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 SECUR EXCHANGE ACT OF 1934**

For the quarterly period ended March 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECU EXCHANGE ACT OF 1934**

For the transition period from ____________ to ____________

Commission File Number: 0-27078

HENRY SCHEIN, INC.

(Exact name of registrant as specified in its charter)

Delaware	**11-3136595**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

135 Duryea Road
Melville, New York
(Address of principal executive offices)
11747
(Zip Code)

(631) 843-5500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange o registered
Common Stock, par value $.01 per share	HSIC	The Nasdaq Global Selec

Indicate by check mark whether the registrant (1) has filed all reports required to be filed or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the 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 Interact required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 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 accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large acceler filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Excha

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 t extended transition period for complying with any new or revised financial accounting standards provided pursuant to Se the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2

Yes ☐ No ☒

As of April 29, 2024, there were 128,050,943 shares of the registrant's common stock outstanding.

Exchange Act)

HENRY SCHEIN, INC.

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PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
HENRY SCHEIN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	March 30, 2024 (unaudited)	De
ASSETS		
Current assets:		
Cash and cash equivalents	$ 159	$
Accounts receivable, net of allowance for credit losses of $84 and $81	1,644	
Inventories, net of reserves of $188 and $92	1,686	
Prepaid expenses and other	589	
Total current assets	4,078	
Property and equipment, net	500	
Operating lease right-of-use assets	314	
Goodwill	3,835	
Other intangibles, net	915	
Investments and other	503	
Total assets	$ 10,145	$
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 879	$
Bank credit lines	264	
Current maturities of long-term debt	103	
Operating lease liabilities	75	
Accrued expenses:		
Payroll and related	245	
Taxes	143	
Other	625	
Total current liabilities	2,334	
Long-term debt (1)	2,010	
Deferred income taxes	77	
Operating lease liabilities	266	
Other liabilities	423	
Total liabilities	5,110	
Redeemable noncontrolling interests	798	
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, none outstanding	-	
Common stock, $0.01 par value, 480,000,000 shares authorized, 128,480,909 outstanding on March 30, 2024 and 129,247,765 outstanding on December 30, 2023	1	
Additional paid-in capital	-	
Retained earnings	3,838	
Accumulated other comprehensive loss	(239)	
Total Henry Schein, Inc. stockholders' equity	3,600	
Noncontrolling interests	637	
Total stockholders' equity	4,237	
Total liabilities, redeemable noncontrolling interests and stockholders' equity	$ 10,145	$

(1) Amounts presented include balances held by our consolidated variable interest entity ("VIE"). At March 30, 2024 and December 30, 2023, includes trade accounts receivable of $497 million and $284 million, respectively, and long-term debt of ... and $210 million, respectively. See [Note 1 – Basis of Presentation](#) for further information.

See accompanying notes.

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HENRY SCHEIN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in millions, except share and per share data)
(unaudited)

	Three Months E	
	March 30, 2024	Apr 20
Net sales	$ 3,172	$
Cost of sales	2,160	
Gross profit	1,012	
Operating expenses:		
Selling, general and administrative	791	
Depreciation and amortization	61	
Restructuring costs	10	
Operating income	150	
Other income (expense):		
Interest income	5	
Interest expense	(30)	
Other, net	2	
Income before taxes, equity in earnings of affiliates and noncontrolling interests	127	
Income taxes	(32)	
Equity in earnings of affiliates, net of tax	3	
Net income	98	
Less: Net income attributable to noncontrolling interests	(5)	
Net income attributable to Henry Schein, Inc.	$ 93	$
Earnings per share attributable to Henry Schein, Inc.:		
Basic	$ 0.72	$
Diluted	$ 0.72	$
Weighted-average common shares outstanding:		
Basic	128,720,661	13
Diluted	129,769,580	13

See accompanying notes.

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HENRY SCHEIN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSI
(in millions)
(unaudited)

	Three Months	
	March 30, 2024	Ap 2
Net income	$ 98	$
Other comprehensive income, net of tax:		
Foreign currency translation gain (loss)	(54)	
Unrealized gain (loss) from hedging activities	11	
Other comprehensive income (loss), net of tax	(43)	
Comprehensive income	55	
Comprehensive income attributable to noncontrolling interests:		
Net income	(5)	
Foreign currency translation loss (gain)	10	
Comprehensive loss (income) attributable to noncontrolling interests	5	
Comprehensive income attributable to Henry Schein, Inc.	$ 60	$

See accompanying notes.

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HENRY SCHEIN, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES
STOCKHOLDERS' EQUITY
(in millions, except share data)
(unaudited)

	Common Stock $0.01 Par Value Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Noncontrollin Interests
Balance, December 30, 2023	129,247,765	$ 1	$ -	$ 3,860	$ (206)	$ 634
Net income (excluding $2 attributable to Redeemable noncontrolling interests)	-	-	-	93	-	3
Foreign currency translation loss (excluding loss of $10 attributable to Redeemable noncontrolling interests)	-	-	-	-	(44)	-
Unrealized gain from hedging activities, net of tax of $4	-	-	-	-	11	-
Change in fair value of redeemable securities	-	-	(42)	-	-	-
Noncontrolling interests and adjustments related to business acquisitions	-	-	1	-	-	-
Repurchase and retirement of common stock	(998,728)	-	(10)	(65)	-	-
Stock issued upon exercise of stock options	20,939	-	1	-	-	-
Stock-based compensation expense	314,759	-	8	-	-	-
Shares withheld for payroll taxes	(103,865)	-	(8)	-	-	-
Settlement of stock-based compensation awards	39	-	-	-	-	-
Transfer of charges in excess of capital	-	-	50	(50)	-	-
Balance, March 30, 2024	128,480,909	$ 1	$ -	$ 3,838	$ (239)	$ 637

	Common Stock $0.01 Par Value Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Noncontrollin Interests
Balance, December 31, 2022	131,792,817	$ 1	$ -	$ 3,678	$ (233)	$ 649
Net income (excluding $4 attributable to Redeemable noncontrolling interests)	-	-	-	121	-	3
Foreign currency translation gain (excluding gain of $2 attributable to Redeemable noncontrolling interests)	-	-	-	-	23	-
Unrealized loss from foreign currency hedging activities, net of tax benefit of $1	-	-	-	-	(3)	-
Change in fair value of redeemable securities	-	-	3	-	-	-
Initial noncontrolling interests and adjustments related to business acquisitions	-	-	-	-	-	3
Repurchases and retirement of common stock	(1,223,919)	-	(13)	(87)	-	-
Stock-based compensation expense	1,016,300	-	10	-	-	-
Stock issued upon exercise of stock options	10,779	-	1	-	-	-
Shares withheld for payroll taxes	(399,194)	-	(29)	-	-	-
Transfer of charges in excess of capital	-	-	28	(28)	-	-
Balance, April 1, 2023	131,196,783	$ 1	$ -	$ 3,684	$ (213)	$ 655

See accompanying notes.

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HENRY SCHEIN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLO
(in millions)
(unaudited)

	Three Months En	
	March 30, 2024	Apr 20
Cash flows from operating activities:		
Net income	$ 98	$
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	73	
Non-cash restructuring charges	1	
Stock-based compensation expense	8	
Provision for losses on trade and other accounts receivable	5	
Provision for deferred income taxes	2	
Equity in earnings of affiliates	(3)	
Distributions from equity affiliates	2	
Changes in unrecognized tax benefits	2	
Other	(6)	
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	190	
Inventories	74	
Other current assets	41	
Accounts payable and accrued expenses	(290)	
Net cash provided by operating activities	197	
Cash flows from investing activities:		
Purchases of property and equipment	(41)	
Payments related to equity investments and business acquisitions, net of cash acquired	(20)	
Proceeds from loan to affiliate	1	
Capitalized software costs	(9)	
Other	(3)	
Net cash used in investing activities	(72)	
Cash flows from financing activities:		
Net change in bank credit lines	-	
Proceeds from issuance of long-term debt	90	
Principal payments for long-term debt	(60)	
Proceeds from issuance of stock upon exercise of stock options	1	
Payments for repurchases and retirement of common stock	(75)	
Payments for taxes related to shares withheld for employee taxes	(7)	
Distributions to noncontrolling shareholders	(6)	
Acquisitions of noncontrolling interests in subsidiaries	(94)	
Net cash provided by (used in) financing activities	(151)	
Effect of exchange rate changes on cash and cash equivalents	14	
Net change in cash and cash equivalents	(12)	
Cash and cash equivalents, beginning of period	171	
Cash and cash equivalents, end of period	$ 159	$

See accompanying notes.

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HENRY SCHEIN, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data)

(unaudited)

Note 1 – Basis of Presentation

Our condensed consolidated financial statements include the accounts of Henry Sche Inc. and all of our controlled subsidiaries (“we”, “us” and “our”). All intercompany accounts and transactions are eliminated in consolidation. Investments in unconsolidated affiliates for which we have the ability t influence the operating or financial decisions are accounted for under the equity method.

Our accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for inter financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the not include all of the information and footnote disclosures required by U.S. GAAP for complete financial statements.

The unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 30, 2023 and with the information contai our other publicly available filings with the Securities and Exchange Commission. The condensed consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the consolidate financial position and results of operations for the interim periods presented. All such adjustments are of a nor recurring nature.

The preparation of financial statements in conformity with accounting principles gene accepted in the United States requires us to make estimates and assumptions that affect the reported amou assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements a reported amounts of revenues and expenses during the reporting period. Actual results could differ from t estimates. The results of operations for the three months ended March 30, 2024 are not necessarily indicative results to be expected for any other interim period or for the year ending December 28, 2024.

Our condensed consolidated financial statements reflect estimates and assumptions m by us that affect, among other things, our goodwill, long-lived asset and definite-lived intangible asset valuatio inventory valuation; equity investment valuation; assessment of the annual effective tax rate; valuation of deferre income taxes and tax contingencies; the allowance for doubtful accounts; hedging activity; supplier reb measurement of compensation cost for certain share-based performance awards and cash bonus plans and pension plan assumptions.

We consolidate the results of operations and financial position of a trade accounts receivable securitization VIE because we are its primary beneficiary, as we have the power to di activities that most significantly affect its economic performance and have the obligation to absorb the m of its losses or benefits. For this VIE, the trade accounts receivable transferred to the VIE are pledg collateral to the related debt. The VIE's creditors have recourse to us for losses on these trade accounts rece At March 30, 2024 and December 30, 2023, certain trade accounts receivable that can only be used to settle obligations of this VIE were $497 million and $284 million, respectively, and the liabilities of this VIE where the credit have recourse to us were $300 million and $210 million, respectively.

HENRY SCHEIN, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)
(unaudited)

Note 2 – Significant Accounting Policies and Recently Issued Accounting Standards

Significant Accounting Policies

There have been no material changes in our significant accounting policies during the three months ended March 30, 2024, as compared to the significant accounting policies described in Item 8 of our Annual Report on Form 10-K for the year ended December 30, 2023.

