



Nassau County Shared Services,
Office of Purchasing

Staff Summary A-25-2021

| |
|---|
| Subject: Fluidshield N95 Particulate Filter Respirator and Surgical Mask (RQEM20000014) |
| Department: Department of Shared Services Office of Purchasing |
| Department Head Name: Melissa Gallucci |
| Department Head Signature <i>Melissa Gallucci</i> |

| |
|---|
| Date: August 19, 2021 |
| Vendor Name: Henry Schein, Inc. |
| Contract Number: A-25-2021 |
| Contract Manager Name: Kimberly Stanton |

| Internal Approvals | | | |
|---------------------|--------------|--------------------|--------------|
| Date & Init. | Approval | Date & Init. | Approval |
| 8/20/21 <i>ATB</i> | CPO | 11/5/21 <i>H/W</i> | Budget |
| 10/24/21 <i>JSE</i> | County Atty. | | County Exec. |

Material Adverse Information Identified? [Yes ___/No X] (If Yes, attach memo.)

A. Smith 10/21/21

Narrative

Purpose: To ratify the award and authorize a purchase order for the Office of Emergency Management for One Thousand Four Hundred Thirty-Four (1,434) Fluidshield N95 Particulate Filter Respirator and Surgical Masks ordered on an emergency basis pursuant to Section 702(d) of the Nassau County Charter.

Discussion: The Nassau County Office of Emergency Management requested an emergency procurement of Fluidshield N95 Particulate Filter Respirator and Surgical Masks needed to help Nassau County and the Nassau County Health Care Providers to respond to the COVID-19 outbreak.

The Commissioner of Shared Services was authorized by the County Executive to immediately purchase from the open market the necessary materials, supplies, equipment and services to address the COVID-19 public health emergency pursuant to an Emergency Purchase Authorization dated February 7, 2020. The Fluidshield N95 Particulate Filter Respirator and Surgical Masks are critical in protecting the Health Care Providers in hospitals, but should the need arise, can substitute as a first responder mask where the N95 is used now. Proper Personal Protective Equipment (PPE) is essential to assist our response professionals in performing their jobs safely. The Department of Shared Services is satisfied that Henry Schein, Inc. is a responsible vendor and was the lowest priced vendor for Fluidshield N95 Particulate Filter Respirator and Surgical Mask at the time these masks were made available to the County and that the County could identify that could meet the County's delivery requirements, had available stock, could meet required specifications, and was willing to accept a County purchase order for payment. The County continues to explore and identify additional face mask vendors as the need arises.

The Commissioner of Shared Services now seeks the County Legislature's approval to ratify the award and authorize a purchase order for Fluidshield N95 Particulate Filter Respirator and Surgical Masks.

Impact on Funding: The maximum amount authorized under this purchase order shall be One Hundred Thirty-Six Thousand Four Hundred Thirteen Dollars and Two Cents (\$136,413.02) from general fund EMGen1100 DDERC.

Recommendation: The Commissioner of Shared Services recommends that the Nassau County Legislature ratify the award and authorize a purchase order with Henry Schein, Inc.

COUNTY OF NASSAU
INTER -- DEPARTMENTAL MEMO

TO: CLERK OF THE COUNTY LEGISLATURE

A-25-2021

FROM: MELISSA GALLUCCI - COMMISSIONER OF SHARED SERVICES

DATE: AUGUST 20, 2021

SUBJECT: RESOLUTION -- THE NASSAU COUNTY OFFICE OF EMERGENCY MANAGEMENT

THIS RESOLUTION IS RECOMMENDED BY THE COMMISSIONER OF SHARED SERVICES TO RATIFY AN AWARD AND TO AUTHORIZE THE EXECUTION OF A PURCHASE ORDER IN THE AMOUNT OF ONE HUNDRED THIRTY-SIX THOUSAND FOUR HUNDRED THIRTEEN DOLLARS TWO CENTS (\$136,413.02) ON BEHALF OF THE NASSAU COUNTY OFFICE OF EMERGENCY MANAGEMENT TO HENRY SCHEIN, INC. FOR FLUIDSHIELD N95 PARTICULATE FILTER RESPIRATOR AND SURGICAL MASK.

THE ABOVE DESCRIBED DOCUMENT ATTACHED HERETO IS FORWARDED FOR YOUR REVIEW AND APPROVAL AND SUBSEQUENT TRANSMITTAL TO THE RULES COMMITTEE FOR INCLUSION IN ITS AGENDA.


MELISSA GALLUCCI
COMMISSIONER OF SHARED SERVICES

VB: gb

ENCL: (1) STAFF SUMMARY
(2) DISCLOSURE STATEMENT
(3) RESOLUTION
(4) BID SUMMARY
(5) BID PROPOSAL
(6) CERTIFICATE OF LIABILITY INSURANCE
(7) RECOMMENDATION OF AWARD
(8) POLITICAL CONTRIBUTION FORM



A RESOLUTION RATIFYING THE COMMISSIONER OF SHARED SERVICES
AWARD AND AUTHORIZING THE EXECUTION OF A PURCHASE ORDER
BETWEEN THE COUNTY OF NASSAU, ACTING ON BEHALF OF THE NASSAU
COUNTY OFFICE OF EMERGENCY MANAGEMENT, AND HENRY SCHEIN, INC.

APPROVED AS TO FORM



Deputy County Attorney

WHEREAS, the County Executive has authorized the Commissioner of Shared Services, pursuant to Section 702(d) of the Nassau County Charter, to immediately purchase from the open market the necessary materials, supplies, equipment and services to address the COVID-19 public health emergency; and

WHEREAS, the Commissioner of Shared Services has made an award to Henry Schein, Inc. to provide Fluidshield N95 Particulate Filter Respirator and Surgical Mask on an emergency basis to assist Nassau County in their response to the COVID-19 public health emergency.

RESOLVED, the Nassau County Legislature ratifies the Commissioner of Shared Services award and authorizes the execution of the said Purchase Order with Henry Schein, Inc.



COUNTY OF NASSAU

POLITICAL CAMPAIGN CONTRIBUTION DISCLOSURE FORM

1. Has the vendor or any corporate officers of the vendor provided campaign contributions pursuant to the New York State Election Law in (a) the period beginning April 1, 2016 and ending on the date of this disclosure, or (b), beginning April 1, 2018, the period beginning two years prior to the date of this disclosure and ending on the date of this disclosure, to the campaign committees of any of the following Nassau County elected officials or to the campaign committees of any candidates for any of the following Nassau County elected offices: the County Executive, the County Clerk, the Comptroller, the District Attorney, or any County Legislator?

YES ☐ NO ☒ If yes, to what campaign committee?

2. VERIFICATION: This section must be signed by a principal of the consultant, contractor or Vendor authorized as a signatory of the firm for the purpose of executing Contracts.

The undersigned affirms and so swears that he/she has read and understood the foregoing statements and they are, to his/her knowledge, true and accurate.

The undersigned further certifies and affirms that the contribution(s) to the campaign committees identified above were made freely and without duress, threat or any promise of a governmental benefit or in exchange for any benefit or remuneration.

Electronically signed and certified at the date and time indicated by:
Jeff Klingler [JEFF.KLINGLER@HENRYSCHEIN.COM]

Dated: 10/19/2021 04:18:55 PM

Vendor: Henry Schein, Inc.

Title: VP and GM, Enterprise Health and Medical
Performance Health

PRINCIPAL QUESTIONNAIRE FORM

All questions on these questionnaires must be answered by all officers and any individuals who hold a ten percent (10%) or greater ownership interest in the proposer. Answers typewritten or printed in ink. If you need more space to answer any question, make as many photocopies of the appropriate page(s) as necessary and attach them to the questionnaire.

COMPLETE THIS QUESTIONNAIRE CAREFULLY AND COMPLETELY. FAILURE TO SUBMIT A COMPLETE QUESTIONNAIRE MAY MEAN THAT YOUR BID OR PROPOSAL WILL BE REJECTED AS NON-RESPONSIVE AND IT WILL NOT BE CONSIDERED FOR AWARD

1. Principal Name: Michael S Ettinger
Date of birth: 04/04/1961
Home address: 34 Elm Street
City: Woodbury State/Province/Territory: NY Zip/Postal Code: 11797
Country: US

Business Address: 135 Duryea Road
City: Melville State/Province/Territory: NY Zip/Postal Code: 11747
Country: US
Telephone: 6318435500

Other present address(es):
City: Woodbury State/Province/Territory: NY Zip/Postal Code: 11797
Country: US
Telephone: 6313273848

List of other addresses and telephone numbers attached

2. Positions held in submitting business and starting date of each (check all applicable)

| | | | |
|-------------------------|-------------------|-------------|-------------------|
| President | _____ | Treasurer | _____ |
| Chairman of Board | _____ | Shareholder | _____ |
| Chief Exec. Officer | _____ | Secretary | <u>01/01/2000</u> |
| Chief Financial Officer | _____ | Partner | _____ |
| Vice President | <u>01/01/1998</u> | | |
| (Other) | | | |

3. Do you have an equity interest in the business submitting the questionnaire?

YES ☒ NO ☐ If Yes, provide details.

28,627 shares

4. Are there any outstanding loans, guarantees or any other form of security or lease or any other type of contribution made in whole or in part between you and the business submitting the questionnaire?

YES ☐ NO ☒ If Yes, provide details.

5. Within the past 3 years, have you been a principal owner or officer of any business or notfor-profit organization other than the one submitting the questionnaire?

YES ☒ NO ☐ If Yes, provide details.

SEE ATTACHED ANNUAL REPORT

6. Has any governmental entity awarded any contracts to a business or organization listed in Section 5 in the past 3 years while you were a principal owner or officer?

YES ☒ NO ☐ If Yes, provide details.

HENRY SCHEIN DOES NOT TRACK THIS INFORMATION

NOTE: An affirmative answer is required below whether the sanction arose automatically, by operation of law, or as a result of any action taken by a government agency. Provide a detailed response to all questions checked "YES". If you need more space, photocopy the appropriate page and attach it to the questionnaire.

7. In the past (5) years, have you and/or any affiliated businesses or not-for-profit organizations listed in Section 5 in which you have been a principal owner or officer:

- a. Been debarred by any government agency from entering into contracts with that agency?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- b. Been declared in default and/or terminated for cause on any contract, and/or had any contracts cancelled for cause?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- c. Been denied the award of a contract and/or the opportunity to bid on a contract, including, but not limited to, failure to meet pre-qualification standards?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

- d. Been suspended by any government agency from entering into any contract with it; and/or is any action pending that could formally debar or otherwise affect such business's ability to bid or propose on contract?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

8. Have any of the businesses or organizations listed in response to Question 5 filed a bankruptcy petition and/or been the subject of involuntary bankruptcy proceedings during the past 7 years, and/or for any portion of the last 7 year period, been in a state of bankruptcy as a result of bankruptcy proceedings initiated more than 7 years ago and/or is any such business now the subject of any pending bankruptcy proceedings, whenever initiated?

YES ☐ NO ☒ If 'Yes', provide details for each such instance. (Provide a detailed response to all questions check "Yes". If you need more space, photocopy the appropriate page and attached it to the questionnaire.)

9.

a. Is there any felony charge pending against you?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

b. Is there any misdemeanor charge pending against you?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

c. Is there any administrative charge pending against you?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

d. In the past 10 years, have you been convicted, after trial or by plea, of any felony, or of any other crime, an element of which relates to truthfulness or the underlying facts of which related to the conduct of business? Y

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

e. In the past 5 years, have you been convicted, after trial or by plea, of a misdemeanor?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

f. In the past 5 years, have you been found in violation of any administrative or statutory charges?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

10. In addition to the information provided in response to the previous questions, in the past 5 years, have you been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency and/or the subject of an investigation where such investigation was related to activities performed at, for, or on behalf of the submitting business entity and/or an affiliated business listed in response to Question 5?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

0 File(s) Uploaded:

11. In addition to the information provided, in the past 5 years has any business or organization listed in response to Question 5, been the subject of a criminal investigation and/or a civil anti-trust investigation and/or any other type of investigation by any government agency, including but not limited to federal, state, and local regulatory agencies while you were a principal owner or officer?

YES ☒ NO ☐ If yes, provide an explanation of the circumstances and corrective action taken.

SEE ATTACHED DOCUMENT

1 File(s) Uploaded: Business History Form.docx

12. In the past 5 years, have you or this business, or any other affiliated business listed in response to Question 5 had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held?

YES ☒ NO ☐ If yes, provide an explanation of the circumstances and corrective action taken.

In the past (5) years, neither Henry Schein, Inc. nor any of its owners or officers has had any sanctions imposed as a result of judicial or administrative proceedings with respect to any professional licenses held. However, Henry Schein, Inc. has more than 100 operating entities globally that are Associated Entities of Henry Schein, Inc. Due to Henry Schein Inc.'s complex subsidiary structure it would be extremely difficult to determine if any such Associated Entities may have had sanctions imposed within the last (5) years as a result of judicial or administrative proceedings with respect to any professional licenses held.

The "yes" option was checked in order to be able to enter the qualification regarding Affiliated Entities.

13. For the past 5 tax years, have you failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges?

YES ☐ NO ☒ If yes, provide an explanation of the circumstances and corrective action taken.

I, Michael S Ettinger , hereby acknowledge that a materially false statement willfully or fraudulently made in connection with this form may result in rendering the submitting business entity and/or any affiliated entities non-responsible, and, in addition, may subject me to criminal charges.

I, Michael S Ettinger , hereby certify that I have read and understand all the items contained in this form; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this form; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this form as additional inducement to enter into a contract with the submitting business entity.

CERTIFICATION

A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

Henry Schein, Inc.

Name of submitting business

Electronically signed and certified at the date and time indicated by:
Michael S Ettinger [MICHAEL.ETTINGER@HENRYSCHIN.COM]

Senior Vice President & Secretary

Title

05/12/2021 11:43:33 AM

Date



Henry Schein, Inc. • 135 Duryea Road • Melville, NY 11747

GENERAL BUSINESS: 631-643-5500
www.henryschein.com

Business History Form

| Type | Entity Name | Entity EIN | Name of Investigating Government Agency | Date Initiated | Date Completed | Investigation Summary |
|-----------|--------------------------------------|------------|---|----------------|----------------|--|
| Affiliate | Henry Schein Practice Solutions Inc. | 870426590 | US FTC | 6/4/2014 | 5/20/2016 | The FTC alleged violations of the FTC Act which Henry Schein Practice Solutions, Inc. denied; settled without any admission. |
| | Henry Schein, Inc. | 113136595 | AZ AG | 8/6/2014 | 4/22/2018 | AZ AG alleged violations of antitrust laws which Henry Schein, Inc. denied; settled without any admission. |
| | Henry Schein, Inc. | 113136595 | TX AG | 7/18/2014 | 8/3/2017 | The TX AG alleged violation of antitrust laws which Henry Schein, Inc. denied; settled without any admission. |
| | Henry Schein, Inc. | 113136595 | US FTC | 8/5/2015 | 11/7/2019 | FTC alleged violation of antitrust law which Henry Schein, Inc. denied; the administrative law judge dismissed the FTC's claims against Henry Schein, Inc. |

Business History Form

The contract shall be awarded to the responsible proposer who, at the discretion of the County, taking into consideration the reliability of the proposer and the capacity of the proposer to perform the services required by the County, offers the best value to the County and who will best promote the public interest.

In addition to the submission of proposals, each proposer shall complete and submit this questionnaire. The questionnaire shall be filled out by the owner of a sole proprietorship or by an authorized representative of the firm, corporation or partnership submitting the Proposal.

NOTE: All questions require a response, even if response is "none" or "not-applicable." No blanks.

(USE ADDITIONAL SHEETS IF NECESSARY TO FULLY ANSWER THE FOLLOWING QUESTIONS).

Date: 02/24/2021

1) Proposer's Legal Name: Henry Schein, Inc.

2) Address of Place of Business: 135 Duryea Road

City: Melville State/Province/Territory: NY Zip/Postal Code: 11747

Country: US

3) Mailing Address (if different): _____

City: _____ State/Province/Territory: _____ Zip/Postal Code: _____

Country: _____

Phone: _____

Does the business own or rent its facilities? Both If other, please provide details:

4) Dun and Bradstreet number: 012430880

5) Federal I.D. Number: 113136595

6) The proposer is a: Corporation (Describe) _____

7) Does this business share office space, staff, or equipment expenses with any other business?

YES ☐ NO ☒ If yes, please provide details:

8) Does this business control one or more other businesses?

YES ☒ NO ☐ If yes, please provide details:

Henry Schein has multiple subsidiaries as outlined in <https://www.sec.gov/Archives/edgar/data/1000228/000100022821000019/exhibit211.htm>

9) Does this business have one or more affiliates, and/or is it a subsidiary of, or controlled by, any other business?

YES ☒ NO ☐ If yes, please provide details:

Henry Schein, Inc. is not a subsidiary of or controlled by any other business. Henry Schein has multiple subsidiaries and affiliates please attachment to our 10K.

1 File(s) Uploaded: Henry Schein Annual Report and 10-K (1).pdf

- 10) Has the proposer ever had a bond or surety cancelled or forfeited, or a contract with Nassau County or any other government entity terminated?

YES ☒ NO ☐ If yes, state the name of bonding agency, (if a bond), date, amount of bond and reason for such cancellation or forfeiture: or details regarding the termination (if a contract).

In August of 2018, a supply contract with Baltimore County Public Schools was terminated for mutual convenience.

- 11) Has the proposer, during the past seven years, been declared bankrupt?

YES ☐ NO ☒ If yes, state date, court jurisdiction, amount of liabilities and amount of assets

- 12) In the past five years, has this business and/or any of its owners and/or officers and/or any affiliated business, been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency? And/or, in the past 5 years, have any owner and/or officer of any affiliated business been the subject of a criminal investigation and/or a civil anti-trust investigation by any federal, state or local prosecuting or investigative agency, where such investigation was related to activities performed at, for, or on behalf of an affiliated business.

YES ☒ NO ☐ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

Please see attached.

1 File(s) Uploaded: Business History Form 2-24-21 (2).pdf

- 13) In the past 5 years, has this business and/or any of its owners and/or officers and/or any affiliated business been the subject of an investigation by any government agency, including but not limited to federal, state and local regulatory agencies? And/or, in the past 5 years, has any owner and/or officer of an affiliated business been the subject of an investigation by any government agency, including but not limited to federal, state and local regulatory agencies, for matters pertaining to that individual's position at or relationship to an affiliated business.

YES ☒ NO ☐ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

Please see attached.

1 File(s) Uploaded: Business History Form 2-24-21 (2).pdf

- 14) Has any current or former director, owner or officer or managerial employee of this business had, either before or during such person's employment, or since such employment if the charges pertained to events that allegedly occurred during the time of employment by the submitting business, and allegedly related to the conduct of that business:

a) Any felony charge pending?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

b) Any misdemeanor charge pending?

YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

c) In the past 10 years, you been convicted, after trial or by plea, of any felony and/or any other crime, an element of which relates to truthfulness or the underlying facts of which related to the conduct of business?
YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

d) In the past 5 years, been convicted, after trial or by plea, of a misdemeanor?
YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

e) In the past 5 years, been found in violation of any administrative, statutory, or regulatory provisions?
YES ☐ NO ☒ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

- 15) In the past (5) years, has this business or any of its owners or officers, or any other affiliated business had any sanction imposed as a result of judicial or administrative proceedings with respect to any professional license held?
YES ☒ NO ☐ If yes, provide details for each such investigation, an explanation of the circumstances and corrective action taken.

In the past (5) years, neither Henry Schein, Inc. nor any of its owners or officers has had any sanctions imposed as a result of judicial or administrative proceedings with respect to any professional licenses held. However, Henry Schein, Inc. has more than 100 operating entities globally that are Associated Entities of Henry Schein, Inc. Due to Henry Schein Inc.'s complex subsidiary structure, it would be extremely difficult to determine if any such Associated Entities may have had sanctions imposed within the last (5) years as a result of judicial or administrative proceedings with respect to any professional licenses held.

The "yes" button was checked for this question in order to be able to be able to enter the qualification regarding Affiliated Entities.

- 16) For the past (5) tax years, has this business failed to file any required tax returns or failed to pay any applicable federal, state or local taxes or other assessed charges, including but not limited to water and sewer charges?
YES ☐ NO ☒ If yes, provide details for each such year. Provide a detailed response to all

17 Conflict of Interest:

a) Please disclose any conflicts of interest as outlined below. NOTE: If no conflicts exist, please expressly state "No conflict exists."

(i) Any material financial relationships that your firm or any firm employee has that may create a conflict of interest or the appearance of a conflict of interest in acting on behalf of Nassau County.

No Conflict Exists

(ii) Any family relationship that any employee of your firm has with any County public servant that may create a conflict of interest or the appearance of a conflict of interest in acting on behalf of Nassau County.

No Conflict Exists.

(iii) Any other matter that your firm believes may create a conflict of interest or the appearance of a conflict of interest in acting on behalf of Nassau County.

No Conflict Exists

- b) Please describe any procedures your firm has, or would adopt, to assure the County that a conflict of interest would not exist for your firm in the future.

Henry Schein's Worldwide Business Standards sets forth the company's standards and obligations with respect to conflicts of interest, including requiring statements from all employees on initial hire and annually from all managers and executives confirming no conflicts of interest. The Company has ongoing processes and procedures to address potential conflict of interest situations, including training on conflict of interest issues, and posts user-friendly guidance to its employees on its Compliance Department site, which is made available at its national sales meetings. The Company also maintains a log of potential conflict of interest issues as they arise, including resolution thereof.

- A. Include a resume or detailed description of the Proposer's professional qualifications, demonstrating extensive experience in your profession. Any prior similar experiences, and the results of these experiences, must be identified.

Have you previously uploaded the below information under in the Document Vault?

YES ☐ NO ☒

Is the proposer an individual?

YES ☐ NO ☒ Should the proposer be other than an individual, the Proposal MUST include:

- i) Date of formation;

12/23/1992

- ii) Name, addresses, and position of all persons having a financial interest in the company, including shareholders, members, general or limited partner. If none, explain.

Henry Schein is a publicly traded company

No individuals with a financial interest in the company have been attached..

- iii) Name, address and position of all officers and directors of the company. If none, explain.

Please see attached file to Henry Schein, Inc.'s Annual Report.

No officers and directors from this company have been attached.

1 File(s) Uploaded: Henry Schein Annual Report and 10-K (1).pdf

- iv) State of incorporation (if applicable);

DE

- v) The number of employees in the firm;
19000
- vi) Annual revenue of firm;
10100000000
- vii) Summary of relevant accomplishments
Please see our website at www.henryschein.com.

viii) Copies of all state and local licenses and permits.

1 File(s) Uploaded: 4687_001 (2).pdf

B. Indicate number of years in business.

88

C. Provide any other information which would be appropriate and helpful in determining the Proposer's capacity and reliability to perform these services.

Please see Henry Schein's Annual Report attached.

1 File(s) Uploaded: Henry Schein Annual Report and 10-K (1).pdf

D. Provide names and addresses for no fewer than three references for whom the Proposer has provided similar services or who are qualified to evaluate the Proposer's capability to perform this work.

Company Orlando Fire Dept. #122-3840
Contact Person Christopher Jackson - Logistics Manager
Address 911 S. Westmoreland Avenue
City Orlando State/Province/Territory FL
Country US
Telephone (407) 246-3602
Fax #
E-Mail Address Christopher.Jackson@cityoforlando.net

Company Aurora Fire Dept.
Contact Person Jim Rufer - Div. Chief
Address 75 N. Broadway
City Aurora State/Province/Territory IL
Country US
Telephone (630) 892-8811
Fax #
E-Mail Address jrufer@aurora-il.org

Company Pearland EMS
Contact Person Rachel Darrow
Address 2703 Veterans Drive
City Pearland State/Province/Territory TX
Country US
Telephone (281) 997-4623
Fax #
E-Mail Address rdarrow@pearlandtx.gov

I, Jeff Klingler , hereby acknowledge that a materially false statement willfully or fraudulently made in connection with this form may result in rendering the submitting business entity and/or any affiliated entities non-responsible, and, in addition, may subject me to criminal charges.

I, Jeff Klingler , hereby certify that I have read and understand all the items contained in this form; that I supplied full and complete answers to each item therein to the best of my knowledge, information and belief; that I will notify the County in writing of any change in circumstances occurring after the submission of this form; and that all information supplied by me is true to the best of my knowledge, information and belief. I understand that the County will rely on the information supplied in this form as additional inducement to enter into a contract with the submitting business entity.

CERTIFICATION

A MATERIALLY FALSE STATEMENT WILLFULLY OR FRAUDULENTLY MADE IN CONNECTION WITH THIS QUESTIONNAIRE MAY RESULT IN RENDERING THE SUBMITTING BUSINESS ENTITY NOT RESPONSIBLE WITH RESPECT TO THE PRESENT BID OR FUTURE BIDS, AND, IN ADDITION, MAY SUBJECT THE PERSON MAKING THE FALSE STATEMENT TO CRIMINAL CHARGES.

Name of submitting business: Henry Schein, Inc.

Electronically signed and certified at the date and time indicated by:
Jeff Klingler [JEFF.KLINGLER@HENRYSCHEIN.COM]

VP & GM, Enterprise Health and Medical Performance
Health
Title

10/19/2021 04:28:22 PM
Date

Exhibit 21.1

List of Subsidiaries

| Subsidiary | Jurisdiction of incorporation or organization |
|---|---|
| ACE Surgical Supply Co. ¹ | Massachusetts |
| BioHorizons, Inc. ² | Delaware |
| Camlog USA, Inc. ³ | Delaware |
| Exan Enterprises Inc. ⁴ | Nevada |
| General Injectables & Vaccines, Inc. ⁵ | Virginia |
| Handpiece Parts & Repairs, Inc. | Delaware |
| Henry Schein Europe, Inc. ⁶ | Delaware |
| Henry Schein Latin America Pacific Rim, Inc. ⁷ | Delaware |
| Henry Schein Medical Systems, Inc. | Ohio |
| Henry Schein Practice Solutions Inc. ⁸ | Utah |
| HS Brand Management Inc. | Delaware |
| HS TM Holdings, LLC ⁹ | Delaware |
| HSFR, Inc. | Delaware |
| Prism Medical Products LLC | Delaware |
| Project Helium Holdings, LLC ¹⁰ | Delaware |
| Project Spartan Holdings Corp. ¹¹ | Delaware |
| SG Healthcare Corp. ¹² | Delaware |
| TDSC, Inc. | Delaware |

¹ ACE Surgical Supply Co., Inc. is the parent company of two consolidated, wholly-owned subsidiaries, each of which operate in the health care manufacturing and distribution industry in the United States.

² BioHorizons, Inc. is the parent, holding company of 13 consolidated, wholly-owned subsidiaries, six of which operate within the United States and seven of which operate outside of the United States, and all of which operate in the dental implant and distribution industries. BioHorizons, Inc. also owns a majority interest in BioHorizons Camlog Italia SRL which operates outside the United States in the dental implant and distribution industries.

³ Camlog USA, Inc. is the parent, holding company of two consolidated, wholly-owned subsidiaries, one of which operates in the dental implant and distribution industries within the United States, and one of which operates a financial support services business for health care practitioners in and outside of the United States.

⁴ Exan Enterprises Inc. is the parent, holding company of one consolidated, wholly-owned subsidiary which operates in the dental management software industry within the United States.

⁵ General Injectables & Vaccines, Inc. is the parent, holding company of one consolidated, wholly-owned subsidiary which operates in the medical distribution industry in the United States.

⁶ Henry Schein Europe, Inc. is the parent, holding company of 63 consolidated, wholly-owned subsidiaries, five of which operate within the United States and 58 of which operate outside the United States, and all of which operate in the health care distribution industry. Henry Schein Europe, Inc. also owns a majority interest in the following companies, all of which operate outside the United States in the health care distribution industry: Cliniclands AB, Dental Trey S.r.l., Infomed Servicios Informáticos, S.L., Marrodent Sp. z o.o., MediEstates Ltd., MediFinancial Ltd., Mediholdings Limited, Mega Dental SNC, Newshelf 1223 Proprietary Limited, Henry Schein Dental Warehouse (PTY) Ltd., BA International Proprietary Limited, Henry Schein España, S.L., Servimed Técnicos, S.L.U., Spain Dental Express S.A.U., and Henry Schein Portugal, Unipessoal LDA.

⁷ Henry Schein Latin America Pacific Rim, Inc. is the parent, holding company of 11 consolidated, wholly-owned subsidiaries, two of which operate within the United States and nine of which operate outside of the United States, and all of which operate in the health care distribution industry. Henry Schein Latin America Pacific Rim, Inc. also owns a majority interest in the following companies, all of which operate outside the United States in the health care distribution industry: Accord Corporation Limited, BA Pro Repair Ltd., Hangzhou Lixue Henry Schein Medical Instrument Co., Ltd., Henry Schein China Management Co. Ltd., Henry Schein China Services Limited, Henry Schein Hemao Guangzhou Medical Device Co., Ltd., Henry Schein Hong Kong Holdings Limited, Henry Schein Hong Kong Limited, Henry Schein Jiahu (Shanghai) Co. Ltd., Henry Schein Regional Limited, Henry Schein Regional Pty Ltd as the Trustee for the Henry Schein Regional Trust, Henry Schein Regional Trust, HSR Holdings Pty Limited, Henry Schein Shvadent (2009) Ltd., Henry Schein Sunshine (Beijing) Medical Device Co. Ltd., Henry Schein Trading (Shanghai) Co., Ltd., Medi-Consumables PTY Limited, Ningbo Buyinghall Medical Equipment Co., Ltd., Wuhan Hongchang Henry Schein Dental Instrument Co., Ltd., and Zhengzhou Yifeng Henry Schein Dental Instrument Co., Ltd.

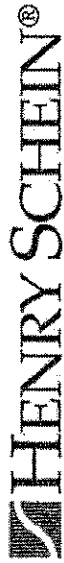
⁸ Henry Schein Practice Solutions Inc. is the parent, holding company of 19 consolidated, wholly-owned subsidiaries, two of which operate within the United States, and 17 of which operate outside the United States, and all of which operate in the digital dental products and solutions industry. Henry Schein Practice Solutions Inc. also owns a majority interest in Henry Schein One, LLC and Lighthouse 360, Inc. which operate within the United States in the digital dental products and solutions industry. Additionally, Henry Schein Practice Solutions Inc. owns a majority interest in the following companies, all of which operate outside the United States, in the digital dental products and solutions industry: Axiom Solutions ULC, Dental Cremer Produtos Odontológicos S.A., D-Net S.r.l., Elite Computer Italia S.r.l., Elite Computer Point S.r.l., Green Support S.r.l., Henry Schein One Australia, Henry Schein One New Zealand, Infomed Software, S.L., Julie Solutions SAS, Kopfwerk Datensysteme GmbH, Medentis Medical GmbH, Orisline Espana S.L., Orisline Portugal Unipessoal Lda, Quantity Serviços e Comércio de Produtos para a Saúde S.A., Simples Dental Software S.A., Software of Excellence Practice Solutions Coöperatief U.A., Software of Excellence United Kingdom Limited, and Transportes Hasse Ltda.

⁹ HS TM Holdings, LLC is the parent, holding company of one consolidated, wholly-owned subsidiary which operates within the United States, in the health care industry.

¹⁰ Project Helium Holdings, LLC is the parent, holding company of one consolidated, wholly-owned subsidiary which operates within the United States, in the dental handpiece repair and sales industry.

¹¹ Project Spartan Holdings Corp. is the parent, holding company of two consolidated, wholly-owned subsidiaries, both of which operate within the United States, in the health care industry. Project Spartan Holding Corp. also owns a majority interest in the following companies, all of which operate within the United States, in the health care distribution industry: NAR (HSI) Holdings, LLC, NAR Blocker, Inc., NAR Training, LLC, North American Rescue Holdings, LLC, North American Rescue, LLC, and NAR Medical Depot, LLC.

¹² SG Healthcare Corp. is the parent, holding company of six consolidated, wholly-owned subsidiaries, five of which operate within the United States, and one of which operates outside of the United States, and all of which operate in the health care distribution industry.



Henry Schein, Inc. • 135 Duryea Road • Melville, NY 11747

GENERAL BUSINESS: 831-843-5500
www.henryschein.com

Business History Form

| Type | Entity Name | Entity EIN | Name of Investigating Government Agency | Date Initiated | Date Completed | Investigation Summary |
|-----------|--------------------------------------|------------|---|----------------|----------------|--|
| Affiliate | Henry Schein Practice Solutions Inc. | 870426590 | US FTC | 6/4/2014 | 5/20/2016 | The FTC alleged violations of the FTC Act which Henry Schein Practice Solutions, Inc. denied; settled without any admission. |
| | Henry Schein, Inc. | 113136595 | AZ AG | 8/6/2014 | 4/22/2018 | AZ AG alleged violations of antitrust laws which Henry Schein, Inc. denied; settled without any admission. |
| | Henry Schein, Inc. | 113136595 | TX AG | 7/18/2014 | 8/3/2017 | The TX AG alleged violation of antitrust laws which Henry Schein, Inc. denied; settled without any admission. |
| | Henry Schein, Inc. | 113136595 | US FTC | 8/5/2015 | 11/7/2019 | FTC alleged violation of antitrust law which Henry Schein, Inc. denied; the administrative law judge dismissed the FTC's claims against Henry Schein, Inc. |

BHF
#12 5#13

CONSULTANT'S, CONTRACTOR'S AND VENDOR'S DISCLOSURE FORM

1. Name of the Entity: Henry Schein, Inc.

Address: 135 Duryea Road

City: Mellville State/Province/Territory: NY Zip/Postal Code: 11747

Country: US

2. Entity's Vendor Identification Number: 113136595

3. Type of Business: Public Corp (specify) _____

4. List names and addresses of all principals; that is, all individuals serving on the Board of Directors or comparable body, all partners and limited partners, all corporate officers, all parties of Joint Ventures, and all members and officers of limited liability companies (attach additional sheets if necessary):

1 File(s) uploaded Consultants Contractor and Vendors Disclosure Form Links 2-23-2021 (2).doc

No principals have been attached to this form.

5. List names and addresses of all shareholders, members, or partners of the firm. If the shareholder is not an individual, list the individual shareholders/partners/members. If a Publicly held Corporation, include a copy of the 10K in lieu of completing this section.

If none, explain.

1 File(s) uploaded Consultants Contractor and Vendors Disclosure Form Links 2-23-2021 (2).doc

No shareholders, members, or partners have been attached to this form.

6. List all affiliated and related companies and their relationship to the firm entered on line 1. above (if none, enter "None"). Attach a separate disclosure form for each affiliated or subsidiary company that may take part in the performance of this contract. Such disclosure shall be updated to include affiliated or subsidiary companies not previously disclosed that participate in the performance of the contract.

No affiliated or related companies will take part in the performance of this contract.

7. List all lobbyists whose services were utilized at any stage in this matter (i.e., pre-bid, bid, post-bid, etc.). If none, enter "None." The term "lobbyist" means any and every person or organization retained, employed or designated by any client to influence - or promote a matter before - Nassau County, its agencies, boards, commissions, department heads, legislators or committees, including but not limited to the Open Space and Parks Advisory Committee and Planning Commission. Such matters include, but are not limited to, requests for proposals, development or improvement of real property subject to County regulation, procurements. The term "lobbyist" does not include any officer, director, trustee, employee, counsel or agent of the County of Nassau, or State of New York, when discharging his or her official duties.

Are there lobbyists involved in this matter?

YES ☐ NO ☒

(a) Name, title, business address and telephone number of lobbyist(s):

(b) Describe lobbying activity of each lobbyist. See below for a complete description of lobbying activities.

(c) List whether and where the person/organization is registered as a lobbyist (e.g., Nassau County, New York State):

The undersigned affirms and so swears that he/she has read and understood the foregoing statements and they are, to his/her knowledge, true and accurate.

