

SIRONA DENTAL SYSTEMS, INC.
Form 10-Q
August 08, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2014

or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 000-22673

Sirona Dental Systems, Inc.

(Exact name of registrant as specified in its charter)

Delaware

11-3374812

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(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

**30-30 47th Avenue, Suite 500, Long Island City,
New York**

11101

(Address of principal executive offices)

(Zip Code)

(718) 482-2011

(Registrant's telephone number, including area code)

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

Yes No

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

Yes No

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

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

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

Yes No

As of July 31, 2014, the number of shares outstanding of the Registrant's Common Stock, par value \$.01 per share, was 57,763,784.

FORWARD-LOOKING STATEMENTS

This Form 10-Q Quarterly Report contains forward-looking statements that involve risk and uncertainties. All statements, other than statements of historical facts, included in this report regarding the Company, its financial position, products, business strategy and plans and objectives of management of the Company for future operations, are forward-looking statements. When used in this report, words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “objectives,” “plans” and similar expressions, or the negatives thereof or variations thereon or comparable terminology as they relate to the Company, its products or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company’s management, as well as assumptions made by and information currently available to the Company’s management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of various factors, including, but not limited to, those contained in the “Risk Factors” set forth in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2013. All forward looking statements speak only as of the date of this Report and are expressly qualified in their entirety by the cautionary statements included in this report. We undertake no obligation to update or revise forward-looking statements which may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events other than required by law.

SIRONA DENTAL SYSTEMS, INC.

FORM 10-Q

FOR THE THREE MONTHS ENDED JUNE 30, 2014

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Table of Contents**PART I****FINANCIAL INFORMATION (UNAUDITED)****ITEM 1. FINANCIAL STATEMENTS****SIRONA DENTAL SYSTEMS, INC.****AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(UNAUDITED)

		Three months ended		Nine months ended	
		June 30,		June 30,	
	<i>Notes</i>	2014	2013	2014	2013
<i>(In millions, except for share and per share amounts)</i>					
<i>(Unaudited)</i>					
REVENUE		\$ 299.7	\$ 283.2	\$ 881.1	\$ 822.9
Cost of goods sold		(132.1)	(131.7)	(399.3)	(374.8)
GROSS PROFIT		167.6	151.5	481.8	448.1
Selling, general and administrative expense		(88.1)	(79.8)	(263.3)	(250.2)
Research and development expense		(16.6)	(15.7)	(48.1)	(44.9)
Net other operating income (loss)	4	4.4	2.5	9.4	11.9
OPERATING INCOME		67.3	58.5	179.8	164.9
Gain (loss) on foreign currency transactions		2.2	(4.5)	1.6	(10.5)
Gain (loss) on derivative instruments	5	(0.5)	0.9	(1.4)	(0.3)
Interest income (expense)		(0.7)	(0.8)	(2.4)	(2.6)
Other income (expense)		(0.6)	(0.3)	(1.5)	(1.0)
INCOME BEFORE TAXES		67.7	53.8	176.1	150.5
Income tax benefit (expense)	6	(15.9)	(12.9)	(41.4)	(38.3)
NET INCOME		51.8	40.9	134.7	112.2
Net (income) loss attributable to noncontrolling interests		(0.3)	(0.3)	(1.7)	(1.6)
NET INCOME ATTRIBUTABLE TO SIRONA DENTAL SYSTEMS, INC.		\$ 51.5	\$ 40.6	\$ 133.0	\$ 110.6

INCOME PER SHARE

(attributable to Sirona Dental Systems, Inc. common shareholders)

Basic	\$0.93	\$0.74	\$2.41	\$2.01
Diluted	\$0.92	\$0.72	\$2.37	\$1.96
<i>Weighted average shares - basic</i>	55,362,620	55,002,236	55,251,782	55,053,713
<i>Weighted average shares - diluted</i>	56,238,076	56,220,901	56,201,358	56,330,052

The accompanying Notes are an integral part of these financial statements.

