HENRY SCHEIN INC
Form 10-Q
November 04, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)
X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 26, 2015
or
__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________
Commission File Number: 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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No __

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer X		Accelerated filer __
Non-accelerated filer __	(Do not check if a smaller reporting company)	Smaller reporting company __

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

Yes __ No X

As of October 26, 2015, there were 82,925,764 shares of the registrant’s common stock outstanding.

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

	September 26, 2015 (unaudited)	December 27, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 60,481	$ 89,474
Accounts receivable, net of reserves of $76,100 and $80,671	1,223,636	1,127,517
Inventories, net	1,424,923	1,327,796
Deferred income taxes	54,339	56,591
Prepaid expenses and other	356,794	311,788
Total current assets	3,120,173	2,913,166
Property and equipment, net	311,891	311,496
Goodwill	1,901,520	1,884,123
Other intangibles, net	615,258	643,736
Investments and other	422,716	386,286
Total assets	$ 6,371,558	$ 6,138,807
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 873,785	$ 860,996
Bank credit lines	186,886	182,899
Current maturities of long-term debt	14,456	5,815
Accrued expenses:		
Payroll and related	218,486	237,511
Taxes	167,333	151,162
Other	336,335	341,728
Total current liabilities	1,797,281	1,780,111
Long-term debt	597,106	542,776
Deferred income taxes	248,249	253,118
Other liabilities	202,385	181,830
Total liabilities	2,845,021	2,757,835
Redeemable noncontrolling interests	584,591	564,527
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none outstanding	-	-
Common stock, $.01 par value, 240,000,000 shares authorized,		

83,384,956 outstanding on September 26, 2015 and				
84,008,537 outstanding on December 27, 2014		834		840
Additional paid-in capital		259,504		265,363
Retained earnings		2,878,696		2,642,523
Accumulated other comprehensive loss		(199,682)		(95,132)
Total Henry Schein, Inc. stockholders' equity		2,939,352		2,813,594
Noncontrolling interests		2,594		2,851
Total stockholders' equity		2,941,946		2,816,445
Total liabilities, redeemable noncontrolling interests and stockholders' equity	$	6,371,558	$	6,138,807

See accompanying notes.

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

	Three Months Ended September 26, 2015	Three Months Ended September 27, 2014	Nine Months Ended September 26, 2015	Nine Months Ended September 27, 2014
Net sales	$ 2,685,835	$ 2,623,729	$ 7,778,801	$ 7,669,294
Cost of sales	1,936,927	1,902,063	5,565,820	5,522,443
Gross profit	748,908	721,666	2,212,981	2,146,851
Operating expenses:				
Selling, general and administrative	551,588	547,578	1,657,180	1,634,651
Restructuring costs	8,438	-	22,522	-
Operating income	188,882	174,088	533,279	512,200
Other income (expense):				
Interest income	3,129	3,452	9,841	10,323
Interest expense	(6,297)	(6,280)	(18,850)	(17,208)
Other, net	(277)	(484)	(334)	4,128
Income before taxes and equity in earnings of affiliates	185,437	170,776	523,936	509,443
Income taxes	(49,232)	(51,302)	(152,143)	(156,247)
Equity in earnings of affiliates	5,191	4,762	10,791	8,285
Net income	141,396	124,236	382,584	361,481
Less: Net income attributable to noncontrolling interests	(13,661)	(9,460)	(33,474)	(28,370)
Net income attributable to Henry Schein, Inc.	$ 127,735	$ 114,776	$ 349,110	$ 333,111
Earnings per share attributable to Henry Schein, Inc.:				
Basic	$ 1.54	$ 1.36	$ 4.20	$ 3.94
Diluted	$ 1.52	$ 1.34	$ 4.14	$ 3.88
Weighted-average common shares outstanding:				
Basic	82,858	84,095	83,042	84,506
Diluted	84,084	85,450	84,312	85,918

See accompanying notes.

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HENRY SCHEIN, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net income	$ 141,396	$ 124,236	$ 382,584	$ 361,481
Other comprehensive loss, net of tax:				
Foreign currency translation loss	(38,730)	(99,445)	(112,877)	(84,825)
Unrealized gain (loss) from foreign currency hedging activities	1,924	(138)	1,270	(1,858)
Unrealized investment gain	-	142	2	180
Pension adjustment gain	1,363	973	2,537	1,490
Other comprehensive loss, net of tax	(35,443)	(98,468)	(109,068)	(85,013)
Comprehensive income	105,953	25,768	273,516	276,468
Comprehensive income attributable to noncontrolling interests:				
Net income	(13,661)	(9,460)	(33,474)	(28,370)
Foreign currency translation loss (gain)	1,498	2,474	4,518	(127)
Comprehensive income attributable to noncontrolling interests	(12,163)	(6,986)	(28,956)	(28,497)
Comprehensive income attributable to Henry Schein, Inc.	$ 93,790	$ 18,782	$ 244,560	$ 247,971

See accompanying notes.

