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

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 1, 2023

or

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

For the transition period from ____________ to ____________

Commission File Number: 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 on which registered
Common Stock, par value $.01 per share	HSIC	The Nasdaq Global Select Market

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Yes ☐ No ☒

As of July 31, 2023, there were 130,584,592 shares of the registrant's common stock outstanding.

HENRY SCHEIN, INC.
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HENRY SCHEIN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	July 1, 2023 (unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 137	$ 117
Accounts receivable, net of allowance for credit losses of $70 and $65	1,468	1,442
Inventories, net	1,843	1,963
Prepaid expenses and other	463	466
Total current assets	3,911	3,988
Property and equipment, net	439	383
Operating lease right-of-use assets	290	284
Goodwill	3,335	2,893
Other intangibles, net	678	587
Investments and other	493	472
Total assets	$ 9,146	$ 8,607
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 817	$ 1,004
Bank credit lines	325	103
Current maturities of long-term debt	66	6
Operating lease liabilities	74	73
Accrued expenses:		
Payroll and related	275	314
Taxes	129	132
Other	590	592
Total current liabilities	2,276	2,224
Long-term debt	1,133	1,040
Deferred income taxes	50	36
Operating lease liabilities	284	275
Other liabilities	397	361
Total liabilities	4,140	3,936
Redeemable noncontrolling interests	820	576
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, 130,576,806 outstanding on July 1, 2023 and 131,792,817 outstanding on December 31, 2022	1	1
Additional paid-in capital	-	-
Retained earnings	3,769	3,678
Accumulated other comprehensive loss	(210)	(233)
Total Henry Schein, Inc. stockholders' equity	3,560	3,446
Noncontrolling interests	626	649
Total stockholders' equity	4,186	4,095
Total liabilities, redeemable noncontrolling interests and stockholders' equity	$ 9,146	$ 8,607

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 Ended		Six Months Ended	
	July 1, 2023	June 25, 2022	July 1, 2023	June 25, 2022
Net sales	$ 3,100	$ 3,030	$ 6,160	$ 6,209
Cost of sales	2,125	2,085	4,219	4,291
Gross profit	975	945	1,941	1,918
Operating expenses:				
Selling, general and administrative	707	680	1,424	1,362
Depreciation and amortization	49	45	93	92
Restructuring costs	18	-	48	-
Operating income	201	220	376	464
Other income (expense):				
Interest income	3	2	6	4
Interest expense	(19)	(8)	(33)	(15)
Other, net	1	-	-	-
Income before taxes, equity in earnings of affiliates and noncontrolling interests	186	214	349	453
Income taxes	(41)	(52)	(80)	(109)
Equity in earnings of affiliates	3	5	7	9
Net income	148	167	276	353
Less: Net income attributable to noncontrolling interests	(8)	(7)	(15)	(12)
Net income attributable to Henry Schein, Inc.	$ 140	$ 160	$ 261	$ 341
Earnings per share attributable to Henry Schein, Inc.:				
Basic	$ 1.07	$ 1.17	$ 1.99	$ 2.49
Diluted	$ 1.06	$ 1.16	$ 1.97	$ 2.46
Weighted-average common shares outstanding:				
Basic	130,905,899	137,350,488	131,136,450	137,323,076
Diluted	131,873,174	138,869,064	132,465,749	139,055,205

See accompanying notes.

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

	Three Months Ended		Six Months Ended	
	July 1, 2023	June 25, 2022	July 1, 2023	June 25, 2022
Net income	$ 148	$ 167	$ 276	$ 353
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain (loss)	3	(90)	28	(87)
Unrealized gain (loss) from foreign currency hedging activities	(1)	8	(4)	9
Other comprehensive income (loss), net of tax	2	(82)	24	(78)
Comprehensive income	150	85	300	275
Less: Comprehensive income attributable to noncontrolling interests:				
Net income	(8)	(7)	(15)	(12)
Foreign currency translation loss (gain)	1	9	(1)	8
Comprehensive (income) loss attributable to noncontrolling interests	(7)	2	(16)	(4)
Comprehensive income attributable to Henry Schein, Inc.	$ 143	$ 87	$ 284	$ 271

See accompanying notes.

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

	Common Stock $0.01 Par Value		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount					
Balance, April 1, 2023	131,196,783	$ 1	$ -	$ 3,684	$ (213)	$ 655	$ 4,127
Net income (excluding $ 5 attributable to redeemable noncontrolling interests)	-	-	-	140	-	3	143
Foreign currency translation gain (excluding loss of $ 1 attributable to redeemable noncontrolling interests)	-	-	-	-	4	-	4
Unrealized loss from foreign currency hedging activities, net of tax benefit of $ 1	-	-	-	-	(1)	-	(1)
Dividends declared	-	-	-	-	-	(27)	(27)
Change in fair value of redeemable noncontrolling interests	-	-	(17)	-	-	-	(17)
Initial noncontrolling interests and adjustments related to business acquisitions	-	-	1	-	-	(5)	(4)
Repurchases and retirement of common stock	(638,095)	-	(7)	(44)	-	-	(51)
Stock-based compensation expense	20,598	-	14	-	-	-	14
Stock issued upon exercise of stock options	5,081	-	-	-	-	-	-
Shares withheld for payroll taxes	(6,671)	-	(3)	-	-	-	(3)
Settlement of stock-based compensation awards	(890)	-	1	-	-	-	1
Transfer of charges in excess of capital	-	-	11	(11)	-	-	-
Balance, July 1, 2023	130,576,806	$ 1	$ -	$ 3,769	$ (210)	$ 626	$ 4,186

	Common Stock $0.01 Par Value		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount					
Balance, March 26, 2022	137,708,809	$ 1	$ -	$ 3,759	$ (168)	$ 632	$ 4,224
Net income (excluding $5 attributable to redeemable noncontrolling interests)	-	-	-	160	-	2	162
Foreign currency translation loss (excluding loss of $ 8 attributable to redeemable noncontrolling interests)	-	-	-	-	(81)	(1)	(82)
Unrealized gain from foreign currency hedging activities, net of tax of $2	-	-	-	-	8	-	8
Change in fair value of redeemable noncontrolling interests	-	-	10	-	-	-	10
Repurchase and retirement of common stock	(1,345,397)	-	(16)	(94)	-	-	(110)
Stock-based compensation expense	78,738	-	15	-	-	-	15
Stock issued upon exercise of stock options	3,594	-	-	-	-	-	-
Shares withheld for payroll taxes	(6,016)	-	(1)	-	-	-	(1)
Settlement of stock-based compensation awards	(168)	-	1	-	-	-	1
Transfer of charges in excess of capital	-	-	(9)	9	-	-	-
Balance, June 25, 2022	136,439,560	$ 1	$ -	$ 3,834	$ (241)	$ 633	$ 4,227

See accompanying notes.

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

	Common Stock $.01 Par Value		Additional	Retained	Accumulated Other	Noncontrolling	Total
	Shares	Amount	Paid-in Capital	Earnings	Comprehensive Income / (Loss)	Interests	Stockholders' Equity
Balance, December 31, 2022	131,792,817	$ 1	$ -	$ 3,678	$ (233)	$ 649	$ 4,095
Net income (excluding $ 9 attributable to redeemable noncontrolling interests)	-	-	-	261	-	6	267
Foreign currency translation gain (excluding gain of $ 1 attributable to redeemable noncontrolling interests)	-	-	-	-	27	-	27
Unrealized loss from foreign currency hedging activities, net of tax benefit of $ 2	-	-	-	-	(4)	-	(4)
Dividends declared	-	-	-	-	-	(27)	(27)
Change in fair value of redeemable noncontrolling interests	-	-	(14)	-	-	-	(14)
Initial noncontrolling interests and adjustments related to business acquisitions	-	-	1	-	-	(2)	(1)
Repurchases and retirement of common stock	(1,862,014)	-	(20)	(131)	-	-	(151)
Stock-based compensation expense	1,036,898	-	24	-	-	-	24
Stock issued upon exercise of stock options	15,860	-	1	-	-	-	1
Shares withheld for payroll taxes	(405,865)	-	(32)	-	-	-	(32)
Settlement of stock-based compensation awards	(890)	-	1	-	-	-	1
Transfer of charges in excess of capital	-	-	39	(39)	-	-	-
Balance, July 1, 2023	130,576,806	$ 1	$ -	$ 3,769	$ (210)	$ 626	$ 4,186

	Common Stock $.01 Par Value		Additional	Retained	Accumulated Other	Noncontrolling	Total
	Shares	Amount	Paid-in Capital	Earnings	Comprehensive Income / (Loss)	Interests	Stockholders' Equity
Balance, December 25, 2021	137,145,558	$ 1	$ -	$ 3,595	$ (171)	$ 638	$ 4,063
Net income (excluding $ 9 attributable to redeemable noncontrolling interests)	-	-	-	341	-	3	344
Foreign currency translation gain (excluding gain of $ 7 attributable to redeemable noncontrolling interests)	-	-	-	-	(79)	(1)	(80)
Unrealized gain from foreign currency hedging activities, net of tax of $ 3	-	-	-	-	9	-	9
Purchase of noncontrolling interests	-	-	-	-	-	(7)	(7)
Change in fair value of redeemable noncontrolling interests	-	-	7	-	-	-	7
Repurchase and retirement of common stock	(1,345,397)	-	(16)	(94)	-	-	(110)
Stock-based compensation expense	954,899	-	27	-	-	-	27
Stock issued upon exercise of stock options	29,827	-	2	-	-	-	2
Shares withheld for payroll taxes	(342,347)	-	(29)	-	-	-	(29)
Settlement of stock-based compensation awards	(2,980)	-	1	-	-	-	1
Transfer of charges in excess of capital	-	-	8	(8)	-	-	-
Balance, June 25, 2022	136,439,560	$ 1	$ -	$ 3,834	$ (241)	$ 633	$ 4,227

See accompanying notes.

