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EDITED TRANSCRIPT

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OVERVIEW:

Company Summary

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John Stansel *JPMorgan - Analyst*

PRESENTATION

John Stansel - *JPMorgan - Analyst*

Good afternoon. My name is John Stansel. I'm a member of the healthcare services equity research team here at JP Morgan. Today, we're joined by a full contingent of people from Henry Schein. We have Stanley Bergman, CEO; Ronald South, CFO; Andrea Albertini, who's the Head of International Distribution Group; and Tom Popeck, who's Head of the Healthcare Specialties Group. So they're going to go through a quick presentation, and then we're going to have hopefully 20 minutes of good Q&A.

So I think Ron is going to run the controls here.

Ronald N. South - *Henry Schein Inc - Senior Vice President and Chief Financial Officer*

Very good. Thank you, John. First, if you could read this really quickly for -- and then just to read through that really quick, and then we'll get on with the rest of the presentation. Thank you very much. A cautionary note, I think it's something we're all familiar with.

Stanley, I'll allow you to provide us with the Henry Schein overview.

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Sure. Thank you, Ron. I'd like to stand.

Ronald N. South - *Henry Schein Inc - Senior Vice President and Chief Financial Officer*

You could -- you can. As you wish.

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Okay. Thank you all for being here. So Henry Schein is the largest provider of products and related services to office-based practitioners, that's dentists, dental laboratories, medical practitioners, and related areas, including the dental lab. We know dialysis centers, cancer centers, the military, everything outside of the acute care setting, the long-term care setting, and the retail pharmacy.

The data is on the slide.

Ronald N. South - *Henry Schein Inc - Senior Vice President and Chief Financial Officer*

Oops, sorry. I knew I'd mess it up. Go ahead.

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

I just want to see if I -- did I miss anything yet?

Ronald N. South - *Henry Schein Inc - Senior Vice President and Chief Financial Officer*

No, go ahead. You want the next slide?

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Right. No, leave that slide. That's what I --

Ronald N. South - *Henry Schein Inc - Senior Vice President and Chief Financial Officer*

Okay.

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Okay. So our goal is to help practitioners operate a more efficient business to generate practice performance, integrate our proprietary products and services, and elevate clinical care in their offices. That's the data. There's plenty more on our website, but perhaps I'll go to the next slide.

The demographics, you've got the aging population, more interested in prevention than ever before. A big part of our business revolves around prevention. There's movement of procedures from the acute care setting to the physician environment, to the ambulatory surgical center, ASCs. These are areas that we service.

The movement, of course, is good for our business. There's a growing awareness of the direct correlation between good clinical care and good medical care and the quality of life. So, an understanding that oral care can, in fact, help with the quality of life with wellness, prevention. And that's, of course, upping the focus of oral care in the general spectrum of healthcare.

There's the whole reimbursement area, not enough time to deal with it today. Wellness and prevention I spoke about. There's a growing demand for wellness and prevention, ideas in the office-based environment outside of the hospital, and of course, there's the consolidation of practices, dental and medical. This is a core competency of Henry Schein, and we do well in this area.

And the area of digitalization of dentistry and digitalization in the practice of medicine are all important areas for us that we spend a lot of time and a lot of focus on, and I believe that dentists view us as a place to obtain solutions and ways in which they can turn to us to improve on the efficiency of their practice and the clinical care that they provide. And we are the largest in our -- in the markets that we serve. Broad customer base, great relationships with large customers. It's a pretty diversified portfolio. And a lot of what we do is integrated. Go ahead, Ron.

The markets that we're in are stable in terms of units used. Some of the markets are growing. We can get into specifics a little later if there are questions. But we have seen a migration to more of the specialty products over time. There are dynamics within that.

The higher-end implants, for example, are under challenge, but the value side and the premium side that is available at a more reasonable price, it's a growing part of dentistry, and that's an area that we focus on. And the medical markets were a little bit volatile during the COVID period when there was a greater demand for tests. And during the COVID period, both the dental and medical side had a greater demand for PPE. We provided this information in our quarterly calls. This is normalizing.