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HENRY SCHEIN, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share and per share data)

	Common Stock $.01 Par Value Shares	Common Stock $.01 Par Value Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Stockholders' Equity
Balance, December 27, 2014	84,008,537	$ 840	$ 265,363	$ 2,642,523	$ (95,132)	$ 2,851	$ 2,816,445
Net income (excluding $32,923 attributable to Redeemable noncontrolling interests)	-	-	-	349,110	-	551	349,661
Foreign currency translation loss (excluding loss of $4,480 attributable to Redeemable noncontrolling interests)	-	-	-	-	(108,359)	(38)	(108,397)
Unrealized gain from foreign currency hedging activities, net of tax of $580	-	-	-	-	1,270	-	1,270
Unrealized investment gain, net of tax of $0	-	-	-	-	2	-	2
Pension adjustment gain, net of tax of $879	-	-	-	-	2,537	-	2,537
Dividends paid	-	-	-	-	-	(402)	(402)
Initial noncontrolling interests and adjustments related to business acquisitions	-	-	-	-	-	(368)	(368)
Change in fair value of redeemable securities	-	-	(4,932)	-	-	-	(4,932)
	-	-	54	-	-	-	54

Other adjustments							
Repurchase and retirement of common stock	(1,070,081)	(10)	(37,916)	(112,937)	-	-	(150,863)
Stock issued upon exercise of stock options, including tax benefit of $18,697	236,189	2	30,320	-	-	-	30,322
Stock-based compensation expense	407,250	4	35,076	-	-	-	35,080
Shares withheld for payroll taxes	(196,939)	(2)	(27,923)	-	-	-	(27,925)
Liability for cash settlement stock-based compensation awards	-	-	(538)	-	-	-	(538)
Balance, September 26, 2015	83,384,956	$ 834	$ 259,504	$ 2,878,696	$ (199,682)	$ 2,594	$ 2,941,946

See accompanying notes.

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HENRY SCHEIN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended	
	September 26, 2015	September 27, 2014
Cash flows from operating activities:		
Net income	$ 382,584	$ 361,481
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	118,891	112,668
Stock-based compensation expense	35,080	33,252
Provision for losses on trade and other accounts receivable	2,878	2,689
Provision for (benefit from) deferred income taxes	7,382	(2,840)
Equity in earnings of affiliates	(10,791)	(8,285)
Distributions from equity affiliates	11,316	10,304
Changes in unrecognized tax benefits	8,541	14,013
Other	7,131	8,191
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(111,890)	(108,338)
Inventories	(108,268)	2,447
Other current assets	(63,485)	(41,928)
Accounts payable and accrued expenses	9,161	(65,169)
Net cash provided by operating activities	288,530	318,485
Cash flows from investing activities:		
Purchases of fixed assets	(52,164)	(60,782)
Payments for equity investments and business acquisitions, net of cash acquired	(142,078)	(364,110)
Proceeds from sales of available-for-sale securities	20	-
Proceeds from maturities of available-for-sale securities	-	2,000
Other	(9,247)	(10,668)
Net cash used in investing activities	(203,469)	(433,560)
Cash flows from financing activities:		
Proceeds from bank borrowings	4,920	158,284
Proceeds from issuance of debt	135,000	314,787
Debt issuance costs	(150)	(562)
Principal payments for long-term debt	(70,585)	(136,044)
Proceeds from issuance of stock upon exercise of stock options	11,625	24,115
Payments for repurchases of common stock	(150,863)	(226,282)

Excess tax benefits related to stock-based compensation		2,932		5,375
Distributions to noncontrolling shareholders		(22,316)		(22,800)
Acquisitions of noncontrolling interests in subsidiaries		(8,570)		(105,383)
Net cash provided by (used in) financing activities		(98,007)		11,490
Effect of exchange rate changes on cash and cash equivalents		(16,047)		(8,489)
Net change in cash and cash equivalents		(28,993)		(112,074)
Cash and cash equivalents, beginning of period		89,474		188,616
Cash and cash equivalents, end of period	$	60,481	$	76,542

See accompanying notes.

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

Note 1 – Basis of Presentation

Our consolidated financial statements include our accounts, as well as those of our wholly-owned and majority-owned subsidiaries. Certain prior period amounts have been reclassified to conform to the current period presentation.

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

The consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the consolidated results of operations and financial position for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited interim 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 27, 2014.

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The results of operations for the nine months ended September 26, 2015 are not necessarily indicative of the results to be expected for any other interim period or for the year ending December 26, 2015.

Note 2 – Segment Data

We conduct our business through two reportable segments: (i) health care distribution and (ii) technology and value-added services. These segments offer different products and services to the same customer base.

The health care distribution reportable segment aggregates our global dental, animal health and medical operating segments. This segment distributes consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins. Our global dental group serves office-based dental practitioners, dental laboratories, schools and other institutions. Our global animal health group serves animal health practices and clinics. Our global medical group serves office-based medical practitioners, ambulatory surgery centers, other alternate-care settings and other institutions. Our global dental, animal health and medical groups serve practitioners in 33 countries worldwide.

Our global technology and value-added services group provides software, technology and other value-added services to health care practitioners. Our technology group offerings include practice management software systems for dental and medical practitioners and animal health clinics. Our value-added practice solutions include financial services on a non-recourse basis, e-services, continuing education services for practitioners, consulting and other services.

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HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except per share data)
(unaudited)

Note 2 – Segment Data – (Continued)

The following tables present information about our reportable and operating segments:

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net Sales:				
Health care distribution (1):				
Dental	$ 1,266,321	$ 1,298,352	$ 3,837,137	$ 3,963,761
Animal health	732,533	757,952	2,165,415	2,166,989
Medical	597,243	480,302	1,511,295	1,280,973
Total health care distribution	2,596,097	2,536,606	7,513,847	7,411,723
Technology and value-added services (2)	89,738	87,123	264,954	257,571
Total	$ 2,685,835	$ 2,623,729	$ 7,778,801	$ 7,669,294

(1) Consists of consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.

(2) Consists of practice management software and other value-added products, which are distributed primarily to health care providers, and financial services on a non-recourse basis, e-services, continuing education services for practitioners, consulting and other services.