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

	Six Months Ended	
	July 1, 2023	June 25, 2022
Cash flows from operating activities:		
Net income	$ 276	$ 353
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	111	108
Non-cash restructuring charges	10	-
Stock-based compensation expense	24	27
Provision for losses on trade and other accounts receivable	2	-
Benefit from deferred income taxes	(3)	(15)
Equity in earnings of affiliates	(7)	(9)
Distributions from equity affiliates	9	10
Changes in unrecognized tax benefits	3	(1)
Other	(9)	(13)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	18	21
Inventories	163	4
Other current assets	(1)	(37)
Accounts payable and accrued expenses	(295)	(198)
Net cash provided by operating activities	301	250
Cash flows from investing activities:		
Purchases of fixed assets	(68)	(43)
Payments related to equity investments and business acquisitions, net of cash acquired	(251)	(7)
Proceeds from loan to affiliate	3	6
Other	(24)	(15)
Net cash used in investing activities	(340)	(59)
Cash flows from financing activities:		
Net change in bank borrowings	218	30
Proceeds from issuance of long-term debt	408	-
Principal payments for long-term debt	(366)	(57)
Proceeds from issuance of stock upon exercise of stock options	1	2
Payments for repurchases and retirement of common stock	(150)	(110)
Payments for taxes related to shares withheld for employee taxes	(33)	(29)
Distributions to noncontrolling shareholders	(6)	(12)
Acquisitions of noncontrolling interests in subsidiaries	(13)	(19)
Net cash provided by (used in) financing activities	59	(195)
Effect of exchange rate changes on cash and cash equivalents	-	(6)
Net change in cash and cash equivalents	20	(10)
Cash and cash equivalents, beginning of period	117	118
Cash and cash equivalents, end of period	$ 137	$ 108

See accompanying notes.

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 Schein, Inc. and all of our controlled subsidiaries ("we", "us" or "our"). All intercompany accounts and transactions are eliminated in consolidation. Investments in unconsolidated affiliates in which we have the ability to influence the operating or financial decisions are accounted for under the equity method. Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications, individually and in the aggregate, did not have a material impact on our condensed consolidated financial condition, results of operations or cash flows.

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 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 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 31, 2022 and with the information contained in 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 consolidated results of operations and financial position for the interim periods presented. All such adjustments are of a normal recurring nature.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 three and six months ended July 1, 2023 are not necessarily indicative of the results to be expected for any other interim period or for the year ending December 30, 2023.

Our condensed consolidated financial statements reflect estimates and assumptions made by us that affect, among other things, our goodwill, long-lived asset and definite-lived intangible asset valuation; inventory valuation; equity investment valuation; assessment of the annual effective tax rate; valuation of deferred income taxes and income tax contingencies; the allowance for doubtful accounts; hedging activity; supplier rebates; 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 which we consider a Variable Interest Entity ("VIE") because we are the primary beneficiary, and we have the power to direct activities that most significantly affect the economic performance and have the obligation to absorb the majority of the losses or benefits. For this VIE, the trade accounts receivable transferred to the VIE are pledged as collateral to the related debt. The creditors have recourse to us for losses on these trade accounts receivable. At July 1, 2023 and December 31, 2022, certain trade accounts receivable that can only be used to settle obligations of this VIE were $78 million and $327 million, respectively, and the liabilities of this VIE where the creditors have recourse to us were $60 million and $255 million, respectively.

Note 2 – Critical Accounting Policies and Recently Issued Accounting Standards

Critical Accounting Policies

There have been no material changes in our critical accounting policies during the six months ended July 1, 2023, as compared to the critical accounting policies described in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022.

Recently Issued Accounting Standards

In September 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2022-04, "Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations," which will increase transparency of supplier finance programs by requiring entities that use such programs in connection with the purchase of goods and services to disclose certain qualitative and quantitative information about such programs. ASU 2022-04 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for amended roll forward information, which is effective for fiscal years beginning after December 15, 2023. We do not expect that the requirements of this guidance will have a material impact on our condensed consolidated financial statements.

In December 2022, the FASB issued ASU No. 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848," which extends the period of application of temporary optional expedients from December 21, 2022 to December 31, 2024. We do not expect that the requirements of this guidance will have a material impact on our condensed consolidated financial statements.

(in millions, except share and per share data)

Note 3 – Net Sales from Contracts with Customers

Net sales are recognized in accordance with policies disclosed in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2022.

Disaggregation of Net Sales

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

	Three Months Ended July 1, 2023			Six Months Ended July 1, 2023		
	North America	International	Global	North America	International	Global
Net sales:						
Health care distribution						
Dental	$ 1,169	$ 788	$ 1,957	$ 2,313	$ 1,542	$ 3,855
Medical	925	25	950	1,876	45	1,921
Total health care distribution	2,094	813	2,907	4,189	1,587	5,776
Technology and value-added services	168	25	193	334	50	384
Total net sales	$ 2,262	$ 838	$ 3,100	$ 4,523	$ 1,637	$ 6,160

	Three Months Ended June 25, 2022			Six Months Ended June 25, 2022		
	North America	International	Global	North America	International	Global
Net sales:						
Health care distribution						
Dental	$ 1,124	$ 729	$ 1,853	$ 2,229	$ 1,452	$ 3,681
Medical	977	19	996	2,127	41	2,168
Total health care distribution	2,101	748	2,849	4,356	1,493	5,849
Technology and value-added services	158	23	181	314	46	360
Total net sales	$ 2,259	$ 771	$ 3,030	$ 4,670	$ 1,539	$ 6,209

Deferred Revenue

During the six months ended July 1, 2023, we recognized in net sales $56 million of the amounts that were previously deferred at December 31, 2022. At December 31, 2022, the current portion of contract liabilities of $86 million was reported in accrued expenses: other, and $8 million related to non-current contract liabilities was reported in other liabilities. At July 1, 2023, the current and non-current portion of contract liabilities were $86 million and $9 million, respectively.

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

Note 4 – 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. 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 wide 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 medical operating segments. This segment distributes consumable products, dental specialty products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products, personal protective equipment ("PPE") and vitamins.

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

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

	Three Months Ended		Six Months Ended	
	July 1, 2023	June 25, 2022	July 1, 2023	June 25, 2022
Net Sales:				
Health care distribution [(1)]				
Dental	$ 1,957	$ 1,853	$ 3,855	$ 3,681
Medical	950	996	1,921	2,168
Total health care distribution	2,907	2,849	5,776	5,849
Technology and value-added services [(2)]	193	181	384	360
Total	$ 3,100	$ 3,030	$ 6,160	$ 6,209

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

(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-recourse basis, e-services, continuing education services for practitioners, consulting and other services.

	Three Months Ended		Six Months Ended	
	July 1, 2023	June 25, 2022	July 1, 2023	June 25, 2022
Operating Income:				
Health care distribution	$ 166	$ 189	$ 311	$ 400
Technology and value-added services	35	31	65	64
Total	$ 201	$ 220	$ 376	$ 464

Note 5 – Business Acquisitions

Our acquisition strategy is focused on investments in companies that add new customers and sales teams, increase our geographic footprint (whether entering a new country, such as emerging markets, or building scale where we have already invested in businesses), and finally, those that enable us to access new products and technologies. In connection with our business acquisitions, the major classes of assets and liabilities to which we generally allocate acquisition consideration to, excluding goodwill, include identifiable intangible assets (i.e., customer relationships and lists, trademarks and trade names, product development and non-compete agreements), inventory and accounts receivable. The estimated fair value of identifiable intangible assets is based on critical judgments and assumptions derived from analysis of market conditions, including discount rates, projected revenue growth rates (which are based on historical trends and assessment of financial projections), estimated customer attrition and projected cash flows. These assumptions are forward-looking and could be affected by future economic and market conditions.

While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, within 12 months following the date of acquisition, or the measurement period, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill within our condensed consolidated balance sheets. At the end of the measurement period or final determination of the values of such assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recognized in our condensed consolidated statements of operations.

The accounting for certain of our acquisitions during the year ended December 31, 2022 had not been completed in several areas, including but not limited to pending assessments of intangible assets, and contingent consideration assets and liabilities. For the six months ended July 1, 2023 and June 25, 2022, there were no material adjustments recorded in our condensed consolidated statements of income relating to changes in estimated values of assets acquired, liabilities assumed and contingent consideration assets and liabilities.

Acquisition of Biotech Dental

On April 5, 2023, we acquired a 57% voting equity interest in Biotech Dental (“Biotech Dental”), which is a provider of dental implants, clear aligners, and innovative digital dental software based in France. Biotech Dental has several important solutions, 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 accuracy and an improved patient experience. The integration of Biotech Dental’s software with Henry Schein One’s industry-leading practice management software solutions will help customers streamline their clinical as well as administrative workflow for the ultimate benefit of patients.