Jeff Klingler [JEFF.KLINGLER@HENRYSCHN.COM]

Dated: 10/15/2021 02:47:23 PM

Title: Vice President and General Manager, Enterprise Health and Medical Performance Health

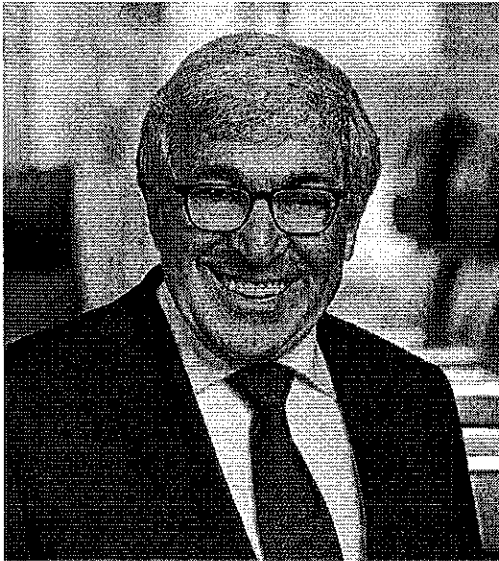
The term lobbying shall mean any attempt to influence: any determination made by the Nassau County Legislature, or any member thereof, with respect to the introduction, passage, defeat, or substance of any local legislation or resolution; any determination by the County Executive to support, oppose, approve or disapprove any local legislation or resolution, whether or not such legislation has been introduced in the County Legislature; any determination by an elected County official or an officer or employee of the County with respect to the procurement of goods, services or construction, including the preparation of contract specifications, including by not limited to the preparation of requests for proposals, or solicitation, award or administration of a contract or with respect to the solicitation, award or administration of a grant, loan, or agreement involving the disbursement of public monies; any determination made by the County Executive, County Legislature, or by the County of Nassau, its agencies, boards, commissions, department heads or committees, including but not limited to the Open Space and Parks Advisory Committee, the Planning Commission, with respect to the zoning, use, development or improvement of real property subject to County regulation, or any agencies, boards, commissions, department heads or committees with respect to requests for proposals, bidding, procurement or contracting for services for the County; any determination made by an elected county official or an officer or employee of the county with respect to the terms of the acquisition or disposition by the county of any interest in real property, with respect to a license or permit for the use of real property of or by the county, or with respect to a franchise, concession or revocable consent; the proposal, adoption, amendment or rejection by an agency of any rule having the force and effect of law; the decision to hold, timing or outcome of any rate making proceeding before an agency; the agenda or any determination of a board or commission; any determination regarding the calendaring or scope of any legislature oversight hearing; the issuance, repeal, modification or substance of a County Executive Order; or any determination made by an elected county official or an officer or employee of the county to support or oppose any state or federal legislation, rule or regulation, including any determination made to support or oppose that is contingent on any amendment of such legislation, rule or regulation, whether or not such legislation has been formally introduced and whether or not such rule or regulation has been formally proposed.

Consultant's, Contractor's and Vendor's Disclosure Form Links

| | |
|-------------------------|---|
| Board of Directors | https://www.henryschein.com/us-en/corporate/boarddirectors.aspx |
| Annual Report (10K) | https://www.sec.gov/ix?doc=/Archives/edgar/data/1000228/00010022821000019/hsicform10k20201226.htm |
| Henry Schein Affiliates | https://www.sec.gov/Archives/edgar/data/1000228/000100022821000019/exhibit211.htm |

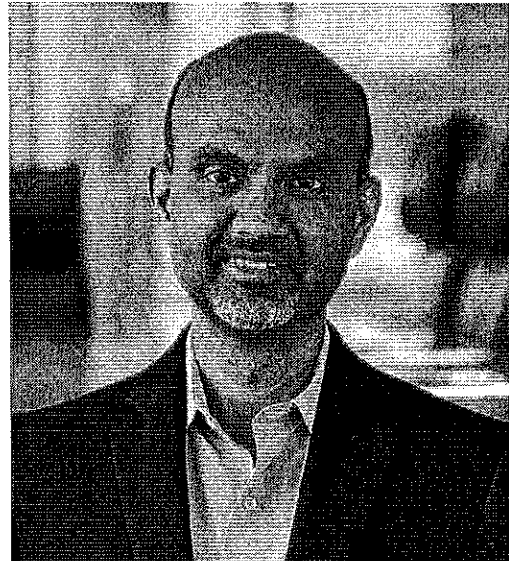


[Home](#) / [Our Company](#) / **Board of Directors**



Stanley M. Bergman

Chairman of the Board and Chief Executive Officer | [Read more](#)



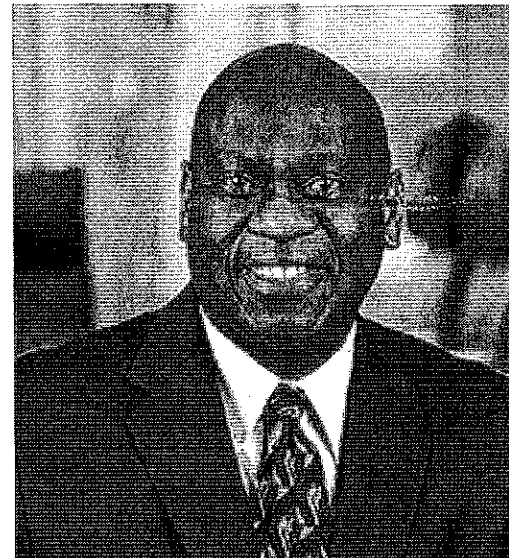
Mohamad Ali

Chief Executive Officer, International Data Group, Inc. | [Read more](#)



Barry J. Alperin

Retired Vice Chairman, Hasbro, Inc. | [Read more](#)



Gerald A. Benjamin

Executive Vice President, Chief Administrative Officer | [Read more](#)



Laura Curran
County Executive

Steven Morelli
Commissioner

To: Robert Cleary, Chief Procurement Officer

Date: June 2, 2020

Re: Justification for Emergency Procurement of Respirator Masks

The Nassau County Office of Emergency Management requests an emergency procurement of items needed to help Nassau County and the County's health care providers to respond to the COVID-19, 2020 Coronavirus outbreak. This procurement of disposable N95 respirator masks is of utmost urgency to protect our first responders as they encounter COVID-19 afflicted residents. These masks will primarily be used by our EMS and law enforcement personnel as they have received fit testing training on the N95 style of personal protective equipment (PPE). Proper PPE is essential to assist our response professionals in performing their jobs safely and effectively during this outbreak.

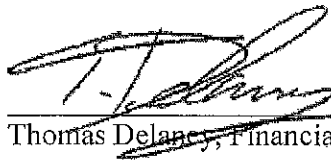
Currently, we have a two week supply of N95 masks on hand and our burn rate has been approximately 5,000 masks per week including PPE needed for staff operating the four (4) LIFQHC pop-up community COVID-19 testing sites.

While we do have orders placed through normal procurement channels such as Grainger and Fastenal, their supply is extremely limited. Orders for the procurement of N95 masks were placed with Grainger on March 12, 2020 and Fastenal on March 22, 2020. Both of these were quickly placed on backorder with Grainger initially showing a delivery date of July 9, 2020 (now 12/31/2020) and Fastenal giving no delivery date. Grainger reported to OEM that the Federal government has been the primary recipient of 3M product for the past several weeks, effectively shutting down supply channels for many forms of PPE.

Henry Schein advised OEM on June 2, 2020 of the availability to procure 50,190 Halyard N95 masks, National Institute for Occupational Safety and Health ("NIOSH") and Centers for Disease Control and Prevention ("CDC") approved. The cost for these is \$2.71 per mask which is about half the price non-traditional vendors are asking for similar product; total cost is \$136,230. In addition, Henry Schein has 1,920 3M N95 model 8511 masks available at \$1.83 each; total cost is \$3,504. The grand total is \$139,734. Other than the occasional partial shipment of N95's we have received from Grainger and Fastenal, this opportunity is the best price available since the beginning of this incident. Purchasing this quantity now will ensure we have at least a 90 day supply of N95 masks on hand as we continue to dispense these to first responders on a daily basis.

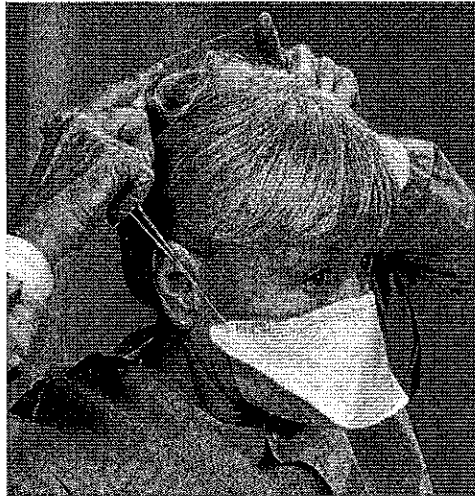
This procurement will serve Nassau's Police Department (2,000 members) and volunteer and PD EMS units (2,000 members) serving Nassau's 1.35 million residents.

When our first responders arrive on scene, often the exact details of the aided may not have been clearly relayed to dispatch from the 911 caller. With today's COVID-19 threat, all first responders have to act as though the aided is positive for the virus. When the aided arrives at the hospital emergency department, the same presumption should also apply. As such, proper PPE, such as an N95 mask, is an essential component of our first responder's and medical professional's own personal safety. This PPE is necessary to help prevent the spread of COVID-19.

A handwritten signature in black ink, appearing to read 'T. Delaney', is written over a horizontal line.

Thomas Delaney, Financial Systems Administrator

RESPIRATORY THREATS IN THE HEALTHCARE ENVIRONMENT



Your Halyard sales representative can help you develop a complete Respiratory Protection Program, including:

- Qualitative Fit Testing Training
- Respirator User Training
- Written Respiratory Protection Program Guidance
- "Preventing Airborne Infections" Educational Program

Ask your sales representative for more information.

The risk of infection with tuberculosis and other airborne diseases, such as SARS or measles is an ongoing threat to healthcare workers. The healthcare environment contains many potential respiratory hazards in the form of infectious agents from patients who release droplet nuclei into the air via coughing or other respiratory functions. In addition, there is danger of infection from surgical procedures where these agents may be aerosolized.

RESPIRATORY PROTECTION IS KEY

Along with proper ventilation, good work practices and administrative controls, respiratory protection is key to the prevention of healthcare-associated transmission of airborne infectious diseases. Any employee who is required to work with or around patients with suspected tuberculosis or other airborne infectious diseases must be provided with a respirator recommended by the Centers for Disease Control (CDC) and the National Institute for Occupational Safety and Health (NIOSH).

NIOSH APPROVED N95 RESPIRATORS

HALYARD* N95 Particulate Filter Respirators and Surgical Masks are designed to provide an effective facial fit, as required for proper respiratory protection against airborne pathogens. The respirators are NIOSH approved and are available in a variety of sizes and styles to meet your needs.

HALYARD* N95

Particulate Filter Respirators

HALYARD* N95 PARTICULATE FILTER RESPIRATORS

| Stock # | Description | Packaging | TECHNICAL DATA | | |
|---------|---|----------------------------------|----------------|------------|---------------------------|
| | | | PFE (0.1 µm) | BFE (3 µm) | ASTM (80, 120, 160 mm Hg) |
| 46727 | FLUIDSHIELD* N95 Particulate Filter Respirator and Surgical Mask, REGULAR SIZE (Pouch-Style with Polyurethane Headbands, Orange) | Masks/Box = 35 Boxes/Case = 6 | ≥ 99% | ≥ 99% | 160 |
| 46827 | FLUIDSHIELD* N95 Particulate Filter Respirator and Surgical Mask, SMALL SIZE (Pouch-Style with Polyurethane Headbands, Orange) | Masks/Box = 35 Boxes/Case = 6 | ≥ 99% | ≥ 99% | 160 |
| 46767 | FLUIDSHIELD* N95 Particulate Filter Respirator and Surgical Mask, Safety Seal Film, REGULAR SIZE (Pouch-Style with Polyurethane Headbands, Orange) | Masks/Box = 35 Boxes/Case = 6 | ≥ 99% | ≥ 99% | 160 |
| 46867 | FLUIDSHIELD* N95 Particulate Filter Respirator and Surgical Mask, Safety Seal Film, SMALL SIZE (Pouch-Style with Polyurethane Headbands, Orange) | Masks/Box = 35 Boxes/Case = 6 | ≥ 99% | ≥ 99% | 160 |
| 62126 | N95 Particulate Filter Respirator and Surgical Mask, REGULAR SIZE (Pouch-Style with Polyurethane Headbands, White) | Masks/Box = 50 Boxes/Case = 6 | ≥ 99% | ≥ 99% | 120 |
| 62355 | N95 Particulate Filter Respirator and Surgical Mask, SMALL SIZE (Pouch-Style with Polyurethane Headbands, White) | Masks/Box = 50 Boxes/Case = 6 | ≥ 99% | ≥ 99% | 120 |

ALSO AVAILABLE

| Stock # | Description | Packaging |
|---------|--------------------------|-----------------------------------|
| 47950 | Qualitative Fit Test Kit | Eaches/Box = 1 Boxes/Case = 1 |
| 99005 | Saccharin Solutions | Eaches/Box = 2 Boxes/Case = 1 |
| 99009 | Bitrex® Solutions | Eaches/Box = 2 Boxes/Case = 1 |
| 99010 | Hood Assemblies, Yellow | Eaches/Box = 10 Boxes/Case = 1 |
| 99015 | Hood Assemblies, Clear | Eaches/Box = 2 Boxes/Case = 18 |
| 99018 | Nebulizers | Eaches/Box = 2 Boxes/Case = 1 |

For more information for clinicians and product code ordering information, please visit:
www.halyardhealth.com

Call 1-844-HALYARD (1-844-425-9273)
 in the United States and Canada.

www.halyardhealth.com



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 IP52 C15455

REQUISITION

RQEM21000014 08/JUN/2021

VENDOR:

HENRY SCHEIN
135 DURYEA ROAD
MELVILLE

NY 11747

TEL: (516) 458-9787

FAX: () -

REQUISITIONER:

EM OFFICE OF EMERGENCY MANAGEMENT
510 GRUMMAN RD. WEST
BETHPAGE
TOM DE LISA
TEL: (516) 573-9639
FAX: (516) 573-0673

NY 11714

| ITEM | DESCRIPTION | QTY | U/M | UNIT COST | TOTAL | |
|------|---|----------|-----|-----------|------------|--|
| 001 | 345-72 | 1,434.00 | EA | 95.0000 | 136,230.00 | |
| | GAS, RESPIRATOR MASKS & FILTERS | | | | | |
| | MED FLUIDSHIELD N95 PARTICULATE FILTER RESPIRATOR AND SURGICAL MASK | | | | | |
| | 35/BX | | | | | |
| | PRODUCT #138-2961 | | | | | |
| 002 | 962-86 | 1.00 | LOT | 183.0200 | 183.02 | |
| | TRANSPORTATION OF GOODS, DRAYAGE, FREIGHT, SHIPPING AND HANDLING. | | | | | |
| | FREIGHT\SHIPPING | | | | | |

ESTIMATED TOTAL: 136,413.02

INVOICE

010000389226278330080110000000136413020612204

Nassau County Office Of Purchasing
240 Old Country Rd
Room 307
Mineola, NY 11501-4255

Ship/Sold-To: 3899652
Nassau Cnty OEM
700 Hicksville Rd
Dr. David Neubert
Bethpage, NY 11714-3471

Bill-To: 3892262
Nassau County Office Of Purchasing
240 Old Country Rd
Room 307
Mineola, NY 11501-4255

| | | | |
|-------------------------------|--------------------------|---|------------------------------|
| Invoice# 78330080 | Invoice Date 06/12/20 | Due Date 07/12/20 | Invoice Total \$136413.02 |
| Purchase Order# 06.05.2020 | | Payment Terms Invoice Date + 30 days | |
| Customer DEA# | | Customer State Reg# | |
| MTX Federal ID# | | MTX D&B# | |

| LINE NO | ITEM CODE | UNIT SIZE | DESCRIPTION | QTY ORDERED | QTY SHIPPED | CODES | UNIT PRICE | EXT. PRICE | BOX NO. | SHIP FROM |
|--------------------------|-----------|-----------|--|-------------|-------------|-------|--------------|------------|---------|-----------|
| 1 | 138-2961 | 35/BX | MED FluidShield N95 & Surg Mas Orange/Re THE ACTUAL LINE PRICE IS 136,230.00 ESTIMATED DELIVERY DATE: 06/15/20 CASE GOOD ITEM, MAY BE SHIPPED SEPARATELY. | 1434 | 1434 | C | 95.00 | 136,230.00 | 239 | VA |
| MERCHANDISE TOTAL | | | | | | | \$136,230.00 | | | |
| INSURANCE AND/OR FREIGHT | | | | | | | \$183.02 | | | |
| INVOICE TOTAL | | | | | | | \$136,413.02 | | | |

Please refer to back of paperwork for Terms of Sale and disclosures or go to
<https://www.henryschein.com/us-en/medical/LegalTerms.aspx>. Such terms are incorporated herein by reference.

Thank you for your order!

| | | | | | |
|---------------------|------------------------|----------------------|--------------------------|------------------------------|---|
| Ship To# 3899652 | Bill To# 3892262 | Invoice# 78330080 | Invoice Date 06/12/20 | Invoice Total \$136413.02 | CODE STATUS KEY S-Special Schein Pricing B-Backordered; Item will follow Case Good Item D-Discontinued; Item no longer available F-Special Offer M-Item will ship directly from manufacturer NC-No Charge P-Prescription Drug; Return Authorization Required *-Item has Safety Data Sheet (SDS) R-Refrigerated Item; May be shipped separately SK-School Kit SM-Shipped from Multiple Buildings T-Taxable Item U-Temporarily Unavailable; please reorder W-Warranty Item WH, MN, MZ, DM-DSCSA CODES |
| Order# 90280754 | Order Date 06/09/20 | # of Boxes 239 | PO# 06.05.2020 | | |

Distribution Names/Address

VA (GIV): 60 Summit View Lane Bastian, VA 24314
DEA#: PG0229821 State Reg#: 0216000090

Terms of Sale

THE HENRY SCHEIN PRICE POLICY:

We endeavor to maintain prices for the duration of a catalog, but we reserve the right to make price adjustments in response to manufacturers' price increases or extraordinary circumstances. Prices are subject to change without notice.

Henry Schein, Inc. ("Henry Schein") and customer agree that the terms and conditions hereinafter set forth shall govern the relationship between Henry Schein and the customer to the extent that the parties do not have a written agreement in effect that conflicts with such terms and conditions. Customer acknowledges and accepts all such terms and conditions by placing an order for goods with Henry Schein, and upon Henry Schein's delivery of the order to the customer.

Choose Your Payment Method

Reduce the cost and administration of paying Henry Schein—Pay electronically (ACH Debit) or set up AutoPay. Please call Customer Service for details.

For your convenience, we provide several payment alternatives. Orders billed to your account may be paid by ACH Debit, Check by Phone, or Check. If you prefer, you may use your Henry Schein Credit Card, American Express, Visa, MasterCard or Discover Card when placing your order. All sales are subject to our normal terms and conditions. Unless otherwise instructed, check payments must be mailed to: Henry Schein, Inc., Dept. CH 10241 • Palatine, IL 60055-0241

All sales are subject to credit approval. Invoices are payable within agreed terms of sale.

Open Accounts Receivable:

All unpaid accounts receivable past due are subject to a 1.5% finance charge.

DELIVERY TERMS:

Unless otherwise agreed, freight terms are FOB Shipper's Dock ("Ex Works" outside North America). Except as noted below, title passes at the time the shipment is loaded at the shipper's dock.

California: For all shipments of goods to customers located within California, title will pass upon receipt of goods by California customers.

Continental U.S.: All orders will be subject to a handling charge. This charge includes freight, except for additional carrier charges related to special delivery services and hazardous material shipments. Special orders are subject to additional freight charges.

Alaska, Hawaii & Pacific Protectorates: Standard shipping methods provide direct, reduced cost, expedited air delivery service to all accounts in Alaska and Hawaii. Customers in the Pacific Protectorates are offered direct surface transport, or postal services for reliable delivery. No additional surcharges apply, except when special services are requested. Low-level hazardous items (dangerous goods in accepted quantities and Consumer Commodity ID 8000) are now available via UPS 2nd-day air.

Guam, Puerto Rico, U.S. Trust Territories & Virgin Islands:

• All orders will be subject to a handling charge. This charge includes freight through the United States Postal Service (USPS) • Special delivery orders and hazardous material shipments can be shipped via United Parcel Services (UPS) for an additional charge. No minimum order amount or weight applies. Speak to your International Representative for details.

Outside U.S. (50 states): If your order is being shipped outside the U.S. (50 states), please refer to the International Terms & Conditions at henryschein.com. Unless otherwise agreed, freight terms are FOB Shipper's Dock ("Ex Works" outside North America). Title passes at the time the shipment is loaded at the shipper's dock. Customer is responsible for compliance with any applicable import requirements.

RX PRODUCTS & CONTROLLED SUBSTANCES:

• Regulations require us to limit the sale of Rx and controlled substances only to registered, licensed healthcare professionals. If you are a new customer or have recently moved, please furnish us with a copy of your updated state and federal registrations verifying your shipping address. Please note that all orders for controlled substances are subject to a due diligence review process. Schedule II controlled substances can be ordered electronically or by mail. For more information on our Controlled Substance Ordering System please visit www.henryschein.com/c222; if you prefer to continue using Federal 222 Forms to order Schedule II controlled substances, mail the form to: Henry Schein, Inc., 5315 West 74th Street • Indianapolis, IN 46268

• Henry Schein restricts the sale or other transfer of medications to prisons/correctional facilities for use in lethal injections, based on our manufacturer agreements. The goods Henry Schein sells are intended to be used for their label-approved purposes or applicable standards of care, which do not include human lethal injection.

THE DRUG SUPPLY CHAIN SECURITY ACT (DSCSA):

(MN, DM, WH, M2) The Drug Supply Chain Security Act (DSCSA) information related to prescription drug products is available on our website www.HenrySchein.com/pedigree. If you have any problems accessing our website or would like to receive a copy of DSCSA documentation via fax, mail or email, please contact our customer service department at 1-800-472-4346.

REGULATORY REQUIREMENT:

Local regulatory requirements may apply to use or installation of certain products. Be sure to understand and comply with any such requirements prior to purchase, use, or installation of products.

RETURNS:

WE CANNOT ACCEPT ANY RETURNS WITHOUT PRIOR AUTHORIZATION.

To arrange for a return, simply call our Customer Service department or contact your Sales Consultant. The following conditions must be complied with:

- All returns must be accompanied by a copy of your invoice and a reason for the return.
- Merchandise must be returned in its original unopened container, unmarked, and properly packaged • Returned products must have been purchased within the previous thirty (30) days. Any returns past thirty (30) days are subject to a restocking fee.
- Shortages or errors in shipments must be reported within seven (7) days of invoice date to issue

DISCOUNTS, REBATES AND DISCLOSURES: Invoice or statement prices may reflect or be subjected to a bundled discount or rebate pursuant to purchase offer, promotion or discount program. You must fully and accurately report to Medicare, Medicaid, Tricare and/or any other federal or State program, upon request by such program, the discounted price(s) or net price(s) for each invoiced item, after giving effect to any applicable discounts or rebates, which price(s) may differ from the extended prices set forth on your invoice. Accordingly, you should retain your invoice and all relevant information for your records. It is your responsibility to review any agreements or other documents, including offers or promotions, applicable to the invoiced products/prices to determine if your purchase(s) are subject to a bundled discount or rebate. Any such discounts must be calculated pursuant to the terms of the applicable purchase offer, promotion or discount program. Participation in a promotional discount program is only permissible in accordance with discount program rules. By participation in such program, you agree that, to your knowledge, your practice complies with the discount program requirements.

credit (if applicable) • Shipping charges will apply on all returns.

Exceptions:

The following special, customized, or government-regulated items are not returnable:

- Immune globulin products • Special order items (products that we do not ordinarily stock)
- Personalized and imprinted items • Opened computer hardware and software Hazardous/flammable materials • Expired products • Items that cannot be returned to the manufacturer Any item marked nonreturnable • Items required to be shipped and stored frozen • Any drop-shipped products

Equipment:

Opened and used equipment may not be returned for credit. Before opening equipment, we suggest that you check the shipping container and packing list to ensure that you are getting exactly what you ordered.

Equipment must be returned in the original unopened packaging, unmarked and properly packaged. Special order equipment is not returnable. All equipment returns are subject to a restocking fee. Equipment is backed by the manufacturer's repair or replacement warranty. Please read and return all warranty information required immediately upon taking delivery of your new equipment. Open or defective equipment is subject to the manufacturer's warranty.

Prescription Drug Returns:

Please note that, in order to comply with Federal and State traceability requirements, prescription drugs may be returned providing that the following key elements are met:

- 1) Returns of prescription drugs will only be accepted if HSI is notified within 30 calendar days of shipment date and valid return authorization is issued by HSI. 2) The Prescription Drug Marketing Act requires any customer returning prescription drugs to complete and return a Prescription Drug Return Authorization form. Federal law requires that the healthcare entity returning prescription drugs document that the product was kept under proper storage and handling conditions while in their possession and during the return of the product. To get a copy of the form and proper return authorization, please contact Customer Service. 3) In addition, traceability regulations require that the healthcare entity returning prescription drugs certifies that the product being returned is the same exact product purchased from HSI. 4) Henry Schein will not issue credit for any returned prescription drugs which return was not authorized as provided herein, have been tampered with or where the labeling has been altered in any way.

INSTITUTIONAL & CORPORATE ACCOUNTS:

Terms of Sale follow the same guidelines unless denoted differently in a contract. Some offers and promotions outlined in the catalog may not apply. Requests for bids and proposals may be sent to:

Henry Schein, Inc., Medical Bld Department (Mail Route E-270) 135 Duryea Road, Melville, NY 11747

INTERNATIONAL AND CANADIAN ORDERS:

We proudly serve healthcare professionals, governments, and dealers throughout the world. To place orders or for inquiries on export terms and conditions please contact the International Department (USA), at phone: 1-631-843-5325, fax: 1-631-843-5676, or send us an e-mail at: export@henryschein.com.

ARBITRATION:

All Claims related to or arising under or relating to this Agreement are to be exclusively and finally determined by binding arbitration in the state of New York, or another location mutually agreeable to the parties. Any and all Claims must be arbitrated on an individual basis, and there shall be no right or authority for any Claims or disputes to be arbitrated on a class action or collective basis. For avoidance of doubt, each party irrevocably waives any right to: (i) have any Claim resolved in connection with any class action or collective action, or (ii) recover any damages or relief directly or indirectly as part of any class action or collective action. The arbitration shall be conducted on a confidential basis pursuant to the Commercial Arbitration Rules of the American Arbitration Association, or if applicable, under its Procedures for Large, Complex Commercial Disputes. Any decision or award as a result of any such arbitration proceeding shall be in writing and shall include an explanation for all conclusions of law and fact and shall include the assessment of costs, expenses and reasonable attorneys' fees. Any such arbitration shall be conducted by an arbitrator experienced in the disputed subject matter and shall include a written record of the arbitration hearing. The parties reserve the right to object to any individual who shall be or has been at any time employed by or affiliated with a competing organization or entity. An award of arbitration may be confirmed in a court of competent jurisdiction. To the extent that any Claim or dispute is determined to not be subject to arbitration, all other Claims or disputes that would otherwise be subject to arbitration must be arbitrated. As used in this Agreement, "Claims" shall mean any and all liabilities, disputes and expenses whatsoever including, without limitation, claims, adversary proceedings (whether before a court, administrative agency or any other tribunal), damages (whether compensatory, multiple, exemplary or punitive), judgments, awards, penalties, settlements, investigations, costs, responses to subpoenas or other governmental directives and reasonable attorneys' fees and disbursements with respect to any claims that may be sustained, suffered or incurred by a Party hereto.

WARRANTIES:

Henry Schein will pass through to the customer, at the time of sale, any transferable product warranties, indemnities and remedies provided to Henry Schein by the applicable manufacturer. EXCEPT AS OTHERWISE PROVIDED HEREIN, TO THE EXTENT PERMITTED BY LAW, HENRY SCHEIN PROVIDES NO WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE OR NON-INFRINGEMENT, AND THE CUSTOMER SHALL LOOK TO THE MANUFACTURER OF THE PRODUCT FOR ANY WARRANTY THEREON.

LIMITATION OF LIABILITY:

The customer agrees to look solely to the manufacturer of the product for any claim arising due to loss, injury, damage or death related to the use or sale of products. HENRY SCHEIN SHALL NOT BE LIABLE FOR INDIRECT, INCIDENTAL, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES INCLUDING, BUT NOT LIMITED TO, LOST PROFITS AND LOSS OF GOODWILL, ARISING FROM OR RELATING TO ANY BREACH TO THIS AGREEMENT (OR ANY DUTY OF COMMON LAW, AND WHETHER OR NOT OCCASIONED BY THE NEGLIGENCE OF HENRY SCHEIN OR ITS AFFILIATES), REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES.

Henry Schein Telephone Hotlines...We're Here Ready to Help!

Henry Schein Medical

To Place An Order 1-800-772-4346 8am-8pm, et
To Fax An Order 1-800-329-9109 24 Hours
Customer Service 1-800-472-4346 8am-8:30pm, et
Internet www.henryschein.com/medical
E-mail medsle@henryschein.com

eCommerce Technical Support
PRIVILEGES
Henry Schein Financial Services
ProRepair
International Dept. (USA)
In Canada

1-800-711-6032 8am-8pm, et
1-866-633-8477 9am-5pm, et
1-800-443-2758 8am-8:30pm, et
1-800-367-3674 8am-7pm, et
1-631-843-5325 or Fax 1-631-843-5676
1-800-223-3300 8am-7pm, et

Henry Schein Medical/EMS

To Place An Order 1-800-845-3550 8:30am-5:30pm, et
To Fax An Order 1-800-533-4793 24 Hours
Customer Service 1-800-845-3550 8:30am-5:30pm, et
Internet www.henryschein.com/ems
E-mail ems@henryschein.com

340B Program

To Place An Order 1-877-344-3402 8:30am-5:30pm, et
To Fax An Order 1-888-885-2253 24 Hours
Customer Service 1-877-344-3402 8:30am-5:30pm, et
Internet www.henryschein.com/medical
E-mail customer.support@henryschein.com
e-Commerce Support 1-800-711-6032 8am-8pm, et

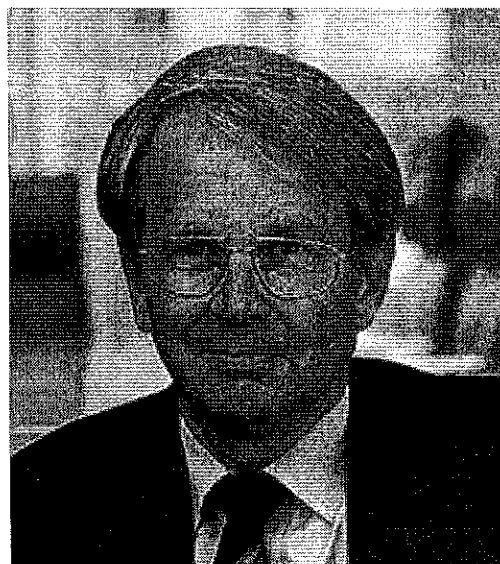
Henry Schein Athletics and Schools

To Place An Order 1-800-323-5110 8am-8pm, et
To Fax An Order 1-800-524-4969 24 Hours
Customer Service 1-800-323-5110 8am-8:30pm, et
Internet www.henryschein.com
Email athleticsandschools@henryschein.com



James P. Breslawski

Vice Chairman of the Board and President |
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Paul Brons

Former President of Organon International BV
| [Read more](#)



Deborah Derby

Former President, Horizon Group USA, Inc. |
[Read more](#)



Shira Goodman

Former Chief Executive Officer, Staples, Inc.
| [Read more](#)



Joseph L. Herring

Former Chief Executive Officer Covance, Inc.

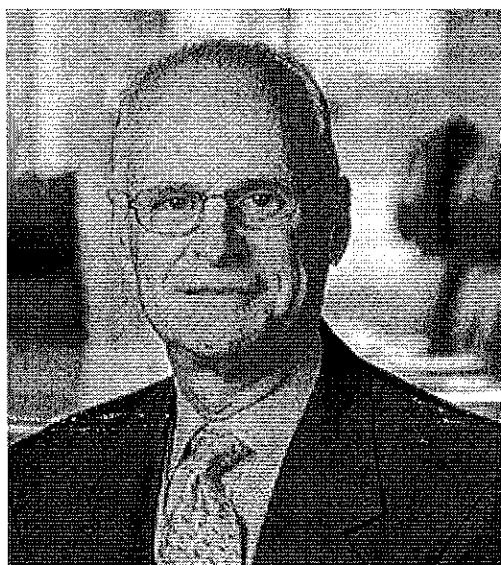
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Kurt P. Kuehn

Former Chief Financial Officer of United Parcel

Service, Inc. | [Read more](#)



Philip A. Laskawy

Lead Director, Henry Schein, Inc.; and
Retired Chairman, Ernst & Young, LLP (now
known as EY LLP) | [Read more](#)



Anne H. Margulies

Vice President and Chief Information Officer,
Harvard University | [Read more](#)



Mark E. Mlotek

Executive Vice President, Chief Strategic
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Steven Paladino

Executive Vice President, Chief Financial
Officer | [Read more](#)



Carol Raphael

Senior Advisor for Manatt Health Solutions;
and Former President and Chief Executive
Officer, Visiting Nurse Service of New York |
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E. Dianne Rekow, DDS, Ph.D.

Professor Emeritus and Fellow at King's College London; Former Executive Dean and Professor of Orthodontics at King's College Dental Institute; and Former Senior Vice Provost of Engineering Technology and Provost of Polytechnic Institute at New York University | [Read more](#)



Bradley T. Sheares, Ph.D.

Former Chief Executive Officer, Reliant Pharmaceuticals, Inc.; and Former President

of U.S. Human Health for Merck & Co. |

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New York State Department of
Taxation and Finance

Sales Tax Registration
W A Harriman Campus
Albany NY 12227

HENRY SCHEIN INC.
HENRY SCHEIN, INC.
135 DURYEA RD
MELVILLE NY 11747-3834

New York State Department of Taxation and Finance
Certificate of Authority

Identification number

113136595

(Use this number on all returns and correspondence)



VALIDATED

12/18/2009

Dept of Tax
and Finance

HENRY SCHEIN INC.
HENRY SCHEIN, INC.
135 DURYEA RD
MELVILLE NY 11747-3834

is authorized to collect sales and use taxes under Articles 28 and 29 of the New York State Tax Law.

Nontransferable

This certificate must be prominently displayed at your place of business.
Fraudulent or other improper use of this certificate will cause it to be revoked.
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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 13, 2021**

Dear Stockholder:

You are cordially invited to attend the 2021 Annual Meeting of Stockholders (the "Annual Meeting") of Henry Schein, Inc. (the "Company" or "Henry Schein"), to be held virtually at 10:00 a.m., Eastern Daylight Time, on Thursday, May 13, 2021. Due to the public health impact of the coronavirus outbreak (COVID-19) and to support the health and well-being of our employees, directors and stockholders, we have decided not to have a physical annual meeting this year. You will be able to attend the Annual Meeting online, vote and submit questions during the meeting by visiting www.virtualshareholdermeeting.com/HSIC2021 and entering the 16-digit control number included in our Notice Regarding the Availability of Proxy Materials or on your proxy card (if you received a printed copy of the proxy materials).

The Annual Meeting will be held for the following purposes:

1. to consider the election of sixteen directors of the Company for terms expiring in 2022;
2. to consider the approval, by non-binding vote, of the 2020 compensation paid to the Company's Named Executive Officers (as defined in the proxy statement) (commonly known as a "say-on-pay" proposal);
3. to ratify the selection of BDO USA, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 25, 2021; and
4. to transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Only stockholders of record at the close of business on March 15, 2021 are entitled to notice of, and to vote at, the meeting or any adjournments or postponements thereof.

The Company is pleased to take advantage of the Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders on the Internet. The Company believes the rules allow it to provide its stockholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of the Annual Meeting. Accordingly, stockholders of record at the close of business on March 15, 2021 will receive a Notice Regarding the Availability of Proxy Materials and may vote at the Annual Meeting and any adjournment or postponement of the meeting.

To assure your representation at the Annual Meeting, you are urged to cast your vote, as instructed in the Notice Regarding the Availability of Proxy Materials, over the Internet or by telephone as promptly as possible. You may also request a paper proxy card to submit your vote by mail, if you prefer, or vote online during the virtual Annual Meeting.

