

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, 2023

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: 001-39054



ENVISTA HOLDINGS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

83-2206728  
(I.R.S. Employer Identification Number)

200 S. Kraemer Blvd., Building E  
Brea, California  
(Address of Principal Executive Offices)

92821-6208  
(Zip Code)

Registrant's telephone number, including area code: 714-817-7000

Securities Registered Pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, \$0.01 par value	NVST	New York Stock Exchange

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 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  No

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

Accelerated Filer

Non-accelerated Filer

Smaller Reporting company

Emerging Growth Company

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.

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

Yes  No

The number of shares of common stock outstanding as of July 28, 2023, was 163,823,852.

## TABLE OF CONTENTS

### PART I. FINANCIAL INFORMATION

	PAGE	
Item 1.	<a href="#">Condensed Consolidated Balance Sheets</a>	<a href="#">1</a>
	<a href="#">Condensed Consolidated Statements of Operations</a>	<a href="#">2</a>
	<a href="#">Condensed Consolidated Statements of Comprehensive Income (Loss)</a>	<a href="#">3</a>
	<a href="#">Condensed Consolidated Statements of Changes in Stockholders' Equity</a>	<a href="#">4</a>
	<a href="#">Condensed Consolidated Statements of Cash Flows</a>	<a href="#">5</a>
	<a href="#">Notes to Condensed Consolidated Financial Statements</a>	<a href="#">7</a>
Item 2.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">26</a>
Item 3.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">38</a>
Item 4.	<a href="#">Controls and Procedures</a>	<a href="#">38</a>

### PART II. OTHER INFORMATION

Item 1.	<a href="#">Legal Proceedings</a>	<a href="#">39</a>
Item 1A.	<a href="#">Risk Factors</a>	<a href="#">39</a>
Item 2.	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">39</a>
Item 3.	<a href="#">Defaults Upon Senior Securities</a>	<a href="#">39</a>
Item 4.	<a href="#">Mine Safety Disclosures</a>	<a href="#">39</a>
Item 5.	<a href="#">Other Information</a>	<a href="#">39</a>
Item 6.	<a href="#">Exhibits</a>	<a href="#">40</a>

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

**ENVISTA HOLDINGS CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**  
(\$ in millions, except share amounts)

	As of	
	June 30, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 651.7	\$ 606.9
Trade accounts receivable, less allowance for credit losses of \$16.3 and \$16.2, respectively	415.2	393.5
Inventories, net	297.0	300.8
Prepaid expenses and other current assets	125.0	123.4
Total current assets	1,488.9	1,424.6
Property, plant and equipment, net	300.1	293.6
Operating lease right-of-use assets	129.6	131.8
Other long-term assets	151.7	153.7
Goodwill	3,493.8	3,496.6
Other intangible assets, net	1,043.1	1,086.7
Total assets	<u>\$ 6,607.2</u>	<u>\$ 6,587.0</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Short-term debt	\$ 511.5	\$ 510.0
Trade accounts payable	176.8	228.3
Accrued expenses and other liabilities	434.0	471.4
Operating lease liabilities	28.5	27.0
Total current liabilities	1,150.8	1,236.7
Operating lease liabilities	116.8	121.4
Other long-term liabilities	153.0	151.3
Long-term debt	875.6	870.7
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 15.0 million shares authorized; no shares issued or outstanding at June 30, 2023 and December 31, 2022	—	—
Common stock - \$0.01 par value, 500.0 million shares authorized; 164.5 million shares issued and 163.8 million shares outstanding at June 30, 2023; 163.7 million shares issued and 163.2 million shares outstanding at December 31, 2022	1.6	1.6
Additional paid-in capital	3,719.2	3,699.0
Retained earnings	827.1	731.4
Accumulated other comprehensive loss	(236.9)	(225.1)
Total stockholders' equity	<u>4,311.0</u>	<u>4,206.9</u>
Total liabilities and stockholders' equity	<u>\$ 6,607.2</u>	<u>\$ 6,587.0</u>

See the accompanying Notes to the Condensed Consolidated Financial Statements.

**ENVISTA HOLDINGS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**  
(\$ and shares in millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	June 30, 2023	July 1, 2022
Sales	\$ 662.4	\$ 645.8	\$ 1,289.6	\$ 1,277.2
Cost of sales	283.8	276.0	548.3	533.3
Gross profit	378.6	369.8	741.3	743.9
Operating expenses:				
Selling, general and administrative	272.9	279.5	539.0	537.7
Research and development	26.8	25.1	51.3	49.5
Operating profit	78.9	65.2	151.0	156.7
Nonoperating income (expense):				
Other income	7.1	0.3	7.4	0.6
Interest expense, net	(17.4)	(6.4)	(34.1)	(12.3)
Income before income taxes	68.6	59.1	124.3	145.0
Income tax expense	16.7	14.6	28.6	30.1
Income from continuing operations, net of tax	51.9	44.5	95.7	114.9
Income from discontinued operations, net of tax (Note 3)	—	2.6	—	7.1
Net income	\$ 51.9	\$ 47.1	\$ 95.7	\$ 122.0
Earnings per share:				
Earnings from continuing operations - basic	\$ 0.32	\$ 0.27	\$ 0.58	\$ 0.71
Earnings from continuing operations - diluted	\$ 0.29	\$ 0.25	\$ 0.54	\$ 0.64
Earnings from discontinued operations - basic	\$ —	\$ 0.02	\$ —	\$ 0.04
Earnings from discontinued operations - diluted	\$ —	\$ 0.01	\$ —	\$ 0.04
Earnings - basic	\$ 0.32	\$ 0.29	\$ 0.58	\$ 0.75
Earnings - diluted	\$ 0.29	\$ 0.26	\$ 0.54	\$ 0.68
Average common stock and common equivalent shares outstanding:				
Basic	164.0	162.9	163.8	162.6
Diluted	176.3	178.5	176.9	179.2

See the accompanying Notes to the Condensed Consolidated Financial Statements.

**ENVISTA HOLDINGS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)**  
**(\$ in millions)**

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	June 30, 2023	July 1, 2022
Net income	\$ 51.9	\$ 47.1	\$ 95.7	\$ 122.0
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation adjustments	(25.9)	(72.9)	(11.1)	(132.5)
Cash flow hedge adjustments	—	0.5	—	1.9
Pension plan adjustments	(0.4)	(0.1)	(0.7)	(0.2)
Total other comprehensive loss, net of income taxes	(26.3)	(72.5)	(11.8)	(130.8)
Comprehensive income (loss)	<u>\$ 25.6</u>	<u>\$ (25.4)</u>	<u>\$ 83.9</u>	<u>\$ (8.8)</u>

See the accompanying Notes to the Condensed Consolidated Financial Statements.

**ENVISTA HOLDINGS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)**  
(\$ in millions)

Six Months Ended June 30, 2023						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity	
Balance, December 31, 2022	\$ 1.6	\$ 3,699.0	\$ 731.4	\$ (225.1)	\$ 4,206.9	
Common stock-based award activity	—	13.8	—	—	13.8	
Net income	—	—	43.8	—	43.8	
Other comprehensive income	—	—	—	14.5	14.5	
Balance, March 31, 2023	1.6	3,712.8	775.2	(210.6)	4,279.0	
Common stock-based award activity	—	6.4	—	—	6.4	
Net income	—	—	51.9	—	51.9	
Other comprehensive loss	—	—	—	(26.3)	(26.3)	
Balance, June 30, 2023	<u>\$ 1.6</u>	<u>\$ 3,719.2</u>	<u>\$ 827.1</u>	<u>\$ (236.9)</u>	<u>\$ 4,311.0</u>	

  

Six Months Ended July 1, 2022						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Envista Equity	Noncontrolling Interests
Balance, December 31, 2021	\$ 1.6	\$ 3,732.6	\$ 466.9	\$ (143.5)	\$ 4,057.6	\$ 0.4
Cumulative effect of adjustment related to change in accounting principle. See Note 1	—	(77.8)	21.4	—	(56.4)	—
Balance, January 1, 2022	1.6	3,654.8	488.3	(143.5)	4,001.2	0.4
Change in noncontrolling interest	—	—	—	—	—	(0.4)
Common stock-based award activity	—	13.1	—	—	13.1	—
Net income	—	—	74.9	—	74.9	—
Other comprehensive loss	—	—	—	(58.3)	(58.3)	—
Balance, April 1, 2022	1.6	3,667.9	563.2	(201.8)	4,030.9	—
Common stock-based award activity	—	10.5	—	—	10.5	—
Net income	—	—	47.1	—	47.1	—
Other comprehensive loss	—	—	—	(72.5)	(72.5)	—
Balance, July 1, 2022	<u>\$ 1.6</u>	<u>\$ 3,678.4</u>	<u>\$ 610.3</u>	<u>\$ (274.3)</u>	<u>\$ 4,016.0</u>	<u>\$ —</u>

See the accompanying Notes to the Condensed Consolidated Financial Statements.

**ENVISTA HOLDINGS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
(\$ in millions)

	Six Months Ended	
	June 30, 2023	July 1, 2022
Cash flows from operating activities:		
Net income	\$ 95.7	\$ 122.0
Noncash items:		
Depreciation	17.9	16.1
Amortization	52.0	50.3
Allowance for credit losses	3.2	3.6
Stock-based compensation expense	20.2	15.8
Gain on sale of equity investment	(6.9)	—
Gain on sale of property, plant and equipment	—	(1.1)
Gain on sale of KaVo treatment unit and instrument business	—	(8.9)
Restructuring charges	0.8	3.8
Impairment charges	0.2	4.9
Amortization of right-of-use assets	13.1	11.2
Amortization of debt discount and issuance costs	2.1	2.0
Change in trade accounts receivable	(24.0)	(56.6)
Change in inventories	(3.9)	(29.5)
Change in trade accounts payable	(47.1)	5.9
Change in prepaid expenses and other assets	(1.1)	(17.4)
Change in accrued expenses and other liabilities	(27.2)	(80.9)
Change in operating lease liabilities	(16.8)	(15.5)
Net cash provided by operating activities	78.2	25.7
Cash flows from investing activities:		
Payments for additions to property, plant and equipment	(31.6)	(31.9)
Proceeds from sale of equity investment	10.7	—
Acquisitions, net of cash acquired	—	(569.8)
Proceeds from sale of KaVo treatment unit and instrument business, net	—	28.8
All other investing activities, net	(3.9)	(13.6)
Net cash used in investing activities	(24.8)	(586.5)
Cash flows from financing activities:		
Proceeds from stock option exercises	5.9	15.4
Tax withholding payment related to net settlement of equity awards	(6.4)	(8.1)
Proceeds from borrowings	—	0.3



Repayment of borrowings	—	(0.5)
All other financing activities	1.6	—
Net cash provided by financing activities	1.1	7.1
Effect of exchange rate changes on cash and cash equivalents	(9.7)	3.2
Net change in cash and cash equivalents	44.8	(550.5)
Beginning balance of cash and cash equivalents	606.9	1,073.6
Ending balance of cash and cash equivalents	<u>\$ 651.7</u>	<u>\$ 523.1</u>

Supplemental data:

Cash paid for interest	\$ 35.3	\$ 13.8
Cash paid for taxes	\$ 33.5	\$ 52.6
ROU assets obtained in exchange for operating lease obligations	\$ 12.1	\$ 18.3

See the accompanying Notes to the Condensed Consolidated Financial Statements.

**ENVISTA HOLDINGS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**NOTE 1. BUSINESS AND BASIS OF PRESENTATION**

***Business Overview***

The Company provides products that are used to diagnose, treat and prevent disease and ailments of the teeth, gums and supporting bone, as well as to improve the aesthetics of the human smile. The Company is a worldwide provider of a broad range of dental implants, orthodontic appliances, general dental consumables, equipment and services and is dedicated to driving technological innovations that help dental professionals improve clinical outcomes and enhance productivity.

The Company operates in two business segments: Specialty Products & Technologies and Equipment & Consumables. The Company's Specialty Products & Technologies segment primarily develops, manufactures and markets dental implant systems, including regenerative solutions, dental prosthetics and associated treatment software and technologies, as well as orthodontic bracket systems, aligners and lab products. The Company's Equipment & Consumables segment primarily develops, manufactures and markets dental equipment and supplies used in dental offices, including digital imaging systems, software and other visualization/magnification systems; endodontic systems and related consumables; and restorative materials and instruments, rotary burs, impression materials, bonding agents and cements and infection prevention products.

