2016, respectfully, is as follows:

December 31,

(in millions, except percentage amounts)	2017	2016	$ Change	% Change
Net sales	$ 3,993.4	$ 3,745.3	$ 248.1	6.6%
Less: precious metal content of sales	40.5	64.3	(23.8)	(37.0%)
Net sales, excluding precious metal content	3,952.9	3,681.0	271.9	7.4%
Sirona net sales (a)	—	160.7	(160.7)	NM
Merger related adjustments (b)	4.0	13.5	(9.5)	NM
Elimination of intercompany net sales	—	(0.5)	0.5	NM
Non-US GAAP combined business, net sales, excluding precious metal content	$ 3,956.9	$ 3,854.7	$ 102.2	2.6%

NM - Not meaningful
(a) Represents Sirona sales for January and February 2016.
(b) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combination accounting standards to make the 2017 and 2016 non-U.S. GAAP combined business results comparable.

Sales Growth by Region

Net sales, excluding precious metal content, for the year ended December 31, 2017 and 2016, respectfully, by geographic region is as follows:

(in millions, except percentage amounts)	December 31, 2017	2016	$ Change	% Change
United States	$ 1,366.8	$ 1,306.4	$ 60.4	4.6%
Europe	1,575.2	1,421.7	153.5	10.8%
Rest of World	1,010.9	952.9	58.0	6.1%

A reconciliation of reported net sales to net sales, excluding precious metal content, of the combined business by geographic region for the year ended December 31, 2017 and 2016, respectfully, is as follows:

(in millions)	December 31, 2017 United States	Europe	Rest of World	Total
Net sales	$ 1,372.5	$ 1,606.2	$ 1,014.7	$ 3,993.4
Less: precious metal content of sales	5.7	31.0	3.8	40.5
Net sales, excluding precious metal content	1,366.8	1,575.2	1,010.9	3,952.9
Merger related adjustments (a)	4.0	—	—	4.0
Non-US GAAP combined business, net sales, excluding precious metal content	$ 1,370.8	$ 1,575.2	$ 1,010.9	$ 3,956.9

(a) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combination accounting standards to make the 2017 and 2016 non-U.S. GAAP combined business results comparable.

(in millions)	December 31, 2016 United States	Europe	Rest of World	Total
Net sales	$ 1,311.6	$ 1,463.2	$ 970.5	$ 3,745.3
	5.2	41.5	17.6	64.3

Less: precious metal content of sales				
Net sales, excluding precious metal content	1,306.4	1,421.7	952.9	3,681.0
Sirona net sales (a)	60.5	59.4	40.8	160.7
Merger related adjustments (b)	11.9	1.6	—	13.5
Elimination of intercompany net sales	(0.1)	(0.4)	—	(0.5)
Non-US GAAP combined business, net sales, excluding precious metal content	$ 1,378.7	$ 1,482.3	$ 993.7	$ 3,854.7

(a) Represents Sirona sales for January and February 2016
(b) Represents an adjustment to reflect deferred subscription and warranty revenue that was eliminated under business combinations accounting standards to make the 2017 and 2016 non-U.S. GAAP combined business statements comparable.

United States

Reported net sales, excluding precious metal content, increased by 4.6% for the year ended December 31, 2017 as compared to the year ended December 31, 2016. The increase in net sales, excluding precious metal content, was favorably impacted, based on the Company's estimate, by approximately $42 million as a result of net changes in equipment inventory levels in the current year as compared to the prior year at two distributors in the United States related to the transition in distribution strategy (see "Business Drivers" under this section for further detail). This excludes approximately $4.0 million of revenue that was eliminated in fair value purchase accounting adjustments to deferred income.

For the year ended December 31, 2017, sales of our combined businesses declined 0.5% on a constant currency basis. This includes a benefit of 1.1% from net acquisitions and was unfavorably impacted by discontinued products by approximately 10 basis points, which results in a negative internal sales growth rate of 1.5%. The negative internal sales growth in this region was driven by lower demand in the Technologies & Equipment segment. Based on the Company's assessment, the internal sales growth was benefited by approximately 3% as a result of the net changes in equipment inventory levels in the current year over the prior year as discussed above. The impact from net changes in inventory levels was entirely within the Technologies & Equipment segment.

Europe

Reported net sales, increased by 9.8% for the year ended December 31, 2017 as compared to the year ended December 31, 2016. Reported net sales, excluding precious metal content, increased by 10.8% for the year ended December 31, 2017 as compared to the year ended December 31, 2016. The increase in net sales, excluding precious metal content, was unfavorably impacted, based on the Company's estimate, by approximately $9 million as a result of net changes in equipment inventory levels in the current year as compared to the prior year at a certain distributor in Europe that the Company believes is related to the transition in distribution strategy (see "Business Drivers" under this section for further detail).

For the year ended December 31, 2017, sales of our combined businesses grew 4.1% on a constant currency basis. This includes a benefit of 2.3% from net acquisitions, which results in internal sales growth of 1.8%. Net sales, excluding precious metal content, were positively impacted by approximately 2.2% due to the weakening of the U.S. dollar over the prior year period. Internal sales growth in this region was primarily driven by higher demand in both segments. Based on the Company's assessment, the internal sales growth was unfavorably impacted by approximately 50 basis points as a result of the net changes in equipment inventory levels in the current year over the prior year as discussed above. The impact from net changes in inventory levels was entirely within the Technologies & Equipment segment.

