

SIRONA DENTAL SYSTEMS, INC.
Form 10-Q
February 08, 2013
Table of Contents

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 December 31, 2012

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 charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

30-30 47th Avenue, Suite 500, Long Island City,

New York
(Address of principal executive offices)

Registrant's telephone number, including area code: (718) 482-2011

11-3374812
(I.R.S. Employer

Identification No.)

11101
(Zip 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

Edgar Filing: SIRONA DENTAL SYSTEMS, INC. - Form 10-Q

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 Act). Yes No

As of January 31, 2013, the number of shares outstanding of the Registrant's Common Stock, par value \$.01 per share, was 56,826,136.

Table of Contents

SIRONA DENTAL SYSTEMS, INC.

FORM 10-Q

FOR THE THREE MONTHS ENDED DECEMBER 31, 2012

Index

	Page
Part I.	
<u>Financial Information (Unaudited)</u>	1
Item 1.	
<u>Financial Statements</u>	1
<u>Condensed Consolidated Balance Sheets as of December 31, 2012 and September 30, 2012</u>	1
<u>Condensed Consolidated Income Statements for the three months ended December 31, 2012 and 2011</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income for the three months ended December 31, 2012 and 2011</u>	4
<u>Consolidated Statement of Changes in Shareholders' Equity for the three months ended December 31, 2012 and 2011</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the three months ended December 31, 2012 and 2011</u>	6
<u>Notes to the Condensed Consolidated Financial Statements</u>	8
Item 2.	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
Item 3.	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	38
Item 4.	
<u>Controls and Procedures</u>	38
Part II.	
<u>Other Information</u>	39
Item 1.	
<u>Legal Proceedings</u>	39
Item 1A.	
<u>Risk Factors</u>	39
Item 2.	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
Item 3.	
<u>Defaults upon Senior Securities</u>	39
Item 4.	
<u>Mine Safety Procedures</u>	39
Item 5.	
<u>Other Information</u>	39
Item 6.	
<u>Exhibits</u>	40
<u>Signatures</u>	45
<u>Certifications</u>	

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

(UNAUDITED)

	Financial Statement Notes	December 31, 2012 (unaudited) \$ 000s (except per share amounts)	September 30, 2012
ASSETS			
Current assets			
Cash and cash equivalents		\$ 124,170	\$ 151,088
Accounts receivable, net of allowance for doubtful accounts of \$1,290 and \$1,408, respectively		145,569	132,569
Inventories, net	6	92,124	81,007
Deferred tax assets	10	27,942	24,781
Prepaid expenses and other current assets		24,242	17,622
Income tax receivable	10	2,291	2,213
Total current assets		416,338	409,280
Property, plant and equipment, net of accumulated depreciation and amortization of \$135,418 and \$125,706, respectively		147,400	143,351
Goodwill	7	659,533	631,077
Investments		25	14
Intangible assets, net of accumulated amortization of \$463,164 and \$446,447, respectively	7	326,837	288,556
Other non-current assets		4,642	9,368
Deferred tax assets	10	13,051	12,888
Total assets		\$ 1,567,826	\$ 1,494,534
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities			
Trade accounts payable		\$ 61,838	\$ 51,961
Short-term debt and current portion of long-term debt	8	419	478
Income taxes payable	10	19,155	14,906
Deferred tax liabilities	10	499	817
Accrued liabilities and deferred income		111,329	118,075
Total current liabilities		193,240	186,237
Long-term debt	9	75,000	75,000
Deferred tax liabilities	10	136,959	122,441
Other non-current liabilities		24,336	16,852
Pension related provisions	13	62,977	61,629

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

Table of Contents

Deferred income	37,500	40,000
Total liabilities	530,012	502,159
Shareholders equity		
Preferred stock (\$0.01 par value; 5,000,000 shares authorized; none issued and outstanding)		
Common stock (\$0.01 par value; 95,000,000 shares authorized; 56,776,626 shares issued and 54,946,874 shares outstanding at Dec. 31, 2012;		
56,598,045 shares issued and 55,051,673 shares outstanding at Sept. 30, 2012	567	566
Additional paid-in capital	706,745	699,279
Treasury stock (at cost)		
1,829,752 shares held at cost at Dec. 31, 2012;		
1,546,372 shares held at cost at Sept. 30, 2012	(86,230)	(69,058)
Excess of purchase price over predecessor basis	(49,103)	(49,103)
Retained earnings	475,773	437,471
Accumulated other comprehensive income/(loss)	5 (13,332)	(29,797)
Total Sirona Dental Systems, Inc. shareholders equity	1,034,420	989,358
Noncontrolling interests	3,394	3,017
Total shareholders equity	1,037,814	992,375
Total liabilities and shareholders equity	\$ 1,567,826	\$ 1,494,534

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

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

(UNAUDITED)

	Financial Statement Notes	Three months ended December 31,	
		2012	2011
		\$ 000s (except per share amounts)	
Revenue		\$ 272,404	\$ 258,116
Cost of sales		120,533	119,333
Gross profit		151,871	138,783
Selling, general and administrative expense		85,783	73,646
Research and development		14,095	13,286
Provision for doubtful accounts and notes receivable		70	39
Net other operating income		(6,914)	(2,500)
Operating income		58,837	54,312
(Gain)/loss on foreign currency transactions, net		4,580	2,230
(Gain)/loss on derivative instruments	15	(1,346)	436
Interest expense, net		970	903
Other expense/(income)		340	262
Income before taxes		54,293	50,481
Income tax provision	10	15,226	11,611
Net income		39,067	38,870
Less: Net income attributable to noncontrolling interests		765	593
Net income attributable to Sirona Dental Systems, Inc.		\$ 38,302	\$ 38,277
Income per share (attributable to Sirona Dental Systems, Inc. common shareholders):	11		
- Basic		\$ 0.70	\$ 0.69
- Diluted		\$ 0.68	\$ 0.67
Weighted average shares - basic		55,004,471	55,783,648
Weighted average shares - diluted		56,327,927	57,121,505

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)

	Financial Statement Notes	Three months ended December 31,	
		2012	2011
		\$ 000s	
Net income		\$ 39,067	38,870
Other comprehensive income/(loss), net of tax:	5		
Cumulative translation adjustment		16,313	(30,239)
Net gain/(loss) on derivative financial instruments (hedging)		109	(439)
Unrecognized elements of pension cost, net of tax		89	250
Total other comprehensive income/(loss)		16,511	(30,428)
Total comprehensive income/(loss)		55,578	8,442
Less: Comprehensive income/(loss) attributable to noncontrolling interests		811	595