***Basis of Presentation***

All revenues and costs as well as assets and liabilities directly associated with the business activity of the Company are included in the financial statements. All significant intercompany accounts and transactions between the businesses comprising the Company have been eliminated in the accompanying Condensed Consolidated Financial Statements.

The Condensed Consolidated Financial Statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading. The accompanying Condensed Consolidated Financial Statements contain all adjustments (consisting of only normal recurring adjustments and reclassifications to conform to current year presentation) necessary to present fairly the financial position of the Company as of June 30, 2023 and December 31, 2022, and its results of operations for the three and six month periods ended June 30, 2023 and July 1, 2022 and cash flows for the six month periods ended June 30, 2023 and July 1, 2022. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's Consolidated Financial Statements and accompanying notes for the three years ended December 31, 2022, included in the Annual Report on Form 10-K filed by the Company with the SEC on February 16, 2023.

As discussed in Note 3, Discontinued Operations, on December 31, 2021, the Company sold substantially all of its KaVo dental treatment unit and instrument business (the "KaVo Treatment Unit and Instrument Business"), which was part of the Company's Equipment and Consumables segment. However, the transfer of assets in certain countries was not executed and closed until 2022 ("Deferred Local Closing"). As a result, the financial results related to the Deferred Local Closing countries were reported as discontinued operations and all segment information and descriptions exclude the activity related to those countries for the three and six months ended July 1, 2022. As of December 31, 2022, all Deferred Local Closings were completed and therefore there is no discontinued operations activity reported for the three and six months ended June 30, 2023.

## ***Risks and Uncertainties***

The Company is subject to risks and uncertainties as a result of the novel coronavirus (“COVID-19”) pandemic.

The extent of the impact of the COVID-19 pandemic on the Company remains uncertain and difficult to predict because of the dynamic and evolving nature of the situation. The global impact of the outbreak continues to adversely affect many industries, and different geographies continue to reflect the effects of public health restrictions in various ways. The economic recovery following the impact of the COVID-19 pandemic is only partially underway and has been gradual, uneven and characterized by meaningful dispersion across sectors and regions with uncertainty regarding its ultimate length and trajectory. During the three and six months ended June 30, 2023, notwithstanding improvement in many markets in which the Company operates due to a return to more normalized business operations, certain markets continued to be adversely impacted by COVID-19.

In addition, Russia’s invasion of Ukraine and the global response to this invasion, including sanctions imposed by the U.S. and other countries, could have an adverse impact on the Company’s overall business, including impacting the Company’s ability to market and sell products in the affected regions, potentially heightening the risk of cyber security attacks, impacting its ability to enforce its intellectual property rights in Russia, creating disruptions in the global supply chain, and by potentially having an adverse impact on the global economy, financial markets, energy markets, currency rates and otherwise.

## ***Accounting Standards Recently Adopted***

In August 2020, the Financial Accounting Standards Board issued Accounting Standards Update 2020-06, “*Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815 – 40)*,” (“ASU 2020-06”), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. ASU 2020-06 was effective for public entities for fiscal years beginning after December 15, 2021. On January 1, 2022, the Company adopted ASU 2020-06 using the modified retrospective adoption approach. The cumulative effect of the change was recognized as an adjustment to the opening balance of retained earnings at the date of adoption and resulted in a \$75.0 million increase to the carrying value of the convertible notes due 2025, a decrease to additional paid-in capital of \$77.8 million, a \$21.4 million increase to retained earnings and an \$18.6 million decrease to the related net deferred tax liability.

## **NOTE 2. ACQUISITIONS**

The Company continually evaluates potential acquisitions that either strategically fit with the Company’s existing portfolio or expand the Company’s portfolio into new and attractive business areas. The Company has completed a number of acquisitions that have been accounted for as business combinations and have resulted in the recognition of goodwill in the Company’s Condensed Consolidated Financial Statements. Among other things, goodwill arises because the purchase prices for these businesses reflect a number of factors including the future earnings and cash flow potential of these businesses, the multiple to earnings, cash flow and other factors at which similar businesses have been purchased by other acquirers, the competitive nature of the processes by which the Company acquired the businesses, avoidance of the time and costs which would be required (and the associated risks that would be encountered) to enhance the Company’s existing product offerings to key target markets and enter into new and profitable businesses and the complementary strategic fit and resulting synergies these businesses bring to existing operations.

The Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. The Company obtains this information during due diligence and through other sources. For those assets and liabilities that were accounted for on a preliminary basis, the Company may up to 12 months after closing, refine the estimates of fair value and more accurately allocate the purchase price. Only items that existed as of the acquisition date are considered for subsequent adjustment.

During the year ended December 31, 2022, the Company completed the following acquisitions which were accounted for under Accounting Standards Codification 805 *Business Combinations* using the acquisition method of accounting:

***Osteogenics Biomedical Inc., Allotech LLC and OBI Biologics, Inc.***

On July 5, 2022, the Company acquired all of the equity of Osteogenics Biomedical Inc., Allotech LLC and OBI Biologics, Inc. (together "Osteogenics") for total consideration of approximately \$128.2 million, subject to certain customary adjustments as provided in the Equity Purchase Agreement dated May 17, 2022. Osteogenics develops innovative regenerative solutions for periodontists, oral and maxillofacial surgeons, and clinicians involved in implant dentistry throughout the world, and is part of the Company's Specialty Products & Technologies segment.

***Carestream Dental Technology Parent Limited's Intraoral Scanner Business***

On April 20, 2022, the Company completed the acquisition of Carestream Dental Technology Parent Limited's ("Carestream Dental") intraoral scanner business (the "Intraoral Scanner Business") for total consideration of \$580.3 million, including contingent consideration of \$7.5 million, and subject to certain customary adjustments as provided in the Stock and Asset Purchase Agreement dated December 21, 2021 and as subsequently amended by the closing agreement dated as of April 20, 2022 (together, the "IOS Purchase Agreement"). The Intraoral Scanner Business manufactures, markets, sells, commercializes, distributes, services, trains, supports, and maintains operations of intraoral scanners and software, and is part of the Company's Equipment & Consumables segment. The Company purchased the Intraoral Scanner Business through the acquisition of certain assets and the assumption of certain liabilities as well as the acquisition of all of the equity of certain subsidiaries of Carestream Dental.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the respective acquisition dates (\$ in millions):

	<b>Osteogenics July 5, 2022</b>	<b>Intraoral Scanner Business April 20, 2022</b>
<b>Assets acquired:</b>		
Cash	\$ 2.1	\$ 2.7
Accounts receivable	2.5	0.1
Inventories	13.3	6.1
Intangible assets	53.0	129.8
Property, plant and equipment	—	0.3
Prepays and Other Current Assets	1.3	—
Goodwill	77.3	373.1
Non-current deferred tax asset	—	96.0
Operating lease right-of-use assets	2.6	0.9
Other long-term assets	4.9	0.2
Total assets acquired	157.0	609.2
<b>Liabilities assumed:</b>		
Accounts payable	(4.1)	(0.5)
Accrued expenses and other liabilities	(2.5)	(27.9)
Non-current deferred tax liability	(14.3)	—
Other long-term liabilities	(5.8)	—
Operating lease liabilities	(2.1)	(0.5)
Total liabilities assumed	(28.8)	(28.9)
Total net assets acquired	\$ 128.2	\$ 580.3

The intangible assets acquired consist of trade name, developed technology, and customer relationships. The weighted average amortization period of the acquired intangible assets in the aggregate is 8 and 10 years for the Intraoral Scanner Business and Osteogenics, respectively.

The excess of the purchase price over the fair value assigned to the assets acquired and liabilities assumed represents the goodwill resulting from the acquisitions. Goodwill attributable to the acquisitions has been recorded as a non-current asset and is not amortized, but is subject to review at least on an annual basis for impairment. Goodwill recognized was primarily attributable to expected operating efficiencies and expansion opportunities in the businesses acquired. Goodwill is not deductible for income tax purposes. The pro forma impact of the acquisitions is not presented as the acquisitions were not considered material to the Company's Condensed Consolidated Financial Statements.

For the three and six months ended July 1, 2022, legal, accounting, and other professional service costs associated with acquisitions were \$8.2 million and \$10.7 million, respectively, and have been recorded as selling, general and administrative expense in the Condensed Consolidated Statements of Operations. For the three and six months ended June 30, 2023, there were no legal, accounting, and other professional service costs associated with acquisitions.

### NOTE 3. DISCONTINUED OPERATIONS

On December 31, 2021, the Company sold substantially all of the KaVo Treatment Unit and Instrument Business (the "Divestiture") to planmeca Verwaltungs GmbH, Germany ("Planmeca"), pursuant to the master sale and purchase agreement (the "Purchase Agreement") among the Company, Planmeca, and Planmeca Oy, as guarantor. However, the transfer of assets for Deferred Local Closing countries was not executed and closed until 2022. As of December 31, 2022, all Deferred Local Closings were completed and the Company received total net cash consideration of \$386.4 million in accordance with the terms of the Purchase Agreement.

For the six months ended July 1, 2022, the Company recognized an earnout payment of \$30.0 million. As all Deferred Local Closings were completed as of December 31, 2022, there are no discontinued operations reported for the three and six months ended June 30, 2023.

The operating results of the Divestiture for the three and six months ended July 1, 2022 are reflected in the Condensed Consolidated Statements of Operations within income from discontinued operations, net of tax as follows (\$ in millions):

	Three Months Ended July 1, 2022	Six Months Ended July 1, 2022
Sales	\$ 2.0	\$ 8.9
Cost of sales	1.1	7.0
Gross profit	0.9	1.9
Operating expenses:		
Selling, general and administrative	1.0	2.1
Research and development	—	—
Operating loss	(0.1)	(0.2)
Income tax expense	—	—
Loss from discontinued operations	(0.1)	(0.2)
Gain on sale of discontinued operations, net of tax	2.7	7.3
Net income from discontinued operations	<u>\$ 2.6</u>	<u>\$ 7.1</u>

### NOTE 4. CREDIT LOSSES

The allowance for credit losses is a valuation account deducted from accounts receivable to present the net amount expected to be collected. Accounts receivable are charged off against the allowance when management believes the uncollectibility of an accounts receivable balance is confirmed.

Management estimates the adequacy of the allowance by using relevant available information, from internal and external sources, relating to past events, current conditions and forecasts. Historical credit loss experience provides the basis for estimation of expected credit losses and is adjusted as necessary using the relevant information available. The allowance for credit losses is measured on a collective basis when similar risk characteristics exist. The Company has identified one portfolio segment based on the following risk characteristics: geographic regions, product lines, default rates and customer specific factors.

The factors used by management in its credit loss analysis are inherently subject to uncertainty. If actual results are not consistent with management's estimates and assumptions, the allowance for credit losses may be overstated or understated and a charge or credit to net income (loss) may be required.