We had a cyber incident in October of '23, had an impact on our e-commerce business on practitioners that bought product through our website. That is now improving, and we are slowly getting our market share back again.

The dental market for equipment is a solid market. Of course, it's impacted by higher interest rates. The lower interest rates, the better that business is. But it is a steady grower. And I think we are doing well compared to our competition in a market where traditional equipment continues to be quite strong and the digital equipment, doing very well.

We've had -- we spent about $1 billion on acquisitions in the last two years. They're all doing quite well. We have had a challenge with the recapturing of all of our distribution business as a result of the cyber incident, and we felt that it was important to right size our infrastructure. And accordingly, we announced a $75 million to $100 million restructuring, and that's moving along quite well.

We have a strong balance sheet. We use our cash flow to buy back stock, make some acquisitions, although we're not making them at the rate we made acquisitions last year and the year before, and of course, to repay debt. And we have our BOLD+1 Strategic Plan, which we'll cover in a little bit more detail.

So Tom, are you going to cover this?

Tom Popeck - *Henry Schein Inc - Chief Executive Officer, Healthcare Specialties Group*

Yes. Thanks, Stan. So BOLD+1. So this is our guiding principle, our strategy. It's build, operationalize leverage, and digital. And it's really our guiding principles for everything we're doing. In particular, we've been very successful in executing on this to transform our business from being that pure-play distribution business to being more of an integrated vertical manufacturing business, leveraging all of the assets that we have.

I think of important note is really on those two bottom bullets there, which is our high-growth, high-margin businesses. These are what we call Henry Schein products. My responsibility is for the Henry Schein Products Group. And today, that represents 25% of our overall revenue, but it represents 40% of our operating income. And if you were to include our private label that we sell through our distribution business, it represents an additional 10%, so a total of 50% of our operational income comes from Henry Schein products, products we own.

How that relates specifically to our Bold strategy. When you look at Build, you look at a couple of specific specialty businesses that we're focused in. The first will be Endodontics. We've done a couple of acquisitions over the years, built the business, putting that together. We are now the number two player in Global Endodontics.

Our implant business, again, Stan just mentioned, we've made some significant investments over the last two years. We view ourselves as the number three, excluding China, the number three implant player in the market. And recently, we just made some investments in the niche segment of orthopedics, meaning hand, wrist, and foot and ankle. Fast-growing, extremely high-margin business. It's a business we didn't get into without a whole lot of thought.

We've had an orthopedic business that we've had for quite some time. And when you look at the orthopedic business and you look at competencies that we have within our company today, dental implants and orthopedic implants are pretty similar; same materials, same manufacturing competencies, same biomaterial technologies, lots of really common space where we already had competency.

And then the last piece of our investment in that -- in building out this orthopedic business is the synergy and the alignment with our ASC strategy in medical. Most of the extremity orthopedic businesses are focused in the outpatient ASC segment. And this is a real nice way to add a nice high-growth, really high-margin business into that segment and start to build that out. So we're doing really well on build.

On Operationalize, lots of different acquisitions. How do we start to integrate them, build centers of competency in our endodontic business. We're building a center of competency, even manufacturing and R&D in Switzerland. And we're looking to do that in each one of those specialty segments.

Leverage, this is where really Henry Schein shines, no pun intended. But no one can touch a customer like Henry Schein can. When a customer wants to be touched through a distribution relationship, we could design products, put brands on them to fit that market. When a customer wants to be touched by a clinical specialist, we have that sales channel. We design products, put brands on them, put them in that channel.

When a customer wants to be touched by e-commerce, digital, alternative channels, we build the product, design the product, put a brand on it to fit that market. That's unique in the industry. It's something where we really think is our opportunity to shine.

And then last is digital. Within our implant world and our orthodontic world, we have our Nemotec software, a really great platform. It's a vision of -- for our future. It came along with our BioTech acquisition that we did about 1.5 years ago, excited to have it. We think it's our future.

Hand it over to Andrea.