Recently Issued Accounting Standards

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" which requires public business entities to disclose additional information in specified categories with respect to the reconciliation of the effective tax rate to the statutory rate for federal, state and foreign income taxes. It also requires greater detail about individual reconciling items in the rate reconciliation to the extent the impact of those items exceeds a specified threshold. In addition to new disclosures associated with the rate reconciliation, the ASU requires information pertaining to taxes paid (net of refunds received) to be disaggregated for federal, state and foreign taxes and further disaggregated for specific jurisdictions to the extent the related amounts exceed a quantitative threshold. The ASU also describes items that need to be disaggregated based on their nature, which is determined by reference to the item's fundamental or essential characteristics, such as the transaction or event that triggered the establishment of the reconciling item and the activity with which the reconciling item is associated. The ASU eliminates the historic requirement that entities disclose information concerning unrecognized tax benefits having a reasonable possibility of significantly increasing or decreasing in the 12 months following the reporting date. This ASU is effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. This ASU should be applied on a prospective basis, however, retrospective application is permitted. We are currently evaluating the impact that ASU 2023-09 will have on our consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which aims to improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. Currently, Topic 280 requires that a public entity disclose certain information about its reportable segments. For example, a public entity is required to report a measure of segment profit or loss that the chief operating decision maker uses to assess segment performance and make decisions about allocating resources. Topic 280 also requires other specified segment items and amounts, such as depreciation, amortization, and depletion expense, to be disclosed under certain circumstances. The amendments in this ASU do not change or remove those disclosure requirements and do not change how a public entity identifies its operating segments, aggregates those operating segments or applies the quantitative thresholds to determine its reportable segments. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We do not expect the requirements of ASU 2023-07 will have a material impact on our consolidated financial statements.

In March 2024, the FASB issued ASU 2024-01, "Compensation - Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards," which clarifies how to determine whether a profits interest or similar awards should be accounted for as a share-based payment arrangement under Topic 718 or within the scope of other guidance. The ASU provides an illustrative example with multiple fact patterns and amends the paragraph 718-10-15-3 of Topic 718 to improve its clarity and operability. The guidance in ASU 2024-01 applies to all entities that issue profits interest awards as compensation to employees or non-employees in exchange for goods or services. Entities can apply the amendments either retrospectively to all prior periods presented in the financial statements or prospectively to profits interest awards granted or modified on or after the date of adoption. If prospective application is elected, an entity must disclose the nature of and reason for the change in accounting principle that resulted from the adoption of the ASU. This ASU is effective for fiscal years beginning after

December 15, 2024, including interim periods within those fiscal years. We do not expect ASU 2024-01 will have a material impact on our consolidated financial statements.

Note 3 – Cyber Incident

In October 2023 Henry Schein experienced a cyber incident that primarily affected the North American and European dental and medical distribution businesses. Henry Schein One, our practice management software, revenue cycle management and patient relationship management solutions business, was mostly unaffected. On November 22, 2023, we experienced a disruption of our ecommerce platform and related applications, which has since been remediated.

During the three months ended March 30, 2024, we continued to experience a residual impact of the cyber event primarily to decreased sales to episodic customers (customers that had a less consistent level of demand pre-incident).

During the three months ended March 30, 2024, we incurred $5 million of expenses directly related to the cyber incident, mostly consisting of professional fees. We maintain cyber insurance, subject to certain retentions and policy limitations. With respect to the October 2023 cyber incident, we have insurance coverage of $60 million following a $5 million retention.

HENRY SCHEIN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)
(unaudited)

Note 4 – Net Sales from Contracts with Customers

Net sales are recognized in accordance with policies disclosed in Item 8 of our Annua Report on Form 10-K for the year ended December 30, 2023.

Disaggregation of Net Sales

The following table disaggregates our net sales by reportable and operating segment geographic area:

	Three Months Ended March 30, 2024		
	North America	International	Globa
Net sales:			
Health care distribution			
Dental	$ 1,103	$ 811	$
Medical	1,014	27	
Total health care distribution	2,117	838	
Technology and value-added services	189	28	
Total net sales	$ 2,306	$ 866	$

	Three Months Ended April 1, 2023		
	North America	International	Globa
Net sales:			
Health care distribution			
Dental	$ 1,144	$ 754	$
Medical	951	20	
Total health care distribution	2,095	774	
Technology and value-added services	166	25	
Total net sales	$ 2,261	$ 799	$

Contract Liabilities

At March 30, 2024, December 30, 2023, and December 31, 2022, the current and non-current contract liabilities were $84 million and $9 million; $89 million and $9 million; and $86 million and $8 million, respective the three months ended March 30, 2024, we recognized $36 million of the amount that was previously deferred at December 30, 2023. During the three months ended April 1, 2023, we recognized in net sales $3 million of the amounts that were previously deferred at December 31, 2022. Current contract liabilities are included in accrued expenses: other and the non-current contract liabilities are inclu other liabilities within the consolidated balance sheets.

HENRY SCHEIN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)
(unaudited)

Note 5 – Segment Data

We conduct our business through two reportable segments: (i) health care distribution and (i value-added services. These segments offer different products and services to the sa customer base. Our global dental businesses serve office-based dental practitioners, dental laboratories, schools, government and other institutions. Our medical businesses serve physician offices, urgent care centers, ambulatory care sites, emergency medical technicians, dialysis centers, home health, federal and state governments and large enterprises, such as group practices and integrated delivery networks, among other providers across a w range of specialties. Our dental and medical groups serve practitioners in 33 countries worldwide.

The health care distribution reportable segment aggregates our global dental and me operating segments. This segment distributes consumable products, dental specialty products (including impla orthodontic and endodontic products), small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control prod personal protective equipment ("PPE") products, vitamins, and orthopedic implants.

Our global technology and value-added services reportable segment provides softwar technology and other value-added services to health care practitioners. Our technology offerings include practic management software systems for dental and medical practitioners. Our value-added practice solutions incl practice consultancy, education, revenue cycle management and financial services on a non-recourse basis, continuing education services for practitioners, practice technology, network and hardware serv and other services.

The following tables present information about our reportable and operating segmen

	Three Months	
	March 30, 2024	Ap 2
Net sales:		
Health care distribution [(1)]		
Dental	$ 1,914	$
Medical	1,041	
Total health care distribution	2,955	
Technology and value-added services [(2)]	217	
Total	$ 3,172	$

(1) Consists of consumable products, dental specialty products (including implant, orthodontic and endodontic products), small equipment, laboratory products, large equipment, equipment repair services, branded and gener pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products, PPE products, vitamins, and orthopedic imp

(2) Consists of practice management software and other value-added products, which are distributed primarily to health care providers, practice consultancy, education, revenue cycle management and financial services on a non-recou basis, continuing education services for practitioners, practice technology, network and hardware services, and oth services.

	Three Months	
	March 30, 2024	Ap 2
Operating Income:		
Health care distribution	$ 126	$
Technology and value-added services	24	
Total	$ 150	$

HENRY SCHEIN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)
(unaudited)

Note 6 – Business Acquisitions

Our acquisition strategy is focused on investments in companies that add new custom and sales representatives, increase our geographic footprint (whether entering a new country, such as emerging markets building scale where we have already invested in businesses), and finally, those that enable us to access new products and technologies.

2024 Acquisitions

During the quarter ended March 30, 2024, we made acquisitions within the technolog value-added services segment. Our acquired ownership interest in these companies was 100%. Total consideration for the was $9 million. Net assets acquired primarily consisted of goodwill of $8 million and $12 million of intangible assets. The intangible assets acquired consisted of customer relationships of $6 million, product development of $4 million, trademarks and tradenames of $1 million and non-compete agreements of $1 mi Weighted average useful lives for these acquired intangible assets are 10 years, 10 years, 5 years and 5 yea respectively.

Goodwill is a result of the expected synergies and cross-selling opportunities that the acquisitions are expected to provide for us, as well as the expected growth potential. The majority of the acquired goodwill is deductible for tax purposes.

The impact of these acquisitions, individually and in the aggregate, was not considere material to our condensed consolidated financial statements.

2023 Acquisitions

Acquisition of Shield Healthcare

On October 2, 2023 we acquired a 90% voting equity interest in Shield Healthcare, Inc. ("Shi a supplier of homecare medical products delivered directly to patients in their homes, for prelimin consideration of $3 million (including cash paid of $307 million, deferred consideration of $22 million and redeemable noncontrolling interests of $37 million). Based in California, Shield expands our existing medical busine delivering a diverse range of products, including items such as incontinence, urology, ostomy, enteral nut advanced wound care and diabetes supplies. Additionally, Shield offers continuous glucose monitoring devi directly to patients in their homes.

The accounting for the acquisition of Shield has not been completed in several respec including but not limited to finalizing valuation assessments of accounts receivable, inventory, accrued liabilities income taxes and non-income based taxes. To assist in the allocation of consideration, we engaged valuation specia to determine the fair value of intangible and tangible assets acquired and liabilities assumed. We will final the amounts recognized as the information necessary to complete the analysis is obtained. During the quarter e March 30, 2024, we recorded immaterial measurement period adjustments, related primarily to operating leases.

The pro forma financial information has not been presented because the impact of the Shield acquisition was immaterial to our consolidated financial statements.

(in millions, except share and per share data)

Acquisition of S.I.N. Implant System

On July 5, 2023, we acquired a 100% voting equity interest in S.I.N. Implant System ("S.I.N." $329 million. Based in São Paulo, Brazil, S.I.N. manufactures an extensive line of products to perform dental implant procedures and is focused on advancing the development of value-priced dental impla S.I.N. recently expanded the distribution of its products into the United States and other international markets

The accounting for the acquisition of S.I.N. has not been completed in several respect including but not limited to finalizing valuation assessments of accounts receivable, inventory, accrued liabilities income taxes and non-controlling interest. To assist in the allocation of consideration, we engaged valuation specia to determine the fair value of intangible and tangible assets acquired and liabilities assumed. We will final the amounts recognized as the information necessary to complete the analysis is obtained. We expect to finalize amounts as soon as possible but no later than one year from the acquisition date. During the quarter end March 30, 2024, we recorded insignificant measurement period adjustments, related primarily to deferred adjustments.

The pro forma financial information has not been presented because the impact of the acquisition was immaterial to our consolidated financial statements.

Acquisition of Biotech Dental

On April 5, 2023, we acquired a 57% voting equity interest in Biotech Dental ("Biotech Dent provider of dental implants, clear aligners, individualized prosthetics and innovative dental software based in France. Biotech Dental has several important solutions for dental practices and denta including Nemotec, a comprehensive, integrated suite of planning and diagnostic software using open architecture that connects disparate medical devices to create a digital view of the patient, offering greater diagnostic acc and an improved patient experience. The integration of Biotech Dental's software with Henry Schein One's in leading practice management software solutions will help customers streamline their clinical as well a administrative workflow for the ultimate benefit of patients.

The following table aggregates the final fair value, as of the date of acquisition, of consideration paid and net assets acquired in the Biotech Dental acquisition, including measurement period adjustment recorded through March 30, 2024:

	Preliminary Allocation as of July 1, 2023	Measurement Period Adjustments	Alloc... as of M... 30,20...
Acquisition consideration:			
Cash	$ 216	$ -	$
Fair value of contributed equity share in a controlled subsidiary	25	-	
Redeemable noncontrolling interests	182	-	
Total consideration	$ 423	$ -	$
Identifiable assets acquired and liabilities assumed:			
Current assets	$ 78	$ (4)	$
Intangible assets	119	70	
Other noncurrent assets	76	(7)	
Current liabilities	(50)	(10)	
Long-term debt	(90)	17	
Deferred income taxes	(38)	(15)	
Other noncurrent liabilities	(16)	(4)	
Total identifiable net assets	79	47	
Goodwill	344	(47)	
Total net assets acquired	$ 423	$ -	$

HENRY SCHEIN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)
(unaudited)

Goodwill is a result of expected synergies that are expected to originate from the acquisition as well as the expected growth potential of Biotech Dental. The acquired goodwill is deductible for tax purpo
During the quarter ended March 30, 2024 we finalized our accounting for the acquisition and recorded measurement period adjustments related primarily to the completion of the intangibles valuation, including adjustments to intangibles, deferred tax and certain other assets and liabilities.