Table of Contents**SIRONA DENTAL SYSTEMS, INC.****AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(UNAUDITED)

<i>(In millions)</i>		Three months ended June 30,		Nine months ended June 30,	
<i>(Unaudited)</i>	<i>Notes</i>	2014	2013	2014	2013
NET INCOME		\$ 51.8	\$ 40.9	\$ 134.7	\$ 112.2
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	9				
Cumulative translation adjustment		(9.8)	16.0	7.9	9.1
Derivative financial hedging instruments		0.1	0.4	0.3	0.7
Unrecognized elements of pension cost		(0.2)	0.1	(0.1)	(0.1)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		(9.9)	16.5	8.1	9.7
TOTAL COMPREHENSIVE INCOME (LOSS)		41.9	57.4	142.8	121.9
Comprehensive (income) loss attributable to noncontrolling interests		(0.3)	(0.3)	(1.7)	(1.4)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO SIRONA DENTAL SYSTEMS, INC. SHAREHOLDERS		\$ 41.6	\$ 57.1	\$ 141.1	\$ 120.5

The accompanying Notes are an integral part of these financial statements.

Table of Contents**SIRONA DENTAL SYSTEMS, INC.****AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(UNAUDITED)

<i>(In millions, except for share and par value amounts)</i> <i>(Unaudited)</i>	Notes	June 30, 2014	September 30, 2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 297.0	\$ 241.7
Restricted cash		0.8	0.7
Accounts receivable, <i>net of allowance for doubtful accounts of \$2.0 and \$1.6, respectively</i>		171.9	145.2
Inventories, net	10	132.2	109.2
Deferred tax assets	6	31.3	31.4
Prepaid expenses and other current assets		28.1	32.6
Income tax receivable	6	2.3	2.3
TOTAL CURRENT ASSETS		663.6	563.1
Property, plant and equipment, <i>net of accumulated depreciation of \$ 175.0 and \$156.7, respectively</i>		230.3	182.7
Goodwill		677.3	672.1
Intangible assets, <i>net of accumulated amortization of \$534.6 and \$503.1, respectively</i>		276.7	301.7
Other non-current assets		4.4	5.6
Deferred tax assets	6	17.4	13.2
TOTAL ASSETS		\$ 1,869.7	\$ 1,738.4
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade accounts payable		\$ 65.0	\$ 73.2
Short-term financial liabilities		1.5	0.4
Income taxes payable	6	8.3	9.3
Deferred tax liabilities	6	2.5	0.7
Accrued liabilities and deferred income		166.7	162.5
TOTAL CURRENT LIABILITIES		244.0	246.1
Long-term financial liabilities		78.0	75.0
Deferred tax liabilities	6	125.3	131.5
Other non-current liabilities		27.6	27.4
Pension related provisions		66.7	66.0
Deferred income		27.5	34.4

TOTAL LIABILITIES		569.1	580.4
SHAREHOLDERS' EQUITY			
Preferred stock (<i>\$0.01 par value; 5,000,000 shares authorized; none issued and outstanding</i>)		0	0
Common stock (<i>\$0.01 par value; 95,000,000 shares authorized; 57,760,075 shares issued; 55,348,356 shares outstanding at Jun. 30, 2014; 57,213,615 shares issued; 54,999,436 shares outstanding at Sept. 30, 2013</i>)		0.6	0.6
Additional paid-in capital		690.3	674.2
Treasury stock, <i>at cost</i> <i>2,411,719 shares held at cost at Jun. 30, 2014;</i> <i>2,214,179 shares held at cost at Sept. 30, 2013</i>		(126.8)	(112.0)
Retained earnings		717.2	584.2
Accumulated other comprehensive income (loss)	9	16.7	8.6
TOTAL SIRONA DENTAL SYSTEMS, INC. SHAREHOLDERS' EQUITY		1,298.0	1,155.6
NONCONTROLLING INTERESTS		2.6	2.4
TOTAL SHAREHOLDERS' EQUITY		1,300.6	1,158.0
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		\$ 1,869.7	\$ 1,738.4

The accompanying Notes are an integral part of these financial statements.

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SIRONA DENTAL SYSTEMS, INC.

AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine months ended	
	June 30,	
	2014	2013
<i>(In millions)</i>		
<i>(Unaudited)</i>		
OPERATING ACTIVITIES		