

SIRONA DENTAL SYSTEMS, INC.

Form 10-Q

August 06, 2008

[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 June 30, 2008

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)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**11-3374812**  
(I.R.S. Employer  
Identification No.)

**30-30 47<sup>th</sup> Avenue, Suite 500,**  
**Long Island City, New York**  
(Address of principal executive offices)

**11101**  
(Zip Code)

**Registrant's telephone number, including area code: (718) 937-5765**

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 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 July 31, 2008, the number of shares outstanding of the Registrant's Common Stock, par value \$.01 per share, was 54,821,221.

**Table of Contents**

**SIRONA DENTAL SYSTEMS, INC.**

**FORM 10-Q**

**FOR THE THREE MONTHS ENDED JUNE 30, 2008**

**Index**

	<b>Page</b>
<b>Part I.</b>	
<b><u>Financial Information (Unaudited)</u></b>	<b>3</b>
Item 1.	
<u>Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets as of June 30, 2008 and September 30, 2007</u>	3
<u>Condensed Consolidated Income Statements for the three months and nine months ended June 30, 2008 and 2007</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2008 and 2007</u>	5
<u>Notes to the Condensed Consolidated Financial Statements</u>	7
Item 2.	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3.	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	28
Item 4.	
<u>Controls and Procedures</u>	28
<b>Part II.</b>	
<b><u>Other Information</u></b>	<b>29</b>
Item 1.	
<u>Legal Proceedings</u>	29
Item 1A.	
<u>Risk Factors</u>	29
Item 2.	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
Item 3.	
<u>Defaults upon Senior Securities</u>	29
Item 4.	
<u>Submission of Matters to a Vote of Security Holders</u>	29
Item 5.	
<u>Other Information</u>	29
Item 6.	
<u>Exhibits</u>	29
<u>Signatures</u>	30
<u>Certifications</u>	31

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

	June 30, 2008 (unaudited)	September 30, 2007
	\$'000s (except per share amounts)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 122,826	\$ 99,842
Restricted cash	1,015	908
Accounts receivable, net of allowance for doubtful accounts of \$1,819 and \$1,475, respectively	102,386	87,074
Inventories, net	88,161	74,834
Deferred tax assets	11,995	9,040
Prepaid expenses and other current assets	22,509	18,801
Income tax receivable	1,859	3,758
<b>Total current assets</b>	<b>350,751</b>	<b>294,257</b>
Property, plant and equipment, net of accumulated depreciation and amortization of \$48,470 and \$31,037, respectively	104,794	80,523
Goodwill	740,700	677,506
Investments	1,419	1,254
Intangible assets, net of accumulated amortization of \$243,437 and \$156,776, respectively	578,481	597,302
Other non-current assets	4,263	4,407
Deferred tax assets	2,403	2,494
<b>Total assets</b>	<b>\$ 1,782,811</b>	<b>\$ 1,657,743</b>
<b>LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS EQUITY</b>		
<b>Current liabilities</b>		
Trade accounts payable	\$ 42,485	\$ 46,190
Short-term debt and current portion of long-term debt	6,475	23,041
Income taxes payable	573	5,543
Deferred tax liabilities	2,567	3,264
Accrued liabilities and deferred income	86,950	84,348
<b>Total current liabilities</b>	<b>139,050</b>	<b>162,386</b>
Long-term debt	584,225	540,143
Deferred tax liabilities	197,059	192,808
Other non-current liabilities	13,702	13,406
Pension related provisions	56,228	49,450
Deferred income	82,500	90,000
<b>Total liabilities</b>	<b>1,072,764</b>	<b>1,048,193</b>
<b>Minority interest</b>	<b>504</b>	<b>484</b>

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<b>Shareholders equity</b>		
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; 54,816,221 and 54,765,285 shares issued and outstanding, respectively)	548	548
Additional paid-in capital	615,959	603,570
Excess of purchase price over predecessor basis	(49,103)	(49,103)
Retained earnings	43,687	9,063
Accumulated other comprehensive income	98,452	44,988
<b>Total shareholders equity</b>	<b>709,543</b>	<b>609,066</b>
<b>Total liabilities, minority interest and shareholders' equity</b>	<b>\$ 1,782,811</b>	<b>\$ 1,657,743</b>

