

This report provides a summary of relevant data and documents we received in response to Freedom of Information Act (FOIA) requests we filed on this company.

#### Disclosed SEC Investigation(s) Confirmed as On-going

**Watch List Status:** Not on Watch List of Companies with Undisclosed SEC Investigations

Already shoddy disclosures are getting worse over time, with the real danger no longer talked about. At least one SEC investigation involving Dentsply Sirona has been disclosed. The only hint investors have about what it is about comes from the first disclosure of the matter made in 2017. At that time the company said the investigation covered matters, “including its accounting and disclosures relating to transactions with a significant distributor of the Company.” SEC investigative activity was recently confirmed as on-going, so it appears this remains an exposure to the company. Relevant excerpts from company disclosures appear in this report.

Even though it’s been running for about a year now, and the details/updates are lacking, we caution investors to remember that there is a reason the company keeps disclosing this investigation. Management believes it remains a material risk. We suggest you trust them on this. However, if you cannot independently understand why they reached that conclusion, you are effectively left with a company that has a known material risk that you cannot properly analyze and discount. We generally recommend investors avoid such scenarios.

Keep in mind that a public company can be involved in more than one SEC investigation at a time. We routinely recommend asking a company if there are any investigations beyond what is disclosed or reported in media stories. Further, since we know there was at least one investigation in the recent past, we recommend those with an interest ask Dentsply Sirona, Inc what contact it has had with the SEC’s Division of Enforcement in the past two years.

#### From the Probes Reporter Database:

We filed our first FOIA request on this company in **Dec-2012**.

If we alert you to the existence of an undisclosed SEC investigation – or any response from the SEC – that means we filed a FOIA request on the company in question and have a response, in black-and-white on government letterhead, that supports our statement.

**Below is the SEC response history for this company:**

29-Mar-2013	FOIA Response	No SEC investigative records found.
24-Dec-2013	FOIA Response	No SEC investigative records found.
16-Oct-2014	FOIA Response	No SEC investigative records found.
24-Sep-2015	FOIA Response	No SEC investigative records found.
5-Jul-2016	FOIA Response	No SEC investigative records found.

#### Disclosure Insight®

Dig into a distributor issue if you want to get a full read on the SEC exposure. To us, the reference in earlier disclosures to problems with a significant distributor signals potential channel stuffing and/or problems with revenue recognition. That raises the risk for a restatement and/or revenue shortfall ahead as this gets unwound in future earnings reports or corrected in past financial statements.

The danger for investors is that recent disclosures no longer talk of problems concerning that “significant distributor of the Company”, which again, appeared in the initial disclosure. Instead, of late the disclosures have become of the cut-and-paste variety, wherein a company essentially repeats earlier disclosures with little to no substantive data or update.

Also notable is the use of active voice in the phrasing, “The Company is cooperating with the SEC’s investigation.” A less troubling variant that would suggest things are further along would be to say the company “has cooperated”.

-- John P. Gavin, CFA

8-Sep-2017	FOIA Response	SEC denies access to records over concern their release, "could reasonably be expected to interfere with enforcement activities."
26-Sep-2017	Appeal Response	Existence of on-going SEC enforcement proceedings confirmed on appeal; Access to records remains blocked.
19-Apr-2018	FOIA Response	SEC denies access to records over concern their release, "could reasonably be expected to interfere with enforcement activities."
1-Jun-2018	Appeal Response	Existence of on-going SEC enforcement proceedings confirmed on appeal; Access to records remains blocked.

When research history is available in our database, we present it above so you can compare it to company disclosures. Other interpretative guidance and disclosures appear below.

As can be seen in the table above, at least once in the past the SEC cited the "law enforcement exemption" of the Freedom of Information Act (FOIA) as basis to deny the public's access to the detailed records we sought on this company. As a matter of law, the SEC is acknowledging some sort of investigative activity with this response. We filed an appeal with the SEC's Office of the General Counsel to challenge that response. In response to our latest appeal(s), the date(s) of which is/are also shown in the table above, the SEC stated, "We have confirmed with staff that releasing the withheld information could reasonably be expected to interfere with on-going enforcement proceedings."

While the SEC as a matter of course tells the public that an on-going investigation should not be construed as a finding of any wrongdoing, the public interest is understandably high in tracking these investigations and their outcome. In this case, our research shows these SEC proceedings are disclosed by **Dentsply Sirona, Inc**

**Notable Disclosures:** A search of this company's filings for the past two years found clear disclosure of SEC investigative activity. What's not so clear is what the investigation is about or where it stands. We observe a lot of cut-and-paste is used in this company's disclosures (excerpts below) in place of actual updates on investigative activity that would be more useful to investors.

**Documents Acquired Under the Freedom of Information Act:** None in our library at this time.

**Supplemental Data:** Again, we observe a lot of cut-and-paste is used in this company's disclosures in place of actual updates on investigative activity that would be more useful to investors. We recommend investors insist the company provide them with more substantive updates.

From the Dentsply Sirona's 10-Q filed on 7-May-2018:

The SEC's Division of Enforcement has asked the Company to provide documents and information concerning the Company's accounting and disclosures. The Company is cooperating with the SEC's investigation. The Company is unable to predict the ultimate outcome of this matter, or whether it will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Dentsply Sirona's 10-K filed on 15-Mar-2018:

The SEC's Division of Enforcement has asked the Company to provide documents and information concerning the Company's accounting and disclosures. The Company is cooperating with the SEC's investigation. The Company is unable to predict the ultimate outcome of this matter, or whether it will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

From the Dentsply Sirona's 10-Q filed on 9-Nov-2017:

The SEC's Division of Enforcement has asked the Company to provide documents and information concerning the Company's accounting and disclosures. The Company is cooperating with the SEC's investigation. The Company is unable to predict the ultimate outcome of this matter, or whether it will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

From the Dentsply Sirona's 10-Q filed on 9-Aug-2017:

The SEC's Division of Enforcement has asked the Company to provide documents and information concerning the Company's accounting and disclosures, including its accounting and disclosures relating to transactions with a significant distributor of the Company. The Company is cooperating with the SEC's investigation. The Company is unable to predict the ultimate outcome of this matter, or whether it will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

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### **Independent Investment Research Focused on Public Company Interactions with the SEC.**

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***Notes:** New SEC investigative activity could theoretically begin or end after the date covered by the latest information in this report, which would not be reflected here. The SEC did not disclose the details on investigations referenced herein. All we know is that they somehow pertain to the conduct, transactions, and/or disclosures of the companies referenced above. Companies with undisclosed SEC investigations are maintained on our Watch List of companies with undisclosed SEC investigations.*

*The SEC reminds us that its assertion of the law enforcement exemption should not be construed as an indication by the Commission or its staff that any violations of law have occurred with respect to any person, entity, or security.*

**To learn more about our research process, including how to best use this information in your own decision-making, [click here](#).**

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