The following table summarizes the identifiable intangible assets acquired as part of the acquisition of Biotech Dental:

	2023	Weighted Average Useful Lives (in years)
Customer relationships and lists	$ 47	9
Trademarks / Tradenames	18	7
Product development	124	10
Total	$ 189	

The pro forma financial information has not been presented because the impact of the Biotech Dental acquisition was immaterial to our condensed consolidated financial statements.

Other 2023 Acquisitions

During the year ended December 30, 2023, in addition to those noted above, we acqu
health care distribution and technology and value-added services segments. Our acq
ownership interest ranged between 51% to 100%. During the quarter ended March 30, 2024, we recorded an adjustment of $15 within the selling, general and administrative line in our condensed consolidated stat of income, representing a change in the fair value of contingent consideration related to a 2023 acquisition.

During the three months ended March 30, 2024 we completed accounting for certain acquisitions completed in the year ended December 30, 2023. In relation to these acquisitions, we did not reco material adjustments in our condensed consolidated financial statements relating to changes in estimated values assets acquired, liabilities assumed and contingent consideration assets and liabilities.

The pro forma financial information for our 2023 acquisitions has not been presented because the impact of these acquisitions was immaterial to our condensed consolidated financial statements.

Acquisition Costs

During the three months ended March 30, 2024 and April 1, 2023 we incurred $2 million and $7 million in acquisition costs, which are included in “selling, general and administrative” within o condensed consolidated statements of income.

HENRY SCHEIN, INC.

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Note 7 – Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to tra liability in an orderly transaction between market participants at the measurement date. The fair value hie distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The fair value hierarchy consists of three broad levels, which gives the highest priorit unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1— Unadjusted quoted prices in active markets for identical assets or liabili that are accessible at the measurement date.

- Level 2— Inputs other than quoted prices included within Level 1 that are observa for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets o liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived princi from or corroborated by observable market data by correlation or other means.

- Level 3— Inputs that are unobservable for the asset or liability.

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The following section describes the fair values of our financial instruments and the methodologies that we used to measure their fair values.

Investments and notes receivable

There are no quoted market prices available for investments in unconsolidated affiliat and notes receivable. Certain of our notes receivable contain variable interest rates. We believe the carryi amounts are a reasonable estimate of fair value based on the interest rates in the applicable markets. Our investments and notes receivable fair value is based on Level 3 inputs within the fair value hierarchy.

Debt

The fair value of our debt (including bank credit lines, current maturities of long-term and long-term debt) is based on Level 2 inputs within the fair value hierarchy, and as of March 30, 2024 and December 30, 2023 was estimated at $2,702 million and $2,351 million, respectively. Factors that we considered when estimating the fair value of our debt include market conditions, such as interest rates and credit spreads.

Derivative contracts

Derivative contracts are valued using quoted market prices and significant other observable inputs. Our derivative instruments primarily include foreign currency forward agreements, forecasted inver purchase commitments, foreign currency forward contracts, interest rate swaps and total return swaps.

The fair values for the majority of our foreign currency derivative contracts are obtai by comparing our contract forward price of the underlying market rates, which are based on market rates for comparable transactions that are classified within Level 2 of the fair value hierarchy.

The fair value of the interest rate swap, which is classified within Level 2 of the fair v hierarchy, is determined by comparing our contract rate to a forward market rate as of the valuation date.

The fair value of total return swaps is determined by valuing the underlying exchange traded funds using market-on-close pricing by industry providers as of the valuation date that are classified within Level 2 of the fair value hierarchy.

Redeemable noncontrolling interests

The values for redeemable noncontrolling interests are based on recent transactions implied multiples of earnings that are classified within Level 3 of the fair value hierarchy. See Note 13 – Redeemable Non Interests for additional information.

Assets measured on a non-recurring basis at fair value include intangibles. Inputs fo these assets are classified as Level 3 within the fair value hierarchy.

The following table presents our assets and liabilities that are measured and recogniz basis classified under the appropriate level of the fair value hierarchy as of March 30 2024 and December 30, 2023:

	March 30, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts designated as hedges	$ -	$ 1	$ -	$
Derivative contracts undesignated	-	2	-	
Total return swap	-	1	-	
Total assets	$ -	$ 4	$ -	$
Liabilities:				
Derivative contracts designated as hedges	$ -	$ 1	$ -	$
Derivative contracts undesignated	-	1	-	
Total liabilities	$ -	$ 2	$ -	$
Redeemable noncontrolling interests	$ -	$ -	$ 798	$

	December 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts designated as hedges	$ -	$ 1	$ -	$
Derivative contracts undesignated	-	1	-	
Total return swap	-	4	-	
Total assets	$ -	$ 6	$ -	$
Liabilities:				
Derivative contracts designated as hedges	$ -	$ 18	$ -	$
Derivative contracts undesignated	-	2	-	
Total liabilities	$ -	$ 20	$ -	$
Redeemable noncontrolling interests	$ -	$ -	$ 864	$

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Note 8 – Debt

Bank Credit Lines

Bank credit lines consisted of the following:

	March 30, 2024	Decem 30, 202
Revolving credit agreement	$ 50	$
Other short-term bank credit lines	214	
Total	$ 264	$

Revolving Credit Agreement

On August 20, 2021, we entered 1.0 $ billion revolving credit agreement (the "Revolving Cre which was subsequently amended and restated Agreement") July 11, 2023 to extend the maturity date to July 11, 202 update the interest rate provisions to reflect the current market approach for a multicurrency revolving credit facility. The interest rate is based on Term Secured Overnight Financing R ("Term SOFR") plus a spread based on our leverage ratio at the end of each financial reporting quarter. As March 30, 2024 the interest rate on this revolving credit agreement was 5.32% plus 1.10% for a combined rate of 6.42%. The Revolv Credit Agreement requires, among other things, that we maintain certain maximum leverage Ratios. Additionally, the Revolving Credit Agreement contains customary representations, warranties and affirmative covenants as well as negative covenants, subject to negotiated exceptions, on liens, indebtedne significant corporate changes (including mergers), dispositions and certain restrictive agreements. As of M 30, 2024 and December 30, 2023, we had $ 50 million and $ 200 million in borrowings, respectively under this revolvin credit facility. During the three months ended March 30, 2024, the average outstanding balance und Revolving Credit Agreement was approximately $ 100 million. As of March 30, 2024 and December 30, 2023, 1 million and $ 10 million of letters of credit, respectively, provided to third parties under t Revolving Credit Agreement. were $

Other Short-Term Bank Credit Lines

As of March 30, 2024 and December 30, 2023, we had various other short-term bank credit lines available, in various currencies, with a maximum borrowing capacity of $ 383 million and $ 368 million, respectively March 30, 2024 and December 30, 2023, $ 214 million and $ 64 million, respectively, were outstand During the three months ended March 30, 2024, the average outstanding balances under our var other short-term bank credit lines was approximately $ 96 million. At March 30, 2024 and December 30, 2023, short-term bank credit lines borrowings under our other bore weighted average interest rates of 6.08% and 6.02%, respectively.

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Long-term debt

Long-term debt consisted of the following:

	March 30, 2024	December 30, 20…
Private placement facilities	$ 1,024	$
Term loan	736	
U.S. trade accounts receivable securitization	300	
Various collateralized and uncollateralized loans payable with interest, in varying installments through 2030 at interest rates from 0.00% to 9.42% at March 30, 2024 and from 0.00% to 9.42% at December 30, 2023	46	
Finance lease obligations	7	
Total	2,113	
Less current maturities	(103)	
Total long-term debt	$ 2,010	$

Private Placement Facilities

Our private placement facilities include four insurance companies, have a total facility amount of 1.5 billio… are available on an uncommitted basis at fixed rate economic terms to be agreed upon at the time of issuance, from time to time through October 20, 2026. The facilities allow us to issue senior promissory note… fixed rate based on an agreed upon spread over applicable treasury notes at the time… issuance. The term of each possible issuance will be selected by us and can range from five to 15 years (with an average life no lo… years). The proceeds of any issuances under the facilities will be used for general corp… purposes, including working capital and capital expenditures, to refinance existing indebtedness, and/or t… potential acquisitions. The agreements provide, among other things, that we maintain certain maximum leve… ratios, and contain restrictions relating to subsidiary indebtedness, liens, affiliate transactions, disposal o… assets and certain changes in ownership. These facilities contain make-whole provisions in the event that we pay o… facilities prior to the applicable due dates.

The components of our private placement facility borrowings, which have a weighted average interest rate of 3.68% as of March 30, 2024 are presented in the following table:

Date of Borrowing	Amount of Borrowing Outstanding	Borrowing Rate	Due Date
December 24, 2012	$ 50	3.00%	December 24, 2024
June 16, 2017	100	3.42	June 16, 2027
September 15, 2017	100	3.52	September 15, 2029
January 2, 2018	100	3.32	January 2, 2028
September 2, 2020	100	2.35	September 2, 2030
June 2, 2021	100	2.48	June 2, 2031
June 2, 2021	100	2.58	June 2, 2033
May 4, 2023	75	4.79	May 4, 2028
May 4, 2023	75	4.84	May 4, 2030
May 4, 2023	75	4.96	May 4, 2033
May 4, 2023	150	4.94	May 4, 2033
Less: Deferred debt issuance costs	(1)		
Total	$ 1,024		

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Term Loan

On July 11, 2023, we entered into a three-year $750 million term loan credit agreement (the “Te... Credit Agreement”). The interest rate on this term loan is based on the Term SOFR plus a s... based on our leverage ratio at the end of each financial reporting quarter. This term loan matures on July 1... 2026. We are required to make quarterly payments of $5 million from September 2023 through June 2... and quarterly payments of $9 million from September 2024 through June 2026, with the remaining bal... due in July 2026. As of March 30, 2024, the borrowings outstanding under this term loan were $736 million. At March 30, 2... the interest rate under the Term Credit Agreement was 5.32% plus 1.47% for a combined rate of 6.79%. As o... December 30, 2023, the borrowings outstanding under this term loan were $741 million. At December 30, 2023, the interest rate under the Term Credit Agreement was 5.36% plus 1.35% for a combined rate of 6.71%. However, we have a hedge in place that ultimately creates an effective fixed rate of 5.91% and 5.79% at March 30... December 30, 2023, respectively. The Term Credit Agreement requires, among other things, that we maintain certain maximum leverage ratios. Additionally, the Term Credit Agreement contains customary representations, warranties and affirmative covenants as well as customary negative covenants, subje... negotiated exceptions, on liens, indebtedness, significant corporate changes (including mergers), dispositions a... certain restrictive agreements.

U.S. Trade Accounts Receivable Securitization

We have a facility agreement based on our U.S. trade accounts receivable that is stru... an asset-backed securitization program with pricing committed for up to three years. This facility agreement has a purchase limit of $450 million with two banks as agents, and expires on December 15, 2025.

As of March 30, 2024 and December 30, 2023, the borrowings outstanding under this securitization facility were $300 million and $210 million, respectively. At March 30, 2024, the interest rate on borro... under this facility was based on the asset-backed commercial paper rate of 5.47% plus 0.75%, for a combined rate of 6.22%. A... December 30, 2023, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 5.67% plus 0.75%, for a combined rate of 6.42%.

If our accounts receivable collection pattern changes due to customers either paying ... or not making payments, our ability to borrow under this facility may be reduced.

We are required to pay a commitment fee of 30 to 35 basis points depending upon program utili...