Andrea Albertini - *Henry Schein Inc - Chief Executive Officer, International Distribution Group*

Thank you, Tom. I stand up as well. Can you hear me? I go quickly through the same Bold strategy for the distribution and technology business. And I'll just mention some of the highlights of what we achieved. And I start with something we are very proud of, that is we have the number one software platform in the dental space. And we can say fast accelerating sales on the cloud and digital solutions.

Still, I mean, it's more in distribution, but I like to think about this as a high-growth, high-market business. We have today one of the top five home care distribution companies. And this is a fast-growing segment, high-margin, and it represents for us already more than $350 million in this segment.

Of course, distribution, Operationalize means also to be more efficient. As Tom mentioned, cost-reduction program, we had to launch last year, especially coming out of the cyber with the market that was what it was. So, we had to take out cost from the distribution business. And we believe this helped us to improve our efficiency significantly.

We always knew -- I mean, again, as a distribution business, we are always to look at efficiency. But last year, we did more than what we normally do. But we continue to do it with. in mind, our customers. So making sure that we don't downgrade the customer experience.

Tom mentioned the leverage, and it's very important because more and more, as a distributor, we need to balance the work we do with our supplier partners with our own products. And this is what we call the blended distribution. It is a customer need. Customers are asking for these products, and we deliver this product, leveraging our own internal manufacturing, leveraging our own corporate brands.

And in digital, I want to mention again, not only the software, but we launched our new global e-commerce platform. We started in a, let's say, small geography last year. We went live end of last year in UK, and we are fine-tuning it, learning how to use this very powerful platform to do e-commerce to reach our customer that wants to deal with us digitally. It's not only order intake. It is a real e-commerce platform, and we will roll it out to US this year, so that's an exciting step.

Let me go quickly to the next slide where we talk about the strategy to generate growth, to generate the growth needed to sustain value. So, the key strategy, both in dental and medical, and it sounds easy, is to grow our customer base. And we continuously have to find new customers. But we believe, because of all the values that we can deliver to our customers, we believe there is a lot of opportunities also in growing the market share inside the customer we are in.

And we do it through our omnichannel approach. Tom mentioned it. We have multiple channels that allow us to meet our customers where they want to be met and allow us to deliver all the solutions we have through our supplier partners or through our manufacturing, internal manufacturing companies. So this will be a big part of the focus to grow again our share and the number of our customers. We will continue to be focused on specialty business.

And on the technology side, very important where we can deliver value is through digital solution, through cloud solution, through subscription bases. So we are moving from on-premise solution to a subscription cloud-based solution. And we will continue also to push our digital workflow. We call it three-click dentistry. The idea is to help our customers navigate through the clinical workflow digitally, but in an easy way. And this will be a big driver of technology sales for the future. So these are the key focus we are on.

And with this, I turn it to you, Ron.

Ronald N. South - *Henry Schein Inc - Senior Vice President and Chief Financial Officer*

Certainly. So just in terms of resiliency of the business, Henry Schein went public in 1995. And since then, we've got a track record of delivering double-digit earnings growth. We have a 13% non-GAAP EPS CAGR since doing that IPO back in '95.

We have had some recent headwinds that impacted our business. We know we've talked about the cyberattack. We've had some volatility introduced to the business, both negative and positive related to the pandemic. But as we have continued to work through these things, we -- you've heard that word transformation a lot. We have really been able to evolve the business from that of a pure-play distributor to that who is also manufacturing dental specialty products, providing technology solutions for our customers and really focusing on the high-growth, higher-margin aspects of the company.

You look at the non-GAAP operating income, you can see where some of this disruption comes from, whether it be in 2020 or again, in 2023 with the cyber incident. But the lines show that when -- especially when you look at the non-GAAP EPS, you can begin to see, there is a CAGR there going back to 2018, 8.7% on our EPS through the third quarter of last year, the significance of that is the cyberattack that we had was in October of last year. As we find ourselves kind of emerging from that, we're looking, really pushing so that we can get back to a consistent delivery of this 8.7% CAGR in EPS going forward.

