UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 30, 2019

or

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

For the transition period from ____________ to ____________
Commission File Number: 0-27078

HENRY SCHEIN, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

Yes X   No __

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

Yes X   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 X   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 X

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

As of April 29, 2019, there were 149,074,485 shares of the registrant's common stock outstanding.

HENRY SCHEIN, INC.

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

	March 30, 2019 (unaudited)	December 29, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 88,115	$ 56,885
Accounts receivable, net of reserves of $52,205 and $53,121	1,193,054	1,168,776
Inventories, net	1,370,376	1,415,512
Prepaid expenses and other	457,566	451,033
Assets of discontinued operations	-	1,083,014
Total current assets	3,109,111	4,175,220
Property and equipment, net	315,393	314,221
Operating lease right-of-use asset, net	248,122	-
Goodwill	2,413,566	2,081,029
Other intangibles, net	654,668	376,031
Investments and other	404,004	420,367
Assets of discontinued operations	-	1,133,659
Total assets	$ 7,144,864	$ 8,500,527
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 695,204	$ 785,756
Bank credit lines	299,914	951,458
Current maturities of long-term debt	9,117	8,280
Operating lease liabilities	68,460	-
Liabilities of discontinued operations	-	577,607
Accrued expenses:		
Payroll and related	210,016	242,876
Taxes	162,483	154,613
Other	433,582	498,237
Total current liabilities	1,878,776	3,218,827
Long-term debt	973,500	980,344
Deferred income taxes	76,850	27,218
Operating lease liabilities	187,308	-
Other liabilities	327,057	357,741
Liabilities of discontinued operations	-	62,453
Total liabilities	3,443,491	4,646,583
Redeemable noncontrolling interests	286,700	219,724
Redeemable noncontrolling interests from discontinued operations	-	92,432
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none outstanding	-	-
Common stock, $.01 par value, 480,000,000 shares authorized, 148,996,092 outstanding on March 30, 2019 and 151,401,668 outstanding on December 29, 2018	1,490	1,514
Additional paid-in capital	86,128	-
Retained earnings	2,859,182	3,208,589
Accumulated other comprehensive loss	(149,878)	(248,771)
Total Henry Schein, Inc. stockholders' equity	2,796,922	2,961,332
Noncontrolling interests	617,751	580,456
Total stockholders' equity	3,414,673	3,541,788
Total liabilities, redeemable noncontrolling interests and stockholders' equity	$ 7,144,864	$ 8,500,527

See accompanying notes.

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

	Three Months Ended	
	March 30, 2019	March 31, 2018
Net sales	$ 2,360,268	$ 2,273,450
Cost of sales	1,608,578	1,554,321
Gross profit	751,690	719,129
Operating expenses:		
Selling, general and administrative	574,608	554,214
Restructuring costs	4,641	2,675
Operating income	172,441	162,240
Other income (expense):		
Interest income	4,771	3,453
Interest expense	(16,301)	(16,904)
Other, net	(419)	(750)
Income from continuing operations before taxes, equity in earnings of affiliates and noncontrolling interests	160,492	148,039
Income taxes	(39,482)	(36,142)
Equity in earnings of affiliates	2,630	2,820
Net income from continuing operations	123,640	114,717
Income (loss) from discontinued operations	(8,996)	33,914
Net Income	114,644	148,631
Less: Net income attributable to noncontrolling interests	(5,227)	(3,183)
Less: Net (income) loss attributable to noncontrolling interests from discontinued operations	366	(5,230)
Net income attributable to Henry Schein, Inc.	$ 109,783	$ 140,218
Amounts attributable to Henry Schein Inc:		
Continuing operations	$ 118,413	$ 111,534
Discontinued operations	(8,630)	28,684
Net income attributable to Henry Schein, Inc.	$ 109,783	$ 140,218
Earnings per share from continuing operations attributable to Henry Schein, Inc.:		
Basic	$ 0.79	$ 0.73
Diluted	$ 0.78	$ 0.72
Earnings (loss) per share from discontinued operations attributable to Henry Schein, Inc.:		
Basic	$ (0.06)	$ 0.19
Diluted	$ (0.06)	$ 0.19
Earnings per share attributable to Henry Schein, Inc.:		
Basic	$ 0.73	$ 0.92
Diluted	$ 0.73	$ 0.91
Weighted-average common shares outstanding:		
Basic	150,257	153,106
Diluted	151,156	154,130

See accompanying notes.

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

	Three Months Ended	
	March 30, 2019	March 31, 2018
Net income	$ 114,644	$ 148,631
Other comprehensive income, net of tax:		
Foreign currency translation gain	6,602	34,224
Unrealized loss from foreign currency hedging activities	(1,281)	(902)
Unrealized investment gain	3	-
Pension adjustment gain (loss)	717	(23)
Other comprehensive income, net of tax	6,041	33,299
Comprehensive income	120,685	181,930
Comprehensive income attributable to noncontrolling interests:		
Net income	(4,861)	(8,413)
Foreign currency translation gain	(556)	(1,120)
Comprehensive income attributable to noncontrolling interests	(5,417)	(9,533)
Comprehensive income attributable to Henry Schein, Inc.	$ 115,268	$ 172,397

See accompanying notes.

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

	Common Stock $.01 Par Value Shares	Common Stock $.01 Par Value Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interests	Total Stockholders' Equity
Balance, December 29, 2018	151,401,668	$ 1,514	$ -	$ 3,208,589	$ (248,771)	$ 580,456	$ 3,541,788
Net income (excluding $3,378 attributable to Redeemable noncontrolling interests from continuing operations and ($366) from discontinued operations)	-	-	-	109,783	-	1,849	111,632
Foreign currency translation gain (excluding loss of $191 attributable to Redeemable noncontrolling interests and $592 gain from discontinued operations)	-	-	-	-	6,046	155	6,201
Unrealized loss from foreign currency hedging activities, net of tax benefit of $322	-	-	-	-	(1,281)	-	(1,281)
Unrealized investment gain, net of tax of $1	-	-	-	-	3	-	3
Pension adjustment gain, net of tax of $224	-	-	-	-	717	-	717
Dividends paid	-	-	-	-	-	(69)	(69)
Other adjustments	-	-	(2)	-	-	-	(2)
Change in fair value of redeemable securities	-	-	(2,492)	-	-	-	(2,492)
Initial noncontrolling interests and adjustments related to business acquisitions	-	-	-	-	-	35,360	35,360
Adjustment for Animal Health Spin-off	87,629	1	-	-	-	-	1
Repurchase and retirement of common stock	(2,523,137)	(25)	(32,486)	(117,489)	-	-	(150,000)
Stock issued upon exercise of stock options	2,526	-	34	-	-	-	34
Stock-based compensation expense	200,877	2	7,433	-	-	-	7,435
Shares withheld for payroll taxes	(173,471)	(2)	(10,443)	-	-	-	(10,445)
Settlement of stock-based compensation awards	-	-	356	-	-	-	356
Share Sale related to Animal Health business	-	-	361,090	-	-	-	361,090
Separation of Animal Health business	-	-	(35,905)	(543,158)	93,408	-	(485,655)
Transfer of charges in excess of capital	-	-	(201,457)	201,457	-	-	-
Balance, March 30, 2019	148,996,092	$ 1,490	$ 86,128	$ 2,859,182	$ (149,878)	$ 617,751	$ 3,414,673

	Common Stock $.01 Par Value Shares	Common Stock $.01 Par Value Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interests	Total Stockholders' Equity
Balance, December 30, 2017	153,690,146	$ 1,537	$ -	$ 2,940,029	$ (130,067)	$ 12,911	$ 2,824,410
Cumulative impact of adopting new accounting standards	-	-	-	2,594	-	-	2,594
Net income (excluding $8,324 attributable to Redeemable noncontrolling interests)	-	-	-	140,218	-	89	140,307
Foreign currency translation gain (excluding $897 attributable to Redeemable noncontrolling interests)	-	-	-	-	33,104	223	33,327
Unrealized loss from foreign currency hedging activities, net of tax benefit of $182	-	-	-	-	(902)	-	(902)
Pension adjustment loss, including tax benefit of $0	-	-	-	-	(23)	-	(23)
Dividends paid	-	-	-	-	-	(161)	(161)
Other adjustments	-	-	7	-	-	779	786
Change in fair value of redeemable securities	-	-	(82,361)	-	-	-	(82,361)
Initial noncontrolling interests and adjustments related to business acquisitions	-	-	-	-	-	(3,905)	(3,905)
Stock issued upon exercise of stock options	151,516	2	3,020	-	-	-	3,022
Stock-based compensation expense	430,330	4	8,750	-	-	-	8,754
Shares withheld for payroll taxes	(246,989)	(3)	(16,391)	-	-	-	(16,394)
Settlement of stock-based compensation awards	-	-	(182)	-	-	-	(182)
Deferred tax benefit arising from acquisition of noncontrolling interest in partnership	-	-	2,644	-	-	-	2,644
Transfer of charges in excess of capital	-	-	84,513	(84,513)	-	-	-
Balance, March 31, 2018	154,025,003	$ 1,540	$ -	$ 2,998,328	$ (97,888)	$ 9,936	$ 2,911,916

See accompanying notes.

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

	Three Months Ended	
	March 30, 2019	March 31, 2018
Cash flows from operating activities:		
Net income	$ 114,644	$ 148,631
Income (loss) from discontinued operations	(8,996)	33,914
Income from continuing operations	123,640	114,717
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	40,300	35,706
Stock-based compensation expense	7,110	7,699
Provision for losses on trade and other accounts receivable	1,784	2,783
Provision for deferred income taxes	7,932	4,666
Equity in earnings of affiliates	(2,630)	(2,820)
Distributions from equity affiliates	52,301	3,548
Changes in unrecognized tax benefits	3,214	2,413
Other	1,239	(5,087)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(11,580)	(11,688)
Inventories	77,881	(61,210)
Other current assets	(17,782)	9,688
Accounts payable and accrued expenses	(150,075)	(165,023)
Net cash provided by (used in) operating activities from continuing operations	133,334	(64,608)
Net cash used in operating activities from discontinued operations	(167,073)	(6,336)
Net cash used in operating activities	(33,739)	(70,944)
Cash flows from investing activities:		
Purchases of fixed assets	(15,918)	(13,643)
Payments for equity investments and business acquisitions, net of cash acquired	(603,973)	(364)
Proceeds from sale of equity investment	10,500	-
Proceeds/(payments) for loan to affiliate	15,940	(4,500)
Other	(3,076)	(3,421)
Net cash used in investing activities from continuing operations	(596,527)	(21,928)
Net cash used in investing activities from discontinued operations	(2,064)	(13,238)
Net cash used in investing activities	(598,591)	(35,166)
Cash flows from financing activities:		
Proceeds from (repayments of) bank borrowings	(652,117)	212,055
Proceeds from issuance of debt	741	100,000
Principal payments for long-term debt	(7,376)	(7,341)
Debt issuance costs	-	(30)
Proceeds from issuance of stock upon exercise of stock options	34	3,022
Payments for repurchases of common stock	(150,000)	-
Payments for taxes related to shares withheld for employee taxes	(9,671)	(15,012)
Distribution received related to Animal Health Spin-off	1,120,000	-
Proceeds related to Animal Health Share Sale	361,090	-
Proceeds from (distributions to) noncontrolling stockholders	52,205	(549)
Acquisitions of noncontrolling interests in subsidiaries	(6,057)	(261,433)
Payments to Henry Schein Animal Health Business	(224,773)	(23,503)
Net cash provided by financing activities from continuing operations	484,076	7,209
Net cash provided by financing activities from discontinued operations	148,053	20,550
Net cash provided by financing activities	632,129	27,759
Effect of exchange rate changes on cash & cash equivalents-continuing operations	10,347	1,572
Effect of exchange rate changes on cash & cash equivalents-discontinued operations	(2,240)	1,356
Net change in cash and cash equivalents from continuing operations	31,230	(77,755)
Net change in cash and cash equivalents from discontinued operations	(23,324)	2,332
Cash and cash equivalents, beginning of period	56,885	158,002
Cash and cash equivalents, end of period	$ 88,115	$ 80,247

See accompanying notes.

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Note 1 – Basis of Presentation

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

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

We consolidate a Variable Interest Entity (“VIE”) where we hold a variable interest and are the primary beneficiary. The VIE is a trade accounts receivable securitization. We are the primary beneficiary because 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. The results of operations and financial position of this VIE are included in our consolidated financial statements.

For the consolidated 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 March 30, 2019 and December 29, 2018, trade accounts receivable that can only be used to settle obligations of this VIE were $432 million and $422 million, respectively, and the liabilities of the VIE where the creditors have recourse to us were $350 million and $350 million, respectively.

The consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the consolidated results of operations and financial position for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 29, 2018.

On February 7, 2019 (the “Distribution Date”), we completed the separation (the “Separation”) and subsequent merger of our animal health business (the “Henry Schein Animal Health Business”) with Direct Vet Marketing, Inc. (d/b/a Vets First Choice, “Vets First Choice”) (the “Merger”). All financial information within this Form 10-Q presents the Henry Schein Animal Health Business as a discontinued operation.

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The results of operations for the three months ended March 30, 2019 are not necessarily indicative of the results to be expected for any other interim period or for the year ending December 28, 2019.

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Note 2 – Discontinued Operations

Animal Health Spin-off

On the Distribution Date, we completed the Separation and subsequent Merger of the Henry Schein Animal Health Business with Vets First Choice. This was accomplished by a series of transactions among us, Vets First Choice, Covetrus, Inc. (f/k/a HS Spinco, Inc. "Covetrus"), a wholly owned subsidiary of ours prior to the Distribution Date, and HS Merger Sub, Inc., a wholly owned subsidiary of Covetrus ("Merger Sub"). In connection with the Separation, we contributed, assigned and transferred to Covetrus certain applicable assets, liabilities and capital stock or other ownership interests relating to the Henry Schein Animal Health Business. On the Distribution Date, we received a tax-free distribution of $1,120 million from Covetrus pursuant to certain debt financing incurred by Covetrus. On the Distribution Date and prior to the Animal Health Spin-off, Covetrus issued shares of Covetrus common stock to certain institutional accredited investors (the "Share Sale Investors") for $361.1 million (the "Share Sale"). The proceeds of the Share Sale were paid to Covetrus and distributed to us. Subsequent to the Share Sale, we distributed, on a pro rata basis, all of the shares of the common stock of Covetrus held by us to our stockholders of record as of the close of business on January 17, 2019 (the "Animal Health Spin-off"). After the Share Sale and Animal Health Spin-off, Merger Sub consummated the Merger whereby it merged with and into Vets First Choice, with Vets First Choice surviving the Merger as a wholly owned subsidiary of Covetrus. Immediately following the consummation of the Merger, on a fully diluted basis, (i) approximately 63% of the shares of Covetrus common stock were (a) owned by our stockholders and the Share Sale Investors, and (b) held by certain employees of the Henry Schein Animal Health Business (in the form of certain equity awards), and (ii) approximately 37% of the shares of Covetrus common stock were (a) owned by stockholders of Vets First Choice immediately prior to the Merger, and (b) held by certain employees of Vets First Choice (in the form of certain equity awards). After the Separation and the Merger, we no longer beneficially owned any shares of Covetrus common stock and, following the Distribution Date, will not consolidate the financial results of Covetrus for the purpose of our financial reporting. Following the Separation and the Merger, Covetrus was an independent, publicly traded company on the Nasdaq Global Select Market.

In connection with the completion of the Animal Health Spin-off, we entered into a transition services agreement with Covetrus under which we have agreed to provide certain transition services for up to twenty-four months in areas such as information technology, finance and accounting, human resources, supply chain, and real estate and facility services.

As a result of the Separation, the financial position and results of operations of the Henry Schein Animal Health Business are presented as discontinued operations and have been excluded from continuing operations and segment results for all periods presented. The accompanying Notes to the Consolidated Financial Statements have been revised to reflect the effect of the Separation and all prior year balances have been revised accordingly to reflect continuing operations only. The historical statements of Comprehensive Income (Loss) and Shareholders' Equity have not been revised to reflect the Separation and instead reflect the Separation as a final adjustment to the balances at March 30, 2019.

(in thousands, except per share data)

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Summarized financial information for our discontinued operations is as follows:

	Three Months Ended	
	March 30, 2019	March 31, 2018
Net sales	$ 319,522	$ 946,988
Gross profit	59,425	176,462
Operating income (loss)	(5,469)	43,901
Income taxes	4,764	11,622
Income (loss) from discontinued operations	(8,996)	33,914
Net (income) loss attributable to noncontrolling interests	366	(5,230)
Net income (loss) from discontinued operations attributable to Henry Schein, Inc.	(8,630)	28,684

The financial information above represents activity of the discontinued operations during the quarter through the Distribution Date.

(in thousands, except per share data)

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The operating loss and the net loss for the three months ended March 30, 2019 was primarily attributable to approximately $20.9 million of transaction costs directly related to the Animal Health Spin-off being included in discontinued operations.

The following are the amounts of assets and liabilities that were transferred to Covetrus as of February 7, 2019 and December 29, 2018.

	February 7, 2019 (unaudited)	December 29, 2018 (unaudited)
Cash and cash equivalents	$ 6,815	$ 23,324
Accounts receivable, net	432,812	434,935
Inventories, net	536,637	555,230
Prepaid expenses and other	120,546	69,525
Total current assets of discontinued operations	1,096,810	1,083,014
Property and equipment, net	69,790	68,177
Operating lease right-of-use asset, net	57,012	-
Goodwill	742,931	739,266
Other intangibles, net	205,793	208,213
Investments and other	120,518	118,003
Total long-term assets of discontinued operations	1,196,044	1,133,659
Total assets of discontinued operations	$ 2,292,854	$ 2,216,673
Accounts payable	$ 316,162	$ 441,453
Current maturities of long-term debt	657	675
Operating lease liabilities	18,951	-
Accrued expenses:		
Payroll and related	36,847	36,888
Taxes	24,060	17,552
Other	80,400	81,039
Total current liabilities of discontinued operations	477,077	577,607
Long-term debt	1,176,105	23,529
Deferred income taxes	17,019	4,352
Operating lease liabilities	38,668	-
Other liabilities	29,209	34,572
Total long-term liabilities of discontinued operations	1,261,001	62,453
Total liabilities of discontinued operations	$ 1,738,078	$ 640,060
Redeemable noncontrolling interests	$ 28,270	$ 92,432

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Note 3 – Critical Accounting Policies and Estimates and Accounting Pronouncements Adopted

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 29, 2018.

Revenue Recognition

We generate revenue from the sale of dental and medical consumable products, equipment (Health care distribution revenues), software products and services and other sources (Technology and value-added services revenues). Provisions for discounts, rebates to customers, customer returns and other contra revenue adjustments are included in the transaction price at contract inception by estimating the most likely amount based upon historical data and estimates and are provided for in the period in which the related sales are recognized.

Revenue derived from the sale of consumable products is recognized at a point in time when control transfers to the customer. Such sales typically entail high-volume, low-dollar orders shipped using third-party common carriers. We believe that the shipment date is the most appropriate point in time indicating control has transferred to the customer because we have no post-shipment obligations and this is when legal title and risks and rewards of ownership transfer to the customer and the point at which we have an enforceable right to payment.

Revenue derived from the sale of equipment is recognized when control transfers to the customer. This occurs when the equipment is delivered. Such sales typically entail scheduled deliveries of large equipment primarily by equipment service technicians. Some equipment sales require minimal installation, which is typically completed at the time of delivery. Our product generally carries standard warranty terms provided by the manufacturer, however, in instances where we provide warranty labor services, the warranty costs are accrued in accordance with ASC 460 “Guarantees”.

Revenue derived from the sale of software products is recognized when products are shipped to customers or made available electronically. Such software is generally installed by customers and does not require extensive training due to the nature of its design. Revenue derived from post-contract customer support for software, including annual support and/or training, is generally recognized over time using time elapsed as the input method that best depicts the transfer of control to the customer.

Revenue derived from other sources, including freight charges, equipment repairs and financial services, is recognized when the related product revenue is recognized or when the services are provided. We apply the practical expedient to treat shipping and handling activities performed after the customer obtains control as fulfillment activities, rather than a separate performance obligation in the contract.

Sales, value-add and other taxes we collect concurrent with revenue-producing activities are excluded from revenue.

Certain of our revenue is derived from bundled arrangements that include multiple distinct performance obligations which are accounted for separately. When we sell software products together with related services (i.e., training and technical support), we allocate revenue to software using the residual method, using an estimate of the standalone selling price to estimate the fair value of the undelivered elements. There are no cases where revenue is deferred due to a lack of a standalone selling price. Bundled arrangements that include elements that are not considered software consist primarily of equipment and the related installation service. We allocate revenue for such arrangements based on the relative selling prices of the goods or services. If an observable selling price is not available (i.e., we do not sell the goods or services separately), we use one of the following techniques to estimate

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the standalone selling price: adjusted market approach; cost-plus approach; or the residual method. There is no specific hierarchy for the use of these methods, but the estimated selling price reflects our best estimate of what the selling prices of each deliverable would be if it were sold regularly on a standalone basis taking into consideration the cost structure of our business, technical skill required, customer location and other market conditions.

Contract Balances

Contract balances represent amounts presented in our consolidated balance sheet when either we have transferred goods or services to the customer or the customer has paid consideration to us under the contract. These contract balances include accounts receivable, contract assets and contract liabilities.

Accounts Receivable

Accounts receivable are generally recognized when heath care distribution and technology and value-added services revenues are recognized. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects our best estimate of the amounts that will not be collected. In addition to reviewing delinquent accounts receivable, we consider many factors in estimating our reserve, including historical data, experience, customer types, credit worthiness and economic trends. From time to time, we adjust our assumptions for anticipated changes in any of these or other factors expected to affect collectability.

Contract Assets

Contract assets include amounts related to any conditional right to consideration for work completed but not billed as of the reporting date and generally represent amounts owed to us by customers, but not yet billed. Contract assets are transferred to accounts receivable when the right becomes unconditional. The contract assets primarily relate to our bundled arrangements for the sale of equipment and consumables and sales of term software licenses. Current contract assets are included in Prepaid expenses and other and the non-current contract assets are included in Investments and other within our consolidated balance sheet. Current and non-current contract asset balances as of March 30, 2019 and December 29, 2018 were not material.

Contract Liabilities

Contract liabilities are comprised of advance payments and upfront payments for service arrangements provided over time that are accounted for as deferred revenue amounts. Contract liabilities are transferred to revenue once the performance obligation has been satisfied. Current contract liabilities are included in Accrued expenses: Other and the non-current contract liabilities are included in Other liabilities within our consolidated balance sheet.

Deferred Commissions

Sales commissions earned by our sales force that relate to long term arrangements are capitalized as costs to obtain a contract when the costs incurred are incremental and are expected to be recovered. Deferred sales commissions are amortized over the estimated customer relationship period. We apply the practical expedient related to the capitalization of incremental costs of obtaining a contract, and recognize such costs as an expense when incurred if the amortization period of the assets that we would have recognized is one year or less. Deferred commissions balances as of March 30, 2019 and December 29, 2018 were not material.

Leases

We determine if an arrangement contains a lease at inception. An arrangement contains a lease if it implicitly or explicitly identifies an asset to be used and conveys the right to control the use of the identified asset in exchange for consideration. As a lessee, we include operating leases in Operating lease right-of-use ("ROU") assets, Accrued expenses-Operating lease liabilities, and Non-current operating lease liabilities in our consolidated balance sheet. Finance leases are included in Property and equipment, Current maturities of long-term debt, and Long-term debt in our consolidated balance sheet.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized upon commencement of the lease based on the present value of the lease payments over the lease term. As most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. When readily determinable, we use the implicit rate. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Leases with a lease term of 12 months or less are not capitalized.

We have lease agreements with lease and non-lease components, which are generally accounted for as a single lease component, except non-lease components for leases of vehicles which are accounted for separately. When a vehicle lease contains both lease and non-lease components, we allocate the transaction price based on the relative standalone selling price.

Accounting Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-02 "Leases (Topic 842)" related to leases requiring the recognition of ROU assets and lease liabilities on the balance sheet. Most significant among the changes in the standard is the recognition of ROU assets and lease liabilities by lessors for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

We adopted the standard on December 30, 2018 using a modified retrospective approach utilizing a transition relief expedient method whereby we continue to apply existing lease guidance during the comparative periods and apply the new lease requirements through a cumulative-effect adjustment in the period of adoption, rather than in the earliest period presented without adjusting historical financial statements. We elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed us to carry forward the historical lease classification. Information related to leases as of March 30, 2019 are presented under Topic 842, while prior period amounts are not adjusted and continue to be reported under legacy guidance in Topic 840.

The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while our accounting for finance leases remained substantially unchanged.

Adoption of the new standard resulted in the recording of additional net operating lease assets of $259.9 million and operating lease liabilities of $267.3 million, and a decrease of $1.1million and $8.5 million in prepaid rent and deferred rent liabilities, respectively. The standard did not materially impact our consolidated net income and had no impact on cash flows.

In February 2018, the FASB issued ASU No. 2018-02, "Treatment of Stranded Tax Effects in Accumulated Other Comprehensive Income Resulting From the Tax Cuts and Jobs Act of 2017," which allows the reclassification from accumulated comprehensive income to retained earnings the income tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). This ASU is effective for interim and annual reporting periods beginning after December 15, 2018. The adoption of this ASU did not have a material impact on our consolidated financial statements.

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In August 2017, the FASB issued ASU No. 2017-12, “Derivatives and Hedging” (Topic 815) (“ASU 2017 – 12”), which simplified the requirements for hedge accounting, more closely aligns hedge accounting risk with risk management activities and increases transparency of the scope and results of hedging activities. This ASU amends the presentation and disclosure requirements and changes how we can assess the effectiveness of our hedging relationships. This ASU will make more financial and nonfinancial hedging strategies eligible for hedge accounting. This ASU is effective for interim and annual reporting periods beginning after December 15, 2018. The adoption of this ASU did not have a material impact on our consolidated financial statements.

Note 4 – Revenue from Contracts with Customers

Revenue is recognized in accordance with the policies discussed in Note 2 - Accounting Pronouncements Adopted and Critical Accounting Policies and Estimates.

Disaggregation of Revenue

The following table disaggregates our revenue by segment and geography:

Revenues:	
	Health care distribution
	Dental
	Medical
	Total health care distribution
	Technology and value-added services
	Total excluding Corporate TSA revenues (1)
	Corporate TSA revenues (1)
	Total revenues

Revenues:	
	Health care distribution
	Dental
	Medical
	Total health care distribution
	Technology and value-added services
	Total excluding Corporate TSA revenues (1)
	Corporate TSA revenues (1)
	Total revenues

(1) Corporate TSA revenues represents sales of certain anim
agreement entered into in connection with the Animal H

At December 29, 2018, the current portion of contract liabilities of $65.3 million was reported in Accrued expenses: Other, and $5.0 million related to non-current contract liabilities was reported in Other liabilities. During the three months ended March 30, 2019, we recognized $29.4 million of the amounts previously deferred at December 29, 2018. At March 30, 2019, the current and non-current portion of contract liabilities were $63.4 million and $6.2 million, respectively.

(in thousands, except per share data)

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Note 5 – Segment Data

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

The health care distribution reportable segment aggregates our global dental and medical operating segments. This segment distributes consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins. Our global dental group serves office-based dental practitioners, dental laboratories, schools and other institutions. Our global medical group serves office-based medical practitioners, ambulatory surgery centers, other alternate-care settings and other institutions. Our global dental and medical groups serve practitioners in 31 countries worldwide.