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Note 9 – Income Taxes

For the three months ended March 30, 2024 our effective tax rate was 25.8% compared to 23.8% for the p
period. The difference between our effective tax rate and the federal statutory tax ra year primarily relates to state and foreign income taxes and interest expense.

The Organization of Economic Co-Operation and Development (OECD) issued technic administrative guidance on Pillar Two Model Rules in December 2021, which provides for a global minimum tax rate on the earnings of large multinational businesses on a country-by-country basis. Effective Ja 1, 2024, the minimum 15% global tax rate is for various jurisdictions pursuant to the Pillar Two framework. tax reform developments may result in changes to long-standing tax principles, which adversely impact our effective tax rate going forward or result in higher cash tax liabilities. As of March 30 the impact of the Pillar Two Rules to our financial statements was immaterial. As we operate in jurisdi which have adopted Pillar Two, we are continuing to analyze the implications to effectively manage the in for 2024 and beyond.

The total amount of unrecognized tax benefits, which are included in "other liabilities within our condensed consolidated balance sheets, as of March 30, 2024 and December 30, 2023, was $113 million and $115 mill respectively, of which $106 million and $107 million, respectively, would affect the effective ta if recognized. It is possible that the amount of unrecognized tax benefits will change in the next 12 months, which may result in a material impact on our condensed consolidated statements of income.

All tax returns audited by the IRS are officially closed through 2019. The tax years su to examination by the IRS include years 2020 and forward. In addition, limited positions reported in the 20 year are subject to IRS examination.

The amount of tax interest expense included as a component of the provision for taxes 1 million and million for the three months ended March 30, 2024 and April 1, 2023, respectively. T amount of interest is included in "other liabilities," and was $17 million as of March 30, 2024 and $16 million as of December 30, 2023. The amount of penalties accrued for during the periods presented were not material to our condensed consolidated financial statements.

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Note 10 – Plan of Restructuring

On August 1, 2022, we committed to a restructuring plan focused on funding the prio of the BOLD+1 strategic plan, streamlining operations and other initiatives to increase efficiency. We revised previous expectations and we have extended this initiative through the end of 2024. We are cur unable in good faith to make a determination of an estimate of the amount or range of amounts expected to b incurred in connection with these activities, both with respect to each major type of cost associated therewith and the total cost, or an estimate of the amount or range of amounts that will result in future cash expenditur

During the three months ended March 30, 2024 and April 1, 2023, we recorded 10m restructuring costs of $ and $30 million, respectively. The restructuring costs for these periods primarily relate to employee severance and employee-related costs, accelerated amortization of right-of-use lease assets and fixe assets, and other lease exit costs.

Restructuring costs recorded for the three months ended March 30, 2024 and April 1 2023, consisted of the following:

	Three Months Ended March 30, 2		
	Health Care Distribution	Technology and Value-Added Services	Tot
Severance and employee-related costs	$ 6	$ 1	$
Accelerated depreciation and amortization	1	-	
Exit and other related costs	2	-	
Total restructuring costs	$ 9	$ 1	$

	Three Months Ended April 1, 20		
	Health Care Distribution	Technology and Value-Added Services	Tot
Severance and employee-related costs	$ 17	$ 3	$
Accelerated depreciation and amortization	7	-	
Exit and other related costs	1	1	
Loss on disposal of a business	1	-	
Total restructuring costs	$ 26	$ 4	$

The following table summarizes, by reportable segment, the activity related to the liabilities associated with our restructuring initiatives for the three months ended March 30, 2024. The remaining accrued balances of restructuring costs as of March 30, 2024, which primarily relates to severance and employee-related costs, are included in accrued expenses: other within our condensed consolidated balance shee Liabilities related to exited leased facilities are recorded within our current and non-current operating lease liab within our condensed consolidated balance sheets.

(in millions, except share and per share data)

	Health Care Distribution		Technology and Value-Added Services		Tota
Balance, December 30, 2023	$	22	$	1	$
Restructuring costs		9		1	
Non-cash accelerated depreciation and amortization		(1)		—	
Cash payments and other adjustments		(11)		(1)	
Balance, March 30, 2024	$	19	$	1	$

Note 11 – Legal Proceedings

Henry Schein, Inc. has been named as a defendant in multiple opioid related lawsuits (currently less than 175; one or more of Henry Schein, Inc.'s subsidiaries is also named as a defendant in a number of those cases). Generally, the lawsuits allege that the manufacturers of prescription opioid drugs engaged in a false advertising campaign to expand the market for such drugs and their own market share and that the entities in the supply chain (including Henry Schein, Inc. and its subsidiaries) reaped financial rewards by refusing or otherwise failing to monitor appropriately and restrict the improper distribution of those drugs. These actions that have been consolidated within the MultiDistrict Litigation ("MDL") In Re National Prescription Opiate Litigation (MDL No. 2804; Case No. 17-md-2804) and are currently stayed, and others in state courts and are proceeding independently and outside of the MDL. At this time, the following cases are set for trial: the action filed by DCH Health Care Authority, et al. in Alabama state court, which is currently set for a jury trial on July 8, 2024; the action filed by Mobile County Board of Health, et al. in Alabama state court, which has been set for a jury trial on August 12, 2024; and the action filed by Florida Health Sciences Center, Inc. (and other hospitals located throughout the State of Florida) in Florida state court, which is currently scheduled for a jury trial in September 2025. Of Henry Schein's 2023 net sales of $12.3 billion, approximately $ opioids represented less than four-tenths of 1 percent. Opioids represent a negligible part of our business. We intend to defend ourselves vigorously against these actions.

In August 2022, Henry Schein received a Grand Jury Subpoena from the United States Attorney's Office for the Western District of Virginia, seeking documents in connection with an investigation of possible violations of the Federal Food, Drug & Cosmetic Act by Butler Animal Health Supply, LLC ("Butler"), a former subsidiary of Henry Schein. The investigation relates to the sale of veterinary prescription drugs to certain customers. In October 2022, Henry Schein received a second Grand Jury Subpoena from the United States Attorney's Office for the Western District of Virginia. The October 2022 Subpoena seeks documents relating to payments received from Butler or Covetrus, Inc. ("Covetrus"). Butler was spun off into a separate company and became a subsidiary of Covetrus in 2019 and is no longer owned by Henry Schein. We are cooperating with the investigation.

On January 18, 2024, a putative class action was filed against the Company in the U.S. District Court for the Eastern District of New York ("EDNY"), Case No. 24-cv-387 (the "Cruz-Bermudez Act based on the October 2023 cyber incident described in [Note 3 – Cyber Incident](#)

HENRY SCHEIN, INC.

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On January 26, 2024, a second putative class action was filed against the Company based on the cyber incident, also in the EDNY, C No. 24-cv-550 (the "Depperschmidt Action"). On February 12, 2024, the Depperschmidt Action was volu dismissed without prejudice. On February 16, 2024, an amended complaint was filed in the Cruz-Bermu Action to add plaintiffs from the Depperschmidt Action and an additional new plaintiff.

Plaintiffs in the Cruz-Bermudez Action seek to represent a class of all individuals who personally identifying information and personal health information was compromised by the incident. Plaint generally allege have been harmed by alleged actions and/or omissions by the Company in connection with Company and deceptive public statements regarding privacy and data protection. Plaintiffs seek monetary damages, injunctive relief, costs and attorneys' fees, and oth related relief. On March 22, 2024, plaintiffs voluntarily withdrew two of their five causes of action. On April 8 Company's motion to dismiss the remaining claims. The case remains pending. We i vigorously against this action.

Henry Schein, Inc. and its affiliate, North American Rescue, LLC ("NAR"), have been qui tam lawsuit brought under the federal False Claims Act ("FCA"), in an action United States v. North American Rescue, LLC, Case No. 21-cv-04238, filed in the United S for the Eastern District of Pennsylvania. The case was filed under seal in 2021 by two Christopher (Cody) Rhoads who worked for one of NAR's competitors. Relators also name C-A-T Resources, LLC ("CATR") as a defendant. CATR manufactures one of the products at issue in the case (the com application tourniquet, or "CAT"). After the Department of Justice declined to intervene, the case was unsealed Relators filed their first amended complaint in November 2023. In response to motions to dismiss filed by He NAR, and CATR, Relators requested and obtained leave to file their Second Amended Complaint on 26, 2024. Relators based on allegations that NAR and Henry Schein made false represen in connection with, and sold and submitted false claims for payment to the federal gove for, various medical products that Relators contend violated certain "Buy American" laws (e.g., the Berry Amendment and Trade Agreements Act of 1979) and/or were not properly sterilized as noted on the products packaging. These products include the CAT, syringes, compressed gauze, tracheost kits, nose and throat kits, and trauma dressing. Relators allege Henry supervised and controlled NAR's alleged misconduct for a period of time. Relators seek three times amount of damages, statutory civil penalties, reasonable expenses, attorneys' fees and cos prejudgment interest. We intend to defend ourselves vigorously against this action.

From time to time, we may become a party to other legal proceedings, including, with limitation, product liability claims, employment matters, commercial disputes, governmental inquiries an investigations (which may, in some cases, involve our entering into settlement arrangements or consent decrees) other matters arising out of the ordinary course of our business. While the results of any legal proceeding can predicted with certainty, in our opinion none of these other pending matters are currently anticipated to have material adverse effect on our consolidated financial position, liquidity or results of operations.

As of March 30, 2024, we had accrued our best estimate of potential losses relating to claims that were probable to result in liability and for which we were able to reasonably estimate a loss. This accru amount, as well as related expenses, was not material to our financial position, results of operations or cash flow method for determining estimated losses considers currently available facts, presently enacted la and regulations and other factors, including probable recoveries from third parties.

Note 12 – Stock-Based Compensation

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Stock-based awards are provided to certain employees under our 2020 Stock Incentive Plan and to non-employee directors under our 2023 Non-Employee Director Stock Incentive Plan (formerly known as the 2015 Non-Employee Director Stock Incentive Plan) (together, the "Plans"). The Plans are administered by the Compensation Committee of the Board of Directors (the "Compensation Committee"). Historically, equity-based awards to employees have been granted solely in the form of time-based and performance-based restricted stock units ("RSUs") with the exception of our 2021 plan year in which non-qualified stock options were issued in place of performance-based RSUs and in 2022, when we granted time-based and performance-based RSUs, as well as non-qualified stock options. For our 2023 plan year, we returned to granting our employees equity-based awards solely in the form of time-based and performance-based RSUs. Our non-employee directors receive equity-based awards solely in the form of time-based RSUs.

Our condensed consolidated statements of income reflect pre-tax share-based compensation expense of $8 million and $10 million for the three months ended March 30, 2024 and April 1, 2023.

Total unrecognized compensation cost related to unvested awards as of March 30, 2024 was $ million, which is expected to be recognized over a weighted-average period of approximately 2.0 years.

Our condensed consolidated statements of cash flows present our stock-based compensation expense as an adjustment to reconcile net income to net cash provided by operating activities for all periods presented. The tax benefits associated with tax deductions in excess of recognized compensation cost for the three months ended March 30, 2024 and April 1, 2023.

We have not declared cash dividends on our stock in the past and we do not anticipate declaring cash dividends in the foreseeable future.

RSUs are stock-based awards granted to recipients with specified vesting provisions. Common stock is delivered on or following satisfaction of vesting conditions. We issue RSUs to employees that vest (i) solely based on the recipient's continued service over time, primarily with four-year cliff vesting, and (ii) based on achieving specified performance measurements and the recipient's continued service over time, primarily with three-year cliff vesting. RSUs granted to our non-employee directors primarily include 12-month cliff vesting. For these RSUs, we recognize the cost as compensation expense on a straight-line basis over the vesting period.