So to sum this up, we feel like we have a clear strategic plan. We are creating operating efficiencies. We're actually bringing an exceptional customer experience where they get a breadth of products they can't get elsewhere in the industry, whether it be their day-to-day consumable merchandise, their equipment, their specialty products, et cetera, all from a single supplier.

The proven track record of sustainable earnings growth, leading position in attractive markets where in every significant market out there necessary for us to grow in both the dental and then in the US in the medical space, a highly complementary set of products and services that complement each other. Like I said, we're able to go to the customer and provide a wide base of products and services. And then finally, a management team that is highly motivated to get back to the level of growth that the market has been used to seeing from us as we go forward and get through 2025 and into 2026.

So thank you very much. John, back to you.

QUESTIONS AND ANSWERS

John Stansel - *JPMorgan - Analyst*

Great. Thank you very much. So I think, probably, the easiest place to start here just on kind of the core dental consumables. And 2024 was a bit of a strange year given everything that had transpired and some of the market share changes and everything that we had to kind of look at as we exit '23 to '24. So I guess first question is really when we think about -- into consumables, both on kind of North America and maybe international, that'd be helpful to that perspective too, what do you see as the market growth level?

And then, I think, you've talked for '25, you gave very kind of high-level preliminary commentary that indicated there would be, I think, modest improvement was the phrasing. What is the bridge that drives kind of where we were in '24 to '25 kind of modest?

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

So John, there's a couple of things. First of all, in the United States, in particular, procedures, the number of units of product used in practices are relatively stable, leaning towards positive. There are areas that are a little bit different. But, essentially, the basic products, the basic procedures undertaken, the products that we sell are used, are stable to leaning positive.

We had challenges with pricing, namely that there was no real inflation from our major manufacturers. They increased prices quite significantly during the COVID period because of labor shortages, because of materials. Prices went up, they didn't stick. And midsize manufacturers, second-tier manufacturers came in, and our own brand grew, so we had a bit of a compression of sales. Gross profit was okay, and that's one element.

The second element is the recovery from cyber. It took a little longer than we thought, specifically with the smaller customers that were used to buying from us through our website, which, in the United States, was down for a year -- for a month, and for two months in parts of Europe, for example. So we had a compression of sales. Yet our pricing -- our cost of doing business went up. So we had a bit of a squeeze, and we're addressing that through our restructuring.

We think that the distribution of dental products will be more stable in '25. We haven't given guidance yet. And we believe that our expenses will come down. So we will be able to return to higher-growth EPS but not all the way yet to what we've experienced in the previous 24 years, so we can peel the onion on that.

John Stansel - *JPMorgan - Analyst*

And I guess on the trade down point that you just made quickly there. Do you feel that, that's a sustained trend that we see kind of going forward, the sensitivity to maybe prefer to use a private label product? If someone switches to use private label product today and switches back, does -- if practice economics improve, they return to maybe a premium, higher-priced product, was it durable?

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Yes. I think what happened during the COVID period. This is not only in dental products, but in consumables and just all kinds of products and services, the consumer was far more prepared to go and do a little bit of research on whether one product versus another, products and features, quality, value, what's different compared to, say, a national brand. And so there's much more awareness of quality and value than necessarily brand.

And I think that is part of the culture today in general, not only in the United States but globally. So I do think the movement towards value will continue unless there's innovation.

So if you have innovation, obviously, the opposite applies. If you do not have innovation, there will be greater movement towards value for similar products. And so I think that is sort of a given. It's not terrible. It's pretty good for Henry Schein because we have a value offering for our dental and medical consumables.

And we have a very good offering of equipment, not our own brands, but where we get support from national brands, manufacturers, but also manufacturers that are trying to get a greater market share, and we'll do that based on value.

John Stansel - *JPMorgan - Analyst*

I think that's actually a great dovetail into the implant side of the business. Because at times we talked about how Henry Schein is very well-positioned on the what I'll call premium value and value elements of the kind of the hierarchy of implants. So I guess, the same question applies there, maybe a little bit more specific. How do we think about the durability of the favorable trend towards value implants and premium value?