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

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

	Three Months Ended	
	March 30, 2019	**March 31, 2018**
Net Sales:		
Health care distribution (1):		
Dental	$ 1,546,468	$ 1,547,558
Medical	683,660	640,400
Total health care distribution	2,230,128	2,187,958
Technology and value-added services (2)	115,510	85,492
Total excluding Corporate TSA revenue	2,345,638	2,273,450
Corporate TSA revenues (3)	14,630	-
Total	$ 2,360,268	$ 2,273,450

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

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

(3) Corporate TSA revenues represents sales of certain animal health products to Covetrus under the transition services agreement entered into in connection with the Animal Health Spin-off, which we expect to continue through 2020.

	Three Months Ended	
	March 30, 2019	**March 31, 2018**
Operating Income:		
Health care distribution	$ 144,612	$ 137,146
Technology and value-added services	27,829	25,094
Total	$ 172,441	$ 162,240

(in thousands, except per share data)

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Note 6 – Debt

Bank Credit Lines

Bank credit lines consisted of the following:

		March 30, 2019		December 29, 2018
Revolving credit agreement	$	225,000	$	175,000
Other short-term bank credit lines		74,914		376,458
Committed loan associated with Animal Health Spin-off		-		400,000
Total	$	299,914	$	951,458

Revolving Credit Agreement

On April 18, 2017, we entered into a $750 million revolving credit agreement (the "Credit Agreement"). This facility, which matures in April 2022, replaced our $500 million revolving credit facility, which was scheduled to mature in September 2019. The interest rate is based on the USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. The Credit Agreement provides, among other things, that we are required to maintain maximum leverage ratios, and contains customary representations, warranties and affirmative covenants. The Credit Agreement also contains customary negative covenants, subject to negotiated exceptions on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements. As of March 30, 2019 and December 29, 2018, the borrowings on this revolving credit facility were $225.0 million and $175.0 million, respectively. As of March 30, 2019 and December 29, 2018, there were $9.6 million and $11.2 million of letters of credit, respectively, provided to third parties under the credit facility.

Other Short-Term Credit Lines

As of March 30, 2019 and December 29, 2018, we had various other short-term bank credit lines available, of which $74.9 million and $376.5 million, respectively, were outstanding. At March 30, 2019 and December 29, 2018, borrowings under all of our credit lines had a weighted average interest rate of 3.44% and 3.30%, respectively.

Committed Loan Associated with Animal Health Spin-off

On May 21, 2018, we obtained a $400 million committed loan which matured on the earlier of (i) March 31, 2019 and (ii) the consummation of the Animal Health Spin-off. The proceeds of this loan were used, among other things, to fund our purchase of all of the equity interests in Butler Animal Health Holding Company, LLC ("BAHHC") directly or indirectly owned by Darby Group Companies, Inc. ("Darby") and certain other sellers pursuant to the terms of that certain Amendment to Put Rights Agreements, dated as of April 20, 2018, by and among us, Darby, BAHHC and the individual sellers party thereto for an aggregate purchase price of $365 million. As of December 29, 2018, the balance outstanding on this loan was $400 million and is included within the "Bank credit lines" caption within our consolidated balance sheet. At December 29, 2018, the interest rate on this loan was 3.38%. Concurrent with the completion of the Animal Health Spin-off on February 7, 2019, we re-paid the balance of this loan.

(in thousands, except per share data)

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Long-term debt

Long-term debt consisted of the following:

	March 30, 2019	December 29, 2018
Private placement facilities	$ 621,104	$ 628,189
U.S. trade accounts receivable securitization	350,000	350,000
Various collateralized and uncollateralized loans payable with interest in varying installments through 2023 at interest rates ranging from 2.61% to 4.17% at March 30, 2019 and ranging from 2.61% to 4.17% at December 29, 2018	7,467	6,491
Finance lease obligations payable through 2029 with interest rates ranging from 1.45% to 6.00% at March 30, 2019 and ranging from 1.45% to 6.00% at December 29, 2018	4,046	3,944
Total	982,617	988,624
Less current maturities	(9,117)	(8,280)
Total long-term debt	$ 973,500	$ 980,344

Private Placement Facilities

On September 15, 2017, we increased our available private placement facilities with three insurance companies to a total facility amount of $1 billion, and extended the expiration date to September 15, 2020. These facilities are available on an uncommitted basis at fixed rate economic terms to be agreed upon at the time of issuance, from time to time through September 15, 2020. The facilities allow us to issue senior promissory notes to the lenders at a fixed rate based on an agreed upon spread over applicable treasury notes at the time of issuance. The term of each possible issuance will be selected by us and can range from five to 15 years (with an average life no longer than 12 years). The proceeds of any issuances under the facilities will be used for general corporate purposes, including working capital and capital expenditures, to refinance existing indebtedness and/or to fund potential acquisitions. The agreements provide, among other things, that we maintain certain maximum leverage ratios, and contain restrictions relating to subsidiary indebtedness, liens, affiliate transactions, disposal of assets and certain changes in ownership. These facilities contain make-whole provisions in the event that we pay off the facilities prior to the applicable due dates.

The components of our private placement facility borrowings as of March 30, 2019 are presented in the following table (in thousands):

Date of Borrowing	Amount of Borrowing Outstanding	Borrowing Rate	Due Date
September 2, 2010	$ 100,000	3.79%	September 2, 2020
January 20, 2012	50,000	3.45	January 20, 2024
January 20, 2012 (1)	21,429	3.09	January 20, 2022
December 24, 2012	50,000	3.00	December 24, 2024
June 2, 2014	100,000	3.19	June 2, 2021
June 16, 2017	100,000	3.42	June 16, 2027
September 15, 2017	100,000	3.52	September 15, 2029
January 2, 2018	100,000	3.32	January 2, 2028
Less: Deferred debt issuance costs	(325)		
	$ 621,104		

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

U.S. Trade Accounts Receivable Securitization

We have a facility agreement with a bank, as agent, 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. Our current facility, which has a purchase limit of $350 million, expires on April 29, 2020. The borrowings outstanding under this securitization facility were $350 million as of both March 30, 2019 and December 29, 2018, respectively. At March 30, 2019, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 2.65% plus 0.75%, for a combined rate of 3.40%. At December 29, 2018, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 2.66% plus 0.75%, for a combined rate of 3.41%.

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

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

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Note 7 – Leases

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 less than 1 year to 11 years, some of which may include options to extend the leases for up to 10 years. The components of lease expense were as follows (in thousands):

		March 30, 2019
Operating lease cost[1]	$	22,635
Finance lease cost:		
Amortization of right-of-use assets	$	248
Interest on lease liabilities		23
Total finance lease cost	$	271

(1) Includes variable lease expenses.

Supplemental cash flow information related to leases is as follows (in thousands):

		March 30, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$	19,955
Operating cash flows from finance leases		22
Financing cash flows from finance leases		355
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases [2]	$	266,346
Finance leases		350

(2) Includes leases that commenced during the three months ended March 30, 2019 as well as balances related to leases in existence as of the date of the adoption of ASU 2016-02.

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Supplemental balance sheet information related to leases is as follows: (in thousands, except lease term and discount rate)

		March 30, 2019
Operating Leases		
Operating lease right-of-use assets, net	$	248,122
Current operating lease liabilities	$	68,460
Non-current operating lease liabilities		187,308
Total operating lease liabilities	$	255,768
Finance Leases		
Property and equipment, net of accumulated depreciation	$	4,643
Current maturities of long-term debt	$	964
Long-term debt		3,082
Total finance lease liabilities	$	4,046
Weighted Average Remaining Lease Term in Years		
Operating leases		5.6
Finance leases		7.0
Weighted Average Discount Rate		
Operating leases		3.6%
Finance leases		2.2%

Maturities of lease liabilities are as follows:

	Operating Leases	Finance Leases
2019 (excluding the three months ended March 30, 2019)	$ 56,043	$ 865
2020	63,269	912
2021	48,258	590
2022	33,034	340
2023	22,416	281
Thereafter	58,676	1,404
Total lease payments	281,696	4,392
Less imputed interest	(25,928)	(346)
Total	$ 255,768	$ 4,046

As of March 30, 2019 we have additional operating leases with total lease payments of $12.8 million for buildings and automobiles that have not yet commenced. These operating leases will commence within 2019 with lease terms of two to ten years.

(in thousands, except per share data)

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Note 8 – 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. ASC Topic 480-10 is applicable for noncontrolling interests where we are or may be required to purchase all or a portion of the outstanding interest in a consolidated subsidiary from the noncontrolling interest holder under the terms of a put option contained in contractual agreements. The components of the change in the redeemable noncontrolling interests for the three months ended March 30, 2019 and the year ended December 29, 2018 are presented in the following table:

	March 30, 2019	December 29, 2018
Balance, beginning of period	$ 219,724	$ 465,585
Decrease in redeemable noncontrolling interests due to redemptions	(6,057)	(287,767)
Increase in redeemable noncontrolling interests due to business acquisitions	69,795	4,655
Net income attributable to redeemable noncontrolling interests	3,378	15,327
Dividends declared	(2,441)	(8,206)
Effect of foreign currency translation gain attributable to redeemable noncontrolling interests	(191)	(11,330)
Change in fair value of redeemable securities	2,492	41,460
Balance, end of period	$ 286,700	$ 219,724

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

(in thousands, except per share data)

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Note 9 – 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:

	March 30, 2019	December 29, 2018
Attributable to Redeemable noncontrolling interests:		
Foreign currency translation adjustment	$ (18,194)	$ (18,595)
Attributable to noncontrolling interests:		
Foreign currency translation adjustment	$ (271)	$ (426)
Attributable to Henry Schein, Inc.:		
Foreign currency translation loss	$ (134,904)	$ (234,799)
Unrealized loss from foreign currency hedging activities	(1,437)	(156)
Unrealized investment loss	(3)	(6)
Pension adjustment loss	(13,534)	(13,810)
Accumulated other comprehensive loss	$ (149,878)	$ (248,771)
Total Accumulated other comprehensive loss	$ (168,343)	$ (267,792)

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

	Three Months Ended	
	March 30, 2019	March 31, 2018
Net income	$ 114,644	$ 148,631
Foreign currency translation gain	6,602	34,224
Tax effect	-	-
Foreign currency translation gain	6,602	34,224
Unrealized loss from foreign currency hedging activities	(1,603)	(1,084)
Tax effect	322	182
Unrealized loss from foreign currency hedging activities	(1,281)	(902)
Unrealized investment gain	4	-
Tax effect	(1)	-
Unrealized investment gain	3	-
Pension adjustment gain (loss)	941	(23)
Tax effect	(224)	-
Pension adjustment gain (loss)	717	(23)
Comprehensive income	$ 120,685	$ 181,930

(in thousands, except per share data)

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During the three months ended March 30, 2019 and March 31, 2018, we recognized as a component of our comprehensive income, a foreign currency translation gain of $6.6 million and $34.2 million, respectively, due to changes in foreign exchange rates from the beginning of the period to the end of the period. Our financial statements are denominated in the U.S. Dollar currency. Fluctuations in the value of foreign currencies as compared to the U.S. Dollar may have a significant impact on our comprehensive income. The foreign currency translation gain (loss) during the three months ended March 30, 2019 and three months ended March 31, 2018 was primarily impacted by changes in foreign currency exchange rates of the Euro, Brazilian Real, British Pound and the Australian Dollar.

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

	Three Months Ended	
	March 30, 2019	March 31, 2018
Comprehensive income attributable to Henry Schein, Inc.	$ 115,268	$ 172,397
Comprehensive income attributable to noncontrolling interests	2,004	312
Comprehensive income attributable to Redeemable noncontrolling interests	3,413	9,221
Comprehensive income	$ 120,685	$ 181,930

Note 10 – Fair Value Measurements

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

ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

- Level 1— Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2— Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3— Inputs that are unobservable for the asset or liability.

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

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Investments and notes receivable

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

Debt

The fair value of our debt, including bank credit lines, as of March 30, 2019 and December 29, 2018 was estimated at $1,282.5 million and $1,940.1 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 and unobservable inputs. We use derivative instruments to minimize our exposure to fluctuations in foreign currency exchange rates. Our derivative instruments primarily include foreign currency forward agreements related to intercompany loans and certain forecasted inventory purchase commitments with suppliers.

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

Redeemable noncontrolling interests

Some minority 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 based on third-party valuations. The primary factor affecting the future value of redeemable noncontrolling interests is expected earnings and, if such earnings are not achieved, the value of the redeemable noncontrolling interests might be impacted. The noncontrolling interests subject to put options are adjusted to their estimated redemption amounts each reporting period with a corresponding adjustment to Additional paid-in capital. Future reductions in the carrying amounts are subject to a “floor” amount that is equal to the fair value of the redeemable noncontrolling interests at the time they were originally recorded. The recorded value of the redeemable noncontrolling interests cannot go below the floor level. These adjustments do not impact the calculation of earnings per share. The values for Redeemable noncontrolling interests are classified within Level 3 of the fair value hierarchy. The details of the changes in Redeemable noncontrolling interests are presented in Note 8.

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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 March 30, 2019 and December 29, 2018:

	March 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts	$ -	$ 1,661	$ -	$ 1,661
Total assets	$ -	$ 1,661	$ -	$ 1,661
Liabilities:				
Derivative contracts	$ -	$ 1,055	$ -	$ 1,055
Total liabilities	$ -	$ 1,055	$ -	$ 1,055
Redeemable noncontrolling interests	$ -	$ -	$ 286,700	$ 286,700

	December 29, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts	$ -	$ 12,533	$ -	$ 12,533
Total assets	$ -	$ 12,533	$ -	$ 12,533
Liabilities:				
Derivative contracts	$ -	$ 1,708	$ -	$ 1,708
Total liabilities	$ -	$ 1,708	$ -	$ 1,708
Redeemable noncontrolling interests	$ -	$ -	$ 219,724	$ 219,724

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Note 11 – Business Acquisitions

Acquisitions

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

During the three months ended March 30, 2019 we completed the following acquisitions:

On March 4, 2019, we announced that we acquired North American Rescue (“NAR”), the leading provider of survivability and casualty-care medical products to the defense and public-safety markets. NAR has annual sales of approximately $184 million. As of March 30, 2019, we have recorded $160.1 million of goodwill related to this acquisition.

On March 18, 2019, we announced that our Henry Schein One subsidiary acquired Lighthouse 360, a provider of easy-to-use dental practice management and patient communication software. Lighthouse 360 has annual sales of approximately $50 million. As of March 30, 2019, we have recorded $143.9 million of goodwill related to this acquisition.

We completed certain other acquisitions during the three months ended March 30, 2019 which were immaterial to our financial statements individually and in the aggregate.

Some prior owners of acquired subsidiaries are eligible to receive additional purchase price cash consideration if certain financial targets are met. We have accrued liabilities for the estimated fair value of additional purchase price consideration at the time of the acquisition. Any adjustments to these accrual amounts are recorded in our consolidated statements of income. For the three months ended March 30, 2019 and March 31, 2018, there were no material adjustments recorded in our consolidated statement of income relating to changes in estimated contingent purchase price liabilities.

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Note 12 – Plans of Restructuring

On July 9, 2018, we committed to an initiative to rationalize our operations and provide expense efficiencies. These actions will allow us to execute on our plan to reduce our cost structure and fund new initiatives that are expected to drive future growth under our 2018 to 2020 strategic plan. This initiative is expected to include the elimination of approximately 2% to 3% of our workforce and the closing of certain facilities. The total 2018 costs associated with the actions to complete this restructuring were $54.4 million from continuing operations, consisting primarily of severance costs.

We plan to continue restructuring activities in the first half of 2019 and expect to incur additional restructuring costs related to these activities during Q1 and Q2 2019. At this time we are identifying specific opportunities and cannot reasonably estimate the amount of additional restructuring costs in 2019.

During the three months ended March 30, 2019, we recorded restructuring costs of $4.6 million for certain redundancies. The costs associated with this restructuring are included in a separate line item, "Restructuring costs" within our consolidated statements of income.

The following table shows the amounts expensed and paid for restructuring costs that were incurred during the three months ended March 30, 2019 and during our 2018 fiscal year and the remaining accrued balance of restructuring costs as of March 30, 2019, which is included in Accrued expenses: Other and Other liabilities within our consolidated balance sheet:

	Severance Costs	Facility Closing Costs	Other	Total
Balance, December 30, 2017	$ 3,087	$ 1,315	$ 24	$ 4,426
Provision	50,197	3,153	1,017	54,367
Payments and other adjustments	(23,320)	(2,865)	(883)	(27,068)
Balance, December 29, 2018	$ 29,964	$ 1,603	$ 158	$ 31,725
Provision	4,462	155	24	4,641
Payments	(15,611)	(444)	(24)	(16,079)
Balance, March 30, 2019	$ 18,815	$ 1,314	$ 158	$ 20,287

The following table shows, by reportable segment, the amounts expensed and paid for restructuring costs that were incurred during the three months ended March 30, 2019 and during our 2018 fiscal year and the remaining accrued balance of restructuring costs as of March 30, 2019:

	Health Care Distribution	Technology and Value-Added Services	Total
Balance, December 30, 2017	$ 4,426	$ -	$ 4,426
Provision	50,824	3,543	54,367
Payments and other adjustments	(24,959)	(2,109)	(27,068)
Balance, December 29, 2018	$ 30,291	$ 1,434	$ 31,725
Provision	3,806	835	4,641
Payments	(14,645)	(1,434)	(16,079)
Balance, March 30, 2019	$ 19,452	$ 835	$ 20,287

(in thousands, except per share data)

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Note 13 – Earnings Per Share

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

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

	Three Months Ended	
	March 30, 2019	**March 31, 2018**
Basic	150,257	153,106
Effect of dilutive securities:		
Stock options, restricted stock and restricted stock units	899	1,024
Diluted	151,156	154,130

Note 14 – Income Taxes

For the three months ended March 30, 2019, our effective tax rate was 24.6% compared to 24.4% for the prior year period. The difference between our effective tax rates and the federal statutory tax rate primarily relates to state and foreign income taxes and interest expense.

On December 22, 2017, the U.S. government passed the Tax Act. The Tax Act is comprehensive tax legislation that implemented complex changes to the U.S. tax code including, but not limited to, the reduction of the corporate tax rate from 35% to 21%, modification of accelerated depreciation, the repeal of the domestic manufacturing deduction and changes to the limitations of the deductibility of interest. Additionally, the Tax Act moved from a global tax regime to a modified territorial regime, which requires U.S. companies to pay a mandatory one-time transition tax on historical offshore earnings that have not been repatriated to the U.S. The transition tax is payable over eight years. The Tax Act also included provisions to tax global intangible low-taxed income (“GILTI”), a beneficial tax rate foreign Derived Intangible Income (“FDII”), a base erosion and anti-abuse tax (“BEAT”) that imposes tax on certain foreign related-party payments, and IRC Section 163(j) interest limitation (“Interest Limitation”). We became subject to the GILTI, FDII, BEAT and Interest Limitation provisions effective January 1, 2018.

The FASB Staff Q&A, Topic 740 No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. We elected to recognize the tax on GILTI as a period expense in the period the tax is incurred. For the BEAT, FDII and Interest Limitation computations, we have not recorded an estimate in our effective tax rate for the three months ended March 30, 2019 because we have concluded that these provisions of the Tax Act will not apply to us in 2019.

The total amount of unrecognized tax benefits, which are included in “Other liabilities” within our consolidated balance sheets as of March 30, 2019, was approximately $109.7 million, of which $86.2 million would affect the effective tax rate if recognized. It is expected that the amount of unrecognized tax benefits will change in the next 12 months; however, we do not expect the change to have a material impact on our consolidated financial statements.

The total amounts of interest and penalties, which are classified as a component of the provision for income taxes and included in “Other liabilities”, were approximately $16.7 million and $0, respectively, as of March 30, 2019.

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The tax years subject to examination by major tax jurisdictions include the years 2012 and forward by the U.S. Internal Revenue Service ("IRS"), as well as the years 2008 and forward for certain states and certain foreign jurisdictions. During the quarter ended December 31, 2016, we filed a Mutual Agreement Procedure request with the IRS for assistance from the U.S. Competent Authority for an open Transfer Pricing issue which resulted in a partial settlement during the quarter ended December 30, 2017. We received a 30 Day Letter from the IRS during the quarter ended April 1, 2017 for the remaining open audit issues for the years 2012 and 2013. We filed a Protest with the Appellate Division regarding these issues during the second quarter of 2017. We had an initial Appeals Conference during the third quarter of 2018, of which we are awaiting a final settlement. During the quarter ended December 29, 2018, we submitted the first draft of our proposed Advanced Pricing Agreement covering tax years 2014-2024 to the IRS in which Henry Schein, Inc. and the IRS would agree on an appropriate transfer pricing methodology. We have provided all necessary documentation to the Appellate Division and the Advance Pricing and Mutual Agreement program to date and are waiting for responses.

Note 15 – Derivatives and Hedging Activities

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

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

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Note 16 – Stock-Based Compensation

Our accompanying consolidated statements of income reflect pre-tax share-based compensation expense of $7.1 million ($5.4 million after-tax) and $7.7 million ($5.8 million after-tax) for the three months ended March 30, 2019 and March 31, 2018, respectively.

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

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

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

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

The Plans provide for adjustments to the performance-based restricted stock/units targets for significant events, including, without limitation, acquisitions, divestitures, new business ventures, certain capital transactions (including share repurchases), restructuring costs, if any, certain litigation settlements or payments, if any, changes in accounting principles or in applicable laws or regulations and foreign exchange fluctuations. Over the performance period, the number of shares of common stock that will ultimately vest and be issued and the related compensation expense is adjusted upward or downward based upon our estimation of achieving such performance targets. The ultimate number of shares delivered to recipients and the related compensation cost recognized as an expense will be based on our actual performance metrics as defined under the Plans.

As a result of the Separation, the number of our unvested equity-based awards from previous grants made under our Long-term Incentive Program under the Plans was increased by a factor of approximately 1.2633, along with a corresponding decrease in our price per share.

Total unrecognized compensation cost related to unvested awards as of March 30, 2019 was $112.3 million, which is expected to be recognized over a weighted-average period of approximately 2.6 years.

(in thousands, except per share data)

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The following table summarizes stock option activity under the Plans during the three months ended March 30, 2019:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Outstanding at beginning of period	3	$ 13.63		
Granted	-	-		
Exercised	(3)	13.63		
Forfeited	-	-		
Outstanding at end of period	-	$ -	-	$ -
Options exercisable at end of period	-	$ -	-	$ -

The following tables summarize the activity of our unvested restricted stock/units for the three months ended March 30, 2019:

	Time-Based Restricted Stock/Units		
	Shares/Units	Weighted Average Grant Date Fair Value Per Share	Intrinsic Value Per Share
Outstanding at beginning of period	1,513	$ 57.94	
Granted	385	58.88	
Vested	(323)	55.45	
Forfeited	(191)	60.37	
Outstanding at end of period	1,384	$ 58.45	$ 60.11

	Performance-Based Restricted Stock/Units		
	Shares/Units	Weighted Average Grant Date Fair Value Per Share	Intrinsic Value Per Share
Outstanding at beginning of period	1,163	$ 40.26	
Granted	359	58.86	
Vested	(179)	66.48	
Forfeited	(146)	61.49	
Outstanding at end of period	1,197	$ 52.33	$ 60.11

(in thousands, except per share data)

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Note 17 – Supplemental Cash Flow Information

Cash paid for interest and income taxes was:

	Three Months Ended	
	March 30, 2019	March 31, 2018
Interest	$ 20,725	$ 16,452
Income taxes	16,629	20,143

During the three months ended March 30, 2019 and March 31, 2018, we had $1.6 million and $1.1 million of non-cash net unrealized losses related to foreign currency hedging activities, respectively.

Note 18 – Legal Proceedings

Beginning in January 2016, purported class action complaints were filed against Patterson Companies, Inc. (“Patterson”), Benco Dental Supply Co. (“Benco”) and Henry Schein, Inc. Although there were factual and legal variations among these complaints, each of these complaints alleges, among other things, that defendants conspired to fix prices, allocate customers and foreclose competitors by boycotting manufacturers, state dental associations and others that deal with defendants’ competitors. On February 9, 2016, the U.S. District Court for the Eastern District of New York ordered all of these actions, and all other actions filed thereafter asserting substantially similar claims against defendants, consolidated for pre-trial purposes. On February 26, 2016, a consolidated class action complaint was filed by Arnell Prato, D.D.S., P.L.L.C., d/b/a Down to Earth Dental, Evolution Dental Sciences, LLC, Howard M. May, DDS, P.C., Casey Nelson, D.D.S., Jim Peck, D.D.S., Bernard W. Kurek, D.M.D., Larchmont Dental Associates, P.C., and Keith Schwartz, D.M.D., P.A. (collectively, “putative class representatives”) in the U.S. District Court for the Eastern District of New York, entitled In re Dental Supplies Antitrust Litigation, Civil Action No. 1:16-CV-00696-BMC-GRB. In the consolidated class action complaint, putative class representatives allege a nationwide agreement among Henry Schein, Benco, Patterson and non-party Burkhart Dental Supply Company, Inc. (“Burkhart”) not to compete on price. The consolidated class action complaint asserts a single count under Section 1 of the Sherman Act, and seeks equitable relief, compensatory and treble damages, jointly and severally, and reasonable costs and expenses, including attorneys’ fees and expert fees. On September 28, 2018, the parties executed a settlement agreement that proposes, subject to court approval, a full and final settlement of the lawsuit on a classwide basis. The court has scheduled a fairness hearing for June 14, 2019. Subject to certain exceptions, the settlement class consists of all persons or entities that purchased dental products directly from Henry Schein, Patterson, Benco, Burkhart, or any combination thereof, during the period August 31, 2008 through and including March 31, 2016. As a result, in our third quarter of fiscal 2018, we recorded a charge of $38.5 million, which was paid into a settlement fund in January 2019.

On August 31, 2012, Archer and White Sales, Inc. (“Archer”) filed a complaint against Henry Schein, Inc. as well as Danaher Corporation and its subsidiaries Instrumentarium Dental, Inc., Dental Equipment, LLC, Kavo Dental Technologies, LLC and Dental Imaging Technologies Corporation (collectively, the “Danaher Defendants”) in the U.S. District Court for the Eastern District of Texas, Civil Action No. 2:12-CV-00572-JRG, styled as an antitrust action under Section 1 of the Sherman Act, and the Texas Free Enterprise Antitrust Act. Archer alleges a conspiracy between Henry Schein, an unnamed company and the Danaher Defendants to terminate or limit Archer’s distribution rights. On August 1, 2017, Archer filed an amended complaint, adding Patterson and Benco as defendants, and alleging that Henry Schein, Patterson, Benco and Burkhart conspired to fix prices and refused to compete with each other for sales of dental equipment to dental professionals and agreed to enlist their common suppliers, the Danaher Defendants, to join a price-fixing conspiracy and boycott by reducing the distribution territory of, and eventually terminating, their price-cutting competing distributor Archer. Archer seeks damages in an amount to be proved at trial, to be trebled with interest and costs, including attorneys’ fees, jointly and severally, as well as injunctive relief. On October 30, 2017, Archer filed a second amended complaint, to add additional allegations that it believes support its claims. The named parties and causes of action are the same as the August 1, 2017 amended complaint.