For all RSUs, we estimate the fair value based on our closing stock price on the grant date. With respect to performance-based RSUs, the number of shares that ultimately vest and are received by the recipient is based upon our performance as measured against specified targets over a specified period, as determined by the Compensation Committee. Although there is no guarantee that performance targets will be achieved, we estimate the fair value of performance-based RSUs based on our closing stock price at time of grant.

Each of the Plans provide for certain adjustments to the performance measurement in connection with awards under the Plans. With respect to the performance-based RSUs granted under our 2020 Stock Incentive Plan, such performance measurement adjustments relate to significant events, including, without limitation, acquisitions, divestitures, new business ventures, certain capital transactions (including share repurchases), restructuring costs, if any, amortization expense recorded for acquisition-related intangible assets (solely with respect to performance-based RSUs granted in the 2023 and 2024 plan years), certain litigation settlements or payments, if any, changes in accounting principles or in applicable laws or regulations, changes in certain market conditions, tax rate changes in certain markets, foreign exchange fluctuations, the financial impact either positive or negative, of the difference generated by COVID-19 test kits (solely with respect to performance-based RSUs granted in the 2022 and 2023 plan years) and impairment charges (solely with respect to performance-based RSUs granted in the 2023 and 2024 plan years), and unforeseen events or circumstances affecting us.

Over the performance period, the number of RSUs that will ultimately vest and be issued and the related compensation expense is adjusted upward or downward based upon our estimation of achieving such performance targets. The ultimate number of shares delivered to recipients and the related compensation cost recognized as an expense is based on our actual performance metrics as defined under the 2020 Stock Incentive Plan.

Stock options are awards that allow the recipient to purchase shares of our common stock at a fixed price after vesting. Stock options were granted at an exercise price equal to our closing stock price on the date of grant. Stock options issued in 2021 and 2022 vest one-third per year based on the recipient's service subject to the terms and conditions of the 2020 Stock Incentive Plan, are fully vested three years from the grant date and have a contractual term of ten years from the grant date, subject to earlier termination or term acceleration upon certain events. Compensation expense for stock options is recognized using a graded vesting method. We estimate grant date fair value of stock options using the Black-Scholes valuation model. The expected stock price volatility is based on implied volatility of our stock, historical volatility of our stock and other factors. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant that most closely aligns to the expected term of the options. The expected life of the options was determined using the simplified method for estimating the expected term as outlined under Staff Accounting Bulletin Topic 14. During the three months ended March 30, 2024, we did not grant any stock options.

The following table summarizes the stock option activity for the three months ended March 30, 2024:

	Stock Options			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at beginning of period	1,078,459	$ 71.46		
Granted	-	-		
Exercised	(21,570)	62.71		
Forfeited	(897)	82.62		
Outstanding at end of period	1,055,992	$ 71.63	7.3	$
Options exercisable at end of period	908,836	$ 69.49		

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Expected to vest	147,110	$ 84.84	8.0	$

The following tables summarize the activity of our unvested RSUs for the three months ended March 30, 2024:

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	Time-Based Restricted Stock Units			Performance-Based Rest Stock Units	
	Shares/Units	Weighted Average Grant Date Fair Value Per Share	Intrinsic Value Per Share	Shares/Units	Weighted Average Grant Date Fair Value Per Share
Outstanding at beginning of period	1,655,398	$ 70.34		208,742	$ 78.02
Granted	432,350	76.56		450,333	76.81
Vested	(307,839)	62.51		(6,432)	63.01
Forfeited	(6,021)	81.48		(6,431)	83.07
Outstanding at end of period	1,773,888	$ 73.19	$ 75.52	646,212	$ 75.68

Note 13 – Redeemable Noncontrolling Interests

Some minority stockholders in certain of our subsidiaries have the right, at certain tim to require us to acquire their ownership interest in those entities at fair value. Accounting Standards Codification Topic 480-10 is applicable for noncontrolling interests where we are or may be required to purchase or a portion of the outstanding interest in a consolidated subsidiary from the noncontrolling interest hol under the terms of a put option contained in contractual agreements. The components of the change in the redeemable noncontrolling interests for the three months ended March 30, 2024 and the year ended December 3 2023 are presented in the following table:

	March 30, 2024	December 30, 2023
Balance, beginning of period	$ 864	$ 5
Decrease in redeemable noncontrolling interests due to acquisitions of noncontrolling interests in subsidiaries	(94)	(1
Increase in redeemable noncontrolling interests due to business acquisitions	-	3
Net income attributable to redeemable noncontrolling interests	2	
Distributions declared, net of capital contributions	(6)	(1
Effect of foreign currency translation gain (loss) attributable to redeemable noncontrolling interests	(10)	
Change in fair value of redeemable securities	42	(1
Balance, end of period	$ 798	$ 8

Note 14 – Comprehensive Income

Comprehensive income includes certain gains and losses that, under U.S. GAAP, are excluded from net income are recorded directly to stockholders' equity.

The following table summarizes our Accumulated other comprehensive loss, net of applicable taxes as of:

	March 30, 2024	December 30, 2023
Attributable to redeemable noncontrolling interests:		
Foreign currency translation adjustment	$ (42)	$ (3
Attributable to noncontrolling interests:		
Foreign currency translation adjustment	$ (1)	$ (
Attributable to Henry Schein, Inc.:		
Foreign currency translation adjustment	$ (232)	$ (18
Unrealized loss from hedging activities	(2)	(1
Pension adjustment loss	(5)	(
Accumulated other comprehensive loss	$ (239)	$ (20
Total Accumulated other comprehensive loss	$ (282)	$ (23

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HENRY SCHEIN, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)
(unaudited)

The following table summarizes the components of comprehensive income, net of applicable taxes as follows:

	Three Months	
	March 30, 2024	Ap 20
Net income	$ 98	$
Foreign currency translation gain (loss)	(54)	
Tax effect	-	
Foreign currency translation gain (loss)	(54)	
Unrealized gain (loss) from hedging activities	15	
Tax effect	(4)	
Unrealized gain (loss) from hedging activities	11	
Comprehensive income	$ 55	$

Our financial statements are denominated in U.S. Dollars. Fluctuations in the value o foreign currencies as compared to the U.S. Dollar may have a significant impact on our comprehensive inco The foreign currency translation gain (loss) during the three months ended March 30, 2024 and three mon ended April 1, 2023 was primarily due to changes in foreign currency exchange rates of the Euro, Brazilian Re British Pound, Australian Dollar, Swiss Franc and Canadian Dollar.

The hedging gain (loss) during the three months ended March 30, 2024, and April 1, was attributable to a net investment hedge.

The following table summarizes our total comprehensive income, net of applicable taxes as follows:

	Three Months	
	March 30, 2024	Ap 20
Comprehensive income attributable to Henry Schein, Inc.	$ 60	$
Comprehensive income attributable to noncontrolling interests	3	
Comprehensive income (loss) attributable to Redeemable noncontrolling interests	(8)	
Comprehensive income	$ 55	$

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HENRY SCHEIN, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)
(unaudited)

Note 15 – Earnings Per Share

Basic earnings per share is computed by dividing net income attributable to Henry Sc Inc. by the weighted-average number of common shares outstanding for the period. Our diluted earnings share is computed similarly to basic earnings per share, except that it reflects the effect of common shares issual exercise of stock options and unvested RSUs using the treasury stock method in periods in which they ha dilutive effect.

A reconciliation of shares used in calculating earnings per basic and diluted share fol

	Three Months E	
	March 30, 2024	Apr 20
Basic	128,720,661	131
Effect of dilutive securities:		
Stock options and restricted stock units	1,048,919	1
Diluted	129,769,580	133

The number of antidilutive securities that were excluded from the calculation of dilut weighted-average common shares outstanding are as follows:

	Three Months E	
	March 30, 2024	Apr 20
Stock options	419,139	4
Restricted stock units	245,667	
Total anti-dilutive securities excluded from earnings per share computation	664,806	4

Note 16 – Supplemental Cash Flow Information

Cash paid for interest and income taxes was:

	Three Months E	
	March 30, 2024	Apr 20
Interest	$ 26	$
Income taxes	21	

For the three months ended March 30, 2024 and April 1, 2023, we had $15 million and $(2) million of no net unrealized gains (losses) related to hedging activities, respectively.

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Note 17 – Related Party Transactions

In connection with the formation of Henry Schein One, LLC, our joint venture with Internet Brands, which was formed on July 1, 2018, we entered into a 13-year royalty agreement with Internet Brands whereby we will pay Internet Brands approximately $31 million annually for the use of their intellectual property. During the three months ended March 30, 2024 and April 1, 2023, we recorded $8 million and $8 million, respectively, in connection with costs related to this royalty agreement. As of March 30, 2024 and December 30, 2023, Henry Schein One, LLC had a net payable balance to Internet Brands of $3 million and $1 million, respectively, comprised of amounts related to results of operations and the royalty agreement. The components of this payable are recorded within accrued expenses: other within our condensed consolidated balance sheets.

We have interests in entities that we account for under the equity accounting method. During the three months ended March 30, 2024 and April 1, 2023, in our normal course of business, we recorded net sales of $12 million and $8 million, respectively, to such entities. During the three months ended March 30, 2024 and April 1, 2023, we purchased $3 million and $2 million respectively, from such entities. At March 30, 2024 and December 30, 2023, we had an aggregate of $31 million and $33 million, respectively, due from our equity affiliates, and $6 million and $5 million, respectively, due to our equity affiliates.

Certain of our facilities related to our acquisitions are leased from employees and minority shareholders. These leases are classified as operating leases and have a remaining lease term ranging from one month to ... years. As of March 30, 2024, current and non-current liabilities associated with related party operating leases were $5 million and $23 million, respectively. At March 30, 2024 related party leases represented 6.5% and 8.2% of total current and non-current operating lease liabilities, respectively. At December 30, 2023 related party leases represented 6.8% and 7.4% of the total current and non-current operating lease liabilities, respectively.

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CON RESULTS OF OPERATIONS

Cautionary Note Regarding Forward-Looking Statements

In accordance with the “Safe Harbor” provisions of the Private Securities Litigation R 1995, we provide the following cautionary remarks regarding important factors that, among ot cause future results to differ materially from the forward-looking statements, expectations and assumptio herein or implied. All forward-looking statements made by us are subject to risks and uncertaint not guarantees of future performance. These forward-looking statements involve known and unknown r and other factors that may cause our actual results, performance and achievements or industry materially differ from any future results, performance or achievements expressed or implied forward-looking statements. These statements are generally identified by the use of such terms as “m “expect,” “intend,” “believe,” “plan,” “estimate,” “forecast,” “project,” “anticipate,” “to be,” “to other comparable terms. Factors that could cause or contribute to such differences include, but are not those discussed in documents we file with the Securities and Exchange Commission (SEC), including Report on Form 10-K.