Whether or not you expect to attend the virtual meeting online, your vote is very important. Please cast your vote regardless of the number of shares you hold. I look forward to discussing our plans for the Company's future at the Annual Meeting.

STANLEY M. BERGMAN
Chairman and Chief Executive Officer

Melville, New York
March 30, 2021



**135 DURYEA ROAD
MELVILLE, NEW YORK 11747**

PROXY STATEMENT

The Board of Directors of Henry Schein, Inc. (the “Company”) has fixed the close of business on March 15, 2021 as the record date for determining the holders of the Company’s common stock, par value \$0.01, entitled to notice of, and to vote at, the 2021 Annual Meeting of Stockholders (the “Annual Meeting”). As of that date, 142,268,492 shares of common stock were outstanding, each of which entitles the holder of record to one vote. The Notice of Annual Meeting, this proxy statement and the form of proxy are being made available to stockholders of record of the Company on or about March 30, 2021. A copy of our 2020 Annual Report to Stockholders is being made available with this proxy statement, but is not incorporated herein by reference.

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote is necessary to constitute a quorum in connection with the transaction of business at the Annual Meeting. Abstentions and broker non-votes (*i.e.*, proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other persons entitled to vote shares as to a matter with respect to which the brokers or nominees do not have discretionary power to vote) are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business.

At the Annual Meeting, a “FOR” vote by a majority of votes cast is required for the election of directors (Proposal 1). A “FOR” vote by a “majority of votes cast” means that the number of shares voted “FOR” exceeds the number of votes “AGAINST.” Abstentions and broker non-votes shall not constitute votes “FOR” or votes “AGAINST” a director, and thus will have no effect on the outcome of Proposal 1. Proposals 2 and 3 each require the affirmative “FOR” vote of the holders of a majority of the outstanding shares of common stock present in person or represented by proxy and entitled to vote on the matter. Broker non-votes will have no effect on the outcome of Proposals 2 and 3, but abstentions will have the same effect as a vote “AGAINST” each such proposal.

We will pay all expenses of this proxy solicitation. In addition to this proxy solicitation, proxies may be solicited in person or by telephone or other means (including by our directors or employees (who we refer to as our Team Schein Members or “TSMs”) without additional compensation). We will reimburse brokerage firms and other nominees, custodians and fiduciaries for costs incurred by them in distributing proxy materials to the beneficial owners of shares held by such persons as stockholders of record.

If your shares of common stock are registered directly in your name with the Company’s transfer agent, you are considered, with respect to those shares, the stockholder of record. In accordance with rules and regulations adopted by the Securities and Exchange Commission (“SEC”), instead of mailing a printed copy of our proxy materials to each stockholder of record, we may furnish proxy materials to our stockholders on the Internet. If you received a Notice Regarding the Availability of Proxy Materials (the “Notice of Internet Availability”) by mail, you will not receive a printed copy of these proxy materials. Instead, the Notice of Internet Availability will instruct you as to how you may access and review all of the important information contained in these proxy materials. The Notice of Internet Availability also instructs you as to how you may submit your proxy on the Internet. If you received a Notice of Internet Availability by mail and would like to receive a printed copy of our proxy materials, including a proxy card, you should follow the instructions for requesting such materials included in the Notice of Internet Availability.

If your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, then you are the beneficial owner of shares held in “street name,” and the Notice of Internet Availability was forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account.

If you are a participant in the Company’s 401(k) Plan and own shares of the Company’s common stock in your 401(k) Plan account as of the record date, you will receive, with respect to the number of shares held for your 401(k) Plan account as of the record date, a proxy card that will serve as a voting instruction to the trustee of the 401(k) Plan with respect to shares held for your account. Unless you vote per the instructions provided therein, shares held in your 401(k) Plan account will not be voted.

This year's Annual Meeting will be held entirely online due to the public health impact of the coronavirus outbreak (COVID-19) and to support the health and well-being of our TSMs, directors and stockholders. Stockholders of record as of the record date will be able to attend and participate in the Annual Meeting online by accessing www.virtualshareholdermeeting.com/HSIC2021. To join the Annual Meeting, you will need to have your 16-digit control number, which is included on your Notice Regarding the Availability of Proxy Materials or on your proxy card (if you received a printed copy of the proxy materials). In the event that you do not have a control number, please contact your broker, bank, or other nominee as soon as possible and no later than May 11, 2021, so that you can be provided with a control number and gain access to the meeting. Stockholders may vote electronically and submit questions online while attending the Annual Meeting.

The live audio webcast of the Annual Meeting will begin promptly at 10:00 a.m., Eastern Daylight Time. Online access to the audio webcast will open approximately thirty minutes prior to the start of the Annual Meeting to allow time for you to log in and test the computer audio system. We encourage our stockholders to access the meeting prior to the start time. If you encounter any difficulties accessing the online Annual Meeting during the check-in or meeting time, please call the technical support number that will be posted on the online Annual Meeting log in page at www.virtualshareholdermeeting.com/HSIC2021.

To submit questions during the meeting, stockholders may log into the virtual meeting website with their 16-digit control number, type the question into the "Submit a Question" field, and click submit. Only stockholders with a valid control number will be allowed to ask questions. Questions pertinent to Annual Meeting matters will be answered during the Annual Meeting as time allows. If we receive substantially similar written questions, we may group such questions together and provide a single response to avoid repetition and allow time for additional question topics. If we are unable to respond to a stockholder's properly submitted question due to time constraints, we will respond directly to that stockholder using the contact information provided. We may also provide written responses to certain stockholder questions that we were unable to answer during the meeting on our "Investors" page on our website following the Annual Meeting.

To vote your shares at the Annual Meeting online, please visit www.virtualshareholdermeeting.com/HSIC2021 and enter the 16-digit control number included in our Notice Regarding the Availability of Proxy Materials or on your proxy card (if you received a printed copy of the proxy materials).

Even if you plan to attend the Annual Meeting online, we recommend that you also vote by proxy in advance of the Annual Meeting as described herein so that your vote will be counted if you decide not to attend the Annual Meeting.

To vote your shares without attending the Annual Meeting online or in advance of the Annual Meeting, please follow the instructions for Internet or telephone voting contained in the Notice Regarding the Availability of Proxy Materials. Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the Annual Meeting online. If you are a stockholder of record, you may vote by submitting a proxy electronically via the Internet, by telephone, or if you have requested a paper copy of these proxy materials, by returning the proxy card or voting instruction card. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee or nominee. All shares represented by a valid proxy received prior to the Annual Meeting will be voted.

Whether or not you are able to attend the virtual Annual Meeting online, you are urged to complete and return your proxy or voting instructions, which are being solicited by the Company's Board of Directors and which will be voted as you direct on your proxy or voting instructions when properly completed. In the event no directions are specified, such proxies and voting instructions will be voted "FOR" the nominees for election to the Board of Directors, "FOR" the say-on-pay proposal and "FOR" the ratification of BDO USA, LLP ("BDO USA") as the Company's independent registered public accountants for the fiscal year ending December 25, 2021 and in the discretion of the proxy holders as to other matters that may properly come before the Annual Meeting.

You may revoke or change your proxy or voting instructions at any time before the Annual Meeting. You may automatically revoke your proxy by attending the Annual Meeting and voting online at the meeting. Attending the Annual Meeting online without voting at such meeting will not in and of itself constitute revocation of a proxy. To revoke your voting instructions, you may also submit new voting instructions to your broker, trustee or nominee. Another means to revoke your proxy or change your proxy or voting instructions is to send a written notice via email to investor@henryschein.com before the beginning of the Annual Meeting.

PROPOSAL 1 ELECTION OF DIRECTORS

The Board of Directors has approved the sixteen persons named below as nominees for election at the Annual Meeting to serve as directors until the 2022 Annual Meeting of Stockholders and until their successors are elected and qualified. Each director will be elected by the vote of the majority of the votes cast with respect to that director's election, where a "majority of the votes cast" means that the number of shares voted "FOR" a director must exceed the number of votes cast "AGAINST" that director. Any executed proxies returned to the Company will be voted for the election of all of such persons except to the extent instructed otherwise with respect to one or more of such persons. In accordance with the Company's director retirement policy (as described herein), Paul Brons will retire from the Board of Directors immediately following the Annual Meeting. Additionally, on February 4, 2021, Shira Goodman informed the Company of her intent not to stand for reelection as a director at the Annual Meeting. All of the nominees for director currently serve as directors and were elected by the stockholders at the 2020 Annual Meeting of Stockholders to serve as a director, except for Mohamad Ali and Deborah Derby, each of whom was appointed as a director by the Board of Directors on February 9, 2021, upon the recommendation of the Nominating and Governance Committee, and Dr. Reed V. Tuckson, who was nominated by the Board of Directors to serve as a director, upon recommendation of the Nominating and Governance Committee. All of the nominees have consented to be named and, if elected, to serve. In the event that any of the nominees is unable or declines to serve as a director at the time of the Annual Meeting, the proxies may be voted in the discretion of the persons acting pursuant to the proxy for the election of other nominees. Set forth below is certain information, as of March 18, 2021, concerning the nominees:

| Name | Age | Position |
|-----------------------------------|-----|--|
| Mohamad Ali | 50 | Director |
| Barry J. Alperin | 80 | Director |
| Gerald A. Benjamin | 68 | Executive Vice President, Chief Administrative Officer, Director |
| Stanley M. Bergman | 71 | Chairman, Chief Executive Officer, Director |
| James P. Breslawski | 67 | Vice Chairman, President, Director |
| Deborah Derby | 57 | Director |
| Joseph L. Herring | 65 | Director |
| Kurt P. Kuehn | 66 | Director |
| Philip A. Laskawy | 79 | Director |
| Anne H. Margulies | 65 | Director |
| Mark E. Mlotek | 65 | Executive Vice President, Chief Strategic Officer, Director |
| Steven Paladino | 63 | Executive Vice President, Chief Financial Officer, Director |
| Carol Raphael | 78 | Director |
| E. Dianne Rekow, DDS, Ph.D. | 76 | Director |
| Bradley T. Sheares, Ph.D. | 64 | Director |
| Reed V. Tuckson, M.D., FACP | 70 | Director Nominee |

MOHAMAD ALI has been a director since February 2021. Mr. Ali currently serves as Chief Executive Officer of International Data Group, Inc., a technology media, events, and research company, and is a member of its board of directors. Prior to that, from 2014 until July 2019, Mr. Ali served as President and Chief Executive Officer of Carbonite, Inc., a provider of SaaS security and data protection for businesses and individuals. Prior to Carbonite, Mr. Ali served as Chief Strategy Officer of HP Inc., from 2012 through 2014, where he played a pivotal role in the company's turnaround and led the decision process to split HP into two companies. He also served as President of Avaya, Inc. from 2009 until 2012 and held various executive roles at IBM Corporation from 1996 until 2009. Mr. Ali brings to the Company's Board of Directors extensive experience successfully growing and leading technology companies through strategic transformations. Additionally, the Board values Mr. Ali's experience with initiatives relating to social, ethical, and environmental responsibility in the global supply chain. Mr. Ali was named 2018 CEO of the Year by the Massachusetts Technology Leadership Council, and was a member of the 2018 Public Board of the Year named by the National Association of Corporate Directors, New England Chapter. He was also named one of the 100 Most Influential People in Boston by Boston Magazine in 2018, a recipient of Mass High Tech Magazine's 2011 MHT All-Stars Awards, named one of Boston Business Journal's "40 Under 40" in 2008, and a finalist in the 1988 Westinghouse Science Talent Search. Mr. Ali currently serves on the board of directors of Oxfam America, a global organization working to help impoverished communities, tackle climate justice, gender justice and inequities in the food chain, and provide disaster relief. Additionally, Mr. Ali currently serves as the lead director on the board of directors of iRobot Corporation (and is a member of its nominating and corporate governance committee). During the past five years, Mr. Ali served on the board of directors of Carbonite, Inc. and City National Bank.

BARRY J. ALPERIN has been a director since 1996. Mr. Alperin, who is retired, served as Vice Chairman of Hasbro, Inc. from 1990 through 1995, as Co-Chief Operating Officer of Hasbro from 1989 through 1990 and as Senior Vice President or Executive Vice President of Hasbro from 1985 through 1989. He was a director of Hasbro from 1985 through 1996. Prior to joining Hasbro, Mr. Alperin practiced law in New York City for 20 years, dealing with corporate, public and private financial transactions, corporate mergers

and acquisitions, compensation issues and securities law matters. The Company values Mr. Alperin's financial expertise and his extensive experience in corporate and securities laws and corporate governance matters. Additionally, as the Company continues to grow through strategic acquisitions, the Board of Directors values Mr. Alperin's experience leading Hasbro's mergers and acquisitions and global expansion efforts. Mr. Alperin currently serves as a director of: Jefferies Financial Group, Inc. (formerly known as Leucadia National Corporation), a diversified financial services company engaged in investment banking, capital markets, asset management and principal investing (and is Chair of its ESG oversight committee, a member of its audit committee, compensation committee, nominating and corporate governance committee and valuation oversight committee); and Jefferies Group LLC, a full service global investment banking firm (and is a member of its audit committee, compensation committee and corporate governance and nominating committee). Mr. Alperin is also a director of Weeks Marine, Inc., a privately held marine construction company. He currently serves as a trustee of The Caramoor Center for Music and the Arts (and a member of its executive committee), President Emeritus and a Life Trustee of The Jewish Museum in New York City and is a past President of the New York Chapter of the American Jewish Committee where he also served as Chair of the audit committee of the national organization. During the past five years, Mr. Alperin served as a director of Fiesta Restaurant Group, Inc.

GERALD A. BENJAMIN has been with the Company since 1988, in his current position as Executive Vice President and Chief Administrative Officer since 2000 and a director since 1994. He is also a member of our Executive Management Committee. Prior to holding his current position, Mr. Benjamin was Senior Vice President of Administration and Customer Satisfaction from 1993 to 2000. Mr. Benjamin was Vice President of Distribution Operations from 1990 to 1992 and Director of Materials Management from 1988 to 1990. Before joining the Company in 1988, Mr. Benjamin was employed for 12 years at Estée Lauder, Inc. in various management positions, where his last position was Director of Materials Planning and Control. Mr. Benjamin brings experience to the Company's Board of Directors in the areas of global services, human resources, operations and leadership. Mr. Benjamin directs our Global Services functions in North America, South America, Europe, Asia, Australia and New Zealand. These functions include all aspects of the supply chain (distribution, inventory management and transportation for over 3.5 million square feet of distribution space), human resources (for more than 19,000 Team Schein Members in 31 countries), information services, customer services, security and financial operations. Mr. Benjamin is also a member of the board of directors of the Henry Schein Cares Foundation, Inc.

STANLEY M. BERGMAN has been with the Company since 1980, including as Chairman and Chief Executive Officer since 1989 and as a director since 1982. He is also a member of our Executive Management Committee. Mr. Bergman held the position of President of the Company from 1989 to 2005. Mr. Bergman held the position of Executive Vice President from 1985 to 1989 and Vice President of Finance and Administration from 1980 to 1985. Mr. Bergman brings to the Company's Board of Directors management and leadership experience. Mr. Bergman is a well-known, highly regarded leader in the global health care industry. He has expansive knowledge of the health care industry and macro-economic global conditions, maintains strategic relationships with chief executives and other senior management in the health care industry throughout the world and brings a unique and valuable perspective to the Board of Directors. During his tenure, Mr. Bergman has led the Company from sales of approximately \$600 million in 1995 to approximately \$10.1 billion in 2020. Mr. Bergman serves as a board member or advisor for numerous institutions, including New York University College of Dentistry, the University of Pennsylvania School of Dental Medicine, the Columbia University Medical Center, Hebrew University, Tel Aviv University, the University of the Witwatersrand Fund, the World Economic Forum's Health Care Governors and the Business Council for International Understanding. Mr. Bergman is Co-Chairman of the board of directors of the Henry Schein Cares Foundation, Inc. Mr. Bergman is also a member of the boards of numerous other charitable organizations and active with philanthropic causes and social responsibility activities. Mr. Bergman is a Certified Public Accountant.

JAMES P. BRESLAWSKI has been with the Company since 1980, in his current position as Vice Chairman since 2018, President since 2005 and as a director since 1992. He is also a member of our Executive Management Committee. Mr. Breslawski held the position of Chief Executive Officer of our Global Dental Group from 2005 to 2018. He also held the position of Executive Vice President and President of U.S. Dental from 1990 to 2005, with primary responsibility for the North American Dental Group. Between 1980 and 1990, Mr. Breslawski held various positions with us, including Chief Financial Officer, Vice President of Finance and Administration and Corporate Controller. Mr. Breslawski partners with our senior leadership team to address corporate and strategic priorities. Mr. Breslawski brings to the Company's Board of Directors management and leadership experience. The Board of Directors is aided by Mr. Breslawski's understanding of the health care business and his keen business acumen, leadership ability and interpersonal skills. Mr. Breslawski has served as Chairman of the board of directors of the American Dental Trade Association, Chairman of the board of directors of the Dental Trade Alliance Foundation and President of the Dental Dealers of America. He is also a former member of the Leadership Council, School of Dental Medicine at Harvard University, a former board member of the Dental Life Network (formerly the National Foundation of Dentistry for the Handicapped), a former member of the Board of Governors for St. John's University and a former trustee of Long Island University. Mr. Breslawski is a member of the board of directors of the Henry Schein Cares Foundation, Inc. Mr. Breslawski is also a Certified Public Accountant.

DEBORAH DERBY has been a director since February 2021. From 2016 until June 2020, Ms. Derby served as President of Horizon Group USA, Inc., a wholesaler of arts and crafts components. Prior to that, Ms. Derby had a 15-year career at Toys "R" Us,

Inc., rising to the position of President of Babies “R” Us and, ultimately, Vice Chairman of Toys “R” Us, Inc. from 2013 until 2015. Before joining Toys “R” Us, Ms. Derby practiced corporate and employment law at Whirlpool Corporation and a large law firm in Michigan. Ms. Derby brings to the Company’s Board of Directors considerable experience across a wide range of industries and markets, and particular expertise in human resources, compensation and supply chain risk management. Ms. Derby currently serves on the board of directors of Carrols Restaurant Group, Inc. (and is a member of its compensation committee). During the past five years, Ms. Derby served on the board of directors of Vitamin Shoppe, Inc.

JOSEPH L. HERRING has been a director since 2016. From 2005 to 2015, Mr. Herring served as Chief Executive Officer of Covance Inc., a drug development services company, and as Chairman of the board of directors of Covance from 2006 until its acquisition by Laboratory Corporation of America, Inc. in 2015. Mr. Herring previously served in several executive roles with Covance, including President and Chief Operating Officer, President of Early Development Services and Corporate Vice President and General Manager for its North American Preclinical Operations. Prior to joining Covance, Mr. Herring held a variety of senior leadership positions with Caremark International and American Hospital Supply Corporation over the course of his 19 years with the combined companies. The Company’s Board of Directors values Mr. Herring’s more than 35 years of experience in the healthcare industry. Mr. Herring also brings to the Company’s Board of Directors comprehensive knowledge in pharmaceuticals, management, sales and corporate governance matters. Mr. Herring formerly served on the nonprofit board for University Medical Center of Princeton and on the board of the Association of Clinical Research Organizations, of which he served as Chairman. During the past five years, Mr. Herring served as a director of Team Health Holdings Inc.

KURT P. KUEHN has been a director since 2016. He is also a member of our Technology Advisory Board. Mr. Kuehn was Chief Financial Officer of United Parcel Service, Inc. (“UPS”), a global leader in logistics, from 2008 until 2015. Prior to his appointment as CFO, Mr. Kuehn was Senior Vice President Worldwide Sales and Marketing, leading the transformation of the sales organization to improve the global customer experience. Mr. Kuehn was UPS’ first Vice President of Investor Relations, taking the company public in 1999 in one of the largest IPOs in U.S. history. Since he joined UPS as a driver in 1977, Mr. Kuehn’s UPS career included leadership roles in sales and marketing, engineering, operations and strategic cost planning. He was also a member of UPS’ corporate sustainability steering committee, sponsored UPS’ first sustainability report and supported the sustainability activities of UPS for over 10 years. Mr. Kuehn brings to the Company’s Board of Directors extensive experience with distribution logistics, and as the CFO of UPS for eight years, comprehensive knowledge in corporate finance and accounting. Additionally, the Board of Directors values Mr. Kuehn’s insights in strategic cost planning and the needs of global customers, as well as his strategic sustainability and environmental, social and governance experience. Mr. Kuehn was awarded the 2015 E3 Lifetime Service Award for sustainability support by the Metro Atlanta Chamber and the 2013 C.K. Prahalad Award for Global Business Sustainability Leadership from the Corporate Eco Forum. Additionally, Mr. Kuehn has published several articles on sustainability in various journals including co-authoring an article on the financial case for sustainability titled Sustainability a CFO Can Love (published in the Harvard Business Review). Mr. Kuehn is a director of LocatorX, a private technology company. Mr. Kuehn is currently an active member of the Standards Board of the Sustainability Accounting Standards Board (SASB). During the past five years, Mr. Kuehn served as a director of NCR Corporation.

PHILIP A. LASKAWY has been a director since 2002 and has served as our Lead Director since 2012. Mr. Laskawy joined the accounting firm of Ernst & Young LLP (now known as EY LLP) in 1961 and served as a partner in the firm from 1971 to 2001, when he retired. Mr. Laskawy served in various senior management positions at Ernst & Young, including Chairman and Chief Executive Officer, to which he was appointed in 1994. He also led, and advised on, workplace policies and flexibility practices at Ernst & Young to meet the needs of a diverse workforce, with a focus on women’s retention initiatives. Mr. Laskawy currently serves as Chairman of the board of directors of Covetrus, Inc. (and is a member of its nominating and governance committee). He is also a member of the board of directors of Lazard Ltd. (and is Chairman of its audit committee and is a member of its compensation committee) and Loews Corporation (and is a member of its audit committee). As a Certified Public Accountant with over 50 years of experience, Mr. Laskawy brings to the Company’s Board of Directors exceptional skills in corporate finance and accounting, corporate governance, compliance, disclosure and international business conduct. Mr. Laskawy served on the American Institute of Certified Public Accountants to review and update rules regarding auditor independence. In 2006 and 2007, he served as Chairman and Vice Chairman of the International Accounting Standards Committee Foundation, which was created by the Securities and Exchange Commission and sets accounting standards in more than 100 countries, and he served as a member of the 1999 Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees. Mr. Laskawy is the former Non-Executive Chairman of Federal National Mortgage Association (Fannie Mae).

ANNE H. MARGULIES has been a director since 2018. She is also a member of our Technology Advisory Board. Ms. Margulies has been the Vice President and Chief Information Officer for Harvard University since 2010. She is responsible for information technology strategy, policies and services for the university. Prior to that, she was the Assistant Secretary for Information Technology and Chief Information Officer for the Commonwealth of Massachusetts from 2007 to 2010, responsible for the strategy, policies and overall management of information technology across the state’s government. With information technology playing an

increasingly important role in the Company's business, the Board of Directors values Ms. Margulies' more than 35 years of information technology expertise (including cybersecurity) and strategic information technology leadership. Ms. Margulies has been a member of the Massachusetts Technology Collaborative Board since 2012. In 2015, Ms. Margulies was named 2015 Boston CIO Leader of the Year by the Boston Business Journal along with the Boston CIO Leadership Association, in 2017, she was named by IDG Enterprises to the 2017 CIO Hall of Fame in CIO Magazine, and in 2019, she was awarded an honorary Doctorate in engineering from the Universitat Politècnica de Valencia.

MARK E. MLOTEK has been with the Company since 1994, in his current position as Executive Vice President and Chief Strategic Officer since 2012 and as a director since 1995. He is also a member of our Executive Management Committee. Mr. Mlotek was Senior Vice President and subsequently Executive Vice President of the Corporate Business Development Group between 2000 and 2012. Prior to that, Mr. Mlotek was Vice President, General Counsel and Secretary from 1994 to 1999. Prior to joining the Company, from 1989 to 1994, Mr. Mlotek was a partner in the law firm of Proskauer Rose LLP, the Company's principal law firm and one of the largest firms in the nation, specializing in mergers and acquisitions, corporate reorganizations and tax law. As the Company continues to grow through strategic acquisitions, the Board of Directors values Mr. Mlotek's extensive legal, merger and acquisition and business development experience as well as his drive for innovation and his entrepreneurial spirit. Mr. Mlotek also manages the Company's global strategic planning function.

STEVEN PALADINO has been with the Company since 1987, in his current position as Executive Vice President and Chief Financial Officer since 2000 and as a director since 1992. He is also a member of our Executive Management Committee. Prior to holding his current position, from 1993 to 2000, Mr. Paladino was Senior Vice President and Chief Financial Officer, from 1990 to 1992, he served as Vice President and Treasurer and, from 1987 to 1990, he served as Corporate Controller. Before joining us, Mr. Paladino was employed as a Certified Public Accountant for seven years, most recently with the international accounting firm of BDO Seidman LLP (now known as BDO USA, LLP). Mr. Paladino brings to the Company's Board of Directors extensive financial, accounting and industry expertise and a strong, credible reputation within the financial industry. Mr. Paladino's responsibilities with the Company include the corporate oversight and strategic direction of business units as well as direct responsibility for corporate financial services. These corporate financial services include financial reporting, financial planning, treasury, investor relations, internal audit and taxation. Mr. Paladino also has responsibility for Henry Schein Financial Services (which provides financial business solutions to our customers) and also works with the Corporate Business Development Group on mergers and acquisition activities. Mr. Paladino's skills in corporate finance and accounting, the depth and breadth of his exposure to complex financial issues and his long-standing relationships with the financial community are valued by the Board of Directors. Mr. Paladino is a member of the board of directors of the Henry Schein Cares Foundation, Inc. Mr. Paladino also currently serves on the board of directors of MSC Industrial Direct Co., Inc. (and is Chair of its nominating/corporate governance committee and a member of its audit committee and compensation committee) and Covetrus, Inc.

CAROL RAPHAEL has been a director since 2012. Ms. Raphael currently serves as a Senior Advisor for Manatt Health Solutions, the interdisciplinary policy and business advisory division of Manatt, Phelps & Phillips, L.L.P., a leading law firm in the United States. Ms. Raphael served as the President and Chief Executive Officer of the Visiting Nurse Service of New York from 1989 to 2011. Prior to the Visiting Nurse Service of New York, Ms. Raphael held executive positions at Mt. Sinai Medical Center and in New York City government. Ms. Raphael served on the Federal Bipartisan Commission on Long Term Care, the Medicare Payment Advisory Commission (MedPAC), the New York State Medicaid Redesign Team and was an Advanced Leadership Fellow at Harvard University. She is the Chair of the board of the Long Term Quality Alliance and a board member of the New York eHealth Collaborative, which is implementing a statewide, standardized platform for the exchange of health information. She also was the Chair of the national AARP board and co-chaired the West Health Advisory Council on Emergency Department to Home-Based Healthcare. As a nationally recognized industry leader, Ms. Raphael brings to the Company's Board of Directors extensive knowledge and experience in health policy, economics, management, clinical services, home healthcare, occupational health and safety and new models of integrated care (particularly for chronically ill and long term care populations). Ms. Raphael's strategic insights into the health care needs of an aging population and her invaluable experience advancing the adoption of health information technology is valued by the Company, especially in connection with its strategic plan for growth and innovative solutions. Ms. Raphael currently serves on several non-profit boards including: the Primary Care Development Corporation; the Medicare Rights Center; the SCAN Foundation; the Commonwealth Care Alliance; and the Kaiser Permanente School of Medicine. Ms. Raphael is also a member of several advisory boards, including the Harvard T.H. Chan School of Public Health's Policy and Management Executive Council, the New York City Age-Friendly Commission, the New York State Quality Advisory Committee and Honor Technology, Inc.'s Advisory Board. Ms. Raphael co-edited the book "Home Based Care for a New Century," was a Visiting Fellow at the King's Fund in the United Kingdom and was listed in Crain's New York Business 50 Most Powerful Women in 2009. Ms. Raphael is currently a member of The RAND Corporation's RAND Health Advisory Board.

E. DIANNE REKOW, DDS, PH.D. has been a director since 2014. Dr. Rekow is Professor Emirates and Fellow at King's College London, where she previously served as Executive Dean of its Dental Institute and Professor of Orthodontics (from 2012

through 2016). From 2002 to 2012, Dr. Rekow was a Professor of Orthodontics at New York University (NYU), during which time she was Senior Vice Provost of Engineering Technology at NYU (from 2008 to 2012) and was Provost of Polytechnic Institute of NYU (from 2009 to 2012). Dr. Rekow has been President of both the International Association for Dental Research and the American Association of Dental Research. In 2012, she was elected to the Faculty of Dental Surgery of the Royal College of Surgeons (England). Dr. Rekow is an internationally known authority on the performance of new materials and products for use in aesthetic and restorative dentistry and was one of the early pioneers in digital dentistry, capitalizing on her engineering education and industry experience. Dr. Rekow's team has also carried out research into the use of bio-engineered tissue to facilitate bone replacement in people who have been disfigured by disease or developmental defects. Dr. Rekow holds a number of patents in the dental field and is the author of, or contributor to, more than one hundred publications. Dr. Rekow brings to the Company's Board of Directors extensive experience in health and safety for those in the dental workplace, dental product development and knowledge of innovative clinical dental practices. Additionally, the Board of Directors values Dr. Rekow's insights into the needs of future dental practitioners and the global dental industry.

BRADLEY T. SHEARES, PH.D. has been a director since 2010. Dr. Sheares served as Chief Executive Officer of Reliant Pharmaceuticals, Inc., from January 2007 through its acquisition by GlaxoSmithKline plc in December 2007. Prior to joining Reliant, from 2001 until 2006, Dr. Sheares served as President of U.S. Human Health for Merck & Co. As a member of Merck's management committee, Dr. Sheares had responsibility for formulating global business strategies, operations management and the development and implementation of corporate policies. As the former Chief Executive Officer of Reliant Pharmaceuticals and with 20 years in the pharmaceutical industry, Dr. Sheares brings to the Company's Board of Directors extensive health care knowledge and experience in sales, marketing, brand management, research and development, complex regulatory and legal issues, risk management (including supply chain risk management) and mergers and acquisitions. As a director of other public companies, Dr. Sheares has been involved in succession planning, compensation, employee management and the evaluation of acquisition opportunities. Dr. Sheares is the Board of Directors' lead for the Company's Diversity and Inclusion Council. During the past five years, Dr. Sheares served as a director of Honeywell International, Inc. and The Progressive Corporation.

REED V. TUCKSON, M.D., FACP was nominated by the Board of Directors for election as a director at the Annual Meeting following recommendation by the Nominating and Governance Committee. Since 2014, Dr. Tuckson has served as Managing Director of Tuckson Health Connections, LLC, a private health and medical care consulting business. He is also the Founder and Convener of the Black Coalition Against COVID-19. Prior to Tuckson Health Connections, Dr. Tuckson enjoyed a long tenure as Executive Vice President and Chief of Medical Affairs of United Health Group from 2006 until 2014. Dr. Tuckson previously served as Senior Vice President, Professional Standards of the American Medical Association, Commissioner of Public Health for the District of Columbia, Senior Vice President of the March of Dimes Birth Defects Foundation and President of the Charles R. Drew University of Medicine and Science. Additionally, he has been appointed to leadership roles at the National Academy of Medicine, and has been a member of numerous federal advisory committees and corporate, non-profit and academic boards, including his current service on the board of trustees of Howard University, where he serves as Chair of the Health Sciences Committee. The Board values Dr. Tuckson's more than 35 years of experience as a healthcare professional, his recognition as a leader in his field and his engagement in nearly every sector of the health and medical care industries. Dr. Tuckson was recognized several times as one of the "50 Most Influential Physician Executives" by Modern Healthcare Magazine, named as one of the "100 Most Powerful Executives in Corporate America" by Black Enterprise Magazine in 2009, and as "Washingtonian of the Year" by Washingtonian Magazine in 1998. He is also the author of "The Doctor in the Mirror," an ongoing book and online senior patient activation and education project. Dr. Tuckson currently serves on the board of directors of CTI BioPharma Corp., a corporation concerned with the development of cancer pharmaceuticals (and is Chair of its nominating and governance committee and a member of its audit committee). He also serves on the board of directors of Adverum Biotechnologies, Inc., a clinical-stage gene therapy company targeting unmet medical needs in ocular and rare diseases. During the past five years, Dr. Tuckson served as a director of LifePoint Health, Inc.

Each director will be elected by the vote of the majority of the votes cast with respect to that director's election, where a "majority of the votes cast" means that the number of shares voted "FOR" a director must exceed the number of votes cast "AGAINST" that director.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSED NOMINEES FOR DIRECTOR.

CORPORATE GOVERNANCE

Board of Directors Meetings and Committees

During the fiscal year ended December 26, 2020 (“fiscal 2020”), the Board of Directors held nine meetings. The Board of Directors has the following committees: Audit Committee; Compensation Committee; Nominating and Governance Committee; Strategic Advisory Committee; and Regulatory, Compliance and Cybersecurity Committee. During fiscal 2020, (i) the Audit Committee held eight meetings, (ii) the Compensation Committee held nine meetings, (iii) the Nominating and Governance Committee held two meetings, (iv) the Strategic Advisory Committee held four meetings and (v) the Regulatory, Compliance and Cybersecurity Committee held four meetings. Additionally, one joint meeting of the Audit Committee, Strategic Advisory Committee and Nominating and Governance Committee was held in fiscal 2020. During fiscal 2020, each director attended 100% of the meetings of the Board of Directors and at least 75% of the meetings of the Board of Directors and committees on which such directors served. Each of the committees of the Board of Directors acts pursuant to a separate written charter adopted by the Board of Directors.

Independent Directors

The Board of Directors has affirmatively determined that Messrs. Ali, Alperin, Brons, Herring, Kuehn and Laskawy, Ms. Derby, Goodman, Margulies and Raphael and Drs. Rekow, Sheares and Tuckson are “independent,” as defined under Rule 5605(a)(2) of The Nasdaq Stock Market (“Nasdaq”).

The Company’s independent directors, as defined under Nasdaq’s Rule 5605(a)(2), meet at regularly scheduled executive sessions without members of Company management present.

Audit Committee

The Audit Committee currently consists of Messrs. Kuehn (Chairperson), Alperin and Laskawy and Ms. Margulies. All of the members of the Audit Committee are independent directors as defined under Nasdaq’s Rules 5605(a)(2) and 5605(c)(2)(A). The Board of Directors has determined that each of Messrs. Kuehn, Alperin and Laskawy is an “audit committee financial expert,” as defined under the rules of the SEC and, as such, each satisfy the requirements of Nasdaq’s Rule 5605(c)(2)(A). The Audit Committee operates under a charter available on our Internet website at www.henryschein.com, under the “Our Company—Corporate Governance Highlights” caption.

The purpose of the Audit Committee is to assist the Board of Directors by overseeing the Company’s accounting and financial reporting processes and the audits and integrity of the Company’s financial statements. In addition to overseeing those aspects of risk management and legal and regulatory compliance monitoring processes which may impact the Company’s financial reporting (including financial accounting and reporting risks, as well as cybersecurity risks), the Audit Committee reviews conflict of interest and related party transactions. The Audit Committee oversees (i) our accounting and financial reporting processes, (ii) our audits and (iii) the integrity of our financial statements on behalf of the Board of Directors, including the review of our consolidated financial statements and the adequacy of our internal controls. In fulfilling its responsibility, the Audit Committee has direct and sole responsibility, subject to stockholder approval, for the appointment, compensation, oversight and termination of the independent registered public accounting firm for the purpose of preparing or issuing an audit report or related work. The Audit Committee has the authority to retain, terminate and set the terms of its relationship with any outside advisors who assist the committee in carrying out its responsibilities. The Audit Committee meets at least four times each year and periodically meets separately with management, internal auditors and the independent registered public accounting firm to discuss the results of their audit or review of the Company’s consolidated financial statements, their evaluation of our internal controls, the overall quality of the Company’s financial reporting, our critical accounting policies and to review and approve any related party transactions (as defined by applicable regulations). We maintain procedures for the receipt, retention and the handling of complaints, which the Audit Committee established.