(in millions, except share and per share data)

The following table aggregates the preliminary estimated fair value, as of the date of acquisition, of consideration paid and net assets acquired in the Biotech Dental acquisition:

	2023
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
Intangible assets	119
Other noncurrent assets	76
Current liabilities	(50)
Long-term debt	(90)
Deferred income taxes	(38)
Other noncurrent liabilities	(16)
Total identifiable net assets	79
Goodwill	344
Total net assets acquired	$ 423

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 purposes.

The accounting for the acquisition of Biotech Dental has not been completed in several areas, including but not limited to pending assessments of accounts receivable, inventory, intangible assets, right-of-use lease assets, accrued liabilities and income and non-income based taxes. To assist management in the allocation, we engaged valuation specialists to prepare appraisals. We will finalize the amounts recognized as the information necessary to complete the analysis is obtained. We expect to finalize these amounts as soon as possible but no later than one year from the acquisition date.

The pro forma financial information has not been presented because the impact of the Biotech Dental acquisition during the three and six months ended July 1, 2023 was immaterial to our condensed consolidated financial statements.

Other 2023 Acquisitions

During the six months ended July 1, 2023, we acquired companies within the dental technology, medical device and medical distribution segments. Our acquired ownership interest ranged between 51% to 100%.

The following table aggregates the preliminary estimated fair value, as of the date of acquisition, of consideration paid and net assets acquired for these acquisitions during the six months ended July 1, 2023.

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	2023
Acquisition consideration:	
Cash	$ 68
Deferred consideration	4
Estimated fair value of contingent consideration payable	3
Fair value of previously held equity method investment	29
Redeemable noncontrolling interests	31
Total consideration	$ 135
Identifiable assets acquired and liabilities assumed:	
Current assets	$ 21
Intangible assets	58
Other noncurrent assets	7
Current liabilities	(11)
Deferred income taxes	(9)
Other noncurrent liabilities	(10)
Total identifiable net assets	56
Goodwill	79
Total net assets acquired	$ 135

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

In connection with an acquisition of a controlling interest of our affiliate, we recognized a gain of approximately $18 million related to the remeasurement to fair value of our previously held equity investment, using a discounted cash flow model based on Level 3 inputs, as defined in Note 6 – Fair Value Measurements.

The following table summarizes the preliminary identifiable intangible assets acquired during the six months ended July 1, 2023 and their estimated useful lives as of the date of the acquisition:

	2023	Estimated Useful Lives (in years)
Customer relationships and lists	$ 33	2-12
Trademarks/ Tradenames	6	5-10
Non-compete agreements	2	5
Product development	7	7
Patents	1	10
Other	9	5
Total	$ 58	

The pro forma financial information has not been presented because the impact of the acquisitions during the three and six months ended July 1, 2023 was immaterial to our condensed consolidated financial statements.

Acquisition Costs

During the six months ended July 1, 2023 and June 25, 2022 we incurred $13 million and $3 million, respectively, in acquisition costs.

Note 6 – Fair Value Measurements

Fair value is defined 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. The fair value hierarchy 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 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 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 affiliates and notes receivable. Certain of our notes receivable contain variable interest rates. We believe the carrying amounts are a reasonable estimate of fair value based on the interest rates in the applicable markets.

Debt

The fair value of our debt (including bank credit lines, current maturities of long-term debt and long-term debt) is classified as Level 3 within the fair value hierarchy, and as of July 1, 2023 and December 31, 2022 was estimated at $1,524 million and $1,149 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. 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 certain intercompany loans, certain forecasted inventory purchase commitments with foreign suppliers, foreign currency forward contracts to hedge a portion of our euro-denominated foreign operations which are designated as net investment hedges and a total return swap for the purpose of economically hedging our unfunded non-qualified supplemental executive retirement plan and our deferred compensation plan.

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.

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Total Return Swaps

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

Redeemable noncontrolling interests

The values for redeemable noncontrolling interests are classified within Level 3 of the fair value hierarchy and are based on recent transactions and/or implied multiples of earnings. See Note 12 – Redeemable Noncontrolling Interests for additional information.

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 July 1, 2023 and December 31, 2022:

	July 1, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts designated as hedges	$ -	$ 21	$ -	$ 21
Derivative contracts undesignated	-	4	-	4
Total return swaps	-	3	-	3
Total assets	$ -	$ 28	$ -	$ 28
Liabilities:				
Derivative contracts designated as hedges	$ -	$ 3	$ -	$ 3
Derivative contracts undesignated	-	3	-	3
Total liabilities	$ -	$ 6	$ -	$ 6
Redeemable noncontrolling interests	$ -	$ -	$ 820	$ 820

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts designated as hedges	$ -	$ 23	$ -	$ 23
Derivative contracts undesignated	-	4	-	4
Total assets	$ -	$ 27	$ -	$ 27
Liabilities:				
Derivative contracts designated as hedges	$ -	$ 1	$ -	$ 1
Derivative contracts undesignated	-	3	-	3
Total return swaps	-	3	-	3
Total liabilities	$ -	$ 7	$ -	$ 7
Redeemable noncontrolling interests	$ -	$ -	$ 576	$ 576

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Note 7 – Debt

Bank Credit Lines

Bank credit lines consisted of the following:

	July 1, 2023	December 31, 2022
Revolving credit agreement	$ 250	$ -
Other short-term bank credit lines	75	103
Total	$ 325	$ 103

Revolving Credit Agreement

On August 20, 2021, we entered into a $1.0 billion revolving credit agreement (the “Revolving Credit Agreement”) which matures on August 20, 2026. The interest rate on this revolving credit facility is based on the USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. At July 1, 2023, the interest rate on borrowings under this revolving credit agreement was 5.25% plus 0.80%, for a combined rate of 6.05%. The Revolving 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 customary negative covenants, subject to negotiated exceptions, on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements. As of July 1, 2023 and December 31, 2022, we had $250 million and $0 million in borrowings, respectively under this revolving credit facility. As of July 1, 2023 and December 31, 2022, there were $9 million and $9 million of letters of credit, respectively, provided to third parties under this credit facility.

On July 11, 2023, we amended and restated the Revolving Credit Agreement to, among other things, extend the maturity date to July 11, 2028 and update the interest rate provisions to reflect the current market approach for a multicurrency facility. The interest rate in the amended Credit Agreement is based on Term Secured Overnight Financing Rate (“Term SOFR”) plus a spread based on our leverage ratio at the end of each financial reporting quarter (effective June 30, 2023).

Other Short-Term Bank Credit Lines

As of July 1, 2023 and December 31, 2022, we had various other short-term bank credit lines available, in various currencies, with a maximum borrowing capacity of $426 million and $402 million, respectively. As of July 1, 2023 and December 31, 2022, $75 million and $103 million, respectively, were outstanding. At July 1, 2023 and December 31, 2022, borrowings under all of these credit lines had a weighted average interest rate of 12.09% and 10.11%, respectively.

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Long-term debt

Long-term debt consisted of the following:

	July 1, 2023	December 31, 2022
Private placement facilities	$ 1,074	$ 699
U.S. trade accounts receivable securitization	60	330
Various collateralized and uncollateralized loans payable with interest, in varying installments through 2023 at interest rates ranging from 0.00% to 9.42% at July 1, 2023 and ranging from 0.00% to 3.50% at December 31, 2022	49	7
Finance lease obligations	16	10
Total	1,199	1,046
Less current maturities	(66)	(6)
Total long-term debt	$ 1,133	$ 1,040

Private Placement Facilities

Our private placement facilities include four insurance companies, have a total facility amount of $1.5 billion, and 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 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, which have a weighted average interest rate of 3.65%, as of July 1, 2023 are presented in the following table:

Date of Borrowing	Amount of Borrowing Outstanding	Borrowing Rate	Due Date
January 20, 2012	$ 50	3.45%	January 20, 2024
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	$ 1,074		

U.S. Trade Accounts Receivable Securitization

We have a facility agreement based on the securitization of our U.S. trade accounts receivable that is structured as 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, expires on December 15, 2025.

As of July 1, 2023 and December 31, 2022, the borrowings outstanding under this securitization facility were $60 million and $330 million, respectively. At July 1, 2023, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 5.38% plus 0.75%, for a combined rate of 6.13%. At December 31, 2022, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 4.58% plus 0.75%, for a combined rate of 5.33%.

If our accounts receivable collection pattern changes due to customers either paying late 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 utilization.

Term Loan

On July 11, 2023, we entered into a three-year $750 million term loan credit agreement (the "Term Credit Agreement"). The interest rate on this term loan is based on the Term SOFR plus a spread based on our leverage ratio at the end of each financial reporting quarter. This term loan matures on July 11, 2026. We plan to use this new credit facility for working capital and general corporate purposes, including, but not limited to, capital expenditures, the repurchase of the Company's capital stock and permitted refinancing of existing debt, as well as for funding potential acquisitions. 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, subject to negotiated exceptions, on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements.

Note 8 – Income Taxes

For the six months ended July 1, 2023 our effective tax rate was 22.8%, compared to 23.9% for the prior year period. The difference between our effective tax rate and the federal statutory tax rate primarily relates to state and foreign income taxes and interest expense.

The total amount of unrecognized tax benefits, which are included in "other liabilities" within our condensed consolidated balance sheets, as of July 1, 2023 and December 31, 2022 was $103 million and $94 million, respectively, of which $88 million and $80 million, respectively, would affect the effective tax rate 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 subject to examination by the IRS include years 2020 and forward. In addition, limited positions reported in the 2017 tax year are subject to IRS examination.