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Operating Income:				
Health care distribution	$ 161,702	$ 148,773	$ 454,009	$ 436,170
Technology and value-added services	27,180	25,315	79,270	76,030
Total	$ 188,882	$ 174,088	$ 533,279	$ 512,200

Note 3 – Debt

Bank Credit Lines

On September 12, 2012, we entered into a new $500 million revolving credit agreement (the “Credit Agreement”) with a $200 million expansion feature, which was originally set to expire on September 12, 2017. On September 22, 2014, we extended the expiration date of the Credit Agreement to September 22, 2019. The interest rate is based on the USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. The Credit Agreement provides, among other things, that we are required to maintain maximum leverage ratios, and contains customary representations, warranties and affirmative covenants. The Credit Agreement also contains customary negative covenants, subject to negotiated exceptions on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements. There was no balance outstanding under this revolving credit facility as of September 26, 2015 and December 27, 2014. As of September 26, 2015 and December 27, 2014, there were $11.4 million and $10.1 million of letters of credit, respectively, provided to third parties under the credit facility.

As of September 26, 2015 and December 27, 2014, we had various other short-term bank credit lines available, of which $186.9 million and $182.9 million, respectively, were outstanding. At September 26, 2015 and December 27, 2014, borrowings under all of our credit lines had a weighted average interest rate of 1.24% and 1.26%, respectively.

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HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except per share data)
(unaudited)

Note 3 – Debt – (Continued)

Private Placement Facilities

On August 10, 2010, we entered into $400 million private placement facilities with two insurance companies. On April 30, 2012, we increased our available credit facilities by $375 million by entering into a new agreement with one insurance company and amending our existing agreements with two insurance companies. On September 22, 2014, we increased our available private placement facilities by $200 million to a total facility amount of $975 million, and extended the expiration date to September 22, 2017. These facilities 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 September 22, 2017. The facilities allow us to issue senior promissory notes to the lenders at a fixed rate based on an agreed upon spread over applicable treasury notes at the time of 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 longer than 12 years). The proceeds of any issuances under the facilities will be used for general corporate purposes, including working capital and capital expenditures, to refinance existing indebtedness and/or to fund potential acquisitions. The agreements provide, among other things, that we maintain certain maximum leverage ratios, and contain restrictions relating to subsidiary indebtedness, liens, affiliate transactions, disposal of assets and certain changes in ownership. These facilities contain make-whole provisions in the event that we pay off the facilities prior to the applicable due dates.

The components of our private placement facility borrowings as of September 26, 2015 are presented in the following table (in thousands):

Date of Borrowing	Amount of Borrowing Outstanding	Borrowing Rate	Due Date
September 2, 2010	$ 100,000	3.79 %	September 2, 2020
January 20, 2012	50,000	3.45	January 20, 2024
January 20, 2012 (1)	50,000	3.09	January 20, 2022
December 24, 2012	50,000	3.00	December 24, 2024
June 2, 2014	100,000	3.19	June 2, 2021
	$ 350,000		

(1) Annual repayments of approximately $7.1 million for this borrowing will commence on January 20, 2016.

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HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except per share data)
(unaudited)

Note 3 – Debt – (Continued)

U.S. Trade Accounts Receivable Securitization

On April 17, 2013, we entered into a facility agreement of up to $300 million with a bank, as agent, based on the securitization of our U.S. trade accounts receivable. This facility allowed us to replace public debt (approximately $220 million), which had a higher interest rate at Henry Schein Animal Health during February 2013 and provided funding for working capital and general corporate purposes. The financing was structured as an asset-backed securitization program with pricing committed for up to three years. On April 17, 2015, we extended the expiration date of this facility agreement to April 15, 2018. The borrowings outstanding under this securitization facility were $220.0 million and $150.0 million as of September 26, 2015 and December 27, 2014, respectively. At September 26, 2015, the interest rate on borrowings under this facility was based on the average asset-backed commercial paper rate of 25 basis points plus 75 basis points, for a combined rate of 1.00%. At December 27, 2014, the interest rate on borrowings under this facility was based on the average asset-backed commercial paper rate of 20 basis points plus 75 basis points, for a combined rate of 0.95%.

We are required to pay a commitment fee of 30 basis points on the daily balance of the unused portion of the facility if our usage is greater than or equal to 50% of the facility limit or a commitment fee of 35 basis points on the daily balance of the unused portion of the facility if our usage is less than 50% of the facility limit.

Borrowings under this facility are presented as a component of Long-term debt within our consolidated balance sheet.

Long-term debt

Long-term debt consisted of the following:

	September 26, 2015	December 27, 2014
Private placement facilities	$ 350,000	$ 350,000
U.S. trade accounts receivable securitization	220,000	150,000
Notes payable to banks at a weighted-average interest rate of 8.83%	10	30
Various collateralized and uncollateralized loans payable with interest, in varying installments through 2018 at interest rates ranging from 1.94% to 5.41%	39,626	41,259
Capital lease obligations payable through 2019 with interest rates ranging from 2.00% to 10.68%	1,926	7,302
Total	611,562	548,591
Less current maturities	(14,456)	(5,815)
Total long-term debt	$ 597,106	$ 542,776

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HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except per share data)
(unaudited)

Note 4 – Redeemable Noncontrolling Interests

Some minority shareholders in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value. Accounting Standards Codification ("ASC") Topic 480-10 is applicable for noncontrolling interests where we are or may be required to purchase all or a portion of the outstanding interest in a consolidated subsidiary from the noncontrolling interest holder under the terms of a put option contained in contractual agreements. The components of the change in the Redeemable noncontrolling interests for the nine months ended September 26, 2015 and the year ended December 27, 2014 are presented in the following table:

	September 26, 2015	December 27, 2014
Balance, beginning of period	$ 564,527	$ 497,539
Decrease in redeemable noncontrolling interests due to redemptions	(9,026)	(105,383)
Increase in redeemable noncontrolling interests due to business acquisitions	17,961	120,220
Net income attributable to redeemable noncontrolling interests	32,923	38,741
Dividends declared	(22,246)	(23,346)
Effect of foreign currency translation loss attributable to redeemable noncontrolling interests	(4,480)	(4,080)
Change in fair value of redeemable securities	4,932	40,836
Balance, end of period	$ 584,591	$ 564,527

Changes in the estimated redemption amounts of the noncontrolling interests subject to put options are adjusted at each reporting period with a corresponding adjustment to Additional paid-in capital. Future reductions in the carrying amounts are subject to a "floor" amount that is equal to the fair value of the redeemable noncontrolling interests at the time they were originally recorded. The recorded value of the redeemable noncontrolling interests cannot go below the floor level. These adjustments do not impact the calculation of earnings per share.

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HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except per share data)
(unaudited)

Note 5 – Comprehensive Income

Comprehensive income includes certain gains and losses that, under U.S. GAAP, are excluded from net income as such amounts are recorded directly as an adjustment to stockholders' equity. Our comprehensive income is primarily comprised of net income, foreign currency translation gain (loss), unrealized gain (loss) on foreign currency hedging activities, unrealized investment gain (loss) and pension adjustment gain (loss).

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

	September 26, 2015	December 27, 2014
Attributable to Redeemable noncontrolling interests:		
Foreign currency translation adjustment	$ (10,063)	$ (5,583)
Attributable to noncontrolling interests:		
Foreign currency translation adjustment	$ (74)	$ (36)
Attributable to Henry Schein, Inc.:		
Foreign currency translation loss	$ (179,653)	$ (71,294)
Unrealized gain (loss) from foreign currency hedging activities	215	(1,055)
Unrealized investment loss	(134)	(136)
Pension adjustment loss	(20,110)	(22,647)
Accumulated other comprehensive loss	$ (199,682)	$ (95,132)
Total Accumulated other comprehensive loss	$ (209,819)	$ (100,751)

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

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net income	$ 141,396	$ 124,236	$ 382,584	$ 361,481
Foreign currency translation loss	(38,730)	(99,445)	(112,877)	(84,825)
Tax effect	-	-	-	-
Foreign currency translation loss	(38,730)	(99,445)	(112,877)	(84,825)
Unrealized gain (loss) from foreign currency hedging activities	2,671	(52)	1,850	(2,073)
Tax effect	(747)	(86)	(580)	215
Unrealized gain (loss) from foreign currency hedging activities	1,924	(138)	1,270	(1,858)

Unrealized investment gain		-			233			2			295	
Tax effect		-			(91	)		-			(115	)
Unrealized investment gain		-			142			2			180	
Pension adjustment gain		1,704			1,279			3,416			1,860	
Tax effect		(341	)		(306	)		(879	)		(370	)
Pension adjustment gain		1,363			973			2,537			1,490	
Comprehensive income	$	105,953		$	25,768		$	273,516		$	276,468	

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HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except per share data)
(unaudited)

Note 5 – Comprehensive Income – (Continued)

During the three months ended September 26, 2015 and September 27, 2014, we recognized, as a component of our comprehensive income, a foreign currency translation loss of $38.7 million and $99.4 million, respectively, due to changes in foreign exchange rates from the beginning of the period to the end of the period. During the nine months ended September 26, 2015 and September 27, 2014, we recognized, as a component of our comprehensive income, a foreign currency translation loss of $112.9 million and $84.8 million, respectively, due to changes in foreign exchange rates from the beginning of the period to the end of the period. Our financial statements are denominated in the U.S. Dollar currency. Fluctuations in the value of foreign currencies as compared to the U.S. Dollar may have a significant impact on our comprehensive income. The foreign currency translation gain (loss) during the three and nine months ended September 26, 2015 was impacted by changes in foreign currency exchange rates as follows:

Currency	Foreign Currency Translation Gain (Loss) for the Three Months Ended September 26, 2015	FX Rate into USD September 26, 2015	FX Rate into USD June 27, 2015	Foreign Currency Translation Loss for the Three Months Ended September 27, 2014	FX Rate into USD September 27, 2014	FX Rate into USD June 28, 2014
Euro	$ 1,063	1.12	1.12	$ (53,618)	1.27	1.36
British Pound	(9,668)	1.52	1.57	(16,017)	1.62	1.70
Australian Dollar	(14,004)	0.70	0.77	(14,632)	0.88	0.94
Polish Zloty	(458)	0.26	0.27	(3,381)	0.30	0.33
Canadian Dollar	(6,572)	0.75	0.81	(4,026)	0.90	0.94
Swiss Franc	(3,098)	1.02	1.07	(4,459)	1.05	1.12
Brazilian Real	(3,418)	0.25	0.32	(1,968)	0.41	0.45
All other currencies	(2,575)			(1,344)		
Total	$ (38,730)			$ (99,445)		

Currency	Foreign Currency Translation Gain (Loss) for the Nine Months Ended September 26, 2015	FX Rate into USD September 26, 2015	FX Rate into USD December 27, 2014	Foreign Currency Translation Loss for the Nine Months Ended September 27, 2014	FX Rate into USD September 27, 2014	FX Rate into USD December 28, 2013
Euro	$ (58,577)	1.12	1.22	$ (61,147)	1.27	1.38
British Pound	(9,775)	1.52	1.56	(5,751)	1.62	1.65