Rest of World

Reported net sales increased by 4.5% for the year ended December 31, 2017 as compared to the year ended December 31, 2016. Reported net sales, excluding precious metal content, increased by 6.1% for the year ended December 31, 2017 as compared to the year ended December 31, 2016. The increase in net sales, excluding precious metal content, was unfavorably impacted, based on the Company's estimate, by approximately $10 million as a result of net changes in equipment inventory levels in the current year as compared to the prior year at a certain distributor in Canada that the Company believes is related to the transition in distribution strategy (see "Business Drivers" under this section for further detail).

For the year ended December 31, 2017, sales of our combined businesses grew 0.8% on a constant currency basis. This includes a benefit of 2.2% from net acquisitions, which results in negative internal sales growth of 1.4%. Net sales, excluding precious metal content, were positively impacted by approximately 0.9% due to the weakening of the U.S. dollar over the prior year period. The negative internal sales growth in this region was driven by lower demand in the Technologies & Equipment segment. Based on the Company's assessment, the internal sales growth was unfavorably impacted by approximately 1% as a result of the net changes in equipment inventory levels in the current year over the prior year as discussed above. The impact from net changes in inventory levels was entirely within the Technologies & Equipment segment.

Gross Profit

	Year Ended December 31,			
(in millions, except percentage amounts)	2017	2016	$ Change	% Change
Gross profit	$ 2,188.5	$ 2,000.9	$ 187.6	9.4%
Gross profit as a percentage	54.8%	53.4%		

of net sales, including precious metal content		
Gross profit as a percentage of net sales, excluding precious metal content	55.4%	54.4%

Gross profit as a percentage of net sales, excluding precious metal content, increased by 100 basis points for the year ended December 31, 2017 as compared to the year ended December 31, 2016. Improvement in the gross profit rate for year ended December 31, 2017, were primarily driven by net reductions in the roll-off of merger-related fair value adjustments and expenses of approximately 150 basis points as compared to the year ended December 31, 2016. This increase was partially offset by approximately 50 basis points associated with the equipment businesses primarily as a result of lower sales related to the transition in distribution strategy as compared to the year ended December 31, 2016.

Operating Expenses

(in millions, except percentage amounts)	Year Ended December 31, 2017	2016	$ Change	% Change
Selling, general and administrative expenses ("SG&A")	$ 1,674.7	1,523.0	$ 151.7	10.0%
Goodwill impairment	1,650.9	—	1,650.9	NM
Restructuring and other costs	425.2	23.2	402.0	NM
SG&A as a percentage of net sales, including precious metal content	41.9%	40.7%		
SG&A as a percentage of net sales, excluding precious metal content	42.4%	41.4%		

NM - Not meaningful

SG&A Expenses

SG&A expenses, including research and developing expenses, as a percentage of net sales, excluding precious metal content, for the year ended December 31, 2017 increased 100 basis points compared to the year ended December 31, 2016.The higher rate was primarily driven by increased professional service costs, biennial trade show and other selling events, unfavorable foreign currency and increased amortization and depreciation which unfavorably impacted the rate by approximately 100 basis points compared to the year ended December 31, 2016. In addition, the rate was also unfavorably impact by 80 basis points due to employment agreement costs related to the resignation of senior management compared to the year ended December 31, 2016. Partially offsetting these increases was a reduction in business combination related costs which favorably impacted the rate by 120 basis points as compared to the year ended December 31, 2016.

Goodwill impairment

For the year ended December 31, 2017, the Company recorded a goodwill impairment charge of $1,650.9 million. The charge is related to three reporting units in the Technologies & Equipment segment. For further information see Note 9, Goodwill and Intangible Assets, in the Notes to Audited Consolidated Financial Statements in Part IV, Item 15 of this Form 10-K.

Restructuring and Other Costs

The Company recorded net restructuring and other costs of $425.2 million for the year ended December 31, 2017 compared to $23.2 million for the year ended December 31, 2016.

The Company recorded net restructuring expense of $55.4 million related to restructuring initiatives in Germany and organizational management changes announced during the fourth quarter. As announced in October 2016, the Company proposed plans in Germany to reorganize and combine portions of its manufacturing, logistics and distribution networks within the Company's two segments. As required under German law, the Company entered into a statutory co-determination process under which it collaborated with the appropriate labor groups to jointly define the infrastructure and staffing adjustments necessary to support this initiative. In 2017, the Company received all necessary approvals and is proceeding with its current plans. The Company estimates the cost of these initiatives to be approximately $65 million, primarily for severance related benefits for employees, which is expected to be incurred as actions are implemented over the next two years. The Company recorded costs of approximately $29 million associated with these plans. The Company estimates that the future annual savings related to these plans to be in the range of $11 million to $14 million to be realized over the next one to three years. There is no assurance that future savings will be fully achieved.

During the year ended December 31, 2017, the Company recorded other costs of $369.8 million which consist of impairment charges of $346.7 million and legal settlements of $23.1 million. For further information on the impairment charges, see Note 9, Goodwill and Intangible Assets, in the Notes to the Audited Consolidated Financial Statements in Part IV, Item 15 of this Form 10-K.

Other Income and Expenses

(in millions, except percentage amounts)	Year Ended December 31, 2017	2016