On October 1, 2012, we filed a motion for an order: (i) compelling Archer to arbitrate its claims against us; (2) staying all proceedings pending arbitration; and (3) joining the Danaher Defendants' motion to arbitrate and stay. On May 28, 2013, the Magistrate Judge granted the motions to arbitrate and stayed proceedings pending arbitration. On June 10, 2013, Archer moved for reconsideration before the District Court judge. On December 7, 2016, the District Court Judge granted Archer's motion for reconsideration and lifted the stay. Defendants appealed the District Court's order. On December 21, 2017, the U.S. Court of Appeals for the Fifth Circuit affirmed the District Court's order denying the motions to compel arbitration. On June 25, 2018, the Supreme Court of the United States granted defendants' petition for writ of certiorari. On October 29, 2018, the Supreme Court heard oral arguments. On January 8, 2019, the Supreme Court issued its published decision vacating the judgment of the Fifth Circuit and remanding the case to the Fifth Circuit for further proceedings consistent with the Supreme Court's opinion. We intend to defend ourselves vigorously against this action.

On August 17, 2017, IQ Dental Supply, Inc. ("IQ Dental") filed a complaint in the U.S. District Court for the Eastern District of New York, entitled IQ Dental Supply, Inc. v. Henry Schein, Inc., Patterson Companies, Inc. and Benco Dental Supply Company, Case No. 2:17-cv-4834. Plaintiff alleges that it is a distributor of dental supplies and equipment, and sells dental products through an online dental distribution platform operated by SourceOne Dental ("SourceOne"). SourceOne had previously brought an antitrust lawsuit against Henry Schein, Patterson and Benco, which Henry Schein settled in the second quarter of 2017 and which is described in our prior filings with the SEC.

IQ Dental alleges, among other things, that defendants conspired to suppress competition from IQ Dental and SourceOne for the marketing, distribution and sale of dental supplies and equipment in the United States, and that defendants unlawfully agreed with one another to boycott dentists, manufacturers and state dental associations that deal with, or considered dealing with, plaintiff and SourceOne. Plaintiff claims that this alleged conduct constitutes unreasonable restraint of trade in violation of Section 1 of the Sherman Act, New York's Donnelly Act and the New Jersey Antitrust Act, and also makes pendant state law claims for tortious interference with prospective business relations, civil conspiracy and aiding and abetting. Plaintiff seeks injunctive relief, compensatory, treble and punitive damages, jointly and severally, and reasonable costs and expenses, including attorneys' fees and expert fees. On December 21, 2017, the District Court granted the defendants' motion to dismiss. On January 19, 2018, IQ Dental appealed the District Court's order. The U.S. Court of Appeals for the Second Circuit heard oral argument on the appeal on September 13, 2018. The court's decision is pending. We intend to defend ourselves vigorously against this action.

On February 12, 2018, the United States Federal Trade Commission ("FTC") filed a complaint against Benco Dental Supply Co., Henry Schein, Inc. and Patterson Companies, Inc. The FTC alleges, among other things, that defendants violated U.S. antitrust laws by conspiring, and entering into an agreement, to refuse to provide discounts to or otherwise serve buying groups representing dental practitioners. The FTC alleges that defendants conspired in violation of Section 5 of the FTC Act. The complaint seeks equitable relief only and does not seek monetary damages. We deny the allegation that we conspired to refuse to provide discounts to or otherwise serve dental buying groups and intend to defend ourselves vigorously against this action. A hearing before an administrative law judge began on October 16, 2018 and the hearing record was closed on February 21, 2019. The matter is ongoing and a decision has not yet been issued. We believe this matter will not have a material adverse effect on our consolidated financial position, liquidity or results of operations.

On March 7, 2018, Joseph Salkowitz, individually and on behalf of all others similarly situated, filed a putative class action complaint for violation of the federal securities laws against Henry Schein, Inc., Stanley M. Bergman and Steven Paladino in the U.S. District Court for the Eastern District of New York, Case No. 1:18-cv-01428. The complaint sought to certify a class consisting of all persons and entities who, subject to certain exclusions, purchased Henry Schein securities from March 7, 2013 through February 12, 2018 (the "Class Period"). The complaint alleged, among other things, that the defendants had made materially false and misleading statements about Henry Schein's business, operations and prospects during the Class Period, including matters relating to the issues in the antitrust class action and the FTC action described above, thereby causing the plaintiff and members of the purported class to pay artificially inflated prices for Henry Schein securities. The complaint sought unspecified monetary damages and a jury trial. Pursuant to the provisions of the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), the court appointed lead plaintiff and lead counsel on June 22, 2018 and recaptioned the putative class action as In re Henry Schein, Inc. Securities Litigation, under the same case number. Lead plaintiff filed a consolidated class action complaint on September 14, 2018. The consolidated class action complaint asserts similar claims against the same defendants (plus Timothy Sullivan) on behalf of the same putative class of purchasers during the Class Period. It alleges that Henry Schein's stock price was inflated during that period because Henry Schein had misleadingly portrayed its dental-distribution business "as successfully producing excellent profits while operating in a highly competitive environment" even though, "in reality, [Henry Schein] had engaged for years in collusive and anticompetitive practices in order to maintain Schein's margins, profits, and market share." The complaint alleges that the stock price started to fall from August 8, 2017, when the company announced below-expected financial performance that allegedly "revealed that Schein's poor results were a product of abandoning prior attempts to inflate sales volume and margins through anticompetitive collusion," through February 13, 2018, after the FTC filed a complaint against Benco, Henry Schein and Patterson alleging that they violated U.S. antitrust laws. The complaint alleges violations of Section 10(b) of the Exchange Act and Rule 10b-5 and Section 20(a) of the Exchange Act. We intend to defend ourselves vigorously against this action. Henry Schein has also received a request under 8 Del. C. § 220 to inspect corporate books and records relating to the issues raised in the securities class action and the antitrust matters discussed above.

On May 3, 2018, a purported class action complaint, Marion Diagnostic Center, LLC, et al. v. Becton, Dickinson, and Co., et al., Case No. 3:18-cv-010509, was filed in the U.S. District Court for the Southern District of Illinois against Becton, Dickinson, and Co. ("Becton"); Premier, Inc. ("Premier"), Vizient, Inc. ("Vizient"), Cardinal Health, Inc. ("Cardinal"), Owens & Minor Inc. ("O&M"), Henry Schein, Inc., and Unnamed Becton Distributor Co-Conspirators. The complaint alleges that the defendants entered into a vertical conspiracy to force health care providers into long-term exclusionary contracts that restrain trade in the nationwide markets for conventional and safety syringes and safety IV catheters and inflate the prices of certain Becton products to above-competitive levels. The named plaintiffs seek to represent three separate classes consisting of all health care providers that purchased (i) Becton's conventional syringes, (ii) Becton's safety syringes, or (iii) Becton's safety catheters directly from Becton, Premier, Vizient, Cardinal, O&M or Henry Schein on or after May 3, 2014. The complaint asserts a single count under Section 1 of the Sherman Act, and seeks equitable relief, treble damages, reasonable attorneys' fees and costs and expenses, and pre-judgment and post-judgment interest. On June 15, 2018, an amended complaint was filed asserting the same allegations against the same parties and adding McKesson Medical-Surgical, Inc. as an additional defendant. On November 30, 2018, the District Court granted defendants' motion to dismiss and entered a final judgment, dismissing plaintiffs' complaint with prejudice. On December 27, 2018, plaintiffs appealed the District Court's decision to the Seventh Circuit Court of Appeals. We intend to defend ourselves vigorously against this action.

On May 29, 2018, an amended complaint was filed in the MultiDistrict Litigation ("MDL") proceeding In Re National Prescription Opiate Litigation (MDL No. 2804; Case No. 17-md-2804) in an action entitled The County of Summit, Ohio et al. v. Purdue Pharma, L.P., et al., Civil Action No. 1:18-op-45090-DAP ("County of Summit Action"), in the U.S. District Court for the Northern District of Ohio, adding Henry Schein, Inc., Henry Schein Medical Systems, Inc. and others as defendants. Plaintiffs allege that 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 Henry Schein Medical Systems, Inc.) reaped financial rewards by refusing or otherwise failing to monitor appropriately and restrict the improper distribution of those drugs. Plaintiffs assert the following claims for relief against Henry Schein, Inc. and Henry Schein Medical Systems, Inc.: statutory public nuisance; common law absolute public nuisance; negligence; injury through criminal acts (R.C. 2307.60); unjust enrichment; and civil conspiracy.   This case has been designated "Track 1" and is currently set for trial on October 21, 2019. We intend to defend ourselves vigorously against this action.

In addition to the County of Summit Action, Henry Schein and/or one or more of its affiliated companies have currently been named as a defendant in multiple lawsuits (currently less than fifty (50)), which allege claims similar to those alleged in the County of Summit Action. None of these other cases have been set for trial. These actions consist of some that have been consolidated within the MDL and are currently abated for discovery purposes, and others which remain pending in state courts and are proceeding independently and outside of the MDL. Sales of opioids in North America (excluding the Henry Schein Animal Health Business) in 2018 were less than 1% of Henry Schein's North American sales (excluding the Henry Schein Animal Health Business). We intend to defend ourselves vigorously against these actions.

On October 9, 2018, a purported class action complaint entitled Kramer v. Henry Schein, Inc., Patterson Co., Inc., Benco Dental Supply Co., and Unnamed Co-Conspirators, was filed in the U.S. District Court for the Northern District of California. The complaint alleges that members of the proposed class, comprised of purchasers of dental services from dental practices in California, suffered antitrust injury due to an unlawful boycott, price-fixing or otherwise anticompetitive conspiracy among Henry Schein, Patterson and Benco. The complaint alleges that the alleged conspiracy overcharged California dental practices, orthodontic practices and dental laboratories on their purchase of dental supplies, which in turn passed on some or all of such overcharges to members of the California class purchasing dental services. Subject to certain exclusions, the complaint defines the class as "all persons residing in California purchasing and/or reimbursing for dental services from California dental practices on or after August 31, 2012." The complaint alleges violations of California antitrust laws, including the Cartwright Act (Cal. Bus. and Prof. Code § 16720) and the Unfair Competition Act (Cal. Bus. and Prof. Code § 17200), and seeks a permanent injunction, actual damages to be determined at trial, trebled, reasonable attorneys' fees and costs, and pre- and post-judgment interest. On December 7, 2018, an amended complaint was filed asserting the same claims against the same parties. We intend to defend ourselves vigorously against this action.

On January 29, 2019, a purported class action complaint was filed by R. Lawrence Hatchett, M.D. against Henry Schein, Inc., Patterson Co., Inc., Benco Dental Supply Co., and unnamed co-conspirators in the U.S. District Court for the Southern District of Illinois. The complaint alleges that members of the proposed class suffered antitrust injury due to an unlawful boycott, price-fixing or otherwise anticompetitive conspiracy among Henry Schein, Patterson and Benco. The complaint alleges that the alleged conspiracy overcharged Illinois dental practices, orthodontic practices and dental laboratories on their purchase of dental supplies, which in turn passed on some or all of such overcharges to members of the class. Subject to certain exclusions, the complaint defines the class as "all persons residing in Illinois purchasing and/or reimbursing for dental care provided by independent Illinois dental practices purchasing dental supplies from the defendants, or purchasing from buying groups purchasing these supplies from the defendants, on or after January 29, 2015." The complaint alleges violations of the Illinois Antitrust Act, 740 Ill. Comp. Stat. §§ 10/3(2), 10/7(2), and seeks a permanent injunction, actual damages to be determined at trial, trebled, reasonable attorneys' fees and costs, and pre- and post-judgment interest. We intend to defend ourselves vigorously against this action.

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 March 30, 2019, 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.

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

Cautionary Note Regarding Forward-Looking Statements

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

Risk factors and uncertainties that could cause actual results to differ materially from current and historical results include, but are not limited to: effects of a highly competitive and consolidating market; our dependence on third parties for the manufacture and supply of our products; our dependence upon sales personnel, customers, suppliers and manufacturers; our dependence on our senior management; fluctuations in quarterly earnings; risks from expansion of customer purchasing power and multi-tiered costing structures; increases in shipping costs for our products or other service issues with our third-party shippers; general global macro-economic conditions; risks associated with currency fluctuations; risks associated with political and economic uncertainty; disruptions in financial markets; volatility of the market price of our common stock; changes in the health care industry; implementation of health care laws; failure to comply with regulatory requirements and data privacy laws; risks associated with our global operations; transitional challenges associated with acquisitions, dispositions and joint ventures, including the failure to achieve anticipated synergies/benefits; financial and tax risks associated with acquisitions, dispositions and joint ventures; litigation risks; new or unanticipated litigation developments; the dependence on our continued product development, technical support and successful marketing in the technology segment; our dependence on third parties for certain technologically advanced components; increased competition by third party online commerce sites; risks from disruption to our information systems; cyberattacks or other privacy or data security breaches; certain provisions in our governing documents that may discourage third-party acquisitions of us; and changes in tax legislation. The order in which these factors appear should not be construed to indicate their relative importance or priority.

We caution that these factors may not be exhaustive and that many of these factors are beyond our ability to control or predict. Accordingly, any forward-looking statements contained herein should not be relied upon as a prediction of actual results. We undertake no duty and have no obligation to update forward-looking statements.

Where You Can Find Important Information

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

Recent Developments

On February 7, 2019 (the "Distribution Date"), we completed the separation (the "Separation") and subsequent merger of our animal health business (the "Henry Schein Animal Health Business") with Direct Vet Marketing, Inc. (d/b/a Vets First Choice, "Vets First Choice") (the "Merger"). This was accomplished by a series of transactions among us, Vets First Choice, Covetrus, Inc. (f/k/a HS Spinco, Inc. "Covetrus"), a wholly owned subsidiary of ours prior to the Distribution Date, and HS Merger Sub, Inc., a wholly owned subsidiary of Covetrus ("Merger Sub"). In connection with the Separation, we contributed, assigned and transferred to Covetrus certain applicable assets, liabilities and capital stock or other ownership interests relating to the Henry Schein Animal Health Business. On the Distribution Date, we received a tax-free distribution of $1,120.0 million from Covetrus pursuant to certain debt financing incurred by Covetrus. On the Distribution Date and prior to the Animal Health Spin-off, Covetrus issued shares of Covetrus common stock to certain institutional accredited investors (the “Share Sale Investors”) for $361.1 million (the “Share Sale”). The proceeds of the Share Sale were paid to Covetrus and distributed to us. Subsequent to the Share Sale, we distributed, on a pro rata basis, all of the shares of the common stock of Covetrus held by us to our stockholders of record as of the close of business on January 17, 2019 (the “Animal Health Spin-off”). After the Share Sale and Animal Health Spin-off, Merger Sub consummated the Merger whereby it merged with and into Vets First Choice, with Vets First Choice surviving the Merger as a wholly owned subsidiary of Covetrus. Immediately following the consummation of the Merger, on a fully diluted basis, (i) approximately 63% of the shares of Covetrus common stock were (a) owned by our stockholders and the Share Sale Investors, and (b) held by certain employees of the Henry Schein Animal Health Business (in the form of certain equity awards), and (ii) approximately 37% of the shares of Covetrus common stock were (a) owned by stockholders of Vets First Choice immediately prior to the Merger, and (b) held by certain employees of Vets First Choice (in the form of certain equity awards). After the Separation and the Merger, we no longer beneficially owned any shares of Covetrus common stock and, following the Distribution Date, will not consolidate the financial results of Covetrus for the purpose of our financial reporting. Following the Separation and the Merger, Covetrus was an independent, publicly traded company on the Nasdaq Global Select Market.

Executive-Level Overview

We believe we are the world's largest provider of health care products and services primarily to office-based dental and medical practitioners. We serve more than 1 million customers worldwide including dental practitioners and laboratories and physician practices, as well as government, institutional health care clinics and other alternate care clinics. We believe that we have a strong brand identity due to our more than 87 years of experience distributing health care products.

We are headquartered in Melville, New York, employ more than 19,000 people (of which more than 9,100 are based outside the United States) and have operations or affiliates in 31 countries, including the United States, Australia, Austria, Belgium, Brazil, Canada, Chile, China, the Czech Republic, France, Germany, Hong Kong SAR, Ireland, Israel, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, the Netherlands, New Zealand, Poland, Portugal, Singapore, Slovakia, South Africa, Spain, Switzerland, Thailand, United Arab Emirates and the United Kingdom.

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

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

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

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

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.

Our current and future results have been and could be impacted by the current economic environment and uncertainty, particularly impacting overall demand for our products and services.

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 trend with regard 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 merger and 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 Data Base, in 2018 there were more than six 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 over 50% during the same time 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 Projections 2017-2026" indicating that total national health care spending reached approximately $3.7 trillion in 2018, or 18.2% 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 $5.7 trillion in 2026, approximately 19.7% of the nation's gross domestic product.

Government

Certain of our businesses involve the distribution of pharmaceuticals and medical devices, and in this regard we are subject to extensive local, state, federal and foreign governmental laws and regulations applicable to the distribution and sale of pharmaceuticals and medical devices. Additionally, government and private insurance programs fund a large portion of the total cost of medical care, and there has been an emphasis on efforts to control medical costs, including laws and regulations lowering reimbursement rates for pharmaceuticals, medical devices, and/or medical treatments or services. Also, many of these laws and regulations are subject to change and may impact our financial performance. In addition, our businesses are generally subject to numerous other laws and regulations that could impact our financial performance, including securities, antitrust, anti-bribery and anti-kickback, customer interaction transparency, data privacy, data security and other laws and regulations. Failure to comply with law or regulations could have a material adverse effect on our business.

Health Care Reform

The United States Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act, each enacted in March 2010 (the "Health Care Reform Law"), increased federal oversight of private health insurance plans and included a number of provisions designed to reduce Medicare expenditures and the cost of health care generally, to reduce fraud and abuse, and to provide access to increased health coverage.

The Health Care Reform Law requirements include a 2.3% excise tax on domestic sales of many medical devices by manufacturers and importers that began in 2013 and a fee on branded prescription drugs and biologics that was implemented in 2011, both of which may affect sales. However, with respect to the medical device excise tax, a two-year moratorium was imposed under the Consolidated Appropriations Act, 2016, suspending the imposition of the tax on device sales during the period beginning January 1, 2016 and ending on December 31, 2017, and on January 22, 2018 an additional two-year moratorium was imposed under Public Law No. 115-120, suspending the imposition of the tax on device sales during the period beginning January 1, 2018 and ending on December 31,

2019. The Health Care Reform Law has also materially expanded the number of individuals in the United States with health insurance. The Health Care Reform Law has faced ongoing legal challenges, including litigation seeking to invalidate some of or all of the law or the manner in which it has been implemented. In addition, the President is seeking to repeal and replace the Health Care Reform Law and has taken a number of administrative actions to materially weaken it, which efforts are being challenged in various judicial proceedings. On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (the "Tax Act"), which contains a broad range of tax reform provisions that impact the individual and corporate tax rates, international tax provisions, income tax add-back provisions and deductions, and which also repealed the individual mandate of the Health Care Reform Law. Further, in December 2018, a Texas federal court struck down the entire Health Care Reform Law, a ruling which is being appealed, and, if upheld, could have a significant impact on the U.S. health care industry. The uncertain status of the Health Care Reform Law affects our ability to plan.

A Health Care Reform Law provision, generally referred to as the Physician Payment Sunshine Act or Open Payments Program, imposes annual reporting and disclosure requirements for drug and device manufacturers and distributors with regard to payments or other transfers of value made to certain covered recipients (including physicians, dentists and teaching hospitals), and for such manufacturers and distributors and for group purchasing organizations, with regard to certain ownership interests held by physicians in the reporting entity. CMS publishes information from these reports on a publicly available website, including amounts transferred and physician, dentist and teaching hospital identities. Effective January 1, 2022, transfers of value to physician assistants, nurse practitioners or clinical nurse specialists, certified registered nurse anesthetists, and certified nurse midwives must also be reported.

Under the Physician Payment Sunshine Act, we are required to collect and report detailed information regarding certain financial relationships we have with covered recipients such as physicians, dentists and teaching hospitals. We believe that we are substantially compliant with applicable Physician Payment Sunshine Act requirements. The Physician Payment Sunshine Act pre-empts similar state reporting laws, although we or our subsidiaries may be required to report under certain state transparency laws that address circumstances not covered by the Physician Payment Sunshine Act, and some of these state laws, as well as the federal law, can be ambiguous. We are also subject to foreign regulations requiring transparency of certain interactions between suppliers and their customers. While we believe we have substantially compliant programs and controls in place to comply with these requirements, our compliance with these rules imposes additional costs on us.

Another notable Medicare health care reform initiative, the Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA"), enacted on April 16, 2015, established a new payment framework, called the Quality Payment Program, which modifies certain Medicare payments to "eligible clinicians," including physicians, dentists and other practitioners. Under MACRA, certain eligible clinicians are required to participate in Medicare through the Merit-Based Incentive Payment System ("MIPS") or Advanced Alternative Payment Models ("APMs"). MIPS generally consolidated three programs; the physician quality reporting system, the value-based payment modifier and the Medicare electronic health record ("EHR") program, into a single program in which Medicare reimbursement to eligible clinicians includes both positive and negative payment adjustments that take into account quality, promoting interoperability, cost and improvement activities. Advanced APMs generally involve higher levels of financial and technology risk. The first MIPS performance year was 2017, and the data collected in the first performance year determines payment adjustments that began January 1, 2019. MACRA represents a fundamental change in physician reimbursement that is expected to provide substantial financial incentives for physicians to participate in risk contracts, and to increase physician information technology and reporting obligations. The implications of the implementation of MACRA are uncertain and will depend on future regulatory activity and physician activity in the marketplace. MACRA may encourage physicians to move from smaller practices to larger physician groups or hospital employment, leading to a consolidation of a portion of our customer base. Although we believe that we are positioned to capitalize on this consolidation trend, there can be no assurances that we will be able to successfully accomplish this.

Health Care Fraud

Certain of our businesses are subject to federal and state (and similar foreign) health care fraud and abuse, referral and reimbursement laws and regulations with respect to their operations. Some of these laws, referred to as "false claims laws," prohibit the submission or causing the submission of false or fraudulent claims for reimbursement to federal, state and other health care payers and programs. Other laws, referred to as "anti-kickback laws," prohibit soliciting, offering, receiving or paying remuneration in order to induce the referral of a patient or ordering, purchasing, leasing or arranging for, or recommending ordering, purchasing or leasing of, items or services that are paid for by federal, state and other health care payers and programs.

The fraud and abuse laws and regulations have been subject to varying interpretations, as well as heightened enforcement activity over the past few years, and significant enforcement activity has been the result of "relators," who serve as whistleblowers by filing complaints in the name of the United States (and if applicable, particular states) under federal and state false claims laws and who may receive up to 30% of total government recoveries. Penalties under fraud and abuse laws may be severe. For example, under the federal False Claims Act, violations may result in treble damages, plus civil penalties of up to $22,927 per claim, as well as exclusion from federal health care programs and criminal penalties. Most states have adopted similar state false claims laws, and these state laws have their own penalties which may be in addition to federal False Claims Act penalties. With respect to "anti-kickback laws," violations of the federal Anti-Kickback Law may result in civil penalties of up to $100,000 for each violation, plus up to three times the total amount of remuneration offered, paid, solicited or received, as well as exclusion from federal health care programs and criminal penalties. Notably, effective October 24, 2018, a new federal anti-kickback law (the "Eliminating Kickbacks in Recovery Act of 2018") enacted in connection with broader addiction services legislation, may impose criminal penalties for kickbacks involving clinical laboratory services, regardless of whether the services at issue involved addiction services, and regardless of whether the services were reimbursed by a federal health care program or by a commercial insurer. Furthermore, the Health Care Reform Law significantly strengthened the federal False Claims Act and the federal Anti-Kickback Law provisions, clarifying that a federal Anti-Kickback Law violation can be a basis for federal False Claims Act liability.

With respect to measures of this type, the United States government (among others) has expressed concerns about financial relationships between suppliers on the one hand and physicians and dentists on the other. As a result, we regularly review and revise our marketing practices as necessary to facilitate compliance.

We also are subject to certain United States and foreign laws and regulations concerning the conduct of our foreign operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, German anti-corruption laws and other anti-bribery laws and laws pertaining to the accuracy of our internal books and records, which have been the focus of increasing enforcement activity globally in recent years.

Failure to comply with fraud and abuse laws and regulations could result in significant civil and criminal penalties and costs, including the loss of licenses and the ability to participate in federal and state health care programs, and could have a material adverse effect on our business. Also, these measures may be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that could require us to make changes in our operations or incur substantial defense and settlement expenses. Even unsuccessful challenges by regulatory authorities or private relators could result in reputational harm and the incurring of substantial costs. In addition, many of these laws are vague or indefinite and have not been interpreted by the courts, and have been subject to frequent modification and varied interpretation by prosecutorial and regulatory authorities, increasing the risk of noncompliance.

While we believe that we are substantially compliant with applicable fraud and abuse laws and regulations, and have adequate compliance programs and controls in place to ensure substantial compliance, we cannot predict whether changes in applicable law, or interpretation of laws, or changes in our services or marketing practices in response to changes in applicable law or interpretation of laws, could have a material adverse effect on our business.

Operating, Security and Licensure Standards

Certain of our businesses involve the distribution of pharmaceuticals and medical devices, and in this regard we are subject to various local, state, federal and foreign governmental laws and regulations applicable to the distribution of pharmaceuticals and medical devices. Among the United States federal laws applicable to us are the Controlled

Substances Act, the Federal Food, Drug, and Cosmetic Act, as amended ("FDC Act"), and Section 361 of the Public Health Service Act. We are also subject to comparable foreign regulations.

The FDC Act and similar foreign laws generally regulate the introduction, manufacture, advertising, labeling, packaging, storage, handling, reporting, marketing and distribution of, and record keeping for, pharmaceuticals and medical devices shipped in interstate commerce, and states may similarly regulate such activities within the state. Section 361 of the Public Health Service Act, which provides authority to prevent the introduction, transmission or spread of communicable diseases, serves as the legal basis for the United States Food and Drug Administration's ("FDA") regulation of human cells, tissues and cellular and tissue-based products, also known as "HCT/P products."

The Federal Drug Quality and Security Act of 2013 brought about significant changes with respect to pharmaceutical supply chain requirements and pre-empts state law. Title II of this measure, known as the Drug Supply Chain Security Act ("DSCSA"), is being phased in over a period of ten years, and is intended to build a national electronic, interoperable system to identify and trace certain prescription drugs as they are distributed in the United States. The law's track and trace requirements applicable to manufacturers, wholesalers, repackagers and dispensers (e.g., pharmacies) of prescription drugs took effect in January 2015, and continues to be implemented. The DSCSA product tracing requirements replace the former FDA drug pedigree requirements and pre-empt state requirements that are inconsistent with, more stringent than, or in addition to, the DSCSA requirements.

The DSCSA also establishes certain requirements for the licensing and operation of prescription drug wholesalers and third party logistics providers ("3PLs"), and includes the eventual creation of national wholesaler and 3PL licenses in cases where states do not license such entities. The DSCSA requires that wholesalers and 3PLs distribute drugs in accordance with certain standards regarding the recordkeeping, storage and handling of prescription drugs. According to FDA guidance, states are pre-empted from imposing any licensing requirements that are inconsistent with, less stringent than, directly related to, or covered by the standards established by federal law in this area. Current state licensing requirements will likely remain in effect until the FDA issues new regulations as directed by the DSCSA.