Compensation Committee

The Compensation Committee currently consists of Messrs. Alperin (Chairperson) and Herring, Ms. Derby and Dr. Sheares. All of the members of the Compensation Committee are independent directors as defined under Nasdaq’s Rules 5605(a)(2) and 5605(d)(2)(A), and “non-employee directors” as defined under the SEC’s rules. The Compensation Committee operates under a charter available on our Internet website at www.henryschein.com, under the “Our Company—Corporate Governance Highlights” caption.

The purpose of the Compensation Committee is to evaluate and approve the Company’s compensation and benefit plans, policies and programs. The Compensation Committee reviews and approves (i) all incentive and equity-based compensation plans in which officers, employees, directors or other service providers may participate, (ii) the Company’s employee and executive benefits plans, and

all related policies, programs and practices and (iii) arrangements with executive officers relating to their employment relationships with the Company, including, without limitation, employment agreements, severance agreements, supplemental pension or savings arrangements, change in control agreements and restrictive covenants. In addition, the Compensation Committee has overall responsibility for evaluating and approving the Company's compensation and benefit plans, policies and programs. The Compensation Committee is also responsible, as delegated by the Board of Directors, for reviewing and approving the compensation philosophy, strategy, program design, and administrative practices to align with, and support the Company's operating and financial objectives and the financial interests of the Company's stockholders. The Compensation Committee also plays a role in oversight of decisions related to the human capital element of our environmental, social and governance ("ESG") initiatives in relation to our TSMs. In 2020, the Compensation Committee oversaw critical human capital management issues posed by the COVID-19 pandemic, including, without limitation, reviewing the appropriateness of changes to the Company's compensation programs to determine performance incentive payouts.

Use of Outside Advisors

In making its determinations with respect to executive compensation, the Compensation Committee has historically engaged the services of an independent compensation consultant, Pearl Meyer & Partners ("Pearl Meyer"). Pearl Meyer has also assisted the Compensation Committee with several special projects, including advice on director compensation and, in 2020, the structure of the Company's compensation programs in light of the COVID-19 pandemic. Pearl Meyer does no other work for the Company.

The Compensation Committee retains Pearl Meyer directly, and Pearl Meyer reports directly to the Compensation Committee. However, in carrying out its assignments and during the course of providing services to the Compensation Committee, Pearl Meyer may interact with Company management when necessary and appropriate in order to obtain relevant compensation and performance data for the executives and the Company. In addition, Pearl Meyer may seek input and feedback from Company management regarding Pearl Meyer's work product and analysis prior to presenting such information to the Compensation Committee in order to confirm Pearl Meyer's understanding of the Company's business strategy or identify data questions or other similar issues, if any.

The Compensation Committee, with the assistance and independent advice from Pearl Meyer, annually reviews competitive compensation data prepared by Willis Towers Watson, a professional services/human resources consulting company which provides a number of services to the Company.

The Compensation Committee has the authority to retain, terminate and set the terms of its relationship with any outside advisors who assist the committee in carrying out its responsibilities.

Nominating and Governance Committee

The Nominating and Governance Committee currently consists of Messrs. Laskawy (Chairperson) and Alperin, Dr. Sheares and Ms. Goodman. All of the members of the Nominating and Governance Committee are independent directors as defined under Nasdaq's Rule 5605(a)(2). The Nominating and Governance Committee operates under a charter available on the Company's Internet website at www.henryschein.com, under the "Our Company—Corporate Governance Highlights" caption.

The purpose of the Nominating and Governance Committee is to assist the Board of Directors by identifying individuals qualified to become Board of Directors members, recommend to the Board of Directors the persons to be nominated by the Board of Directors for election as directors at the annual meeting of stockholders, determine the criteria for selecting new directors and oversee the evaluation of the Board of Directors. The Nominating and Governance Committee reviews and reassesses our governance procedures and practices and recommends any proposed changes to the Board of Directors for its consideration. The Nominating and Governance Committee also reviews and assesses the structure and performance of the Company's ESG activities to advance the interests of the Company's stakeholders. The management of ESG and sustainability matters is supported by the Sustainability Committee, a cross-functional team of senior management that reviews the Company's progress regularly. To reflect the increasing strategic importance of sustainability for the Company, the Company's Vice President of Corporate Social Responsibility ("CSR"), with the assistance of the Sustainability Committee, coordinates the Company-wide ESG activities and reports progress to the Nominating and Governance Committee. These matters include policies, targets and external reporting, as well as activities linked to the Company's climate response such as greenhouse gas emissions and energy consumption, environmental leadership, supply chain sustainability (including collaboration with the Company's strategic suppliers to jointly reduce the footprint of the supply chain), community resilience and the safety, diversity and engagement of Team Schein Members. ESG and sustainability matters are reported to the Board of Directors on at least an annual basis. Additionally, the Company has published a CSR Report annually since 2014.

The Nominating and Governance Committee will consider for nomination to the Board of Directors candidates suggested by stockholders, provided that such recommendations are delivered to the Company in the manner described under "Stockholder Communications" below, together with the information required to be filed in a proxy statement with the SEC regarding director

nominees and each such nominee's consent to serve as a director if elected, no later than the deadline for submission of stockholder proposals. Our policy is to consider nominations to the Board of Directors from stockholders who comply with the procedures set forth in the Company's Second Amended and Restated By-laws for nominations at the Company's Annual Meeting of Stockholders and to consider such nominations using the same criteria it applies to evaluate nominees recommended by other sources. To date, we have not received any recommendations from stockholders requesting that the Nominating and Governance Committee consider a candidate for inclusion among the committee's slate of nominees in the Company's proxy statement.

In evaluating director nominees, the Nominating and Governance Committee currently considers the following factors:

- the needs of the Company with respect to the particular talents, expertise and diversity of its directors;
- the knowledge, skills, reputation and experience of nominees, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board of Directors;
- familiarity with businesses similar or analogous to the Company;
- experience with accounting rules and practices, and corporate governance principles; and
- experience and expertise related to economic, environmental and social matters.

The Nominating and Governance Committee, in accordance with its charter, seeks to create a Board of Directors that is strong in its collective knowledge and has a diversity of not only skills and experience, but also diversity in gender, race, ethnicity, culture and geography. The Nominating and Governance Committee assesses the effectiveness of its diversity and other policies by annually reviewing the nominees for director to the Company's Board of Directors to determine if such nominees satisfy the Company's then-current needs. The Nominating and Governance Committee may also consider such other factors that it deems are in the best interests of the Company and its stockholders. The Nominating and Governance Committee determined that the nominees for election at the Annual Meeting to serve as directors satisfy the Company's current needs as well as regulatory requirements.

The Nominating and Governance Committee identifies nominees by evaluating the current members of the Board of Directors willing and eligible to continue in service. Current members of the Board of Directors with skills and experience that are relevant to the Company's business and who are willing and eligible to continue in service are considered for a recommendation to re-nominate, balancing the value of continuity of service by existing members of the Board of Directors with that of obtaining a new perspective. If any member of the Board of Directors does not wish to continue in service or if the Nominating and Governance Committee or the Board of Directors decides not to re-nominate a member for re-election, the Nominating and Governance Committee identifies the desired skills and experience of a new nominee, and discusses with the Board of Directors suggestions as to individuals that meet the criteria. In addition, the Nominating and Governance Committee has the authority to retain third party search firms to evaluate or assist in identifying or evaluating potential nominees.

With the goal of increasing the effectiveness of the Board of Directors and its relationship to management, the Nominating and Governance Committee evaluates the performance of the Board of Directors as a whole. The evaluation process, which occurs at least annually, includes a survey of the individual views of all directors, which are then shared with the full Board of Directors. In addition, each of the committees of the Board of Directors performs a similar annual self-evaluation.

Strategic Advisory Committee

The Strategic Advisory Committee currently consists of Dr. Sheares (Chairperson) and Rekow, Messrs. Ali, Brons and Herring, and Ms. Goodman and Raphael. All of the current members of the Strategic Advisory Committee are independent directors as defined under Nasdaq's Rule 5605(a)(2). The Strategic Advisory Committee operates under a charter available on our Internet website at www.henryschein.com, under the "Our Company—Corporate Governance Highlights" caption.

The purpose of the Strategic Advisory Committee is to provide advice to the Board of Directors and to our management regarding the monitoring and implementation of our corporate strategic plan, as well as general strategic planning.

Regulatory, Compliance and Cybersecurity Committee

The Regulatory, Compliance and Cybersecurity Committee currently consists of Messrs. Herring (Chairperson) and Kuehn, and Ms. Margulies and Raphael. All of the current members of the Regulatory, Compliance and Cybersecurity Committee are independent directors as defined under Nasdaq's Rule 5605(a)(2). The Regulatory, Compliance and Cybersecurity Committee operates under a charter available on the Company's Internet website at www.henryschein.com, under the "Our Company—Corporate Governance Highlights" caption.

The purpose of the Regulatory, Compliance and Cybersecurity Committee is to assist the Board of Directors by providing guidance to, and oversight of, the Company's senior management responsible for assessing and managing Company-wide regulatory, corporate compliance and cybersecurity risk management programs. The primary responsibilities of the Regulatory, Compliance and Cybersecurity Committee are to (i) serve as a sounding board for the strategic decisions, issues, challenges and opportunities relating thereto, (ii) provide expertise to guide assessment and monitoring of Company-wide regulatory, corporate compliance and cybersecurity risk management budgeting, spending and capital investment, (iii) monitor progress and status of the Company's regulatory, corporate compliance and cybersecurity risk management programs, (iv) review and evaluate major regulatory, corporate compliance and cybersecurity risk management initiatives to identify emerging and future opportunities for synergy or to leverage regulatory, corporate compliance and cybersecurity risk management investments more effectively and cost efficiently, (v) report to the Audit Committee on regulatory, corporate compliance and cybersecurity risk management matters reviewed by the Regulatory, Compliance and Cybersecurity Committee that may impact the Company's financial reporting and (vi) be generally available to, and communicate with, the Company's senior management, and to inform the Board of Directors in the areas described above.

Board of Directors' Leadership Structure

Since 1989, the Company has employed a traditional board leadership model, with our Chief Executive Officer also serving as Chairman of our Board of Directors. We believe this traditional leadership structure benefits our Company. A combined Chairman/CEO role helps provide strong, unified leadership for our management team and Board of Directors. Our customers, stockholders, suppliers and other business partners have always viewed our Chairman/CEO as a visionary leader in our industry, and we believe that having a single leader for the Company is good for our business.

We also believe that strong, independent Board of Director leadership is a critical aspect of effective corporate governance. Accordingly, in 2012, the Board of Directors amended the Company's Corporate Governance Guidelines and designated Mr. Laskawy to serve as Lead Director. As specified in our Corporate Governance Guidelines the role and duties of the Lead Director include:

- presiding at all executive sessions of the independent directors and calling meetings of the independent directors;
- acting as a liaison among the members of the Board of Directors, Chief Executive Officer and management;
- coordinating information sent to the Board of Directors;
- coordinating meeting agendas and schedules for the Board of Directors to assure that there is sufficient time for discussion of all agenda items;
- conferring with the Chief Executive Officer, as appropriate; and
- being available for consultation with our stockholders, as appropriate.

(See "Corporate Governance Guidelines" set forth below.)

We believe that a single leader serving as Chairman and Chief Executive Officer, together with an experienced Lead Director, is the best governance model for our Company and our stockholders.

Our Board of Directors' committees, each with a separate Chairperson, are the: Audit Committee; Compensation Committee; Nominating and Governance Committee; Strategic Advisory Committee; and Regulatory, Compliance and Cybersecurity Committee. Each of the Audit Committee, Compensation Committee and Nominating and Governance Committee is comprised solely of independent directors, and each of the Strategic Advisory Committee and Regulatory, Compliance and Cybersecurity Committee is currently comprised solely of independent directors.

Our directors bring a broad range of leadership experience to the boardroom and regularly contribute to the thoughtful discussion involved in effectively overseeing the business and affairs of the Company. The atmosphere of our Board of Directors is collegial, all members are well engaged in their responsibilities, and all members express their views and consider the opinions expressed by other directors. We do not believe that appointing an independent Board Chairman would improve the performance of the Board of Directors.

The Board of Directors is responsible for selecting the Chairman/CEO. The Chairman/CEO establishes the agenda for each meeting of the Board of Directors (in coordination with the Chairperson of the Nominating and Governance Committee/Lead Director) and presides at Board of Directors' and stockholders' meetings. The Chairperson of the Nominating and Governance Committee/Lead Director takes input from the other independent directors when setting the agenda for the independent sessions.

On an annual basis, as part of our governance review and succession planning, the Nominating and Governance Committee evaluates our leadership structure to ensure that it remains the optimal structure for our Company and our stockholders. We recognize that different board of directors' leadership structures may be appropriate for companies with different histories and cultures, as well as companies

with varying sizes and performance characteristics. We believe our current leadership structure—where our Chief Executive Officer serves as Chairman of the Board of Directors, our Board of Directors is comprised of experienced independent directors, including a Lead Director, our Board of Directors’ committees are comprised solely of independent directors and our independent directors hold regular meetings in executive session—is most appropriate and remains the optimal structure for our Company and our stockholders and has contributed to our Company’s compounded growth rates for sales and net income since becoming a public company in 1995.

Board of Directors’ Role in Oversight of Risk

Risk oversight is provided by a combination of our full Board of Directors and by the Board of Directors’ committees. As part of its oversight, our Board of Directors and its committees meet regularly to discuss the strategic direction and the issues and opportunities facing our Company, including the COVID-19 pandemic. Specifically regarding COVID-19, our Board of Directors has been actively overseeing our Company’s response, including receiving regular updates from and having discussions with senior management. The Board of Directors’ review and discussions around this ongoing crisis span a broad range of matters, including, among other things, protecting the health and safety of our TSMs, supporting our TSMs, evaluating the impact of the pandemic on strategy, operations, liquidity and financial matters, interruptions in the healthcare industry (including the temporary closure of dental practices), limited supply of personal protective equipment needed by healthcare practitioners, minimizing supply chain disruption, interruptions in the financial markets, and monitoring continued compliance with applicable laws.

The Audit Committee takes the lead risk oversight role, focusing primarily on risk management related to monitoring and controlling the Company’s financial risks (*i.e.*, overseeing those aspects of risk management and legal and regulatory compliance monitoring processes which may impact the Company’s financial reporting, including financial accounting and reporting risks, as well as cybersecurity risks). The Compensation Committee focuses primarily on human capital matters such as executive compensation plans and executive agreements and evaluates whether the Company’s compensation policies and practices for its executive officers and other employees of the Company create risks that are reasonably likely to have a material adverse effect on the Company. The Nominating and Governance Committee focuses primarily on succession planning, director nomination criteria and candidate identification, as well as on evaluation of our corporate governance procedures and practices including performance evaluation of our Board of Directors and executive management. The Nominating and Governance Committee also reviews and assesses the Company’s response to climate risk, and other relevant strategic sustainability risks facing our operations, supply chains, and communities. This includes the Company’s disclosure of climate risk in CDP and other transparency initiatives, setting the foundation for introducing Science Based Targets and preparing to report against the recommendations of the Task Force on Climate-Related Financial Disclosures. The Strategic Advisory Committee focuses primarily on the Company’s strategic and business development plans including the risks associated with those plans. The Regulatory, Compliance and Cybersecurity Committee focuses primarily on risks related to regulatory, corporate compliance and cybersecurity matters.

The Company’s Executive Management Committee is responsible for oversight and active management of material risks to the Company (including, without limitation, strategic, development, business, operational, human, sustainability, financial and regulatory risks) as an integral part of the Company’s business planning, succession planning and management processes. Members of the management team provide periodic reports to the Audit Committee, Compensation Committee and the Regulatory, Compliance and Cybersecurity Committee on select risk management topics and the Chairperson of each respective committee reports, as appropriate, on these topics to the full Board of Directors.

The Company’s management has a longstanding commitment to employing and imbedding sound risk management practices and disciplines into its business planning and management processes throughout the Company to better enable achievement of the Company’s strategic, business, operational, financial and compliance objectives as well as to achieve and maintain a competitive advantage in the marketplace.

Board Diversity and Skills

Our Board brings a diversity of perspectives, backgrounds and skills to the boardroom, reflecting the diversity of our customers, investors, suppliers and TSMs, and enabling the diversity of thought that we believe is necessary to advance the needs of the business and our stakeholders in an evolving societal, environmental and operational context. The COVID-19 pandemic was an example of an unprecedented critical risk that required an agile and strong response, made possible in part by the range, diversity and strength of skills and experiences that the Board represents. As of the date this proxy statement is being made available to stockholders (March 30, 2021), the members of the Board of Directors consist of approximately 29% female directors (with approximately 42% of our independent directors being women) and approximately 18% of directors are from ethnically diverse or minority groups (with approximately 17% of our independent directors being ethnically diverse or from minority groups). Additionally, approximately 47% of the members of

our Board of Directors (and approximately 67% of our independent directors) have less than 9 years of tenure. For more details about the age and specific skills of the Board of Directors, please see Proposal 1.

Environment, Social and Governance

Key sustainability and ESG developments overseen by the Company's Board of Directors during 2020 included the Company's response to the COVID-19 pandemic in safeguarding the health and safety of TSMs, ensuring the continuity of our operations and supply chains meeting the needs of our customers, and contributing to the health and resilience of our communities. For example, we have been a participant in the U.S. Department of Health and Human Services COVID-19 Supply Chain Taskforce since its inception in the spring of 2020 (originally managed by Federal Emergency Management Agency (FEMA)), which was created to maximize the availability of critical protective and lifesaving equipment. We contributed by sharing information, advising on and escalating key supply chain issues, collaborating on recommendations and responding to urgent requests for help from local providers. Other developments included (i) continuing to formalize our CSR reporting and transparency strategy and expanding our reporting scope beyond North America, (ii) preparing to introduce climate targets and other sustainability goals for our operations and supply chain in the future and (iii) engaging with investors and other stakeholders on Science Based Targets and recommendations of the Taskforce on Climate-Related Financial Disclosures. The Board of Directors also oversaw progress made in advancing diversity and inclusion within the Company, including enhancing the Company's long history of diversity engagement by formalizing our Diversity and Inclusion Council which includes management representation and Board of Director engagement.

Stockholder Communications

Stockholders who wish to communicate with the Board of Directors may do so by emailing investor@henryschein.com. The Company will receive the correspondence and forward it to the Chairperson of the Nominating and Governance Committee/Lead Director or to any individual director or directors to whom the communication is directed, unless the communication is unduly hostile, threatening, illegal, does not reasonably relate to the Company or its business or is similarly inappropriate.

Our policy is to encourage the members of our Board of Directors to attend the Annual Meeting of Stockholders, and all of the directors attended the 2020 Annual Meeting of Stockholders.

Corporate Governance Guidelines

The Board of Directors has adopted Corporate Governance Guidelines, a copy of which is available on our Internet website at www.henryschein.com, under the "Our Company—Corporate Governance Highlights" caption. Our Corporate Governance Guidelines address topics such as (i) role of the Board of Directors, (ii) director responsibilities, (iii) Board of Directors' composition, (iv) definition of independence, (v) lead director, (vi) committees, (vii) selection of Board of Directors nominees, (viii) orientation and continuing education of directors, (ix) executive sessions of independent directors, (x) management development and succession planning, (xi) Board of Directors' compensation, (xii) attendance of directors at the Annual Meeting of Stockholders, (xiii) Board of Directors access to management and independent advisors, (xiv) annual evaluation of Board of Directors and committees, (xv) submission of director resignations and (xvi) communications with the Board of Directors.

Among other things, the Company's Corporate Governance Guidelines provide that it is the Board of Directors' policy to periodically review issues related to the selection and performance of the Chief Executive Officer. At least annually, the Chief Executive Officer must report to the Board of Directors on the Company's program for management development and on succession planning. In addition, the Board of Directors and Chief Executive Officer shall periodically discuss the Chief Executive Officer's recommendations as to a successor in the event of the sudden resignation, retirement or disability of the Chief Executive Officer.

The Company's Corporate Governance Guidelines also provide that it is the Board of Directors' policy that, in light of the increased oversight and regulatory demands facing directors, directors must be able to devote sufficient time to carrying out their duties and responsibilities effectively.

Code of Ethics

In addition to our Worldwide Business Standards applicable to all employees, we have adopted a Code of Ethics for Senior Financial Officers that applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Controller (if any), or persons performing similar functions. The Code of Ethics is posted on our Internet website at www.henryschein.com, under the “Our Company—Corporate Governance Highlights” caption. We will disclose on our website any amendment to, or waiver of, a provision of the Code of Ethics for Senior Financial Officers, or persons performing similar functions.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents certain information regarding beneficial ownership of our common stock (excluding unvested restricted stock units and unvested stock options) as of March 18, 2021 (unless otherwise noted below) by (i) each person we know is the beneficial owner of more than 5% of the outstanding shares of common stock, (ii) each director of the Company, (iii) each nominee for director of the Company, (iv) our Chief Executive Officer, our Chief Financial Officer, each of the other three most highly paid executive officers serving as of December 26, 2020 (the “Named Executive Officers”), and (v) all directors and executive officers as a group.

| Names and Addresses ¹ | Shares Beneficially Owned | |
|--|---------------------------|------------------|
| | Number | Percent of Class |
| Mohamad Ali ² | 1,000 | * |
| Barry J. Alperin ³ | 60,899 | * |
| Gerald A. Benjamin ⁴ | 41,078 | * |
| Stanley M. Bergman ⁵ | 645,350 | * |
| James P. Breslawski ⁶ | 164,121 | * |
| Paul Brons ⁷ | 14,064 | * |
| Deborah Derby ⁸ | 760 | * |
| Shira Goodman ⁹ | 10,177 | * |
| Joseph L. Herring ¹⁰ | 15,232 | * |
| Kurt P. Kuehn ¹¹ | 16,162 | * |
| Philip A. Laskawy ¹² | 65,021 | * |
| Anne H. Margulies ¹³ | 15,418 | * |
| Mark E. Mlotek ¹⁴ | 48,691 | * |
| Steven Paladino ¹⁵ | 87,440 | * |
| Carol Raphael ¹⁶ | 23,278 | * |
| E. Dianne Rekow, DDS, Ph.D. ¹⁷ | 18,938 | * |
| Bradley T. Sheares, Ph.D. ¹⁸ | 45,899 | * |
| Reed V. Tuckson, M.D., FACP | 0 | * |
| The Vanguard Group, Inc. ¹⁹ | 15,747,059 | 11.09% |
| Generation Investment Management LLP ²⁰ | 13,378,925 | 9.42% |
| BlackRock, Inc. ²¹ | 13,083,067 | 9.22% |
| Longview Partners (Guernsey) Limited ²² | 11,959,503 | 8.42% |
| State Street Corporation ²³ | 7,350,387 | 5.18% |
| Directors and Executive Officers as a Group (19 persons) ²⁴ | 1,324,504 | 0.93% |

* Represents less than 0.5%.

¹ Unless otherwise indicated, the address for each person is c/o Henry Schein, Inc., 135 Duryea Road, Melville, New York 11747.

² Represents 1,000 shares owned directly and over which Mr. Ali has sole voting and dispositive power. Additionally, Mr. Ali holds 2,790 restricted stock units which vest more than 60 days from March 18, 2021.

³ Represents (i) 48,268 shares owned directly and over which Mr. Alperin has sole voting and dispositive power and (ii) 12,631 shares held in Mr. Alperin's Non-Employee Director Deferred Compensation Plan account. Additionally, Mr. Alperin holds 2,790 restricted stock units which vest more than 60 days from March 18, 2021.

⁴ Represents (i) 35,293 shares owned directly and over which Mr. Benjamin has sole voting and dispositive power, and (ii) 5,785 shares held in a 401(k) Plan account. Additionally, Mr. Benjamin holds 86,521 restricted stock units and 38,350 stock options, all which vest more than 60 days from March 18, 2021.

⁵ Represents (i) 12,051 shares that Mr. Bergman owns directly and over which he has sole voting and dispositive power, (ii) 283,895 shares over which Marion Bergman, Mr. Bergman's wife, has shared voting and dispositive power as co-trustee of the Bergman Family 2010 Trust 2, (iii) 188 shares owned by Mr. Bergman's wife over which Mr. Bergman has shared voting and dispositive power, (iv) 339,886 shares over which Mr. Bergman's wife has shared voting and dispositive power as manager of the Bergman Family 2010 Trust #2, LLC and (v) 9,330 shares held in a 401(k) Plan account. Additionally, Mr. Bergman holds 283,985 restricted stock units and 89,510 stock options, all which vest more than 60 days from March 18, 2021.

⁶ Represents 164,121 shares owned directly and over which Mr. Breslawski has sole voting and dispositive power. Additionally, Mr. Breslawski holds 90,227 restricted stock units and 40,927 stock options, all which vest more than 60 days from March 18, 2021.

⁷ Represents 14,064 shares owned directly and over which Mr. Brons has sole voting and dispositive power. Additionally, Mr. Brons holds 2,790 restricted stock units which vest more than 60 days from March 18, 2021.

⁸ Represents 760 shares held indirectly by the Deborah M. Derby Revocable Trust, for the benefit of Ms. Derby, over which Ms. Derby has shared voting and dispositive power. Additionally, Ms. Derby holds 2,790 restricted stock units which vest more than 60 days from March 18, 2021.

⁹ Represents (i) 10 shares owned directly and over which Ms. Goodman has sole voting and dispositive power and (ii) 10,167 shares held indirectly by The Shira D. Goodman 2014 Family Trust, for the benefit of Ms. Goodman and her spouse, over which Ms. Goodman has shared voting and dispositive power. Additionally, Ms. Goodman holds 2,790 restricted stock units which vest more than 60 days from March 18, 2021.

¹⁰ Represents 15,232 shares owned directly and over which Mr. Herring has sole voting and dispositive power. Additionally, Mr. Herring holds 2,790 restricted stock units which vest more than 60 days from March 18, 2021.

¹¹ Represents (i) 4,319 shares owned directly and over which Mr. Kuehn has sole voting and dispositive power and (ii) 11,843 restricted stock units that vested but, per Mr. Kuehn's election, the payment date has been deferred. Additionally, Mr. Kuehn holds 2,790 restricted stock units which vest more than 60 days from March 18, 2021.

¹² Represents (i) 36,655 shares held in Mr. Laskawy's Non-Employee Director Deferred Compensation Plan account and (ii) 28,366 restricted stock units that vested but, per Mr. Laskawy's election, the payment date has been deferred. Additionally, Mr. Laskawy holds 2,790 restricted stock units which vest more than 60 days from March 18, 2021.

¹³ Represents (i) 2,000 shares owned directly and over which Ms. Margulies has sole voting and dispositive power, (ii) 4,311 shares held in Ms. Margulies' Non-Employee Director Deferred Compensation Plan account and (iii) 9,107 restricted stock units that vested but, per Ms. Margulies' election, the payment date has been deferred. Additionally, Ms. Margulies holds 2,790 restricted stock units which vest more than 60 days from March 18, 2021.

¹⁴ Represents (i) 44,596 shares owned directly and over which Mr. Mlotek has sole voting and dispositive power and (ii) 4,095 shares held in a 401(k) Plan account. Additionally, Mr. Mlotek holds 81,159 restricted stock units and 35,798 stock options, all which vest more than 60 days from March 18, 2021.

¹⁵ Represents (i) 80,752 shares owned directly and over which Mr. Paladino has sole voting and dispositive power and (ii) 6,688 shares held in a 401(k) Plan account. Additionally, Mr. Paladino holds 86,521 restricted stock units and 38,350 stock options, all which vest more than 60 days from March 18, 2021.

¹⁶ Represents 23,278 shares owned directly and over which Ms. Raphael has sole voting and dispositive power. Additionally, Ms. Raphael holds 2,790 restricted stock units which vest more than 60 days from March 18, 2021.

¹⁷ Represents (i) 11,349 shares owned directly and over which Dr. Rekow has sole voting and dispositive power, (ii) 4,617 shares held in Dr. Rekow's Non-Employee Director Deferred Compensation Plan account and (iii) 2,972 restricted stock units that vested but, per Dr. Rekow's election, the payment date has been deferred. Additionally, Dr. Rekow holds 2,790 restricted stock units which vest more than 60 days from March 18, 2021.

¹⁸ Represents (i) 9,066 shares owned directly and over which Dr. Sheares has sole voting and dispositive power and (ii) 36,833 restricted stock units that vested but, per Dr. Sheares' election, the payment date has been deferred. Additionally, Dr. Sheares holds 2,790 restricted stock units which vest more than 60 days from March 18, 2021.

¹⁹ The principal office of The Vanguard Group, Inc. ("Vanguard") is 100 Vanguard Blvd., Malvern, Pennsylvania 19355. Vanguard has the sole power to dispose of or direct the disposition of 15,119,156 of these shares, the shared power to vote or direct the vote of 238,269 of these shares, and the

shared power to dispose of or direct the disposition of 627,903 of these shares. The foregoing information regarding the stock holdings of Vanguard and its affiliates is based on an amended Schedule 13G filed by Vanguard with the SEC on February 10, 2021.

²⁰ The principal office of Generation Investment Management LLP (“GIM”) is 20 Air Street, 7th Floor, London, United Kingdom W1B 5AN. GIM has the sole power to dispose of or direct the disposition of and the sole power to vote or direct the vote of 96,932 of these shares, and has the shared power to dispose of or direct the disposition of and the shared power to vote or direct the vote of 13,281,993 of these shares. The foregoing information regarding the stock holdings of GIM and its affiliates is based on an amended Schedule 13G filed by GIM and its affiliates with the SEC on February 16, 2021.

²¹ The principal office of BlackRock, Inc. (“BlackRock”) is 55 East 52nd Street, New York, New York 10055. BlackRock has the sole power to vote or direct the vote of 10,907,473 of these shares and has the sole power to dispose of or direct the disposition of 13,083,067 of these shares. The foregoing information regarding the stock holdings of BlackRock and its affiliates is based on an amended Schedule 13G filed by BlackRock with the SEC on January 29, 2021.

²² The principal office of Longview Partners (Guernsey) Limited (“Longview”) is PO Box 559, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 6JG. Longview has shared power to vote or direct the vote of 7,647,246 of these shares, and the shared power to dispose of or direct the disposition of 11,959,503 of these shares. The foregoing information regarding the stock holdings of Longview and its affiliates is based on an amended Schedule 13G filed by Longview and its affiliates with the SEC on February 16, 2021.

²³ The principal office of State Street Corporation (“State Street”) is State Street Financial Center, One Lincoln Street, Boston, Massachusetts 02111. State Street has the shared power to vote or direct the vote of 5,807,259 of these shares and has the shared power to dispose of or direct the disposition of 7,330,333 of these shares. The foregoing information regarding the stock holdings of State Street and its affiliates is based on a Schedule 13G filed by State Street with the SEC on February 12, 2021.

²⁴ Includes (i) with respect to all directors and Named Executive Officers, (a) 1,100,295 shares, directly or indirectly, beneficially owned, (b) 84,112 shares held in 401(k) Plan accounts and in Non-Employee Director Deferred Compensation Plan accounts, as applicable and (c) 89,121 restricted stock units held by non-employee directors where such units vested but, per their election, the payment date was deferred and (ii) with respect to all executive officers that are not Named Executive Officers or directors, (a) 50,766 shares, directly or indirectly, beneficially owned, including restricted common stock and (b) 210 shares held in 401(k) Plan accounts. Additionally, (i) all directors and Named Executive Officers collectively hold 661,893 restricted stock units and 242,935 stock options, all which vest more than 60 days from March 18, 2021 and (ii) all executive officers that are not Named Executive Officers or directors collectively hold 97,328 restricted stock units and 44,969 stock options, all which vest more than 60 days from March 18, 2021.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

COVID-19 Pandemic’s Impact on the Company

In March 2020, the World Health Organization declared COVID-19 a global pandemic. In response, many countries implemented business closures and restrictions, stay-at-home and social distancing ordinances and similar measures to combat the pandemic. The COVID-19 pandemic has had, and continues to have, an unprecedented impact on society, worldwide economic activity, and the health care sector (particularly, the dental market). In March and April 2020, the dental market was severely impacted by COVID-19, with most practices being closed or open on a limited basis only. This dramatically reduced demand for dental products and certain medical products beginning in the second quarter of 2020. Although dental practice openings and patient volume recovery in the United States and many other countries have rebounded faster than originally anticipated, patient volumes have remained below pre-COVID-19 levels.

In addition to having a material adverse effect on our business, results of operations and cash flows for the second quarter of fiscal 2020, as of the end of the second quarter of fiscal 2020, there remained material uncertainty regarding the potential for additional significant resurgences of COVID-19 which could cause a significant reduction in dental practice openings and patient volume recovery, or further delay the return to normal operations. In evaluating mitigation measures, the Company also considered that even after COVID-19 has subsided, we may again experience material adverse impacts to our business, results of operations and cash flows as a result of, among other things, its global economic impact, including any recession that may occur in the future, or a prolonged period of economic slowdown or the reluctance of patients to return for elective dental or medical care.

Beginning in March 2020 and throughout fiscal 2020, management resources were refocused from their original strategic business goals for fiscal 2020 to mitigating the effects of COVID-19 on the Company. These efforts have required, and may continue to require for the duration of the pandemic, a large investment of time and resources across the Company.

Actions Taken in Response to the COVID-19 Pandemic

As a global health care solutions company, we sit at the nexus of 3,200 suppliers, one million health care providers and the one billion patients they serve. In the extraordinary circumstances of the global COVID-19 pandemic, our long-standing commitment to the well-being of all our stakeholders (our customers, supplier partners, our Team Schein Members, stockholders and society) has never been more important. By aligning our core strengths with the needs of society, we aim to succeed in business while positively impacting health around the world. In keeping with our “higher ambition,” our focus during this crisis has been on:

- protecting the health and welfare of our TSMs and their families;
- engaging with public and private sector partners to support the global response to COVID-19;
- navigating the complicated supply chain to bring personal protective equipment to front-line health care workers and first responders, along with infection control equipment and products and testing to health care workers; and
- ensuring business continuity for our customers and our suppliers.

We implemented measures to both protect the health and welfare of our TSMs and enable our business to continue to play a crucial role in supporting the sustainability of the healthcare industry. Since March 2020, our Board of Directors has received regular updates from senior management on the Company’s COVID-19 response and has been aligned in support of initiatives undertaken to protect our TSMs and to augment business operations.

During the pandemic, we have continued to service our customers, maintained operations at our distribution centers and manufacturing facilities while also implementing enhanced cleaning protocols, and successfully shifted suitable employee roles to remote work. Through all of this, our focus has remained on delivering products and services to our customers, while protecting the health and safety of our Team Schein Members. We made investments in equipment, technology, and security upgrades to protect our information and enhance our team’s ability to work remotely. For those essential TSMs working on-site, we, among other things, mandated temperature check systems and a face covering policy, implemented a number of policies to encourage social distancing and proper hygiene, and installed transparent barriers or modified procedures at security check-ins (including restricting visitors). Additionally, to help the team manage stress during the pandemic, we, among other things, established a “COVID-19 Resource Center” to provide a central location for all communications to support the health of TSMs and their families, and hold regular virtual Global Town Halls for all TSMs.

As part of a broad-based effort to support plans for the long-term health of our business and to strengthen our financial flexibility, we implemented cost reduction measures that included certain reductions in payroll, significantly decreased capital expenditures, reduced planned corporate spending, eliminated certain non-strategic targeted expenditures and took additional measures to preserve our liquidity. On April 3, 2020, Stanley Bergman, our Chairman and Chief Executive Officer, agreed to a temporary reduction of 100% of his base salary, less any amounts necessary to cover his contributions to any benefit plans provided by the Company (“100% Base Salary Reduction”), from April 6, 2020 through June 30, 2020. Additionally, Mr. Bergman agreed that this salary reduction would not constitute “good reason” or breach under his employment agreement or any other agreement with the Company, and would not confer or trigger any additional rights or entitlements for him from the Company or any of its affiliates. Our other Named Executive Officers agreed to temporary reductions of 50% of their respective base salaries from April 6, 2020 through June 30, 2020. In addition, members of management at the level of Director through Senior Vice President experienced temporary reductions of their respective base salaries ranging from 10% to 25% during the same period. The salary reductions did not modify Mr. Bergman’s or the other executives’ rights that they had with respect to the calculation of any annual or long term incentive awards or severance. The Company’s Board of Directors also agreed to a reduction of 25% of its non-employee directors’ cash retainer during the same period.