Tom Popeck - *Henry Schein Inc - Chief Executive Officer, Healthcare Specialties Group*

Yeah. Well, in the past, we struggled a little bit there. But over the last 1.5 years, we made an acquisition of S.I.N., Brazil-based manufacturing company. And we've been really happy with the progress we've seen in that segment here in North America, small still, but making great progress.

John Stansel - *JPMorgan - Analyst*

And I think one of the things, when we talk about S.I.N. is that there is interest from DSOs, particularly.

Tom Popeck - *Henry Schein Inc - Chief Executive Officer, Healthcare Specialties Group*

Yeah.

John Stansel - *JPMorgan - Analyst*

Is that something -- you've now had it for a little bit longer of time. You've gotten to know it better. You got to spend more time marketing it to practices. Has that enthusiasm persisted?

Tom Popeck - *Henry Schein Inc - Chief Executive Officer, Healthcare Specialties Group*

It is. We're still exploring. We're still learning, but those opportunities are coming up.

John Stansel - *JPMorgan - Analyst*

Okay. And then the big thing that happened kind of midway through '24 was to launch the Tapered Pro Conical. Can you just talk a little bit about how that complemented or fit within your overall portfolio strategy for the implant space.

Tom Popeck - *Henry Schein Inc - Chief Executive Officer, Healthcare Specialties Group*

Well, let's just start with, it's 50% of the market. So here in the US, we were only playing with half a deck of cards. So it's a great opportunity for us. We launched it in Q3. We're rolling it out slow, right? Slow is better, getting the sales force trained, getting the material out there, talking to our customers, doing the education. Early results are great. We're excited about what we're going to do in 2025.

We also have a new healing abutment that complements that as well. So between the two new products, we're excited about '25.

John Stansel - *JPMorgan - Analyst*

Are there any other kind of -- if you talk about this closing a 50% hole in your product portfolio, maybe broader than implants, is there something that you -- could be used to close a gap like that? Areas that you'd explore kind of further product innovation?

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Well, I think on the software side is where the next big opportunity is for us. And I mentioned and referred to that with the Nemotec software, which really is workflow case management. And we're still really in the early stages of being able to leverage and maximize that, so it's a bright future.

John Stansel - *JPMorgan - Analyst*

And then the other one to kind of think about for next year as well is, I think, we've talked in the past, Ron, I think when we caught up in December, about the idea that reductions in rate, interest rates could be a favorable tailwind. But when we've talked about this in the past, it's not just simply rates but potentially just consumer sentiment as well or dentist sentiment, I guess, in this case. What do you need to see to potentially get a benefit in the dental equipment space as we think about the macro backdrop?

Ronald N. South - *Henry Schein Inc - Senior Vice President and Chief Financial Officer*

Yeah. I mean, it's hard to quantify how much of a decrease we would actually need in interest rates to get a meaningful benefit from it. But you do get the immediate -- and you mentioned dental sentiment, you do get an immediate benefit in terms of financing of equipment and some other areas where it could become more attractive for some practices who may be waiting for rates to come down a little bit before they do that.

Equally, that cost of capital for some of our DSO customers who grow through de novos by building out new practices, that cost of capital becomes very important because it does make that hurdle a little easier for them and perhaps encourages more investment to expand the supply of dentistry in the US, which I think there is opportunity to do that. We do think that demand for dentistry services right now exceeds that supply.

That increased supply in the end market obviously benefits us. It's just not just in terms of the immediate sales of equipment, et cetera, to build out that practice, but also then the ongoing churn of additional patients, seeing a dentist and that ongoing churn and additional use of consumable merchandise. Those will all benefit with lowering of interest rates.

Right now, there is some uncertainty in terms of what interest rates will do. So that is something that we're monitoring closely. But we're -- we do feel like once we get some -- a meaningful decrease, that we will begin to see a little bit of benefit from that.