The rollforward of the allowance for credit losses is summarized as follows (\$ in millions):

<b>Balance at December 31, 2022</b>	\$	16.2
Foreign currency translation		(0.2)
Provision for credit losses		3.2
Write-offs charged against the allowance		(1.8)
Recoveries		(1.1)
<b>Balance at June 30, 2023</b>	<u>\$</u>	<u>16.3</u>

#### NOTE 5. INVENTORIES

The classes of inventory are summarized as follows (\$ in millions):

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Finished goods	\$ 229.5	\$ 229.2
Work in process	22.2	23.9
Raw materials	102.2	103.4
Reserve for inventory obsolescence	(56.9)	(55.7)
<b>Total</b>	<u>\$ 297.0</u>	<u>\$ 300.8</u>

#### NOTE 6. PROPERTY, PLANT AND EQUIPMENT

The classes of property, plant and equipment are summarized as follows (\$ in millions):

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Land and improvements	\$ 10.0	\$ 10.0
Buildings and improvements	158.3	154.5
Machinery, equipment and other assets	394.7	370.2
Construction in progress	63.8	71.2
Gross property, plant and equipment	626.8	605.9
Less: accumulated depreciation	(326.7)	(312.3)
<b>Property, plant and equipment, net</b>	<u>\$ 300.1</u>	<u>\$ 293.6</u>

#### NOTE 7. GOODWILL

The following is a rollforward of the Company's goodwill by segment (\$ in millions):

	<u>Specialty Products &amp; Technologies</u>	<u>Equipment &amp; Consumables</u>	<u>Total</u>
<b>Balance at December 31, 2022</b>	\$ 2,047.8	\$ 1,448.8	\$ 3,496.6
Foreign currency translation	(7.8)	5.0	(2.8)
<b>Balance at June 30, 2023</b>	<u>\$ 2,040.0</u>	<u>\$ 1,453.8</u>	<u>\$ 3,493.8</u>

## NOTE 8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities were as follows (\$ in millions):

	June 30, 2023		December 31, 2022	
	Current	Noncurrent	Current	Noncurrent
Compensation and benefits	\$ 114.1	\$ 21.1	\$ 148.0	\$ 17.5
Sales and product allowances	63.7	1.5	85.1	1.3
Contract liabilities	102.6	8.3	78.9	8.6
Taxes, income and other	37.8	65.8	42.1	68.6
Restructuring-related employee severance, benefits and other	11.1	—	18.9	—
Pension benefits	5.6	16.6	5.6	17.5
Loss contingencies	10.3	26.7	8.1	27.6
Derivative financial instruments	—	1.7	—	—
Other	88.8	11.3	84.7	10.2
Total	<u>\$ 434.0</u>	<u>\$ 153.0</u>	<u>\$ 471.4</u>	<u>\$ 151.3</u>

## NOTE 9. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses cross-currency swap derivative contracts to partially hedge its net investments in foreign operations against adverse movements in exchange rates between the U.S. dollar and the euro. The cross-currency swap derivative contracts are agreements to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. On January 17, 2023, the Company entered into a two-year cross-currency swap derivative contract, with a notional value of \$150.0 million, with respect to its \$650.0 million senior term loan facility. This contract effectively converts a portion of the \$650.0 million senior term loan facility to an obligation denominated in euros and partially offsets the impact of changes in currency rates on foreign currency denominated net investments. This instrument matures on January 17, 2025.

The Company also has foreign currency denominated long-term debt in the amount of €208.0 million. This senior euro term loan facility represents a partial hedge of the Company's net investment in foreign operations against adverse movements in exchange rates between the U.S. dollar and the euro. The senior euro term loan facility is designated and qualifies as a non-derivative hedging instrument. The senior euro term loan facility matures in September 2024. Refer to Note 13 for further discussion of the senior euro term loan facility.

The change in the fair value of the cross-currency swap instrument and the foreign currency translation of the senior euro term loan facility are recorded in accumulated other comprehensive loss in equity, in the accompanying Condensed Consolidated Balance Sheets, partially offsetting the foreign currency translation adjustment of the Company's related net investment that is also recorded in accumulated other comprehensive loss as reflected in Note 14.

The Company has also used interest rate swap derivative contracts to reduce its variability of cash flows related to interest payments with respect to its senior term and senior euro term loan facilities. The interest rate swap contracts exchanged interest payments based on variable rates for interest payments based on fixed rates. The changes in the fair value of these instruments were recorded in accumulated other comprehensive loss in equity (see Note 14). The interest income or expense from the cross-currency and interest rate swaps were recorded in interest expense, net in the Company's Condensed Consolidated Statements of Operations consistent with the classification of interest expense attributable to the underlying debt. The Company did not have any outstanding interest rate swap contracts as of June 30, 2023.

The following table summarizes the notional values as of June 30, 2023 and July 1, 2022 and pretax impact of changes in the fair values of instruments designated as net investment and cash flow hedges in accumulated other comprehensive loss ("OCI") for the three and six months ended June 30, 2023 and July 1, 2022 (\$ in millions):

	Three Months Ended June 30, 2023		Three Months Ended July 1, 2022	
	Notional Amount	Loss Recognized in OCI	Notional Amount	Gain Recognized in OCI
Foreign currency denominated debt	\$ 227.0	\$ (1.5)	\$ 216.6	\$ 13.1
Foreign currency contracts	150.0	(1.7)	650.0	36.2
Interest rate contract	—	—	250.0	0.7
Total	<u>\$ 377.0</u>	<u>\$ (3.2)</u>	<u>\$ 1,116.6</u>	<u>\$ 50.0</u>

  

	Six Months Ended June 30, 2023		Six Months Ended July 1, 2022	
	Notional Amount	Loss Recognized in OCI	Notional Amount	Gain Recognized in OCI
Foreign currency denominated debt	\$ 227.0	\$ (4.3)	\$ 216.6	\$ 19.9
Foreign currency contracts	150.0	(1.7)	650.0	54.1
Interest rate contracts	—	—	250.0	2.5
Total	<u>\$ 377.0</u>	<u>\$ (6.0)</u>	<u>\$ 1,116.6</u>	<u>\$ 76.5</u>

The Company did not reclassify any deferred gains or losses related to net investment and cash flow hedges from accumulated other comprehensive loss to income during the three and six months ended June 30, 2023 and July 1, 2022. In addition, the Company did not have any ineffectiveness related to net investment and cash flow hedges and therefore did not reclassify any portion of the above net investment and cash flow hedges from accumulated other comprehensive loss into income during the three and six months ended June 30, 2023 and July 1, 2022. The cash inflows and outflows associated with the Company's derivative contracts designated as net investment hedges are classified in investing activities in the accompanying Condensed Consolidated Statements of Cash Flows.

The Company's derivative instruments, as well as its non-derivative debt instruments designated and qualifying as net investment hedges, were classified in the Company's Condensed Consolidated Balance Sheets as follows (\$ in millions):

	June 30, 2023	December 31, 2022
<b>Derivative liabilities:</b>		
Other long-term liabilities	\$ 1.7	\$ —
<b>Nonderivative hedging instruments:</b>		
Long-term debt	\$ 227.0	\$ 222.7

Amounts related to the Company's derivatives expected to be reclassified from accumulated other comprehensive loss to net income during the next 12 months are not significant.

#### NOTE 10. FAIR VALUE MEASUREMENTS

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where the Company's assets and liabilities are required to be carried at fair value and provide for certain disclosures related to the valuation methods used within a valuation hierarchy as established within the accounting standards. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, or other observable characteristics for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from, or corroborated by, observable market data through correlation; and Level 3 inputs are unobservable inputs based on the Company's assumptions. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.



A summary of financial assets and liabilities that are measured at fair value on a recurring basis were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>June 30, 2023</b>				
Liabilities:				
Cross-currency swap derivative contracts	\$ —	\$ 1.7	\$ —	\$ 1.7
Deferred compensation plans	\$ —	\$ 19.4	\$ —	\$ 19.4
Contingent consideration	\$ —	\$ —	\$ 6.0	\$ 6.0
<b>December 31, 2022:</b>				
Liabilities:				
Deferred compensation plans	\$ —	\$ 15.8	\$ —	\$ 15.8
Contingent consideration	\$ —	\$ —	\$ 6.0	\$ 6.0

### ***Derivative Instruments***

The cross-currency swap derivative contract was classified as Level 2 in the fair value hierarchy as it is measured using the income approach with the relevant, foreign currency current exchange rates and forward curves as inputs. Refer to Note 9 for additional information.

### ***Deferred Compensation Plans***

Certain management employees of the Company participate in nonqualified deferred compensation programs that permit such employees to defer a portion of their compensation, on a pretax basis. All amounts deferred under this plan are unfunded, unsecured obligations and are presented as a component of the Company's compensation and benefits accrual included in accrued expenses in the accompanying Condensed Consolidated Balance Sheets (refer to Note 8). Participants may choose among alternative earnings rates for the amounts they defer, which are primarily based on investment options within the Company's 401(k) program. Changes in the deferred compensation liability under these programs are recognized based on changes in the fair value of the participants' accounts, which are based on the applicable earnings rates on investment options within the Company's 401(k) program. Amounts voluntarily deferred by employees into the Company stock fund and amounts contributed to participant accounts by the Company are deemed invested in the Company's common stock and future distributions of such contributions will be made solely in shares of Company common stock, and therefore are not reflected in the above amounts.

### ***Contingent Consideration***

Contingent consideration represents a cash hold back intended to be used for certain liabilities related to the Company's acquisition of the Intraoral Scanner Business (as further discussed in Note 2). Contingent consideration was classified as Level 3 in the fair value hierarchy as the estimated fair value was measured using a probability weighted discounted cash flow model.

### ***Fair Value of Financial Instruments***

The carrying amounts and fair values of the Company's financial instruments were as follows (\$ in millions):

	June 30, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Liabilities:</b>				
Contingent consideration	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0
Cross-currency swap derivative contracts	\$ 1.7	\$ 1.7	\$ —	\$ —
Convertible senior notes due 2025	\$ 511.5	\$ 868.4	\$ 510.0	\$ 873.0
Long-term debt	\$ 875.6	\$ 875.6	\$ 870.7	\$ 870.7

The fair value of long-term debt approximates the carrying value as these borrowings are based on variable market rates. The fair value of the convertible senior notes due 2025 was determined based on the quoted bid price of the convertible senior notes in an over-the-counter market on June 30, 2023 and December 31, 2022. The convertible senior notes are considered as Level 2 of the fair value hierarchy. The fair values of cash and cash equivalents, which consist primarily of money market funds, time and demand deposits, trade accounts receivable, net and trade accounts payable approximate their carrying amounts due to the short-term maturities of these instruments.

#### NOTE 11. WARRANTY

The Company generally accrues estimated warranty costs at the time of sale. In general, manufactured products are warranted against defects in material and workmanship when properly used for their intended purpose, installed correctly and appropriately maintained. Warranty periods depend on the nature of the product and range from 90 days up to the life of the product. The amount of the accrued warranty liability is determined based on historical information such as past experience, product failure rates or number of units repaired, estimated cost of material and labor and in certain instances estimated property damage. The accrued warranty liability is reviewed on a quarterly basis and may be adjusted as additional information regarding expected warranty costs becomes known.

The following is a rollforward of the Company's accrued warranty liability (\$ in millions):

<b>Balance at December 31, 2022</b>	<b>\$ 9.2</b>
Accruals for warranties issued during the year	6.7
Settlements made	(6.5)
Effect of foreign currency translation	0.1
<b>Balance at June 30, 2023</b>	<b><u>\$ 9.5</u></b>

#### NOTE 12. LITIGATION AND CONTINGENCIES

The Company records accruals for loss contingencies associated with legal matters when it is probable that a liability will be incurred, and the amount of the loss can be reasonably estimated.

For litigation matters that the Company has determined are both probable and can be reasonably estimated, the Company has accrued \$37.0 million and \$35.7 million as of June 30, 2023 and December 31, 2022, respectively, which are included in accrued liabilities in the Condensed Consolidated Balance Sheets. The Company has accrued for these matters and will continue to monitor each related legal issue and adjust accruals as might be warranted based on new information and further developments in accordance with ASC 450-20-25. Amounts accrued for legal contingencies often result from a complex series of judgments about future events and uncertainties that rely heavily on estimates and assumptions including timing of related payments. The ability to make such estimates and judgments can be affected by various factors including, among other things, whether damages sought in the proceedings are unsubstantiated or indeterminate; legal discovery has not commenced or is not complete; proceedings are in early stages; matters present legal uncertainties; there are significant facts in dispute; procedural or jurisdictional issues; the uncertainty and unpredictability of the number of potential claims; or there are numerous parties involved. To the extent adverse verdicts have been rendered against the Company, the Company does not record an accrual until a loss is determined to be probable and can be reasonably estimated. In the Company's opinion, based on its examination of these matters, its experience to date and discussions with counsel, the ultimate outcome of legal proceedings, net of liabilities accrued in the Company's Condensed Consolidated Balance Sheets, is not expected to have a material adverse effect on the Company's financial position. However, the resolution of, or increase in accruals for one or more of these matters in any reporting period may have a material adverse effect on the Company's results of operations and cash flows for that period.

## NOTE 13. DEBT AND CREDIT FACILITIES

The components of the Company's debt were as follows, net of debt issuance costs (\$ in millions):

	June 30, 2023	December 31, 2022
Senior term loan facility due 2024 (the "Term Loan")	\$ 648.8	\$ 648.3
Senior euro term loan facility due 2024 (the "Euro Term Loan")	226.8	222.4
Convertible senior notes due 2025	511.5	510.0
Total debt	1,387.1	1,380.7
Less: current portion	(511.5)	(510.0)
Long-term debt	\$ 875.6	\$ 870.7

### *Credit Facilities*

The Company maintains a \$650.0 million Term Loan and a €208.0 million Euro Term Loan. Additionally, the Company maintains a revolving credit facility (together with the Term Loan and the Euro Term Loan, the "Senior Credit Facilities") with an aggregate available borrowing capacity of \$750.0 million and a \$20.0 million sublimit for the issuance of standby letters of credit that can be used for working capital and other general corporate purposes. The Company may request further increases to the revolving credit facility in an aggregate amount not to exceed \$350.0 million. As of June 30, 2023 and December 31, 2022, there were no borrowings outstanding under the revolving credit facility. The Senior Credit Facilities mature on September 20, 2024.