On June 20, 2020, the Company decided to continue certain cost reduction measures that included certain reductions in payroll. Mr. Bergman agreed to extend his 100% Base Salary Reduction through the end of the Company’s fourth fiscal quarter (December 26, 2020), or such earlier date as the Compensation Committee may determine in its sole discretion. Our Named Executive Officers also agreed to continue to experience temporary salary reductions, but at a level of 37.5% from June 29, 2020 (the first business day of the Company’s third fiscal quarter), until a later date to be determined by the Compensation Committee (in lieu of the 50% reduction that originally applied from April 6, 2020, through June 30, 2020 (the “Prior Period”)). In addition, members of the Company’s Executive Management Committee (other than our Named Executive Officers) had their salaries reduced by 18.75% during the same period, and the Company’s members of management holding the title of Vice President had their salaries reduced by 7.5% during the same period, in each case, in lieu of larger reductions that applied during the Prior Period. The Company’s Board of Directors agreed to a reduction of 18.75% of its non-employee directors’ cash retainer during the same period (in lieu of the 25% reduction that applied during the Prior Period).

As part of our initiative to reduce costs due to the impact of COVID-19, the Compensation Committee also suspended the Company's matching contributions under our 401(k) Savings Plan and contributions under our Supplemental Employee Retirement Plan ("SERP") for the second half of fiscal 2020.

Additionally, each of our CEO and our other Named Executive Officers agreed to delay their fiscal 2020 salary increases, which would have gone into effect on April 6, 2020, until October 5, 2020. On September 29, 2020, the Compensation Committee approved the removal of the temporary salary and retainer reductions and restored such compensation to its normal levels, effective the first day of the fourth quarter of fiscal 2020 (September 28, 2020). The matching contributions under our 401(k) Savings Plan and contributions under our SERP were restored effective January 1, 2021.

On August 11, 2020, the Compensation Committee suspended the Henry Schein, Inc. Performance Incentive Plan ("PIP") (the Company's annual incentive compensation plan) for fiscal 2020 with respect to all U.S. participants and certain non-U.S. participants and canceled any corresponding PIP awards relating to fiscal 2020 in their entirety. Effective as of July 1, 2020, the Compensation Committee also adopted the Henry Schein, Inc. 2020 Recovery Performance Plan (the "RPP") to replace and supersede the PIP with respect to fiscal 2020 for such participants. The business disruption caused by the global COVID-19 pandemic impacted the Company's business units and operations in ways that could not have been anticipated at the time that the performance goals and metrics were established on March 3, 2020 under the PIP with respect to fiscal 2020. Accordingly, the Compensation Committee determined that replacing the PIP with the RPP would better align the interests of the Company's stockholders and the key employees who will be driving the Company's recovery going forward. Significantly reduced payments would have been made to most PIP participants and critical incentives were lost as a result of the COVID-19 pandemic's impact during a time that TSMs were working very hard and had their salaries reduced.

The RPP provided pay for performance incentive compensation to the Company's TSMs, including the Company's Named Executive Officers. It was designed to maintain the alignment of executive and stockholder interests by providing a reduced incentive award while still providing a meaningful incentive to focus the management team on the Company's business recovery strategy for the second half of the 2020 fiscal year and enable the Company to continue to attract and retain highly qualified employees. Under the RPP, the Compensation Committee designated participants in the RPP and established Company-wide, functional area/business unit-level, and individual performance goals for the earning of bonuses based on a performance period commencing on July 1, 2020 and ending on December 26, 2020, provided that the outcome at the time that the goals were set was substantially uncertain to be achieved. The individual bonus target amount for each Named Executive Officer was 60% of the individual bonus target amount set under the PIP for fiscal 2020 and the maximum amount that could be paid under the RPP was 135% of the RPP target, which is equivalent to 81% of the original PIP target. All participants in the RPP (other than members of the Company's Executive Management Committee which includes our Named Executive Officers) were entitled to a minimum payout under the RPP equal to 39% of the original PIP target. Additionally, all participants in the RPP had a new goal tied to promoting awareness of diversity and inclusion which is weighted at 10% of the individual performance goal of their RPP award.

Executive Compensation Program

The Company's executive compensation program consists of four main components: (i) base salary; (ii) annual incentive compensation opportunity; (iii) long-term equity-based awards; and (iv) benefits and perquisites. As described below, annual and long-term performance-based awards represent a major portion of total compensation for the Named Executive Officers. The combination of these four components of our executive compensation program is designed to balance Company annual operating objectives and earnings performance with longer-term Company stockholder value creation goals. Many of the compensation arrangements and decisions described in this Compensation Discussion and Analysis related to the original structure of fiscal 2020 compensation were made prior to the global outbreak of the COVID-19 pandemic. As the COVID-19 pandemic continued to evolve and the economic circumstances continued to develop during fiscal 2020, as described herein, the Compensation Committee closely monitored the situation and proactively reviewed and revised the Company's compensation arrangements and practices as it determined to be in the best interests of the Company's stockholders, and where appropriate, other stakeholders.

The following is a summary of our ongoing pay programs. See "Compensation Discussion and Analysis—Executive Summary—Actions Taken in Response to the COVID-19 Pandemic" above for a discussion of actions the Compensation Committee took in fiscal 2020 in response to the COVID-19 pandemic.

Base Salary. The Compensation Committee annually reviews and approves base salary for the Named Executive Officers.

Annual Incentive Compensation. The components of the Company's annual incentive compensation (*i.e.*, bonuses that would typically be payable under the PIP, but for the 2020 fiscal year were payable under the RPP, as described above) are set by the Compensation Committee annually and are designed to reward the achievement of pre-established performance goals.

Each executive officer's annual incentive compensation under the RPP for fiscal 2020 (other than Mr. Bergman's) was based on the following three weighted components:

- the Company's corporate financial (*i.e.*, EPS) goal, as may be adjusted as described below;
- the executive officer's specific business unit financial goals; and
- the executive officer's individual performance goals.

Mr. Bergman's annual incentive compensation under the RPP for fiscal 2020 was based solely on the Company's corporate financial (*i.e.*, EPS) goal, subject to the adjustments as described below.

Long-Term Equity-Based Awards. The Company allocates long-term equity-based awards in the form of restricted stock units that generally cliff vest at the end of four years for time-based awards and at the end of three years for performance-based awards.

- Named Executive Officers receive 65% of their equity-based awards in the form of performance-based restricted stock units and 35% of their awards in the form of time-based restricted stock units, except for Mr. Bergman who receives 100% of his equity-based awards in the form of performance-based restricted stock units (other than a special grant made to Mr. Bergman on September 9, 2019 in connection with the renewal of his employment agreement which was 50% performance-based and 50% time-based).
- Awards of performance-based restricted stock units granted to participants, including the Named Executive Officers, are tied to the Company's earnings per share, subject to any potential required adjustments as described below. When the Company successfully achieves its EPS goal, participants, including the Named Executive Officers, are paid at target levels. When the Company's performance exceeds the EPS goal, participants, including the Named Executive Officers, receive additional shares with respect to their awards of restricted stock units up to a 150% maximum payout. When the Company's performance does not meet the EPS goal, shares paid to participants, including the Named Executive Officers, are reduced or eliminated.

Benefits and Perquisites. The Company provides a program commensurate with competitive practices that is generally consistent with the benefits provided to other employees. The Company does not provide any tax gross-ups to our executive officers (other than for relocation expenses). See "Compensation Structure—Pay Elements—Details—Benefits and Perquisites" set forth below.

Compensation Objectives and Strategy

The following compensation information, including our Named Executive Officers' compensation in relation to the competitive market data, does not give effect to the temporary reductions taken in response to the COVID-19 pandemic, as these temporary reductions are not representative of our ongoing pay programs.

The Company's executive officer compensation program is designed to attract and retain the caliber of officers needed to ensure the Company's continued growth and profitability, and to reward them for their performance, the Company's performance and for creating long-term value for stockholders. The primary objectives of the program are to:

- align rewards with the achievement of performance that enhances stockholder value;
- support the Company's strong team-based orientation;
- encourage high potential team players to build a career at the Company; and
- provide rewards that are cost-efficient, competitive with other organizations and fair to employees and stockholders.

The Company's executive compensation programs are approved and administered by the Compensation Committee of the Board of Directors. Working with management and outside advisors, the Compensation Committee has developed a compensation and benefits strategy that rewards performance, promotes appropriate conduct and reinforces a culture that the Compensation Committee believes will continue to drive long-term success for the Company thereby enhancing stockholder value.

The compensation program rewards team accomplishments while, at the same time, promoting individual accountability. The Company has a planning and goal-setting process that is fully integrated into the compensation system, intended to result in a strong relationship between individual efforts, business unit financial results and Company financial results with executive officer financial rewards.

A major portion of total compensation for our Named Executive Officers is placed at risk through annual and long-term incentives tied to the achievement of performance metrics. As shown in the Summary Compensation Table, in fiscal 2020, the sum of restricted stock unit awards and annual incentive compensation (under the heading “Non-Equity Incentive Plan Compensation”), represented between 78% and 85% of the total compensation for the Named Executive Officers.

We seek to provide competitive compensation that is commensurate with performance. We generally target compensation at the median of the market, and calibrate both annual and long-term incentive opportunities to generate less-than-median awards when goals are not fully achieved and greater-than-median awards when goals are exceeded. (See “Pay Levels and Benchmarking” set forth below.)

We seek to promote a long-term commitment to the Company by our senior executives. We believe that there is great value to the Company in having a team of long-tenured, seasoned managers to enable us to capitalize on our growth strategies. Our team-focused culture and management processes are designed to foster this commitment. The vesting schedules attached to restricted stock unit awards reinforce this long-term orientation.

Role of the Compensation Committee

General

The Compensation Committee provides overall guidance for our executive compensation policies and determines the amounts and elements of compensation for our executive officers, including the Named Executive Officers. The Compensation Committee’s function is more fully described in its charter which has been approved by our Board of Directors and is available on our Internet website at www.henryschein.com, under the “Our Company—Corporate Governance Highlights” caption. Additionally, in fiscal 2020, the Compensation Committee assisted the Board of Directors in overseeing and managing risks associated with the COVID-19 pandemic, and overseeing compensation actions taken in response to the pandemic.

When considering decisions concerning the compensation of the Named Executive Officers (other than the Chief Executive Officer), the Compensation Committee asks for recommendations from Mr. Bergman, including his detailed evaluation of each executive’s performance during the relevant fiscal year.

Use of Outside Advisors

In making its determinations with respect to executive compensation, the Compensation Committee has historically engaged the services of Pearl Meyer, an independent compensation consultant. For fiscal 2020, Pearl Meyer advised and consulted with the Compensation Committee with respect to certain executive compensation matters, including advising it in connection with changes made to the Company’s compensation program due to the COVID-19 pandemic. Pearl Meyer did not determine the exact amount or form of executive compensation for any executive officer. Pearl Meyer does no other work for the Company.

The Compensation Committee retains Pearl Meyer directly, and Pearl Meyer reports directly to the Compensation Committee. However, in carrying out its assignments and during the course of providing services to the Compensation Committee, Pearl Meyer may interact with Company management when necessary and appropriate in order to obtain relevant compensation and performance data for the executives and the Company. In addition, Pearl Meyer may seek input and feedback from Company management regarding Pearl Meyer’s work product and analysis prior to presenting such information to the Compensation Committee in order to confirm Pearl Meyer’s understanding of the Company’s business strategy or identify data questions or other similar issues, if any.

The Compensation Committee, with the assistance and independent advice from Pearl Meyer, annually reviews competitive compensation data prepared by Willis Towers Watson, a professional services/human resources consulting company which provides a number of services to the Company.

The Compensation Committee has assessed the independence of Pearl Meyer pursuant to the SEC and Nasdaq rules taking into consideration each of the six independence factors established under such rules. The Compensation Committee’s assessment affirmed the independence of Pearl Meyer with respect to executive compensation matters concluding that no conflict of interest exists that would prevent Pearl Meyer from serving as an independent consultant to the Compensation Committee. The Compensation Committee has the authority to retain, terminate and set the terms of its relationship with any outside advisors who assist the Compensation Committee in carrying out its responsibilities.

The Role of Say-on-Pay Votes and Stockholder Feedback

The Company provides its stockholders with the opportunity to cast an annual advisory vote on executive compensation (“say-on-pay proposal”). At the Company’s annual meeting of stockholders held on May 21, 2020, 90.3% of the votes cast on the say-on-pay proposal at the meeting were in favor of the say-on-pay proposal. The Compensation Committee evaluated this result and, after consideration, concluded that the voting result reflects our stockholders’ support of the Company’s approach to executive compensation. The Company previously held discussions with, and obtained input from, certain of its stockholders regarding the performance metrics utilized in connection with the Company’s annual incentive and equity-based compensation plans. In late 2019 and the first quarter of fiscal 2020, following an analysis of compensation policies and practices and based on the results of the say-on-pay vote, the Compensation Committee determined that the Company’s current approach to executive compensation is in the best interest of the Company and its stockholders and, therefore, did not make any change to its approach to executive compensation or make any significant changes to its executive compensation program from fiscal 2019. However, in light of the global impact of the COVID-19 pandemic, beginning in April 2020, the Compensation Committee made changes to the executive compensation program as more fully described in “Compensation Discussion and Analysis—Executive Summary—Actions Taken in Response to the COVID-19 Pandemic” above. The Compensation Committee expects to continue to consider the outcome of the Company’s say-on-pay votes and stockholder discussions when making future compensation decisions for the Named Executive Officers.

Compensation Structure

Pay Element—Overview

The Company utilizes four main components of compensation:

- *Base Salary*—fixed pay that takes into account an individual’s role and responsibilities, experience, expertise and individual performance;
- *Annual Incentive Compensation*—variable pay that is designed to reward attainment of annual business goals, with payout of target award goals generally expressed as a percentage of base salary;
- *Long-Term Equity-Based Awards*—stock-based awards including restricted stock units; and
- *Benefits and Perquisites*—includes medical, dental, life, disability and business travel insurance benefits, retirement savings, automobile allowances, executive health exams and, in the case of Mr. Bergman, certain additional services as described below.

Pay Elements—Details

Base Salary

The Compensation Committee annually reviews executive officer salaries and makes adjustments, as warranted, based on individual responsibilities and performance, Company performance in light of market conditions and competitive practice. Salary adjustments are generally approved and implemented during the first quarter of the calendar year (typically in March). On March 3, 2020 (prior to COVID-19 being declared a global pandemic), based on individual responsibilities and performance, the Company’s performance and competitive market data with respect to base salary pay practices, the Compensation Committee increased the base salaries for the Named Executive Officers by 2.7%. In connection with the Company’s broad-based effort to support plans for the long-term health of its business and to strengthen its financial flexibility, our CEO agreed to a 100% Base Salary Reduction from April 6, 2020 through the end of fiscal 2020 (December 26, 2020), or such earlier date as the Compensation Committee may determine in its sole discretion. Our other Named Executive Officers also agreed to temporary salary reductions of 50% of their base salaries from April 6, 2020 through June 30, 2020 and 37.5% through the end of fiscal 2020 (December 26, 2020). Additionally, each of our CEO and our other Named Executive Officers agreed to delay their fiscal 2020 salary increases, which would have gone into effect on April 6, 2020, until October 5, 2020. On September 29, 2020, the Compensation Committee approved the removal of the temporary salary reductions and restored such compensation to its normal levels, effective the first day of the fourth quarter of fiscal 2020 (September 28, 2020). See “Compensation Discussion and Analysis—Executive Summary—Actions Taken in Response to the COVID-19 Pandemic” above for a more detailed discussion of actions the Compensation Committee took in response to the COVID-19 pandemic.

Annual Incentive Compensation

Annual incentive compensation for each of the Company’s executive officers is typically determined and paid under the PIP for such year. However, due to the impact of the COVID-19 pandemic, on August 11, 2020, the Compensation Committee suspended the PIP

for fiscal 2020 with respect to all U.S. participants and certain non-U.S. participants (including the Named Executive Officers) and canceled any corresponding PIP awards relating to fiscal 2020 in their entirety.

A core component of the PIP relates to the Company Financial/EPS Goal, which, as shown on the table below, represents between 30% to 60% of the 2020 PIP bonus for our Named Executive Officers (other than our CEO) and 75% of our CEO's 2020 PIP bonus. As a result of the COVID-19 pandemic, the PIP 2020 Company Financial/EPS Goal was not attainable and, based on the Company's actual adjusted 2020 diluted EPS, that component of the PIP would have resulted in a payout at 0%. Accordingly, 30% to 60% of our Named Executive Officers' (other than our CEO) PIP bonus and 75% of our CEO's 2020 PIP bonus would have paid out at 0%.

The remaining components of the PIP relate to PIP Business Financial Goals and PIP Individual Performance Goals (each as defined below), which the Compensation Committee anticipated would be significantly distorted as a result of the impact of the COVID-19 pandemic on the business and these goals, creating unintended consequences. For example, for the 2020 PIP, with respect to the PIP Business Financial Goals certain participants had their goals tied to expense budgets set prior to the pandemic, which budgets were significantly reduced as part of the Company's cost cutting initiatives; in such case, maintaining the original goals would have led to an unintended windfall for such participants (for those Named Executive Officers whose PIP Business Financial Goals were tied to expense budgets estimated payouts range from 118% to 130%). In other instances, certain participants had their goals tied to financial targets set prior to the pandemic, which were highly unlikely to be achieved in light of the pandemic's impact on the Company's business; in such case, maintaining the original goals would have resulted in a significantly reduced payout for such participants (for those Named Executive Officers whose PIP Business Financial Goals were tied to financial targets estimated payout would have been 20%, except for one Named Executive Officer whose estimated payout would have been 97%). Additionally, the PIP Individual Performance Goals (including for the Named Executive Officers) were based on individual performance objectives that were set prior to the pandemic. After the onset of the pandemic, certain strategic plans were delayed and management's focus and objectives had to be realigned to mitigate the effects of the pandemic on the Company's business, requiring a large investment of time and resources. Therefore, the Compensation Committee determined that the original PIP Individual Performance Goals were nearly impossible to attain and no longer appropriate in light of the pandemic.

Effective as of July 1, 2020, the Compensation Committee adopted the RPP to replace and supersede the PIP with respect to fiscal 2020 for such participants (including the Named Executive Officers). The business disruption caused by the global COVID-19 pandemic impacted the Company's business units and operations in ways that could not be anticipated at the time that the performance goals and metrics were established under the PIP with respect to fiscal 2020, and accordingly, the Compensation Committee determined that replacing the PIP with the RPP would better align the interests of the Company's stockholders and the key employees who will be driving the Company's recovery going forward. No amounts were paid out to such participants (including the Named Executive Officers) under the PIP with respect to fiscal 2020. Details of the PIP and the RPP are described below.

Components of the PIP

The components of the PIP are designed to reward the achievement of pre-established corporate financial, business unit financial and individual performance goals. The Compensation Committee sets the PIP's performance goals and target payout for the Chief Executive Officer. With respect to the executive officers (other than the Chief Executive Officer), at the beginning of each year, the Chief Executive Officer recommends to the Compensation Committee which executive officers should participate in the PIP for that year and, following review and approval by the Compensation Committee, such officers are notified of their participation. The Chief Executive Officer recommends to the Compensation Committee the PIP's performance goals and target payout for executive officers (other than himself), subject to the Compensation Committee's review and approval.

PIP targets and goals for 2020 for the Named Executive Officers were established at the beginning of 2020. For the Named Executive Officers (other than Mr. Bergman), the performance goals under the 2020 PIP were based on:

- the Company's 2020 earnings per share measured against pre-established standards, as may be adjusted pursuant to the terms of the 2020 PIP (the "PIP 2020 Company Financial/EPS Goal");
- achievement of financial goals in their respective business units ("PIP Business Financial Goals"); and
- achievement of individual performance objectives ("PIP Individual Performance Goals").

In 2013, the Compensation Committee approved a clawback policy as part of the PIP whereby the Company has the right to recoup from the participant, including the Named Executive Officers, and the participant is required to repay to the Company, an amount equal to the PIP cash bonus paid to the participant if the participant engages in a competitive activity (as defined in the Company's Management Team Performance Incentive Plan and Plan Summary, effective as of January 1, 2014) or violates a non-disclosure, non-solicitation of

employees or other restrictive covenant between the participant and the Company on or after the payment date but on or prior to the first anniversary of such payment date.

In November 2019, the Compensation Committee undertook a review of the PIP 2020 Company Financial/EPS Goal to be used in our 2020 PIP awards. As part of this review, the Compensation Committee considered a number of factors including (i) market data for peer group companies with revenues between \$8 billion and \$12 billion and peer group companies practices and (ii) the advantages and disadvantages of potential performance metrics evaluated against the current performance objectives of the PIP. Following consideration of these factors, the Compensation Committee concluded, as further described below, that it was in the best interest of the Company and its stockholders to continue to use adjusted earnings per share as the metric for the portion of the PIP bonus that is based on the Company's performance.

The Compensation Committee believes adjusted EPS is appropriate for the portion of the PIP bonus that is tied to the Company's performance because such metric (i) is reflective of the key metric that the Board of Directors uses to assess the Company's performance, (ii) clearly summarizes the earnings generated for stockholders and focuses on return to the stockholders, (iii) is sufficiently different from our long-term equity plan metric because our long-term equity plan metric is a three-year cumulative earnings per share goal as opposed to a one-year goal and (iv) is a metric used by a significant number of large companies as the performance factor for the company-performance portion of their annual incentive compensation plans.

Under the 2020 PIP, the Compensation Committee may adjust the PIP 2020 Company Financial/EPS Goal for specific factors pre-established by the Compensation Committee. Additionally, the Compensation Committee may further adjust the goal for any other unforeseen event or other facts and circumstances beyond the control of the Company, by an amount equal to a reasonable estimate of the expected accretion or dilution, based on information provided to them by executive management. In the event the Compensation Committee makes adjustments in accordance with the preceding sentence, the Compensation Committee in its sole discretion will determine the PIP award payouts that correspond to the levels of achievement of the adjusted goal. The Compensation Committee may award all or a portion of a PIP award upon the attainment of any goals (including the applicable predefined goals). The Compensation Committee or the Chief Executive Officer (solely with respect to non-executive officers) may also grant discretionary awards under the PIP. Notwithstanding the adjustment provisions contained in the PIP, the Compensation Committee believed that the impact of the COVID-19 pandemic on the business and the corresponding performance metrics was too significant, so that any COVID-19-related adjustment to the existing performance metrics would have caused a potential misalignment between the PIP participants and the goals that the Company was focused on rewarding. Therefore, the Compensation Committee did not use the adjustment provisions to modify the PIP but instead replaced the 2020 PIP with the RPP.

PIP Business Financial Goals and PIP Individual Performance Goals for Named Executive Officers (other than CEO)

The weight (expressed as a percentage of the PIP target payout) for each component of the 2020 PIP awards for the Named Executive Officers (other than Mr. Bergman) was as follows:

| | PIP 2020 Company Financial/EPS Goal | PIP Business Financial Goals | PIP Individual Performance Goals |
|---|--|---------------------------------|-------------------------------------|
| James P. Breslawski Vice Chairman, President..... | 30% | 55% | 15% |
| Steven Paladino Executive Vice President and Chief Financial Officer (Principal Financial Officer) | 60% | 20% | 20% |
| Gerald A. Benjamin Executive Vice President and Chief Administrative Officer..... | 40% | 40% | 20% |
| Mark E. Mlotek Executive Vice President and Chief Strategic Officer.... | 40% | 35% | 25% |

PIP Business Financial Goals and PIP Individual Performance Goals varied for each Named Executive Officer as the goals reflected each executive's specific role and function. Financial measures included in such goals are calculated based on generally accepted accounting principles and adjusted in a manner similar to adjustments made to the Company's EPS (as described below).

PIP Business Financial Goals and PIP Individual Performance Goals were designed to motivate executive officers to achieve challenging, but attainable goals for talented executives. The Compensation Committee sets the goals for PIP awards such that incentive compensation is paid at less-than-median of the market awards when PIP Business Financial Goals or Individual Performance Goals are

not fully achieved and greater-than-median awards when goals are exceeded. The maximum payout percentage under the PIP for the Named Executive Officers is 150% for the PIP Company Financial/EPS Goal, ranges from 125% to 200% for the PIP Business Financial Goal (depending on the specific category of Business Financial Goal applicable to such Named Executive Officer) and is 115% for the PIP Individual Performance Goals.

2020 PIP

On March 3, 2020 (prior to COVID-19 being declared a global pandemic), after reviewing market competitive practices and in light of market conditions in the areas in which the Company competes, the Compensation Committee decided to increase the payout for achievement of the target goals for the Named Executive Officers under the PIP by a weighted average of 2.5%.

In February 2020, the Compensation Committee set the PIP 2020 Company Financial/EPS Goal at \$3.68, representing the target goal designed to result in a PIP award payout equal to 100%. Similar to previous years, the Compensation Committee completed a pre-defined process to adjust the goal and to approve the adjustments that will be applied to the actual results, in each case, based on adjustments authorized under the PIP. This target was set prior to COVID-19 being declared a global pandemic. Given our actual 2020 diluted EPS, adjusted for restructuring costs; judgments, settlements or other payments in connection with, or arising from, certain litigation matters; and a net gain on the sale of an equity investment was \$2.97, the Company Financial/EPS Goal portion of the 2020 PIP would have paid out at 0% had the PIP not been suspended and replaced with the RPP for 2020.

Annual Incentive Compensation for CEO under the PIP

Mr. Bergman's annual incentive compensation for 2020 under the PIP had three components:

- achievement of the 2020 Company Financial/EPS Goal (weighted 75% of his total award);
- the average performance of the Company's other executive officers with respect to their PIP Business Financial Goals (weighted 12.5% of his total award); and
- the average performance of the Company's other executive officers with respect to their PIP Individual Performance Goals (weighted 12.5% of his total award).

Components of the RPP

The COVID-19 pandemic had a material adverse effect on our business, results of operations and cash flows for the second quarter of fiscal 2020. As of the end of the second quarter of fiscal 2020, there remained material uncertainty regarding the potential for additional significant resurgences of COVID-19 which could cause a significant reduction in dental practice openings and patient volume recovery, or further delay in the return to normal operations remained. As the COVID-19 pandemic continued to evolve and the economic circumstances continued to develop during fiscal 2020, the Compensation Committee closely monitored the situation and proactively reviewed and revised the Company's compensation arrangements and practices as it determined to be in the best interests of the Company's stockholders, and where appropriate, other stakeholders. The Compensation Committee decided to have the RPP replace the PIP for fiscal 2020 for all U.S. participants and certain non-U.S. participants (including our Named Executive Officers). The RPP provides pay for performance incentive compensation to the participants, including the Company's Named Executive Officers, and is designed to reward them for their contributions to the Company consistent with the Company's business recovery strategy and enable the Company to continue to attract and retain highly qualified employees. Under the RPP, the Compensation Committee designated participants in the RPP and established Company-wide, functional area/business unit-level, and individual performance measures and goals for the earning of bonuses based on a performance period commencing on July 1, 2020, and ending on December 26, 2020. The outcome at the time that the goals were set was substantially uncertain to be achieved. Under the RPP, the Compensation Committee has the right to subsequently adjust the performance goals to take into account unanticipated circumstances or significant events as the Compensation Committee may determine in its sole discretion. As the RPP replaced the PIP for fiscal 2020, no payouts were made to our Named Executive Officers with respect to the portion of the fiscal year that ended on June 30, 2020.

The Compensation Committee is responsible for administering the RPP and has full discretionary authority under the RPP and the authority to take any actions it deems necessary or advisable in carrying out its duties thereunder, including delegating their authority under the RPP.

Each Named Executive Officer's incentive award opportunity under the RPP was determined by the Compensation Committee. The individual bonus target amount for each Named Executive Officer was 60% of the individual bonus target amount set under the PIP for fiscal 2020 and the maximum amount that could be paid under the RPP was 135% of the RPP target which is equivalent to 81% of the original PIP target. The terms of the RPP are identical to the terms of the PIP except for the performance period, target amount of the

awards, maximum amount payable under the awards, and performance factors. All participants in the RPP (other than members of the Company's Executive Management Committee and our CEO) were entitled to a minimum payout under the RPP equal to 39% of the original PIP target amount. Additionally, all participants in the RPP have a new goal tied to promoting awareness of diversity and inclusion which is weighted at 10% of the individual performance goal of their RPP award.

For the Named Executive Officers (other than Mr. Bergman), the performance goals under the RPP are based on:

- the Company's earnings per share for the third and fourth quarters of fiscal 2020 measured against pre-established standards, as may be adjusted pursuant to the terms of the RPP (the "RPP Company Financial/EPS Goal");
- achievement of financial goals in their respective business units ("RPP Business Financial Goals"); and
- achievement of individual performance objectives ("RPP Individual Performance Goals").

RPP Company Financial/EPS Goal

Under the RPP, the Compensation Committee may adjust the RPP Company Financial/EPS Goal for the following factors (which factors have been pre-established by the Compensation Committee):

- acquisitions and new business ventures (based on the approved model) not initially considered when developing the goal, including:
 - the effect of accretion or dilution relating to unbudgeted acquisitions (or dispositions), but only for the first 12 months following the transaction (or shorter time period, if applicable);
 - any gain, loss or expense related to the disposal of a business or discontinued operations that was not previously considered when developing the RPP goal;
 - unbudgeted acquisition and professional fees and expenses related to closed acquisitions or dispositions incurred in the year of the acquisition or disposition, but only for that year; and
 - unbudgeted acquisition and professional fees and expenses relating to individual unclosed acquisitions or dispositions, where such fees and expenses exceed \$300,000, in which case all such fees and expenses (from the first dollar) shall be excluded;
- capital transactions (including capital stock repurchases);
- other differences in budgeted average outstanding shares (other than those resulting from capital transactions referred to above);
- restructuring costs incurred related to publicly announced restructuring plans and separately identified in the Company's periodic filings, to the extent the adjustment was not already contemplated in the goal;
- the financial impact, either positive or negative, of the changes in foreign exchange rates from the rates used in setting the budgeted EPS goal for the fiscal year;
- changes in accounting principles or in applicable laws or regulations;
- unforeseen events or circumstances affecting the Company;
- judgments, settlements or other payments in connection with, or arising from, certain litigation matters as approved by the Compensation Committee;
- the impact of any increase or decrease in tax rates in any country in which the Company derives greater than 5% of its net income;
- expenses related to any LTIP awards (performance-based or time-based) granted in the second half of 2020; and
- expense related to any modification of previously granted performance-based awards.

Additionally, the Compensation Committee may further adjust the goal for any other unforeseen event or other facts and circumstances beyond the control of the Company, by an amount equal to a reasonable estimate of the expected accretion or dilution, based on information provided to them by executive management. In the event the Compensation Committee makes adjustments in accordance with the preceding sentence, the Compensation Committee in its sole discretion will determine the RPP award payouts that correspond to the levels of achievement of the adjusted goal. The Compensation Committee may award all or a portion of a RPP award

upon the attainment of any goals (including the applicable predefined goals). The Compensation Committee or the Chief Executive Officer (solely with respect to non-executive officers) may also grant discretionary awards under the RPP.

In September 2020, the Compensation Committee set the 2020 Company Financial/EPS Goal under the RPP for the third and fourth quarters of fiscal 2020 at \$0.57, representing the target goal designed to result in a RPP award payout equal to 100% (which amount would equal to 60% of the target award under the PIP for each participant who received an award under the PIP for fiscal 2020). Similar to previous years, the Compensation Committee completed a pre-defined process to adjust the goal and to approve the adjustments that will be applied to the actual results, in each case, based on adjustments authorized under the RPP. For the 2020 RPP, no adjustments were made to the RPP Company Financial/EPS Goal.

During the first quarter of 2021, the Chief Executive Officer reviewed the relevant financial and operating performance achievements of the Company and its business units, as well as the individual performance of the participating officers (other than himself), against the RPP performance goals that had been previously established, and submitted proposed RPP payouts for the participating officers to the Compensation Committee for review and approval.

Our actual EPS (as adjusted) in the third and fourth quarters of 2020, as approved by the Compensation Committee, was \$2.03. This achievement was 356% above the target amount and resulted in a maximum payout of 150% of the 2020 Company Financial/EPS Goal portion of the RPP award set by the Compensation Committee under the 2020 RPP. RPP awards for the Named Executive Officers appear in the Summary Compensation Table in the column captioned "Non-Equity Incentive Plan Compensation."

RPP Business Financial Goals and RPP Individual Performance Goals for Named Executive Officers (other than CEO)

The weight (expressed as a percentage of the RPP target payout) for each component of the RPP awards for the Named Executive Officers (other than Mr. Bergman) is as follows:

| | RPP Company Financial/EPS Goal | RPP Business Financial Goals | RPP Individual Performance Goals |
|---|-----------------------------------|---------------------------------|-------------------------------------|
| James P. Breslawski Vice Chairman, President..... | 35% | 45% | 20% |
| Steven Paladino Executive Vice President and Chief Financial Officer (Principal Financial Officer) | 60% | 20% | 20% |
| Gerald A. Benjamin Executive Vice President and Chief Administrative Officer | 60% | 20% | 20% |
| Mark E. Mlotek Executive Vice President and Chief Strategic Officer.... | 60% | 20% | 20% |

RPP Business Financial Goals and RPP Individual Performance Goals vary for each Named Executive Officer as the goals reflect each executive's specific role and function. Financial measures included in such goals are calculated based on generally accepted accounting principles and adjusted in a manner similar to adjustments made to the RPP Company Financial/EPS Goal (as described below).

RPP Business Financial Goals and RPP Individual Performance Goals are designed to motivate executive officers to achieve challenging, but attainable second half of fiscal 2020 goals for talented executives during an unprecedented and arduous time. The maximum payout percentage under the RPP for the Named Executive Officers is 150% for the RPP Company Financial/EPS Goal, ranges from 125% to 200% for the RPP Business Financial Goal (depending on the specific category of RPP Business Financial Goal applicable to such Named Executive Officer) and is 115% for the RPP Individual Performance Goals.

For each Named Executive Officer (other than Mr. Bergman whose annual incentive compensation is described below), the RPP Business Financial Goals and RPP Individual Performance Goals are as follows:

Mr. Breslawski:

- *RPP Business Financial Goal (45%)*. This goal measures actual achievement against the target goal of operating income attributable to the Global Dental Group and Henry Schein One, LLC.
- *RPP Individual Performance Goals (20%)*. The key individual goals relate to overseeing, supporting and, where applicable, implementing: (i) business operations goals related to the COVID-19 pandemic; (ii) human capital matters related to the COVID-19 pandemic; (iii) e-commerce enhancements and information technology developments; and (iv) develop awareness of the Company's diversity and inclusion goals.

Mr. Paladino:

- *RPP Business Financial Goal (20%)*. This goal measures actual achievement against the target goal of the expense budget for the Company's Corporate Finance Group.
- *RPP Individual Performance Goals (20%)*. The key individual goals relate to overseeing, supporting and, where applicable, implementing: (i) capital resource efficiencies; (ii) human capital matters related to the COVID-19 pandemic; (iii) strategic planning and business development initiatives; (iv) internal controls; (v) accounting processes and tax planning; and (vi) develop awareness of the Company's diversity and inclusion goals.

Mr. Benjamin:

- *RPP Business Financial Goals (20%)*. These goals measure actual achievement of targeted expense budgets for the Company's Global Services Group.
- *RPP Individual Performance Goals (20%)*. The key individual goals relate to overseeing, supporting and, where applicable, implementing: (i) supply chain goals related to the COVID-19 pandemic; (ii) human capital matters related to the COVID-19 pandemic; (iii) completion of the transition services agreement entered into in connection with the spin-off and merger of our Animal Health business in February 2019 creating Covetrus, Inc., a separate publicly traded corporation (the "Spin-Off"), which ended in December 2020; and (iv) develop awareness of the Company's diversity and inclusion goals.