The total amounts of interest and penalties are classified as a component of the provision for income taxes. The amount of tax interest expense was $1 million for the six months ended July 1, 2023 and $0 million for the six months ended June 25, 2022. The total amount of accrued interest is included in "other liabilities," and was $14 million as of July 1, 2023 and $12 million as of December 31, 2022. The amount of penalties accrued for during the periods presented were not material to our condensed consolidated financial statements.

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Note 9 – Plan of Restructuring

On August 1, 2022, we committed to a restructuring plan focused on funding the priorities of the strategic plan and streamlining operations and other initiatives to increase efficiency. We revised our previous expectations of completion and now expect this initiative to extend through 2024. We are currently unable in good faith to make a determination of an estimate of the amount or range of amounts expected to be incurred in connection with these activities, both with respect to each major type of cost associated therewith and with respect to the total cost, or an estimate of the amount or range of amounts that will result in future cash expenditures.

During the three and six months ended July 1, 2023, we recorded restructuring costs of $18 and $48 million, respectively. The restructuring costs for these periods primarily related to severance and employee-related costs, accelerated amortization of right-of-use lease assets and fixed assets, and other lease exit costs. Included in restructuring costs for the six months ended July 1, 2023 were immaterial amounts related to the disposal of an unprofitable U.S. business initiated during 2022 and completed during the first quarter of 2023.

Restructuring costs recorded for the three and six months ended July 1, 2023 consisted of the following (there were no restructuring costs for the three and six months ended June 25, 2022):

	Three Months Ended July 1, 2023		
	Health-Care Distribution	Technology and Value-Added Services	Total
Severance and employee-related costs	$ 13	$ 1	$ 14
Accelerated depreciation and amortization	2	1	3
Exit and other related costs	1	-	1
Total restructuring costs	$ 16	$ 2	$ 18

	Six Months Ended July 1, 2023		
	Health-Care Distribution	Technology and Value-Added Services	Total
Severance and employee-related costs	$ 30	$ 4	$ 34
Accelerated depreciation and amortization	9	1	10
Exit and other related costs	2	1	3
Loss on disposal of a business	1	-	1
Total restructuring costs	$ 42	$ 6	$ 48

The following table summarizes, by reportable segment, the activity related to the liabilities associated with our restructuring initiatives for the period ended July 1, 2023. The remaining accrued balance of restructuring costs as of July 1, 2023 is included in accrued expenses: other within our condensed consolidated balance sheet. Liabilities related to exited leased facilities are recorded within our current and non-current operating lease liabilities within our condensed consolidated balance sheet.

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	Health Care Distribution	Technology and Value-Added Services	Total
Balance, December 31, 2022	$ 21	$ 3	$ 24
Restructuring costs	42	6	48
Non-cash asset impairment and accelerated depreciation and amortization of right-of-use lease assets and other long-lived assets	(9)	(1)	(10)
Cash payments and other adjustments	(24)	(5)	(29)
Balance, July 1, 2023	$ 30	$ 3	$ 33

Note 10 – Legal Proceedings

Henry Schein, Inc. has been named as a defendant in multiple opioid related lawsuits (currently less than one-hundred and seventy-five (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 affiliated companies) reaped financial rewards by refusing or otherwise failing to monitor appropriately and restrict the improper distribution of those drugs. These actions consist of some that have been consolidated within the MultiDistrict Litigation ("MDL") proceeding In Re National Prescription Opiate Litigation (MDL No. 2804; Case No. 17-md-2804) and are currently stayed, and others which remain pending 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 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 38 other hospitals located throughout the State of Florida) in Florida state court, which is currently scheduled for a jury trial in May 2025. Of Henry Schein's 2022 net sales of approximately $12.6 billion from continuing operations, sales of opioids represented less than two-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 Subpoena seeks documents relating to payments Henry Schein 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.

From time to time, we may become a party to other legal proceedings, including, without limitation, product liability claims, employment matters, commercial disputes, governmental inquiries and investigations (which may in some cases involve our entering into settlement arrangements or consent decrees), and other matters arising out of the ordinary course of our business. While the results of any legal proceeding cannot be predicted with certainty, in our opinion none of these other pending matters are currently anticipated to have a material adverse effect on our consolidated financial position, liquidity or results of operations.

As of July 1, 2023, 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.

Note 11 – Stock-Based Compensation

Stock-based awards are provided to certain employees under the terms of our 2020 Stock Incentive Plan and to non-employee directors under the terms of our 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 our 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. In 2022, 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.

RSUs are stock-based awards granted to recipients with specified vesting provisions. In the case of RSUs, common stock is delivered on or following satisfaction of vesting conditions. We issue RSUs to employees that primarily vest (i) solely based on the recipient's continued service over time, primarily with four-year cliff vesting and/or (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 are granted with 12-month cliff vesting. For these RSUs, we recognize the cost as compensation expense on a straight-line basis.

With respect to time-based RSUs, we estimate the fair value based on our closing stock price on the date of grant. 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), differences in budgeted average outstanding shares (other than those resulting from capital transactions referred to above), restructuring costs, if any, certain litigation settlements or payments, if any, changes in accounting principles or in applicable laws or regulations, changes in income tax rates in certain markets, foreign exchange fluctuations, the financial impact either positive or negative, of the difference in projected earnings 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 plan year), and unforeseen events or circumstances affecting us.

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.

Stock options are awards that allow the recipient to purchase shares of our common stock at a fixed price following vesting of the stock options. 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 continued 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 of the term upon certain events. Compensation expense for these stock options is recognized using a graded vesting method. We estimated the fair value of stock options using the Black-Scholes valuation model. During the six months ended July 1, 2023 we did not grant any stock options.

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Our accompanying condensed consolidated statements of income reflect pre-tax share-based compensation expense of $14 million ($11 million after-tax) and $24 million ($19 million after-tax) for the three and six months ended July 1, 2023, respectively. For the three and six months ended June 25, 2022, we recorded pre-tax share-based compensation expense of $15 million ($12 million after-tax) and $27 million ($21 million after-tax), respectively.

Total unrecognized compensation cost related to unvested awards as of July 1, 2023 was $107 million, which is expected to be recognized over a weighted-average period of approximately 2.4 years.

Our accompanying 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. In the accompanying consolidated statements of cash flows, there were no benefits associated with tax deductions in excess of recognized compensation as a cash inflow from financing activities for the six months ended July 1, 2023 and June 25, 2022, respectively.

We have not declared cash dividends on our stock in the past and we do not anticipate declaring cash dividends in the foreseeable future. The expected stock price volatility is based on implied volatilities from traded options on 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 in conjunction with considering the expected life of options. The six-year expected life of the options was determined using the simplified method for estimating the expected term as permitted under SAB Topic 14. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by recipients of stock options, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by us.

The following table summarizes the stock option activity during the six months ended July 1, 2023:

	Stock Options			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at beginning of period	1,117,574	$ 71.38		
Exercised	(17,905)	62.71		
Forfeited	(7,541)	78.22		
Outstanding at end of period	1,092,128	$ 71.48	8.1	$ 12
Options exercisable at end of period	568,623	$ 68.25		

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Vested or expected to vest	517,576	$ 75.12	8.3	$ 4

The following tables summarize the activity of our unvested RSUs for the six months ended July 1, 2023:

	Time-Based Restricted Stock Units			Performance-Based Restricted 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	Intrinsic Value Per Share
Outstanding at beginning of period	1,756,044	$ 66.59		520,916	$ 60.23	
Granted	407,570	77.70		530,224	78.38	
Vested	(406,604)	61.66		(630,294)	60.64	
Forfeited	(54,420)	71.07		(49,524)	76.09	
Outstanding at end of period	1,702,590	$ 70.34	$ 81.10	371,322	$ 69.62	$ 81.10

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Note 12 – Redeemable Noncontrolling Interests

Some minority stockholders 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 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 six months ended July 1, 2023 and the year ended December 31, 2022 are presented in the following table:

	July 1, 2023	December 31, 2022
Balance, beginning of period	$ 576	$ 613
Decrease in redeemable noncontrolling interests due to acquisitions of noncontrolling interests in subsidiaries	(13)	(31)
Increase in redeemable noncontrolling interests due to business acquisitions	240	4
Net income attributable to redeemable noncontrolling interests	9	21
Dividends declared	(7)	(21)
Effect of foreign currency translation gain (loss) attributable to redeemable noncontrolling interests	1	(6)
Change in fair value of redeemable securities	14	(4)
Balance, end of period	$ 820	$ 576

Note 13 – 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.

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

	July 1, 2023	December 31, 2022
Attributable to redeemable noncontrolling interests:		
Foreign currency translation adjustment	$ (36)	$ (37)
Attributable to noncontrolling interests:		
Foreign currency translation adjustment	$ (1)	$ (1)
Attributable to Henry Schein, Inc.:		
Foreign currency translation adjustment	$ (209)	$ (236)
Unrealized gain from foreign currency hedging activities	1	5
Pension adjustment loss	(2)	(2)
Accumulated other comprehensive loss	$ (210)	$ (233)
Total Accumulated other comprehensive loss	$ (247)	$ (271)

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

	Three Months Ended		Six Months Ended	
	July 1, 2023	June 25, 2022	July 1, 2023	June 25, 2022
Net income	$ 148	$ 167	$ 276	$ 353
Foreign currency translation gain (loss)	3	(90)	28	(87)
Tax effect	-	-	-	-
Foreign currency translation gain (loss)	3	(90)	28	(87)
Unrealized gain (loss) from foreign currency hedging activities	(2)	10	(6)	12
Tax effect	1	(2)	2	(3)
Unrealized gain (loss) from foreign currency hedging activities	(1)	8	(4)	9
Comprehensive income	$ 150	$ 85	$ 300	$ 275

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 six months ended July 1, 2023 and six months ended June 25, 2022 was primarily due to changes in foreign currency exchange rates of the British Pound, Brazilian Real, Canadian Dollar, Euro, Australian Dollar, Chinese Yuan, and Israel Shekel.