Under the Senior Credit Facilities, borrowings bear interest as follows: (1) Eurocurrency Rate Loans (as defined in the Amended Credit Agreement) bear interest at a variable rate equal to the London inter-bank offered ("LIBOR") rate plus a margin of between 0.785% and 1.625%, depending on the Company's Consolidated Leverage Ratio (as defined in the Amended Credit Agreement) as of the last day of the immediately preceding fiscal quarter; and (2) Base Rate Loans (as defined in the Amended Credit Agreement) bear interest at a variable rate equal to (a) the highest of (i) the Federal funds rate (as published by the Federal Reserve Bank of New York from time to time) plus 0.50%, (ii) Bank of America's "prime rate" as publicly announced from time to time and (iii) the Eurocurrency Rate (as defined in the Amended Credit Agreement) plus 1.0%, plus (b) a margin of between 0.00% and 0.625%, depending on the Company's Consolidated Leverage Ratio as of the last day of the immediately preceding fiscal quarter. In no event will Eurocurrency Rate Loans or Base Rate Loans bear interest at a rate lower than 0.0%. In the event of LIBOR cessation, the Secured Overnight Financing Rate will be used as a replacement rate. In addition, the Company is required to pay a per annum facility fee of between 0.09% and 0.225% depending on the Company's Consolidated Leverage Ratio as of the last day of the immediately preceding fiscal quarter and based on the aggregate commitments under the revolving credit facility, whether drawn or not.

The interest rates for borrowings under the Term Loan were 6.44% and 5.98% as of June 30, 2023 and December 31, 2022, respectively. The interest rates for borrowings under the Euro Term Loan were 4.49% and 3.28% as of June 30, 2023 and December 31, 2022, respectively. Interest is payable quarterly for both the Term and Euro Term Loans. The Company is required to maintain a Consolidated Leverage Ratio of 3.75 to 1.00 or less and includes a provision that the maximum Consolidated Leverage Ratio will be increased to 4.25 to 1.00 for the four consecutive full fiscal quarters immediately following the consummation of any acquisition by the Company or any subsidiary of the Company in which the purchase price exceeds \$100.0 million. The Company is also required to maintain a Consolidated Interest Coverage Ratio (as defined in the Amended Credit Agreement) of at least 3.00 to 1.00. The Company is subject to customary representations, warranties, conditions precedent, events of default, indemnities and affirmative and negative covenants, including covenants that, among other things, limit or restrict the Company's and/or the Company's subsidiaries' ability, subject to certain exceptions and qualifications, to incur liens or indebtedness, merge, consolidate or sell or otherwise transfer assets, make dividends or distributions, enter into transactions with the Company's affiliates and use proceeds of the debt financing for other than permitted uses. Additionally, upon the occurrence and during the continuance of an event of default, the lenders may declare the outstanding advances and all other obligations immediately due and payable. The Company was in compliance with all of its debt covenants as of June 30, 2023.

### *Convertible Senior Notes (the “Notes”)*

On May 21, 2020, the Company issued the Notes due on June 1, 2025, unless earlier repurchased, redeemed or converted. The aggregate principal amount, which includes the initial purchasers’ exercise in full of their option to purchase an additional \$67.5 million principal amount of the Notes, was \$517.5 million. The net proceeds from the issuance, after deducting purchasers’ discounts and estimated offering expenses, were \$502.6 million. The Company used part of the net proceeds to pay for the capped call transactions (“Capped Calls”) as further described below. The Notes accrue interest at a rate of 2.375% per annum, payable semi-annually in arrears on June 1 and December 1 of each year. The Notes have an initial conversion rate of 47.5862 shares of the Company’s common stock per \$1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately \$21.01 per share of the Company’s common stock and is subject to adjustment upon the occurrence of specified events. The Notes are governed by an indenture dated as of May 21, 2020 (the “Indenture”) between the Company and Wilmington Trust, National Association, as trustee. The Indenture does not contain any financial covenants or any restrictions on the payment of dividends, the incurrence of senior debt or other indebtedness or the issuance or repurchase of the Company’s securities by the Company.

The Notes are the Company’s senior, unsecured obligations and are (i) equal in right of payment with the Company’s existing and future senior, unsecured indebtedness; (ii) senior in right of payment to the Company’s existing and future indebtedness that is expressly subordinated to the Notes; (iii) effectively subordinated to the Company’s existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness; and (iv) structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and (to the extent the Company is not a holder thereof) preferred equity, if any, of the Company’s subsidiaries.

Holders of the Notes may convert their Notes at any time on or after December 2, 2024 until the close of business on the second scheduled trading day preceding the maturity date. Holders of the Notes will also have the right to convert the Notes prior to December 2, 2024, but only upon the occurrence of specified events. In December 2021, the Company made the irrevocable election to settle all Notes conversions through combination settlement, satisfying the principal amount outstanding with cash and any Notes conversion value in excess of the principal amount in cash, shares of the Company’s common stock or a combination of both. If a fundamental change occurs prior to the maturity date, holders of the Notes may require the Company to repurchase all or a portion of their Notes for cash at a repurchase price equal to 100.0% of the principal amount plus any accrued and unpaid interest. In addition, if specific corporate events occur prior to the maturity date, the Company would increase the conversion rate for a holder who elects to convert its Notes in connection with such an event in certain circumstances. As of June 30, 2023 and December 31, 2022, the stock price exceeded 130% of the conversion price of \$21.01 in 20 days of the final 30 trading days ended June 30, 2023 and December 31, 2022, which satisfied one of the conditions permitting early conversion by holders of the Notes, therefore, the Notes are classified as short-term debt.

The Notes will be redeemable, in whole or in part, at the Company’s option at any time, and from time to time, on or after June 1, 2023 and on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding the redemption date, but only if the last reported sale price per share of the Company’s common stock exceeds 130.0% of the conversion price on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (ii) the trading day immediately before the date the Company sends such notice. In addition, calling any Note for redemption will constitute a “Make-Whole Fundamental Change” (as defined in the Indenture) with respect to that Note, in which case the conversion rate applicable to the conversion of that Note will be increased in certain circumstances if it is converted after it is called for redemption.

The following table sets forth total interest expense recognized related to the Notes (\$ in millions):

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	June 30, 2023	July 1, 2022
Contractual interest expense	\$ 3.0	\$ 3.0	\$ 6.1	\$ 6.1
Amortization of debt issuance costs	0.8	0.8	1.5	1.5
Total interest expense	\$ 3.8	\$ 3.8	\$ 7.6	\$ 7.6

For the three and six months ended June 30, 2023 and July 1, 2022, the debt issuance costs were amortized using an annual effective interest rate of 3.0% to interest expense over the term of the Notes.

As of June 30, 2023 and December 31, 2022, the if-converted value of the Notes exceeded the outstanding principal amount by \$315.8 million and \$311.7 million, respectively.

### ***Debt Issuance Costs***

The remaining unamortized debt issuance costs for the Convertible Senior Notes, Term Loan and Euro Term Loan were as follows (\$ in millions):

	June 30, 2023	December 31, 2022
Convertible Senior Notes	\$ 6.0	\$ 7.5
Term Loan	1.2	1.7
Euro Term Loan	0.2	0.3
	<u>\$ 7.4</u>	<u>\$ 9.5</u>

The above unamortized debt issuance costs have been netted against their respective aggregate principal amounts of the related debt and are being amortized to interest expense over the term of the respective debt.

### ***Capped Call Transactions***

In connection with the offering of the Notes, the Company entered into Capped Calls with certain counterparties. The Capped Calls each have an initial strike price of approximately \$21.01 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Notes. The Capped Calls have initial cap prices of \$23.79 per share, subject to certain adjustments. The Capped Calls cover, subject to anti-dilution adjustments, 2.9 million shares of the Company's common stock. The Capped Calls are generally intended to reduce or offset the potential dilution from shares of common stock issued upon any conversion of the Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. As the Capped Call transactions are considered indexed to the Company's own stock and are considered equity classified, they are recorded in equity and are not accounted for as derivatives. The cost of \$20.7 million incurred in connection with the Capped Calls was recorded as a reduction to additional paid-in capital.

### **NOTE 14. ACCUMULATED OTHER COMPREHENSIVE LOSS**

The changes in accumulated other comprehensive loss by component are summarized below (\$ in millions).

	Foreign Currency Translation Adjustments	Unrealized Pension Costs	Total Accumulated Other Comprehensive Loss
<b>Three Months Ended June 30, 2023</b>			
<b>Balance, March 31, 2023</b>	\$ (225.7)	\$ 15.1	\$ (210.6)
Other comprehensive loss before reclassifications:			
Decrease	(26.7)	—	(26.7)
Income tax impact	0.8	—	0.8
Other comprehensive loss before reclassifications, net of income taxes	(25.9)	—	(25.9)
Amounts reclassified from accumulated other comprehensive loss:			
Increase	—	(0.5)	(0.5)
Income tax impact	—	0.1	0.1
Amounts reclassified from accumulated other comprehensive loss, net of income taxes	—	(0.4)	(0.4)
Net current period other comprehensive loss, net of income taxes	(25.9)	(0.4)	(26.3)
<b>Balance, June 30, 2023</b>	<u>\$ (251.6)</u>	<u>\$ 14.7</u>	<u>\$ (236.9)</u>

	Foreign Currency Translation Adjustments	Unrealized Loss on Cash Flow Hedges	Unrealized Pension Costs	Total Accumulated Other Comprehensive Loss
<b>Three Months Ended July 1, 2022</b>				
<b>Balance, April 1, 2022</b>	\$ (199.2)	\$ (0.3)	\$ (2.3)	\$ (201.8)
Other comprehensive (loss) income before reclassifications:				
(Decrease) increase	(60.4)	0.7	—	(59.7)
Income tax impact	(12.5)	(0.2)	—	(12.7)
Other comprehensive (loss) income before reclassifications, net of income taxes	(72.9)	0.5	—	(72.4)
Amounts reclassified from accumulated other comprehensive loss:				
Increase	—	—	—	—
Income tax impact	—	—	(0.1)	(0.1)
Amounts reclassified from accumulated other comprehensive loss, net of income taxes	—	—	(0.1)	(0.1)
Net current period other comprehensive (loss) income, net of income taxes	(72.9)	0.5	(0.1)	(72.5)
<b>Balance, July 1, 2022</b>	<u>\$ (272.1)</u>	<u>\$ 0.2</u>	<u>\$ (2.4)</u>	<u>\$ (274.3)</u>

	Foreign Currency Translation Adjustments	Unrealized Pension Costs	Total Accumulated Other Comprehensive Loss
<b>Six Months Ended June 30, 2023</b>			
<b>Balance, December 31, 2022</b>	\$ (240.5)	\$ 15.4	\$ (225.1)
Other comprehensive loss before reclassifications:			
Decrease	(12.6)	—	(12.6)
Income tax impact	1.5	—	1.5
Other comprehensive loss before reclassifications, net of income taxes	(11.1)	—	(11.1)
Amounts reclassified from accumulated other comprehensive loss:			
Increase	—	(0.9)	(0.9)
Income tax impact	—	0.2	0.2
Amounts reclassified from accumulated other comprehensive loss, net of income taxes	—	(0.7)	(0.7)
Net current period other comprehensive loss, net of income taxes	(11.1)	(0.7)	(11.8)
<b>Balance, June 30, 2023</b>	<u>\$ (251.6)</u>	<u>\$ 14.7</u>	<u>\$ (236.9)</u>

	Foreign Currency Translation Adjustments	Unrealized Loss on Cash Flow Hedges	Unrealized Pension Costs	Total Accumulated Other Comprehensive Loss
<b>Six Months Ended July 1, 2022</b>				
<b>Balance, December 31, 2021</b>	\$ (139.6)	\$ (1.7)	\$ (2.2)	\$ (143.5)
Other comprehensive (loss) income before reclassifications:				
(Decrease) increase	(114.2)	2.5	—	(111.7)
Income tax impact	(18.3)	(0.6)	—	(18.9)
Other comprehensive (loss) income before reclassifications, net of income taxes	(132.5)	1.9	—	(130.6)
Amounts reclassified from accumulated other comprehensive loss:				
Increase	—	—	(0.2)	(0.2)
Income tax impact	—	—	—	—
Amounts reclassified from accumulated other comprehensive loss, net of income taxes	—	—	(0.2)	(0.2)
Net current period other comprehensive (loss) income, net of income taxes	(132.5)	1.9	(0.2)	(130.8)
<b>Balance, July 1, 2022</b>	<u>\$ (272.1)</u>	<u>\$ 0.2</u>	<u>\$ (2.4)</u>	<u>\$ (274.3)</u>

#### NOTE 15. REVENUE

The following table presents the Company's revenues disaggregated by geographical region for the three and six months ended June 30, 2023 and July 1, 2022 (\$ in millions). Sales taxes and other usage-based taxes collected from customers are excluded from revenues. The Company has historically defined emerging markets as developing markets of the world, which prior to the COVID-19 pandemic, experienced extended periods of accelerated growth in gross domestic product and infrastructure, to include Eastern Europe, the Middle East, Africa, Latin America and Asia (with the exception of Japan and Australia). The Company defines developed markets as all markets of the world that are not emerging markets.