Risk factors and uncertainties that could cause actual results to differ materially from historical results include, but are not limited to: our dependence on third parties for the manufacture a our products; our ability to develop or acquire and maintain and protect new products (particularly tech technologies) and technologies that achieve market acceptance with acceptable margins; transitional ch associated with acquisitions, dispositions and joint ventures, including the failure to achieve anticipat benefits, as well as significant demands on our operations, information systems, legal, regulatory, com resources and financial functions in connection with acquisitions, dispositions and joint ventures; c provisions in our governing documents that may discourage third-party acquisitions of us; adverse cha supplier rebates or other purchasing incentives; risks related to the sale of corporate brand products; se associated with our information systems and technology products and services, such as cyberattacks or o data security breaches (including the October 2023 incident); effects of a highly competitive (inclu limitation, competition from third-party online commerce sites) and consolidating market; chang health care industry; risks from expansion of customer purchasing power and multi-tiered costing structur for our products or shipping costs or other service issues with our third-party shippers; general global macro-economic and political conditions, including inflation, deflation, recession, ongoing wars, fluctu energy pricing and the value of the U.S. dollar as compared to foreign currencies, and changes to other e indicators, international trade agreements, potential trade barriers and terrorism; geopolitical w comply with existing and future regulatory requirements; risks associated with the EU Medical De Regulation; failure to comply with laws and regulations relating to health care fraud or other laws and regu to comply with laws and regulations relating to the collection, storage and processing of sensitive pe information or standards for electronic health records or transmissions; changes in tax legislation; risks related product liability, intellectual property and other claims; risks associated with customs policies or legislative impor risks associated with disease outbreaks, epidemics, pandemics (such as the COVID-19 pandemic), or s spread public health concerns and other natural or man-made disasters; risks associated with our g operations; litigation risks; new or unanticipated litigation developments and the status of litigation matte dependence on our senior management, employee hiring and retention, and our relationships with custo and manufacturers; and disruptions in financial markets. The order in which these factor should not be construed to indicate their relative importance or priority.

We caution that these factors may not be exhaustive and that many of these factors a ability to predict or control. Accordingly, any forward-looking statements contained herein should not as a prediction of actual results. We undertake no duty and have no obligation to update forward-loo statements except as required by law.

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Where You Can Find Important Information

We may disclose important information through one or more of the following channel public conference calls and webcasts, press releases, the investor relations page of our web (www.henryschein.com) and the social media channels identified on the About Media Center page of our webs

Recent Developments

While the U.S. economy has recently experienced inflationary pressures and strength U.S. dollar, their impacts have not been material to our results of operations. Though inflation impacts revenues and costs, the depth and breadth of our product portfolio often allows us to offer lower-cost nati solutions or corporate brand alternatives to our more price-sensitive customers who are unwilling price increases, thus positioning us to protect our gross profit.

Our condensed consolidated financial statements reflect estimates and assumptions m that affect, among other things, our goodwill, long-lived asset and definite-lived intangible asset valuatio investment valuation; equity valuation; assessment of the annual effective tax rate; valuation of deferre income taxes and contingencies; the allowance for doubtful accounts; hedging activity; supplier reb measurement of compensation cost for certain share-based performance awards and cash bonus plans and pension plan assumptions.

Cyber Incident

In October 2023 Henry Schein experienced a cyber incident that primarily affected th North American and European dental and medical distribution businesses. Henry Schein O practice management, revenue cycle management and patient relationship management solutions not affected, and our manufacturing businesses were mostly unaffected. On November 22, 2023, we e disruption of our ecommerce platform and related applications, which has since been remediated.

During the three months ended March 30, 2024, we continued to experience a residu noted above relating to the cyber events primarily to decreased sales to episodic customers (customers t less consistently generally registered a level of demand pre-incident). We have a number of programs planne re-establishing focused on these customers.

We maintain cyber insurance, subject to certain retentions and policy limitations. Wi the October 2023 cyber incident, we have a $60 million insurance policy, following a $5 million retentio

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Executive-Level Overview

Henry Schein, Inc. is a solutions company for health care professionals powered by a people and technology. We believe we are the world's largest provider of health care products and primarily to office-based dental and medical practitioners, as well as alternate sites of care. We serve more than one mill worldwide including dental practitioners, laboratories, physician practices and ambul centers, as well as government and institutional health care clinics and other alternate care clinics. We believe that we hav brand identity due to our more than 91 years of experience distributing health care p

We are headquartered in Melville, New York, employ approximately 25,000 people (o approximately 13,000 are based outside of the United States) and have operations or affiliates in 33 territories. Our global footprint has evolved over time through our organic success as well as t contribution from strategic acquisitions.

We have established strategically located distribution centers around the world to ena better serve our customers and increase our operating efficiency. This infrastructure, together with b offerings at competitive prices, and a strong commitment to customer service, enable single source of supply for our customers' needs.

While our primary go-to-market strategy is in our capacity as a distributor, we also m our own corporate brand portfolio of cost-effective, high-quality consumable merchandise pro including in vitro diagnostic devices, manufacture certain dental specialty products in the areas of imp orthodontics and endodontics, manufacture drug products, and repackage/relabel prescription drugs. We hav achieved scale in these global businesses primarily through acquisitions, as manufact products typically do not utilize a distribution channel to serve customers.

We conduct our business through two reportable segments: (i) health care distribution technology and value-added services. These segments offer different products and services to the sa base. Our global dental businesses serve office-based dental practitioners, dental laboratories, schools and other institutions. Our medical businesses serve physician offices, urgent care centers, am sites, emergency medical technicians, dialysis centers, home health, federal and state governments and enterprises, such as group practices and integrated delivery networks, among other providers across a w specialties.

The health care distribution reportable segment, combining our global dental and me operating segments, distributes consumable products, small equipment, laboratory products, large equipr equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, dental specialty p (including implant, orthodontic and endodontic products), diagnostic tests, infection-control products, PP vitamins and orthopedic implants.

Our global technology and value-added services business provides software, technolo value-added services to health care practitioners. Our technology business offerings include prac management software systems for dental and medical practitioners. Our value-added practice solutions incl consultancy, education, revenue cycle management and financial services on a non-recourse basis, practice technology, network and hardware services, as well as consulting, and continuing ed services for practitioners.

A key element to grow closer to our customers is our One Schein initiative, which is a market approach that enables practitioners to work synergistically with our supply chain, eq and other value-added services, allowing our customers to leverage the combined value th through a single program. Specifically, One Schein provides customers with streamlined access to our comprehensive offering of national brand products, our corporate brand products and proprietary specialty prod solutions (including implant, orthodontic and endodontic products). In addition, customers have access to including software and other value-added services.

of services

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Industry Overview

In recent years, the health care industry has increasingly focused on cost containmen[t]. This trend has benefited distributors capable of providing a broad array of products and services at low prices. It also has accelerated the growth of HMOs, group practices, other managed care accounts and collective buyin[g] organizations, which, in addition to obtaining products at competitive prices, tend to favor distributors capable of providing specialized management information support. We believe that the trend towards cost containm[ent] has the potential to favorably affect demand for technology solutions, including software, which can en[hance] the efficiency and facilitation of practice management.

Our operating results in recent years have been significantly affected by strategies an[d] transactions that we undertook to expand our business, domestically and internationally, in part to addres[s] significant changes in the health care industry, including consolidation of health care distribution companies, h[ealth care] reform, trends toward managed care, cuts in Medicare and collective purchasing arrangements.

Industry Consolidation

The health care products distribution industry, as it relates to office-based health car[e] practitioners, is fragmented and diverse. The industry ranges from sole practitioners working out of relatively sm[all offices to] group practices or service organizations ranging in size from a few practitioners to a large number of practitioners who have combined or otherwise associated their practices.

Due in part to the inability of office-based health care practitioners to store and mana[ge large] quantities of supplies in their offices, the distribution of health care supplies and small equipment to office-[based] health care practitioners has been characterized by frequent, small quantity orders, and a need for rapid, relia[ble and] substantially complete order fulfillment. The purchasing decisions within an office-based health care practic[e are typically] made by the practitioner or an administrative assistant. Supplies and small equipment are genera[lly purchased] from more than one distributor, with one generally serving as the primary supplier.

The trend of consolidation extends to our customer base. Health care practitioners a[re increasingly] seeking to partner, affiliate or combine with larger entities such as hospitals, health systems, gr[oup practices or] physician hospital organizations. In many cases, purchasing decisions for consolidated groups a[re made at a] centralized or professional staff level; however, orders are delivered to the practitioners' offices.

We believe that consolidation within the industry will continue to result in a number o[f distributors,] particularly those with limited financial, operating and marketing resources, seeking to combine w[ith larger] companies that can provide growth opportunities. This consolidation also may continue to result in distri[butors seeking] to acquire companies that can enhance their current product and service offerings or provide op[portunities to] serve a broader customer base.

Our approach to acquisitions and joint ventures has been to expand our role as a prov[ider of] products and services to the health care industry. This trend has resulted in our expansion into service area[s that] complement our existing operations and provide opportunities for us to develop synergies with, and thus stren[gthen,] acquired businesses.

As industry consolidation continues, we believe that we are positioned to capitalize on [this trend, as] we believe we have the ability to support increased sales through our existing infrastructure, althou[gh there can] be no assurances that we will be able to successfully accomplish this. We also have invested in expanding our sale[s] infrastructure to include a focus on building relationships with decision makers who d[etermine purchasing] in the office-based practitioner setting.

As the health care industry continues to change, we continually evaluate possible can[didates for] joint venture or acquisition and intend to continue to seek opportunities to expand our role as a provi[der of services to] the health care industry. There can be no assurance that we will be able to successfu[lly pursue any such] opportunity or consummate any such transaction, if pursued. If additional transactio[ns]

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consummated, we would incur merger and/or acquisition-related costs, and there can assurance that the integration efforts associated with any such transaction would be successful.

Aging Population and Other Market Influences

The health care products distribution industry continues to experience growth due to population, increased health care awareness, the proliferation of medical technology and testing, pharmacology and treatments, and expanded third-party insurance coverage, partially offset by the effec unemployment on insurance coverage. In addition, the physician market continues to benefit from the s procedures and diagnostic testing from acute care settings to alternate-care sites, particularly physic

According to the U.S. Census Bureau's International Database, between 2024 and 20 older population is expected to grow by approximately 11%. Between 2024 and 2044, this expected to grow by approximately 20%. This compares with expected total U.S. population growth rat approximately 6% between 2024 and 2034 and approximately 11% between 2024 and 2044.

According to the U.S. Census Bureau's International Database, in 2024 there are app seven million Americans aged 85 years or older, the segment of the population most in need of long and elder-care services. By the year 2050, that number is projected to nearly triple to approximately The population aged 65 to 84 years is projected to increase by approximately 20% during the same p

As a result of these market dynamics, annual expenditures for health care services co increase in the United States. We believe that demand for our products and services will grow while be impacted by current and future operating, economic, and industry conditions. The Centers for Me Medicaid Services ("CMS") published "National Health Expenditure Data" indicating that total national spending reached approximately $4.5 trillion in 2022, or 17.3% of the nation's gross domestic product, benchmark measure of annual production of goods and services in the United States. Health care spending i reach approximately $7.2 trillion by 2031, or 19.6% of the nation's projected gross domesti

Government

Certain of our businesses involve the distribution, manufacturing, importation, expor promotion, sale and marketing of pharmaceuticals and/or medical devices, and in this regard, we are subj extensive local, state, federal and foreign governmental laws and regulations, including as applicable to our distribution of pharmaceuticals and medical devices, manufacturing activities, and as part of our spe medical supply businesses that distribute and sell medical equipment and supplies directly to patient state and certain foreign governments have also increased enforcement activity in the health care sect in areas of fraud and abuse, anti-bribery and anti-corruption, controlled substances handling, medical regulations and data privacy and security standards.

Certain of our businesses involve pharmaceuticals and/or medical devices, including diagnostic devices that are paid for by third parties and must operate in compliance with a variety of bu complex coding, billing and record-keeping requirements in order to substantiate claims for payment state and commercial healthcare reimbursement programs.

Government and private insurance programs fund a large portion of the total cost of and there have been efforts to limit such private and government insurance programs, including effo unsuccessful, to seek repeal of the entire United States Patient Protection and Affordable Care Act, as the Health Care and Education Reconciliation Act, each enacted in March 2010.