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

	Three Months Ended		Six Months Ended	
	July 1, 2023	June 25, 2022	July 1, 2023	June 25, 2022
Comprehensive income attributable to Henry Schein, Inc.	$ 143	$ 87	$ 284	$ 271
Comprehensive income attributable to noncontrolling interests	3	1	6	2
Comprehensive income (loss) attributable to redeemable noncontrolling interests	4	(3)	10	2
Comprehensive income	$ 150	$ 85	$ 300	$ 275

(in millions, except share and per share data)

Note 14 – 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 RSUs 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		Six Months Ended	
	July 1, 2023	June 25, 2022	July 1, 2023	June 25, 2022
Basic	130,905,899	137,350,488	131,136,450	137,323,076
Effect of dilutive securities:				
Stock options and restricted stock units	967,275	1,518,576	1,329,299	1,732,129
Diluted	131,873,174	138,869,064	132,465,749	139,055,205

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

	Three Months Ended		Six Months Ended	
	July 1, 2023	June 25, 2022	July 1, 2023	June 25, 2022
Stock options	426,002	423,786	427,355	250,226
Restricted stock units	19,405	51,453	19,405	226,203
Total anti-dilutive securities excluded from EPS computation	445,407	475,239	446,760	476,429

Note 15 – Supplemental Cash Flow Information

Cash paid for interest and income taxes was:

	Six Months Ended	
	July 1, 2023	June 25, 2022
Interest	$ 32	$ 17
Income taxes	118	165

During the six months ended July 1, 2023 and June 25, 2022, we had $(6) million and $12 million of non-cash net unrealized gains (losses) related to foreign currency hedging activities, respectively.

Note 16 – 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 ten-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 and six months ended July 1, 2023, we recorded $8 million and $16 million, respectively, in connection with costs related to this royalty agreement. During the three and six months ended June 25, 2022, we recorded $8 million and $16 million, respectively, in connection with costs related to this royalty agreement. As of July 1, 2023 and December 31, 2022, Henry Schein One, LLC had a net payable balance due to Internet Brands of $10 million and $9 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. As of July 1, 2023 Henry Schein One, LLC had declared a cash distribution of $27 million to Internet Brands, which was paid subsequent to July 1, 2023.

During our normal course of business, we have interests in entities that we account for under the equity accounting method. During the three and six months ended July 1, 2023, we recorded net sales of $11 million and $23 million, respectively, to such entities. During the three and six months ended June 25, 2022, we recorded net sales of $11 million and $23 million, respectively, to such entities. During the three and six months ended July 1, 2023, we purchased $3 million and $5 million, respectively, from such entities. During the three and six months ended June 25, 2022, we purchased $3 million and $6 million, respectively, from such entities. At July 1, 2023 and December 31, 2022, we had an aggregate of $33 million and $36 million, respectively, due from our equity affiliates, and $5 million and $6 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 less than one year to 14 years. As of July 1, 2023, current and non-current liabilities associated with related party operating leases were $6 million and $25 million, respectively. Related party leases represented 7.6% and 9.0% of the total current and non-current operating lease liabilities.

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 generally identified by the use of such terms as "may," "could," "expect," "intend," "believe," "plan," "estimate," "forecast," "project," "anticipate," "to be," "to make" or other comparable terms. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the documents we file with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K. Forward looking statements include the overall impact of the Novel Coronavirus Disease 2019 (COVID-19) on us, our results of operations, liquidity and financial condition (including any estimates of the impact on these items), the rate and consistency with which dental and other practices resume or maintain normal operations in the United States and internationally, expectations regarding PPE products and COVID-19 related product sales and inventory levels, whether additional resurgences or variants of the virus will adversely impact the resumption of normal operations, whether supply chain disruptions will adversely impact our business, the impact of integration and restructuring programs as well as of any future acquisitions, general economic conditions including exchange rates, inflation and recession, and more generally current expectations regarding performance in current and future periods. Forward looking statements also include the (i) our ability to have continued access to a variety of COVID-19 test types and expectations regarding COVID-19 test sales, demand and inventory levels and (ii) potential for us to distribute the COVID-19 vaccines and ancillary supplies.

Risk factors and uncertainties that could cause actual results to differ materially from current and historical results include, but are not limited to: risks associated with COVID-19 and any variants thereof, as well as other disease outbreaks, epidemics, pandemics, or similar wide-spread public health concerns and other natural disasters; our dependence on third parties for the manufacture and supply of our products; our ability to develop or acquire and maintain and protect new products (particularly technology products) and technologies that achieve market acceptance with acceptable margins; transitional challenges associated with acquisitions, dispositions and joint ventures, including the failure to achieve anticipated synergies/benefits; legal, regulatory, compliance, cybersecurity, financial and tax risks associated with acquisitions, dispositions and joint ventures; certain provisions in our governing documents that may discourage third-party acquisitions of us; adverse changes in supplier rebates or other purchasing incentives; risks related to the sale of corporate brand products; effects of a highly competitive (including, without limitation, competition from third-party online commerce sites) and consolidating market; the repeal or judicial prohibition on implementation of the Affordable Care Act; changes in the health care industry; risks from expansion of customer purchasing power and multi-tiered costing structures; increases in shipping costs for our products or other service issues with our third-party shippers; general global and domestic macro-economic and political conditions, including inflation, deflation, recession, fluctuations in energy pricing and the value of the U.S. dollar as compared to foreign currencies, and changes to other economic indicators, international trade agreements, potential trade barriers and terrorism; failure to comply with existing and future regulatory requirements; risks associated with the EU Medical Device Regulation; failure to comply with laws and regulations relating to health care fraud or other laws and regulations; failure to comply with laws and regulations relating to the collection, storage and processing of sensitive personal information or standards in electronic health records or transmissions; changes in tax legislation; risks related to product liability, intellectual property and other claims; litigation risks; new or unanticipated litigation developments and the status of litigation matters; risks associated with customs policies or legislative import restrictions; cyberattacks or other privacy or data security breaches; risks associated with our global operations; our dependence on our senior management, employee hiring and retention, and our relationships with customers, suppliers and manufacturers; and disruptions in financial markets. 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 except as required by law.

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 Newsroom page of our website.

Recent Developments

During the year ended December 31, 2022 we experienced a decrease in the sales of PPE and COVID-19 test kits as compared to the comparable prior-year period. During the three and six months ended July 1, 2023, we continued to experience a decrease in the sales of PPE and COVID-19 test kits compared with the same period in the prior year and we expect further decreases in sales in 2023 compared to the prior year.

While the U.S. economy has recently experienced inflationary pressures and strengthening of the U.S. dollar, their impacts have not been material to our results of operations. The impact from inflation, including manufacturer price increases excluding PPE products, was slightly more pronounced in Europe. Though inflation impacts both our revenues and costs, the depth and breadth of our product portfolio often allows us to offer lower-cost national brand solutions or corporate brand alternatives to our more price-sensitive customers who are unable to absorb price increases, thus positioning us to protect our gross profit.

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

Executive-Level Overview

Henry Schein, Inc. is a solutions company for health care professionals powered by a network of people and technology. We believe we are the world's largest provider of health care products and services primarily to office-based dental and medical practitioners, as well as alternate sites of care. We serve more than one million customers worldwide including dental practitioners, laboratories, physician practices, and ambulatory surgery centers, 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 91 years of experience distributing health care products.

We are headquartered in Melville, New York, employ more than 23,000 people (of which approximately 11,500 are based outside of the United States) and have operations or affiliates in 33 countries and territories. Our broad global footprint has evolved over time through our organic success as well as through contribution from strategic acquisitions.

We have established strategically located distribution centers around the world 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.

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

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. 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 wide range of specialties.

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

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

A key element to grow closer to our customers is our One Schein initiative, which is a unified go-to-market approach that enables practitioners to work synergistically with our supply chain, equipment sales and service and other value-added services, allowing our customers to leverage the combined value that we offer 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 products and solutions (including implant, orthodontic and endodontic products). In addition, customers have access to a wide range of services, including software and other value-added services.

Industry Overview

In recent years, the health care industry has increasingly focused on cost containment. 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 buying groups, which, in addition to their emphasis on obtaining products at competitive prices, tend to favor distributors capable of providing specialized management information support. We believe that the trend towards cost containment has the potential to favorably affect demand for technology solutions, including software, which can enhance the efficiency and facilitation of practice management.