	Three Months Ended June 30, 2023			Three Months Ended July 1, 2022		
	Specialty Products & Technologies	Equipment & Consumables	Total	Specialty Products & Technologies	Equipment & Consumables	Total
<b>Geographical region:</b>						
North America	\$ 178.3	\$ 162.1	\$ 340.4	\$ 179.5	\$ 160.3	\$ 339.8
Western Europe	114.6	30.3	144.9	100.5	29.4	129.9
Other developed markets	22.2	10.1	32.3	23.0	10.3	33.3
Emerging markets	101.9	42.9	144.8	104.7	38.1	142.8
Total	<u>\$ 417.0</u>	<u>\$ 245.4</u>	<u>\$ 662.4</u>	<u>\$ 407.7</u>	<u>\$ 238.1</u>	<u>\$ 645.8</u>



	Six Months Ended June 30, 2023			Six Months Ended July 1, 2022		
	Specialty Products & Technologies	Equipment & Consumables	Total	Specialty Products & Technologies	Equipment & Consumables	Total
<b>Geographical region:</b>						
North America	\$ 363.6	\$ 301.5	\$ 665.1	\$ 358.8	\$ 316.6	\$ 675.4
Western Europe	231.6	62.4	294.0	206.8	61.4	268.2
Other developed markets	46.2	18.7	64.9	47.4	20.6	68.0
Emerging markets	185.6	80.0	265.6	191.8	73.8	265.6
Total	<u>\$ 827.0</u>	<u>\$ 462.6</u>	<u>\$ 1,289.6</u>	<u>\$ 804.8</u>	<u>\$ 472.4</u>	<u>\$ 1,277.2</u>

### ***Remaining Performance Obligations***

Remaining performance obligations include noncancelable purchase orders, extended warranty and service agreements and do not include revenue from contracts with customers with an original term of one year or less.

As of June 30, 2023, the aggregate amount of the transaction price allocated to remaining performance obligations was \$73.1 million and the Company expects to recognize revenue on the majority of this amount over the next 12 months.

### ***Contract Liabilities***

The Company often receives cash payments from customers in advance of the Company's performance resulting in contract liabilities. These contract liabilities are classified as either current or long-term in the Condensed Consolidated Balance Sheets based on the timing of when the Company expects to recognize revenue. As of June 30, 2023 and December 31, 2022, the contract liabilities were \$110.9 million and \$87.5 million, respectively, and are included within accrued expenses and other liabilities and other long-term liabilities in the accompanying Condensed Consolidated Balance Sheets. Revenue recognized during the six months ended June 30, 2023 and July 1, 2022 that was included in the contract liability balance at December 31, 2022 and December 31, 2021 was \$53.2 million and \$36.1 million, respectively.

### ***Significant Customers***

Sales to the Company's largest customer were 12% of sales for both of the three months ended June 30, 2023 and July 1, 2022, and 11% of sales for both of the six months ended June 30, 2023 and July 1, 2022.

### ***Seasonality***

Based on historical experience, the Company generally has more sales in the second half of the calendar year than in the first half of the calendar year, with the first quarter typically having the lowest sales of the year. Based on historical customer buying patterns, the Company generally has more sales in the fourth quarter than in any other quarter of the year, driven in particular by capital spending in the Equipment & Consumables segment. As a result of this seasonality in sales, profitability in the Equipment & Consumables segment also tends to be higher in the second half of the year. There are no assurances that these historical trends will continue in the future.

## **NOTE 16. RESTRUCTURING ACTIVITIES AND RELATED IMPAIRMENTS**

### ***Restructuring Activities***

The Company's restructuring activities are undertaken as necessary to implement management's strategy, streamline operations, take advantage of available capacity and resources, and ultimately achieve net cost reductions. These activities generally relate to the realignment of existing manufacturing capacity and closure of facilities and other exit or disposal activities, as it relates to executing the Company's strategy, pursuant to significant restructuring programs.



The related liability which is included in accrued liabilities in the Condensed Consolidated Balance Sheets is summarized below (\$ in millions):

	Employee Severance and Related	Facility Exit and Related	Total
<b>Balance, December 31, 2022</b>	\$ 18.2	\$ 0.7	\$ 18.9
Costs incurred	13.2	4.3	17.5
Paid	(21.2)	(4.1)	(25.3)
<b>Balance, June 30, 2023</b>	<u>\$ 10.2</u>	<u>\$ 0.9</u>	<u>\$ 11.1</u>

Restructuring related charges by segment were as follows (\$ in millions):

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	June 30, 2023	July 1, 2022
Specialty Products & Technologies	\$ 6.2	\$ 4.2	\$ 7.8	\$ 8.2
Equipment & Consumables	6.4	9.3	9.0	8.4
Other	1.0	1.3	1.1	1.9
Total	<u>\$ 13.6</u>	<u>\$ 14.8</u>	<u>\$ 17.9</u>	<u>\$ 18.5</u>

Restructuring related charges were reflected in the following captions in the accompanying Condensed Consolidated Statements of Operations (\$ in millions):

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	June 30, 2023	July 1, 2022
Cost of sales	\$ 4.8	\$ 6.9	\$ 6.3	\$ 6.6
Selling, general and administrative expenses	8.8	7.9	11.6	11.9
Total	<u>\$ 13.6</u>	<u>\$ 14.8</u>	<u>\$ 17.9</u>	<u>\$ 18.5</u>

## NOTE 17. INCOME TAXES

The Company's effective tax rates from continuing operations of 24.3% and 23.0% for the three and six months ended June 30, 2023, respectively, and 24.7% and 20.8% for the three and six months ended July 1, 2022, respectively, differ from the U.S. federal statutory rate of 21.0% primarily due to the Company's geographical mix of earnings and discrete tax benefits.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which, among other things, implemented a 15% minimum tax on book income of certain large corporations, a 1% excise tax on net stock repurchases, and several tax incentives to promote clean energy. Based on the Company's current analysis of the provisions, this legislation did not have a material impact on its Condensed Consolidated Financial Statements as of or for the three and six months ended June 30, 2023.

## NOTE 18. EARNINGS PER SHARE

Earnings per share is calculated by dividing the applicable income by the weighted average number of shares of common stock outstanding for the applicable period. Diluted earnings per share is computed based on the weighted average number of common shares outstanding plus the effect of dilutive potential shares outstanding during the period using the treasury stock method. Dilutive potential common shares include employee equity options, non-vested shares and similar instruments granted by the Company and the assumed conversion impact of the Notes. The Company will settle any Notes conversions through a combination settlement by satisfying the principal amount outstanding with cash and any Notes conversion value in excess of the principal amount in cash or shares of the Company's common stock or any combination thereof. As such, the Company uses the treasury stock method for the assumed conversion of the Notes to compute the weighted average shares of common stock outstanding for diluted earnings per share. As the Company will settle the principal amount of the Notes in cash upon conversion, the Notes only have an impact on the Company's diluted earnings per share when the average share price of the Company's common stock exceeds the conversion price of \$21.01 per share in any applicable period. See the computation of earnings per share below for the dilutive impact of the Notes for the three and six months ended June 30, 2023 and July 1, 2022.

In connection with the offering of the Notes, the Company entered into Capped Calls (see further discussion in Note 13), which are intended to reduce or offset the potential dilution from shares of common stock issued upon conversion of the Notes. However, this impact is not included when calculating potentially dilutive shares since their effect is anti-dilutive. The Capped Calls will mitigate dilution from the conversion of the Notes up to the Company's common stock price of \$23.79. If the Notes are converted at a price higher than \$23.79 per share, the Capped Calls will no longer mitigate dilution from the conversion of the Notes.

The table below presents the computation of basic and diluted earnings per share (\$ and shares in millions, except per share amounts):

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	June 30, 2023	July 1, 2022
<b>Numerator:</b>				
Income from continuing operations, net of tax	\$ 51.9	\$ 44.5	\$ 95.7	\$ 114.9
Income from discontinued operations, net of tax	\$ —	\$ 2.6	\$ —	\$ 7.1
Net income	\$ 51.9	\$ 47.1	\$ 95.7	\$ 122.0
<b>Denominator:</b>				
Weighted-average common shares outstanding used in basic earnings per share	164.0	162.9	163.8	162.6
Incremental common shares from:				
Assumed exercise of dilutive options and vesting of dilutive restricted stock units	2.4	3.3	2.6	3.8
Assumed conversion of the Notes	9.9	12.3	10.5	12.8
Weighted average common shares outstanding used in diluted earnings per share	176.3	178.5	176.9	179.2
<b>Earnings per share:</b>				
Earnings from continuing operations - basic	\$ 0.32	\$ 0.27	\$ 0.58	\$ 0.71
Earnings from continuing operations - diluted	\$ 0.29	\$ 0.25	\$ 0.54	\$ 0.64
Earnings from discontinued operations - basic	\$ —	\$ 0.02	\$ —	\$ 0.04
Earnings from discontinued operations - diluted	\$ —	\$ 0.01	\$ —	\$ 0.04
Earnings - basic	\$ 0.32	\$ 0.29	\$ 0.58	\$ 0.75
Earnings - diluted	\$ 0.29	\$ 0.26	\$ 0.54	\$ 0.68

The following table presents the number of outstanding securities not included in the computation of diluted income per share, because their effect was anti-dilutive (in millions):

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	June 30, 2023	July 1, 2022
Stock-based awards	2.1	1.9	2.0	1.3

#### NOTE 19. SEGMENT INFORMATION

The Company operates and reports its results in two separate business segments, the Specialty Products & Technologies and Equipment & Consumables segments. When determining the reportable segments, the Company aggregated operating segments based on their similar economic and operating characteristics. Operating profit represents total revenues less operating expenses, excluding nonoperating income (expense), interest expense and income taxes. Operating profit amounts in the Other segment consist of unallocated corporate costs and other costs not considered part of management's evaluation of reportable segment operating performance. The identifiable assets by segment are those used in each segment's operations. Inter-segment amounts are not significant and are eliminated to arrive at consolidated totals.

The Company's Specialty Products & Technologies products primarily include implants, regenerative products, prosthetics, orthodontic brackets, aligners and lab products. The Company's Equipment & Consumables products primarily include traditional consumables such as bonding agents and cements, impression materials, infection prevention products and restorative products, while the Company's equipment products primarily include digital imaging systems, software and other visualization and magnification systems.

On December 31, 2021, the Company sold substantially all of its KaVo Treatment Unit and Instrument Business, which was part of the Company's Equipment & Consumables segment. As a result, the financial results of the KaVo Treatment Unit and Instrument Business for the three and six months ended July 1, 2022, were reported as discontinued operations and all segment information and descriptions exclude the KaVo Treatment Unit and Instrument Business. As of December 31, 2022, all activities related to the sale of the KaVo Treatment Unit and Instrument Business were completed and therefore there are no discontinued operations reported for the three and six months ended June 30, 2023. Refer to Note 3 for more information on the Company's discontinued operations.