We believe that we are substantially compliant with applicable DSCSA requirements.

The Food and Drug Administration Amendments Act of 2007 and the Food and Drug Administration Safety and Innovation Act of 2012 amended the FDC Act to require the FDA to promulgate regulations to implement a unique device identification ("UDI") system. The UDI rule phased in the implementation of the UDI regulations over seven years, generally beginning with the highest-risk devices (i.e., Class III medical devices) and ending with the lowest-risk devices. Most compliance dates were reached as of September 24, 2018, with a final set of requirements for low-risk devices being reached on September 24, 2022, which will complete the phase in. The UDI regulations require "labelers" to include unique device identifiers ("UDIs"), with a content and format prescribed by the FDA and issued under a system operated by an FDA-accredited issuing agency, on the labels and packages of medical devices, and to directly mark certain devices with UDIs. The UDI regulations also require labelers to submit certain information concerning UDI-labeled devices to the FDA, much of which information is publicly available on an FDA database, the Global Unique Device Identification Database. The UDI regulations and subsequent FDA guidance regarding the UDI requirements provide for certain exceptions, alternatives and time extensions. For example, the UDI regulations include a general exception for Class I devices exempt from the Quality System Regulation (other than record-keeping requirements and complaint files). Regulated labelers include entities such as device manufacturers, repackagers, reprocessors and relabelers that cause a device's label to be applied or modified, with the intent that the device will be commercially distributed without any subsequent replacement or modification of the label, and include certain of our businesses.

We believe that we are substantially compliant with applicable UDI requirements.

Under the Controlled Substances Act, as a distributor of controlled substances, we are required to obtain and renew annually registrations for our facilities from the United States Drug Enforcement Administration ("DEA") permitting us to handle controlled substances. We are also subject to other statutory and regulatory requirements relating to the storage, sale, marketing, handling and distribution of such drugs, in accordance with the Controlled Substances Act and its implementing regulations, and these requirements have been subject to heightened enforcement activity in recent times. We are subject to inspection by the DEA.

Certain of our businesses are also required to register for permits and/or licenses with, and comply with operating and security standards of, the DEA, the FDA, the United States Department of Health and Human Services, and various state boards of pharmacy, state health departments and/or comparable state agencies as well as comparable foreign agencies, and certain accrediting bodies depending on the type of operations and location of product distribution, manufacturing or sale. These businesses include those that distribute, manufacture and/or repackage prescription pharmaceuticals and/or medical devices and/or HCT/P products, or own pharmacy operations, or install, maintain or repair equipment. In addition, Section 301 of the National Organ Transplant Act, and a number of comparable state laws, impose civil and/or criminal penalties for the transfer of certain human tissue (for example, human bone products) for valuable consideration, while generally permitting payments for the reasonable costs incurred in procuring, processing, storing and distributing that tissue. We are also subject to foreign government regulation of such products. The DEA, the FDA and state regulatory authorities have broad inspection and enforcement powers, including the ability to suspend or limit the distribution of products by our distribution centers, seize or order the recall of products and impose significant criminal, civil and administrative sanctions for violations of these laws and regulations. Foreign regulations subject us to similar foreign enforcement powers. Furthermore, compliance with legal requirements has required and may in the future require us to institute voluntary recalls of products we sell, which could result in financial losses and potential reputational harm. Our customers are also subject to significant federal, state, local and foreign governmental regulation.

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.

Certain of our businesses also maintain contracts with governmental agencies and are subject to certain regulatory requirements specific to government contractors.

Antitrust

The U.S. federal government, most U.S. states and many foreign countries have antitrust laws that prohibit certain types of conduct deemed to be anti-competitive. Violations of antitrust laws can result in various sanctions, including criminal and civil penalties. Private plaintiffs also could bring civil lawsuits against us in the United States for alleged antitrust law violations, including claims for treble damages.

Regulated Software; Electronic Health Records

The FDA has become increasingly active in addressing the regulation of computer software intended for use in health care settings. The 21st Century Cures Act (the “Cures Act”), signed into law on December 13, 2016, amended the device definition to exclude certain software, including clinical decision support software that meet certain criteria. In December 2017, the FDA issued draft guidance documents describing its proposed interpretation of the statutory language regarding which types of clinical decision support tools and other software are exempt from regulation as medical devices. Certain of our businesses involve the development and sale of software and related products to support physician and dental practice management, and it is possible that the FDA or foreign government authorities could determine that one or more of our products is a medical device, which could subject us or one or more of our businesses to substantial additional requirements with respect to these products.

In addition, the European Parliament and the Council of the European Union have adopted a new pan-European General Data Protection Regulation (“GDPR”), effective from May 25, 2018, which increases privacy rights for individuals in Europe, extended the scope of responsibilities for data controllers and data processors and imposes increased requirements and potential penalties on companies offering goods or services to individuals who are located in Europe (“Data Subjects”) or monitoring the behavior of such individuals (including by companies based outside of Europe). Noncompliance can result in penalties of up to the greater of EUR 20 million, or 4% of global company revenues. Individual member states may impose additional requirements and penalties as they relate to certain things such as employee personal data. Among other things, the GDPR requires, with respect to data concerning Data Subjects, company accountability, consents from Data Subjects or other acceptable legal basis needed to process the personal data, prompt breach notifications within 72 hours, fairness and transparency in how the personal data is stored, used or otherwise processed, and data integrity and security, and provides rights to Data Subjects relating to modification, erasure and transporting of the personal data. While we believe we have substantially compliant programs and controls in place to comply with the GDPR requirements, our compliance with the new regulation is likely to impose additional costs on us, and we cannot predict whether the interpretations of the requirements, or changes in our practices in response to new requirements or interpretations of the requirements, could have a material adverse effect on our business.

We also sell products and services that health care providers, such as physicians and dentists, use to store and manage patient medical or dental records. These customers, and we, are subject to laws, regulations and industry standards, such as the federal Health Insurance Portability and Accountability Act of 1996, as amended, and implement regulations ("HIPAA") and the Payment Card Industry Data Security Standards, which require the protection of the privacy and security of those records, and our products may also be used as part of these customers' comprehensive data security programs, including in connection with their efforts to comply with applicable privacy and security laws. Perceived or actual security vulnerabilities in our products or services, or the perceived or actual failure by us or our customers who use our products or services to comply with applicable legal or contractual data privacy and security requirements, may not only cause us significant reputational harm, but may also lead to claims against us by our customers and/or governmental agencies and involve substantial fines, penalties and other liabilities and expenses and costs for remediation.

Various federal initiatives involve the adoption and use by health care providers of certain electronic health care records systems and processes. The initiatives include, among others, programs that incentivize physicians and dentists, through Medicare's MIPS, to use certified EHR technology in accordance with certain evolving requirements, including regarding quality, promoting interoperability, cost and improvement activities. Qualification for the MIPS incentive payments requires the use of EHRs that are certified as having certain capabilities designated in standards adopted by CMS and by the Office of the National Coordinator for Health Information Technology of the Department of Health and Human Services. These standards have been subject to change.

Certain of our businesses involve the manufacture and sale of certified EHR systems and other products linked to MIPS and other incentive programs.   In order to maintain certification of our EHR products, we must satisfy these changing governmental standards. If any of our EHR systems do not meet these standards, yet have been relied upon by health care providers to receive federal incentive payments, as noted above, we are exposed to risk, such as under federal health care fraud and abuse laws, including the False Claims Act. For example, on May 31, 2017, the U.S. Department of Justice announced a $155 million settlement and 5-year corporate integrity agreement involving a vendor of certified EHR systems, based on allegations that the vendor, by misrepresenting capabilities to the certifying body, caused its health care provider customers to submit false Medicare and Medicaid claims for meaningful use incentive payments in violation of the False Claims Act. While we believe we are substantially in compliance with such certifications and with applicable fraud and abuse laws and regulations, and we have adequate compliance programs and controls in place to ensure substantial compliance, we cannot predict whether changes in applicable law, or interpretation of laws, or changes in our practices in response to changes in applicable law or interpretation of laws, could have a material adverse effect on our business. Moreover, in order to satisfy our customers, our products may need to incorporate increasingly complex reporting functionality. Although we believe we are positioned to accomplish this, the effort may involve increased costs, and our failure to implement product modifications, or otherwise satisfy applicable standards, could have a material adverse effect on our business.

Other health information standards, such as regulations under HIPAA, establish standards regarding electronic health data transmissions and transaction code set rules for specific electronic transactions, such as transactions involving claims submissions to third party payers. Certain of our businesses provide electronic practice management products that must meet these requirements. Failure to abide by electronic health data transmission standards could expose us to breach of contract claims, substantial fines, penalties, and other liabilities and expenses, costs for remediation and harm to our reputation.

Additionally, as electronic medical devices are increasingly connected to each other and to other technology, the ability of these connected systems safely and effectively to exchange and use exchanged information becomes increasingly important. For example, on September 6, 2017, the FDA issued final guidance to assist industry in identifying specific considerations related to the ability of electronic medical devices to safely and effectively exchange and use exchanged information. As a medical device manufacturer, we must manage risks including those associated with an electronic interface that is incorporated into a medical device.

There may be additional legislative initiatives in the future impacting health care.

E-Commerce

Electronic commerce solutions have become an integral part of traditional health care supply and distribution relationships. Our distribution business is characterized by rapid technological developments and intense competition. The continuing advancement of online commerce requires us to cost-effectively adapt to changing technologies, to enhance existing services and to develop and introduce a variety of new services to address the changing demands of consumers and our customers on a timely basis, particularly in response to competitive offerings.

Through our proprietary, technologically based suite of products, we offer customers a variety of competitive alternatives. We believe that our tradition of reliable service, our name recognition and large customer base built on solid customer relationships, position us well to participate in this significant aspect of the distribution business. We continue to explore ways and means to improve and expand our Internet presence and capabilities, including our online commerce offerings and our use of various social media outlets.

Results of Operations

The following table summarizes the significant components of our operating results and cash flows for the three months ended March 30, 2019 and March 31, 2018 (in thousands):

	Three Months Ended	
	March 30, 2019	**March 31, 2018**
Operating results:		
Net sales	$ 2,360,268	$ 2,273,450
Cost of sales	1,608,578	1,554,321
Gross profit	751,690	719,129
Operating expenses:		
Selling, general and administrative	574,608	554,214
Restructuring costs	4,641	2,675
Operating income	$ 172,441	$ 162,240
Other expense, net	$ (11,949)	$ (14,201)
Net income from continuing operations	123,640	114,717
Income (loss) from discontinued operations	(8,630)	28,684
Net income attributable to Henry Schein, Inc.	109,783	140,218
Cash flows:		
Net cash provided by (used in) operating activities from continuing operations	$ 133,334	$ (64,608)
Net cash used in investing activities from continuing operations	(596,527)	(21,928)
Net cash provided by financing activities from continuing operations	484,076	7,209

Plans of Restructuring

On July 9, 2018, we committed to an initiative to rationalize our operations and provide expense efficiencies. These actions will allow us to execute on our plan to reduce our cost structure and fund new initiatives that are expected to drive future growth under our 2018 to 2020 strategic plan. This initiative is expected to include the elimination of approximately 2% to 3% of our workforce and the closing of certain facilities. The total 2018 costs associated with the actions to complete this restructuring were $54.4 million from continuing operations, consisting primarily of severance costs.

We plan to continue restructuring activities in the first half of 2019 and expect to incur additional restructuring costs related to these activities during Q1 and Q2 2019. At this time we are identifying specific opportunities and cannot reasonably estimate the amount of additional restructuring costs in 2019.

Three Months Ended March 30, 2019 Compared to Three Months Ended March 31, 2018

Net Sales

Net sales for the three months ended March 30, 2019 and March 31, 2018 were as follows (in thousands):

	March 30, 2019	% of Total	March 31, 2018	% of Total	Increase $	Increase %
Health care distribution (1):						
Dental	$ 1,546,468	65.5%	$ 1,547,558	68.1%	$ (1,090)	(0.1)%
Medical	683,660	29.0	640,400	28.2	43,260	6.8
Total health care distribution	2,230,128	94.5	2,187,958	96.2	42,170	1.9
Technology and value-added services (2)	115,510	4.9	85,492	3.8	30,018	35.1
Total excluding Corporate TSA revenue	2,345,638	99.4	2,273,450	100.0	72,188	3.2
Corporate TSA revenue(3)	14,630	0.6	-	-	14,630	-
Total	$ 2,360,268	100.0%	$ 2,273,450	100.0%	$ 86,818	3.8

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

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

(3) Corporate TSA revenues represents sales of certain animal health products to Covetrus under the transition services agreement entered into in connection with the Animal Health Spin-off, which we expect to continue through 2020.

The 3.8% increase in net sales for the three months ended March 30, 2019 includes an increase of 6.6% local currency growth (4.3% increase in internally generated revenue and 2.3% growth from acquisitions) partially offset by a decrease of 2.8% related to foreign currency exchange. Excluding sales of Animal Health products under the transition services agreement with Covetrus, our net sales increased 3.2%, including local currency growth of 6.0% (3.7% increase in internally generated revenue and 2.3% growth from acquisitions) partially offset by a decrease of 2.8% related to foreign currency exchange.

The 0.1% decrease in dental net sales for the three months ended March 30, 2019 includes an increase of 3.8% local currency growth (3.2% increase in internally generated revenue and 0.6% growth from acquisitions) offset by a decrease of 3.9% related to foreign currency exchange. The 3.8% increase in local currency sales was due to increases in dental equipment sales and service revenues of 1.3%, all of which is attributable to an increase in internally generated revenue, and dental consumable merchandise sales growth of 4.5% (3.7% increase in internally generated revenue and 0.8% growth from acquisitions).

The 6.8% increase in medical net sales for the three months ended March 30, 2019 includes an increase of 7.0% local currency growth (5.1% increase in internally generated revenue and 1.9% growth from acquisitions) partially offset by a decrease of 0.2% related to foreign currency exchange.

The 35.1% increase in technology and value-added services net sales for the three months ended March 30, 2019 includes an increase of 36.8% local currency growth (2.1% internally generated revenue and 34.7% growth from acquisitions) partially offset by a decrease of 1.7% related to foreign currency exchange. The local currency growth in technology and value-added services revenue is affected by the revenue for certain products being recognized on an agency basis in 2018 that had been recognized on a gross basis in the prior year. When excluding the effects of this change, internally generated revenue grew by 2.5%.

Gross Profit

Gross profit and gross margin percentages by segment and in total for the three months ended March 30, 2019 and March 31, 2018 were as follows (in thousands):

	March 30, 2019	Gross Margin %	March 31, 2018	Gross Margin %	Increase $	Increase %
Health care distribution	$ 667,955	30.0%	$ 662,453	30.3%	$ 5,502	0.8%
Technology and value-added services	83,280	72.1	56,676	66.3	26,604	46.9
Total excluding Corporate TSA revenues	751,235	32.0	719,129	31.6	32,106	4.5
Corporate TSA revenues	455	3.1	-	-	455	-
Total	$ 751,690	31.8	$ 719,129	31.6	$ 32,561	4.5

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 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.

In connection with the completion of the Animal Health Spin-off (see Note 2 for additional details), we entered into a transition services agreement with Covetrus, pursuant to which Covetrus purchases certain animal health products from us. The agreement provides that these products will be sold to Covetrus at a mark-up that ranges from 3% to 6% of our product cost. We expect these sales to continue through 2020.

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 private label products achieve gross profit margins that are higher than average. 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 at greater frequencies.

Health care distribution gross profit increased $5.5 million, or 0.8%, for the three months ended March 30, 2019 compared to the prior year period. The overall increase in our health care distribution gross profit is attributable to $3.2 million additional gross profit from growth in internally generated revenue and $8.1 million is attributable to acquisitions. These increases were partially offset by a $5.8 million decline in gross profit due to the decrease in the gross margin rates. Health care distribution gross profit margin decreased to 30.0% for the three months ended March 30, 2019 from 30.3% for the comparable prior year period.

Technology and value-added services gross profit increased $26.6 million, or 46.9%, for the three months ended March 30, 2019 compared to the prior year period. Acquisitions accounted for $26.6 million of our gross profit increase within our technology and value-added services segment for the three months ended March 30, 2019 compared to the prior year period. Technology and value-added services gross profit margin increased to 72.1% for the three months ended March 30, 2019 from 66.3% for the comparable prior year period, primarily due to additional product offerings at higher gross profit margins in our Henry Schein One subsidiary which was formed on July 1, 2018.

Selling, General and Administrative

Selling, general and administrative expenses by segment and in total for the three months ended March 30, 2019 and March 31, 2018 were as follows (in thousands):

	March 30, 2019	% of Respective Net Sales	March 31, 2018	% of Respective Net Sales	Increase $	Increase %
Health care distribution	$ 523,798	23.5 %	$ 525,307	24.0 %	$ (1,509)	(0.3) %
Technology and value-added services	55,451	48.0	31,582	36.9	23,869	75.6
Total	$ 579,249	24.5	$ 556,889	24.5	$ 22,360	4.0

Selling, general and administrative expenses increased $22.4 million, or 4.0%, for the three months ended March 30, 2019 from the comparable prior year period. The $1.5 million decrease in selling, general and administrative expenses within our health care distribution segment for the three months ended March 30, 2019 as compared to the prior year period was attributable to $9.4 million of additional costs from acquired companies, and a reduction of $10.9 million of operating costs. The $23.9 million increase in selling, general and administrative expenses within our technology and value-added services segment for the three months ended March 30, 2019 as compared to the prior year period was attributable to $24.7 million of additional costs from acquired companies and a reduction of $0.8 million of operating costs. As a percentage of net sales, selling, general and administrative expenses remained consistent at 24.5%.

As a component of total selling, general and administrative expenses, selling expenses increased $9.0 million, or 2.5% to $368.7 million, for the three months ended March 30, 2019 from the comparable prior year period. As a percentage of net sales, selling expenses decreased to 15.6% from 15.8% for the comparable prior year period.

As a component of total selling, general and administrative expenses, general and administrative expenses increased $13.4 million, or 6.8% to $210.6 million, for the three months ended March 30, 2019 from the comparable prior year period. As a percentage of net sales, general and administrative expenses increased to 8.9% from 8.4% for the comparable prior year period.

Other Expense, Net

Other expense, net, for the three months ended March 30, 2019 and March 31, 2018 was as follows (in thousands):

	March 30, 2019	March 31, 2018	Variance $	Variance %
Interest income	$ 4,771	$ 3,453	$ 1,318	38.2%
Interest expense	(16,301)	(16,904)	603	3.6
Other, net	(419)	(750)	331	44.1
Other expense, net	$ (11,949)	$ (14,201)	$ 2,252	15.9

Interest income increased $1.3 million primarily due to increased investment and late fee income. Interest expense decreased $0.6 million primarily due to decreased borrowings under our bank credit lines.

Income Taxes

For the three months ended March 30, 2019, our effective tax rate was 24.6% compared to 24.4% for the prior year period. The difference between our effective tax rates 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 include 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 third and fourth quarters 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. 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. We have no off-balance sheet arrangements.

On February 7, 2019, we completed the Animal Health Spin-off. On the Distribution Date we received a tax free distribution of $1,120 million from Covetrus, which has been used to pay down our debt, thereby generating additional debt capacity that can be used for general corporate purposes, including share repurchases and mergers and acquisitions.

Net cash from continuing operations provided by operating activities was $133.3 million for the three months ended March 30, 2019, compared to net cash from continuing operations used in operating activities of $64.6 million for the comparable prior year period. The net change of $197.9 million was primarily attributable to decreases in working capital requirements and increased distributions from equity affiliates.

Net cash from continuing operations used in investing activities was $596.5 million for the three months ended March 30, 2019, compared to $21.9 million for the comparable prior year period. The net change of $574.6 million was primarily attributable to increased payments for equity investments and business acquisitions.

Net cash provided by financing activities from continuing operations was $484.1 million for the three months ended March 30, 2019, compared to $7.2 million for the comparable prior year period. The net change of $476.9 million was primarily due to a distribution received related to the Animal Health Spin-off, proceeds from the Animal Health Share Sale, a reduction in acquisitions of noncontrolling interests in subsidiaries, partially offset by increased repayments of debt related to the Animal Health Spin-off, payments to the Henry Schein Animal Health Business and increased repurchases of our common stock.

The following table summarizes selected measures of liquidity and capital resources (in thousands):

	March 30, 2019	December 29, 2018
Cash and cash equivalents	$ 88,115	$ 56,885
Working capital (1)	1,230,335	956,393
Debt:		
Bank credit lines	$ 299,914	$ 951,458
Current maturities of long-term debt	9,117	8,280
Long-term debt	973,500	980,344
Total debt	$ 1,282,531	$ 1,940,082
Leases:		
Current operating lease liabilities	$ 68,460	$ -
Non-current operating lease liabilities	187,308	-

(1) Includes $432 million and $422 million of accounts receivable which serve as security for U.S. trade accounts receivable securitization at March 30, 2019 and December 29, 2018, 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 45.7 days as of March 30, 2019 from 44.2 days as of March 31, 2018. During the three months ended March 30, 2019, we wrote off approximately $1.4 million of fully reserved accounts receivable against our trade receivable reserve. Our inventory turns from operations increased to 4.6 as of March 30, 2019 from 4.3 as of March 31, 2018. Our working capital accounts may be impacted by current and future economic conditions.

Bank Credit Lines

Bank credit lines consisted of the following:

	March 30, 2019	December 29, 2018
Revolving credit agreement	$ 225,000	$ 175,000
Other short-term bank credit lines	74,914	376,458
Committed loan associated with Animal Health Spin-off	-	400,000
Total	$ 299,914	$ 951,458

Revolving Credit Agreement

On April 18, 2017, we entered into a $750 million revolving credit agreement (the “Credit Agreement”). This facility, which matures in April 2022, replaced our $500 million revolving credit facility, which was scheduled to mature in September 2019. The interest rate is based on the USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. The Credit Agreement provides, among other things, that we are required to maintain maximum leverage ratios, and contains customary representations, warranties and affirmative covenants. The Credit Agreement also contains customary negative covenants, subject to negotiated exceptions on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements. As of March 30, 2019 and December 29, 2018, the borrowings on this revolving credit facility were $225.0 million and $175.0 million, respectively. As of March 30, 2019 and December 29, 2018, there were $9.6 million and $11.2 million of letters of credit, respectively, provided to third parties under the credit facility.

Other Short-Term Credit Lines

As of March 30, 2019 and December 29, 2018, we had various other short-term bank credit lines available, of which $74.9 million and $376.5 million, respectively, were outstanding. At March 30, 2019 and December 29, 2018, borrowings under all of our credit lines had a weighted average interest rate of 3.44% and 3.30%, respectively.

Committed Loan Associated with Animal Health Spin-off

On May 21, 2018, we obtained a $400 million committed loan which matured on the earlier of (i) March 31, 2019 and (ii) the consummation of the Animal Health Spin-off. The proceeds of this loan were used, among other things, to fund our purchase of all of the equity interests in Butler Animal Health Holding Company, LLC ("BAHHC") directly or indirectly owned by Darby Group Companies, Inc. ("Darby") and certain other sellers pursuant to the terms of that certain Amendment to Put Rights Agreements, dated as of April 20, 2018, by and among us, Darby, BAHHC and the individual sellers party thereto for an aggregate purchase price of $365 million. As of December 29, 2018, the balance outstanding on this loan was $400 million and is included within the "Bank credit lines" caption within our consolidated balance sheet. At December 29, 2018, the interest rate on this loan was 3.38%. Concurrent with the completion of the Animal Health Spin-off on February 7, 2019, we re-paid the balance of this loan.

Long-term debt

Long-term debt consisted of the following:

	March 30, 2019	December 29, 2018
Private placement facilities	$ 621,104	$ 628,189
U.S. trade accounts receivable securitization	350,000	350,000
Various collateralized and uncollateralized loans payable with interest in varying installments through 2023 at interest rates ranging from 2.61% to 4.17% at March 30, 2019 and ranging from 2.61% to 4.17% at December 29, 2018	7,467	6,491
Finance lease obligations payable through 2029 with interest rates ranging from 1.45% to 6.00% at March 30, 2019 and ranging from 1.45% to 6.00% at December 29, 2018	4,046	3,944
Total	982,617	988,624
Less current maturities	(9,117)	(8,280)
Total long-term debt	$ 973,500	$ 980,344

Private Placement Facilities

On September 15, 2017, we increased our available private placement facilities with three insurance companies to a total facility amount of $1 billion, and extended the expiration date to September 15, 2020. These facilities are available on an uncommitted basis at fixed rate economic terms to be agreed upon at the time of issuance, from time to time through September 15, 2020. The facilities allow us to issue senior promissory notes to the lenders at a fixed rate based on an agreed upon spread over applicable treasury notes at the time of issuance. The term of each possible issuance will be selected by us and can range from five to 15 years (with an average life no longer than 12 years). The proceeds of any issuances under the facilities will be used for general corporate purposes, including working capital and capital expenditures, to refinance existing indebtedness and/or to fund potential acquisitions. The agreements provide, among other things, that we maintain certain maximum leverage ratios, and contain restrictions relating to subsidiary indebtedness, liens, affiliate transactions, disposal of assets and certain changes in ownership. These facilities contain make-whole provisions in the event that we pay off the facilities prior to the applicable due dates.

The components of our private placement facility borrowings as of March 30, 2019 are presented in the following table (in thousands):

Date of Borrowing		Amount of Borrowing Outstanding	Borrowing Rate	Due Date
September 2, 2010	$	100,000	3.79%	September 2, 2020
January 20, 2012		50,000	3.45	January 20, 2024
January 20, 2012 (1)		21,429	3.09	January 20, 2022
December 24, 2012		50,000	3.00	December 24, 2024
June 2, 2014		100,000	3.19	June 2, 2021
June 16, 2017		100,000	3.42	June 16, 2027
September 15, 2017		100,000	3.52	September 15, 2029
January 2, 2018		100,000	3.32	January 2, 2028
Less: Deferred debt issuance costs		(325)		
	$	621,104		

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

U.S. Trade Accounts Receivable Securitization

We have a facility agreement with a bank, as agent, 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. Our current facility, which has a purchase limit of $350 million, expires on April 29, 2020. The borrowings outstanding under this securitization facility were $350 million as of both March 30, 2019 and December 29, 2018, respectively. At March 30, 2019, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 2.65% plus 0.75%, for a combined rate of 3.40%. At December 29, 2018, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 2.66% plus 0.75%, for a combined rate of 3.41%.

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

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

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 less than 1 year to 11 years, some of which may include options to extend the leases for up to 10 years. As of March 30, 2019, our current and non-current operating lease liabilities were $68.5 million and $187.3 million, respectively.

Stock Repurchases

From June 21, 2004 through March 30, 2019, we repurchased $3.0 billion, or 60,712,514 shares, under our common stock repurchase programs, with $250.0 million available as of March 30, 2019 for future common stock share repurchases.