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

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

(UNAUDITED)

	Three months		Nine months	
	ended June 30,		ended June 30,	
	2008	2007	2008	2007
	\$'000s (except per share amounts)		\$'000s (except per share amounts)	
<b>Revenue</b>	<b>\$ 186,938</b>	<b>\$ 157,041</b>	<b>\$ 576,505</b>	<b>\$ 482,008</b>
Cost of sales	103,463	89,893	312,286	260,242
<b>Gross profit</b>	<b>83,475</b>	<b>67,148</b>	<b>264,219</b>	<b>221,766</b>
Selling, general and administrative expense	63,762	49,633	180,238	150,011
Research and development	11,829	11,811	37,504	34,145
Provision for doubtful accounts and notes receivable	158	96	355	329
Net other operating (income)/loss	(2,500)	130	(7,500)	102
<b>Operating income</b>	<b>10,226</b>	<b>5,478</b>	<b>53,622</b>	<b>37,179</b>
Foreign currency transactions gain, net	(307)	(857)	(15,232)	(9,812)
Gain on derivative instruments	(6,149)	(2,636)	(936)	(2,216)
Interest expense, net	6,645	5,769	20,046	20,935
Loss on debt extinguishment				21,145
Other expense			305	
<b>Income before taxes and minority interest</b>	<b>10,037</b>	<b>3,202</b>	<b>49,439</b>	<b>7,127</b>
Income tax provision	3,011	1,121	14,832	2,495
Minority interest	316	100	(17)	(17)
<b>Net income</b>	<b>\$ 6,710</b>	<b>\$ 1,981</b>	<b>\$ 34,624</b>	<b>\$ 4,649</b>
Income per share				
- Basic	\$ 0.12	\$ 0.04	\$ 0.63	\$ 0.09
- Diluted	\$ 0.12	\$ 0.04	\$ 0.63	\$ 0.08
Weighted average shares basic	54,804,720	54,746,515	54,785,915	54,683,876
Weighted average shares diluted	55,287,922	54,880,563	55,278,246	54,843,488

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

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

(UNAUDITED)

	Nine months ended June 30,	
	2008	2007
	\$ 000s	
<b>Cash flows from operating activities</b>		
Net income	\$ 34,624	\$ 4,649
<b>Adjustments to reconcile net income to net cash used in operating activities</b>		
Minority interest	(32)	(20)
Depreciation and amortization	79,320	68,583
Loss on disposal of property, plant and equipment	42	97
Gain on derivative instruments	(936)	(2,216)
Gain on foreign currency transactions	(15,232)	(9,812)
Accreted interest on long-term debt	(7,303)	5,350
Deferred income taxes	(14,451)	(25,494)
Amortization of debt issuance cost	955	2,916
Loss on debt extinguishment		19,964
Compensation expense from stock options	11,466	10,598
<b>Changes in assets and liabilities</b>		
Accounts receivable	(7,301)	(13,944)
Inventories	(6,619)	(12,989)
Prepaid expenses and other current assets	3,251	6,293
Restricted cash	(9)	(37)
Other non-current assets	437	(4,866)
Trade accounts payable	(13,054)	(78)
Accrued liabilities and deferred income	(11,926)	(6,396)
Other non-current liabilities	223	(4,713)
Income taxes receivable	2,130	(1,645)
Income taxes payable	(4,643)	(6,881)
<b>Net cash provided by operating activities</b>	<b>50,942</b>	<b>29,359</b>
<b>Cash flows from investing activities</b>		
Investment in property, plant and equipment	(26,974)	(16,870)
Proceeds from sale of property, plant and equipment	111	471
Purchase of intangible assets	(343)	(97)
Purchase of long-term investments	(165)	(402)
Acquisition of businesses, net of cash acquired		(5,573)