Segment related information is shown below (\$ in millions):

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	June 30, 2023	July 1, 2022
<b>Sales:</b>				
Specialty Products & Technologies	\$ 417.0	\$ 407.7	\$ 827.0	\$ 804.8
Equipment & Consumables	245.4	238.1	462.6	472.4
Total	<u>\$ 662.4</u>	<u>\$ 645.8</u>	<u>\$ 1,289.6</u>	<u>\$ 1,277.2</u>
<b>Operating profit and reconciliation to income before taxes from continuing operations:</b>				
Specialty Products & Technologies	\$ 55.7	\$ 74.0	\$ 126.8	\$ 144.3
Equipment & Consumables	48.4	30.2	80.9	75.7
Other	(25.2)	(39.0)	(56.7)	(63.3)
Operating profit	78.9	65.2	151.0	156.7
Nonoperating income (expense):				
Other income	7.1	0.3	7.4	0.6
Interest expense, net	(17.4)	(6.4)	(34.1)	(12.3)
Income before taxes from continuing operations	<u>\$ 68.6</u>	<u>\$ 59.1</u>	<u>\$ 124.3</u>	<u>\$ 145.0</u>
<b>Identifiable assets:</b>				
			<b>June 30, 2023</b>	<b>December 31, 2022</b>
Specialty Products & Technologies			\$ 3,438.2	\$ 3,475.7
Equipment & Consumables			2,473.5	2,455.3
Other			695.5	656.0
Total			<u>\$ 6,607.2</u>	<u>\$ 6,587.0</u>

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with other information, including our Condensed Consolidated Financial Statements and related notes included in Part I, Item 1, Financial Information, of this Quarterly Report on Form 10-Q, our consolidated financial statements appearing in our Annual Report on Form 10-K for the year ended December 31, 2022 (the “2022 10-K”), and Part II, Item 1A, Risk Factors, of this Quarterly Report on Form 10-Q. Unless the context otherwise requires, all references herein to the “Company,” “we,” “us” or “our,” or similar terms, refer to Envista Holdings Corporation and its consolidated subsidiaries.*

*Certain statements included or incorporated by reference in this Quarterly Report are “forward-looking statements” within the meaning of the U.S. federal securities laws. All statements other than historical factual information are forward-looking statements, including without limitation statements regarding: the potential impacts of the COVID-19 pandemic on our business, financial condition, and results of operations; projections of revenue, expenses, profit, profit margins, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position or other projected financial measures; management’s plans and strategies for future operations, including statements relating to anticipated operating performance, cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions and the integration thereof, divestitures, spin-offs, split-offs or other distributions, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into; future regulatory approvals and the timing thereof; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; future foreign currency exchange rates and fluctuations in those rates; the anticipated timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that Envista intends or believes will or may occur in the future. Terminology such as “believe,” “anticipate,” “should,” “could,” “intend,” “will,” “plan,” “expect,” “estimate,” “project,” “target,” “may,” “possible,” “potential,” “forecast” and “positioned” and similar references to future periods are intended to identify forward-looking statements, although not all forward-looking statements are accompanied by such words. Forward-looking statements are based on assumptions and assessments made by our management in light of their experience and perceptions of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including but not limited to, the following: the conditions in the U.S. and global economy, the impact of inflation and increasing interest rates, international economic, political, legal, compliance and business factors, the markets served by us and the financial markets, the impact of the COVID-19 pandemic, the impact of our debt obligations on our operations and liquidity, developments and uncertainties in trade policies and regulations, contractions or growth rates and cyclicity of markets we serve, risks relating to product manufacturing, commodity costs and surcharges, our ability to adjust purchases and manufacturing capacity to reflect market conditions, reliance on sole or limited sources of supply, disruptions relating to war, terrorism, climate change, widespread protests and civil unrest, man-made and natural disasters, public health issues and other events, security breaches or other disruptions of our information technology systems or violations of data privacy laws, fluctuations in inventory of our distributors and customers, loss of a key distributor, our relationships with and the performance of our channel partners, competition, our ability to develop and successfully market new products and services, our ability to attract, develop and retain our key personnel, the potential for improper conduct by our employees, agents or business partners, our compliance with applicable laws and regulations (including regulations relating to medical devices and the health care industry), the results of our clinical trials and perceptions thereof, penalties associated with any off-label marketing of our products, modifications to our products that require new marketing clearances or authorizations, our ability to effectively address cost reductions and other changes in the health care industry, our ability to successfully identify and consummate appropriate acquisitions and strategic investments, our ability to integrate the businesses we acquire and achieve the anticipated benefits of such acquisitions, contingent liabilities relating to acquisitions, investments and divestitures, our ability to adequately protect our intellectual property, the impact of our restructuring activities on our ability to grow, risks relating to currency exchange rates, changes in tax laws applicable to multinational companies, litigation and other contingent liabilities including intellectual property and environmental, health and safety matters, risks relating to product, service or software defects, the impact of regulation on demand for our products and services, and labor matters, and other risks and uncertainties set forth under “Item 1A. Risk Factors” in the 2022 10-K and this Quarterly Report on Form 10-Q.*

*Forward-looking statements are not guarantees of future performance and actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Forward-looking statements contained herein speak only as of the date of this Quarterly Report. Except to the extent required by applicable law, we do not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise.*

## **BASIS OF PRESENTATION**

The accompanying Condensed Consolidated Financial Statements present our historical financial position, results of operations, changes in stockholders' equity and cash flows in accordance with GAAP.

### **Sale of the KaVo Treatment Unit and Instrument Business**

On December 31, 2021, we sold substantially all of the KaVo Treatment Unit and Instrument Business (the "Divestiture") to planmeca Verwaltungs GmbH, Germany ("Planmeca"), pursuant to the master sale and purchase agreement (the "Purchase Agreement") among us, Planmeca, and Planmeca Oy, as guarantor. However, the transfer of assets in certain countries was not executed and closed until 2022 ("Deferred Local Closing"). As of December 31, 2022, all Deferred Local Closings were completed and we received total net cash consideration of \$386.4 million in accordance with the terms of the Purchase Agreement.

The Divestiture was part of our strategy to structurally improve our long-term margins and represented a strategic shift with a major effect on our operations and financial results as described in ASC 205-20. The sale met the criteria to be accounted for as a discontinued operation and therefore, we applied discontinued operations treatment for the Divestiture as required by ASC 205-20. In accordance with ASC 205-20, we have reported the financial results of the Divestiture as discontinued operations in our Condensed Consolidated Statements of Operations and have excluded the KaVo Treatment Unit and Instrument Business from all segment information and descriptions for the three and six months ended July 1, 2022. Our Condensed Consolidated Statements of Cash Flows include the financial results of the KaVo Treatment Unit and Instrument Business for the six months ended July 1, 2022. As all Deferred Local Closings were completed as of December 31, 2022, there are no discontinued operations reported for the three and six months ended June 30, 2023.

## **OVERVIEW**

### **General**

We provide products that are used to diagnose, treat and prevent disease and ailments of the teeth, gums and supporting bone, as well as to improve the aesthetics of the human smile. We help our customers deliver the best possible patient care through industry-leading solutions, technologies, and services. With leading brand names, innovative technology and significant market positions, we are a leading worldwide provider of a broad range of solutions to support implant-based tooth replacements, orthodontic treatments, digital imaging and diagnostics, as well as general dental consumables, equipment and services, and are dedicated to driving technological innovations that help dental professionals improve clinical outcomes and enhance productivity. Our research and development, manufacturing, sales, distribution, service and administrative facilities are located in more than 30 countries across North America, Asia, Europe, the Middle East and Latin America.

We operate in two business segments: Specialty Products & Technologies and Equipment & Consumables. Our Specialty Products & Technologies segment develops, manufactures and markets products primarily related to dental implant systems, including regenerative solutions, dental prosthetics and associated treatment software and technologies, as well as orthodontic bracket systems, aligners and lab products. Our Equipment & Consumables segment develops, manufactures and markets products primarily related to dental equipment and supplies used in dental offices, including digital imaging systems, software and other visualization/magnification systems; endodontic systems and related consumables; and restorative materials and instruments, rotary burs, impression materials, bonding agents and cements and infection prevention products.

For the three and six months ended June 30, 2023, sales derived from customers outside of the United States were 52.7% and 52.5%, respectively, compared to both the three and six months ended July 1, 2022, of 51.3%. As a global provider of dental consumables, equipment and services, our operations are affected by worldwide, regional and industry-specific economic and political factors. Given the broad range of dental products, software and services provided and geographies served, we do not use any indices other than general economic trends to predict our overall outlook. Our individual businesses monitor key competitors and customers, including to the extent possible their sales, to gauge relative performance and the outlook for the future.

As a result of our geographic and product line diversity, we face a variety of opportunities and challenges, including rapid technological development in most of our served markets, the expansion and evolution of opportunities in emerging markets, trends and costs associated with a global labor force, consolidation of our competitors and increasing regulation. We operate in a highly competitive business environment in most markets, and our long-term growth and profitability will depend in particular on our ability to expand our business in emerging geographies and market segments, identify, consummate and integrate appropriate acquisitions, develop innovative and differentiated new products and services, expand and improve the effectiveness of our sales force, continue to reduce costs and improve operating efficiency and quality and effectively address the demands of an increasingly regulated global environment. We are making significant investments to address the rapid pace of technological change in our served markets and to globalize our manufacturing, research and development and customer-facing resources (particularly in emerging markets and our dental implant business) in order to be responsive to our customers throughout the world and improve the efficiency of our operations.

### **Key Trends and Conditions Affecting Our Results of Operations**

There have been no material changes to the key trends and conditions affecting our results of operations that were disclosed in our 2022 10-K, except as follows:

#### ***Foreign Currency Exchange Rates***

On a period-over-period basis, currency exchange rates negatively impacted reported sales by 1.2% and 1.4% for the three and six months ended June 30, 2023, respectively, compared to the comparable period of 2022, primarily due to the strength of the U.S. dollar against most major currencies. Any future strengthening of the U.S. dollar against major currencies would negatively impact our sales and results of operations for the remainder of the year, and any weakening of the U.S. dollar against major currencies would positively impact our sales and results of operations for the remainder of the year.

#### ***General Economic Conditions***

In addition to industry-specific factors, we, like other businesses, face challenges related to global economic conditions, including rising inflation, increasing interest rates, fluctuating foreign currency exchange rates, slowing economic growth, and continuing supply chain disruptions. Dental costs are largely out-of-pocket for the consumer and thus utilization rates can vary significantly depending on economic growth. While many of our products are considered necessary by patients regardless of the economic environment, certain products and services that support discretionary dental procedures may be more susceptible to changes in economic conditions.

#### ***Pricing Controls***

Certain countries, as well as some private payors, control the price of health care products, directly or indirectly, through reimbursement, payment, pricing or coverage limitations, tying reimbursement to outcomes or (in the case of governmental entities) compulsory licensing. For example, China has implemented volume-based procurement policies, a series of centralized reforms instituted in China on both a national and regional basis that has resulted in significant price cuts for medical and dental consumables.

#### ***Russia-Ukraine Conflict***

Russia's invasion of Ukraine and the global response to this invasion, including sanctions imposed by the U.S. and other countries, could have an adverse impact on our business, including our ability to market and sell products in the affected regions, potentially heightening our risk of cyber security attacks, impacting our ability to enforce our intellectual property rights in Russia, creating disruptions in the global supply chain, and potentially having an adverse impact on the global economy, financial markets, energy markets, currency rates and otherwise. While we are experiencing some volatility in sales from this region, Russia's invasion of Ukraine did not have a material impact on our overall financial position or results of operations as of and for the three and six months ended June 30, 2023 and July 1, 2022.

## **COVID-19**

The extent of the impact of the COVID-19 pandemic on our business remains uncertain and difficult to predict because of the dynamic and evolving nature of the situation. The global impact of the outbreak continues to adversely affect many industries, and different geographies continue to reflect the effects of public health restrictions in various ways. The economic recovery following the impact of the COVID-19 pandemic is only partially underway and has been gradual, uneven and characterized by meaningful dispersion across sectors and regions with uncertainty regarding its ultimate length and trajectory. During the three and six months ended June 30, 2023, notwithstanding improvement in many markets in which we operate due to a return to more normalized business operations, certain markets continued to be adversely impacted by COVID-19.

For additional information on certain risks to our business, please refer to the “Item 1A. Risk Factors” section of our 2022 10-K.