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 three months ended March 30, 2019 and the year ended December 29, 2018 are presented in the following table:

	March 30, 2019	December 29, 2018
Balance, beginning of period	$ 219,724	$ 465,585
Decrease in redeemable noncontrolling interests due to redemptions	(6,057)	(287,767)
Increase in redeemable noncontrolling interests due to business acquisitions	69,795	4,655
Net income attributable to redeemable noncontrolling interests	3,378	15,327
Dividends declared	(2,441)	(8,206)
Effect of foreign currency translation gain attributable to redeemable noncontrolling interests	(191)	(11,330)
Change in fair value of redeemable securities	2,492	41,460
Balance, end of period	$ 286,700	$ 219,724

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

Additionally, some prior owners of such acquired subsidiaries are eligible to receive additional purchase price cash consideration if certain financial targets are met. Any adjustments to these accrual amounts are recorded in our consolidated statement of income. For the three months ended March 30, 2019 and March 31, 2018, there were no material adjustments recorded in our consolidated statement of income relating to changes in estimated contingent purchase price liabilities.

Noncontrolling Interests

Noncontrolling interests represent our less than 50% ownership interest in an acquired subsidiary. Our net income is reduced by the portion of the subsidiaries net income that is attributable to noncontrolling interests.

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 29, 2018. For a discussion of critical accounting policies and estimates as well as accounting policies adopted, please refer to Note 2 of the Notes to Consolidated Financial Statements included in item 1.

Recently Issued Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted for interim and annual reporting periods beginning after December 15, 2018. This ASU is required to be adopted using the modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance of this ASU is effective. Based upon the level and makeup of our financial asset portfolio, past loan loss activity and current known activity regarding our outstanding loans, we do not expect that this ASU will have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other" (Topic 350) ("ASU 2017-04"). ASU 2017-04 eliminates step two from the goodwill impairment test, thereby eliminating the requirement to calculate the implied fair value of a reporting unit. ASU 2017-04 will require us to perform our annual goodwill impairment test by comparing the fair value of our reporting units to the carrying value of those units. If the carrying value exceeds the fair value, we will be required to recognize an impairment charge; however, the impairment charge should not exceed the amount of goodwill allocated to such reporting unit. ASU 2017-04 is required to be implemented on a prospective basis for fiscal years beginning after December 15, 2019. We do not expect that the requirements of ASU 2017-04 will have a material impact on our consolidated financial statements.

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 29, 2018.

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 March 30, 2019 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

The combination of acquisitions, continued acquisition integrations, systems implementations, and lease accounting control enhancements 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.

During the quarter ended March 30, 2019, we completed the acquisition of a medical, technology and dental business in North America as well as dental businesses in Europe and Asia having approximate aggregate annual revenues of $248 million. In addition, post-acquisition integration related activities continued for our global dental and technology businesses acquired during prior quarters, representing aggregate annual revenues of approximately $304 million. These acquisitions, the majority of which utilize separate information and financial accounting systems, have been included in our consolidated financial statements since their respective dates of acquisition.

Also, during the quarter ended March 30, 2019, we completed the Animal Health Spin-off, representing approximate aggregate annual revenues of $3.7 billion, and post-implementation systems improvement activities continued for a new equipment system implemented during prior quarters for our U.S. dental business to centers representing approximate aggregate annual revenues of $638 million.

Finally, in connection with the implementation of ASC 842, Leases, we implemented changes to our processes related to evaluating the accounting and disclosures for leases including the control activities within them. These changes include development of a new policy and procedures based upon the new lease accounting standards including training, ongoing lease reviews, and gathering of information provided for disclosures.

All acquisitions integrations, systems implementations and lease accounting control enhancements involved necessary and appropriate change-management controls that are considered in our annual assessment of the design and operating effectiveness of 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Beginning in January 2016, purported class action complaints were filed against Patterson Companies, Inc. (“Patterson”), Benco Dental Supply Co. (“Benco”) and Henry Schein, Inc. Although there were factual and legal variations among these complaints, each of these complaints alleges, among other things, that defendants conspired to fix prices, allocate customers and foreclose competitors by boycotting manufacturers, state dental associations and others that deal with defendants’ competitors. On February 9, 2016, the U.S. District Court for the Eastern District of New York ordered all of these actions, and all other actions filed thereafter asserting substantially similar claims against defendants, consolidated for pre-trial purposes. On February 26, 2016, a consolidated class action complaint was filed by Arnell Prato, D.D.S., P.L.L.C., d/b/a Down to Earth Dental, Evolution Dental Sciences, LLC, Howard M. May, DDS, P.C., Casey Nelson, D.D.S., Jim Peck, D.D.S., Bernard W. Kurek, D.M.D., Larchmont Dental Associates, P.C., and Keith Schwartz, D.M.D., P.A. (collectively, “putative class representatives”) in the U.S. District Court for the Eastern District of New York, entitled In re Dental Supplies Antitrust Litigation, Civil Action No. 1:16-CV-00696-BMC-GRB. In the consolidated class action complaint, putative class representatives allege a nationwide agreement among Henry Schein, Benco, Patterson and non-party Burkhart Dental Supply Company, Inc. (“Burkhart”) not to compete on price. The consolidated class action complaint asserts a single count under Section 1 of the Sherman Act, and seeks equitable relief, compensatory and treble damages, jointly and severally, and reasonable costs and expenses, including attorneys’ fees and expert fees. On September 28, 2018, the parties executed a settlement agreement that proposes, subject to court approval, a full and final settlement of the lawsuit on a classwide basis. The court has scheduled a fairness hearing for June 14, 2019. Subject to certain exceptions, the settlement class consists of all persons or entities that purchased dental products directly from Henry Schein, Patterson, Benco, Burkhart, or any combination thereof, during the period August 31, 2008 through and including March 31, 2016. As a result, in our third quarter of fiscal 2018, we recorded a charge of $38.5 million, which was paid into a settlement fund in January 2019.

On August 31, 2012, Archer and White Sales, Inc. (“Archer”) filed a complaint against Henry Schein, Inc. as well as Danaher Corporation and its subsidiaries Instrumentarium Dental, Inc., Dental Equipment, LLC, Kavo Dental Technologies, LLC and Dental Imaging Technologies Corporation (collectively, the “Danaher Defendants”) in the U.S. District Court for the Eastern District of Texas, Civil Action No. 2:12-CV-00572-JRG, styled as an antitrust action under Section 1 of the Sherman Act, and the Texas Free Enterprise Antitrust Act. Archer alleges a conspiracy between Henry Schein, an unnamed company and the Danaher Defendants to terminate or limit Archer’s distribution rights. On August 1, 2017, Archer filed an amended complaint, adding Patterson and Benco as defendants, and alleging that Henry Schein, Patterson, Benco and Burkhart conspired to fix prices and refused to compete with each other for sales of dental equipment to dental professionals and agreed to enlist their common suppliers, the Danaher Defendants, to join a price-fixing conspiracy and boycott by reducing the distribution territory of, and eventually terminating, their price-cutting competing distributor Archer. Archer seeks damages in an amount to be proved at trial, to be trebled with interest and costs, including attorneys’ fees, jointly and severally, as well as injunctive relief. On October 30, 2017, Archer filed a second amended complaint, to add additional allegations that it believes support its claims. The named parties and causes of action are the same as the August 1, 2017 amended complaint.

On October 1, 2012, we filed a motion for an order: (i) compelling Archer to arbitrate its claims against us; (2) staying all proceedings pending arbitration; and (3) joining the Danaher Defendants’ motion to arbitrate and stay. On May 28, 2013, the Magistrate Judge granted the motions to arbitrate and stayed proceedings pending arbitration. On June 10, 2013, Archer moved for reconsideration before the District Court judge. On December 7, 2016, the District Court Judge granted Archer’s motion for reconsideration and lifted the stay. Defendants appealed the District Court’s order. On December 21, 2017, the U.S. Court of Appeals for the Fifth Circuit affirmed the District Court’s order denying the motions to compel arbitration. On June 25, 2018, the Supreme Court of the United States granted defendants’ petition for writ of certiorari. On October 29, 2018, the Supreme Court heard oral arguments. On January 8, 2019, the Supreme Court issued its published decision vacating the judgment of the Fifth Circuit and remanding the case to the Fifth Circuit for further proceedings consistent with the Supreme Court’s opinion. We intend to defend ourselves vigorously against this action.

On August 17, 2017, IQ Dental Supply, Inc. ("IQ Dental") filed a complaint in the U.S. District Court for the Eastern District of New York, entitled IQ Dental Supply, Inc. v. Henry Schein, Inc., Patterson Companies, Inc. and Benco Dental Supply Company, Case No. 2:17-cv-4834. Plaintiff alleges that it is a distributor of dental supplies and equipment, and sells dental products through an online dental distribution platform operated by SourceOne Dental ("SourceOne"). SourceOne had previously brought an antitrust lawsuit against Henry Schein, Patterson and Benco, which Henry Schein settled in the second quarter of 2017 and which is described in our prior filings with the SEC.

IQ Dental alleges, among other things, that defendants conspired to suppress competition from IQ Dental and SourceOne for the marketing, distribution and sale of dental supplies and equipment in the United States, and that defendants unlawfully agreed with one another to boycott dentists, manufacturers and state dental associations that deal with, or considered dealing with, plaintiff and SourceOne. Plaintiff claims that this alleged conduct constitutes unreasonable restraint of trade in violation of Section 1 of the Sherman Act, New York's Donnelly Act and the New Jersey Antitrust Act, and also makes pendant state law claims for tortious interference with prospective business relations, civil conspiracy and aiding and abetting. Plaintiff seeks injunctive relief, compensatory, treble and punitive damages, jointly and severally, and reasonable costs and expenses, including attorneys' fees and expert fees. On December 21, 2017, the District Court granted the defendants' motion to dismiss. On January 19, 2018, IQ Dental appealed the District Court's order. The U.S. Court of Appeals for the Second Circuit heard oral argument on the appeal on September 13, 2018. The court's decision is pending. We intend to defend ourselves vigorously against this action.

On February 12, 2018, the United States Federal Trade Commission ("FTC") filed a complaint against Benco Dental Supply Co., Henry Schein, Inc. and Patterson Companies, Inc. The FTC alleges, among other things, that defendants violated U.S. antitrust laws by conspiring, and entering into an agreement, to refuse to provide discounts to or otherwise serve buying groups representing dental practitioners. The FTC alleges that defendants conspired in violation of Section 5 of the FTC Act. The complaint seeks equitable relief only and does not seek monetary damages. We deny the allegation that we conspired to refuse to provide discounts to or otherwise serve dental buying groups and intend to defend ourselves vigorously against this action. A hearing before an administrative law judge began on October 16, 2018 and the hearing record was closed on February 21, 2019. The matter is ongoing and a decision has not yet been issued. We believe this matter will not have a material adverse effect on our consolidated financial position, liquidity or results of operations.

On March 7, 2018, Joseph Salkowitz, individually and on behalf of all others similarly situated, filed a putative class action complaint for violation of the federal securities laws against Henry Schein, Inc., Stanley M. Bergman and Steven Paladino in the U.S. District Court for the Eastern District of New York, Case No. 1:18-cv-01428. The complaint sought to certify a class consisting of all persons and entities who, subject to certain exclusions, purchased Henry Schein securities from March 7, 2013 through February 12, 2018 (the "Class Period"). The complaint alleged, among other things, that the defendants had made materially false and misleading statements about Henry Schein's business, operations and prospects during the Class Period, including matters relating to the issues in the antitrust class action and the FTC action described above, thereby causing the plaintiff and members of the purported class to pay artificially inflated prices for Henry Schein securities. The complaint sought unspecified monetary damages and a jury trial. Pursuant to the provisions of the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), the court appointed lead plaintiff and lead counsel on June 22, 2018 and recaptioned the putative class action as In re Henry Schein, Inc. Securities Litigation, under the same case number. Lead plaintiff filed a consolidated class action complaint on September 14, 2018. The consolidated class action complaint asserts similar claims against the same defendants (plus Timothy Sullivan) on behalf of the same putative class of purchasers during the Class Period. It alleges that Henry Schein's stock price was inflated during that period because Henry Schein had misleadingly portrayed its dental-distribution business "as successfully producing excellent profits while operating in a highly competitive environment" even though, "in reality, [Henry Schein] had engaged for years in collusive and anticompetitive practices in order to maintain Schein's margins, profits, and market share." The complaint alleges that the stock price started to fall from August 8, 2017, when the company announced below-expected financial performance that allegedly "revealed that Schein's poor results were a product of abandoning prior attempts to inflate sales volume and margins through anticompetitive collusion," through February 13, 2018, after the FTC filed a complaint against Benco, Henry Schein and Patterson alleging that they violated U.S. antitrust laws. The complaint alleges violations of Section 10(b) of the Exchange Act and Rule 10b-5 and Section 20(a) of the Exchange Act. We intend to defend ourselves vigorously against this action. Henry Schein has also received a request under 8 Del. C. § 220 to inspect corporate books and records relating to the issues raised in the securities class action and the antitrust matters discussed above.

On May 3, 2018, a purported class action complaint, Marion Diagnostic Center, LLC, et al. v. Becton, Dickinson, and Co., et al., Case No. 3:18-cv-010509, was filed in the U.S. District Court for the Southern District of Illinois against Becton, Dickinson, and Co. ("Becton"); Premier, Inc. ("Premier"), Vizient, Inc. ("Vizient"), Cardinal Health, Inc. ("Cardinal"), Owens & Minor Inc. ("O&M"), Henry Schein, Inc., and Unnamed Becton Distributor Co-Conspirators. The complaint alleges that the defendants entered into a vertical conspiracy to force health care providers into long-term exclusionary contracts that restrain trade in the nationwide markets for conventional and safety syringes and safety IV catheters and inflate the prices of certain Becton products to above-competitive levels. The named plaintiffs seek to represent three separate classes consisting of all health care providers that purchased (i) Becton's conventional syringes, (ii) Becton's safety syringes, or (iii) Becton's safety catheters directly from Becton, Premier, Vizient, Cardinal, O&M or Henry Schein on or after May 3, 2014. The complaint asserts a single count under Section 1 of the Sherman Act, and seeks equitable relief, treble damages, reasonable attorneys' fees and costs and expenses, and pre-judgment and post-judgment interest. On June 15, 2018, an amended complaint was filed asserting the same allegations against the same parties and adding McKesson Medical-Surgical, Inc. as an additional defendant. On November 30, 2018, the District Court granted defendants' motion to dismiss and entered a final judgment, dismissing plaintiffs' complaint with prejudice. On December 27, 2018, plaintiffs appealed the District Court's decision to the Seventh Circuit Court of Appeals. We intend to defend ourselves vigorously against this action.

On May 29, 2018, an amended complaint was filed in the MultiDistrict Litigation ("MDL") proceeding In Re National Prescription Opiate Litigation (MDL No. 2804; Case No. 17-md-2804) in an action entitled The County of Summit, Ohio et al. v. Purdue Pharma, L.P., et al., Civil Action No. 1:18-op-45090-DAP ("County of Summit Action"), in the U.S. District Court for the Northern District of Ohio, adding Henry Schein, Inc., Henry Schein Medical Systems, Inc. and others as defendants. Plaintiffs allege that 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 Henry Schein Medical Systems, Inc.) reaped financial rewards by refusing or otherwise failing to monitor appropriately and restrict the improper distribution of those drugs. Plaintiffs assert the following claims for relief against Henry Schein, Inc. and Henry Schein Medical Systems, Inc.: statutory public nuisance; common law absolute public nuisance; negligence; injury through criminal acts (R.C. 2307.60); unjust enrichment; and civil conspiracy. This case has been designated "Track 1" and is currently set for trial on October 21, 2019. We intend to defend ourselves vigorously against this action.

In addition to the County of Summit Action, Henry Schein and/or one or more of its affiliated companies have currently been named as a defendant in multiple lawsuits (currently less than fifty (50)) which allege claims similar to those alleged in the County of Summit Action. None of these other cases have been set for trial. These actions consist of some that have been consolidated within the MDL and are currently abated for discovery purposes, and others which remain pending in state courts and are proceeding independently and outside of the MDL. Sales of opioids in North America (excluding the Henry Schein Animal Health Business) in 2018 were less than 1% of Henry Schein's North American sales (excluding the Henry Schein Animal Health Business). We intend to defend ourselves vigorously against these actions.

On October 9, 2018, a purported class action complaint entitled Kramer v. Henry Schein, Inc., Patterson Co., Inc., Benco Dental Supply Co., and Unnamed Co-Conspirators, was filed in the U.S. District Court for the Northern District of California. The complaint alleges that members of the proposed class, comprised of purchasers of dental services from dental practices in California, suffered antitrust injury due to an unlawful boycott, price-fixing or otherwise anticompetitive conspiracy among Henry Schein, Patterson and Benco. The complaint alleges that the alleged conspiracy overcharged California dental practices, orthodontic practices and dental laboratories on their purchase of dental supplies, which in turn passed on some or all of such overcharges to members of the California class purchasing dental services. Subject to certain exclusions, the complaint defines the class as "all persons residing in California purchasing and/or reimbursing for dental services from California dental practices on or after

August 31, 2012." The complaint alleges violations of California antitrust laws, including the Cartwright Act (Cal. Bus. and Prof. Code § 16720) and the Unfair Competition Act (Cal. Bus. and Prof. Code § 17200), and seeks a permanent injunction, actual damages to be determined at trial, trebled, reasonable attorneys' fees and costs, and pre- and post-judgment interest. On December 7, 2018, an amended complaint was filed asserting the same claims against the same parties. We intend to defend ourselves vigorously against this action.

On January 29, 2019, a purported class action complaint was filed by R. Lawrence Hatchett, M.D. against Henry Schein, Inc., Patterson Co., Inc., Benco Dental Supply Co., and unnamed co-conspirators in the U.S. District Court for the Southern District of Illinois. The complaint alleges that members of the proposed class suffered antitrust injury due to an unlawful boycott, price-fixing or otherwise anticompetitive conspiracy among Henry Schein, Patterson and Benco. The complaint alleges that the alleged conspiracy overcharged Illinois dental practices, orthodontic practices and dental laboratories on their purchase of dental supplies, which in turn passed on some or all of such overcharges to members of the class. Subject to certain exclusions, the complaint defines the class as "all persons residing in Illinois purchasing and/or reimbursing for dental care provided by independent Illinois dental practices purchasing dental supplies from the defendants, or purchasing from buying groups purchasing these supplies from the defendants, on or after January 29, 2015." The complaint alleges violations of the Illinois Antitrust Act, 740 Ill. Comp. Stat. §§ 10/3(2), 10/7(2), and seeks a permanent injunction, actual damages to be determined at trial, trebled, reasonable attorneys' fees and costs, and pre- and post-judgment interest. We intend to defend ourselves vigorously against this action.

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 March 30, 2019, 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.

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 29, 2018.

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

Purchases of equity securities by the issuer

Our share repurchase program, announced on June 21, 2004, originally allowed us to repurchase up to $100 million of shares of our common stock, which represented approximately 3.5% of the shares outstanding at the commencement of the program. As summarized in the table below, subsequent additional increases totaling $3.2 billion, authorized by our Board of Directors, to the repurchase program provide for a total of $3.3 billion of shares of our common stock to be repurchased under this program.

Date of Authorization	Amount of Additional Repurchases Authorized	
October 31, 2005	$	100,000,000
March 28, 2007		100,000,000
November 16, 2010		100,000,000
August 18, 2011		200,000,000
April 18, 2012		200,000,000
November 12, 2012		300,000,000
December 9, 2013		300,000,000
December 4, 2014		300,000,000
November 30, 2015		400,000,000
October 18, 2016		400,000,000
September 15, 2017		400,000,000
December 12, 2018		400,000,000

As of March 30, 2019, we had repurchased approximately $3.0 billion of common stock (60,712,514 shares) under these initiatives, with $250.0 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 March 30, 2019.

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)
12/30/2018 through 02/1/19	-	$	-	-	6,602,798
02/02/19 through 03/02/19	1,125,000		59.72	1,125,000	5,540,469
03/03/19 through 03/30/19	1,398,137		59.23	1,398,137	4,159,045
	2,523,137			2,523,137	

(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.

ITEM 6. EXHIBITS

Exhibits.

10.1	Form of 2019 Restricted Stock Unit Agreement for time-based restricted stock unit awards pursuant to the Henry Schein, Inc. 2013 Stock Incentive Plan (as amended and restated effective as of May 14, 2013).**+
10.2	Form of 2019 Restricted Stock Unit Agreement for performance-based restricted stock unit awards pursuant to the Henry Schein, Inc. 2013 Stock Incentive Plan (as amended and restated effective as of May 14, 2013).**+
10.3	Form of Change in Control Agreement between us and certain executive officers who are a party thereto (Walter Siegel). **+
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	XBRL Instance Document+
101.SCH	XBRL Taxonomy Extension Schema Document+
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document+
101.DEF	XBRL Taxonomy Definition Linkbase Document+
101.LAB	XBRL Taxonomy Extension Label Linkbase Document+
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document+

+ Filed herewith.

** Indicates management contract or compensatory plan or agreement.

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/ Steven Paladino

Steven Paladino
Executive Vice President and
Chief Financial Officer
(Authorized Signatory and Principal Financial
and Accounting Officer)

Dated: May 7, 2019

RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE
HENRY SCHEIN, INC. 2013 STOCK INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE AS OF MAY 14, 2013)

THIS AGREEMENT (the "Agreement") is made as of [Grant Date] (the "Grant Date"), by and between Henry Schein, Inc. (the "Company") and [Participant Name] (the "Participant"). Additional country-specific terms and conditions that govern the grant made hereunder are attached hereto on Annex 1, which terms and conditions are incorporated by reference herein and made a part of the Agreement.

W I T N E S S E T H:

WHEREAS, the Company has adopted the Henry Schein, Inc. 2013 Stock Incentive Plan (as amended and restated effective as of May 14, 2013), as amended from time to time (the "Plan") (a copy of which is on file with the Company's Corporate Human Resources Department and is available for Participant to review upon request at reasonable intervals as determined by the Company), which is administered by a Committee appointed by the Company's Board of Directors (the "Committee");

WHEREAS, pursuant to Section 9(d) of the Plan, the Committee may grant Restricted Stock Units to Key Employees under the Plan;

WHEREAS, the shares of the Company's common stock are traded on the Nasdaq Stock Market under the symbol "HSIC"; and

WHEREAS, the Participant is a Key Employee of the Company or a Subsidiary.

NOW, THEREFORE, for and in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Grant of Restricted Stock Units.

Subject to the restrictions and other conditions set forth herein, in the Plan and Annex 1, the Committee has authorized this grant of [Shares Granted] Restricted Stock Units to the Participant on the Grant Date.

2. Vesting and Payment.

(a) Except as set forth in Sections 2(c) and 2(d), the Restricted Stock Units shall vest on the fourth anniversary of the Grant Date (the "Scheduled Payment Date"); provided that the Participant has not had a Termination of Employment at any time prior tothe Scheduled Payment Date.

(b) Except as set forth in Section 2(c), there shall be no proportionate or partial vesting in the periods prior to the vesting date and all vesting shall occur only on the vesting date; provided that no Termination of Employment has occurred prior to such date.

(c) The Restricted Stock Units shall vest on a pro-rated basis upon the Participant's Retirement, unless otherwise provided expressly in a written agreement between the Participant and the Company (or a Subsidiary). For purposes of this Section 2(c), the Participant shall qualify for "Retirement" if (i) the Participant's age (minimum 55) plus years of service with the Company and its Subsidiaries equal or exceed 70, (ii) the Participant has provided written notice of the Participant's retirement to the Company at least 30 days prior to the date of such retirement, and (iii) no Termination of Employment has occurred prior to the date of such retirement. For purposes of determining the age and service requirement under Section 2(c)(i), the Participant's age and years of service shall be determined by the Participant's most recent birthday and employment anniversary, respectively. For purposes of this Section 2(c), vesting on a pro-rated basis shall be calculated by multiplying the number of Restricted Stock Units set forth under Section 1 by a fraction, the numerator of which is the number of days from the Grant Date to the date of the Participant's Retirement, and the denominator of which is the number of days from the Grant Date to the Scheduled Payment Date.

(d) The Restricted Stock Units shall become fully vested on the earliest of (i) a Termination of Employment by the Company (or a Subsidiary) without Cause occurring within the 2-year period following a Change of Control, (ii) the Participant's Disability and (iii) the Participant's death; provided that no Termination of Employment has occurred prior to any such event, unless otherwise provided expressly in a written agreement between the Participant and the Company (or a Subsidiary). For purposes of this Agreement, "Cause" shall have the meaning set forth in Section 7(b) of the Plan, but shall also include any breach by Participant of any agreement with the Company or any of its Subsidiaries. For purposes of this Agreement, a "Change of Control" shall mean a Change of Control as defined in the Plan. For purposes of this Agreement, "Disability" shall mean the approval of, and receiving benefits for, long term disability by the disability insurance carrier under the Company's (or if applicable, Subsidiary's) long term disability plan.

(e) The Participant shall be entitled to receive one share of Common Stock with respect to one vested Restricted Stock Unit. The Participant shall be paid one share of Common Stock with respect to each vested Restricted Stock Unit within thirty (30) days of the Scheduled Payment Date; except that, in the event of (i) Retirement, (ii) a Termination of Employment by the Company (or a Subsidiary) without Cause occurring within the 2-year period following a Change of Control, (iii) death or (iv) Disability, the Participant shall be paid within thirty (30) days of such Retirement, Termination of Employment, death or Disability, subject to Section 18 set forth in Annex 1 to the extent applicable, including with respect to a Participant who qualifies for Retirement at any time following the Grant Date.

3. **Forfeiture and Recoupment**.

(a) Subject to Section 2 above, all unvested Restricted Stock Units will be forfeited on the Participant's Termination of Employment.

(b) Notwithstanding anything herein or in the Plan to the contrary, the Restricted Stock Units (including any dividends credited thereupon) provided for under this Agreement are conditioned on the Participant not engaging in any Competitive Activity (as defined below) from the date that is twelve (12) months prior to the applicable settlement date set forth in Section 2(e) above (such applicable settlement date, the "Payment Date") through the first anniversary of such Payment Date. If, on or after the date that is twelve (12) months prior to the Payment Date but prior to the Payment Date, the Participant engages in a Competitive Activity, all Restricted Stock Units (including any dividends credited thereupon) (whether or not vested) shall be immediately forfeited in their entirety, and the Participant shall have no further rights or interests with respect to such Restricted Stock Units (including any such dividends). In the event that the Participant engages in a Competitive Activity on or after the Payment Date but on or prior to the first anniversary of such Payment Date, the Company shall have the right to recoup from the Participant, and the Participant shall repay to the Company, within thirty (30) days following demand by the Company, a payment equal to the Fair Market Value of the aggregate shares of Common Stock payable in respect of such Restricted Stock Units (including any dividends credited thereupon) on the Payment Date (including any dividends or other distributions thereafter paid thereon); provided, that, the Company may require the Participant to satisfy such payment obligations hereunder either by forfeiting and returning to the Company such shares of Common Stock, Restricted Stock Units, dividends or any other Shares, or making a cash payment or any combination of these methods, as determined by the Company in its sole discretion. The Company and its Subsidiaries, in their sole discretion, shall have the right to set off (or cause to be set off) any amounts otherwise due to the Participant from the Company (or the applicable Subsidiary) in satisfaction of such repayment obligation, provided that any such amounts are exempt from, or set off in a manner intended to comply with, the requirements of any applicable law (including, without limitation, Section 409A of the Code).