Mr. Mlotek:

- *RPP Business Financial Goal (20%)*. This goal measures actual achievement against the target goal of the Corporate Business Development Group expenses.
- *RPP Individual Performance Goals (20%)*. The key individual goals relate to overseeing, supporting and, where applicable, implementing: (i) key initiatives related to the COVID-19 pandemic; (ii) human capital matters related to the COVID-19 pandemic; (iii) e-commerce enhancements and information technology development; (iv) business development projects; (v) strategic planning and initiatives; and (vi) develop awareness of the Company's diversity and inclusion goals.

Annual Incentive Compensation for CEO under the RPP

Mr. Bergman's annual incentive compensation under the RPP for 2020 was based solely on the achievement of the RPP Company Financial/EPS Goal.

Long-Term Equity-Based Awards

The Company and the Compensation Committee believe that long-term equity-based awards are an important factor in aligning the long-term financial interest of the officers and stockholders. The Compensation Committee continually evaluates the use of equity-based awards and intends to continue to use such awards in the future as part of the design and administration of the Company's executive compensation program.

Type of Award - Restricted Stock Units

Under the Company's long-term incentive program ("LTIP") pursuant to the 2020 Stock Incentive Plan (formerly known as the 2013 Stock Incentive Plan), the current method of allocating the equity-based awards solely to restricted stock units is designed to use fewer shares as compared to "appreciation-based" awards (such as stock options) while continuing to provide long-term incentives with a strong retention component to participants.

Vesting

Performance-based restricted stock units generally vest 100% on the third anniversary of the grant date (three-year cliff vesting) and time-based restricted stock units generally vest 100% on the fourth anniversary of the grant date (four-year cliff vesting), in each case provided that no termination of service had occurred (except that the grants provide for pro-rated or accelerated vesting if termination of employment is due to retirement, death or disability, or termination without cause following a change in control (as defined in the 2020 Stock Incentive Plan)). (See “Pay Levels and Benchmarking” set forth below.) For all participants under the 2020 Stock Incentive Plan, other than executive officers and other executive management, the restricted stock units are allocated as 50% performance-based awards and 50% time-based awards. Mr. Bergman receives his awards of restricted stock units as 100% performance-based awards. Executive officers (other than Mr. Bergman) and other executive management generally receive 65% of their awards in the form of performance-based restricted stock units and 35% of their awards in the form of time-based restricted stock units.

None of our outstanding LTIP awards provide for single trigger acceleration of restricted stock units upon a change in control. Instead, in connection with a change in control, all outstanding restricted stock units granted to our executive officers vest automatically upon a participant’s termination of employment by the Company without cause or by the participant for good reason (and for Mr. Bergman, also for retirement) occurring within two years after the change in control or in certain cases within 90 days prior to a change in control or after the first public announcement of a pending change in control. (See “Post Termination and Change in Control Calculation” table below and the accompanying footnotes.) Further, these awards are subject to a clawback policy whereby the Company has the right to recoup from the participant, including the Named Executive Officers, and the participant is required to repay to the Company, an amount equal to the fair market value of the aggregate shares of restricted stock units payable to the participant if the participant engages in a competitive activity (as defined in the award agreement) or violates a non-disclosure, non-solicitation of employees or other restrictive covenant between the participant and the Company on or after the payment date but on or prior to the first anniversary of such payment date.

Grant Date

All grants are issued on the date they are approved by the Compensation Committee, except with respect to new hires and Mr. Bergman’s inducement restricted stock unit award granted in connection with the renewal of his employment agreement, where the grant date is a fixed date after the date on which such grant is approved by the Compensation Committee.

Performance Criteria

At the time the LTIP performance-based goal is set, it is substantially uncertain that the goal will be achieved. As the Company continues to grow, we continue to tie the performance goals to the Company’s earnings per share at growth rates that we believe exceed market growth for the markets in which we operate and reflect economic conditions. The Compensation Committee sets the maximum payout for time-based and performance-based restricted stock unit awards at 100% and 150%, respectively.

In December 2019, the Compensation Committee undertook a review of the performance metrics to be used in our performance-based LTIP awards for 2020. As part of this review, the Compensation Committee considered a number of factors including (i) market data for companies with revenues between \$8 billion and \$12 billion and peer group companies practices and (ii) the advantages and disadvantages of potential performance metrics evaluated against the performance objectives of the LTIP. Following consideration of these factors, the Compensation Committee concluded that it was in the best interest of the Company and its stockholders to continue to use three-year cumulative earnings per share as the metric for the LTIP because such metric (i) is reflective of the key metric that the Board of Directors uses to assess the Company’s performance, (ii) clearly summarizes the earnings generated for stockholders and focuses on return to the stockholders, (iii) is sufficiently different from our short-term incentive plan (*i.e.*, RPP) metric because our long-term equity plan metric is a three-year cumulative earnings per share goal as opposed to a one-year goal and (iv) is a metric used by a significant number of large companies as the performance factor for their respective long-term equity plans.

Additionally, pursuant to the 2020 LTIP, the Compensation Committee is required to adjust the EPS performance goal for the following factors (which factors have been pre-established by the Compensation Committee):

- acquisitions and new business ventures (based on the approved model) not initially considered when developing the goal including:
 - the effect of accretion or dilution relating to unbudgeted acquisitions (or dispositions), but only for the first 12 months following the transaction (or shorter time period, if applicable);
 - any gain, loss or expense related to the disposal of a business or discontinued operations that was not previously considered when developing the goal;

- unbudgeted acquisition and professional fees and expenses related to closed acquisitions or dispositions incurred in the year of the acquisition or disposition, but only for that year; and
- unbudgeted acquisition and professional fees and expenses relating to individual unclosed acquisitions or dispositions, where such fees and expenses exceed \$300,000, in which case the effect of all such fees and expenses (from the first dollar) shall be excluded in the year of the acquisition or disposition, but only for that year;
- capital transactions (including capital stock repurchases);
- other differences in budgeted average outstanding shares other than those resulting from capital transactions referred to above;
- restructuring costs incurred related to publicly announced restructuring plans and separately identified in the Company's periodic filings, to the extent the adjustment was not already contemplated in the goal;
- the financial impact, either positive or negative, of the changes in foreign exchange rates from the rates used in setting the three year performance goal;
- changes in accounting principles or in applicable laws or regulations;
- judgments, settlements or other payments, each exceeding \$100,000, in connection with, or arising from, litigation matters; and
- the impact of any increase or decrease in tax rates in any country in which the Company derives greater than 5% of its net income.

Although some companies use relative total shareholder return as a performance metric, the Compensation Committee does not believe such metric is appropriate for the Company's circumstances at this time because such metric (i) does not clearly summarize the earnings generated for stockholders (*e.g.*, earnings per share), (ii) tends to reward stock price volatility and can penalize a company that has demonstrated consistency in long-term performance, (iii) is measured on a relative basis so it is highly dependent on the peer group chosen and we believe a selection of an appropriate peer group would be difficult for the purpose of measuring relative total shareholder return due to size, types of businesses the Company is involved in, business differentials and consolidation of companies within the industry (*e.g.*, companies selected for the peer group at the beginning of the period may be merged into other companies by the end of the three-year period which may skew results), (iv) provides for payouts in negative return scenarios so long as the Company outperforms its peer group (*i.e.*, the executive may receive a high payout while stockholders are losing value) and (v) studies have shown that relative total shareholder return does not result in better performance.

As evidenced by the Company's long-term historical stock performance and financial results, LTIP performance criteria of three-year cumulative earnings per share has been an effective incentive for our executive officers. For all the reasons stated above, the Compensation Committee believes it is in the best interest of the Company and its stockholders to use three-year cumulative earnings per share as the performance metric for its long-term equity awards.

Performance-Based Restricted Stock Unit Awards

During the first quarter of each calendar year, the Compensation Committee sets the three-year cumulative earnings per share as the target goal designed to result in a payout equal to 100% under the performance-based restricted stock unit awards to be granted during such year. The Compensation Committee set the target goal for the awards granted in 2018, 2019 and 2020 by excluding restructuring costs. Similar to previous years, the Company completed a pre-defined process to adjust goals and to approve the adjustments that will be applied to the actual results, in each case, based on adjustments required under the LTIP. With respect to outstanding performance-based restricted stock unit awards granted in 2018, 2019 and 2020, the goal was adjusted for the effects during fiscal 2020 of impact of acquisitions, certain capital transactions (including capital stock repurchases) and the changes in foreign exchange rates from the rates used in setting the goal. Accordingly, the Compensation Committee decreased the three-year EPS performance goal for the performance-based restricted stock units granted in 2018 by 0.5%, decreased the three-year performance goal for the performance-based restricted stock units granted in 2019 by 0.3%, and increased the three-year performance goal for the performance-based restricted stock units granted in 2020 by 0.3%. The adjustments to the 2018 and 2019 performance goals were primarily attributable to the impact of acquisitions and changes in foreign exchange rates, partially offset by capital stock repurchases. The adjustments to the 2020 performance goal were primarily attributable to capital stock repurchases, partially offset by the impact of acquisitions. These adjustments were reviewed and approved by the Compensation Committee.

On March 3, 2020 (prior to COVID-19 being declared a global pandemic), the Compensation Committee decided to increase the value of the 2020 LTIP restricted stock unit awards for participants in the LTIP, including the Named Executive Officers, as compared to the value of their awards in 2019 by 7.5% to reflect competitive market data with respect to equity pay practices, encourage employee retention and partially restore a 15% reduction on the value of LTIP awards that was made in 2018. On March 3, 2020, Mr. Bergman was granted 56,770 restricted stock units with a grant date fair value of \$3,438,000, Mr. Breslawski was granted 25,957 restricted stock units with a grant date fair value of \$1,572,000, each of Messrs. Paladino and Benjamin was granted 24,322 restricted stock units with

a grant date fair value of \$1,473,000 and Mr. Mlotek was granted 22,704 restricted stock units with a grant date fair value of \$1,375,000. Each such grant was made under the Company's 2020 Stock Incentive Plan. Mr. Bergman's grant was 100% performance-based with three-year cliff vesting and the grants for Messrs. Breslawski, Paladino, Benjamin and Mlotek were 65% performance-based with three-year cliff vesting and 35% time-based with four-year cliff vesting.

On February 14, 2020, the performance-based portion of the special equity award made to Mr. Bergman on May 25, 2016 in connection with the renewal of his employment agreement in 2016 ("May 2016 Grant") vested. The time-based portion of such award vested on December 31, 2019. Mr. Bergman's May 2016 Grant was based on the same performance factor as the Company's 2017 LTIP performance-based awards. On March 6, 2020, the 2017 LTIP performance-based awards made to the Named Executive Officers (including Mr. Bergman) vested. With respect to both Mr. Bergman's May 2016 Grant and the 2017 LTIP performance-based awards, on March 5, 2017, the Compensation Committee set the three-year cumulative EPS at \$11.61 (adjusted for the effects the Company's two-for-one stock split of its common stock that occurred in September 2017, referred to as the "2017 Stock Split" and the Spin-Off), representing the target goal designed to result in an LTIP award payout equal to 100%. Similar to previous years, the Compensation Committee completed a pre-defined process to adjust the goal and to approve the adjustments that were made to the actual results, in each case, based on adjustments authorized under the 2017 LTIP. For the 2017 LTIP performance-based awards (and Mr. Bergman's May 2016 Grant performance-based award), the goal was adjusted to account for the effects during fiscal 2019 of the impact of acquisitions and dispositions including the Spin-Off, certain capital transactions (including capital stock repurchases) and the changes in foreign exchange rates from the rates used in setting the goal. The three-year cumulative EPS performance goal for the performance-based restrictive stock units granted under the 2017 LTIP was \$11.32 (as adjusted) and the actual three-year cumulative EPS was \$11.14 (as adjusted). On February 14, 2020, Mr. Bergman's May 2016 Grant performance-based award vested. On March 6, 2020, the Company's 2017 LTIP performance-based awards vested. Both awards vested with an achievement of 98.4% of the EPS performance goal and a payout awarded in shares of Company common stock equal to 83.9% of the original number of shares/units (adjusted for the effects of the Company's 2017 Stock Split and the Spin-Off) underlying the award granted (based on target goal performance).

On March 2, 2021, the 2018 LTIP performance-based awards vested. With respect to such awards, on March 2, 2018, the Compensation Committee set the three-year cumulative EPS at \$13.38, representing the target goal designed to result in an LTIP award payout equal to 100%. Similar to previous years, the Compensation Committee completed a pre-defined process to adjust the goal and to approve the adjustments that were made to the actual results, in each case, based on adjustments authorized under the 2018 LTIP. For the 2018 LTIP performance-based awards, the goal was adjusted to account for the impact of acquisitions and dispositions, including the Spin-Off; certain capital transactions (including capital stock repurchases); and the effects of changes in foreign exchange rates from the rates used in setting the goal. The three-year cumulative EPS performance goal for the performance-based restricted stock units granted under the 2018 LTIP was \$11.37 (as adjusted) and the actual three-year cumulative EPS was \$10.46 (as adjusted). On March 2, 2021, such awards vested with an achievement of 92% of the EPS performance goal and a payout awarded in shares of Company common stock equal to 20% of the original number of shares/units (adjusted for the effects of the Company's 2017 Stock Split and the Spin-Off) underlying the award granted (based on target goal performance).

The payout under the performance-based restricted stock units granted under the 2018 LTIP was negatively impacted by the global COVID-19 pandemic. Given the significance of the impact of the pandemic on the Company's three-year EPS goal under such equity award and the contributions made by the Company's TSMs (including those who received such award), on March 3, 2021, the Compensation Committee granted a Special Pandemic Recognition Award to recipients of performance-based restricted stock units under the 2018 LTIP who were employed by the Company on the grant date of the Special Pandemic Recognition Award (March 3, 2021). The value of such award for each recipient was determined based on 55% of that recipient's original number of performance-based restricted stock units awarded under the 2018 LTIP (adjusted for the Spin-Off). The restricted stock granted under the Special Pandemic Recognition Award will vest 50% on the first anniversary of the grant date and 50% on the second anniversary of the grant date, subject to continued employment over the respective time period. The combination of the 20% payout based on actual performance of the 2018 LTIP and the one-time Special Pandemic Recognition Award granted in 2021 will generate a cumulative payout of 75% of each recipient's original number of performance-based restricted stock units awarded in 2018 if the recipient satisfies the two-year vesting schedule commencing in 2021. In approving the one-time Special Pandemic Recognition Award, the Compensation Committee recognized that the COVID-19 pandemic created the most difficult business challenge the Company has faced, and management's dedication and hard work to meet the challenge.

Benefits and Perquisites

The Company's executive compensation program also includes benefits and perquisites. These benefits include annual matching contributions of up to 7% of base salary to executive officers' 401(k) Plan accounts, annual allocations to the Company's SERP accounts, health benefits, annual executive health physicals, automobile allowances, life insurance coverage, disability and business travel insurance. As part of the Company's initiatives to reduce costs due to the impact of COVID-19, the Compensation Committee suspended the Company matching contributions under our 401(k) Plan and contributions under the SERP for the second half of fiscal 2020, the annual executive health physicals were put on hold from April 22, 2020 through December 31, 2020, and the automobile allowances

were reduced proportionally during the period that our Named Executive Officers forfeited all or a portion of their base salaries. The Company also maintains a deferred compensation plan (the “Deferred Compensation Plan”) under which the Named Executive Officers may participate. The Company does not make any contributions to the Deferred Compensation Plan and all amounts outstanding under the Deferred Compensation Plan consist solely of participant contributions. The Company annually reviews these benefits and perquisites and makes adjustments as warranted based on competitive practices and the Company’s performance.

A portion of the administrative services provided to Mr. Bergman has been determined to be non-business related and such portion is included in his taxable income as additional compensation. The administrative services include clerical and secretarial assistance designed primarily to minimize the amount of time Mr. Bergman devotes to administrative matters other than Company business, to provide opportunities for Mr. Bergman to undertake, among other things, philanthropic causes, social responsibility activities and non-business-related leadership roles. The Compensation Committee has approved these benefits and perquisites as a reasonable component of the Company’s executive officer compensation program in light of historical and competitive market practices. (See the “All Other Compensation” column in the Summary Compensation Table.)

From time to time, the Company utilizes hourly leased aircraft to efficiently optimize management’s time for business travel. If seating is available, the Company permits an executive’s spouse or other guests to accompany the executive on the flight. In all cases, if the aircraft is used for personal purposes, the executive reimburses the Company the value of the personal usage of the aircraft at the greater of the imputed income under SEC rules and the Standard Industry Fare Level (SIFL) value under Internal Revenue Service regulations.

Pay Mix

We utilize the particular elements of compensation described above because we believe that it provides a well-proportioned mix of secure compensation, retention value and at-risk compensation which produces short-term and long-term performance incentives and rewards without encouraging inappropriate risk-taking by our executive officers. By following this approach, we provide the executive a measure of security with a minimum expected level of compensation, while motivating the executive to focus on business metrics that will produce a high level of short-term and long-term performance for the Company and its stockholders, and long-term wealth creation for the executive, as well as reducing the risk of recruitment of top executive talent by competitors. The mix of metrics used for our annual incentive program (*i.e.*, the RPP for fiscal 2020) and our annual LTIP likewise provides an appropriate balance between short-term financial performance and long-term financial and stock performance.

For executive officers, the mix of compensation is weighted heavily toward at-risk pay (performance-based annual incentives and long-term incentives). Maintaining this pay mix results fundamentally in a pay-for-performance orientation for our executives, which is aligned with our stated compensation philosophy of providing compensation commensurate with performance, while targeting pay at approximately the 50th percentile of the competitive market.

Our pay mix has resulted in a team of long-tenured, seasoned managers who we believe have a strong commitment to the Company’s long-term performance.

Pay Levels and Benchmarking

Pay levels for executive officers are determined based on a number of factors, including the individual’s roles and responsibilities within the Company, the individual’s experience and expertise, the pay levels for peers within the Company, pay levels in the marketplace for similar positions and performance of the individual and the Company as a whole. The Compensation Committee is responsible for approving pay levels for the executive officers. In determining the pay levels, the Compensation Committee considers all forms of compensation and benefits.

The Compensation Committee assesses “competitive market” compensation using a number of sources. One of the data sources used in setting competitive market levels for the executive officers is the information publicly disclosed by a peer group of the Company, which is reviewed annually and may change from year to year. The peer group of companies is set by the Compensation Committee and consists of companies engaged in the distribution and/or manufacturing of healthcare products or industrial equipment and supplies. The Compensation Committee determines the peer group of companies based on the following considerations, among other things: (i) Standard Industrial Classification or SIC codes; (ii) Global Industry Classification System or GICS; (iii) companies identified by Hoover’s, Inc. as our peer companies; (iv) companies listed as peers by our current list of peer companies; and (v) company size, including, among other things size by market capitalization, revenue and number of employees. Based on such analysis, the Compensation Committee determined that the peer group of companies used for fiscal 2020 should remain unchanged from the peer group used for fiscal 2019. Accordingly, the fiscal 2020 peer group includes the following companies: AmerisourceBergen Corporation, Cardinal Health, Inc., Community Health Systems, Inc., DaVita Inc., Dentsply Sirona Inc., Fastenal Company, Laboratory Corp. of

America Holdings, MSC Industrial Direct Co., Inc., Owens & Minor, Inc., Patterson Companies, Inc., Quest Diagnostic, Inc. and W.W. Grainger, Inc. At management's direction, Willis Towers Watson, a professional services/human resources consulting company, prepares a survey containing the peer group analysis and comparative data for companies with revenues between \$8 billion and \$12 billion for the Company. This information is shared with the Compensation Committee and the Compensation Committee reviews such information with Pearl Meyer, an independent compensation consultant.

After consideration of the data collected on external competitive levels of compensation and internal relationships within the executive group, the Compensation Committee makes decisions regarding individual executives' target total compensation goals based on the need to attract, motivate and retain an experienced and effective management team.

Relative to the competitive market data, the Compensation Committee generally intends that the base salary, target annual incentive compensation and equity-based compensation for each executive will be at the median of the competitive market.

As noted above, notwithstanding the Company's overall pay positioning objectives, pay goals for specific individuals vary based on a number of factors such as scope of duties, potential for advancement, tenure, institutional knowledge and/or difficulty in recruiting a new executive. Actual total compensation in a given year will vary above or below the target compensation levels based primarily on the attainment of operating goals and the creation of stockholder value.

Conclusion

The level and mix of compensation that is finally decided upon by the Compensation Committee is considered within the context of both the objective data from our competitive assessment of compensation and performance, as well as discussion of the subjective factors as outlined above. The Compensation Committee believes that each of the compensation packages is within the competitive range of practices when compared to the objective comparative data even where subjective factors may have influenced the compensation decisions.

Post Termination and Change in Control

The Company believes that a strong, motivated management team is essential to the best interests of the Company and its stockholders. To that end, we have an employment agreement with Mr. Bergman (which includes a change in control provision) and we have had change in control agreements with certain executive officers (including the Named Executive Officers, other than Mr. Bergman) since 2003, which were amended in 2012 to, among other things, eliminate the gross-up for excise taxes imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"). These agreements provide for certain payments to be made upon termination of employment under certain circumstances, including if the executive's employment is terminated by the Company without cause or by the executive for good reason within two years following a change in control of the Company. (See "Employment and Letter Agreements and Post Termination and Change in Control Arrangements" under "Executive and Director Compensation" for a discussion of these agreements.) The Company does not provide any tax gross-ups to our executive officers (other than for relocation expenses).

Stock Ownership Policy

The Board of Directors believes that, to align the interests of the executive officers, other executive management and directors of the Company with the interests of the stockholders of the Company, the executive officers, other executive management and directors should have a financial stake in the Company. The Nominating and Governance Committee adopted a policy requiring (i) the Company's Chief Executive Officer to own equity in the Company equal to a minimum of six times his annual base salary, (ii) each executive officer or other executive management who reports directly to the Company's Chief Executive Officer to own equity in the Company equal to a minimum of three times such executive officer's annual base salary and (iii) each executive officer or other executive management who does not report directly to the Company's Chief Executive Officer to own equity in the Company equal to a minimum of two times such person's annual base salary (the "Minimum Ownership Policy"). Newly appointed executive officers and or other executive management will have five years from the date of their appointment to comply with the Company's stock ownership policy. Upon request, the Nominating and Governance Committee may consider whether exceptions should be made for any such person on whom this requirement would impose a financial hardship or for other appropriate reasons as determined by the Nominating and Governance Committee. Equity includes: shares of any class of capital stock; shares of vested restricted stock; unexercised vested options; vested shares of common stock held in such executive officer's 401(k) Plan account; warrants or rights to acquire shares of capital stock; and securities that are convertible into shares of capital stock; provided that an amount equal to at least 20% of such person's annual base salary must be owned by such person in the form of shares of common stock. The stock ownership policy for non-employee directors of the Company is set forth under "Executive and Director Compensation—Director Compensation for Fiscal 2020—Stock Ownership Policy."

Further, as a guideline, executive officers and other executive management may only sell up to 75% of the equity value above the ownership requirement. Also, an executive officer's or other executive management's equity in the Company may not be sold until such person satisfies the Company's stock ownership policy.

In February 2019, the Nominating and Governance Committee reviewed the impact of the Spin-Off on the stock ownership policy for executive officers and other executive management. The Nominating and Governance Committee approved, for a two-year period commencing as of February 7, 2019 (the closing of the Spin-Off) and ending on February 7, 2021 (the second anniversary of the closing of the Spin-Off), the suspension of the Minimum Ownership Policy with respect to those executive officers and other executive management who would otherwise fail to satisfy the stock ownership policy solely as a result of the Spin-Off (it being understood that all other sections of the stock ownership policy continue in full force and effect following the Spin-Off).

All executive officers and other executive management are in compliance with the Company's stock ownership policy.

The Company also prohibits hedging or other derivative transactions and pledging of Company stock by its executive officers and other executive management.

Incentive Compensation Recoupment (Clawback) Policy

On March 1, 2016, upon recommendation of the Compensation Committee, the Board of Directors adopted a clawback policy, effective as of February 1, 2016, to allow the Company to recoup cash and equity incentive compensation awarded or granted after the policy's effective date to Named Executive Officers and other executive officers and executive management designated by the Board of Directors. In the event a restatement of the Company's financial statements is required due to material noncompliance with any accounting requirements, the recoupment applies to incentive compensation earned during the prior three-year period that is in excess of the amount that would have been paid or awarded had such incentive compensation been calculated based on the restatement results. The policy applies regardless of fault in the circumstances leading to the restatement.

Impact of Tax and Accounting

As a general matter, the Compensation Committee considers the various tax and accounting implications of compensation vehicles employed by the Company.

When determining amounts of long-term incentive grants to executives and employees, the Compensation Committee examines the accounting cost associated with the grants. Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, grants of options, restricted stock units and other share-based payments result in an accounting charge for the Company. The accounting charge is equal to the fair value of the awards being issued. For restricted stock units, the cost is equal to the fair value of the stock on the date of grant multiplied by the number of shares/units granted. Nearly all equity grants made from March 2009 through the end of the Company's fiscal 2020 year have been awards of restricted stock units. This expense is amortized over the requisite service period, or vesting period of the instruments. The Compensation Committee is mindful of the fact that, with respect to options, the accounting charge is not reversible should the option expire with a market price less than the exercise price.

Section 162(m) of the Code generally limits the deductibility of compensation in excess of \$1 million in any taxable year paid to Named Executive Officers. The Compensation Committee generally expects that compensation paid to the Named Executive Officers in excess of \$1 million will not be deductible, subject to an exception for compensation provided pursuant to a binding written contract in effect as of November 2, 2017 that has not been materially modified.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and based on the review and discussions, the Compensation Committee recommended to the Company's Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company's annual report on Form 10-K.

THE COMPENSATION COMMITTEE

Barry J. Alperin, Chairperson
Deborah Derby
Joseph L. Herring
Bradley T. Sheares, Ph.D.

EXECUTIVE AND DIRECTOR COMPENSATION

Executive Officers

Our executive officers and their ages and positions as of March 18, 2021 are:

| Name | Age | Position |
|---------------------------|-----|--|
| Gerald A. Benjamin | 68 | Executive Vice President, Chief Administrative Officer, Director |
| Stanley M. Bergman | 71 | Chairman, Chief Executive Officer, Director |
| James P. Breslawski | 67 | Vice Chairman, President, Director |
| Michael S. Ettinger | 59 | Senior Vice President, Corporate & Legal Affairs and Chief of Staff, Secretary |
| Mark E. Mlotek | 65 | Executive Vice President, Chief Strategic Officer, Director |
| Steven Paladino | 63 | Executive Vice President, Chief Financial Officer, Director |
| Walter Siegel | 61 | Senior Vice President and General Counsel |

The biographies for Messrs. Benjamin, Bergman, Breslawski, Mlotek and Paladino follow the table listing our directors under "Proposal 1—Election of Directors" set forth above. Biographies for our other executive officers are:

MICHAEL S. ETTINGER has been with the Company since 1994, and in his current position as Senior Vice President, Corporate & Legal Affairs and Chief of Staff, Secretary since 2015. He is also a member of our Executive Management Committee. Mr. Ettinger oversees all activities in the legal and regulatory functions, the work of the Company's global communications team, government relations, and the operations of the Office of the CEO, including Henry Schein Cares, the Company's global corporate social responsibility program. In addition, Mr. Ettinger manages the Company's corporate secretary function. Mr. Ettinger is a member of the board of directors of the Henry Schein Cares Foundation, Inc. Prior to his current position, Mr. Ettinger served as Senior Vice President, Corporate & Legal Affairs and Secretary from 2013 to 2015; Corporate Senior Vice President, General Counsel & Secretary from 2006 to 2013; Vice President, General Counsel and Secretary from 2000 to 2006; Vice President and Associate General Counsel from 1998 to 2000 and Associate General Counsel from 1994 to 1998. Before joining the Company, Mr. Ettinger served as a senior associate with Bower & Gardner and as a member of the Tax Department at Arthur Andersen.

WALTER SIEGEL has been with the Company since 2013 as Senior Vice President and General Counsel. He is also a member of our Executive Management Committee. Mr. Siegel directs the Company's worldwide legal and regulatory functions and activities, advising the Company on a broad range of legal and regulatory matters affecting various business units, including, among other things, mergers and acquisitions, litigation, intellectual property, SEC reporting and regulatory diligence and compliance. He also manages input from outside counsel on corporate and litigation matters, and oversees and participates in drafting a broad range of commercial documents and contracts between the Company's business units (and affiliates) and third parties. Mr. Siegel brings to the Company a diverse and wide background of legal expertise, including mergers and acquisitions, partnerships, securities, litigation and regulatory matters. From 2005 to 2012, Mr. Siegel held positions of increasing responsibility, including Senior Vice President, General Counsel and Secretary, for Standard Microsystems Corporation, a publicly traded global semiconductor company.

Other Executive Management

Other members of our executive management and their ages and positions as of March 18, 2021 include:

| Name | Age | Position |
|-----------------------------|-----|--|
| David Brous..... | 52 | President, Strategic Business Units Group and Asia Pacific & Brazil Dental |
| Brad Connett..... | 62 | President, U.S. Medical Group |
| Jonathan Koch..... | 46 | Senior Vice President and Chief Executive Officer, Global Dental Group |
| Lorelei McGlynn..... | 57 | Senior Vice President, Chief Human Resources Officer |
| James Mullins..... | 56 | Senior Vice President, Global Services |
| Christopher Pendergast..... | 58 | Senior Vice President, Chief Technology Officer |
| Michael Racioppi..... | 66 | Senior Vice President, Chief Merchandising Officer |
| René Willi, Ph.D..... | 53 | President Global Dental Surgical Group |

Biographies for such other members of our executive management are:

DAVID BROUS has been with the Company since 2002 and in his current position as President, Strategic Business Units Group and Asia Pacific & Brazil Dental since 2019. In this capacity, Mr. Brous leads many of the Company's manufacturing and specialty distribution businesses as well as the Asia Pacific and Brazil regions of Henry Schein's Global Dental Distribution Group. He is also a member of our Executive Management Committee. Prior to holding his current position, Mr. Brous held many positions within the Company, including leading and managing the Corporate Business Development Group and the International Healthcare Group (managing our International Animal Health business, International Medical business and Australia/New Zealand Dental business). In his role managing the Strategic Business Units, Mr. Brous leads the Company's portfolio of manufacturing and specialty businesses, including our orthodontics and endodontics platforms. He is also responsible for select joint ventures and other specialty projects. In his role managing Asia Pacific and Brazil regions, Mr. Brous leads the Company's distribution platforms for those markets.

BRAD CONNETT has been with the Company since 1997, and in his current position as President of Henry Schein's U.S. Medical Group, one of the nation's leading providers of products and services to physician offices, urgent care clinics, retail clinics, freestanding emergency rooms, integrated delivery networks, ambulatory surgery centers, and other alternate care sites, since February 2019. He is also a member of our Executive Management Committee. Prior to holding his current position, Mr. Connett held positions of increasing responsibility at the Company. Mr. Connett is responsible for leading the Medical group's strategic direction, management and business performance, including sales, marketing, operations, business development and technology solutions. Throughout his career, he has received numerous industry honors, including the John F. Saseen Leadership Award from the Health Industry Distributors Association (HIDA) in recognition of his service to the industry, and induction into the Medical Distribution Hall of Fame by Repertoire Magazine.

JONATHAN KOCH has been with the Company since 2018 as Senior Vice President and Chief Executive Officer, Global Dental Group. He is also a member of our Executive Management Committee. He is responsible for overall leadership of the Global Dental Group, including strategic direction, management and business performance as well as sales, marketing, operations, business development and technology solutions. Mr. Koch brings to Henry Schein a significant track record in leading high-performing and high-profit teams and transforming businesses as company and industry dynamics redefine success. Before joining the Company, he was a senior executive at Laboratory Corporation of America Holdings (LabCorp), a leading health care diagnostics company. Prior to joining the Company, he served as Executive Vice President and Group President of Covance Clinical Development & Commercialization Services, leading more than 11,000 Team Schein Members in over 60 countries. Prior to that, Mr. Koch was Executive Vice President and Group President of Covance Research and Development Laboratories. Prior to Covance, Mr. Koch spent nine years with Charles River Laboratories in various roles of increasing responsibility and scope, ranging from functions such as finance, contracts, proposal development for operating groups that included project management, clinical monitoring and medical affairs.

LORELEI MCGLYNN has been with the Company since 1999, and in her current position as Senior Vice President, Chief Human Resources Officer since 2013. She is also a member of our Executive Management Committee. Since joining Henry Schein in 1999, Ms. McGlynn has served as Vice President, Global Human Resources and Financial Operations from 2008 to 2013, Chief Financial Officer, International Group and Vice President of Global Financial Operations from 2002 to 2008 and Vice President, Finance, North America from 1999 to 2002. Through these various roles with the Company, Ms. McGlynn attained significant global experience at Henry Schein's operations around the world. In her current position, Ms. McGlynn is responsible for managing the

Company's Global Human Resources function, including talent acquisition, organizational development, compensation, benefits and employee relations. In addition, Ms. McGlynn oversees Henry Schein's Accounts Payable, Accounts Receivable and Payroll departments. Ms. McGlynn also leads and participates in numerous special projects, such as system integrations, software implementations, due diligence, Team Schein Member communications and global best practices. Prior to joining the Company, Ms. McGlynn served as Assistant Vice President of Finance at Adecco Corporation. Ms. McGlynn is a Certified Public Accountant, a Senior Professional in Human Resources and a SHRM – Senior Certified Professional.

JAMES MULLINS has been with the Company since 1988, and in his current position as Senior Vice President, Global Services since 2019. He is also a member of our Executive Management Committee. Mr. Mullins is responsible for leading global supply chain, the U.S. customer service function, acquisitions and integration activity for Global Services, and partnering with the Company's specialty manufacturing business leaders to share best practices across the organization. Prior to holding his current position, Mr. Mullins held a number of key positions of increasing responsibility at Henry Schein, including Global Chief Customer Service Officer.

CHRISTOPHER PENDERGAST has been with the Company since 2018, as Senior Vice President and Chief Technology Officer. He is also a member of our Executive Management Committee. Mr. Pendergast brings more than 30 years of experience leading large-scale global IT organizations for companies experiencing growth through acquisition, global expansion and implementing new business models. His expertise includes leading organizations through transformational change, connecting IT to the needs of the business, converting digital complexity into strategy and aligning IT costs. Prior to joining the Company, Mr. Pendergast held global leadership roles, including Chief Technology Officer and Chief Information Officer, at VSP Global, which provides access to eye care and eyewear. During his 10 year tenure at VSP Global, he drove strategy and continuous transformation, optimization and modernization initiatives. Prior to VSP Global, he served in roles of increasing responsibility at Natural Organics, Inc., IdeaSphere Inc./Twinlab Corporation, Rohm and Hass and IBM Corporation.

MICHAEL RACIOPPI has been with the Company since 1992, and in his current position as Senior Vice President, Chief Merchandising Officer since 2008. He is also a member of our Executive Management Committee. Prior to holding his current position, Mr. Racioppi served as President of the Medical Group from 2000 to 2008 and Interim President from 1999 to 2000, and Corporate Vice President from 1994 to 2008, with primary responsibility for the Medical Group, Marketing and Merchandising departments. Mr. Racioppi served as Senior Director, Corporate Merchandising from 1992 to 1994. He currently serves on the board of National Distribution and Contracting and he previously served on the board of the Healthcare Distribution Management Association and the Health Industry Distributors Association (HIDA). Before joining the Company, he was employed by Ketchum Distributors, Inc. as the Vice President of Purchasing and Marketing.

RENÉ WILLI, PH.D. has been with the Company since 2013, and in his current position as President, Global Dental Surgical Group since 2013. He is also a member of our Executive Management Committee. Prior to joining Henry Schein, Dr. Willi held senior level roles with Institut Straumann AG from 2005 to 2013, including as Executive Vice President, Surgical Business Unit. Prior to Straumann, he held roles of increasing responsibility in Medtronic Plc's cardiovascular division from 2003 to 2005 and with McKinsey & Company as a management consultant from 2000 to 2003.