### **Acquisitions**

Our growth strategy contemplates future acquisitions and we continually evaluate potential acquisitions that either strategically fit with our existing portfolio or expand our portfolio into new and attractive business areas. Our operations and results can be affected by the rate and extent to which appropriate acquisition opportunities are available, acquired businesses are effectively integrated and anticipated synergies or cost savings are achieved. During the fiscal year 2022, we completed two acquisitions.

On July 5, 2022, we acquired all of the equity of Osteogenics for total consideration of approximately \$128.2 million, subject to certain customary adjustments as provided in the Equity Purchase Agreement dated May 17, 2022. Osteogenics develops innovative regenerative solutions for periodontists, oral and maxillofacial surgeons, and clinicians involved in implant dentistry throughout the world, and is part of our Specialty Products & Technologies segment.

On April 20, 2022, we completed our acquisition of Carestream Dental’s Intraoral Scanner Business for total consideration of approximately \$580.3 million, including contingent consideration of \$7.5 million, and subject to certain customary adjustments as provided in the IOS Purchase Agreement. The Intraoral Scanner Business manufactures, markets, sells, commercializes, distributes, services, trains, supports, and maintains operations of intraoral scanners and software, and is part of our Equipment & Consumables segment. We purchased the Intraoral Scanner Business through the acquisition of certain assets and the assumption of certain liabilities as well as the acquisition of all of the equity of certain subsidiaries of Carestream Dental.

### **Envista Business Systems**

Throughout this discussion, references to sales volume refer to the impact of both price and unit sales and references to productivity improvements generally refer to improved cost-efficiencies resulting from the ongoing application of Envista Business Systems (“EBS”). We believe our deep-rooted commitment to EBS helps drive our market leadership and differentiates us in the dental products industry. EBS encompasses not only lean tools and processes, but also methods for driving growth, innovation and leadership. Within the EBS framework, we pursue a number of ongoing strategic initiatives relating to streamlining business operations, portfolio simplification, reduction of costs, redeployment of resources, customer insight generation, product development and commercialization, efficient sourcing, and improvement in manufacturing and back-office support, all with a focus on continually improving quality, delivery, cost, growth and innovation.

### **Non-GAAP Measures**

In order to establish period-to-period comparability, we include the non-GAAP measure of core sales in this report. References to the non-GAAP measure of core sales (also referred to as core revenues or sales/revenues from existing businesses) refer to sales calculated according to GAAP, but excluding:

- sales from acquired businesses for one year from the acquisition date;
- sales from discontinued products; and
- the impact of currency translation.



We exclude sales from acquired businesses in order to provide accurate year over year comparisons. Sales from discontinued products includes major brands or major products that we have made the decision to discontinue as part of a portfolio restructuring. Discontinued brands or products consist of those which we (1) are no longer manufacturing, (2) are no longer investing in the research or development of, and (3) expect to discontinue all significant sales of within one year from the decision date to discontinue. The portion of sales attributable to discontinued brands or products is calculated as the net decline of the applicable discontinued brand or product from period-to-period. We exclude sales from discontinued products because discontinued products do not have a continuing contribution to operations and management believes that excluding such items provides investors with a means of evaluating our on-going operations and facilitates comparisons to our peers.

The portion of sales attributable to currency translation is calculated as the difference between:

- the period-to-period change in sales; and
- the period-to-period change in sales after applying current period foreign exchange rates to the prior year period.

Core sales growth should be considered in addition to, and not as a replacement for or superior to, sales, and may not be comparable to similarly titled measures reported by other companies. We believe that reporting the non-GAAP financial measure of core sales growth provides useful information to investors by helping identify underlying growth trends in our on-going business and facilitating comparisons of our sales performance with our performance in prior and future periods and to our peers. We also use core sales growth to measure our operating and financial performance. We exclude the effect of currency translation from core sales because currency translation is not under our control, is subject to volatility and can obscure underlying business trends.

## RESULTS OF OPERATIONS

All comparisons, variances, increases or decreases discussed below are for the three and six months ended June 30, 2023, compared to the three and six months ended July 1, 2022.

(\$ in millions)	Three Months Ended					
	June 30, 2023		July 1, 2022		% Change	
Sales	\$ 662.4	100.0%	\$ 645.8	100.0%	2.6 %	
Cost of sales	283.8	42.8%	276.0	42.7%	2.8 %	
Gross profit	378.6	57.2%	369.8	57.3%	2.4 %	
Operating costs:						
Selling, general and administrative (“SG&A”) expenses	272.9	41.2%	279.5	43.3%	(2.4)%	
Research and development (“R&D”) expenses	26.8	4.0%	25.1	3.9%	6.8 %	
Operating profit	78.9	11.9%	65.2	10.1%	21.0 %	
Nonoperating income (expense):						
Other income	7.1	1.1%	0.3	—%	NM	
Interest expense, net	(17.4)	(2.6)%	(6.4)	(1.0)%	171.9 %	
Income before income taxes	68.6	10.4%	59.1	9.2%	16.1 %	
Income tax expense	16.7	2.5%	14.6	2.3%	14.4 %	
Income from continuing operations	51.9	7.8%	44.5	6.9%	16.6 %	
Income from discontinued operations, net of tax	—	—%	2.6	0.4%	(100.0)%	
Net income	\$ 51.9	7.8%	\$ 47.1	7.3%	10.2 %	
Effective tax rate from continuing operations	24.3 %		24.7 %			

(\$ in millions)	Six Months Ended					
	June 30, 2023		July 1, 2022		% Change	
Sales	\$ 1,289.6	100.0%	\$ 1,277.2	100.0%	1.0 %	
Cost of sales	548.3	42.5%	533.3	41.8%	2.8 %	
Gross profit	741.3	57.5%	743.9	58.2%	(0.3)%	
Operating costs:						
SG&A expenses	539.0	41.8%	537.7	42.1%	0.2 %	
R&D expenses	51.3	4.0%	49.5	3.9%	3.6 %	
Operating profit	151.0	11.7%	156.7	12.3%	(3.6)%	
Nonoperating income (expense):						
Other income	7.4	0.6%	0.6	—%	NM	
Interest expense, net	(34.1)	(2.6)%	(12.3)	(1.0)%	177.2 %	
Income before income taxes	124.3	9.6%	145.0	11.4%	(14.3)%	
Income tax expense	28.6	2.2%	30.1	2.4%	(5.0)%	
Income from continuing operations	95.7	7.4%	114.9	9.0%	(16.7)%	
Income from discontinued operations, net of tax	—	—%	7.1	0.6%	(100.0)%	
Net income	\$ 95.7	7.4%	\$ 122.0	9.6%	(21.6)%	
Effective tax rate from continuing operations	23.0 %		20.8 %			

Non-meaningful percentage change related to year-to-year comparisons are designated as NM.

## GAAP Reconciliation

### Sales and Core Sales Growth

	% Change Three Month Period Ended June 30, 2023 vs. Comparable 2022 Period	% Change Six Month Period Ended June 30, 2023 vs. Comparable 2022 Period
Total sales growth (GAAP)	2.6 %	1.0 %
Plus the impact of:		
Acquisition	(1.7)%	(2.5)%
Currency exchange rates	1.2 %	1.4 %
Core sales growth (non-GAAP)	2.1 %	(0.1)%

Sales and core sales growth for the three months ended June 30, 2023 increased 2.6% and 2.1%, respectively, compared to the comparable period in 2022. An increase in sales volume positively impacted sales growth by 2.7% on a period-over-period basis, offset by a decrease in sales price of 0.6%. Sales in developed markets increased due to growth in Western Europe, partially offset by a decrease in North America. Sales in emerging markets increased primarily due to Eastern Europe.

Sales growth for the six months ended June 30, 2023 increased by 1.0% while core sales growth decreased by 0.1%, for the comparable period in 2022. A sales price decrease of 0.1% negatively impacted sales growth and sales volume remained flat on a period-over-period basis. Sales in developed markets decreased primarily due to North America, partially offset by an increase in Western Europe. Sales in emerging markets increased due to Eastern Europe, partially offset by a decrease in China.

### COST OF SALES AND GROSS PROFIT MARGIN

(\$ in millions)	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	June 30, 2023	July 1, 2022
Cost of sales	283.8	276.0	548.3	533.3
Gross profit margin	57.2 %	57.3 %	57.5 %	58.2 %

The increase in cost of sales during the three and six months ended June 30, 2023 as compared to the comparable periods in 2022, was primarily due to increased sales, unfavorable product mix and the impact of higher costs due to inflation.

Gross profit margin percentages during the three and six months ended June 30, 2023 decreased compared to the comparable periods in 2022. For the three months ended June 30, 2023, the slight decrease was primarily due to unfavorable product mix and higher costs due to inflation, offset by an increase in volume and the period-over-period savings associated with productivity improvements. For the six months ended June 30, 2023, the decrease was primarily due to unfavorable product mix and higher costs due to inflation, partially offset by period-over-period savings associated with productivity improvements.

### OPERATING EXPENSES

(\$ in millions)	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	June 30, 2023	July 1, 2022
Selling, general and administrative	\$ 272.9	\$ 279.5	\$ 539.0	\$ 537.7
Research and development expenses	\$ 26.8	\$ 25.1	\$ 51.3	\$ 49.5
SG&A as a % of sales	41.2 %	43.3 %	41.8 %	42.1 %
R&D as a % of sales	4.0 %	3.9 %	4.0 %	3.9 %

SG&A expenses as a percentage of sales for the three and six months ended June 30, 2023 decreased as compared to the comparable periods of 2022. For the three months ended June 30, 2023, the decrease was primarily due to increased sales volume combined with lower acquisition related and sales and marketing expenses. For the six months ended June 30, 2023, the decrease was primarily due to lower acquisition related expenses combined with lower sales and marketing expenses.

R&D expenses as a percentage of sales for the three and six months ended June 30, 2023, were consistent with the comparable period in 2022.

### ***OTHER INCOME (EXPENSE), NET***

The increase in Other income (expense), net for both the three and six months ended June 30, 2023 is primarily due to a \$6.9 million gain on the sale of an equity investment.

### ***INTEREST COSTS AND FINANCING***

Interest costs were \$17.4 million and \$6.4 million for the three months ended June 30, 2023 and July 1, 2022, respectively, and \$34.1 million and \$12.3 million for the six months ended June 30, 2023 and July 1, 2022, respectively. The increase in interest costs for the three and six months ended June 30, 2023 as compared to the comparable periods of 2022 was due primarily to higher interest rates on our variable rate Term Loan and Euro Term Loan borrowings.

### ***INCOME TAXES***

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	June 30, 2023	July 1, 2022
Effective tax rate from continuing operations	24.3 %	24.7 %	23.0 %	20.8 %

Our effective tax rate from continuing operations of 24.3% and 23.0% for the three and six months ended June 30, 2023, respectively, differed from the comparable periods in 2022 primarily due to the Company's geographical mix of earnings and a decrease in certain discrete tax benefits.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which, among other things, implemented a 15% minimum tax on book income of certain large corporations, a 1% excise tax on net stock repurchases, and several tax incentives to promote clean energy. Based on our current analysis of the provisions, this legislation did not have a material impact on our Condensed Consolidated Financial Statements as of or for the three and six months ended June 30, 2023.

### ***RESULTS OF OPERATIONS - BUSINESS SEGMENTS***

#### **Specialty Products & Technologies**

Our Specialty Products & Technologies segment primarily develops, manufactures and markets dental implant systems, including regenerative solutions, dental prosthetics and associated treatment software and technologies, as well as orthodontic bracket systems, aligners and lab products.

#### **Specialty Products & Technologies Selected Financial Data**

(\$ in millions)	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	June 30, 2023	July 1, 2022
Sales	\$ 417.0	\$ 407.7	\$ 827.0	\$ 804.8
Operating profit	\$ 55.7	\$ 74.0	\$ 126.8	\$ 144.3
Operating profit as a % of sales	13.4 %	18.2 %	15.3 %	17.9 %

## Sales and Core Sales Growth

	% Change Three Month Period Ended June 30, 2023 vs. Comparable 2022 Period	% Change Six Month Period Ended June 30, 2023 vs. Comparable 2022 Period
Total sales growth (GAAP)	2.3 %	2.8 %
Plus the impact of:		
Acquisitions	(2.1)%	(2.1)%
Currency exchange rates	1.5 %	1.7 %
Core sales growth (non-GAAP)	1.7 %	2.4 %

### Sales

Sales and core sales growth for the three months ended June 30, 2023 increased 2.3% and 1.7%, respectively, compared to the comparable period in 2022. Sales increased by 2.1% due to higher volume on a period-over-period basis, offset by a decrease in sales price of 0.4%. Sales in developed markets increased primarily due to growth in Western Europe, partially offset by a decrease in North America. Sales in emerging markets increased primarily due to Eastern Europe, partially offset by a decrease in Russia.