(c) The Participant hereby acknowledges and agrees that the forfeiture and recoupment conditions set forth in this Section 3, in view of the nature of the business in which the Company and its affiliates are engaged, are reasonable in scope and necessary in order to protect the legitimate business interests of the Company and its affiliates, and that any violation thereof would result in irreparable harm to the Company and its affiliates. The Participant also acknowledges and agrees that (i) it is a material inducement and condition to the Company's issuance of the Restricted Stock Units (including any dividends credited thereupon) that such Participant agrees to be bound by such forfeiture and recoupment conditions and, further, that the amounts required to be forfeited or repaid to the Company pursuant to forfeiture and recoupment conditions set forth above are reasonable, and (ii) nothing in this Agreement or the Plan is intended to preclude the Company (or any affiliate thereof) from seeking any remedies available at law, in equity, under contract to the Company or otherwise, and the Company (or any affiliate thereof) shall have the right to seek any such remedy with respect to the Restricted Stock Units, any dividends credited thereupon, or otherwise.

(d) For purposes of this Agreement, the Participant will be deemed to engage in a "Competitive Activity" if, either directly or indirectly, without the express prior written consent of the Company, the Participant (i) takes other employment with, renders services to, or otherwise engages in any business activities with, companies or other entities that are competitors of the Company or any of its affiliates, (ii) solicits or induces, or in any manner attempts to solicit or induce, any person employed by or otherwise providing services to the Company or any of its affiliates, to terminate such person's employment or service relationship, as the case may be, with the Company or any of its affiliates, (iii) diverts, or attempts to divert, any person or entity from doing business with the Company or any of its affiliates or induces, or attempts to induce, any such person or entity from ceasing to be a customer or other business partner of the Company or any of its affiliates, (iv) violates any agreement between the Participant and the Company or any of its affiliates relating to the non-disclosure of proprietary or confidential information of the Company or any of its affiliates, and/or (v) conducts himself or herself in a manner adversely affecting the Company or any of its affiliates, including, without limitation, making false, misleading or negative statements, either orally or in writing, about the Company or any of its affiliates. The determination as to whether the Participant has engaged in a Competitive Activity shall be made by the Committee in its sole discretion.

(e) This Section 3(e) applies solely with respect to Participants who are members of the Company's Executive Management Committee. Notwithstanding anything herein to the contrary, Participant agrees and acknowledges that the Restricted Stock Units awarded under this Agreement and the underlying shares shall be subject to the terms and conditions of the Company's Incentive Compensation Recoupment Policy approved by the Board. Notwithstanding the foregoing, Participant agrees that incentive compensation, as defined under of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and such regulations as are promulgated thereunder from time to time ("Dodd-Frank"), payable to Participant under this Agreement shall be subject to any clawback policy adopted or implemented by the Company in respect of Dodd-Frank, or in respect of any other applicable law or regulation.

4. Dividend Equivalents. Cash dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to a Participant, provided that such cash dividends shall not be deemed to be reinvested in Shares and will be held uninvested and without interest and paid in cash if and when the Restricted Stock Unit vests. Stock dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to a Participant, provided that the Participant shall not be entitled to such dividend unless and until the Restricted Stock Unit vests.

5. Rights as a Stockholder. The Participant shall have no rights as a stockholder with respect to any shares covered by any Restricted Stock Unit unless and until the Participant has become the holder of record of the shares, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares, except as otherwise specifically provided for in this Agreement or the Plan.

6. Withholding. Participant shall pay, or make arrangements to pay, in a manner satisfactory to the Company, an amount equal to the amount of all applicable foreign, federal, state, provincial and local taxes that the Company is required to withhold at any time. In the absence of such arrangements, the Company or one of its Subsidiaries shall have the right to withhold such taxes from the Participant's normal pay or other amounts payable to the Participant. In addition, any statutorily required withholding obligation may be satisfied, in whole or in part, at the Participant's election, in the form and manner prescribed by the Committee, by delivery of shares of Common Stock (including shares issuable under this Agreement).

7. Provisions of Plan Control. This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. Capitalized terms in this Agreement that are not otherwise defined shall have the same meaning as set forth in the Plan. Subject to Section 3, if and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements between the Company and the Participant with respect to the subject matter hereof.

8. Amendment. To the extent applicable, the Board or the Committee may at any time and from time to time amend, in whole or in part, any or all of the provisions of this Agreement to comply with any applicable laws and stock exchange rules and regulations (including, without limitation, Section 409A of the Code and the regulations thereunder) and may also amend, suspend or terminate this Agreement subject to the terms of the Plan. Except as otherwise provided in the Plan, no modification or waiver of any of the provisions of this Agreement shall be effective unless in writing and signed by the party against whom it is sought to be enforced.

9. Notices. Any notice or communication given hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, or by regular United States mail or similar foreign mail or post, first class and prepaid, to the appropriate party at the address set forth below (or such other address as the party shall from time to time specify):

If to the Company, to:
Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747
Attention: General Counsel

If to the Participant, to the address on file with the Company.

10. No Obligation to Continue Employment or Services. This Agreement is not an agreement of employment, consultancy or directorship. This Agreement does not guarantee that the Company or its Subsidiaries will employ or retain, or continue to employ or retain, the Participant during the entire, or any portion of the, term of this Agreement, including but not limited to any period during which any Restricted Stock Unit is outstanding, nor does it modify in any respect the Company or its Subsidiaries' right to terminate or modify the Participant's employment, service relationship or compensation.

11. Legend. The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing Shares issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing Shares acquired pursuant to this Agreement in the possession of the Participant in order to carry out the provisions of this Section.

12. Securities Representations. The grant of the Restricted Stock Units and issuance of Shares upon vesting of the Restricted Stock Units shall be subject to, and in compliance with, all applicable requirements of federal, state or foreign securities law. No Shares may be issued hereunder if the issuance of such Shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. As a condition to the settlement of the Restricted Stock Units, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation.

The Shares are being issued to the Participant and this Agreement is being made by the Company in reliance upon the following express representations and warranties of the Participant. The Participant acknowledges, represents and warrants that:

(a) He or she has been advised that he or she may be an "affiliate" within the meaning of Rule 144 under the Securities Act of 1933, as amended (the "Act") and in this connection the Company is relying in part on his or her representations set forth in this section.

(b) If he or she is deemed an affiliate within the meaning of Rule 144 of the Act, the Shares must be held indefinitely unless an exemption from any applicable resale restrictions is available or the Company files an additional registration statement (or a "re-offer prospectus") with regard to such Shares and the Company is under no obligation to register the Shares (or to file a "re-offer prospectus").

(c) If he or she is deemed an affiliate within the meaning of Rule 144 of the Act, he or she understands that the exemption from registration under Rule 144 will not be available unless (i) a public trading market then exists for the Common Stock of the Company, (ii) adequate information concerning the Company is then available to the public, and (iii) other terms and conditions of Rule 144 or any exemption therefrom are complied with; and that any sale of the Shares may be made only in limited amounts in accordance with such terms and conditions.

13. Transfer of Personal Data. The Participant authorizes, agrees and unambiguously consents to the transmission and processing by the Company (or any Subsidiary) of any personal data information related to Restricted Stock Units awarded under this Agreement, for legitimate business purposes (including, without limitation, the administration of the Plan) out of the Participant's home country and including to countries with less data protection laws than the data protection laws provided by the Participant's home country. This authorization/consent is freely given by the Participant.

14. Delivery Delay. The delivery of any certificate representing the Common Stock may be postponed by the Company for such period as may be required for it to comply with any applicable foreign, federal, state or provincial securities law, or any national securities exchange listing requirements and the Company is not obligated to issue or deliver any securities if, in the opinion of counsel for the Company, the issuance of such Shares shall constitute a violation by the Participant or the Company of any provisions of any applicable foreign, federal, state or provincial law or of any regulations of any governmental authority or any national securities exchange. The Participant acknowledges and understands that the Company intends to meet its delivery obligations in Common Stock with respect to Restricted Stock Units, except as may be prohibited by law or described in this Agreement, the Plan or supplementary materials.

15. Miscellaneous.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

(a) This Agreement shall be governed and construed in accordance with the laws of New York (regardless of the law that might otherwise govern under applicable New York principles of conflict of laws).

(b) This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one contract.

(c) The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

(d) This Agreement and the Plan do not create a joint venture or partnership between the Company and any Subsidiary.

(e) Notwithstanding any provisions in this Agreement, this grant of Restricted Stock Units shall be subject to any additional country-specific terms and conditions set forth in Annex 1 to the Agreement for the Participant's country to the extent applicable. Moreover, if Participant relocates to one of the countries included in Annex 1, the additional country-specific terms and conditions for such country, if any, will apply to Participant to the extent that the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons.

16. ACQUIRED RIGHTS. THE PARTICIPANT ACKNOWLEDGES AND AGREES THAT: (A) THE COMPANY MAY TERMINATE OR AMEND THE PLAN AT ANY TIME; (B) THE AWARD OF RESTRICTED STOCK UNITS MADE UNDER THIS AGREEMENT IS COMPLETELY INDEPENDENT OF ANY OTHER AWARD OR GRANT AND IS MADE AT THE SOLE DISCRETION OF THE COMPANY; AND (C) NO PAST GRANTS OR AWARDS (INCLUDING, WITHOUT LIMITATION, THE RESTRICTED STOCK UNITS AWARDED HEREUNDER) GIVE THE PARTICIPANT ANY RIGHT TO ANY GRANTS OR AWARDS IN THE FUTURE WHATSOEVER.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

HENRY SCHEIN, INC.

Michael S. Ettinger
Senior Vice President, Corporate & Legal Affairs and Chief of Staff

PARTICIPANT

[Electronic Signature]

[Participant Name]

[Acceptance Date]

ANNEX 1

Additional Country Specific Terms and Conditions
for the Restricted Stock Unit Agreement

This Annex 1 includes additional terms and conditions that govern the Restricted Stock Units granted to the Participant under the Plan if the Participant works or resides in, or is otherwise subject to the taxes imposed by, one of the countries listed below. This Annex 1 also includes other information that may impact the Participant's participation in the Plan. Certain capitalized terms used but not defined in this Annex 1 have the meanings set forth in the Plan and/or the Agreement. This Annex 1 forms part of the Agreement and should be read in conjunction with the Agreement and the Plan.

The Participant agrees to sign any additional agreements or undertakings that may be necessary or advisable in order to comply with applicable law or facilitate the administration of the Plan. Furthermore, the Participant acknowledges that the applicable law of the country in which the Participant is subject to taxes or is residing or working at the time of grant or vesting of the Restricted Stock Units or the sale of shares of Common Stock received pursuant to the Restricted Stock Units (including any rules or regulations governing securities, foreign exchange, tax, labor, employment, or other matters) may restrict or prevent the issuance of shares of Common Stock or subject the Participant to additional terms and conditions or procedural or regulatory requirements that the Participant is or will be solely responsible for and must fulfill. Such requirements may be outlined in but are not limited to items listed below in this Annex 1.

If the Participant is a citizen or resident of a country other than the country in which he or she is subject to taxes or is residing and/or working, or if the Participant transfers employment or residency after the Restricted Stock Units are granted to him or her, the information contained in this Annex 1 may not be applicable to the Participant. Tax laws are often complex and outcomes can vary depending on individual circumstances. Accordingly, the Participant is advised to seek appropriate professional advice as to how tax and other relevant laws in the applicable country may apply to his or her situation.

AUSTRALIA

There are no country-specific provisions.

AUSTRIA

There are no country-specific provisions.

BELGIUM

There are no country-specific provisions.

BRAZIL

Section 2(a) shall be amended to add "for cause" after "Participant has not had a Termination of Employment".

Section 2(b) shall be amended to add "for cause" after "provided that no Termination of Employment" and to add the following at the end thereof:

> "Notwithstanding the foregoing, in the event of a Termination of Employment other than for cause, the Restricted Stock Units shall vest on a pro-rated basis through the date of the Termination of Employment."

Section 2(c)(iii), 2(d)(proviso) and 2(e)(proviso) shall be amended to add “for cause” after “no Termination of Employment”.

Section 3(a) shall be amended by to add “for cause” after “Termination of Employment”.

Section 3(b) shall be amended by adding the following to the end thereof:

> “In case the Participant engages in any competitive activity after twelve (12) months of the first anniversary of the Payment Date and does not repay the Company, the Company shall be entitled to use all judicial remedies available at law, including, without limitation, the recovery of damages arising from such breach and shall only be entitled to recoup from Participant the maximum amount permitted under Brazilian law.

Section 15(a) shall be deleted in its entirety and replaced with the following:

> “This Agreement shall be governed and construed in accordance with the laws of Brazil.”

CANADA

Section 2(e) of the Agreement is hereby deleted in its entirety and replaced with the following:

> “Upon the vesting of each Restricted Stock Unit, the Participant shall receive one share of Common Stock. Notwithstanding the foregoing, prior to the vesting of each Restricted Stock Unit, the Participant may elect to receive a cash payment from the Company in an amount equal to the Fair Market Value of a share of Common Stock on the date of vesting; provided such election may only be effective if it is in lieu of receiving a share of Common Stock (or portion thereof) covering such Restricted Stock Unit. Any such election shall be made in a form acceptable to the Company. Upon the Participant’s receipt of such cash payment, the Company shall cancel the corresponding Restricted Stock Unit.”

CHINA (Excluding Hong Kong)

Section 2(e) of the Agreement is hereby deleted in its entirety and replaced with the following:

> “Upon the vesting of each Restricted Stock Unit, the Participant shall receive one share of Common Stock. Notwithstanding the foregoing, prior to the vesting of each Restricted Stock Unit, the Participant may elect to receive a cash payment from the Company in an amount equal to the Fair Market Value of a share of Common Stock on the date of vesting; provided such election may only be effective if it is in lieu of receiving a share of Common Stock (or portion thereof) covering such Restricted Stock Unit. Any such election shall be made in a form acceptable to the Company. Upon the Participant’s receipt of such cash payment, the Company shall cancel the corresponding Restricted Stock Unit.”

CHILE

There are no country-specific provisions.

COLOMBIA

There are no country-specific provisions.

DENMARK

The Agreement is subject to the mandatory regulation under the Danish Stock Options Act (the “Act”) for Employees (meaning any person who works under the instructions of the employer and receives consideration in return for personal work) employed by Danish entities.

An Employee who is a participant under the Agreement shall receive a separate written statement issued in accordance with mandatory regulation under the Act as an appendix to the Agreement.

Section 4 and section 5 of the Act provides that if the employment ends due to termination of the employment on the part of the employer before the Employee has exercised the awarded rights to acquire shares, the employee shall retain such rights in accordance with the exercise terms stipulated in the scheme or the agreement as if the Employee were still an Employee. Furthermore, the Employee maintains the right to a pro rata share, calculated in proportion to the duration of his or her employment period during the financial year, of the awards to which he or she would have been entitled under agreement or custom if the Employee were still an Employee at the end of the financial year or at the date of award. This also applies where (1) the Employee resigns due to the fact that he or she has reached the retirement age applicable within the trade or the employer in question, or due to the fact that the Employee is entitled to pension under the national pension scheme or retirement pension from the employer, or (2) the Employee terminates the employment without notice due to material breach on the part of the employer.

If the employment ends due to termination of the employment on the part of the Employee before the employee's exercise of the awarded rights to acquire shares, such right of exercise will lapse, unless otherwise stipulated in the terms governing exercise set out in the scheme or the agreement. Furthermore, any right to receive awards after the end of the employment will also lapse. The same applies if the termination is due to breach of the terms of employment on the part of the Employee, or if the Employee has been summarily dismissed with just cause.

In section 2(a), 2(b), 2(c), 2(d), 2(e), and 3(a) reference is made to the Termination of Employment and the requirement of the Participant to be employed by the Company. Such reference shall be interpreted in accordance with section 4 and section 5 of the Act.

Section 2(c) is hereby deleted in its entirety.

FRANCE

The following shall be added to the end of the preamble in the Agreement:

> "The Agreement complies with the provisions of articles L 225-197-1 to L 225-197-3 of the French Commercial Code (see "Details of the amendments to the US RSU Agreement")."

Section 2(e) of the Agreement is hereby deleted in its entirety and replaced with the following:

> "In any case, the total number of shares of Common Stock freely allotted by the Company to individuals in France shall not exceed 10% of the outstanding securities of the Company. Notwithstanding anything herein to the contrary, shares of Common Stock may not be allotted to a Participant who holds more than 10% of the outstanding securities of the Company and a free allotment of shares of Common Stock shall not result in the Participant holding more than 10% of the outstanding securities of the Company."

Sections 3(b) and 3(c) of the Agreement shall hereby be read as if (i) all parentheticals that include the word "dividend" or "dividends" have been deleted, and (ii) all references to "dividends" and "any dividends credited thereupon" have been deleted.

Section 4 of the Agreement is hereby deleted in its entirety and replaced with the following:

> "Holding Period. Following the vesting of Restricted Stock Units hereunder, if any, the Participant shall receive and be required to hold the resulting shares of Common Stock for a period of at least two years following such applicable vesting date, except that such holding requirement shall not apply in the case of death or Disability. At the end of such holding period, such shares of Common Stock shall not be sold or otherwise transferred: (a) during the period of ten stock exchange trading dates that precede or follow the date of the Company's filing of the Company's Form 10-K or 10-Q, as applicable; or (b) during a scheduled or unscheduled blackout prohibiting certain sales of shares of Common Stock, if applicable to the Participant."

Section 5 of the Agreement is hereby deleted in its entirety and replaced with the following:

> "Rights as a Stockholder. The Participant shall have no rights as a stockholder with respect to any shares of Common Stock covered by any Restricted Stock Unit including, without limitation, voting and dividend rights, unless and until the Participant has become the holder of record of the shares of Common Stock at the end of the vesting period, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares."

GERMANY

There are no country-specific provisions.

HONG KONG

Section 3(b) of the Agreement shall hereby be read as if all references to "Subsidiary" or "Subsidiaries" have been deleted.

The following shall be added to the end of Section 13 of the Agreement:

> "If the Participant is unable to provide his or her personal data as requested by the Company (or any Subsidiary) the Participant may not be able to participate in the Plan. The Participant has the right to request access to and to request the correction of his or her personal data pursuant to applicable data privacy law. Any such data access and request should be made in writing and addressed to the Company's Corporate Human Resources Department located at 135 Duryea Road, Melville, New York 11747, USA."

IRELAND

There are no country-specific provisions.

ITALY

There are no country-specific provisions.

LIECHTENSTEIN

There are no country-specific provisions.

NETHERLANDS

There are no country-specific provisions.

NEW ZEALAND

There are no country specific provisions.

NORTHERN IRELAND

There are no country-specific provisions.

NORWAY

For the purposes of this Agreement, the term "without cause" as used in Sections 2(d) and (e), shall be construed to mean:

> "Without the lawful cause of termination being based on circumstances related to the employee, cf. the Norwegian Work Environment Act (2005) section 15-7."

POLAND

The following shall be added to the end of Section 3(b) of the Agreement:

> "Neither this Section 3(b) nor any other provision of the Agreement shall be understood, construed or interpreted as the Participant's obligation to refrain from engaging in the Competitive Activity. This Agreement does not create any post-employment non-competition obligations. This Section 3(b) sets forth a resolutive condition to acquiring the right to the Restricted Stock Units (including any dividends credited thereupon). Such condition is the Participant's engagement in Competitive Activity as set forth above. If the resolutive condition is met, the Participant's right to the Restricted Stock Units (including any dividends credited thereupon) shall be terminated with the reverse effect as determined above."

Section 13 of the Agreement is hereby deleted in its entirety and replaced with the following:

> "Transfer of Personal Data. The Participant authorizes, agrees and unambiguously consents to the transmission and processing by the Company of any personal data information necessary to perform and execute this Agreement, including any personal data information necessary to grant the Restricted Stock Unit under this Agreement. The Participant is aware that his or her personal data information may be transmitted out of the Participant's home country and including to countries with less data protection laws than the data protection laws provided by the Participant's home country (the Company is headquartered in Melville, New York and currently is not "Safe Harbor" certified). The Participant agrees and unambiguously consents to such transmission. This authorization/consent is freely given by the Participant. Should the performance or execution of this Agreement require the transmission of the Participant's personal data information by a Subsidiary, such transmission shall be made upon the Participant's prior consent made in writing and indicating the detailed scope of personal data information which is to be transmitted and the purpose of transmission. If such transmission of the Participant's personal data information by a Subsidiary encompasses transmission to countries with less data protection laws than the data protection laws provided by the Participant's home country, such consent shall expressly indicate such circumstances."

The following shall be added to the Agreement as a new Section 17:

> "Condition of Employment. Notwithstanding anything herein or in the Plan to the contrary, the acquisition of the rights of the Restricted Stock Units by the Participant is conditioned upon the Participant's continued employment with the Company or a Subsidiary through the Scheduled Payment Date, subject to Sections 2(c) and 2(d). The Restricted Stock Units are due for staying in employment until the Scheduled Payment Date. Under such circumstances where there is a Termination of Employment, the Participant shall not acquire the right to the unvested Restricted Stock Units. The rights and obligations under this Agreement are outside the Participant's employment relationship with the Company or Subsidiary."

SINGAPORE

The following legend shall be added to the end of the preamble in the Agreement:

> "This grant of the Restricted Stock Units under this Agreement is being made in reliance of section 273(1)(i) of the Securities and Futures Act (Chapter 289 of Singapore) ("SFA") for which it is exempt from the prospectus and registration requirements under the SFA. The 2013 Stock Incentive Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. The Participant should note that this grant of Restricted Stock Units under this Agreement is subject to section 257 of the SFA and the shares of the Company's common stock issued pursuant to such Restricted Stock Units may not be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the SFA (other than section 280 of the SFA)."

Section 13 of the Agreement is hereby deleted in its entirety and replaced with the following:

> **"Transfer of Personal Data.** The Participant authorises, agrees and unambiguously consents to the collection, use, disclosure, transfer, transmission and processing by the Company (or any Subsidiary) of any personal data information related to Restricted Stock Units awarded under this Agreement, for the following purposes: (a) the administration and execution of the Plan; and (b) purposes which are reasonably related to the aforesaid) out of the Participant's home country and including to countries with less data protection laws than the data protection laws provided by the Participant's home country. This authorisation/consent is freely given by the Participant."

SOUTH AFRICA

There are no country-specific provisions.

SPAIN

There are no country-specific provisions.

SWEDEN

There are no country-specific provisions.

SWITZERLAND

There are no country-specific provisions.

THAILAND

Section 3(b) of the Agreement is hereby amended to delete the last sentence thereof.

UNITED KINGDOM

As of the Grant Date, if the Participant either (i) qualifies for Retirement (as defined in Section 2(c) of the Agreement) or (ii) may become eligible to qualify for Retirement prior to the Scheduled Payment Date, Section 4 of the Agreement is hereby deleted in its entirety and replaced with the following:

> "Dividend Equivalents. Cash dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to the Participant, provided that such cash dividends shall not be deemed to be reinvested in Shares and will be held uninvested and without interest. The Participant's right to receive any such cash dividends shall vest if and when the related Restricted Stock Unit vests, and such cash dividends shall be paid in cash to the Participant if and when the related Restricted Stock Unit is paid to the Participant. Stock dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to the Participant. The Participant's right to receive any such stock dividends shall vest if and when the related Restricted Stock Unit vests, and such stock dividends shall be paid in stock to the Participant if and when the related Restricted Stock Unit is paid to the Participant."

The following is added to the Agreement as a new Section 17:

> "Section 431. The Participant agrees to enter into a Joint Election with the Company under Section 431 of the Income Tax (Earnings and Pensions) Act of 2003 ("ITEPA") for full or partial disapplication of Chapter 2 ITEPA under the laws of the United Kingdom. The election must be signed and dated by the Participant and returned to the Company within 14 days of each grant of Shares."

UNITED STATES

The second to last sentence of Section 2(d) of Agreement is hereby deleted in its entirety and replaced with the following:

> "For the purposes of this Agreement, a "Change of Control" shall mean the occurrence of a Section 409A Change of Control (as defined in Section 17)."

As of the Grant Date, if the Participant either (i) qualifies for Retirement (as defined in Section 2(c) of the Agreement) or (ii) may become eligible to qualify for Retirement prior to the Scheduled Payment Date, Section 4 of the Agreement is hereby deleted in its entirety and replaced with the following:

> "Dividend Equivalents. Cash dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to the Participant, provided that such cash dividends shall not be deemed to be reinvested in Shares and will be held uninvested and without interest. The Participant's right to receive any such cash dividends shall vest if and when the related Restricted Stock Unit vests, and such cash dividends shall be paid in cash to the Participant if and when the related Restricted Stock Unit is paid to the Participant. Stock dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to the Participant. The Participant's right to receive any such stock dividends shall vest if and when the related Restricted Stock Unit vests, and such stock dividends shall be paid in stock to the Participant if and when the related Restricted Stock Unit is paid to the Participant."

The following shall be added to the Agreement as a new Section 17:

> "Change of Control Defined.For purposes of this Agreement, a "Section 409A Change of Control" shall be deemed to have occurred upon:
>
> (i) an acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of (A) 50% or more of the then outstanding Shares or (B) 33% or more of the total combined voting power of the then outstanding voting securities of HSI entitled to vote generally in the election of directors (the "Outstanding HSI Voting Securities"); excluding, however, the following: (w) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (x) any acquisition by the Company, (y) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or (z) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or similar corporate transaction (in each case, a "Corporate Transaction"), if, pursuant to such Corporate Transaction, the conditions described in clauses (A), (B) and (C) of paragraph (iii) below are satisfied; or
>
> (ii) within any 12-month period beginning on or after the date of the Agreement, the individuals who constitute the Board immediately before the beginning of such period (the Board as of the date hereof shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided that for purposes of this Subsection any individual who becomes a member of the Board subsequent to the date hereof whose election, or nomination for election by HSI's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who are also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or
>
> (iii) the consummation of a Corporate Transaction or, if consummation of such Corporate Transaction is subject to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the outstanding Shares and Outstanding HSI Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction and the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors, in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the outstanding Shares and Outstanding HSI Voting Securities, as the case may be, (B) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or the corporation resulting from such Corporate Transaction and any Person beneficially owning, immediately prior to such Corporate Transaction, directly or indirectly, 33% or more of the outstanding Shares or Outstanding HSI Voting Securities, as the case may be, will beneficially own, directly or indirectly, 33% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding securities of such corporation entitled to vote generally in the election of directors and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(iv) the sale or other disposition of all or substantially all of the assets of the Company; excluding, however, such sale or other disposition to a corporation with respect to which, following such sale or other disposition, (x) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors will be then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Common Stock and Outstanding HSI Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the outstanding Common Stock and Outstanding HSI Voting Securities, as the case may be, (y) no Person (other than the Company and any employee benefit plan (or related trust) of the Company or such corporation and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 33% or more of the outstanding Common Stock or Outstanding HSI Voting Securities, as the case may be) will beneficially own, directly or indirectly, 33% or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (z) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of such corporation.

(v) No event set forth herein shall constitute a "Section 409A Change of Control" unless such event also qualifies as a "change in control event" for purposes of Treasury Regulation § 1.409A-3(i)(5). Accordingly, the definition of "Section 409A Change of Control" set forth herein shall be limited, construed and interpreted in accordance with Section 409A and the regulations issued thereunder."