Australian Dollar		(25,809)	0.70	0.81		(3,225)	0.88	0.89
Polish Zloty		(2,309)	0.26	0.28		(3,667)	0.30	0.33
Canadian Dollar		(7,915)	0.75	0.86		(3,320)	0.90	0.94
Swiss Franc		606	1.02	1.01		(4,641)	1.05	1.12
Brazilian Real		(6,032)	0.25	0.37		(1,809)	0.41	0.43
All other currencies		(3,066)				(1,265)		
Total	$	(112,877)			$	(84,825)		

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HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Note 5 – Comprehensive Income – (Continued)

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

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Comprehensive income attributable to Henry Schein, Inc.	$ 93,790	$ 18,782	$ 244,560	$ 247,971
Comprehensive income attributable to noncontrolling interests	128	155	513	414
Comprehensive income attributable to Redeemable noncontrolling interests	12,035	6,831	28,443	28,083
Comprehensive income	$ 105,953	$ 25,768	$ 273,516	$ 276,468

Note 6 – Fair Value Measurements

ASC Topic 820 “Fair Value Measurements and Disclosures” (“ASC Topic 820”) provides a framework for measuring fair value in generally accepted accounting principles.

ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a fair value hierarchy that 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 priority to 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 under ASC Topic 820 are described as follows:

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

• Level 2— Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or 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 principally from or corroborated by observable market data by correlation or other means.
• Level 3— Inputs that are unobservable for the asset or liability.

The following section describes the valuation methodologies that we used to measure different financial instruments at fair value.

Investments and notes receivable

There are no quoted market prices available for investments in unconsolidated affiliates and notes receivable; however, we believe the carrying amounts are a reasonable estimate of fair value.

Debt

The fair value of our debt as of September 26, 2015 and December 27, 2014 was estimated at $798.4 million and $731.5 million, respectively. Factors that we considered when estimating the fair value of our debt include market conditions, prepayment and make-whole provisions, liquidity levels in the private placement market, variability in pricing from multiple lenders and term of debt.

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Note 6 – Fair Value Measurements – (Continued)

Derivative contracts

Derivative contracts are valued using quoted market prices and significant other observable and unobservable inputs. We use derivative instruments to minimize our exposure to fluctuations in foreign currency exchange rates. Our derivative instruments primarily include foreign currency forward agreements related to intercompany loans and certain forecasted inventory purchase commitments with suppliers.

The fair values for the majority of our foreign currency derivative contracts are obtained by comparing our contract rate to a published forward price of the underlying market rates, which is based on market rates for comparable transactions and are classified within Level 2 of the fair value hierarchy.

Redeemable noncontrolling interests

Some minority shareholders in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value based on third-party valuations. The primary factor affecting the future value of redeemable noncontrolling interests is expected earnings and, if such earnings are not achieved, the value of the redeemable noncontrolling interests might be impacted. The noncontrolling interests subject to put options are adjusted to their estimated redemption amounts each reporting period with a corresponding adjustment to Additional paid-in capital. Future reductions in the carrying amounts are subject to a “floor” amount that is equal to the fair value of the redeemable noncontrolling interests at the time they were originally recorded. The recorded value of the redeemable noncontrolling interests cannot go below the floor level. These adjustments do not impact the calculation of earnings per share. The values for Redeemable noncontrolling interests are classified within Level 3 of the fair value hierarchy. The details of the changes in Redeemable noncontrolling interests are presented in Note 4.

The following table presents our assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of September 26, 2015 and December 27, 2014:

	September 26, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts	$ -	$ 2,071	$ -	$ 2,071
Total assets	$ -	$ 2,071	$ -	$ 2,071
Liabilities:				
Derivative contracts	$ -	$ 713	$ -	$ 713
Total liabilities	$ -	$ 713	$ -	$ 713
Redeemable noncontrolling interests	$ -	$ -	$ 584,591	$ 584,591

	December 27, 2014			
	Level 1	Level 2	Level 3	Total

Assets:								
Derivative contracts	$	-	$	2,472	$	-	$	2,472
Total assets	$	-	$	2,472	$	-	$	2,472
Liabilities:								
Derivative contracts	$	-	$	1,307	$	-	$	1,307
Total liabilities	$	-	$	1,307	$	-	$	1,307
Redeemable noncontrolling interests	$	-	$	-	$	564,527	$	564,527

HENRY SCHEIN, INC.
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Note 7 – Business Acquisitions

Acquisitions

The operating results of all acquisitions are reflected in our financial statements from their respective acquisition dates.

On September 1, 2015, we announced the completion of the acquisition of an 85% interest in Jorgen Kruuse A/S ("KRUUSE"), a leading distributor of veterinary supplies in Denmark, Norway and Sweden. KRUUSE had sales in 2014 of approximately $90 million.

We completed certain other acquisitions during the nine months ended September 26, 2015. Such acquisitions were immaterial to our financial statements individually and in the aggregate.

Some prior owners of such acquired subsidiaries are eligible to receive additional purchase price cash consideration if certain financial targets are met. We have accrued liabilities for the estimated fair value of additional purchase price consideration at the time of the acquisition. Any adjustments to these accrual amounts are recorded in our consolidated statements of income. For the nine months ended September 26, 2015 and September 27, 2014, there were no material adjustments recorded in our consolidated statement of income relating to changes in estimated contingent purchase price liabilities.