Certain of our businesses are subject to various additional federal, state, local and for regulations, including with respect to the sale, transportation, importation, storage, handling and potentially hazardous substances; "forever chemicals" such as per-and polyfluoroalky pricing disclosures; supply chain transparency around labor practices; and safe work activities to control medical costs, including laws and regulations lowering reimburse pharmaceuticals, medical devices, medical supplies and/or medical treatments or ser coverage. CMS recently released the 2024 durable medical equipment, prosthetics, orthotics and sup (“DMEPOS”) reimbursement schedule, which, effective January 1, 2024, reduced the DMEPOS rei rates for non-rural suppliers, such as us, by removing the Coronavirus Aid, Relief, and Economic Se (“CARES”) Act rates in effect during the COVID-19 pandemic. This and other laws and regulat subject to change and their evolving implementation may impact our operations and our financial performan

Our businesses are generally subject to numerous laws and regulations that could im financial performance, and failure to comply with such laws or regulations could have a material adverse eff business.

A more detailed discussion of governmental laws and regulations is included in Mana Discussion & Analysis of Financial Condition and Results of Operations, contained in our Annual Re 10-K for the fiscal year ended December 30, 2023, filed with the SEC on February 28, 2024.

Results of Operations

The following tables summarize the significant components of our operating results a months ended March 30, 2024 and April 1, 2023:

	Three Months E	
	March 30, 2024	Apr 20
Operating results:		
Net sales	$ 3,172	$
Cost of sales	2,160	
Gross profit	1,012	
Operating expenses:		
Selling, general and administrative	791	
Depreciation and amortization	61	
Restructuring costs	10	
Operating income	$ 150	$
Other expense, net	$ (23)	$
Net income	98	
Net income attributable to Henry Schein, Inc.	93	

	Three Months E	
	March 30, 2024	Apr 20
Cash flows:		
Net cash provided by operating activities	$ 197	$
Net cash used in investing activities	(72)	
Net cash provided by (used in) financing activities	(151)	

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Plan of Restructuring

On August 1, 2022, we committed to a restructuring plan focused on funding the prio
BOLD+1 strategic plan, streamlining operations and other initiatives to increase efficiency. We revised
expectations and completion of we have extended this initiative through the end of 2024. We are cur
in good faith to make a determination of an estimate of the amount or range of amounts expected to b
connection with these activities, both with respect to each major type of cost associated therewith and
cost, and an estimate of the amount or range of amounts that will result in future cash expenditur

During the three months ended March 30, 2024 and April 1, 2023, we recorded restr
of $10.0 million and $3.0 million, respectively. The restructuring costs for these periods primarily rela
severance and employee-related costs, accelerated amortization of right-of-use lease assets and fixe
other lease exit costs.

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Three Months Ended March 30, 2024 Compared to Three Months Ended Apri

Note: Percentages for Net Sales; Gross Profit; Operating Expenses; Other Expense, N Income Taxes are based on actual values and may not recalculate due to rounding.

Net Sales

Net sales were as follows:

	March 30, 2024	% of Total	April 1, 2023	% of Total	Incre $
Health care distribution[1]					
Dental	$ 1,914	60.3 %	$ 1,898	62.0 %	$ 16
Medical	1,041	32.9	971	31.8	70
Total health care distribution	2,955	93.2	2,869	93.8	86
Technology and value-added services[2]	217	6.8	191	6.2	26
Total	$ 3,172	100.0 %	$ 3,060	100.0 %	$ 112

The components of our sales growth were as follows:

	Local Currency Growth		Total Local	Foreign	To
	Local Internal Growth	Acquisition Growth	Currency Growth	Exchange Impact	C
Health care distribution[1]					
Dental Merchandise	(3.7)%	3.8%	0.1%	0.7%	
Dental Equipment	0.2	-	0.2	0.6	
Total Dental	(2.9)	3.0	0.1	0.7	
Medical	(0.7)	8.0	7.3	-	
Total Health Care Distribution	(2.1)	4.6	2.5	0.5	
Technology and value-added services[2]	3.2	10.2	13.4	0.4	
Total	(1.8)%	5.0%	3.2%	0.5%	

(1) Consists of consumable products, dental specialty products (including implant, orthodontic and e products), small equipment, laboratory products, large equipment, equipment repair services, branded and gener pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products, PPE products, vitamins, and orthopedic imp

(2) Consists of practice management software and other value-added products, which are distributed healthcare providers, practice consultancy, education, revenue cycle management and financial services on a non-recou services, continuing education services for practitioners, practice technology, network and hardware services, and oth

Global Sales

Global net sales for the three months ended March 30, 2024 increased 3.7%. The co our sales growth are presented in the table above.

The 1.8% decrease in our internally generated local currency sales was primarily attr residual impact of the cyber incident related to decreased sales to episodic customers (customers tha generally less engaged pre-incident) and lower sales of PPE products and COVID For the three months ended March 30, 2024, the estimated decrease in internally generated local c excluding PPE products and COVID-19 test kits, was 1.2%.

We estimate that sales of PPE products and COVID-19 test kits were approximately $ and $201 million for the three months ended March 30, 2024 and April 1, 2023, respectively, represen estimated decrease of $20 million, or 10.0% versus the prior year, with the $20 million net decrease year-ov representing 0.6% of global net sales for the three months ended March 30, 2024.

Dental

Dental net sales for the three months ended March 30, 2024 increased 0.8%. The co our sales growth are presented in the table above.

The increase in local currency sales was attributable to the acquisitions of Biotech De during the year ended December 30, 2023. The decrease in internally generated local currency sales merchandise was primarily attributable to the residual impact of the cyber incident. Our sales increase generated local currency dental equipment was primarily attributable to some sales shifting into t quarter of 2024 due to the delay of equipment installations during the fourth quarter of 2023 resulting from the cyber incident.

We estimate that sales of PPE products were approximately $79 million and $92 milli three months ended March 30, 2024 and April 1, 2023, respectively, representing an estimated decrease or 14.5% versus the prior year, with the $13 million net decrease year-over-year representing 0.7% of sales for the three months ended March 30, 2024. The decrease in sales of PPE products is primarily du reduced demand and market prices following the cyber incident. The estimated decrease in internally g currency sales, excluding PPE products, was 2.2%.

Medical

Medical net sales for the three months ended March 30, 2024 increased 7.3%. The c our sales growth are presented in the table above. The increase in local currency sales was attributab acquisition of Shield Healthcare during the year ended December 30, 2023. The internally generated loca decrease is primarily attributable to the residual impact of the cyber incident as well as t of certain pharmaceutical product sales to lower priced generics, partially offset by strong sales care diagnostics including flu and multi-assay flu/COVID combination tests.

We estimate that sales of PPE products and COVID-19 test kits were approximately $ and $109 million for the three months ended March 30, 2024 and April 1, 2023, respectively, represen estimated decrease of $7 million, or 6.2% versus the prior year, with the $7 million net decrease year-over-y representing 0.6% of medical net sales for the three months ended March 30, 2024. The decrease in sales products is primarily due to lower market prices of PPE products. The estimated increase in internally ger currency sales, excluding PPE products and COVID-19 test kits, was 0.1%.

Technology and value-added services

Technology and value-added services net sales for the three months ended March 30 increased 13.8%. The components of our sales growth are presented in the table above. The internally gene currency increase in technology and value-added services sales is primarily attributable to a continued i number of cloud-based users of our practice management software and an increase in revenue o management services. We also experienced increased demand for our revenue cycle management solutions and products.

Gross Profit

Gross profit and gross margin percentages by segment and in total were as follows:

	March 30, 2024	Gross Margin %	April 1, 2023	Gross Margin %	Increa $
Health care distribution	$ 867	29.3 %	$ 837	29.2 %	$ 30
Technology and value-added services	145	66.8	129	67.4	16
Total	$ 1,012	31.9	$ 966	31.6	$ 46

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As a result of different practices of categorizing costs associated with distribution ne throughout our industry, our gross margins may not necessarily be comparable to other distribution c Additionally, we realize substantially higher gross margin percentages in our technology and value-ad segment than in our health care distribution segment. These higher gross margins result from being l developer and seller of software products and services, as well as certain financial services. The software in typically realizes higher gross margins to recover investments in research and development.

Within our health care distribution segment, gross profit margins may vary between as a result of changes in the mix of products sold as well as changes in our customer mix. For exam our corporate brand and certain specialty products achieve gross profit margins that are higher tha total gross profit margins of all products. With respect to customer mix, sales to our large-group custo are typically completed at lower gross margins due to the higher volumes sold as opposed to the gross margi office-based practitioners, who normally purchase lower volumes.

Health care distribution gross profit for the three months ended March 30, 2024 incr compared to the prior-year period due to gross profit from acquisitions and gross margin expansion as a res favorable sales mix of higher-margin products, partially offset by the decrease in sales resultin the residual impact of the cyber incident and a reduction in sales of PPE products and COVID-19 test kits.

Technology and value-added services gross profit increased as a result of a higher gr internally generated sales and gross profit from acquisitions. The slight decrease in gross marg primarily due to amortization expense.

Operating Expenses

Operating expenses (consisting of selling, general and administrative expenses; depre amortization and restructuring costs) by segment and in total were as follows:

	March 30, 2024	% of Respective Net Sales	April 1, 2023	% of Respective Net Sales	Increas $
Health care distribution	$ 741	25.1 %	$ 692	24.1 %	$ 49
Technology and value-added services	121	55.8	99	51.6	22
Total	$ 862	27.2	$ 791	25.8	$ 71

The net increase in operating expenses is attributable to the following:

	Operating Costs	Restructuring Costs	Acquisitions	Tot
Health care distribution	$ 43	$ (17)	$ 23	$
Technology and value-added services	(6)	(3)	31	
Total	$ 37	$ (20)	$ 54	$

The increase in operating costs during the three months ended March 30, 2024 inclu increased payroll and payroll-related costs, travel, and convention expenses in both of our reportable segme increased acquisition expenses in our healthcare distribution segment and an increase in accrued continge consideration related to a 2023 acquisition in our technology and value-added services segment. During the thr ended March 30, 2024, we incurred $5 million of expenses directly related to the cyber incident, m consisting of professional fees.

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Other Expense, Net

Other expense, net was as follows:

	March 30, 2024	April 1, 2023	Variance $
Interest income	$ 5	$ 3	$ 2
Interest expense	(30)	(14)	(16)
Other, net	2	(1)	3
Other expense, net	$ (23)	$ (12)	$ (11)

Interest income increased primarily due to increased interest rates. Interest expense primarily due to increased borrowings and increased interest rates.

Income Taxes

Our effective tax rate was 25.6% for the three months ended March 30, 2024 compar for the prior year period. The difference between our effective and federal statutory tax rates primarily state taxes and foreign and interest expense.

The Organization of Economic Co-Operation and Development (OECD) issued technic guidance on administrative Pillar Two Model Rules in December 2021, which provides for a global m rate on the earnings of large multinational businesses on a country-by-country basis. Effective Ja the minimum global tax rate is 15% for various jurisdictions pursuant to the Pillar Two framework. reform resulting from these developments may result in changes to long-standing tax principles, which adversely impact our effective tax rate going forward or result in higher cash tax liabilities. As of March 30 impact of the Pillar Two Rules to our financial statements was immaterial. As we operate in jurisdi have adopted Pillar Two, we are continuing to analyze the implications to effectively manage the im and beyond.