The following shall be added to the Agreement as a new Section 18:

"Section 409A.This Agreement is subject to Section 16(i) of the Plan, and any provisions in this Agreement providing for the payment of "nonqualified deferred compensation" (as defined in Section 409A of the Code and the Treasury regulations thereunder) to the Participant are intended to comply with, or be exempt from, the requirements of Section 409A of the Code, and this Agreement shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate or defer the timing of the payment of any such nonqualified deferred compensation, except in compliance with Section 409A of the Code and this Agreement, and no amount shall be paid prior to the earliest date on which it is permitted to be paid under Section 409A of the Code and this Agreement. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Participant as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. A Termination of Employment or Retirement shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Section 409A of the Code upon or following a Termination of Employment or Retirement, as applicable, unless such Termination of Employment or Retirement, as applicable, is also a "separation from service" within the meaning of Section 409A of the Code and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If the Participant is a "specified employee," upon his or her "separation from service" (as defined under Section 409A of the Code under such definitions and procedures as established by the Company in accordance with Section 409A of the Code), any portion of a payment, settlement, or other distribution made upon such a "separation from service" that would cause the acceleration of, or an addition to, any taxes pursuant to Section 409A of the Code will not commence or be paid until a date that is six (6) months and one (1) day following the applicable "separation from service." Any payments, settlements, or other distributions that are delayed pursuant to this Section 18 following the applicable "separation from service" shall be accumulated and paid to the Participant in a lump sum without interest on the first business day immediately following the required delay period. Any amounts payable hereunder that satisfy the short-term deferral exception in Treas. Reg. §1.409A-1(b)(4) shall not be subject to Section 409A of the Code. Whenever a payment under this Agreement may be paid within a specified period, the actual date of payment within the specified period shall be within the Company's sole discretion."

RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE
HENRY SCHEIN, INC. 2013 STOCK INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE AS OF MAY 14, 2013)

THIS AGREEMENT (the "Agreement") is made as of [Grant Date] (the "Grant Date"), by and between Henry Schein, Inc. (the "Company") and [Participant Name] (the "Participant"). Additional country-specific terms and conditions that govern the grant made hereunder are attached hereto on Annex 1, which terms and conditions are incorporated by reference herein and made a part of the Agreement.

W I T N E S S E T H:

WHEREAS, the Company has adopted the Henry Schein, Inc. 2013 Stock Incentive Plan (as amended and restated effective as of May 14, 2013), as amended from time to time (the "Plan") (a copy of which is on file with the Company's Corporate Human Resources Department and is available for Participant to review upon request at reasonable intervals as determined by the Company), which is administered by a Committee appointed by the Company's Board of Directors (the "Committee");

WHEREAS, pursuant to Section 9(d) of the Plan, the Committee may grant Restricted Stock Units to Key Employees under the Plan;

WHEREAS, the shares of the Company's common stock are traded on the Nasdaq Stock Market under the symbol "HSIC"; and

WHEREAS, the Participant is a Key Employee of the Company or a Subsidiary.

NOW, THEREFORE, for and in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Grant of Restricted Stock Units.

Subject to the restrictions and other conditions set forth herein, in the Plan and Annex 1, the Committee has authorized this grant of [Shares Granted] Restricted Stock Units to the Participant on the Grant Date.

2. Vesting and Payment.

(a) Except as otherwise provided in Sections 2(c), 2(d), 2(e) and 2(f), the Restricted Stock Units awarded under this Agreement shall not vest unless and until (1) the Committee determines and certifies that the target(s) and performance goal(s), a copy of which is on file with the Company's Corporate Human Resources Department and is available for Participant to review upon reasonable request and at reasonable intervals as determined by the Company (collectively, the "Performance Goal(s)"), have been satisfied with respect to the three-year period beginning on or about January 1 of the year the grant was made and (2) the third anniversary of the Grant Date (the "Scheduled Payment Date"); provided, however, that if the satisfaction of the Performance Goal(s) exceed 100% of the targets, the Committee shall issue to the Participant such additional Shares in an amount that corresponds to the incremental percentage of the goal(s) achieved in excess of 100% of the targets up to a maximum of 150% of targets, provided that any such additional Shares shall be subject to the terms and conditions of this Agreement. Except as set forth in Sections 2(c), 2(d), 2(e) and 2(f), if the targets and Performance Goal(s) are not satisfied in accordance with this Section 2(a), the Restricted Stock Unit awarded under this Agreement shall be forfeited. Notwithstanding anything herein or in the Plan to the contrary, but except as set forth in Sections 2(c), 2(d), 2(e) and 2(f), the Participant must be employed by the Company (or a Subsidiary) at the times the targets and Performance Goal(s) are satisfied and on the third anniversary of the date of grant. The Participant acknowledges and agrees that the Performance Goal(s) are confidential and agrees to execute the Company's form confidentiality agreement prior to viewing Performance Goal(s), actual performance results and/or mandatory adjustments.

(b) Except as set forth in Sections 2(c), 2(d) and 2(f), there shall be no proportionate or partial vesting in the periods prior to the vesting date and all vesting shall occur only on the vesting date; provided that no Termination of Employment has occurred prior to such date.

(c) The Restricted Stock Units shall vest on a pro-rated basis, assuming target levels of the Performance Goals have been achieved, upon the Participant's Retirement, unless otherwise provided expressly in a written agreement between the Participant and the Company (or a Subsidiary). For purposes of this Section 2, the Participant shall qualify for "Retirement" if (i) the Participant's age (minimum 55) plus years of service with the Company and its Subsidiaries equal or exceed 70, (ii) the Participant has provided written notice of the Participant's retirement to the Company at least 30 days prior to the date of such retirement, and (iii) no Termination of Employment has occurred prior to the date of such retirement. For purposes of determining the age and service requirement under Section 2(c)(i), the Participant's age and years of service shall be determined by the Participant's most recent birthday and employment anniversary, respectively.

(d) The Restricted Stock Units shall vest on a pro-rated basis, assuming target levels of the Performance Goals have been achieved, upon the Participant's Disability, provided that no Termination of Employment has occurred prior to such date, unless otherwise provided expressly in a written agreement between the Participant and the Company (or a Subsidiary). For purposes of this Agreement, "Disability" shall mean the approval of, and receiving benefits for, long term disability by the disability insurance carrier under the Company's (or if applicable, Subsidiary's) long term disability plan.

(e) The Restricted Stock Units shall vest in full, assuming target levels of the Performance Goals have been achieved, upon a Termination of Employment by the Company (or a Subsidiary) without Cause occurring within the 2-year period following a Change of Control; provided that no Termination of Employment has occurred prior to such date, unless otherwise provided expressly in a written agreement between the Participant and the Company (or a Subsidiary). For purposes of this Agreement, “Cause” shall have the meaning set forth in Section 7(b) of the Plan, but shall also include any breach by Participant of any agreement with the Company or any of its Subsidiaries. For purposes of this Agreement, a “Change of Control” shall mean the occurrence of a Change of Control (as defined in the Plan).

(f) The Restricted Stock Units shall vest on a pro-rated basis, assuming target levels of the Performance Goals have been achieved, upon the Participant’s death, provided that no Termination of Employment has occurred prior to such date, unless otherwise provided expressly in a written agreement between the Participant and the Company (or a Subsidiary).

(g) For purposes of Sections 2(c), 2(d) and 2(f), vesting on a pro-rated basis shall be calculated by multiplying the number of Restricted Stock Units set forth under Section 1 by a fraction, the numerator of which is the number of days from the Grant Date to the date of the Participant’s death, Disability or Retirement, as applicable, and the denominator of which is the number of days from the Grant Date to the Scheduled Payment Date.

(h) The Participant shall be entitled to receive one share of Common Stock with respect to one vested Restricted Stock Unit. The Participant shall be paid one share of Common Stock with respect to each vested Restricted Stock Unit within thirty (30) days of the Scheduled Payment Date; except that, in the event of (i) Retirement, (ii) a Termination of Employment by the Company (or a Subsidiary) without Cause occurring within the 2-year period following a Change of Control, (iii) death or (iv) Disability, the Participant shall be paid within thirty (30) days of such Retirement, Termination of Employment, death or Disability, subject to Section 18 set forth in Annex 1 to the extent applicable, including with respect to a Participant who qualifies for Retirement at any time following the Grant Date.

3. Forfeiture and Recoupment.

(a) Subject to Section 2 above, all unvested Restricted Stock Units will be forfeited on the Participant’s Termination of Employment.

(b) Notwithstanding anything herein or in the Plan to the contrary, the grant of Restricted Stock Units (including any dividends credited thereupon) provided for under this Agreement is conditioned on the Participant not engaging in any Competitive Activity (as defined below) from the date that is twelve (12) months prior to the applicable settlement date set forth in Section 2 above (such applicable settlement date, the “Payment Date”) through the first anniversary of such Payment Date. If, on or after the date that is twelve (12) months prior to the Payment Date but prior to the Payment Date, the Participant engages in a Competitive Activity, all Restricted Stock Units (including any dividends credited thereupon) (whether or not vested) shall be immediately forfeited in their entirety, and the Participant shall have no further rights or interests with respect to such Restricted Stock Units (including any such dividends). In the event that the Participant engages in a Competitive Activity on or after the Payment Date but on or prior to the first anniversary of such Payment Date, the Company shall have the right to recoup from the Participant, and the Participant shall repay to the Company, within thirty (30) days following demand by the Company, a payment equal to the Fair Market Value of the aggregate shares of Common Stock payable in respect of such Restricted Stock Units (including any dividends credited thereupon) on the Payment Date (including any dividends or other distributions thereafter paid thereon); provided, that, the Company may require the Participant to satisfy such payment obligations hereunder either by forfeiting and returning to the Company such shares of Common Stock, Restricted Stock Units, dividends or any other Shares, or making a cash payment or any combination of these methods, as determined by the Company in its sole discretion. The Company and its Subsidiaries, in their sole discretion, shall have the right to set off (or cause to be set off) any amounts otherwise due to the Participant from the Company (or the applicable Subsidiary) in satisfaction of such repayment obligation, provided that any such amounts are exempt from, or set off in a manner intended to comply with, the requirements of any applicable law (including, without limitation, Section 409A of the Code).

(c) The Participant hereby acknowledges and agrees that the forfeiture and recoupment conditions set forth in this Section 3, in view of the nature of the business in which the Company and its affiliates are engaged, are reasonable in scope and necessary in order to protect the legitimate business interests of the Company and its affiliates, and that any violation thereof would result in irreparable harm to the Company and its affiliates. The Participant also acknowledges and agrees that (i) it is a material inducement and condition to the Company’s issuance of the Restricted Stock Units (including any dividends credited thereupon) that such Participant agrees to be bound by such forfeiture and recoupment conditions and, further, that the amounts required to be forfeited or repaid to the Company pursuant to forfeiture and recoupment conditions set forth above are reasonable, and (ii) nothing in this Agreement or the Plan is intended to preclude the Company (or any affiliate thereof) from seeking any remedies available at law, in equity, under contract to the Company or otherwise, and the Company (or any affiliate thereof) shall have the right to seek any such remedy with respect to the Restricted Stock Units, any dividends credited thereupon, or otherwise.

(d) For purposes of this Agreement, the Participant will be deemed to engage in a "Competitive Activity" if, either directly or indirectly, without the express prior written consent of the Company, the Participant (i) takes other employment with, renders services to, or otherwise engages in any business activities with, companies or other entities that are competitors of the Company or any of its affiliates, (ii) solicits or induces, or in any manner attempts to solicit or induce, any person employed by or otherwise providing services to the Company or any of its affiliates, to terminate such person's employment or service relationship, as the case may be, with the Company or any of its affiliates, (iii) diverts, or attempts to divert, any person or entity from doing business with the Company or any of its affiliates or induces, or attempts to induce, any such person or entity from ceasing to be a customer or other business partner of the Company or any of its affiliates, (iv) violates any agreement between the Participant and the Company or any of its affiliates relating to the non-disclosure of proprietary or confidential information of the Company or any of its affiliates, and/or (v) conducts himself or herself in a manner adversely affecting the Company or any of its affiliates, including, without limitation, making false, misleading or negative statements, either orally or in writing, about the Company or any of its affiliates. The determination as to whether the Participant has engaged in a Competitive Activity shall be made by the Committee in its sole discretion.

(e) This Section 3(e) applies solely with respect to Participants who are members of the Company's Executive Management Committee. Notwithstanding anything herein to the contrary, Participant agrees and acknowledges that the Restricted Stock Units awarded under this Agreement and the underlying shares shall be subject to the terms and conditions of the Company's Incentive Compensation Recoupment Policy approved by the Board. Notwithstanding the foregoing, Participant agrees that incentive compensation, as defined under of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and such regulations as are promulgated thereunder from time to time ("Dodd-Frank"), payable to Participant under this Agreement shall be subject to any clawback policy adopted or implemented by the Company in respect of Dodd-Frank, or in respect of any other applicable law or regulation.

4. Dividend Equivalents. Cash dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to a Participant, provided that such cash dividends shall not be deemed to be reinvested in Shares and will be held uninvested and without interest and paid in cash if and when the Restricted Stock Unit vests. Stock dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to a Participant, provided that the Participant shall not be entitled to such dividend unless and until the Restricted Stock Unit vests.

5. Rights as a Stockholder. The Participant shall have no rights as a stockholder with respect to any shares covered by any Restricted Stock Unit unless and until the Participant has become the holder of record of the shares, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares, except as otherwise specifically provided for in this Agreement or the Plan.

6. Withholding. Participant shall pay, or make arrangements to pay, in a manner satisfactory to the Company, an amount equal to the amount of all applicable foreign, federal, state, provincial and local taxes that the Company is required to withhold at any time. In the absence of such arrangements, the Company or one of its Subsidiaries shall have the right to withhold such taxes from the Participant's normal pay or other amounts payable to the Participant. In addition, any statutorily required withholding obligation may be satisfied, in whole or in part, at the Participant's election, in the form and manner prescribed by the Committee, by delivery of shares of Common Stock (including shares issuable under this Agreement).

7. Provisions of Plan Control. This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. Capitalized terms in this Agreement that are not otherwise defined shall have the same meaning as set forth in the Plan. Subject to Section 3, if and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements between the Company and the Participant with respect to the subject matter hereof.

8. Amendment. To the extent applicable, the Board or the Committee may at any time and from time to time amend, in whole or in part, any or all of the provisions of this Agreement to comply with any applicable laws and stock exchange rules and regulations (including, without limitation, Section 409A of the Code and the regulations thereunder) and may also amend, suspend or terminate this Agreement subject to the terms of the Plan. Except as otherwise provided in the Plan, no modification or waiver of any of the provisions of this Agreement shall be effective unless in writing and signed by the party against whom it is sought to be enforced.

9. Notices. Any notice or communication given hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, or by regular United States mail or similar foreign mail or post, first class and prepaid, to the appropriate party at the address set forth below (or such other address as the party shall from time to time specify):

If to the Company, to:

Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747
Attention: General Counsel

If to the Participant, to the address on file with the Company.

10. **No Obligation to Continue Employment or Services**. This Agreement is not an agreement of employment, consultancy or directorship. This Agreement does not guarantee that the Company or its Subsidiaries will employ or retain, or continue to employ or retain, the Participant during the entire, or any portion of the, term of this Agreement, including but not limited to any period during which any Restricted Stock Unit is outstanding, nor does it modify in any respect the Company or its Subsidiaries' right to terminate or modify the Participant's employment, service relationship or compensation.

11. **Legend**. The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing Shares issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing Shares acquired pursuant to this Agreement in the possession of the Participant in order to carry out the provisions of this Section.

12. **Securities Representations**. The grant of the Restricted Stock Units and issuance of Shares upon vesting of the Restricted Stock Units shall be subject to, and in compliance with, all applicable requirements of federal, state or foreign securities law. No Shares may be issued hereunder if the issuance of such Shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. As a condition to the settlement of the Restricted Stock Units, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation.

The Shares are being issued to the Participant and this Agreement is being made by the Company in reliance upon the following express representations and warranties of the Participant. The Participant acknowledges, represents and warrants that:

(a) He or she has been advised that he or she may be an "affiliate" within the meaning of Rule 144 under the Securities Act of 1933, as amended (the "Act") and in this connection the Company is relying in part on his or her representations set forth in this section.

(b) If he or she is deemed an affiliate within the meaning of Rule 144 of the Act, the Shares must be held indefinitely unless an exemption from any applicable resale restrictions is available or the Company files an additional registration statement (or a "re-offer prospectus") with regard to such Shares and the Company is under no obligation to register the Shares (or to file a "re-offer prospectus").

(c) If he or she is deemed an affiliate within the meaning of Rule 144 of the Act, he or she understands that the exemption from registration under Rule 144 will not be available unless (i) a public trading market then exists for the Common Stock of the Company, (ii) adequate information concerning the Company is then available to the public, and (iii) other terms and conditions of Rule 144 or any exemption therefrom are complied with; and that any sale of the Shares may be made only in limited amounts in accordance with such terms and conditions.

13. **Transfer of Personal Data.** The Participant authorizes, agrees and unambiguously consents to the transmission and processing by the Company (or any Subsidiary) of any personal data information related to Restricted Stock Units awarded under this Agreement, for legitimate business purposes (including, without limitation, the administration of the Plan) out of the Participant's home country and including to countries with less data protection laws than the data protection laws provided by the Participant's home country. This authorization/consent is freely given by the Participant.

14. **Delivery Delay.** The delivery of any certificate representing the Common Stock may be postponed by the Company for such period as may be required for it to comply with any applicable foreign, federal, state or provincial securities law, or any national securities exchange listing requirements and the Company is not obligated to issue or deliver any securities if, in the opinion of counsel for the Company, the issuance of such Shares shall constitute a violation by the Participant or the Company of any provisions of any applicable foreign, federal, state or provincial law or of any regulations of any governmental authority or any national securities exchange. The Participant acknowledges and understands that the Company intends to meet its delivery obligations in Common Stock with respect to Restricted Stock Units, except as may be prohibited by law or described in this Agreement, the Plan or supplementary materials.

15. **Miscellaneous.**

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

(a) This Agreement shall be governed and construed in accordance with the laws of New York (regardless of the law that might otherwise govern under applicable New York principles of conflict of laws).

(b) This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one contract.

(c) The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

(d) This Agreement and the Plan do not create a joint venture or partnership between the Company and any Subsidiary.

(e) Notwithstanding any provisions in this Agreement, this grant of Restricted Stock Units shall be subject to any additional country-specific terms and conditions set forth in Annex 1 to the Agreement for the Participant's country to the extent applicable. Moreover, if Participant relocates to one of the countries included in Annex 1, the additional country-specific terms and conditions for such country, if any, will apply to Participant to the extent that the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons.

16. ACQUIRED RIGHTS. THE PARTICIPANT ACKNOWLEDGES AND AGREES THAT: (A) THE COMPANY MAY TERMINATE OR AMEND THE PLAN AT ANY TIME; (B) THE AWARD OF RESTRICTED STOCK UNITS MADE UNDER THIS AGREEMENT IS COMPLETELY INDEPENDENT OF ANY OTHER AWARD OR GRANT AND IS MADE AT THE SOLE DISCRETION OF THE COMPANY; AND (C) NO PAST GRANTS OR AWARDS (INCLUDING, WITHOUT LIMITATION, THE RESTRICTED STOCK UNITS AWARDED HEREUNDER) GIVE THE PARTICIPANT ANY RIGHT TO ANY GRANTS OR AWARDS IN THE FUTURE WHATSOEVER.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

HENRY SCHEIN, INC.

____

Michael S. Ettinger
Senior Vice President, Corporate & Legal Affairs and Chief of Staff

PARTICIPANT

[Electronic Signature]

____

[Participant Name]

[Acceptance Date]

ANNEX 1

Additional Country Specific Terms and Conditions
for the Restricted Stock Unit Agreement

This Annex 1 includes additional terms and conditions that govern the Restricted Stock Units granted to the Participant under the Plan if the Participant works or resides in, or is otherwise subject to the taxes imposed by, one of the countries listed below. This Annex 1 also includes other information that may impact the Participant's participation in the Plan. Certain capitalized terms used but not defined in this Annex 1 have the meanings set forth in the Plan and/or the Agreement. This Annex 1 forms part of the Agreement and should be read in conjunction with the Agreement and the Plan.

The Participant agrees to sign any additional agreements or undertakings that may be necessary or advisable in order to comply with applicable law or facilitate the administration of the Plan. Furthermore, the Participant acknowledges that the applicable law of the country in which the Participant is subject to taxes or is residing or working at the time of grant or vesting of the Restricted Stock Units or the sale of shares of Common Stock received pursuant to the Restricted Stock Units (including any rules or regulations governing securities, foreign exchange, tax, labor, employment, or other matters) may restrict or prevent the issuance of shares of Common Stock or subject the Participant to additional terms and conditions or procedural or regulatory requirements that the Participant is or will be solely responsible for and must fulfill. Such requirements may be outlined in but are not limited to items listed below in this Annex 1.

If the Participant is a citizen or resident of a country other than the country in which he or she is subject to taxes or is residing and/or working, or if the Participant transfers employment or residency after the Restricted Stock Units are granted to him or her, the information contained in this Annex 1 may not be applicable to the Participant. Tax laws are often complex and outcomes can vary depending on individual circumstances. Accordingly, the Participant is advised to seek appropriate professional advice as to how tax and other relevant laws in the applicable country may apply to his or her situation.

<u>AUSTRALIA</u>

There are no country-specific provisions.

<u>AUSTRIA</u>

There are no country-specific provisions.

<u>BELGIUM</u>

There are no country-specific provisions.

<u>BRAZIL</u>

Section 2(a) shall be amended to remove "the Participant must be employed by the Company (or a Subsidiary) at the times" from the second to last sentence and replace it with "the Participant must not have had a Termination of Employment for cause on or before".

Section 2(b) shall be amended to add "for cause" after "provided that no Termination of Employment" and to add the following at the end thereof:

> "Notwithstanding the foregoing, in the event of a Termination of Employment other than for cause, the Restricted Stock Units shall vest on a pro-rated basis through the date of the Termination of Employment."

Section 2(c)(iii), 2(d), 2(e)(in the proviso), (f) and (h)(in the proviso) and 3(a) shall be amended by to add "for cause" after "Termination of Employment".

Section 3(b) shall be amended by adding the following to the end thereof:

> "In case the Participant engages in any competitive activity after twelve (12) months of the first anniversary of the Payment Date and does not repay the Company, the Company shall be entitled to use all judicial remedies available at law, including, without limitation, the recovery of damages arising from such breach and shall only be entitled to recoup from Participant the maximum amount permitted under Brazilian law.

Section 15(a) shall be deleted in its entirety and replaced with the following:

> "This Agreement shall be governed and construed in accordance with the laws of Brazil."

CANADA

A new subsection (i) is added to the end of Section 2 of the Agreement as follows:

> "Notwithstanding the foregoing, prior to the vesting of each Restricted Stock Unit, the Participant may elect to receive a cash payment from the Company in an amount equal to the Fair Market Value of a share of Common Stock on the date of vesting; provided such election may only be effective if it is in lieu of receiving a share of Common Stock (or portion thereof) covering such Restricted Stock Unit. Any such election shall be made in a form acceptable to the Company. Upon the Participant's receipt of such cash payment, the Company shall cancel the corresponding Restricted Stock Unit."

The last sentence in Section 3(c) of the Agreement is hereby deleted in its entirety and replaced with the following:

> "The Participant also acknowledges and agrees that (i) it is a material inducement and condition to the Company's issuance of the Restricted Stock Units (including any dividends credited thereupon) that such Participant agrees to be bound by such forfeiture and recoupment conditions and, further, that the amounts required to be forfeited or repaid to the Company pursuant to forfeiture and recoupment conditions set forth above are reasonable, and (ii) nothing in this Agreement or the Plan is intended to preclude the Company (or any affiliate thereof) from seeking any remedies available at law, in equity, under contract to the Company or otherwise, and the Company (or any affiliate thereof) shall have the right to seek any such remedy with respect to the Restricted Stock Units and any cash dividends credited in connection therewith, or otherwise."

CHINA (Excluding Hong Kong)

A new subsection (i) is added to the end of Section 2 of the Agreement as follows:

> "Notwithstanding the foregoing, prior to the vesting of each Restricted Stock Unit, the Participant may elect to receive a cash payment from the Company in an amount equal to the Fair Market Value of a share of Common Stock on the date of vesting; provided such election may only be effective if it is in lieu of receiving a share of Common Stock (or portion thereof) covering such Restricted Stock Unit. Any such election shall be made in a form acceptable to the Company. Upon the Participant's receipt of such cash payment, the Company shall cancel the corresponding Restricted Stock Unit."

The last sentence in Section 3(c) of the Agreement is hereby deleted in its entirety and replaced with the following:

> "The Participant also acknowledges and agrees that (i) it is a material inducement and condition to the Company's issuance of the Restricted Stock Units (including any dividends credited thereupon) that such Participant agrees to be bound by such forfeiture and recoupment conditions and, further, that the amounts required to be forfeited or repaid to the Company pursuant to forfeiture and recoupment conditions set forth above are reasonable, and (ii) nothing in this Agreement or the Plan is intended to preclude the Company (or any affiliate thereof) from seeking any remedies available at law, in equity, under contract to the Company or otherwise, and the Company (or any affiliate thereof) shall have the right to seek any such remedy with respect to the Restricted Stock Units and any cash dividends credited in connection therewith, or otherwise."

CHILE

There are no country-specific provisions.

COLOMBIA

There are no country-specific provisions.

DENMARK

The Agreement is subject to the mandatory regulation under the Danish Stock Options Act (the "Act") for Employees (meaning any person who works under the instructions of the employer and receives consideration in return for personal work) employed by Danish entities.

An Employee who is a participant under the Agreement shall receive a separate written statement issued in accordance with mandatory regulation under the Act as an appendix to the Agreement.

Section 4 and section 5 of the Act provides that if the employment ends due to termination of the employment on the part of the employer before the Employee has exercised the awarded rights to acquire shares, the employee shall retain such rights in accordance with the exercise terms stipulated in the scheme or the agreement as if the Employee were still an Employee. Furthermore, the Employee maintains the right to a pro rata share, calculated in proportion to the duration of his or her employment period during the financial year, of the awards to which he or she would have been entitled under agreement or custom if the Employee were still an Employee at the end of the financial year or at the date of award. This also applies where (1) the Employee resigns due to the fact that he or she has reached the retirement age applicable within the trade or the employer in question, or due to the fact that the Employee is entitled to pension under the national pension scheme or retirement pension from the employer, or (2) the Employee terminates the employment without notice due to material breach on the part of the employer.

If the employment ends due to termination of the employment on the part of the Employee before the employee's exercise of the awarded rights to acquire shares, such right of exercise will lapse, unless otherwise stipulated in the terms governing exercise set out in the scheme or the agreement. Furthermore, any right to receive awards after the end of the employment will also lapse. The same applies if the termination is due to breach of the terms of employment on the part of the Employee, or if the Employee has been summarily dismissed with just cause.

In section 2(a), 2(b), 2(c), 2(d), 2(e), 2(f), 2(h) and 3(a) reference is made to the Termination of Employment and the requirement of the Participant to be employed by the Company. Such reference shall be interpreted in accordance with section 4 and section 5 of the Act.

Section 2(c) is hereby deleted in its entirety

FRANCE

The following shall be added to the end of the preamble in the Agreement:

> "The Agreement complies with the provisions of articles L 225-197-1 to L 225-197-3 of the French Commercial Code (see "Details of the amendments to the US RSU Agreement")."