Our operating results in recent years have been significantly affected by strategies and transactions that we undertook to expand our business, domestically and internationally, in part to address significant changes in the health care industry, including consolidation of health care distribution companies, health 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 care practitioners, is fragmented and diverse. The industry ranges from sole practitioners working out of relatively small 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 manage 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, reliable and substantially complete order fulfillment. The purchasing decisions within an office-based health care practice are typically made by the practitioner or an administrative assistant. Supplies and small equipment are generally 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 are increasingly seeking to partner, affiliate or combine with larger entities such as hospitals, health systems, group practices or physician hospital organizations. In many cases, purchasing decisions for consolidated groups are 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 of distributors, particularly those with limited financial, operating and marketing resources, seeking to combine with larger companies that can provide growth opportunities. This consolidation also may continue to result in distributors seeking to acquire companies that can enhance their current product and service offerings or provide opportunities to serve a broader customer base.

Our approach to acquisitions and joint ventures has been to expand our role as a provider of products and services to the health care industry. This trend has resulted in our expansion into service areas that complement our existing operations and provide opportunities for us to develop synergies with, and thus strengthen, the 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, although there can be no assurances that we will be able to successfully accomplish this. We also have invested in expanding our sales/marketing infrastructure to include a focus on building relationships with decision makers who do not reside in the office-based practitioner setting.

As the health care industry continues to change, we continually evaluate possible candidates for joint venture or acquisition and intend to continue to seek opportunities to expand our role as a provider of products and services to the health care industry. There can be no assurance that we will be able to successfully pursue any such opportunity or consummate any such transaction, if pursued. If additional transactions are entered into or consummated, we would incur merger and/or acquisition-related costs, and there can be no 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 the aging population, increased health care awareness, the proliferation of medical technology and testing, new pharmacology treatments, and expanded third-party insurance coverage, partially offset by the effects of unemployment on insurance coverage. In addition, the physician market continues to benefit from the shift of procedures and diagnostic testing from acute care settings to alternate-care sites, particularly physicians' offices.

According to the U.S. Census Bureau's International Database, between 2023 and 2033, the 45 and older population is expected to grow by approximately 11%. Between 2023 and 2043, this age group is expected to grow by approximately 21%. This compares with expected total U.S. population growth rates of approximately 6% between 2023 and 2033 and approximately 11% between 2023 and 2043.

According to the U.S. Census Bureau's International Database, in 2023 there are approximately seven million Americans aged 85 years or older, the segment of the population most in need of long-term care and elder-care services. By the year 2050, that number is projected to nearly triple to approximately 19 million. The population aged 65 to 84 years is projected to increase by approximately 23% during the same period.

As a result of these market dynamics, annual expenditures for health care services continue to increase in the United States. We believe that demand for our products and services will grow while continuing to be impacted by current and future operating, economic, and industry conditions. The Centers for Medicare and Medicaid Services, or CMS, published "National Health Expenditure Data" indicating that total national health care spending reached approximately $4.3 trillion in 2021, or 18.3% of the nation's gross domestic product, the benchmark measure for annual production of goods and services in the United States. Health care spending is projected to reach approximately $7.2 trillion by 2031, or 19.6% of the nation's projected gross domestic product.

Government

Certain of our businesses involve the distribution, manufacturing, importation, exportation, marketing and sale of, and/or third party payment for, pharmaceuticals and/or medical devices, and in this regard, we are subject to extensive local, state, federal and foreign governmental laws and regulations, including as applicable to our wholesale distribution of pharmaceuticals and medical devices, manufacturing activities, and as part of our specialty home medical supply business that distributes and sells medical equipment and supplies directly to patients. Federal, state and certain foreign governments have also increased enforcement activity in the health care sector, particularly in areas of fraud and abuse, anti-bribery and corruption, controlled substances handling, medical device regulations and data privacy and security standards.

Certain of our businesses are subject to various additional federal, state, local and foreign laws and regulations, including with respect to the sale, transportation, storage, handling and disposal of hazardous or potentially hazardous substances, and safe working conditions. In addition, certain of our businesses must operate in compliance with a variety of burdensome and complex billing and record-keeping requirements in order to substantiate claims for payment under federal, state and commercial healthcare reimbursement programs. One of these businesses was suspended in October 2021 by CMS from receiving payments from Medicare, although it was permitted to continue to perform and bill for Medicare services. Such suspension was terminated on September 30, 2022.

Government and private insurance programs fund a large portion of the total cost of medical care, and there have been efforts to limit such private and government insurance programs, including efforts, thus far unsuccessful, to seek repeal of the entire United States Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, each enacted in March 2010. In addition, activities to control medical costs, including laws and regulations lowering reimbursement rates for pharmaceuticals, medical devices, medical supplies, and/or medical treatments or services, are ongoing. Many of these laws and regulations are subject to change and their evolving implementation may impact our operations and our financial performance.

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

A more detailed discussion of governmental laws and regulations is included in Management's Discussion & Analysis of Financial Condition and Results of Operations, contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 21, 2023.

Results of Operations

The following tables summarize the significant components of our operating results for the three and six months ended July 1, 2023 and June 25, 2022 and cash flows for the six months ended July 1, 2023 and June 25, 2022:

	Three Months Ended		Six Months Ended	
	July 1, 2023	June 25, 2022	July 1, 2023	June 25, 2022
Operating results:				
Net sales	$ 3,100	$ 3,030	$ 6,160	$ 6,209
Cost of sales	2,125	2,085	4,219	4,291
Gross profit	975	945	1,941	1,918
Operating expenses:				
Selling, general and administrative	707	680	1,424	1,362
Depreciation and amortization	49	45	93	92
Restructuring costs	18	-	48	-
Operating income	$ 201	$ 220	$ 376	$ 464
Other expense, net	$ (15)	$ (6)	$ (27)	$ (11)
Net income	148	167	276	353
Net income attributable to Henry Schein, Inc.	140	160	261	341

	Six Months Ended	
	July 1, 2023	June 25, 2022
Cash flows:		
Net cash provided by operating activities	$ 301	$ 250
Net cash used in investing activities	(340)	(59)
Net cash provided by (used in) financing activities	59	(195)

Plan of Restructuring

On August 1, 2022, we committed to a restructuring plan focused on funding the priorities of the strategic plan and streamlining operations and other initiatives to increase efficiency. We revised our previous expectations of completion and now expect this initiative to extend through 2024. We are currently unable in good faith to make a determination of an estimate of the amount or range of amounts expected to be incurred in connection with these activities, both with respect to each major type of cost associated therewith and with respect to the total cost, or an estimate of the amount or range of amounts that will result in future cash expenditures.

During the three and six months ended July 1, 2023, we recorded restructuring costs of $18 and $48 million, respectively. The restructuring costs for these periods primarily related to severance and employee-related costs, accelerated amortization of right-of-use lease assets and fixed assets, and other lease exit costs. Included in restructuring costs for the six months ended July 1, 2023 were immaterial amounts related to the disposal of an unprofitable U.S. business initiated during 2022 and completed during the first quarter of 2023.

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Three Months Ended July 1, 2023 Compared to Three Months Ended June 25, 2022

Net Sales

Net sales were as follows:

	July 1, 2023	% of Total	June 25, 2022	% of Total	Increase / (Decrease) $	Increase / (Decrease) %
Health care distribution [1]						
Dental	$ 1,957	63.1%	$ 1,853	61.1%	$ 104	5.6%
Medical	950	30.7	996	32.9	(46)	(4.6)
Total health care distribution	2,907	93.8	2,849	94.0	58	2.1
Technology and value-added services [2]	193	6.2	181	6.0	12	6.7
Total	$ 3,100	100.0%	$ 3,030	100.0%	$ 70	2.3%

The components of our sales growth were as follows:

	Local Currency Growth		Total Local Currency Growth	Foreign Exchange Impact	Total Sales Growth
	Local Internal Growth	Acquisition Growth			
Health care distribution [1]					
Dental Merchandise	0.7 %	4.8 %	5.5 %	(0.6)%	4.9 %
Dental Equipment	6.4	2.0	8.4	(0.4)	8.0
Total Dental	2.0	4.2	6.2	(0.6)	5.6
Medical	(5.3)	0.8	(4.5)	(0.1)	(4.6)
Total Health Care Distribution	(0.6)	3.0	2.4	(0.3)	2.1
Technology and value-added services [2]	5.5	1.5	7.0	(0.3)	6.7
Total	(0.2)%	2.9 %	2.7 %	(0.4)%	2.3 %

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

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

(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-recourse basis, e-services, continuing education services for practitioners, consulting and other services.

Global Sales

Global net sales for the three months ended July 1, 2023 increased 2.3%. The components of our sales growth are presented in the table above. Sales of PPE products and COVID-19 test kits for the three months ended July 1, 2023 were approximately $164 million, a decrease of approximately 36.9% versus the three months ended June 25, 2022. Excluding PPE products and COVID-19 test kits, the increase in internally generated local currency sales was 3.3%.

Dental

Dental net sales for the three months ended July 1, 2023 increased 5.6%. The components of our sales growth are presented in the table above. Our sales growth in local currency for dental merchandise was primarily attributable to increased patient traffic. Our sales growth in local currency for dental equipment was primarily attributable to growth in North America for traditional equipment. Sales of PPE products for the six months ended July 1, 2023 were approximately $89 million, a decrease of approximately 23.0% versus the three months ended June 25, 2022. Excluding PPE products, the increase in internally generated local currency dental sales was 3.7%.

Medical

Medical net sales for the three months ended July 1, 2023 decreased 4.6%. The components of this decrease are presented in the table above. The local currency decrease in medical sales is primarily attributable to lower sales of PPE products and COVID-19 test kits and other point-of-care diagnostic products. Sales of PPE products and COVID-19 test kits were approximately $75 million for the three months ended July 1, 2023, a decrease of approximately 47.9% compared to the three months ended June 25, 2022. Excluding PPE products and COVID-19 test kits, the increase in internally generated local currency medical sales was 2.0%.