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Liquidity and Capital Resources

Our principal capital requirements have included funding of acquisitions, purchases of noncontrolling interests, repayments of debt principal, the funding of working capital needs, purchas assets and repurchases of common stock. Working capital requirements generally result from in special inventory forward buy-in opportunities and payment terms for receivables and payab Historically, sales have tended to be stronger during the second half of the year and special inventory forwar opportunities have been most prevalent just before the end of the year, and have caused our working ca requirements to be higher from the end of the third quarter to the end of the first quarter of the following year.

We finance our business primarily through cash generated from our operations, revol facilities and debt placements. Please see Note 8 – Debt for further information. Our ability to generate sufficie from operations is dependent on the continued demand of our customers for our products and access to products and services from our suppliers.

Our business requires a substantial investment in working capital, which is susceptib fluctuations during the year as a result of inventory purchase patterns and seasonal demands. Inventory pur is a function of sales activity, special inventory forward buy-in opportunities and our desired level of anticipate future increases in our working capital requirements.

We finance our business to provide adequate funding for at least 12 months. Funding are based on forecasted profitability and working capital needs, which, on occasion, may change. C we may change our funding structure to reflect any new requirements.

We believe that our cash and cash equivalents, our ability to access private debt mar and public equity markets, and our available funds under existing credit facilities provide us with sufficient liqui our current and foreseeable short-term and long-term capital needs.

Our acquisition strategy is focused on investments in companies that add new custom terms, increase our geographic footprint (whether entering a new country, such as emerging markets scale where we have already invested in businesses), and finally, those that enable us to access new p technologies.

Net cash provided by operating activities was $197 million for the three months ende 2024, compared to net cash provided by operating activities of $27 million for the prior year. The net $170 million was primarily attributable to changes in working capital accounts, primarily accounts rec and accounts payable and accrued expenses; and lower cash net income. During the quarter ended March had several residual impacts to the operating cash flows from our working capital, ne acquisitions, including increases in operating cash flows from accounts receivable due to improved collection decreased cash flows from accounts payable and accrued expenses resulting from previously delayed

Net cash used in investing activities was $72 million for the three months ended Mar compared to net cash used in investing activities of $39 million for the prior year. The net change of $ primarily attributable to increased payments for equity investments and business acquisitions, purchases of fixed assets resulting from our continued investment in our facilities and operations.

Net cash used in financing activities was $151 million for the three months ended Ma compared to net cash provided by financing activities of $21 million for the prior year. The net change million was primarily due to increased net borrowings from debt to finance our investments and i acquisitions of noncontrolling interests in subsidiaries, partially offset by decreased repurchases of c

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The following table summarizes selected measures of liquidity and capital resources:

	March 30, 2024	Decem… 202…
Cash and cash equivalents	$ 159	$
Working capital[1]	1,744	
Debt:		
Bank credit lines	$ 264	$
Current maturities of long-term debt	103	
Long-term debt	2,010	
Total debt	$ 2,377	$
Leases:		
Current operating lease liabilities	$ 75	$
Non-current operating lease liabilities	266	

(1) Includes $497 million and $284 million of certain accounts receivable which serve as security for U… receivable securitization at March 30, 2024 and December 30, 2023, respectively.

Our cash and cash equivalents consist of bank balances and investments in money ma… representing overnight investments with a high degree of liquidity.

Accounts receivable days sales outstanding and inventory turns

Our accounts receivable days sales outstanding from operations increased to 50.4 da… 2024 from 40.4 days as of April 1, 2023, which was primarily attributable to the impact of the cy… During the three months ended March 30, 2024, we wrote off approximately $2 million of fully reserve… receivable against our trade receivable reserve. Our inventory turns from operations increased to 4.9 a… 2024 from 4.3 as of April 1, 2023. Our working capital accounts may be impacted by current and futur… conditions.

Leases

We have operating and finance leases for corporate offices, office space, distribution a… and certain vehicles, and other equipment. Our leases have remaining terms of less than one month to a… 17 years, some of which may include options to extend the leases for up to 15 years. As of March 30, 2… of-use assets related to operating leases were $314 million and our current and non-current operat… liabilities were $75 million and $266 million, respectively.

Stock Repurchases

On February 8, 2023, our Board of Directors authorized the repurchase of up to an ad… million in shares of common stock.

From March 3, 2003 through March 30, 2024, we repurchased $4.8 billion, or 91,393… common stock under our repurchase programs, with $190 million available as of March 30, 202… share repurchases of common stock.

Redeemable Noncontrolling Interests

Some minority stockholders in certain of our consolidated subsidiaries have the right… times, to require us to acquire their ownership interest in those entities. Accounting Standards Codificati… 480-10 is applicable for noncontrolling interests where we are or may be required to purchase all or a por… outstanding interest in a consolidated subsidiary from the noncontrolling interest holder under the terms o… contained in contractual agreements. As of March 30, 2024 and April 1, 2023, our balance for red… noncontrolling interests was $798 million and $864 million, respectively. Please see Note 13 - Redeemable Noncon… Interests for further information.

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Critical Accounting Policies and Estimates

There have been no material changes in our critical accounting policies and estimate[s] disclosed in Item 7 of our Annual Report on Form 10-K for the year ended December 30, 2023.

Accounting Standards Update

For a discussion of accounting standards updates that have been adopted or will be a[dopted, see] Note 2 – S[ignificant] Accounting Policies and Recently Issued Accounting Standards of the Notes to the Condensed Co[nsolidated] Financial Statements included under Item 1.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET

There have been no material changes in our exposure to market risk from that disclos[ed in Item 7A] of our Annual Report on Form 10-K for the year ended December 30, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our princ[ipal executive] officer and principal financial officer, we evaluated the effectiveness of the design and operation [of our disclosure controls and] procedures as of the end of the period covered by this quarterly report as such term i[s defined in] Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended ([the "Exchange] Act"). Based on this evaluation, our management, including our principal executive officer and pri[ncipal financial] officer, concluded that our disclosure controls and procedures were effective as of March 30, [2024, to] ensure that all material information required to be disclosed by us in reports that we file or submit u[nder the] Exchange Act is accumulated and communicated to them as appropriate to allow timely decisions rega[rding] required disclosure and that such information is recorded, processed, summarized and reported within the [time periods] specified in the SEC's rules and forms, and the rules of the Nasdaq stock exchange.

Changes in Internal Control over Financial Reporting

The combination of continued acquisition integrations and systems implementation a[ctivities] undertaken during the quarter and carried over from prior quarters when considered in the aggregate, repr[esent a] material change in our internal control over financial reporting.

During the quarter ended March 30, 2024, post-acquisition integration related activit[ies continued] for our medical and dental businesses acquired during prior quarters. These acquisitions, the majori[ty of which] utilize separate information and financial accounting systems, have been included in our condensed c[onsolidated financial] statements since their respective dates of acquisition.

In addition, we completed systems implementation activities related to a new ERP sys[tem for] our dental businesses in Brazil. Finally, we continued systems implementation activities in the U[...] dental businesses.

All continued acquisition integrations and systems implementation activity involve ne[w and] appropriate change-management controls that are considered in our quarterly assessment of the [design and] operating effectiveness of our internal control over financial reporting.

The deficiencies in internal control over financial reporting identified as of December [...] the application control level related to logical and user access management and segregation of dutie[s ...] ongoing review and the development and implementation of specific remediation acti[ons ...] and validation of control operating effectiveness, which is expected to be completed [...]

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Limitations of the Effectiveness of Internal Control

A control system, no matter how well conceived and operated, can provide only reaso absolute, assurance that the objectives of the internal control system are met. Because of the inherent lin system, no evaluation of controls can provide absolute assurance that all control issue within a company have been detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of Legal Proceedings, see Note 11 - Legal Proceedings of the Notes to the Condense Consolidated Financial Statements included under Item 1.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Part 1, Item 1 Annual Report on Form 10-K for the year ended December 30, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROC

Purchases of equity securities by the issuer

Our share repurchase program, announced on March 3, 2003, originally allowed us t up to two million shares pre-stock splits (eight million shares post-stock splits) of our common stock, w approximately 2.3% of the shares outstanding at the commencement of the program. increases totaling $4.9 billion, authorized by our Board of Directors, to the repurchas provide for a total of $5.0 billion (including $400 million authorized on February 8, 2023) of shares of ou repurchased under this program.

As of March 30, 2024, we had repurchased approximately $4.8 billion of common sto shares) under the initiatives, with $190 million available for future common stock share repurcha

The following table summarizes repurchases of our common stock under our stock re program during the fiscal quarter ended March 30, 2024:

Fiscal Month	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Our Publicly Announced Program	Maximum N of Share that May Be Purchase Our Progra
12/31/2023 through 2/3/2024	478,429	$ 74.28	478,429	3
2/4/2024 through 3/2/2024	464,966	75.75	464,966	2
3/3/2024 through 3/30/2024	55,333	76.57	55,333	2
	998,728		998,728	

(1) All repurchases were executed in the open market under our existing publicly announced authorized

(2) The maximum number of shares that may yet be purchased under this program is determined at the month based on the closing price of our common stock at that time. This table excludes shares withheld from employees to s tax withholding requirements for equity-based transactions.

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ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Arrangements

During the three months ended March 31, 2024, (i) Michael S. Ettinger, the Executive Vice and Chief Operating Officer, and (ii) Walter Siegel, the Senior Vice President and Chief Company's Officer each adopted a Rule 10b5-1 trading arrangement which is a trading plan for the future sa securities that is intended to satisfy the affirmative defense of Rule 10b5-1(c) Exchange Act, as well as the requireme Company's insider trading policy. Each plan is subject to the an initial "cooling off" perio during which there may be no transactions between the adoption date and a date that is the later of 90 days or tw business days following the Company's filing of its next quarterly report on Form 10-Q or Annual Report on Form March 4, On Mr. Ettinger adopted the trading plan to sell a total of 12,240 shares based on limit orders at a spe a term through March 4, 2025. On March 7, 2024, Mr. Siegel adopted the trading plan to 4,134 shares price, with the a limit order at a specified price, with a term through March 7, 2025 on

ITEM 6. EXHIBITS

10.1	Henry Schein, Inc. Incentive Plan and Plan Summary, effective as of J 2024.**+
10.2	Form of 2024 Restricted Stock Unit Agreement for time-based restric unit awards pursuant to the Henry Schein, Inc. 2020 Stock Incentive amended and restated effective as of May 21, 2020).**+
10.3	Form of 2024 Restricted Stock Unit Agreement for performance-base restricted stock unit awards pursuant to the Henry Schein, Inc. 2020 Incentive Plan (as amended and restated effective as of May 21, 2020
10.4	Form of 2024 Restricted Stock Unit Agreement for time-based restric unit awards pursuant to the Henry Schein, Inc. 2023 Non-Employee Stock Incentive Plan (as amended and restated effective as of May 23 2023).**+
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 20
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 20
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 20
101.INS	Inline XBRL Instance Document - the instance document does not ap Interactive Data File because its XBRL tags are embedded within the XBRL document+
101.SCH	Inline XBRL Taxonomy Extension Schema Document+
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document+
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document+
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document+
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document+
104	The cover page of Henry Schein, Inc.'s Quarterly Report on Form 10- quarter ended March 30, 2024, formatted in Inline XBRL (included w Exhibit 101 attachments).+

** Indicates management contract or compensatory plan or agreement.
+ Filed or furnished herewith.

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SIGNATURE

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.

Henry Schein, Inc.
(Registrant)

By: /s/ Ronald N. South

Ronald N. South
Senior Vice President and
Chief Financial Officer
(Authorized Signatory and Principal Finan
and Accounting Officer)

Dated: May 7, 2024