Subclause (i) of Section 2(h) is hereby deleted in its entirety and replaced with the following:

> "in the event of a Change of Control, the Participant shall be paid within thirty (30) days of such Change of Control, and"

Subsection (i) is added to the end of Section 2 of the Agreement as follows:

> "In any case, the total number of shares of Common Stock freely allotted by the Company to individuals in France shall not exceed 10% of the outstanding securities of the Company. Notwithstanding anything herein to the contrary, shares of Common Stock may not be allotted to a Participant who holds more than 10% of the outstanding securities of the Company and a free allotment of shares of Common Stock shall not result in the Participant holding more than 10% of the outstanding securities of the Company."

Sections 3(b) and 3(c) of the Agreement shall hereby be read as if (i) all parentheticals that include the word "dividend" or "dividends" have been deleted, and (ii) all references to "dividends" and "any dividends credited thereupon" have been deleted.

Section 4 of the Agreement is hereby deleted in its entirety and replaced with the following:

> "Holding Period. Following the vesting of Restricted Stock Units hereunder, if any, the Participant shall receive and be required to hold the resulting shares of Common Stock for a period of at least two years following such applicable vesting date, except that such holding requirement shall not apply in the case of death or Disability. At the end of such holding period, such shares of Common Stock shall not be sold or otherwise transferred: (a) during the period of ten stock exchange trading dates that precede or follow the date of the Company's filing of the Company's Form 10-K or 10-Q, as applicable; or (b) during a scheduled or unscheduled blackout prohibiting certain sales of shares of Common Stock, if applicable to the Participant."

Section 5 of the Agreement is hereby deleted in its entirety and replaced with the following:

> "Rights as a Stockholder. The Participant shall have no rights as a stockholder with respect to any shares of Common Stock covered by any Restricted Stock Unit including, without limitation, voting and dividend rights, unless and until the Participant has become the holder of record of the shares of Common Stock at the end of the vesting period, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares."

GERMANY

There are no country-specific provisions.

HONG KONG

Section 3(b) of the Agreement shall hereby be read as if all references to "Subsidiary" or "Subsidiaries" have been deleted.

The following shall be added to the end of Section 13 of the Agreement:

> "If the Participant is unable to provide his or her personal data as requested by the Company (or any Subsidiary) the Participant may not be able to participate in the Plan. The Participant has the right to request access to and to request the correction of his or her personal data pursuant to applicable data privacy law. Any such data access and request should be made in writing and addressed to the Company's Corporate Human Resources Department located at 135 Duryea Road, Melville, New York 11747, USA."

IRELAND

There are no country-specific provisions.

ITALY

There are no country-specific provisions.

LIECHTENSTEIN

There are no country-specific provisions.

NETHERLANDS

There are no country-specific provisions.

NEW ZEALAND

There are no country specific provisions.

NORTHERN IRELAND

There are no country-specific provisions.

NORWAY

For the purposes of this Agreement, the term "without cause" as used in Sections 2(e) and (h), shall be construed to mean:

> "Without the lawful cause of termination being based on circumstances related to the employee, cf. the Norwegian Work Environment Act (2005) section 15-7."

POLAND

The following shall be added to the end of Section 3(b) of the Agreement:

> "Neither this Section 3(b) nor any other provision of the Agreement shall be understood, construed or interpreted as the Participant's obligation to refrain from engaging in the Competitive Activity. This Agreement does not create any post-employment non-competition obligations. This Section 3(b) sets forth a resolutive condition to acquiring the right to the Restricted Stock Units (including any dividends credited thereupon). Such condition is the Participant's engagement in Competitive Activity as set forth above. If the resolutive condition is met, the Participant's right to the Restricted Stock Units (including any dividends credited thereupon) shall be terminated with the reverse effect as determined above."

Section 13 of the Agreement is hereby deleted in its entirety and replaced with the following:

> "Transfer of Personal Data. The Participant authorizes, agrees and unambiguously consents to the transmission and processing by the Company of any personal data information necessary to perform and execute this Agreement, including any personal data information necessary to grant the Restricted Stock Unit under this Agreement. The Participant is aware that his or her personal data information may be transmitted out of the Participant's home country and including to countries with less data protection laws than the data protection laws provided by the Participant's home country (the Company is headquartered in Melville, New York and currently is not "Safe Harbor" certified). The Participant agrees and unambiguously consents to such transmission. This authorization/consent is freely given by the Participant. Should the performance or execution of this Agreement require the transmission of the Participant's personal data information by a Subsidiary, such transmission shall be made upon the Participant's prior consent made in writing and indicating the detailed scope of personal data information which is to be transmitted and the purpose of transmission. If such transmission of the Participant's personal data information by a Subsidiary encompasses transmission to countries with less data protection laws than the data protection laws provided by the Participant's home country, such consent shall expressly indicate such circumstances."

The following shall be added to the Agreement as a new Section 17:

> "Condition of Employment. The Participant's target and performance goals do not refer to the Participant's obligations under the employment relationship with the Company or any Subsidiary, but instead reflect the Participant's role in achieving the Performance Goals. Notwithstanding anything herein or in the Plan to the contrary, the acquisition of the rights of the Restricted Stock Units by the Participant is conditioned upon the Participant's continued employment with the Company or a Subsidiary through the Scheduled Payment Date, subject to Sections 2(c), 2(d), 2(e) and 2(f). The Restricted Stock Units are due for staying in employment until the Scheduled Payment Date. Under such circumstances where there is a Termination of Employment, the Participant shall not acquire the right to the unvested Restricted Stock Units. The rights and obligations under this Agreement are outside the Participant's employment relationship with the Company or Subsidiary."

SINGAPORE

The following legend shall be added to the end of the preamble in the Agreement:

> "This grant of the Restricted Stock Units under this Agreement is being made in reliance of section 273(1)(i) of the Securities and Futures Act (Chapter 289 of Singapore) ("SFA") for which it is exempt from the prospectus and registration requirements under the SFA. The 2013 Stock Incentive Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. The Participant should note that this grant of Restricted Stock Units under this Agreement is subject to section 257 of the SFA and the shares of the Company's common stock issued pursuant to such Restricted Stock Units may not be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the SFA (other than section 280 of the SFA)."

Section 13 of the Agreement is hereby deleted in its entirety and replaced with the following:

> **"Transfer of Personal Data.** The Participant authorises, agrees and unambiguously consents to the collection, use, disclosure, transfer, transmission and processing by the Company (or any Subsidiary) of any personal data information related to Restricted Stock Units awarded under this Agreement, for the following purposes: (a) the administration and execution of the Plan; and (b) purposes which are reasonably related to the aforesaid) out of the Participant's home country and including to countries with less data protection laws than the data protection laws provided by the Participant's home country. This authorisation/consent is freely given by the Participant."

SOUTH AFRICA

There are no country-specific provisions.

SPAIN

There are no country-specific provisions.

SWEDEN

There are no country-specific provisions.

SWITZERLAND

There are no country-specific provisions.

THAILAND

Section 3(b) of the Agreement is hereby amended to delete the last sentence thereof.

UNITED KINGDOM

As of the Grant Date, if the Participant either (i) qualifies for Retirement (as defined in Section 2(c) of the Agreement) or (ii) may become eligible to qualify for Retirement prior to the Scheduled Payment Date, Section 4 of the Agreement is hereby deleted in its entirety and replaced with the following:

> "Dividend Equivalents. Cash dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to the Participant, provided that such cash dividends shall not be deemed to be reinvested in Shares and will be held uninvested and without interest. The Participant's right to receive any such cash dividends shall vest if and when the related Restricted Stock Unit vests, and such cash dividends shall be paid in cash to the Participant if and when the related Restricted Stock Unit is paid to the Participant. Stock dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to the Participant. The Participant's right to receive any such stock dividends shall vest if and when the related Restricted Stock Unit vests, and such stock dividends shall be paid in stock to the Participant if and when the related Restricted Stock Unit is paid to the Participant."

The following is added to the Agreement as a new Section 17:

> "Section 431. The Participant agrees to enter into a Joint Election with the Company under Section 431 of the Income Tax (Earnings and Pensions) Act of 2003 ("ITEPA") for full or partial disapplication of Chapter 2 ITEPA under the laws of the United Kingdom. The election must be signed and dated by the Participant and returned to the Company within 14 days of each grant of Shares."

UNITED STATES

The last sentence in Section 2(e) of the Agreement is hereby deleted in its entirety and replaced with the following:

> "For the purposes of this Agreement a "Change of Control" shall mean the occurrence of a Section 409A Change of Control (as defined in Section 17)."

As of the Grant Date, if the Participant either (i) qualifies for Retirement (as defined in Section 2(c) of the Agreement) or (ii) may become eligible to qualify for Retirement prior to the Scheduled Payment Date, Section 4 of the Agreement is hereby deleted in its entirety and replaced with the following:

> "Dividend Equivalents. Cash dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to the Participant, provided that such cash dividends shall not be deemed to be reinvested in Shares and will be held uninvested and without interest. The Participant's right to receive any such cash dividends shall vest if and when the related Restricted Stock Unit vests, and such cash dividends shall be paid in cash to the Participant if and when the related Restricted Stock Unit is paid to the Participant. Stock dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to the Participant. The Participant's right to receive any such stock dividends shall vest if and when the related Restricted Stock Unit vests, and such stock dividends shall be paid in stock to the Participant if and when the related Restricted Stock Unit is paid to the Participant."

The following shall be added to the Agreement as a new Section 17:

> "Change of Control Defined.For purposes of this Agreement, a "Section 409A Change of Control" shall be deemed to have occurred upon:
>
> (i) an acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of (A) 50% or more of the then outstanding Shares or (B) 33% or more of the total combined voting power of the then outstanding voting securities of HSI entitled to vote generally in the election of directors (the "Outstanding HSI Voting Securities"); excluding, however, the following: (w) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (x) any acquisition by the Company, (y) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or (z) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or similar corporate transaction (in each case, a "Corporate Transaction"), if, pursuant to such Corporate Transaction, the conditions described in clauses (A), (B) and (C) of paragraph (iii) below are satisfied; or
>
> (ii) within any 12-month period beginning on or after the date of the Agreement, the individuals who constitute the Board immediately before the beginning of such period (the Board as of the date hereof shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided that for purposes of this Subsection any individual who becomes a member of the Board subsequent to the date hereof whose election, or nomination for election by HSI's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who are also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or
>
> (iii) the consummation of a Corporate Transaction or, if consummation of such Corporate Transaction is subject to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the outstanding Shares and Outstanding HSI Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction and the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors, in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the outstanding Shares and Outstanding HSI Voting Securities, as the case may be, (B) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or the corporation resulting from such Corporate Transaction and any Person beneficially owning, immediately prior to such Corporate Transaction, directly or indirectly, 33% or more of the outstanding Shares or Outstanding HSI Voting Securities, as the case may be, will beneficially own, directly or indirectly, 33% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding securities of such corporation entitled to vote generally in the election of directors and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(iv) the sale or other disposition of all or substantially all of the assets of the Company; excluding, however, such sale or other disposition to a corporation with respect to which, following such sale or other disposition, (x) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors will be then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Common Stock and Outstanding HSI Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the outstanding Common Stock and Outstanding HSI Voting Securities, as the case may be, (y) no Person (other than the Company and any employee benefit plan (or related trust) of the Company or such corporation and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 33% or more of the outstanding Common Stock or Outstanding HSI Voting Securities, as the case may be) will beneficially own, directly or indirectly, 33% or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (z) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of such corporation.

(v) No event set forth herein shall constitute a "Section 409A Change of Control" unless such event also qualifies as a "change in control event" for purposes of Treasury Regulation § 1.409A-3(i)(5). Accordingly, the definition of "Section 409A Change of Control" set forth herein shall be limited, construed and interpreted in accordance with Section 409A and the regulations issued thereunder."

The following shall be added to the Agreement as a new Section 18:

"Section 409A.This Agreement is subject to Section 16(i) of the Plan, and any provisions in this Agreement providing for the payment of "nonqualified deferred compensation" (as defined in Section 409A of the Code and the Treasury regulations thereunder) to the Participant are intended to comply with, or be exempt from, the requirements of Section 409A of the Code, and this Agreement shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate or defer the timing of the payment of any such nonqualified deferred compensation, except in compliance with Section 409A of the Code and this Agreement, and no amount shall be paid prior to the earliest date on which it is permitted to be paid under Section 409A of the Code and this Agreement. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Participant as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. A Termination of Employment or Retirement shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Section 409A of the Code upon or following a Termination of Employment or Retirement, as applicable, unless such Termination of Employment or Retirement, as applicable, is also a "separation from service" within the meaning of Section 409A of the Code and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If the Participant is a "specified employee," upon his or her "separation from service" (as defined under Section 409A of the Code under such definitions and procedures as established by the Company in accordance with Section 409A of the Code), any portion of a payment, settlement, or other distribution made upon such a "separation from service" that would cause the acceleration of, or an addition to, any taxes pursuant to Section 409A of the Code will not commence or be paid until a date that is six (6) months and one (1) day following the applicable "separation from service." Any payments, settlements, or other distributions that are delayed pursuant to this Section 18 following the applicable "separation from service" shall be accumulated and paid to the Participant in a lump sum without interest on the first business day immediately following the required delay period. Any amounts payable hereunder that satisfy the short-term deferral exception in Treas. Reg. §1.409A-1(b)(4) shall not be subject to Section 409A of the Code. Whenever a payment under this Agreement may be paid within a specified period, the actual date of payment within the specified period shall be within the Company's sole discretion."

Exhibit 10.3

Form of Change in Control Agreement

Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747

____________, ____

[insert address]

Dear ____________:

In recognition of the Henry Schein, Inc.'s ("HSI" or the "Company") desire to assure your continued services in the event of a pending or actual Change in Control (as hereinafter defined) of HSI, the Company's Board of Directors is pleased to offer you the Change in Control protection outlined in this letter agreement (the "Agreement").

1. Term of Agreement. The term of this Agreement shall commence on ___________________, _____ (the "Effective Date") and continue in full force and effect indefinitely.

2. Entitlement to Severance Benefits.

(a) Cash Severance Benefit. In the event your employment is terminated (a "Termination") by the Company without Cause or by you for Good Reason, in either case within two years following a Change in Control, you shall be entitled to receive the sum of the following, payable in a cash: (i) Base Salary through the Termination date, which shall be paid no later than 15 days after the Termination date; (ii) a pro rata annual incentive compensation award based on actual achievement of the specified goals for the year in which the Termination occurs, which shall be paid in the calendar year immediately following the calendar year in which the Termination date occurs, and (iii) an amount equal to 200% of the sum of your Base Salary plus your target annual cash bonus which will be paid on the first business day immediately following the six-month anniversary of the Termination date. In addition, notwithstanding the foregoing, in the event your employment is terminated by the Company without Cause or by you for Good Reason, in either case (x) within 90 days prior to the effective date of a Change in Control, or (y) after the first public announcement of the pendency of the Change in Control, such termination shall, upon the effective date of a Change in Control, be deemed to be a "Termination" covered under the preceding sentence of this Section 2(a), and you shall be entitled to the amounts provided for under the preceding sentence.

(b) Other Severance Benefits. In the event you are entitled to the amounts provided for in Section 2(a) hereof, and notwithstanding anything to the contrary contained in any stock option or restricted stock agreement, you shall also be entitled to the following: (i) immediate vesting of all outstanding stock options to the fullest extent permitted under the applicable stock option plan; (ii) elimination of all restrictions on any restricted or deferred stock awards outstanding at the time of Termination, (iii) immediate vesting of all restricted or deferred stock awards and non-qualified retirement benefits, (iv) settlement of all deferred compensation arrangements in accordance with any then applicable deferred compensation plan or election form (v) continued participation in all HSI's welfare benefit plans (including, without limitation, health coverage and other benefit plans and programs pursuant to which benefits are provided to you as of the Termination date) at the same benefit level at which you were participating on the Termination date for a period of 24 months unless and until the date or dates you receive substantially equivalent coverage from a subsequent employer. Notwithstanding the foregoing, in the event the plan under which you were receiving health benefits immediately prior to your Termination is not fully-insured, then the Company shall either (A) provide health coverage to you pursuant to a fully-insured replacement policy or (B) in lieu of such health coverage, pay to you two annual cash payments equal to the cost for you to obtain a replacement policy (*i.e.*, the premium costs), as determined on the Termination date, which will be paid on each of the 12-month anniversary and the 24-month anniversary of your Termination date.

(c) In the event you become entitled to payments under this Section 2 or any other amounts (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company (collectively the "Payments"), all or a portion of which become subject to tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any other similar tax, but excluding any income tax of any nature) ("Excise Tax"), then the Payments shall be either (A) delivered in full or (B) delivered as to such lesser extent, as would result in no portion of such amounts being subject to the Excise Tax, whichever of the foregoing results in the receipt by you on a net after-tax basis of the greatest amount, notwithstanding that all or some of the amounts may be taxable under Code Section 4999. If a reduction is to occur pursuant to clause (B) of the prior sentence, unless an alternative election is permitted by, and does not result in taxation under, Code Section 409A and timely elected by you, the Payments shall be cutback to an amount that would not give rise to any Excise Tax by reducing payments and benefits in the following order: (1) accelerated vesting of restricted stock awards, to the extent applicable; (2) accelerated vesting of stock options, to the extent applicable; (3) payments under Section 2(a)(iii) hereof; and (4) continued health insurance under Section 2(b)(v) hereof.

(d) For purposes of determining whether any of the Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) the Payments shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless and except to the extent that, in the written opinion (at the substantial authority level) of the Company's independent certified public accountants appointed prior to any change in ownership (as defined under Section 280G(b)(2) of the Code) or tax counsel selected by such accountants (the "Accountants") such Payments (in whole or in part) either do not constitute "parachute payments," represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the "base amount" or are otherwise not subject to the Excise Tax, and (ii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

(e) For purposes of determining whether clause (A) or clause (B) of Section 2(c) applies to the amount of the Payments, your actual marginal rate of federal income taxation in the calendar year in which the Payments are to be paid shall be used and the actual marginal rate of taxation in the state and locality of your residence for the calendar year in which the Payments are to be made shall be used, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year, after taking into account the limitation on the deductibility of itemized deductions, including such state and local taxes under Section 68 of the Code.

(f) No Mitigation; No Offset. In the event of any Termination, you shall be under no obligation to seek other employment and no amounts due to you under this Agreement shall be subject to offset due to any remuneration attributable to subsequent employment that you may obtain.

(g) Exclusivity of Severance Payments; Release. In the event you are entitled to the amounts provided for in this Section 2, you shall not be entitled to any other severance payments or severance benefits, whether contractual or not, from HSI, or any payments by HSI on account of any claim by you of wrongful termination, including claims under any federal, state or local human and civil rights or labor laws. The Termination payments and benefits (other than the obligations specified in Section 2(a)(i) and (ii) above) provided in this Agreement shall be conditioned upon and subject to you executing a valid general release reasonably satisfactory to HSI, releasing any and all claims arising out of your employment (other than enforcement of this Agreement), any rights under HSI's incentive compensation and employee benefit plans, and any claim for any non-employment related tort for personal injury (the "Release"). The Company shall provide the Release to you within seven business days following the Termination date. In order to receive the payments and benefits provided in this Agreement, you shall be required to sign the Release within 45 days after it is provided to you, and not revoke it within the seven-day period following the date on which it is signed. Notwithstanding anything to the contrary contained herein, all payments and benefits delayed pursuant to this Section 2(e), except to the extent any such payments and benefits are subject to a six-month delay as required by Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively "Code Section 409A"), shall be paid to you in a lump sum on the first Company payroll date on or following the 60th day after the Termination date, and any remaining payments or benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

3. Definitions. For purposes of this Agreement, the following terms shall have the meanings ascribed to them.

(a) "Base Salary" means the annualized rate of pay in effect on the Termination date, provided that if a reduction in Base Salary is the basis for a Termination for Good Reason, then "Base Salary" shall mean the rate of pay in effect immediately prior to such reduction. As used herein, the term "Base Salary" includes, without limitation, the annualized rate of any automobile allowance in effect on the date of Termination, and the amount, as applicable, of the Company's matching 401(k) contribution and/or supplemental employment retirement plan contribution for the full year preceding the date of the Change in Control.

(b) “Cause” shall exist if: (i) you are convicted of, or plead nolo contendere to, any felony which materially and adversely impacts HSI’s financial condition or reputation, (ii) you engage in conduct that constitutes willful gross neglect or willful gross misconduct in carrying out your duties which materially and adversely impacts HSI’s financial condition or reputation, or (iii) you violate Section 4 of this Agreement.

(c) “Change in Control” shall be deemed to occur upon any of the following: (i) acquisition of “beneficial ownership” (within the meaning of Rule 13d-3 promulgated under the Securities and Exchange Act of 1934, as amended (the “Act”)) by any one “person” (as such term is defined in Section 3(a)(9) of the Act) or by any two or more persons deemed to be one “person” (as used in Section 13(d) or 14(d) of the Act)(each referred to as a “Person”) excluding HSI, any subsidiary of HSI and any employee benefit plan sponsored or maintained by HSI or any subsidiary of HSI (including any trustee of any such plan acting in his or its capacity as trustee), of 33% or more of the combined total voting power of the then-outstanding voting securities of HSI (the “Outstanding Voting Securities”) without the prior express approval of the Board of Directors; (ii) acquisition of “beneficial ownership” by any Person excluding HSI, any subsidiary of HSI and any employee benefit plan sponsored or maintained by HSI or any subsidiary of HSI (including any trustee of any such plan acting in his or its capacity as trustee), of more than 50% of the combined total voting power of the then Outstanding Voting Securities; (iii) directors elected to the Board of Directors over any 24-month period (except in the case of a Change in Control referred to in Section 2(a)(x) or (y), a twelve-month period) not nominated by HSI’s Nominating & Corporate Governance Committee (or a committee of the Board of Directors performing functions substantially similar to such committee) represent 30% (except in the case of a Change in Control referred to in Section 2(a)(x) or (y), a majority) or more of the total number of directors constituting the Board of Directors at the beginning of the period, (or such nomination results from an actual or threatened proxy contest); (iv) any merger, consolidation or other corporate combination of HSI (a “Transaction”), other than (x) a Transaction involving only HSI and one or more of its subsidiaries, or (y) a Transaction immediately following which the stockholders of HSI immediately prior to the Transaction continue to be the beneficial owners of securities of the resulting entity representing more than 50% of the voting power in the resulting entity, in substantially the same proportions as their ownership of Outstanding Voting Securities immediately prior to the Transaction; and (v) upon the sale of all or substantially all of the consolidated assets of HSI, other than (x) a distribution to stockholders, or (y) a sale immediately following which the stockholders of HSI immediately prior to the sale are the beneficial owners of securities of the purchasing entity representing more than 50% of the voting power in the purchasing entity, in substantially the same proportions as their ownership of Outstanding Voting Securities immediately prior to the Transaction.

Solely for purposes of Section 2(a)(x) and (y), no Change in Control shall be deemed to have occurred unless the circumstances of such Change in Control would be treated as having resulted in the occurrence of a “change in control event” as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(i).

(d) "Confidential Information" shall mean all information concerning the business of HSI relating to any of their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies. Excluded from the definition of "Confidential Information" is information (i) that is or becomes part of the public domain, other than through your breach of this Agreement, or (ii) regarding HSI's business or industry properly acquired by you in the course of your career as an employee in HSI's industry and independent of your employment by HSI. For this purpose, information known or available generally within the trade or industry of HSI shall be deemed to be known or available to the public.

(e) "Good Reason" shall mean your termination of your employment based upon one or more of the following events (except as a result of a prior termination): (i) any change in your position or responsibilities or assignment of duties materially inconsistent with your status prior to the Change in Control; (ii) following a business combination related to a Change in Control, a failure to offer you a position in the combined business entity, having authority equivalent in scope to the authority in the position held by you in the Company immediately prior to such business combination; (iii) any decrease in your Base Salary, target annual incentive or long- term incentive opportunity; (iv) any breach of the terms of this Agreement by HSI after receipt of written notice from you and a reasonable opportunity to cure such breach; (v) HSI fails to obtain any successor entity's assumption of its obligations to you hereunder; or (vi) the Company requiring you to perform your services as an employee on an ongoing basis at a location more than 75 miles distant from the location at which you perform your services as of the date immediately prior to the Change in Control.

4. Non-Disclosure;Non-Solicitation;Non-Disparagement.

(a) During the term and thereafter, you shall not, without HSI's prior written consent disclose to anyone (except in good faith in the ordinary course of business) or make use of any Confidential Information except in the performance of your duties hereunder or when required to do so by law. In the event that you are so required by law, you shall give prompt written notice to HSI sufficient to allow HSI the opportunity to object to or otherwise resist such order.

(b) During the term and for a period of 24 months thereafter, you shall not, without HSI's prior written consent, solicit for employment, whether directly or indirectly, any person who (i) at the time is employed by HSI or any affiliate, or (ii) was employed by HSI or any affiliate within three months prior to such solicitation.

(c) You agree that, during the term and thereafter (including following any Termination for any reason) you will not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage or be damaging to HSI or its respective officers, directors, employees, advisors, businesses or reputations. Notwithstanding the foregoing, nothing in this Agreement shall preclude you from making truthful statements or disclosures that are required by applicable law, regulation or legal process.

5. Resolution of Disputes. Any controversy or claim arising out of or relating to this Agreement or any breach or asserted breach hereof shall be resolved by binding arbitration, to be held at an office closest to HSI's principal offices in accordance with the rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. Pending the resolution of any arbitration or court proceeding, HSI shall continue payment of all amounts and benefits due you hereunder. All reasonable costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be promptly paid on your behalf by HSI; provided, however, that no such expense reimbursement shall be made if and to the extent the arbitrator(s) determine(s) that any of your litigation assertions or defenses were in bad faith or frivolous.

6. Effect of Agreement on Other Benefits. Except as specifically provided in this Agreement, the existence of this Agreement shall not be interpreted to prohibit or restrict your participation in any other employee benefit or other plans or programs in which you currently participate.

7. Not an Employment Agreement. This Agreement is not a contract of employment between you and HSI. HSI may terminate your employment at any time, subject to the terms hereof or any other agreement that might exist between you and HSI.

8. Assignability; Binding Nature. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (as applies to you) and permitted assigns. HSI agrees that in the event of a sale or transfer of assets, it shall, as a condition of such sale, require such assignee or transferee to expressly assume HSI's liabilities, obligations and duties hereunder.

9. Governing Law/Jurisdiction. This Agreement shall be governed by and construed and interpreted in accordance with the laws of New York without reference to principles of conflict of laws.

10. Code Section 409A. It is intended that the provisions of this Agreement comply with Code Section 409A, and all provisions of this Agreement (or of any award of compensation, including equity compensation or benefits) shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. Notwithstanding the foregoing, the Company shall have no liability with regard to any failure to comply with Code Section 409A. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits, which are subject to Code Section 409A, upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A (and the guidance issued thereunder) and, for purposes of any such provision of this Agreement, references to a "resignation," "termination," "termination of employment," "retirement" or like terms shall mean separation from service.

* * *

Please acknowledge your acceptance of the terms of this Agreement by executing below and returning a copy to HSI.

HENRY SCHEIN, INC.

By: ______________________________

Dated: __________

Accepted:

____

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: May 7, 2019

/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, Steven Paladino, 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: May 7, 2019

/s/ Steven Paladino
Steven Paladino
Executive 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 March 30, 2019, 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, Steven Paladino, Executive 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: May 7, 2019	/s/ Stanley M. Bergman Stanley M. Bergman Chairman and Chief Executive Officer
Dated: May 7, 2019	/s/ Steven Paladino Steven Paladino Executive 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.