DENTSPLY International Q1 2009 Earnings Call Transcript.

Question-and-Answer Session

Operator

Thank you, Mr. Jellison. (Operator Instructions). Our first question is from Jon Wood with Banc of America.

Jon Wood - Banc of America

Hey, good morning.

Bret Wise

Good morning.

Bill Jellison

Good morning, Jon.

Jon Wood - Banc of America

So, Bret, first on the small equipment situation, I know it's difficult to probably estimate this but the IDS show, I mean did that have any impact in pushing some of that into the June quarter? I guess another way to say it is, is the order book for the small equipment better in April?

Bret Wise

Good morning, Jon. I wouldn't characterize it that way. The way we are interpreting what we see in small equipment is that in many ways small equipment is a deferrable purchase. You can continue to limp along with your existing equipment or not upgrade your existing equipment and thus it's more deferrable than a consumable that you've got to use on the patient or in the patient that day in your practice and thus our interpretation, and that's all it is,

The dentists are just getting a little bit more conservative and deferring to the extent they can those purchases, which are not huge purchases. They are usually items in the $3000 to $5000 range but in this economic environment they are choosing to be a little bit more conservative with their cash. That's the way we are interpreting it.

Jon Wood - Banc of America

Understood, okay. And so, Bill, did Zhermack lose money in the quarter or is that materialized? I'm just surprised to see the minority line swing negative?

Bill Jellison

Yeah. Keep in mind that the minority interest line there reflects about three different acquisitions that have actually there's minority interest in those acquisitions and a couple of the acquisitions both Zhermack can materialize -- are both new acquisitions that actually we have acquired because we think that they have got some good technology, we are investing in that technology within the period and also keep in mind that their margin rates for both of those businesses are lower than our overall company average. So it's both a combination of working on the first quarter of the integration as well as the heavier investment level in those divisions.

Bret Wise

And Jon, I would add to that that remember Zhermack was bought on the last day of last year and the way we do purchase accounting is we have to value their inventory they owned them on that date, at its sales value. So the first turn to inventory, there's no gross margin on it and thus you have got to cover all your fixed costs with no gross margin, which is not an easy trick to do.