John Stansel - *JPMorgan - Analyst*

And I guess, DSO de novos aren't going to happen overnight. When you have those conversations with your large customers, is the sense that this is a '25 phenomenon, a '26 phenomenon? Or how much of a lag do you need? Or will there be, between rates coming down, activity picking up?

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

I mean, to just put this in context, the dental business on the equipment side is okay. It's stable from the traditional point of view and is doing quite well on the digital side. There are puts and takes there. One manufacturer is doing well, another one is not doing so well. But the whole area of the digitalization of dentistry is okay.

And the well-capitalized DSOs are investing. It's not as easy picking as it was, say, three, four years ago when we were in 4% interest rates. But there is investment in, by the DSOs and even the -- on the medical side, the IDNs in growing the practices, so there is investment in -- taking place in equipment.

John Stansel - *JPMorgan - Analyst*

That makes sense. And I think bringing up the IDNs, and you've talked a lot about how COVID PPE has been kind of a factor in the medical side. Cough, cold, flu is another kind of component, and that's been one that's been a little bit seasonally weak this last quarter, I know you not -- didn't give guidance or reaffirm here, but anything qualitatively you can talk about as it relates to volumes there?

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Our medical business is quite stable. You've got to take out, on the dental side as well, the impact of COVID-related products, in particular, there is somewhat of a pull back on pricing of gloves. It's gotten better. It's probably near the bottom right now.

So you've got this dynamic taking place. I think masks have stabilized by now. But you have this impact of PPE products. We've disclosed and we provide that information every quarter. You feel that out.

Occasionally, you have an impact of a generic drug injectable on our medical business, impacts the sales, but it's very good for profits. And you've got this whole respiratory world that is volatile every year. You peel that out, and we've got a pretty good Medical business that's quite profitable.

John Stansel - *JPMorgan - Analyst*

And one of the areas you've invested in is your home health business as well. How do we think about that as a -- it's now north of $300 million in revenue at this point. As a potential vector of further growth for the medical business, how does that expand over time? I mean, not '25, but beyond?

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Well, a couple of years ago, we were hardly in this business. We're growing. We made a small acquisition now. The size of the acquisition is not as important as the know-how it brings. And I think you will see that business continue to grow, and the margins are very, very good.

John Stansel - *JPMorgan - Analyst*

I think that's a great question. Just generally, we talk about this, 40% of your operating profit coming from your higher-growth areas, another 10% from your private label. What is the -- 40% has been kind of a number that has been out there, for a couple of years now. It's like the target. Now, where we've reached it, is there further to go? Is this something where we're sitting here in two or three years and it's 50%? How do we think about that mix shift over time?

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Well, it's 40% in the high-growth, high-margin manufactured products that we manufacture and sell under our own brand, not usually the Henry Schein brand but a brand that is in the marketplace generally associated with innovation and a brand that may be associated with high-quality KOL research behind it. That business, together with our software business, and I think Tom mentioned, is about 25% of our sales, 40% of our profits. And then we have the owned brands. These are products that are OEM for us and sell through our distribution channel, accounting for another 10%-plus of our profits.

Tom Popeck - *Henry Schein Inc - Chief Executive Officer, Healthcare Specialties Group*

Private label.

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Owned brand -- sorry, yeah. It is owned and own. I got that one. Tom is very, very --

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Tom Popeck - *Henry Schein Inc - Chief Executive Officer, Healthcare Specialties Group*

Key distinction.

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

There's our own brand, which is our private brand, if you will, but it's not a private brand anymore. It's a brand. And then there's the owned brands, different brands. You add all of that up, it's over half of our profits and the goal is for that to continue. And it's not that our distribution business will not do well. We expect that to increase in profits. We think that we'll recapture more of the sales that were impacted by the cyber incident.

Every month, we get back tens of basis points of market share, and we're doing well. But the goal is to drive the high-growth, high-margin products and services business, and that will continue to grow. We're not giving guidance today, but I think -- if you looked at Henry Schein 10 years ago, we would have been a 90%-plus profit distribution company, and now, it's 50% own and owned brands.