Note 8 – Plan of Restructuring

On November 6, 2014, we announced a corporate initiative to rationalize our operations and provide expense efficiencies, which was expected to be completed by the end of fiscal 2015. This initiative is expected to include the elimination of approximately 2% to 3% of our workforce and the closing of certain facilities. We have subsequently determined that the restructuring activities under this initiative will not be completed until the first half of fiscal 2016.

The total costs associated with the actions to complete this restructuring are expected to be in the range of $35 million to $40 million pre-tax, of which approximately $30 million to $35 million pre-tax, will be recorded in fiscal 2015. These ongoing actions will allow us to execute on our plan to reduce our cost structure to fund new initiatives to drive future growth under our 2015 – 2017 strategic planning cycle.

On October 29, 2015, we estimated that the total remaining restructuring costs we expect to incur in connection with the restructuring activity to be $12 million to $15 million, consisting of $6 million to $7 million in employee severance pay and benefits and $6 million to $8 million in facility costs, representing primarily lease termination and other facility closure related costs.

During the three and nine months ended September 26, 2015, we recorded $8.4 million and $22.5 million in restructuring costs, respectively. The costs associated with this restructuring are included in a separate line item, "Restructuring costs" within our consolidated statements of income.

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Note 8 – Plan of Restructuring – (Continued)

The following table shows the amounts expensed and paid for restructuring costs that were incurred during the nine months ended September 26, 2015 and during our 2014 fiscal year and the remaining accrued balance of restructuring costs as of September 26, 2015, which is included in Accrued expenses: Other and Other liabilities within our consolidated balance sheet:

	Severance Costs	Facility Closing Costs	Other	Total
Balance, December 28, 2013	$ 227	$ 484	$ -	$ 711
Provision	-	-	-	-
Payments and other adjustments	(107)	(183)	-	(290)
Balance, December 27, 2014	$ 120	$ 301	$ -	$ 421
Provision	17,366	3,611	1,545	22,522
Payments	(12,489)	(2,045)	(1,109)	(15,643)
Balance, September 26, 2015	$ 4,997	$ 1,867	$ 436	$ 7,300

The following table shows, by reportable segment, the amounts expensed and paid for restructuring costs that were incurred during the nine months ended September 26, 2015 and the 2014 fiscal year and the remaining accrued balance of restructuring costs as of September 26, 2015:

	Health Care Distribution	Technology and Value-Added Services	Total
Balance, December 28, 2013	$ 711	$ -	$ 711
Provision	-	-	-
Payments and other adjustments	(290)	-	(290)
Balance, December 27, 2014	$ 421	$ -	$ 421
Provision	21,506	1,016	22,522
Payments	(14,659)	(984)	(15,643)
Balance, September 26, 2015	$ 7,268	$ 32	$ 7,300

Note 9 – Earnings Per Share

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

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

	Three Months Ended	Nine Months Ended

	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Basic	82,858	84,095	83,042	84,506
Effect of dilutive securities:				
Stock options, restricted stock and restricted stock units	1,226	1,355	1,270	1,412
Diluted	84,084	85,450	84,312	85,918

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HENRY SCHEIN, INC.
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Note 10 – Income Taxes

For the nine months ended September 26, 2015, our effective tax rate was 29.0% compared to 30.7% for the prior year period. During the third quarter of 2015, we received a favorable response to a tax petition, which has allowed us to conclude that it is more likely than not that certain unrecognized tax benefits, which had been previously reserved, will be realized. As a result, our provision for income taxes includes a one-time $6.3 million income tax benefit.

Absent the effects of this one-time income tax benefit in the third quarter of 2015, our effective tax rate for the nine months ended September 26, 2015 would have been 30.2% as compared to our actual effective tax rate of 29.0%. The remaining difference between our effective tax rate and the federal statutory tax rate for both periods primarily relates to state and foreign income taxes and interest expense.

The total amount of unrecognized tax benefits as of September 26, 2015 was approximately $90.9 million, of which $74.0 million would affect the effective tax rate if recognized. It is expected that the amount of unrecognized tax benefits will change in the next 12 months; however, we do not expect the change to have a material impact on our consolidated financial statements.

The total amounts of interest and penalties, which are classified as a component of the provision for income taxes, were approximately $16.6 million and $0, respectively, as of September 26, 2015.

The tax years subject to examination by major tax jurisdictions include the years 2009 and forward by the U.S. Internal Revenue Service ("IRS"), as well as the years 2008 and forward for certain states and certain foreign jurisdictions. In December 2014, the IRS issued a Statutory Notice of Deficiency for 2009, 2010 and 2011. We do not expect this to have a significant effect on our consolidated financial position, liquidity or the results of operations. During the quarter ended March 28, 2015, we filed our petition to the U.S. Tax Court disputing the adjustments proposed by the IRS. During the quarter ended June 27, 2015, we were notified by the IRS that our protest was transferred to the Appellate Divisions (Appeals Section) of the IRS. By the end of the quarter ending December 26, 2015, we expect to have filed our protest with the Appellate Division. We anticipate that we will have our opening Appeals conference in the quarter ending March 26, 2016.

Note 11 – Derivatives and Hedging Activities

We are exposed to market risks as well as changes in foreign currency exchange rates as measured against the U.S. dollar and each other, and changes to the credit markets. We attempt to minimize these risks by primarily using foreign currency forward contracts and by maintaining counter-party credit limits. These hedging activities provide only limited protection against currency exchange and credit risks. Factors that could influence the effectiveness of our hedging programs include currency markets and availability of hedging instruments and liquidity of the credit markets. All foreign currency forward contracts that we enter into are components of hedging programs and are entered into for the sole purpose of hedging an existing or anticipated currency exposure. We do not enter into such contracts for speculative purposes and we manage our credit risks by diversifying our investments, maintaining a strong balance sheet and having multiple sources of capital.