Summary Compensation Table for Fiscal 2020, Fiscal 2019 and Fiscal 2018

| Name and Principal Position | Year | Salary ¹ (\$) | Bonus ² (\$) | Stock Awards ³ (\$) | Option Awards (\$) | Non-Equity Incentive Plan Compensation ⁴ (\$) | Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total (\$) |
|---|------|-----------------------------|----------------------------|-----------------------------------|-----------------------|---|---|--------------------------------|---------------|
| Stanley M. Bergman Chairman and Chief Executive Officer (Principal Executive Officer)..... | 2020 | \$751,037 | \$0 | \$3,438,000 | \$0 | \$1,878,390 | \$0 | \$172,210 ⁶ | \$6,239,637 |
| | 2019 | \$1,458,423 | \$0 | \$9,648,000 ⁵ | \$0 | \$2,998,027 | \$0 | \$318,494 | \$14,422,944 |
| | 2018 | \$1,417,577 | \$0 | \$2,975,000 | \$0 | \$1,776,739 | \$0 | \$312,423 | \$6,481,739 |
| | | | | | | | | | |
| James P. Breslawski Vice Chairman, President..... | 2020 | \$604,341 | \$0 | \$1,572,000 | \$0 | \$705,713 | \$0 | \$57,106 ⁷ | \$2,939,160 |
| | 2019 | \$758,942 | \$0 | \$1,712,000 | \$0 | \$668,610 | \$0 | \$88,642 | \$3,228,194 |
| | 2018 | \$737,654 | \$50,000 | \$1,360,000 | \$0 | \$516,408 | \$0 | \$88,289 | \$2,752,351 |
| | | | | | | | | | |
| Steven Paladino Executive Vice President and Chief Financial Officer (Principal Financial Officer)..... | 2020 | \$476,743 | \$0 | \$1,473,000 | \$0 | \$614,385 | \$0 | \$42,153 ⁷ | \$2,606,281 |
| | 2019 | \$598,788 | \$0 | \$1,720,000 | \$0 | \$985,458 | \$0 | \$75,781 | \$3,380,027 |
| | 2018 | \$582,096 | \$75,000 | \$1,275,000 | \$0 | \$644,925 | \$0 | \$74,977 | \$2,651,998 |
| | | | | | | | | | |
| Gerald A. Benjamin Executive Vice President and Chief Administrative Officer..... | 2020 | \$476,743 | \$0 | \$1,473,000 | \$0 | \$599,206 | \$0 | \$48,332 ⁷ | \$2,597,281 |
| | 2019 | \$598,788 | \$0 | \$1,720,000 | \$0 | \$924,852 | \$0 | \$78,112 | \$3,321,752 |
| | 2018 | \$582,096 | \$30,000 | \$1,275,000 | \$0 | \$682,466 | \$0 | \$82,247 | \$2,651,809 |
| | | | | | | | | | |
| Mark E. Mlotek Executive Vice President and Chief Strategic Officer..... | 2020 | \$476,743 | \$0 | \$1,375,000 | \$0 | \$557,631 | \$0 | \$44,557 ⁷ | \$2,453,931 |
| | 2019 | \$598,788 | \$0 | \$1,629,000 | \$0 | \$706,709 | \$0 | \$74,506 | \$3,009,003 |
| | 2018 | \$582,096 | \$25,000 | \$1,190,000 | \$0 | \$615,426 | \$0 | \$71,202 | \$2,483,724 |
| | | | | | | | | | |

¹ Reflects voluntary salary reductions made in response to the COVID-19 pandemic.

² Represents additional incentive compensation (*i.e.*, bonus) that was awarded at the discretion of the Compensation Committee.

³ Represents restricted stock units valued based on the aggregate grant date fair value of the award computed in accordance with FASB ASC Topic 718. These amounts do not necessarily reflect the actual value that may be realized by the Named Executive Officer upon vesting. Information regarding assumptions made in valuing the stock awards can be found in Note 19 of the “Notes to Consolidated Financial Statements” included in Item 8 of our Annual Report on Form 10-K for the year ended December 26, 2020, as filed with the SEC on February 17, 2021. The maximum payout percentage for the 2020 LTIP awards is 150% for performance-based restricted stock units and 100% for time-based restricted stock units. (For Mr. Bergman such amount equals \$5,157,000, for Mr. Breslawski such amount equals \$2,082,900, for Messrs. Paladino and Benjamin such amount equals \$1,951,725 and for Mr. Mlotek such amount equals \$1,821,875.)

⁴ Represents annual incentive compensation (*i.e.*, bonus) paid under the RRP. See “Compensation Structure—Pay Elements—Details—Annual Incentive Compensation” under the Compensation Discussion and Analysis for a description of the RPP.

⁵ Includes performance-based restricted stock unit award (three-year cliff vesting) with a grant date fair value of \$3,198,000 granted on March 5, 2019 in connection with the Company’s annual equity grant under its LTIP. Also includes an inducement restricted stock unit award granted to Mr. Bergman on September 9, 2019 with an aggregate grant date fair value of \$6,450,000 in connection with the renewal of his employment agreement with half awarded in the form of a performance-based restricted stock unit award and the other half awarded in the form of a time-based restricted stock unit award.

⁶ Includes the following: (i) \$19,500 matching contribution under 401(k) Plan account; (ii) \$19,776 in excess life insurance premiums; (iii) \$8,424 in SERP contribution; (iv) \$1,425 in excess business travel insurance; (v) \$2,901 in personal commuting expenses for use of the Company’s car service; (vi) \$119,884 for the cost of providing administrative services to Mr. Bergman; and (vii) \$300 for the cost of providing telephone services. The amount totaling \$123,085 (under items (v), (vi) and (vii) above) was included on Mr. Bergman’s W-2 as additional compensation for which he is responsible for paying the applicable taxes. Pursuant to his employment agreement, Mr. Bergman is entitled to use of a Company automobile but Mr. Bergman did not use a Company automobile in fiscal 2020.

⁷ For each of Messrs. Breslawski, Paladino, Benjamin and Mlotek, includes the following: (i) \$15,938 in automobile allowance; (ii) \$19,500, \$16,248, \$16,248 and \$16,248, respectively, in matching contribution under 401(k) Plan account; (iii) \$408 in excess business travel insurance and (iv) \$15,164, \$9,559, \$11,963 and \$11,963, respectively, in excess life insurance premiums. For Mr. Breslawski, such amount also includes (i) \$1,096 in SERP contribution and (ii) a \$5,000 service award payment for 40 years of service with the Company. For Mr. Benjamin, such amount also includes \$3,775 for the cost of an executive health exam.

CEO Pay Ratio

As a result of the rules adopted by the SEC under the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are required to disclose the ratio of the annual total compensation of our CEO to the annual total compensation of our median employee, using certain permitted methodologies. There have been no changes in employee population or employee compensation arrangements in fiscal 2020 that we reasonably believe would result in a significant change in our pay ratio disclosure. Accordingly, as permitted by the rules, for fiscal 2020, we used the same median employee and methodology that we used for fiscal 2019, except that we used fiscal 2020 compensation in determining the compensation for our CEO and median employee for calculating the 2020 pay ratio, as described below.

To determine our median employee, we utilized data as of October 1, 2019 (the “Determination Date”). We excluded approximately 800 employees from the following six countries/territories, which represents approximately 4.5% of the Company’s total employee population: Chile, China, Hong Kong SAR, Mexico, Portugal and Thailand. For purposes of determining this exclusion, the Company had approximately 8,900 U.S. employees and approximately 9,200 non-U.S. employees as of the Determination Date.

| Country/Territory | Approximate Number of Employees | Approximate Percentage of Total Population |
|-------------------|---------------------------------|--|
| Chile | 24 | 0.13% |
| China | 538 | 2.97% |
| Hong Kong SAR | 71 | 0.39% |
| Mexico | 3 | 0.02% |
| Portugal | 11 | 0.06% |
| Thailand | 168 | 0.93% |

We then examined the 2019 total cash compensation, including base salary, overtime, bonus and commission (excluding benefits) for all individuals, excluding our CEO, who were employed by us on the Determination Date. We included all employees, whether employed on a full-time, part-time, seasonal or temporary basis. We calculated annual base salary based on a reasonable estimate of hours worked during 2019 for hourly employees, and upon salary levels for the remaining employees. Other than the foregoing, we did not make any material assumptions, adjustments, or estimates with respect to total cash compensation. We annualized the total cash compensation for full-time employees who commenced work after January 1, 2019. We used a valid statistical sampling approach to estimate the total cash compensation for our median employee by selecting an employee whose total cash compensation was at or near the value of the median employee’s compensation.

After identifying the median employee based on total cash compensation, we calculated total annual compensation for that employee and the CEO using the same methodology we use for our Named Executive Officers as set forth in the Summary Compensation Table. We also added the value of employer provided health and welfare benefits and employer retirement contributions to both the CEO and the median employee compensation, as such benefits represent a significant component of our employees’ total compensation. In 2020, our CEO’s salary was reduced due to the business disruption of the COVID-19 pandemic.

The median employee’s total annual compensation (including health and welfare benefits and employer retirement contributions) in fiscal 2020 was \$72,584. The CEO’s total annual compensation (including health and welfare benefits and employer retirement contributions) in fiscal 2020 was \$6,255,338. Therefore, for fiscal 2020, the ratio of CEO pay to median employee pay was 86:1.

Employment and Letter Agreements and Post Termination and Change in Control Arrangements

Employment Agreement with the Chief Executive Officer

The Company and Mr. Bergman entered into an amended and restated employment agreement which became effective as of August 8, 2019. The employment agreement, as amended and restated, is substantially similar to Mr. Bergman’s prior employment agreement which was scheduled to expire on December 31, 2019, and includes the following revisions:

- *Term.* The term is extended until December 31, 2022;
- *Equity Grant.* A restricted stock unit award granted under the Company’s 2013 Stock Incentive Plan (now known as the 2020 Stock Incentive Plan) to Mr. Bergman, with an aggregate grant date fair value of \$6,450,000 (“September 2019 RSU Award”). The September 2019 RSU Award was granted to induce Mr. Bergman to accept the terms of the amended and restated employment agreement;

- *Double Trigger Change in Control Equity Vesting.* The “single trigger” vesting of equity awards as a result of a change in control is changed to a “double trigger” vesting provision for all outstanding and future equity awards (*i.e.*, equity awards will vest if Mr. Bergman experiences a qualifying termination in connection with a change in control);
- *Change in Control Definition.* The definition of “Change in Control” was changed to conform in certain respects to the definition contained in the 2013 Stock Incentive Plan and award agreements;
- *Release Requirement.* The payment of severance and other post-termination benefits to Mr. Bergman is contingent on his execution and non-revocation of a release of claims; and
- *Cash Severance Calculation with respect to Incentive Compensation Component.* The cash severance calculation is modified so that if Mr. Bergman’s termination occurs prior to payment of incentive compensation for the immediate preceding year, the last year in the three-year average annual incentive compensation component of severance will be based on the higher of actual performance and target level performance.

The employment agreement provides for Mr. Bergman’s continued employment as our Chairman of the Board of Directors and Chief Executive Officer until December 31, 2022, with successive one-year extensions, provided we give at least six months’ notice of extension to Mr. Bergman, subject to his refusal within 90 days after notice of extension. The employment agreement set Mr. Bergman’s annual base salary at \$1,427,000, subject to increase from time to time. On March 3, 2020, the Compensation Committee set Mr. Bergman’s 2020 base salary at \$1,510,000; however, Mr. Bergman agreed to a 100% Base Salary Reduction from April 6, 2020 through the first day of the fourth quarter of fiscal 2020 (September 28, 2020). In addition, his employment agreement provides that the Compensation Committee will establish a target annual incentive compensation opportunity for Mr. Bergman which will be a percentage of base salary determined based on the achievement of performance goals. (See “Compensation Structure—Pay Elements—Details—Long-Term Equity-Based Awards” under the Compensation Discussion and Analysis for a discussion on stock awards. See “Compensation Structure—Pay Elements—Details—Annual Incentive Compensation” under the Compensation Discussion and Analysis for a discussion on non-equity incentive plan compensation.) It also provides that Mr. Bergman will be entitled to participate in all benefit, welfare, perquisite, equity or similar plans, policies and programs generally available to our senior executive officers.

Pursuant to his employment agreement, if Mr. Bergman’s employment with us is terminated (i) by us without cause, (ii) by Mr. Bergman for good reason, (iii) as a result of his disability or (iv) as a result of a non-renewal of the employment term by us, Mr. Bergman will receive (a) all amounts then owed to him as salary, (b) the incentive compensation due to Mr. Bergman, if any, for the last full fiscal year prior to termination (if not previously paid), (c) a pro rata portion of the incentive compensation payable for the year of termination (based on actual achievement of performance goals), (d) accrued and unpaid vacation pay, and (e) all amounts or benefits accrued and owed to him or his beneficiaries under the then applicable benefit plans, programs and policies of the Company, with the amounts described under clauses (b) and (c) above payable subject to Mr. Bergman (or, in the event of his death, his heirs or estate) executing and not revoking a general release of claims (“Release Requirement”). In the event of Mr. Bergman’s death, these amounts will be paid to Mr. Bergman’s heirs or estate. In addition, in the event Mr. Bergman’s employment is terminated for the reasons above, other than due to death, Mr. Bergman will receive, as severance pay, subject to the Release Requirement, a lump sum equal to 200% of his then annual base salary plus 200% of his average annual incentive compensation paid or payable with respect to the immediately preceding three fiscal years (provided that, in the event Mr. Bergman’s employment is terminated following the end of the most recently completed fiscal year but prior to the payment of the annual incentive compensation for such year, solely for purposes of calculating this severance amount, the annual incentive compensation for the most recent fiscal year shall be the higher of target level of achievement and actual level of achievement), and a payment equal to the account balance or accrued benefit Mr. Bergman would have been credited with under each retirement plan maintained by us if we had continued contributions until the end of the year of the termination, less his vested account balance or accrued benefits under each retirement plan.

If Mr. Bergman’s employment is terminated for any reason other than for cause or due to his death, subject to the Release Requirement, Mr. Bergman shall also be entitled to an office comparable to that used by him prior to termination and related office support, including the services of one executive assistant until the last day of the second calendar year following his termination and, due to the deferred compensation rules under Section 409A of the Code, Mr. Bergman will receive a cash payment in lieu of office support benefits for the period from the last day of the second calendar year following his termination until the third anniversary of his termination. In addition, if Mr. Bergman’s employment is terminated for any reason other than for cause or due to his death, subject to the Release Requirement, Mr. Bergman shall be entitled to use of the Company’s car service and, at Mr. Bergman’s option, use of an automobile for a period of two years following his termination.

If Mr. Bergman resigns within two years following a change in control of the Company for good reason or if Mr. Bergman’s employment is terminated without cause within two years following a change in control or during a specified period in advance of a change in control, Mr. Bergman will receive, as severance pay and subject to the Release Requirement, in lieu of the foregoing, a pro rata portion of the annual incentive compensation payable for the year of termination (based on actual achievement of performance goals), 300% of his then annual base salary plus 300% of Mr. Bergman’s incentive compensation paid or payable with respect to

whichever of the immediately preceding two fiscal years of the Company ending prior to the date of termination was higher, and a payment equal to the account balance or accrued benefit Mr. Bergman would have been credited with under each retirement plan maintained by us if we had continued contributions thereunder until the end of the year of the termination, less Mr. Bergman's vested account balance or accrued benefits under each retirement plan upon a change in control.

If Mr. Bergman's employment is terminated (i) by the Company without cause, by Mr. Bergman for good reason, due to Mr. Bergman's retirement, or due to the Company choosing not to renew his employment term, in each case, within two years following a change in control of the Company, or (ii) by the Company without cause during a specified period in advance of a Change in Control, then, subject to the Release Requirement, all unvested outstanding options, restricted stock units and shares of restricted stock shall become fully vested (with any performance-vesting restricted stock units and shares of restricted stock vesting at the target level of performance) on the later of the date of the change in control of the Company and termination of Mr. Bergman's employment. For purposes of Mr. Bergman's employment agreement and the September 2019 RSU Award, Mr. Bergman's termination will qualify for "retirement" only if Mr. Bergman and the Company mutually agree to Mr. Bergman's "retirement" and the "retirement" date.

In the event Mr. Bergman's employment is terminated for any reason other than for cause or due to his death following a change in control, subject to the Release Requirement, Mr. Bergman shall also be entitled to an office comparable to that used by him prior to termination and related office support, including the services of one executive assistant until the last day of the second calendar year following his termination, and due to the deferred compensation rules under Section 409A of the Code, Mr. Bergman will receive a cash payment in lieu of office support benefits for the period from the last day of the second calendar year following his termination until the fourth anniversary of his termination. In addition, in the event Mr. Bergman's employment is terminated by us without cause, Mr. Bergman resigns for good reason or his employment term is not renewed following a change in control, subject to the Release Requirement, Mr. Bergman shall be entitled to use of the Company's car service and, at Mr. Bergman's option, use of an automobile until the last day of the second calendar year following his termination, and due to the deferred compensation rules under Section 409A of the Code, Mr. Bergman will receive a cash payment in lieu of the transportation benefit for the period from the last day of the second calendar year following his termination until the third anniversary of his termination. If any amounts owed to Mr. Bergman in connection with a change in control of the Company are subject to the excise tax imposed by Section 4999 of the Code, we will cut-back such amounts to a safe harbor limit so that the excise tax is not triggered, unless the net after-tax value of the amounts due to Mr. Bergman after imposition of the excise tax would be greater (in which case no reduction will occur).

Unless his employment agreement is terminated for cause, subject to the Release Requirement, we will continue the participation of Mr. Bergman and his spouse in the health and medical plans, policies and programs in effect with respect to our senior executive officers and their families after the termination or expiration of his employment agreement, with coverage for Mr. Bergman and his spouse continuing until their respective deaths which may be reduced by any health and medical benefits that Mr. Bergman and his spouse become eligible to receive under any health and medical benefit plans of any subsequent employer. Such health and medical coverage may be provided pursuant to a fully-insured replacement policy or annual cash payments to obtain a replacement policy.

Mr. Bergman is subject to restrictive covenants, including non-solicitation, non-diversion and non-compete provisions, while he is employed by us and for specified periods of time thereafter. Pursuant to such provisions in his employment agreement, Mr. Bergman shall not, directly or indirectly, engage in any activity competitive with the Company's business or recruit, solicit or induce (or attempt to recruit, solicit or induce) any employee of, or consultant to, the Company or any of its affiliates to terminate their employment with the Company or any of its affiliates, or divert (or attempt to divert) any person or entity from doing business with the Company or any of its Affiliates or induce (or attempt to induce) any person or entity from ceasing to be a customer or other business partner of the Company or any of its affiliates, during Mr. Bergman's employment term and (i) for one year thereafter if his employment is terminated (a) by us without cause, (b) by Mr. Bergman for good reason, (c) due to the Company choosing not to renew his employment term, or (d) as a result of his disability, or (ii) until the later of (a) the second anniversary of the expiration of his employment term and (b) his termination date if such termination is by us for cause or due to Mr. Bergman terminating his employment by giving 180 days' notice. We may, at our option, extend the initial one-year term of the non-compete described by clause (i) above for an additional year if we provide Mr. Bergman notice of such extension no later than 180 days prior to expiration of the term and we pay Mr. Bergman his annual base salary in effect on his date of termination. Mr. Bergman is also subject to confidentiality provisions.

In order to induce Mr. Bergman to accept the terms of the amended and restated employment agreement (which included a three-year renewal of his employment term), entered into on August 8, 2019, the Compensation Committee approved the grant of the September 2019 RSU Award. The September 2019 RSU Award was comprised of 52,500 restricted stock units being awarded in the form of a performance-based restricted stock unit award ("Performance-Based RSU Award") and 52,500 restricted stock units being awarded in the form of a time-based restricted stock unit award ("Time-Based RSU Award"), each with a grant date the first business day following the 20th trading day after the employment agreement's effective date (resulting in a September 9, 2019 grant date). Except with respect to pro rata or full acceleration of the vesting of the September 2019 RSU Award that will apply in the event of certain termination events, the Performance-Based RSU Award will become vested on December 31, 2022, subject to the achievement of performance goals and Mr. Bergman's continued firm employment through such date, and the Time-Based RSU Award will vest on

December 31, 2022, subject to Mr. Bergman's continued employment through that date. In the event of Mr. Bergman's retirement, his resignation for good reason or termination by us without cause prior to December 31, 2022, a pro rata portion of the September 2019 RSU Award will vest as of Mr. Bergman's termination of employment, subject to the achievement of the performance target with respect to the Performance-Based RSU Award, with the remaining September 2019 RSU Award subject to the original vesting criteria and, in the case of Mr. Bergman's retirement, compliance with the restrictive covenants included in his employment agreement through December 31, 2022. In the event of Mr. Bergman's death or disability, or in the event Mr. Bergman's employment is terminated for any reason (other than by the Company for cause) within two years of a change in control of the Company, the September 2019 RSU Award will become fully vested, and, in the case of the Performance-Based RSU Award, without regard to the achievement of the performance target. Once vested, the September 2019 RSU Award will generally be settled within 30 days of the specified event except that upon certain terminations, the pro rata vested portion of September 2019 RSU Award will be settled on the six-month anniversary of termination of employment, with any remaining September 2019 RSU Award that vest on December 31, 2022 generally being settled within 30 days of December 31, 2022, subject to accelerated vesting in certain terminations in connection with a change in control described above.

As more fully described in "Compensation Discussion and Analysis—Executive Summary—Actions Taken in Response to the COVID-19 Pandemic" above, on April 3, 2020, Stanley Bergman, our Chairman and Chief Executive Officer, agreed to a 100% Base Salary Reduction from April 6, 2020 through June 30, 2020, and on June 20, 2020, Mr. Bergman agreed to extend his 100% Base Salary Reduction through the end of the Company's fourth fiscal quarter (December 26, 2020), or such earlier date as the Compensation Committee may determine in its sole discretion. Additionally, Mr. Bergman agreed to delay his fiscal 2020 salary increase, which would have gone into effect on April 6, 2020, until October 5, 2020. On September 29, 2020, the Compensation Committee approved the removal of the temporary salary reductions and restored such compensation to its normal levels, effective the first day of the fourth quarter of fiscal 2020 (September 28, 2020).

Named Executive Officers Other than the Chief Executive Officer

We have entered into change in control agreements with the Named Executive Officers, other than Mr. Bergman, that provide that if the executive's employment is terminated by us without cause or by the executive for good reason within two years following a change in control of the Company, we will pay and provide the executive with (i) the executive's base salary (defined to include salary plus the executive's annual automobile allowance and the Company's contribution to the 401(k) Plan and SERP for the year prior to the change in control) through the termination date, (ii) severance pay equal to 300% of the sum of the executive's base salary (as defined in (i)) and target bonus, (iii) a pro rata annual incentive compensation based on actual achievement for the year in which termination occurs, (iv) immediate vesting of all outstanding options, restricted or deferred stock/unit awards and non-qualified retirement benefits, (v) elimination of all restrictions on any restricted or deferred stock/unit awards, (vi) settlement of all deferred compensation arrangements in accordance with the applicable plan and (vii) continued participation in all health and welfare plans for 24 months (provided that such coverage will terminate when the executive receives substantially equivalent coverage from a subsequent employer) at the same level of participation for each executive on the termination date, except that the health coverage may be provided pursuant to a fully-insured replacement policy or two annual cash payments to obtain a replacement policy. Notwithstanding the foregoing, if an executive's employment is terminated by us without cause or by the executive for good reason, in either case, (i) within 90 days prior to a change in control or (ii) after the first public announcement of the pendency of the change in control, the executive will be entitled to the benefits described above. In the event any payments to the executive become subject to the excise tax imposed by Section 4999 of the Code, we will cut-back such amounts to a safe harbor limit so that the excise tax is not triggered, unless the net after-tax value of the amounts due to the executive after imposition of the excise tax would be greater (in which case no reduction will occur).

Pursuant to the change in control agreements, the Named Executive Officers, other than Mr. Bergman (who is subject to restrictive covenants under his employment agreement as opposed to a change in control agreement), are also subject to restrictive covenants, such as confidentiality and non-disparagement provisions. Additionally, during each Named Executive Officer's employment and for a period of 24 months thereafter, each Named Executive Officer agreed that he or she will not, without the Company's prior written consent, solicit our employees for employment.

As more fully described in "Compensation Discussion and Analysis—Executive Summary—Actions Taken in Response to the COVID-19 Pandemic" above, on April 3, 2020, our Named Executive Officers (other than Mr. Bergman) agreed to temporary reductions of 50% of their respective base salaries from April 6, 2020 through June 30, 2020, and on June 20, 2020, our Named Executive Officers (other than Mr. Bergman) also agreed to continue to experience temporary salary reductions, but at a level of 37.5% from June 29, 2020 (the first business day of the Company's third fiscal quarter), until a later date to be determined by the Compensation Committee (in lieu of the 50% reduction that originally applied from April 6, 2020, through June 30, 2020). Additionally, our Named Executive Officers (other than Mr. Bergman) agreed to delay their fiscal 2020 salary increase, which would have gone into effect on April 6, 2020, until October 5, 2020. On September 29, 2020, the Compensation Committee approved the removal of the temporary salary reductions and restored such compensation to its normal levels, effective the first day of the fourth quarter of fiscal 2020 (September 28, 2020).

Tax Gross-Up Provisions

We do not provide any tax gross-ups to our executive officers (other than for relocation expenses).

Compensation Policies and Practices as they Relate to Risk Management

The Company conducted a risk assessment of its compensation policies and practices for all employees, including executive officers. The Compensation Committee reviewed the Company's risk assessment process and results and determined that our compensation programs are not reasonably likely to have a material adverse effect on the Company.

Post Termination and Change in Control Calculations

The amounts set forth in the table below represent amounts that would have been paid to the Named Executive Officers, pursuant to their employment, change in control and equity award agreements, if such Named Executive Officers' employment was terminated on December 24, 2020 (the last business day of fiscal 2020) under the various scenarios set forth below or in connection with a change in control that occurred on such date.

| Name and Principal Position; Post Termination/Change in Control Scenario | Cash Payment | Continuation of Health/ Welfare Benefits (present value) | Acceleration and Continuation of Equity Award ¹ | Other Compensation | Excise Tax Gross-up ¹ | Total Termination Benefits ¹ |
|---|--------------|---|--|-----------------------|-------------------------------------|---|
| Stanley M. Bergman Chairman and Chief Executive Officer (Principal Executive Officer) | | | | | | |
| Company termination for cause | \$0 | \$0 | \$0 | \$0 | n/a | \$0 ⁴ |
| Resignation without good reason and not due to retirement | \$0 | \$338,000 | \$0 | \$497,211 | n/a | \$835,211 ⁵ |
| Company termination without cause, due to voluntary resignation for good reason or due to Company non- renewal of employment contract | \$9,416,343 | \$338,000 | \$6,912,150 | \$499,173 | n/a | \$17,165,666 ⁶ |
| Resignation due to retirement not in connection with a change in control | \$0 | \$338,000 | \$6,912,150 | \$497,211 | n/a | \$7,747,361 ⁷ |
| Termination due to disability | \$9,416,343 | \$338,000 | \$13,639,621 | \$499,173 | n/a | \$23,893,137 ⁸ |
| Resignation for good reason or Company termination without cause within two years after a change in control or Company termination without cause within 90 days prior to a change in control or after the first public announcement of a pending change in control | \$15,402,471 | \$338,000 | \$18,020,633 | \$665,877 | n/a | \$34,426,981 ⁹ |
| Resignation due to retirement within two years of a change in control | \$0 | \$338,000 | \$18,020,633 | \$497,211 | n/a | \$18,855,844 ¹⁰ |
| Death of executive | \$1,878,390 | \$166,000 | \$13,639,621 | \$0 | n/a | \$15,684,011 ¹¹ |
| All Named Executive Officers, Other than the CEO | | | | | | |
| Termination without cause, voluntary termination for good reason within two years following a change in control, within 90 days prior to a change in control or after the first public announcement of a pending change in control | | | | | | |
| James P. Breslawski Vice Chairman, President | \$4,854,041 | \$42,169 | \$5,902,976 | \$0 | n/a | \$10,799,186 ¹² |
| Steven Paladino Executive Vice President and Chief Financial Officer (Principal Financial Officer) | \$4,018,375 | \$58,657 | \$5,661,775 | \$0 | n/a | \$9,738,807 ¹² |
| Gerald A. Benjamin Executive Vice President and Chief Administrative Officer | \$4,003,196 | \$42,169 | \$5,661,775 | \$0 | n/a | \$9,707,140 ¹² |
| Mark E. Mlotek Executive Vice President and Chief Strategic Officer | \$3,858,121 | \$42,169 | \$5,310,967 | \$0 | n/a | \$9,211,257 ¹² |

| Name and Principal Position: Post Termination/Change in Control Scenario | Cash Payment | Continuation of Health/ Welfare Benefits (present value) | Acceleration and Continuation of Equity Award ¹ | Other Compensation | Excise Tax Gross-up ² | Total Termination Benefits ³ |
|---|--------------|---|--|-----------------------|-------------------------------------|---|
| Death or Disability | | | | | | |
| James P. Breslawski Vice Chairman, President..... | \$0 | \$0 | \$4,528,845 ¹³ | \$0 | n/a | \$4,528,845 |
| Steven Paladino Executive Vice President and Chief Financial Officer (Principal Financial Officer)..... | \$0 | \$0 | \$4,340,700 ¹³ | \$0 | n/a | \$4,340,700 |
| Gerald A. Benjamin Executive Vice President and Chief Administrative Officer..... | \$0 | \$0 | \$4,340,700 ¹³ | \$0 | n/a | \$4,340,700 |
| Mark E. Mlotek Executive Vice President and Chief Strategic Officer..... | \$0 | \$0 | \$4,071,040 ¹³ | \$0 | n/a | \$4,071,040 |

¹ Represents the value of restricted stock units that would accelerate and vest, if any, on termination. In the case of time-based restricted stock units, the value is calculated by multiplying the number of shares of restricted stock units that accelerate by \$65.83, the per share closing price of common stock on December 24, 2020. In the case of performance-based restricted stock units, the value is calculated by multiplying the number of shares of restricted stock units granted on the grant date (i.e., target award) by \$65.83, the per share closing price of common stock on December 24, 2020. No unvested options are held by the Named Executive Officers. Since this Post Termination and Change in Control Calculations table represents amounts that would have been paid to the Named Executive Officers, pursuant to their employment, change in control and equity award agreements, if such Named Executive Officers' employment was terminated on December 24, 2020.

² We do not provide any tax gross-ups to our executive officers (other than for relocation expenses).

³ Does not include the vested SERP amounts for the Named Executive Officers. Such vested amounts are paid following a termination of employment (subject to a six month delay in certain instances) or within 30 days following a change in control. Also does not include the amounts for the Named Executive Officers under the Company's Deferred Compensation Plan, all of which are fully vested and consist solely of participant contributions. Such vested amounts become payable upon a termination of employment as a result of death or disability in a lump sum cash payment within 60 days after such employment termination. Such vested amounts also become payable in a lump sum cash payment within 60 days following a change in control. (See "Nonqualified Compensation for Fiscal 2020" tables for additional disclosure regarding these vested amounts.)

⁴ The Company will have no further obligation to Mr. Bergman, except payment of his vested SERP and Deferred Compensation Plan account balances.

⁵ Includes (i) health and welfare coverage for Mr. Bergman and his wife until death and (ii) use of the Company's car service, office space and administrative assistance provided to Mr. Bergman for two years (as well as a cash payment in lieu of office support services from the last day of the second calendar year following termination until the third anniversary of termination). Under his employment agreement, Mr. Bergman may resign without good reason and still be entitled to these benefits so long as he resigns upon providing 180 days prior written notice to the Company.

⁶ Includes (i) annual incentive compensation payable for the year of termination based on achievement of performance goals, (ii) a make-up pension payment, calculated as the value of the excess of (a) the fully vested value of benefits to Mr. Bergman under existing retirement plans (including the Company's 401(k) and SERP plans), assuming additional credit for the period from the termination date through the immediately succeeding December 31 over (b) his vested accrued benefits as of the termination date (such excess, if any, the "Make-Up Pension Payment"), (iii) 200% current base annual salary, (iv) 200% average annual incentive compensation paid in the previous three years, (v) health and welfare coverage for Mr. Bergman and his wife until death and (vi) use of the Company's car service, office space and administrative assistance provided to Mr. Bergman for two years (as well as a cash payment in lieu of office support services from the last day of the second calendar year following termination until the third anniversary of termination). Mr. Bergman is also entitled to receive pro rata vesting of his September 2019 performance-based restricted stock unit award as of his termination date, as well as continued vesting of such award following his termination date through December 31, 2022 based on achievement of the performance goal. As of December 24, 2020, the value of the pro rata vesting is \$1,351,011, and the present value of the full vesting after December 24, 2020 and until December 31, 2022 is \$2,097,437 in each case assuming the performance target is achieved. In addition, Mr. Bergman is entitled to receive pro rata vesting of his September 2019 time-based restricted stock unit award as of his termination date, as well as deemed vesting of such award on December 31, 2022. As of December 24, 2020, the value of the pro rata vesting is \$1,351,011 and the present value of full vesting after December 24, 2020 and until December 31, 2022 is 2,097,437.

⁷ Includes (i) health and welfare coverage for Mr. Bergman and his wife until death and (ii) use of the Company's car service, office space and administrative assistance provided to Mr. Bergman for two years (as well as a cash payment in lieu of office support services from the last day of the second calendar year following termination until the third anniversary of termination). Mr. Bergman is also entitled to receive pro rata vesting of his September 2019 performance-based restricted stock unit award as of his termination date, as well as continued vesting of such award following his termination date through December 31, 2022 based on achievement of the performance goal and subject to his compliance with restrictive covenants in his employment agreement. As of December 24, 2020, the value of the pro rata vesting is \$1,351,011, and the present value of the full vesting after December 24, 2020 and until December 31, 2022 is \$2,097,437 in each case assuming the performance target is achieved. In addition, Mr. Bergman is entitled to receive pro rata vesting of his September 2019 time-based restricted stock unit award as of his termination date, as well as deemed vesting of such award on December 31, 2022, subject to his compliance with restrictive covenants in his employment agreement. As of December 24, 2020, the value of the pro rata vesting is \$1,351,011 and the present value of full vesting after December 24, 2020 and until December 31, 2022 is 2,097,437.

⁸ Includes (i) annual incentive compensation payable for the year of termination based on achievement of performance goals, (ii) the Make-Up Pension Payment, (iii) pro rata vesting of all restricted stock units granted in 2018, 2019 and 2020 from the date of grant through to the date of employment termination over 1,095 days, the September 2019 performance-based restricted stock unit grant and the September 2019 time-based restricted stock unit grant, full vesting of such awards as of employment termination date (with the September 2019 performance-based restricted stock unit vesting at target level of performance), (iv) 200% current base annual salary, (v) 200% average annual incentive compensation paid in the previous three years, (vi) health and welfare coverage for Mr. Bergman and his wife until death and (vii) use of the Company's car service, office space and administrative assistance provided to Mr. Bergman for two years (as well as a cash payment in lieu of office support services from the last day of the second calendar year following termination until the third anniversary of termination).

⁹ Includes (i) a pro rata portion of the annual incentive compensation payable for the year of termination based on achievement of performance goals, (ii) 300% current base annual salary, (iii) 300% of highest annual incentive compensation paid in the previous two years, (iv) vesting of any unvested equity awards (with any performance-based equity awards vesting at target level of performance), (v) health and welfare coverage for Mr. Bergman and his wife until death, (vi) use of the Company's car service for two years (as well as a cash payment in lieu of such services from the last day of the second calendar year following termination until the third anniversary of termination), (vii) the Make-Up Pension Payment and (viii) office space and administrative assistance for two years (as well as a cash payment in lieu of such services from the last day of the second calendar year following termination until the fourth anniversary of termination). With respect to the acceleration and continuation of equity awards, this includes amounts payable on a resignation or a Company termination (other than for cause) within two years after a change in control. If any amounts owed to Mr. Bergman in connection with a change in control of the Company are subject to the excise tax imposed by Section 4999 of the Code, we will cut back such amounts to a safe harbor limit so that the excise tax is not triggered, unless the net after-tax value of the amounts due after imposition of the excise tax would be greater (in which case no reduction will occur).

¹⁰ Includes the payments and benefits described in footnote 7 above, except that all of Mr. Bergman's outstanding equity awards will fully vest (with any performance-based equity awards vesting at target level of performance). If any amounts owed to Mr. Bergman in connection with a change in control of the Company are subject to the excise tax imposed by Section 4999 of the Code, we will cut back such amounts to a safe harbor limit so that the excise tax is not triggered, unless the net after-tax value of the amounts due after imposition of the excise tax would be greater (in which case no reduction will occur).