Technology and value-added services

Technology and value-added services net sales for the three months ended July 1, 2023 increased 6.7%. The components of our sales growth are presented in the table above. During the three months ended July 1, 2023, the trend for sales of practice management software improved as we increased the number of cloud-based users. We also experienced increased patient traffic generating increased demand for our revenue cycle management solutions. The increase in sales during the quarter ended July 1, 2023 was partially offset by the expiration, during the third quarter of 2022, of a modestly profitable government contract in one of our value-added services businesses.

Gross Profit

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

	July 1, 2023	Gross Margin %	June 25, 2022	Gross Margin %	Increase $	Increase %
Health care distribution	$ 846	29.1%	$ 826	29.0%	$ 20	2.4%
Technology and value-added services	129	66.8	119	65.9	10	8.1
Total	$ 975	31.4	$ 945	31.2	$ 30	3.1

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

Within our health care distribution segment, gross profit margins may vary from one period to the next. Changes in the mix of products sold as well as changes in our customer mix have been the most significant drivers affecting our gross profit margin. For example, sales of our corporate brand products achieve gross profit margins that are higher than average total gross profit margins of all products. With respect to customer mix, sales to our large-group customers are typically completed at lower gross margins due to the higher volumes sold as opposed to the gross margin on sales to office-based practitioners, who normally purchase lower volumes.

Health care distribution gross profit increased primarily due to the increase in net sales discussed above, including $28 million of gross profit from acquisitions and gross margin expansion, mainly as a result of a favorable impact of sales mix of higher-margin products, partially offset by 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 gross profit from internally generated sales and gross profit of $3 million from acquisitions, as well as an increase in gross margin rates primarily due to product mix and increases in productivity.

Operating Expenses

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

	July 1, 2023	% of Respective Net Sales	June 25, 2022	% of Respective Net Sales	Increase $	Increase %
Health care distribution	$ 680	23.4%	$ 637	22.4%	$ 43	6.7%
Technology and value-added services	94	49.0	88	48.5	6	7.7
Total	$ 774	25.0	$ 725	23.9	$ 49	6.8

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

	Restructuring Costs	Operating Costs	Acquisitions	Total
Health care distribution	$ 16	$ 4	$ 23	$ 43
Technology and value-added services	2	2	2	6
Total	$ 18	$ 6	$ 25	$ 49

The restructuring costs are primarily related to severance and employee-related costs, accelerated amortization of right-of-use lease assets and fixed assets, and other lease exit costs. During the quarter ended July 1, 2023, our operating expenses were favorably impacted by the recognition of a remeasurement gain of $18 million following an acquisition of a controlling interest of a previously held equity investment. The increase in operating costs includes increases in payroll and payroll related costs, and facility related costs in both of our reportable segments and increased acquisition expenses in our healthcare distribution segment.

Other Expense, Net

Other expense, net was as follows:

	July 1, 2023	June 25, 2022	Variance $	Variance %
Interest income	$ 3	$ 2	$ 1	54.2%
Interest expense	(19)	(8)	(11)	(150.3)
Other, net	1	-	1	n/a
Other expense, net	$ (15)	$ (6)	$ (9)	(178.9)

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

Income Taxes

For the three months ended July 1, 2023 our effective tax rate was 22.0% compared to 23.8% for the prior year period. The difference between our effective tax rate and the federal statutory tax rate primarily relates to state and foreign income taxes and interest expense.

Six Months Ended July 1, 2023 Compared to Six Months Ended June 25, 2022

Net Sales

Net sales were as follows:

	July 1, 2023	% of Total	June 25, 2022	% of Total	Increase/(Decrease) $	%
Health care distribution [(1)]						
Dental	$ 3,855	62.6%	$ 3,681	59.3%	$ 174	4.7%
Medical	1,921	31.2	2,168	34.9	(247)	(11.4)
Total health care distribution	5,776	93.8	5,849	94.2	(73)	(1.2)
Technology and value-added services [(2)]	384	6.2	360	5.8	24	6.7
Total	$ 6,160	100.0%	$ 6,209	100.0%	$ (49)	(0.8)

The components of our sales growth were as follows:

	Local Currency Growth				
	Local Internal Growth	Acquisition Growth	Total Local Currency Growth	Foreign Exchange Impact	Total Sales Growth
Health care distribution [(1)]					
Dental Merchandise	2.4 %	3.6 %	6.0 %	(1.5)%	4.5 %
Dental Equipment	5.2	1.7	6.9	(1.5)	5.4
Total Dental	3.0	3.2	6.2	(1.5)	4.7
Medical	(11.7)	0.4	(11.3)	(0.1)	(11.4)
Total Health Care Distribution	(2.5)	2.2	(0.3)	(0.9)	(1.2)
Technology and value-added services [(2)]	6.0	1.5	7.5	(0.8)	6.7
Total	(2.0)%	2.2 %	0.2 %	(1.0)%	(0.8)%

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

Global Sales

Global net sales for the six months ended July 1, 2023 decreased 0.8%. The components of this decrease are presented in the table above. Sales of PPE products and COVID-19 test kits for the six months ended July 1, 2023 were approximately $365 million, a decrease of approximately 51.2% versus the six months ended June 25, 2022. Excluding PPE products and COVID-19 test kits, the increase in internally generated local currency sales was 4.8%.

Dental

Dental net sales for the six months ended July 1, 2023 increased 4.7%. The components of our sales growth are presented in the table above. Our sales growth in local currency for dental merchandise was primarily attributable to increased patient traffic along with some price increases. Our sales growth in local currency for dental equipment was primarily attributable to growth in traditional equipment sales in North America. Sales of PPE products for the six months ended July 1, 2023 were approximately $181 million, a decrease of approximately 30.0% versus the six months ended June 25, 2022. Excluding PPE products, the increase in internally generated local currency dental sales was 5.5%.

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Medical

Medical net sales for the six months ended July 1, 2023 decreased 11.4%. The components of this decrease are presented in the table above. The local currency decrease in medical sales is primarily attributable to lower sales of PPE products and COVID-19 test kits and other point-of-care diagnostic products. Sales of PPE products and COVID-19 test kits were approximately $184 million for the six months ended July 1, 2023, a decrease of approximately 62.3% compared to the six months ended June 25, 2022. Excluding PPE products and COVID-19 test kits, the increase in internally generated local currency medical sales was 3.1%.

Technology and value-added services

Technology and value-added services net sales for the six months ended July 1, 2023 increased 6.7%. The components of our sales growth are presented in the table above. During the six months ended July 1, 2023, the trend for sales of practice management software improved as we increased the number of cloud-based users. We also experienced increased patient traffic generating increased demand for our revenue cycle management solutions. The increase in sales during the quarter ended July 1, 2023 was partially offset by the expiration, during the third quarter of 2022, of a modestly profitable government contract in one of our value-added services businesses.

Gross Profit

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

	July 1, 2023	Gross Margin %	June 25, 2022	Gross Margin %	Increase $	Increase %
Health care distribution	$ 1,683	29.1%	$ 1,683	28.8%	$ -	- %
Technology and value-added services	258	67.1	235	65.4	23	9.5
Total	$ 1,941	31.5	$ 1,918	30.9	$ 23	1.2

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

Within our health care distribution segment, gross profit margins may vary from one period to the next. Changes in the mix of products sold as well as changes in our customer mix have been the most significant drivers affecting our gross profit margin. For example, sales of our corporate brand products achieve gross profit margins that are higher than average total gross profit margins of all products. With respect to customer mix, sales to our large-group customers are typically completed at lower gross margins due to the higher volumes sold as opposed to the gross margin on sales to office-based practitioners, who normally purchase lower volumes.

Health care distribution gross profit for the six months ended July 1, 2023 was unchanged compared to the prior-year period due to the decrease in sales, mainly due to a reduction in sales of PPE products and COVID-19 test kits offset by $39 million of gross profit from acquisitions and gross margin expansion as a result of a favorable impact of sales mix of higher-margin products.

Technology and value-added services gross profit increased as a result of a higher gross profit from internally generated sales and gross profit of $5 million from acquisitions, as well as an increase in gross margin rates primarily due to product mix and increases in productivity.

Operating Expenses

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

	July 1, 2023	% of Respective Net Sales	June 25, 2022	% of Respective Net Sales	Increase $	Increase %
Health care distribution	$ 1,372	23.8%	$ 1,283	21.9%	$ 89	7.0%
Technology and value-added services	193	50.3	171	47.5	22	13.1
Total	$ 1,565	25.4	$ 1,454	23.4	$ 111	7.7

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

	Change in Restructuring Costs	Increase in Operating Costs	Acquisitions	Total
Health care distribution	$ 42	$ 16	$ 31	$ 89
Technology and value-added services	6	12	4	22
Total	$ 48	$ 28	$ 35	$ 111

The restructuring costs are primarily related to severance and employee-related costs, accelerated amortization of right-of-use lease assets and fixed assets, and other lease exit costs. During the six months ended July 1, 2023, our operating expenses were favorably impacted by the recognition of a remeasurement gain of $18 million following an acquisition of a controlling interest of a previously held equity investment. The increase in operating costs includes increases in payroll and payroll related costs, travel and convention expenses in both of our reportable segments and increased acquisition expenses in our healthcare distribution segment.