Fluctuations in the value of certain foreign currencies as compared to the U.S. dollar may positively or negatively affect our revenues, gross margins, operating expenses and retained earnings, all of which are expressed in U.S. dollars. Where we deem it prudent, we engage in hedging programs using primarily foreign currency forward contracts aimed at limiting the impact of foreign currency exchange rate fluctuations on earnings. We purchase short-term (i.e., 18 months or less) foreign currency forward contracts to protect against currency exchange risks associated with intercompany loans due from our international subsidiaries and the payment of merchandise purchases to our foreign suppliers. We do not hedge the translation of foreign currency profits into U.S. dollars, as we regard this as an accounting exposure, not an economic exposure. Our hedging activities have historically not had a material impact on our consolidated financial statements. Accordingly, additional disclosures related to derivatives and hedging activities required by ASC Topic 815 have been omitted.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Note 12 – Stock-Based Compensation

Our accompanying consolidated statements of income reflect pre-tax share-based compensation expense of $13.1 million ($9.6 million after-tax) and $35.1 million ($24.9 million after-tax) for the three and nine months ended September 26, 2015, respectively, and $13.8 million ($9.6 million after-tax) and $33.3 million ($23.1 million after-tax) for the three and nine months ended September 27, 2014, respectively.

Stock-based compensation represents the cost related to stock-based awards granted to employees and non-employee directors. We measure stock-based compensation at the grant date, based on the estimated fair value of the award, and recognize the cost (net of estimated forfeitures) as compensation expense on a straight-line basis over the requisite service period. Our stock-based compensation expense is reflected in selling, general and administrative expenses in our consolidated statements of income.

Stock-based awards are provided to certain employees and non-employee directors under the terms of our 2013 Stock Incentive Plan, as amended, and our 2015 Non-Employee Director Stock Incentive Plan (together, the "Plans"). The Plans are administered by the Compensation Committee of the Board of Directors. Prior to March 2009, awards under the Plans principally included a combination of at-the-money stock options and restricted stock/units. Since March 2009, equity-based awards have been granted solely in the form of restricted stock/units, with the exception of providing stock options to employees pursuant to certain pre-existing contractual obligations.

Grants of restricted stock/units are stock-based awards granted to recipients with specified vesting provisions. In the case of restricted stock, common stock is delivered on the date of grant, subject to vesting conditions. In the case of restricted stock units, common stock is generally delivered on or following satisfaction of vesting conditions. We issue restricted stock/units that vest solely based on the recipient's continued service over time (primarily four-year cliff vesting, except for grants made under the 2015 Non-Employee Director Stock Incentive Plan, which are primarily 12-month cliff vesting) and restricted stock/units that vest based on our achieving specified performance measurements and the recipient's continued service over time (primarily three-year cliff vesting).

With respect to time-based restricted stock/units, we estimate the fair value on the date of grant based on our closing stock price. With respect to performance-based restricted stock/units, 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 three-year period as determined by the Compensation Committee of the Board of Directors. Although there is no guarantee that performance targets will be achieved, we estimate the fair value of performance-based restricted stock/units based on our closing stock price at time of grant.

The Plans provide for adjustments to the performance-based restricted stock/units targets for significant events such as acquisitions, divestitures, new business ventures, share repurchases and certain foreign exchange fluctuations. Over the performance period, the number of shares of common stock 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 will be based on our actual performance metrics as defined under the Plans.

Total unrecognized compensation cost related to non-vested awards as of September 26, 2015 was $100.4 million, which is expected to be recognized over a weighted-average period of approximately 2.2 years.

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Note 12 – Stock-Based Compensation – (Continued)

The following table summarizes stock option activity under the Plans during the nine months ended September 26, 2015:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Outstanding at beginning of period	684	$ 53.41		
Granted	-	-		
Exercised	(238)	49.43		
Forfeited	-	-		
Outstanding at end of period	446	$ 55.53	1.9	$ 33,732
Options exercisable at end of period	446	$ 55.53	1.9	$ 33,732

The following tables summarize the activity of our non-vested restricted stock/units for the nine months ended September 26, 2015:

	Time-Based Restricted Stock/Units		
	Shares/Units	Weighted Average Grant Date Fair Value Per Share	Intrinsic Value Per Share
Outstanding at beginning of period	836	$ 83.86	
Granted	174	140.41	
Vested	(207)	72.17	
Forfeited	(16)	102.29	
Outstanding at end of period	787	$ 99.04	$ 131.11

	Performance-Based Restricted Stock/Units		
	Shares/Units	Weighted Average Grant Date Fair Value Per Share	Intrinsic Value Per Share
Outstanding at beginning of period	1,127	$ 77.19	
Granted	164	126.78	

Vested	(304)		73.61		
Forfeited	(13)		110.99		
Outstanding at end of period	974	$	93.47	$	131.11

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Note 13 – Supplemental Cash Flow Information

Cash paid for interest and income taxes was:

	Nine Months Ended	
	September 26, 2015	September 27, 2014
Interest	$ 18,062	$ 15,718
Income taxes	128,693	141,233

During the nine months ended September 26, 2015 and September 27, 2014, we had $1.9 million and $(2.1) million of non-cash net unrealized gains (losses) related to foreign currency hedging activities, respectively.

Note 14 – Legal Proceedings

From time to time, we may become a party to legal proceedings, including, without limitation, product liability claims, employment matters, commercial disputes, governmental inquiries and investigations, and other matters arising out of the ordinary course of our business. While the results of legal proceedings cannot be predicted with certainty, in our opinion pending matters are not currently anticipated to have a material adverse effect on our financial condition or results of operations.