Sales and core sales growth for the six months ended June 30, 2023 increased 2.8% and 2.4%, respectively, compared to the comparable period in 2022. Sales increased by 2.9% due to higher volume on a period-over-period basis, slightly offset by a decrease in sales price of 0.5%. Sales in developed markets increased primarily due to growth in Western Europe, partially offset by a decrease in North America. Sales in emerging markets increased primarily due to Eastern Europe, partially offset by decreases in China and Russia.

Additionally, sales for the three and six months ended June 30, 2023 were also positively impacted by the acquisition of Osteogenics.

### Operating Profit

Operating profit margin was 13.4% for the three months ended June 30, 2023, as compared to an operating profit margin of 18.2% for the comparable period of 2022. Operating profit margin was 15.3% for the six months ended June 30, 2023, as compared to an operating profit margin of 17.9% for the comparable period of 2022. The decrease in operating profit margin for both the three and six month periods was primarily due to unfavorable product mix, investments in our long-term growth initiatives, and the impact of inflation, partially offset by an increase in sales volume and by period-over-period savings associated with productivity improvements.

## EQUIPMENT & CONSUMABLES

Our Equipment & Consumables segment primarily develops, manufactures and markets dental equipment and supplies used in dental offices, including digital imaging systems, software and other visualization/magnification systems; endodontic systems and related consumables; restorative materials and instruments, rotary burs, impression materials, bonding agents and cements and infection prevention products.

### Equipment & Consumables Selected Financial Data

(\$ in millions)	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	June 30, 2023	July 1, 2022
Sales	\$ 245.4	\$ 238.1	\$ 462.6	\$ 472.4
Operating profit	\$ 48.4	30.2	\$ 80.9	\$ 75.7
Operating profit as a % of sales	19.7 %	12.7 %	17.5 %	16.0 %

## Sales and Core Sales Growth

	% Change Three Month Period Ended June 30, 2023 vs. Comparable 2022 Period	% Change Six Month Period Ended June 30, 2023 vs. Comparable 2022 Period
Total sales growth (GAAP)	3.1 %	(2.1)%
Plus the impact of:		
Acquisition	(1.0)%	(3.1)%
Currency exchange rates	0.8 %	0.8 %
Core sales growth (non-GAAP)	<u>2.9 %</u>	<u>(4.4)%</u>

### Sales

Sales and core sales growth for the three months ended June 30, 2023 increased 3.1% and 2.9%, respectively, compared to the comparable period in 2022. Sales growth increased by 3.7% due to higher volume on a period-over-period basis, offset by a decrease in sales price of 0.8%. Sales increased for the three months ended June 30, 2023 primarily due to emerging markets.

Sales and core sales growth for the six months ended June 30, 2023 decreased 2.1% and 4.4%, respectively, compared to the comparable period in 2022. A decrease in sales volume negatively impacted sales growth by 5.1% on a period-over-period basis, offset by an increase in sales price of 0.7%. Sales decreased in developed markets primarily in North America and Western Europe, while sales increased in emerging markets.

Sales for the three and six months ended June 30, 2023 were positively impacted by the acquisition of our Intraoral Scanner Business.

### Operating Profit

Operating profit margin was 19.7% for the three months ended June 30, 2023, as compared to an operating profit margin of 12.7% for the comparable period of 2022. The increase in operating profit margin for the three months ended June 30, 2023 was primarily due to higher sales volume, period-over-period savings associated with productivity improvements, decreased amortization of intangible assets, and lower restructuring costs, partially offset by the impact of incremental material price cost due in part to inflation.

Operating profit margin was 17.5% for the six months ended June 30, 2023, as compared to an operating profit margin of 16.0% for the comparable period of 2022. The increase in operating profit margin for the six months ended June 30, 2023 was primarily due to favorable sales price and period-over-period savings associated with productivity improvements, partially offset by lower sales volume and the impact of higher costs due to inflation.

## LIQUIDITY AND CAPITAL RESOURCES

We assess our liquidity in terms of our ability to generate cash to fund our operating and investing activities. We continue to generate substantial cash from operating activities and believe that our operating cash flow and other sources of liquidity are sufficient to allow us to manage our capital structure on a short-term and long-term basis and continue investing in existing businesses and consummating strategic acquisitions.

Following is an overview of our cash flows and liquidity, which includes the cash flows of the KaVo Treatment Unit and Instrument Business for the six months ended July 1, 2022.

## Overview of Cash Flows and Liquidity

	Six Months Ended	
	June 30, 2023	July 1, 2022
Net cash provided by operating activities	\$ 78.2	\$ 25.7
Payments for additions to property, plant and equipment	\$ (31.6)	\$ (31.9)
Proceeds from sale of equity investment	10.7	—
Acquisitions, net of cash acquired	—	(569.8)
Proceeds from sale of KaVo treatment unit and instrument business	—	28.8
All other investing activities, net	(3.9)	(13.6)
Net cash used in investing activities	\$ (24.8)	\$ (586.5)
Proceeds from stock option exercises	\$ 5.9	\$ 15.4
Tax withholding payment related to net settlement of equity awards	(6.4)	(8.1)
Proceeds from borrowings	—	0.3
Repayment of borrowings	—	(0.5)
All other financing activities	1.6	—
Net cash provided by financing activities	\$ 1.1	\$ 7.1

### *Operating Activities*

Cash flows from operating activities can fluctuate significantly from period-to-period due to working capital needs and the timing of payments for income taxes, restructuring activities, pension funding and other items impacting reported cash flows.

Net cash provided by operating activities was \$78.2 million during the six months ended June 30, 2023, as compared to net cash provided by operating activities of \$25.7 million for the comparable period of 2022, primarily due to lower overall net cash payments during the six months ended June 30, 2023.

### *Investing Activities*

Cash flows relating to investing activities consist primarily of cash used for capital expenditures and acquisitions. Capital expenditures are made primarily for increasing capacity, replacing equipment, supporting new product development and improving information technology systems.

Net cash used in investing activities was \$24.8 million for the six months ended June 30, 2023, as compared to net cash used in investing activities of \$586.5 million for the comparable period in 2022, primarily due to the prior year period reflecting cash paid with respect to the Intraoral Scanner Business acquisition and the earnout from the sale of the KaVo Treatment Unit and Instruments Business, offset by the proceeds received in the current quarter related to the sale of an equity investment.

### *Financing Activities and Indebtedness*

Cash flows relating to financing activities consist primarily of cash flows associated with debt borrowings and the issuance of common stock.

Net cash provided by finance activities was \$1.1 million for the six months ended June 30, 2023 compared to net cash provided by financing activities of \$7.1 million for the comparable period of 2022 primarily due to a reduction in cash flows associated with the issuance of common stock.

For a description of our outstanding debt as of June 30, 2023, refer to Note 13 to our Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

We intend to satisfy any short-term liquidity needs that are not met through operating cash flow and available cash primarily through our revolving credit facility.

### **Cash and Cash Requirements**

As of June 30, 2023, we held \$651.7 million of cash and cash equivalents that were held on deposit with financial institutions. Of this amount, \$152.4 million was held within the United States and \$499.3 million was held outside of the United States. We will continue to have cash requirements to support working capital needs, capital expenditures and acquisitions, pay interest and service debt, pay taxes and any related interest or penalties, fund our restructuring activities as required and support other business needs. We generally intend to use available cash, internally generated funds and our revolving credit facility to meet these cash requirements, but in the event that additional liquidity is required, particularly in connection with acquisitions, we may need to enter into new credit facilities or access the capital markets. We may also access the capital markets from time to time to take advantage of favorable interest rate environments or other market conditions. However, there is no guarantee that we will be able to obtain alternative sources of financing on commercially reasonable terms or at all. See “Item 1A. Risk Factors—Risks Related to Our Business” in our 2022 10-K.

Generally, cash and cash equivalents held in these financial institutions may be withdrawn or redeemed at face value, and therefore minimal credit risk exists with respect to them. Nonetheless, deposits with these financial institutions exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits or similar limits in foreign jurisdictions, to the extent such deposits are even insured in such foreign jurisdictions. While we monitor on a systematic basis the cash and cash equivalent balances in the operating accounts and adjust the balances as appropriate, these balances could be impacted if one or more of the financial institutions with which we deposit our funds fails or is subject to other adverse conditions in the financial or credit markets. To date, we have experienced no loss of principal or lack of access to our invested cash or cash equivalents; however, we can provide no assurance that access to our cash and cash equivalents will not be affected if the financial institutions where we hold our cash and cash equivalents fail.

While repatriation of some cash held outside the United States may be restricted by local laws, most of our foreign cash could be repatriated to the United States. Following enactment of the Tax Cut and Jobs Act of 2017 (“TCJA”) and the associated transition tax, in general, repatriation of cash to the United States can be completed with no incremental U.S. tax; however, repatriation of cash could subject us to non-U.S. jurisdictional taxes on distributions. The cash that our non-U.S. subsidiaries hold for indefinite reinvestment is generally used to finance foreign operations and investments, including acquisitions. The income taxes, if any, applicable to such earnings including basis differences in our foreign subsidiaries are not readily determinable.

As of June 30, 2023, we believe that we have sufficient sources of liquidity to satisfy our cash needs over the next 12 months and beyond, including our cash needs in the United States.

There were no material changes to our contractual obligations during the three and six months ended June 30, 2023.

### **Off-Balance Sheet Arrangements**

There were no material changes to the Company’s off-balance sheet arrangements described in the 2022 10-K that would have a material impact on the Company’s Condensed Consolidated Financial Statements.

### **Debt Financing Transactions**

For a description of our outstanding debt as of June 30, 2023, refer to Note 13 to our Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

### **CRITICAL ACCOUNTING ESTIMATES**

There were no material changes to our critical accounting estimates described in the 2022 10-K that have had a material impact on our Condensed Consolidated Financial Statements.



The extent of the impact of the COVID-19 pandemic on our business is highly uncertain and difficult to predict. If actual results are not consistent with management's estimates and assumptions used for valuation allowances, contingencies, potential impairments, revenue recognition and income taxes, the related account balances may be overstated or understated and a charge or credit to net income may be required.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Quantitative and qualitative disclosures about market risk appear in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosures About Market Risk," in our 2022 10-K. There were no material changes to this information reported in our 2022 10-K during the quarter ended June 30, 2023.

### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this report. Based on such evaluation, our President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer, have concluded that, as of the end of such period, our disclosure controls and procedures were effective.

#### *Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. Other Information**

### **Item 1. Legal Proceedings**

There have been no material changes to legal proceedings from our 2022 10-K. For additional information regarding legal proceedings, refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Legal Proceedings” in our 2022 10-K.

### **Item 1A. Risk Factors**

There have been no material changes from the risk factors disclosed in Part I, “Item 1A. Risk Factors,” of our 2022 Form 10-K. You should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our 2022 10-K, which could materially affect our business, financial position, or future results of operations. The risks described in our 2022 10-K, are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial position, or future results of operations.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

Not applicable.

### **Item 5. Other Information**

(c) During the quarter ended June 30, 2023, none of the Company’s directors or officers adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as such terms are defined in Item 408(a) of Regulation S-K.

## Item 6. Exhibits

### EXHIBIT INDEX

Exhibit Number	Description
3.1	<a href="#">Second Amended and Restated Certificate of Incorporation of Envista Holdings Corporation (incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 2, 2021, Commission File No. 001-39054)</a>
3.2	<a href="#">Third Amended and Restated Bylaws of Envista Holdings Corporation effective as of May 22, 2023 (incorporated by reference to Exhibit 3.2 to Registrant's Current Report on Form 8-K filed on May 26, 2023, Commission File No. 001-39054)</a>
10.1*	<a href="#">Separation Agreement and General Release between DH Dental Employment Services LLC and Jean-Claude Kyrillos</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Indicates management contract or compensatory plan, contract or arrangement.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 2, 2023

### ENVISTA HOLDINGS CORPORATION

By: /s/ Howard H. Yu

Howard H. Yu

Senior Vice President and Chief Financial  
Officer (Principal Financial and Accounting  
Officer)