Other Expense, Net

Other expense, net was as follows:

	July 1, 2023	June 25, 2022	Variance $	Variance %
Interest income	$ 6	$ 4	$ 2	55.9%
Interest expense	(33)	(15)	(18)	(124.7)
Other expense, net	$ (27)	$ (11)	$ (16)	(147.9)

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

Income Taxes

For the six months ended July 1, 2023 our effective tax rate was 22.8% compared to 23.9% for the prior year period. The difference between our effective tax rate and the federal statutory tax rate primarily relates to state and foreign income taxes and interest expense.

Liquidity and Capital Resources

Our principal capital requirements have included funding of acquisitions, purchases of additional noncontrolling interests, repayments of debt principal, the funding of working capital needs, purchases of fixed assets and repurchases of common stock. Working capital requirements generally result from increased sales, special inventory forward buy-in opportunities and payment terms for receivables and payables. Historically, sales have tended to be stronger during the second half of the year and special inventory forward buy-in opportunities have been most prevalent just before the end of the year, and have caused our working capital 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, revolving credit facilities and debt placements. Please see Note 7 – Debt for further information. Our ability to generate sufficient cash flows from operations is dependent on the continued demand of our customers for our products and services, and access to products and services from our suppliers.

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

We finance our business to provide adequate funding for at least 12 months. Funding requirements are based on forecasted profitability and working capital needs, which, on occasion, may change. Consequently, 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 markets and public equity markets, and our available funds under existing credit facilities provide us with sufficient liquidity to meet our currently foreseeable short-term and long-term capital needs.

Our acquisition strategy is focused on investments in companies that add new customers and sales teams, increase our geographic footprint (whether entering a new country, such as emerging markets, or building scale where we have already invested in businesses), and finally, those that enable us to access new products and technologies. As part of our BOLD+1 Strategic Plan, including pursuing focused mergers and acquisitions, subsequent to July 1, 2023 we have announced acquisitions of companies specializing in clear aligners, homecare medical products delivered directly to patients, and dental practice transition services.

Net cash provided by operating activities was $301 million for the six months ended July 1, 2023, compared to net cash provided by operating activities of $250 million for the prior year. The net change of $51 million was primarily due to a favorable change in working capital, net of acquisitions, partially offset by a decrease in operating income.

Net cash used in investing activities was $340 million for the six months ended July 1, 2023, compared to net cash used in investing activities of $59 million for the prior year. The net change of $281 million was primarily attributable to increased business combinations and investment activity.

Net cash provided by financing activities was $59 million for the six months ended July 1, 2023, compared to net cash used in financing activities of $195 million for the prior year. The net change of $254 million was primarily due to increased net borrowings from debt, partially offset by increased repurchases of common stock.

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

	July 1, 2023	December 31, 2022
Cash and cash equivalents	$ 137	$ 117
Working capital[1]	1,635	1,764
Debt:		
Bank credit lines	$ 325	$ 103
Current maturities of long-term debt	66	6
Long-term debt	1,133	1,040
Total debt	$ 1,524	$ 1,149
Leases:		
Current operating lease liabilities	$ 74	$ 73
Non-current operating lease liabilities	284	275

(1) Includes $78 million and $327 million of certain accounts receivable which serve as security for U.S. trade accounts receivable securitization at July 1, 2023 and December 31, 2022, respectively.

Our cash and cash equivalents consist of bank balances and investments in money market funds 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 43.3 days as of July 1, 2023 from 42.2 days as of June 25, 2022. During the six months ended July 1, 2023, we wrote off approximately $11 million of fully reserved accounts receivable against our trade receivable reserve. Our inventory turns from operations decreased to 4.4 as of July 1, 2023 from 4.6 as of June 25, 2022. Our working capital accounts may be impacted by current and future economic conditions.

Leases

We have operating and finance leases for corporate offices, office space, distribution and other facilities, vehicles, and certain equipment. Our leases have remaining terms of one year to approximately 18 years, some of which may include options to extend the leases for up to 15 years. As of July 1, 2023, our right-of-use assets related to operating leases were $290 million and our current and non-current operating lease liabilities were $74 million and $284 million, respectively.

Stock Repurchases

On February 8, 2023, our Board of Directors authorized the repurchase of up to an additional $400 million in shares of our common stock.

From March 3, 2003 through July 1, 2023, we repurchased $4.6 billion, or 89,042,683 shares, under our common stock repurchase programs, with $365 million available as of July 1, 2023 for future common stock share repurchases.

Critical Accounting Policies and Estimates

There have been no material changes in our critical accounting policies and estimates from those disclosed in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022, except accounting policies adopted as of January 1, 2023, which are discussed in Note 2 - Critical Accounting Policies and Recently Issued Accounting Standards of the Notes to the Condensed Consolidated Financial Statements included under Item 1.

Accounting Standards Update

For a discussion of accounting standards updates that have been adopted or will be adopted, see Note 2 - Critical Accounting Policies and Recently Issued Accounting Standards of the Notes to the Condensed Consolidated Financial Statements included under Item 1.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our exposure to market risk from that disclosed in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our principal 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 is 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 principal financial officer, concluded that our disclosure controls and procedures were effective as of July 1, 2023, to ensure that all material information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to them as appropriate to allow timely decisions regarding required disclosure and that all such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

On April 5, 2023, we acquired a 57% voting equity interest in Biotech Dental ("Biotech Dental"), which is a provider of dental implants, clear aligners, and digital dental software headquartered in France with operations throughout Europe. The full integration of Biotech Dental will extend beyond year-end and, therefore, we anticipate excluding Biotech Dental from our annual assessment of internal control over financial reporting as of December 30, 2023, as permitted by SEC staff interpretive guidance for newly acquired businesses.

During the quarter ended July 1, 2023, we completed the acquisition of dental businesses in Europe and South America, a medical business in Australia and a technology business in the U.S. Also, post-acquisition integration related activities continued for our dental and medical businesses acquired during prior quarters. These acquisitions, the majority of which utilize separate information and financial accounting systems, have been included in our condensed consolidated financial statements since their respective dates of acquisition.

We also completed systems implementation activities in China related to a new ERP system for a dental business. Finally, we continued systems implementation activities in the U.S. for two of our dental businesses.

The combination of acquisitions (including Biotech Dental), continued acquisition integrations and systems implementation activity undertaken during the quarter and carried over from prior quarters when considered in the aggregate, represents a material change in our internal control over financial reporting.

All acquisitions, continued acquisition integrations and systems implementation activity involve necessary and appropriate change-management controls that are considered in our quarterly assessment of changes in our internal control over financial reporting.

Limitations of the Effectiveness of Internal Control

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of Legal Proceedings, see Note 10–Legal Proceedings of the Notes to the Condensed 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 1A, of our Annual Report on Form 10-K for the year ended December 31, 2022.

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

Purchases of equity securities by the issuer

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

As of July 1, 2023, we had repurchased approximately $4.6 billion of common stock (89,042,683 shares) under these initiatives, with $365 million available for future common stock share repurchases.

The following table summarizes repurchases of our common stock under our stock repurchase program during the fiscal quarter ended July 1, 2023:

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 Number of Shares that May Yet Be Purchased Under Our Program (2)
4/2/2023 through 4/29/2023	190,000	$ 83.27	190,000	4,939,729
4/30/2023 through 6/3/2023	115,734	79.31	115,734	5,240,529
6/4/2023 through 7/1/2023	332,361	75.22	332,361	4,500,614
	638,095		638,095	

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

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

ITEM 6. EXHIBITS

10.1	Henry Schein, Inc. 2023 Non-Employee Director Stock Incentive Plan, as amended and restated effective as of May 23, 2023. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 25, 2023)
10.2	Term Loan Credit Agreement, dated as of July 11, 2023, among us, the several lenders parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, U.S. Bank National Association, as syndication agent, and TD Bank, N.A., Bank of America, N.A. and UniCredit Bank, A.G., as co-documentation agents. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on July 13, 2023)
10.3	Second Amended and Restated Revolving Credit Agreement, dated as of July 11, 2023, among us, the several lenders parties thereto, and JPMorgan Chase Bank, N.A., as administrative agent, U.S. Bank National Association, as syndication agent, and TD Bank, N.A., Bank of America, N.A., UniCredit Bank, A.G., the Bank of New York Mellon, ING Bank, N.V. and HSBC Bank USA, N.A., as co-documentation agents. (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on July 13, 2023)
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.+
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document+
101.SCH	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-Q for the quarter ended July 1, 2023, formatted in Inline XBRL (included within Exhibit 101 attachments).+

+ Filed or furnished herewith.

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 Financial
and Accounting Officer)

Dated: August 7, 2023

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stanley M. Bergman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Henry Schein, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 7, 2023

/s/ Stanley M. Bergman
Stanley M. Bergman
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald N. South, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Henry Schein, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2023

/s/ Ronald N. South
Ronald N. South
Senior Vice President and
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of Henry Schein, Inc. (the "Company") for the period ending July 1, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stanley M. Bergman, the Chairman and Chief Executive Officer of the Company, and I, Ronald N. South, Senior Vice President and Chief Financial Officer of the Company, do hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 7, 2023	/s/ Stanley M. Bergman Stanley M. Bergman Chairman and Chief Executive Officer
Dated: August 7, 2023	/s/ Ronald N. South Ronald N. South Senior Vice President and Chief Financial Officer

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.