In September 2015, Henry Schein, Inc. was served with a summons and complaint in an action commenced in the United States District Court for the Eastern District of New York, entitled SourceOne Dental, Inc. v. Patterson Companies, Inc., Henry Schein, Inc. and Benco Dental Supply Company, Civil Action No. 15-cv-05440-JMA-GRB. Plaintiff alleges that, through its website, it markets and sells dental supplies and equipment to dentists. Plaintiff alleges, among other things, that defendants conspired to eliminate plaintiff as a viable competitor and to exclude plaintiff from the market for the marketing, distribution and sale of dental supplies and equipment in the United States and that defendants unlawfully agreed with one another to boycott dentists, manufacturers, and state dental associations that deal with, or considered dealing with, plaintiff. Plaintiff asserts the following claims: (i) unreasonable restraint of trade in violation of state and federal antitrust laws; (ii) tortious interference with prospective business relations; (iii) civil conspiracy; and (iv) aiding and abetting the other defendants' ongoing tortious and anticompetitive conduct. Plaintiff seeks equitable relief, compensatory and treble damages, jointly and severally, punitive damages, interest, and reasonable costs and expenses, including attorneys' fees and expert fees. Plaintiff has not specified a damage amount in its complaint. We intend to defend ourselves against the action vigorously. The Company does not anticipate that this matter will have a material adverse effect on the financial condition of the Company.

As of September 26, 2015, 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 accrued amount, as well as related expenses, was not material to our financial position, results of operations or cash flows. Our method for determining estimated losses considers currently available facts, presently enacted laws and regulations and other factors, including probable recoveries from third parties.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note Regarding Forward-Looking Statements

In accordance with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, we provide the following cautionary remarks regarding important factors that, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. All forward-looking statements made by us are subject to risks and uncertainties and are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are identified by the use of such terms as "may," "could," "expect," "intend," "believe," "plan," "estimate," "forecas "project," "anticipate" or other comparable terms.

Risk factors and uncertainties that could cause actual results to differ materially from current and historical results include, but are not limited to: effects of a highly competitive market; our dependence on third parties for the manufacture and supply of our products; our dependence upon sales personnel, customers, suppliers and manufacturers; our dependence on our senior management; fluctuations in quarterly earnings; risks from expansion of customer purchasing power and multi-tiered costing structures; possible increases in the cost of shipping our products or other service issues with our third-party shippers; general global macro-economic conditions; disruptions in financial markets; possible volatility of the market price of our common stock; changes in the health care industry; implementation of health care laws; failure to comply with regulatory requirements and data privacy laws; risks associated with our global operations; transitional challenges associated with acquisitions and joint ventures, including the failure to achieve anticipated synergies; financial risks associated with acquisitions and joint ventures; litigation risks; the dependence on our continued product development, technical support and successful marketing in the technology segment; risks from challenges associated with the emergence of potential increased competition by third-party online commerce sites; risks from disruption to our information systems; cyberattacks or other privacy or data security breaches; certain provisions in our governing documents that may discourage third-party acquisitions of us; and changes in tax legislation. The order in which these factors appear 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 are beyond our ability to control or predict. Accordingly, any forward-looking statements contained herein should not be relied upon as a prediction of actual results. We undertake no duty and have no obligation to update forward-looking statements.

Where You Can Find Important Information

We may disclose important information through one or more of the following channels: SEC filings, public conference calls and webcasts, press releases, the investor relations page of our website (www.henryschein.com) and the social media channels identified on the investor relations page of our website.

Executive-Level Overview

We believe we are the world's largest provider of health care products and services primarily to office-based dental, animal health and medical practitioners. We serve more than 1 million customers worldwide including dental practitioners and laboratories, animal health clinics and physician practices, as well as government, institutional health care clinics and other alternate care clinics. We believe that we have a strong brand identity due to our more than 83 years of experience distributing health care products.

We are headquartered in Melville, New York, employ more than 18,000 people (of which more than 8,000 are based outside the United States) and have operations or affiliates in 33 countries, including the United States, Australia, Austria, Belgium, Brazil, Canada, Chile, China, the Czech Republic, Denmark, France, Germany, Hong Kong SAR, Iceland, Ireland, Israel, Italy, Japan, Luxembourg, Malaysia, the Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Slovakia, South Africa, Spain, Sweden, Switzerland, Thailand and the United Kingdom.

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We have established strategically located distribution centers to enable us to better serve our customers and increase our operating efficiency. This infrastructure, together with broad product and service offerings at competitive prices, and a strong commitment to customer service, enables us to be a single source of supply for our customers' needs. Our infrastructure also allows us to provide convenient ordering and rapid, accurate and complete order fulfillment.

We conduct our business through two reportable segments: (i) health care distribution and (ii) technology and value-added services. These segments offer different products and services to the same customer base.

The health care distribution reportable segment aggregates our global dental, animal health and medical operating segments. This segment distributes consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins. Our global dental group serves office-based dental practitioners, dental laboratories, schools and other institutions. Our global animal health group serves animal health practices and clinics. Our global medical group serves office-based medical practitioners, ambulatory surgery centers, other alternate-care settings and other institutions.

Our global technology and value-added services group provides software, technology and other value-added services to health care practitioners. Our technology group offerings include practice management software systems for dental and medical practitioners and animal health clinics. Our value-added practice solutions include financial services on a non-recourse basis, e-services, practice technology, network and hardware services, as well as continuing education services for practitioners.