John Stansel - *JPMorgan - Analyst*

And thinking about the moving parts that you've called out for '25, is there anything -- there are a few factors here. There is the ramp of the e-commerce platform. There is a modest improvement we've talked about in the general market. There's some mix shift, I would imagine, as your higher growth, higher-margin businesses contribute. You'll be lapping some lower share. Are there any other things that you should think about when -- we're just talking top line about the factors, qualitatively, that are going to shape '25?

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Perhaps, Tom, you can talk in your area, and Andrea, what are the opportunities for '25. I can't give you numbers today because we haven't given our guidance yet, but there are a number of dynamics in -- on the distribution side and on the own distribution of technology side and then the owned brands.

Tom Popeck - *Henry Schein Inc - Chief Executive Officer, Healthcare Specialties Group*

Yeah. For the Henry Schein product side, it's really new products. So we talked a little bit about on the implant side, but we also have them on the endodontic side. We have a range of new products that are being released and also on the orthopedic side.

The other thing is on sales channel expansion, in particular on the specialty side, really doubling down, focusing on the specialists, for example, an endodontic specialty sales force to really drive that focus and dedication to the specialty. We're clinical where it's important to have that clinical specialty.

Andrea?

Andrea Albertini - *Henry Schein Inc - Chief Executive Officer, International Distribution Group*

On the distribution side, we will -- we continue on this trend of getting back, step by step, market share. I mean, we are growing, and we will continue to grow. And we see opportunities.

If I think about equipment, there will be -- there will continue to be a stable, steady growing traditional equipment business, where we have a big share in technical service. We have invested a lot in technicians, field technicians. We believe this is a higher-margin piece of the equipment business, and it's very valuable for our customers. So it helps to create stickiness with the customers.

On the digital part of the equipment, it will really depend on innovation. Yes, there is volume. This is a growing segment, but innovation will help also to increase top line.

Talking about technology, I mentioned it before. We see the shift on subscription-based value-added solutions, software, and the digital workflow. These are all areas of opportunity for us.

John Stansel - *JPMorgan - Analyst*

And then if I can squeeze one for Ron in here. So thinking about on the cost side, maybe some margins up, you'll -- I would believe some promotional benefits that you were giving out in the early part of '24, as you kind of recaptured some of those episodic customers. And then we have the $75 million to $100 million of cost savings as well. Are there any other thing people should think about beyond kind of the normal mix shift within the business that we think about for margins qualitatively going forward?

Ronald N. South - *Henry Schein Inc - Senior Vice President and Chief Financial Officer*

Yeah. You mentioned the restructuring initiatives which are ongoing. And we've executed on some of the more straightforward ones in 2024, and then there are others that are going to take a little more time to be a little more complex that we are working on throughout 2025 with that goal of -- by the end of 2025, we will have initiatives in place that will provide us $75 million to $100 million in annual run rate savings.

Some of those savings will help cover some additional investment we want to make in 2025 in the business. But for the most part, a lot of those savings will fall to the bottom line. So that should help on the margins somewhat.

Distribution margins continue to be an area that we want to continue to gain market share. We'll probably continue to do some promotions and some discounts in order to get that market share. So you could still see some -- a little bit of that continuing into '25, but that's important for us. And so there's going to be some offsetting factors there. But I do expect us to grow earnings in '25 versus '24.

We have to execute on the restructuring. We're also looking at what kind of success can we get on some of the -- we talked about new products in some of the areas that these guys have. Also some new products that we introduced in Henry Schein One and our technology business towards the end of 2024 around eligibility products, also around Reserve with Google that are being very well received, and we're going to get some annualized effects there as well, and those are higher margin also.

John Stansel - *JPMorgan - Analyst*

And that was -- perfectly just ran out of time. Thank you, everyone, for coming.

Ronald N. South - *Henry Schein Inc - Senior Vice President and Chief Financial Officer*

Good job.

Tom Popeck - *Henry Schein Inc - Chief Executive Officer, Healthcare Specialties Group*

That was perfect.

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Just in time.