¹¹ Includes (i) annual incentive compensation payable for the year of termination based on achievement of performance goals, (ii) pro rata vesting of all restricted stock units granted in 2018, 2019 and 2020 from the date of grant through to the date of employment termination over 1,095 days, and with respect to the September 2019 performance-based restricted stock unit grant and the September 2019 time-based restricted stock unit grant, full vesting of such award as of employment termination date (with the September 2019 performance-based restricted stock units vesting at target of performance), and (iii) health and welfare coverage for Mr. Bergman's wife until death.

¹² Includes (i) annual incentive compensation payable for the year in which termination occurs based on achievement of performance goals, (ii) 300% current annual salary (defined to include salary plus the executive's annual automobile allowance and the Company's contribution to the 401(k) Plan and SERP plan for the full year preceding the change in control), (iii) 300% annual incentive compensation at target level in the year of termination, (iv) any unvested outstanding shares of restricted stock units become fully vested (assuming performance-based restricted stock units achievement at target level) and (v) health and welfare continuation of plans for 24 months following termination or until coverage with subsequent employer begins. If any amounts owed to Messrs. Breslawski, Paladino, Benjamin and/or Mlotek in connection with a change in control of the Company are subject to the excise tax imposed by Section 4999 of the Code, we will cut back such amounts to a safe harbor limit so that the excise tax is not triggered, unless the net after-tax value of the amounts due after imposition of the excise tax would be greater (in which case no reduction will occur).

¹³ In the event of any termination of employment due to death or disability, the Named Executive Officers (other than Mr. Bergman, whose termination arrangement is discussed above) are entitled to 100% acceleration of their respective time-based restricted stock units granted in 2017, 2018, 2019 and 2020 and pro rata vesting of their respective performance-based restricted stock units granted in 2018, 2019 and 2020 (from the date of grant through to the date of employment termination over 1,095 days).

Other Information Related to Summary Compensation Table

Stock Awards and Option Awards

See “Compensation Structure—Pay Elements—Details—Long—Term Equity-Based Awards” under the Compensation Discussion and Analysis for a discussion on stock awards. We did not grant Named Executive Officers options in fiscal 2020.

Non-Equity Incentive Plan Compensation

See “Compensation Structure—Pay Elements—Details—Annual Incentive Compensation” under the Compensation Discussion and Analysis for a discussion on non-equity incentive plan compensation.

Change in Pension Value and Non-Qualified Deferred Compensation Earnings

For employees of the Company, including Named Executive Officers, we do not maintain a qualified defined benefit plan.

We maintain a Supplemental Executive Retirement Plan for certain eligible participants who are not able to receive the full Company matching contribution under our 401(k) Plan due to certain Internal Revenue Service limits. The SERP provides for various vesting percentages based on service with the Company. Vesting will also occur upon a participant’s death, disability or attainment of age 65 or upon a change in control, in each case, while employed. Investment return on the contributions is generally equal to the earnings and losses that would occur if 40% of the contributions were invested in the Company stock fund under our 401(k) Plan and 60% were invested equally among the other investment alternatives available under our 401(k) Plan. Effective January 1, 2014, the SERP was amended to allow participants to direct the hypothetical investments of their deferral accounts subject to certain restrictions applicable to investments in the Company stock fund. A participant’s vested SERP benefit is paid following a termination of employment (subject to a six month delay in certain instances) or a change in control. As part of the Company’s initiatives to reduce costs due to the impact of COVID-19, the Compensation Committee suspended the Company matching contributions under the SERP for the second half of fiscal 2020.

We also maintain a Deferred Compensation Plan pursuant to which our Named Executive Officers are eligible to participate. We do not make any contributions to the Deferred Compensation Plan and the amounts under the plan consist entirely of participant contributions and are fully vested. The amounts under the Deferred Compensation Plan may become payable during employment upon designated fixed payment dates or following a termination of employment (subject to a six month delay in certain instances) or a change in control of the Company.

All Other Compensation

See “Compensation Structure—Pay Elements—Details—Benefits and Perquisites” under the Compensation Discussion and Analysis for a discussion on all other compensation.

Grants of Plan-Based Awards for Fiscal 2020

| Name and Principal Position | Type of Grant ¹ | Grant Date | Estimated Potential Payouts Under Non-Equity Incentive Plan Awards | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | | All Other Stock Awards ⁵ Number of Shares of Stock or Units (#) | All Other Option Awards ⁵ Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards ⁵ |
|---|----------------------------|------------------------|--|-------------|---------------------------|---|------------|--------------------------|--|--|---|---|
| | | | Threshold (\$) | Target (\$) | Maximum ² (\$) | Threshold (#) | Target (#) | Maximum ³ (#) | | | | |
| Stanley M. Bergman Chairman and Chief Executive Officer (Principal Executive Officer)..... | RPP RSU SO | n/a 3/3/2020 n/a | \$209,834 | \$1,391,400 | \$1,878,390 | 0 | 56,770 | 85,155 | 0 | 0 | n/a | \$3,438,000 n/a |
| James P. Breslawski Vice Chairman, President..... | RPP RSU SO | n/a 3/3/2020 n/a | \$47,048 | \$522,751 | \$705,713 | 0 | 16,872 | 25,308 | 9,085 | 0 | n/a | \$1,572,000 n/a |
| Steven Paladino Executive Vice President and Chief Financial Officer (Principal Financial Officer)..... | RPP RSU SO | n/a 3/3/2020 n/a | \$45,510 | \$455,100 | \$614,385 | 0 | 15,809 | 23,713 | 8,513 | 0 | n/a | \$1,473,000 n/a |
| Gerald A. Benjamin Executive Vice President and Chief Administrative Officer..... | RPP RSU SO | n/a 3/3/2020 n/a | \$45,510 | \$455,100 | \$614,385 | 0 | 15,809 | 23,713 | 8,513 | 0 | n/a | \$1,473,000 n/a |
| Mark E. Mlotek Executive Vice President and Chief Strategic Officer..... | RPP RSU SO | n/a 3/3/2020 n/a | \$42,060 | \$420,600 | \$567,810 | 0 | 14,757 | 22,135 | 7,947 | 0 | n/a | \$1,375,000 n/a |

¹ “RPP” means annual incentive compensation (i.e., bonus) paid under the Company’s 2020 Recovery Performance Plan which replaced and superseded the PIP with respect to fiscal 2020 for such participants. “RSU” means restricted stock unit awards made pursuant to the Company’s 2020 Stock Incentive Plan. “SO” means options. See “Compensation Structure—Pay Elements—Details—Annual Incentive Compensation” under the Compensation Discussion and Analysis for a discussion on the PIP.

² The maximum payout percentage under the RPP for the Named Executive Officers is 150% for the Company Financial/EPS Goal, ranges from 125% to 200% for the Business Financial Goal (depending on the specific category of the goal applicable to such Named Executive Officer) and is 115% for the Individual Performance Goals. Notwithstanding the foregoing, the maximum amount that could be paid under the RPP was 135% of the target award.

³ The maximum payout percentage for the 2020 LTIP awards of performance-based restricted stock units is 150%.

⁴ Time-based restricted stock units (four-year cliff vesting) awarded in fiscal 2020 to Named Executive Officers. Each of Mr. Bergman’s restricted stock unit grants are 100% performance-based (three-year cliff vesting).

⁵ These amounts are valued based on the aggregate grant date fair value of the award determined in accordance with FASB ASC Topic 718. These amounts do not necessarily reflect the actual value that may be realized by the Named Executive Officer upon vesting. Information regarding assumptions made in valuing the stock awards can be found in Note 19 of the “Notes to Financial Statements” included in Item 8 of our Annual Report on Form 10-K for the year ended December 26, 2020, as filed with the SEC on February 17, 2021.

Estimated Potential Payouts Under Non-Equity Incentive Plan Awards

The RPP awards paid to the Named Executive Officers appear in the Summary Compensation Table in the column captioned “Non-Equity Incentive Plan Compensation.” The threshold, target and maximum amount of these RPP awards appear in the Grants of Plan-Based Awards Table in the column captioned “Estimated Future Payouts Under Non-Equity Incentive Plan Awards.”

Estimated Future Payouts Under Equity Incentive Plan Awards, All Other Stock Awards and All Other Option Awards

Awards of performance-based and time-based restricted stock units granted to the Named Executive Officers appear in the Summary Compensation Table in the columns captioned “Stock Awards.” We did not grant Named Executive Officers options in fiscal 2020.

The threshold, target and maximum amount of the performance-based restricted stock units appear in the Grants of Plan-Based Awards Table in the column captioned “Estimated Future Payouts Under Equity Incentive Plan Awards.”

Exercise or Base Price of Option Awards

We did not grant Named Executive Officers options in fiscal 2020.

Outstanding Equity Awards at 2020 Fiscal Year-End

| Name and Principal Position | Option Awards | | | | | Stock Awards | | | |
|---|---|---|--|----------------------------|------------------------|--|---|--|---|
| | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options ¹ (#) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested ² (#) | Market Value of Shares or Units of Stock That Have Not Vested ³ (\$) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested ⁴ (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ⁴ (\$) |
| Stanley M. Bergman Chairman and Chief Executive Officer (Principal Executive Officer)..... | 0 | 0 | n/a | n/a | n/a | 52,500 | \$3,456,075 | 32,395 | \$2,132,563 |
| James P. Breslawski Vice Chairman, President..... | 0 | 0 | n/a | n/a | n/a | 36,767 | \$2,420,372 | 7,404 | \$487,405 |
| Steven Paladino Executive Vice President and Chief Financial Officer (Principal Financial Officer) | 0 | 0 | n/a | n/a | n/a | 35,148 | \$2,313,793 | 7,161 | \$471,409 |
| Gerald A. Benjamin Executive Vice President and Chief Administrative Officer... | 0 | 0 | n/a | n/a | n/a | 35,148 | \$2,313,793 | 7,161 | \$471,409 |
| Mark E. Mlotek Executive Vice President and Chief Strategic Officer | 0 | 0 | n/a | n/a | n/a | 32,946 | \$2,168,835 | 6,729 | \$442,970 |

¹ The Company does not issue performance-based options.

² Time-based restricted stock units are awarded to the Named Executive Officers as part of their annual equity grant, except Mr. Bergman who receives 100% performance-based restricted stock units as part of his annual equity grant. Mr. Bergman received 50% performance-based restricted stock units and 50% time-based restricted stock units on September 9, 2019 in connection with the renewal of his employment agreement.

³ Based on the closing market price of \$65.83 of the Company's common stock on December 24, 2020, the last trading day in fiscal 2020.

⁴ Represents the number of performance-based restricted stock units granted in 2018, 2019 and 2020, each under the Company's 2020 Stock Incentive Plan. As the threshold payout amount is zero, such number represents the number of shares based on the target payout at the end of fiscal 2020, but (i) excludes performance-based restricted stock units that were forfeited under the 2018 LTIP when it subsequently vested on March 2, 2021 and (ii) excludes performance-based restricted stock units that we estimate will be forfeited under the 2019 LTIP and 2020 LTIP.

Option Exercises and Stock Vested for Fiscal 2020

| Name and Principal Position | Option Awards | | Stock Awards | |
|---|---|---------------------------------|---|---|
| | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) ¹ | Value Realized on Vesting (\$) ² |
| Stanley M. Bergman Chairman and Chief Executive Officer (Principal Executive Officer) | 0 | \$0 | 74,491 | \$4,746,167 |
| James P. Breslawski Vice Chairman, President | 0 | \$0 | 21,321 | \$1,263,195 |
| Steven Paladino Executive Vice President and Chief Financial Officer (Principal Financial Officer) | 0 | \$0 | 19,991 | \$1,184,399 |
| Gerald A. Benjamin Executive Vice President and Chief Administrative Officer | 0 | \$0 | 19,991 | \$1,184,399 |
| Mark E. Mlotek Executive Vice President and Chief Strategic Officer | 0 | \$0 | 18,655 | \$1,105,245 |

¹ For each Named Executive Officer such amount represents performance-based restricted stock units (three-year cliff vesting) granted on March 6, 2017. For each Named Executive Officer (other than Mr. Bergman) such amount also represents time-based restricted stock units (four-year cliff vesting) granted on March 4, 2016. For Mr. Bergman, such amount also represents performance-based restricted stock units granted on May 25, 2016 in connection with his employment agreement renewal in 2016, which vested on February 14, 2020.

² The value realized from vesting of restricted stock units is deemed to be the market value of the common stock on the date of vesting, multiplied by the number of shares of common stock underlying the restricted stock units that vested. The closing market price on February 14, 2020 was \$72.13, on March 4, 2020 was \$61.63 and on March 6, 2020 was \$57.69.

Nonqualified Deferred Compensation for Fiscal 2020

The following table provides information regarding our SERP. (See “Compensation Structure—Pay Elements—Details—Benefits and Perquisites” under the Compensation Discussion and Analysis for a discussion on our SERP.)

| Name and Principal Position | Executive Contributions in Last Fiscal Year (\$) | Registrant Contributions in Last Fiscal Year (\$) | Aggregate Earnings in Last Fiscal Year (\$) | Aggregate Withdrawals/ Distributions (\$) | Aggregate Balance at Last Fiscal Year End (\$) |
|--|--|---|---|---|--|
| Stanley M. Bergman Chairman and Chief Executive Officer (Principal Executive Officer) | \$0 | \$83,090 | \$280,937 | \$0 | \$4,216,528 |
| James P. Breslawski Vice Chairman, President | \$0 | \$34,126 | \$651,671 | \$0 | \$2,751,119 |
| Steven Paladino Executive Vice President and Chief Financial Officer (Principal Financial Officer) | \$0 | \$22,915 | \$83,185 | \$0 | \$1,458,127 |
| Gerald A. Benjamin Executive Vice President and Chief Administrative Officer | \$0 | \$22,915 | \$145,334 | \$0 | \$1,493,495 |
| Mark E. Mlotek Executive Vice President and Chief Strategic Officer | \$0 | \$22,915 | \$85,004 | \$0 | \$1,277,345 |

The following table provides information regarding our Deferred Compensation Plan. The Company does not make any contributions to the Deferred Compensation Plan. All amounts in such plan are fully vested and consist solely of participant contributions. Such vested amounts may become payable during employment upon designated fixed payment dates or following a termination of employment (subject to a six month delay in certain instances) or a change in control of the Company. (See “Compensation Structure—Pay Elements—Details—Benefits and Perquisites” under the Compensation Discussion and Analysis for a discussion on our Deferred Compensation Plan.)

| Name and Principal Position | Executive Contributions in Last Fiscal Year (\$) | Registrant Contributions in Last Fiscal Year (\$) | Aggregate Earnings in Last Fiscal Year (\$) | Aggregate Withdrawals/ Distributions (\$) | Aggregate Balance at Last Fiscal Year End (\$) |
|--|--|---|---|---|--|
| Stanley M. Bergman Chairman and Chief Executive Officer (Principal Executive Officer) | \$0 | \$0 | \$0 | \$0 | \$0 |
| James P. Breslawski Vice Chairman, President | \$0 | \$0 | \$106,606 | \$0 | \$663,941 |
| Steven Paladino Executive Vice President and Chief Financial Officer (Principal Financial Officer) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Gerald A. Benjamin Executive Vice President and Chief Administrative Officer | \$0 | \$0 | \$0 | \$0 | \$0 |
| Mark E. Mlotek Executive Vice President and Chief Strategic Officer | \$322,143 | \$0 | \$884,574 | \$0 | \$5,071,064 |

Director Compensation for Fiscal 2020

| Name | Fees Earned or Paid in Cash ¹ (\$) | Stock Awards ² (\$) | Option Awards ³ (\$) | Non-Equity Incentive Plan Compensation ⁴ (\$) | Change in Pension Value and Nonqualified Deferred Compensation Earnings ⁵ (\$) | All Other Compensation (\$) | Total (\$) |
|--------------------------------|--|-----------------------------------|------------------------------------|---|--|--------------------------------|---------------|
| Barry J. Alperin..... | \$142,292 | \$175,000 | \$0 | \$0 | \$0 | \$0 | \$317,292 |
| Paul Brons..... | \$91,492 | \$175,000 | \$0 | \$0 | n/a | \$0 | \$266,492 |
| Shira Goodman..... | \$95,892 | \$175,000 | \$0 | \$0 | n/a | \$0 | \$270,892 |
| Joseph L. Herring..... | \$135,092 | \$175,000 | \$0 | \$0 | n/a | \$0 | \$310,092 |
| Kurt P. Kuehn..... | \$129,092 | \$175,000 | \$0 | \$0 | n/a | \$0 | \$304,092 |
| Philip A. Laskawy..... | \$154,692 | \$175,000 | \$0 | \$0 | \$0 | \$0 | \$329,692 |
| Anne H. Margulies..... | \$109,092 | \$175,000 | \$0 | \$0 | \$0 | \$0 | \$284,092 |
| Carol Raphael..... | \$100,292 | \$175,000 | \$0 | \$0 | n/a | \$0 | \$275,292 |
| E. Dianne Rekow, DDS, Ph.D. | \$91,492 | \$175,000 | \$0 | \$0 | \$0 | \$0 | \$266,492 |
| Bradley T. Sheares, Ph.D. | \$130,692 | \$175,000 | \$0 | \$0 | n/a | \$0 | \$305,692 |

¹ These cash fee amounts have not been reduced to reflect a director's election to defer receipt of cash fees pursuant to the Non-Employee Director Deferred Compensation Plan; these deferrals are indicated in footnote 5 below. The committee meeting fee of \$2,200 for the joint meeting of the Audit Committee, Strategic Advisory Committee and Nominating and Governance Committee that was held on December 22, 2020 was earned in fiscal 2020 (and is included in the table above) but for administrative reasons was paid in fiscal 2021.

² Includes restricted stock unit awards valued based on the aggregate grant date fair value of the award computed in accordance with FASB ASC Topic 718. The amounts shown in the table above do not necessarily reflect the actual value that may be realized by the non-employee director upon vesting. Information regarding assumptions made in valuing the stock awards can be found in Note 19 of the "Notes to Financial Statements" included in Item 8 of our Annual Report on Form 10-K for the year ended December 26, 2020, as filed with the SEC on February 17, 2021. The amounts in this column have not been reduced to reflect a director's election to defer receipt of shares of common stock underlying the restricted stock units. With respect to the aggregate number of stock awards (including restricted stock units) outstanding at fiscal 2020 year end, each non-employee director had 2,889 restricted stock units. With respect to the aggregate number of restricted stock units that vested but, per the director's election, the payment date has been deferred, Mr. Kuehn had 8,954 restricted stock units, Mr. Laskawy had 28,366 restricted stock units, Ms. Margulies had 6,218 restricted stock units, Dr. Rekow had 5,710 restricted stock units and Dr. Sheares had 36,833 restricted stock units, at fiscal 2020 year end. Mses. Goodman and Raphael and Messrs. Alperin, Brons and Herring did not elect to defer the payment date of any restricted stock units.

³ None of the non-employee directors had any option awards outstanding at the end of fiscal 2020.

⁴ The Company does not grant performance-based annual incentive compensation (*i.e.*, bonus) to non-employee directors.

⁵ Ms. Margulies participated in the Non-Employee Director Deferred Compensation Plan in 2020 and elected to defer all her non-employee director cash compensation (\$109,092) in fiscal 2020. The \$2,200 committee meeting fee earned by Ms. Margulies for the joint meeting of the Audit Committee, Strategic Advisory Committee and Nominating and Governance Committee that was held on December 22, 2020 was earned in fiscal 2020 (and is included in the \$109,092 noted in the prior sentence) but for administrative reasons was added to her Non-Employee Director Deferred Compensation Plan account in fiscal 2021. Messrs. Alperin, Laskawy and Dr. Rekow have participated in the Non-Employee Director Deferred Compensation Plan in prior years but did not elect to defer any amounts into such plan in fiscal 2020.

Annual Limit on Director Compensation

In February 2017, the Compensation Committee approved an annual limit on director compensation that provides that any equity-based awards granted to any non-employee director under the 2015 Non-Employee Director Stock Incentive Plan in respect of any fiscal year plus any cash-based compensation granted to any non-employee director in respect of any such fiscal year, in each case solely with respect to his or her service to the Board of Directors, may not exceed \$650,000 based on the aggregate fair market value (determined as of the date of grant) of any equity-awards plus the aggregate value (determined as of the date of grant) of any cash-based compensation.

Fees Earned or Paid in Cash

Directors who are employees of the Company receive no compensation for service as directors. Directors who are not officers or employees of the Company receive such compensation for their services as the Board of Directors may determine from time to time. In December 2019, following a benchmarking analysis, the Compensation Committee reviewed compensation paid to non-employee directors and determined such amounts should remain unchanged in fiscal 2020 compared to fiscal 2019. In fiscal 2020, each non-employee director was entitled to receive an annual retainer of \$90,000. However, in light of the disruption and uncertainty created by the COVID-19 pandemic, on April 3, 2020, the non-employee directors agreed to a 25% reduction in their annual cash retainers earned between April 6, 2020 and June 30, 2020. On June 20, 2020, the Company decided to continue certain cost reduction measures and the non-employee directors agreed to a reduction of 18.75% of their annual cash retainers from June 29, 2020 (the first business day of the Company's third fiscal quarter) until a later date to be determined by the Compensation Committee. On September 29, 2020, the Compensation Committee approved the removal of the temporary retainer reduction and restored such compensation to its normal levels, effective the first day of the fourth quarter of fiscal 2020 (September 28, 2020). Each non-employee director also received \$2,200 for each committee meeting attended. The retainer for service as a Committee Chairperson for fiscal 2020 were \$15,000 for the Chairperson of the Nominating and Governance Committee, Strategic Advisory Committee and Regulatory, Compliance and Cybersecurity Committee, and \$20,000 for the Chairperson of the Audit Committee and the Compensation Committee. The Lead Director's retainer for fiscal 2020 was \$35,000.

Stock Awards

On March 3, 2020, each of Messrs. Alperin, Brons, Herring, Kuehn and Laskawy, Ms. Raphael, Goodman and Margulies and Drs. Rekow and Sheares was granted 2,889 restricted stock units under the Company's 2015 Non-Employee Director Stock Incentive Plan, with each award having a grant date fair value of \$175,000. The value of the LTIP restricted stock unit awards for the non-employee directors was unchanged in fiscal 2020 compared to the value of their awards in fiscal 2019. The restricted stock units granted to the non-employee directors in 2020 are subject to time-based vesting and cliff vest at the end of 12 months from the grant date, based on continued service through the applicable vesting date.

All such grants under the 2015 Non-Employee Director Stock Incentive Plan (i) were issued on the date they were approved by the Compensation Committee and (ii) provide for full accelerated vesting upon a change in control (as defined in the 2015 Non-Employee Director Stock Incentive Plan or as defined under Section 409A of the Code), provided that no termination of services has occurred prior to the change in control.

Beginning with restricted stock unit award granted in 2009, non-employee directors became eligible to defer the date upon which all or a portion of their restricted stock units will be paid out to either (i) a specified payment date occurring on the third, fifth, seventh or tenth anniversary of the scheduled vesting date or (ii) the date of the termination of their services that occurs after the scheduled vesting date. If the deferral election is chosen, to the extent vested, payment will be made within the 30 day period following the earliest of the following to occur: (i) the elected deferred payment date; (ii) the participant's death; (iii) the participant's disability; (iv) the participant's termination of services (other than as a result of death or disability); or (v) a change in control of the Company. Participants are also permitted to further defer the payment date of their restricted stock units in accordance with Section 409A of the Code for one or more additional periods of at least five years (but not more than ten years) beyond the previously elected deferred payment date.

The Compensation Committee assesses "competitive market" compensation when determining the amount of equity awards to grant non-employee directors. The Compensation Committee reviews non-employee director compensation, including equity awards, against the same peer companies that it uses when evaluating executive officer compensation. The Compensation Committee also reviews, for purposes of determining non-employee director equity awards, the companies with revenues between \$8 billion and \$12 billion that it reviews for evaluation of executive officer compensation. See "Compensation Structure—Pay Elements—Details—Pay Levels and Benchmarking" under Compensation Discussion and Analysis.

Non-Equity Incentive Plan Compensation

We do not issue non-equity incentive plan compensation to non-employee directors.

Change in Pension Value and Non-Qualified Deferred Compensation Earnings

For directors, we do not maintain a qualified defined benefit plan.

Since 2004, non-employee directors have been eligible to defer all or a portion of certain “eligible director fees” under our Non-Employee Director Deferred Compensation Plan into a cash account or a phantom share account. An investment in the cash account is deemed to be invested in cash equivalents based on the Company’s long-term borrowing rate under the Company’s principal credit facility. An investment in the phantom share account is deemed to be invested in a unit measurement called a “phantom share.” A phantom share is the equivalent to one share of our common stock. The cash accounts are distributed in a lump sum cash payment and the phantom share accounts are distributed in our common stock. Shares of our common stock available for issuance under the Non-Employee Director Deferred Compensation Plan are funded from shares of our common stock that are available under our 2015 Non-Employee Director Stock Incentive Plan, and such an award under the Non-Employee Director Deferred Compensation Plan constitutes an “Other Stock-Based Award” under the 2015 Non-Employee Director Stock Incentive Plan. Messrs. Alperin and Laskawy, Ms. Margulies and Dr. Rekow each participate in the Non-Employee Director Deferred Compensation Plan. Each such non-employee director has elected to defer his or her eligible director fees to the phantom share account. The amounts set forth in the Director Compensation Table above under “Change in Pension Value and Nonqualified Deferred Compensation Earnings” represent the above-market or preferential earnings of the phantom shares allocated to each such director’s account.

Stock Ownership Policy

The Company believes that, to align the interests of the directors of the Company with the interests of the stockholders of the Company, the non-employee directors of the Company should have a financial stake in the Company. In 2018, the Company updated its stock ownership policy for non-employee directors to provide that each non-employee director should own equity in the Company equal to the greater of (i) a minimum of 10,000 shares of Henry Schein, Inc. common stock or (ii) five times the non-employee director annual retainer fee (which annual retainer fee is currently \$90,000). Newly appointed non-employee directors will have five years from the date of their initial appointment to comply with the stock ownership policy.

Further, as a guideline, non-employee directors may only sell up to one-half of all vested value above the ownership requirement. “Vested value” is defined as the value of shares of any class of common stock, shares of vested restricted stock units, unexercised vested options (held for at least three years from grant date), warrants or rights to acquire shares of common stock and securities that are convertible into shares of common stock. Also, a non-employee director’s equity in the Company may not be sold until the non-employee director satisfies the Company’s stock ownership policy.

Upon request, the Nominating and Governance Committee may consider whether exceptions should be made for any non-employee director on whom this requirement would impose a financial hardship or for other appropriate reasons as determined by the Board of Directors.

All non-employee directors are in compliance with the Company’s stock ownership policy.

The Company also prohibits hedging or other derivative transactions and pledging of Company stock by its non-employee directors.

Director Retirement Policy

In 2015, upon recommendation of the Nominating and Governance Committee, the Board of Directors adopted a director retirement policy. The Company believes that it has benefited greatly from contributions by directors who have had significant prior careers and experiences, and that the value of a director’s continuing contributions is a more important factor than a specific age in determining when a highly productive director should retire from the Board of Directors. The Company also recognizes that it is in its interest for directors to retire when that becomes appropriate, as well as the benefit to the Company from adding new directors with new perspectives. The policy provides that the Chairperson of the Nominating and Governance Committee should commence retirement discussions with a director within a few years of approaching his or her 80th birthday. In any event, a director is expected to retire at the end of his or her term during which he or she reaches the age of 80.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company maintains a formal, written conflict of interest policy that applies to all employees. Additionally, on an ongoing basis, the Audit Committee is required by its charter to review all “related party transactions” (those transactions that are required to be disclosed in this proxy statement by SEC Regulation S-K, Item 404 and under Nasdaq’s rules), if any, for potential conflicts of interest and all such transactions must be approved by the Audit Committee.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee during fiscal 2020 were Messrs. Alperin and Herring and Dr. Sheares.

During fiscal 2020:

- none of the members of the Compensation Committee was an officer (or former officer) or employee of the Company or any of its subsidiaries;
- none of the members of the Compensation Committee had a direct or indirect material interest in any transaction in which the Company was a participant and the amount involved exceeded \$120,000;
- none of our executive officers served on the compensation committee (or another board committee performing equivalent functions or, if none, the entire board of directors) of another entity where one of that entity’s executive officers served on our Compensation Committee;
- none of our executive officers was a director of another entity where one of that entity’s executive officers served on our Compensation Committee; and
- none of our executive officers served on the compensation committee (or another board committee performing equivalent functions or, if none, the entire board of directors) of another entity where one of that entity’s executive officers served as a director on our Board of Directors.

PROPOSAL 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act and the related rules of the SEC), the Company is providing its stockholders the opportunity to cast an advisory vote on the compensation of its named executive officers. This Proposal 2, commonly known as a “say-on-pay” proposal, gives the Company’s stockholders the opportunity to express their views on named executive officers’ compensation.

As described in detail in the Compensation Discussion and Analysis beginning on page 16 of this proxy statement, the Company’s executive officer compensation program is designed to attract and retain the caliber of officers needed to ensure the Company’s continued growth and profitability and to reward them for their performance, the Company’s performance and for creating long-term value for stockholders. The primary objectives of the program are to:

- align rewards with the achievement of performance goals that enhances stockholder value;
- support the Company’s strong team orientation;
- encourage high potential team players to build a career at the Company; and
- provide rewards that are cost-efficient, competitive with other organizations and fair to employees and stockholders.

The Company seeks to accomplish these goals in a manner that is aligned with the long-term interests of the Company’s stockholders. The Company believes that its executive officer compensation program achieves these goals with its emphasis on long-term equity awards and performance-based compensation, which has enabled the Company to successfully motivate and reward its named executive officers. The Company believes that its compensation program is appropriate and has played an essential role in its continuing financial success by aligning the long-term interests of its named executive officers with the long-term interests of its stockholders.

For these reasons, the Board of Directors recommends a vote in favor of the following resolution:

“RESOLVED, that the compensation paid to the Company’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.”

As an advisory vote, this Proposal 2 is not binding upon the Company. Notwithstanding the advisory nature of this vote, the Compensation Committee, which is responsible for designing and administering the Company’s executive officer compensation program, values the opinions expressed by stockholders in their vote on this Proposal 2, and will consider the outcome of the vote when making future compensation decisions for named executive officers.

The affirmative vote of the holders of a majority of the outstanding shares of common stock present in person or represented by proxy and entitled to vote on this matter is required to approve this Proposal 2.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF THE COMPANY’S NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

PROPOSAL 3 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We are asking stockholders to ratify the appointment of BDO USA as our independent registered public accounting firm for the fiscal year ending December 25, 2021. The Audit Committee and the Board of Directors believe that the retention of BDO USA to serve as the Company's independent registered public accounting firm is in the best interests of the Company and its stockholders. Although ratification is not legally required, the Company is submitting the appointment of BDO USA to its stockholders for ratification as a matter of good corporate governance. In the event that this appointment is not ratified, the Audit Committee will reconsider the appointment. Even if the selection is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the fiscal year if it determines that such a change would be in the best interest of the Company and its stockholders. Representatives of BDO USA will be present at the Annual Meeting, will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from stockholders in attendance.

Independent Registered Public Accounting Firm Fees and Pre-Approval Policies and Procedures

The following table summarizes fees billed to us for fiscal 2020 and for fiscal 2019:

| | Fiscal 2020 | Fiscal 2019 |
|--|--------------------|--------------------|
| Audit Fees — <i>Annual Audit and Quarterly Reviews</i> | \$5,709,000 | \$5,657,000 |
| Audit Related Fees..... | \$378,000 | \$1,226,000 |
| Tax Fees: — | | |
| <i>Tax Advisory Services</i> | \$191,000 | \$170,000 |
| <i>Tax Compliance, Planning and Preparation</i> | \$400,000 | \$471,000 |
| All Other Fees..... | \$276,000 | \$445,000 |
| Total Fees..... | <u>\$6,954,000</u> | <u>\$7,969,000</u> |

In the above table, in accordance with the SEC's definitions and rules, "audit fees" are fees that the Company paid to BDO USA for the audit of our annual financial statements included in the Form 10-K and review of financial statements included in the Form 10-Qs, for the audit of our internal control over financial reporting and for services that are normally provided by the independent accountant in connection with statutory and regulatory filings or engagements. "Audit related fees" are fees for assurance and related services, primarily for services in connection with employee benefit plan audits, and consultation on acquisitions. "Tax fees" are fees for tax advisory services, including tax planning and strategy, tax audits and acquisition consulting, tax compliance, tax planning and tax preparation. "All other fees" in fiscal 2020 and 2019 are for real estate advisory services.

The Audit Committee has determined that the provision of all non-audit services by BDO USA is compatible with maintaining such accountant's independence.

All fees paid by us to BDO USA were approved by the Audit Committee in advance of the services being performed by such independent accountants.

Pursuant to the rules and regulations of the SEC, before our independent registered accounting firm is engaged to render audit or non-audit services, the engagement must be approved by the Audit Committee or entered into pursuant to the Audit Committee's pre-approval policies and procedures. The policy granting pre-approval to certain specific audit and audit related services and specifying the procedures for pre-approving other services is set forth in the Amended and Restated Charter of the Audit Committee, available on our Internet website at www.henryschein.com, under the "Our Company—Corporate Governance Highlights" caption.

The affirmative vote of the holders of a majority of the outstanding shares of common stock present in person or represented by proxy and entitled to vote on this matter at the Annual Meeting is required to ratify the selection of BDO USA as our independent registered public accounting firm for the fiscal year ending December 25, 2021.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSED SELECTION OF BDO USA AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 25, 2021.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Role of the Audit Committee

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors, including the Company's internal control over financial reporting, the quality of its financial reporting and the independence and performance of the Company's independent registered public accounting firm. The Audit Committee is responsible for establishing procedures for the receipt, retention and treatment of complaints received by the Company about accounting, internal control over financial reporting or auditing matters and confidential and anonymous submission by employees of the Company of concerns about questionable accounting or auditing matters. On an ongoing basis, the Audit Committee reviews all related party transactions (as defined by applicable regulations), if any, for potential conflicts of interest and all such transactions must be approved by the Audit Committee.

The Audit Committee is composed of four "independent directors" as that term is defined by the listing standards of The Nasdaq Stock Market, Inc. ("Nasdaq"). Three of the members of the Audit Committee are "audit committee financial experts," as defined under the rules of the Securities and Exchange Commission ("SEC") and, as such, satisfy the requirements of Nasdaq's Rule 5605(c)(2)(A). The Audit Committee operates under a written charter adopted by the Board of Directors, which is in accordance with the Sarbanes-Oxley Act of 2002 and the rules of the SEC and Nasdaq listing standards relating to corporate governance and audit committees. The Audit Committee reviews and reassesses its charter on a periodic and as required basis.

Management has primary responsibility for the Company's financial statements and the overall reporting process, including the Company's disclosure controls and procedures as well as its system of internal control over financial reporting. The Company is responsible for evaluating the effectiveness of its disclosure controls and procedures on a quarterly basis and for performing an annual assessment of its internal control over financial reporting, the results of which are reported in the Company's annual 10-K filing with the SEC.

BDO USA, LLP ("BDO USA"), the Company's independent registered public accounting firm, audits the annual financial statements prepared by management, expresses an opinion as to whether those financial statements fairly present the consolidated financial position, results of operations and cash flows of the Company and its subsidiaries in conformity with accounting principles generally accepted in the United States and discusses with management any issues that they believe should be raised with management. BDO USA also audits, and expresses an opinion on the design and operating effectiveness of the Company's internal control over financial reporting.

The Audit Committee pre-approves audit, audit related and permissible non-audit related services provided by BDO USA. During fiscal 2020, audit and audit related fees consisted of annual financial statement and internal control audit services, accounting consultations, employee benefit plan audits and other quarterly review services. Non-audit related services approved by the Audit Committee consisted of real estate advisory, tax compliance, tax advice and tax planning services.

The Audit Committee meets with management regularly to consider, among other things, the adequacy of the Company's internal control over financial reporting and the objectivity of its financial reporting. The Audit Committee discusses these matters with the appropriate Company financial personnel and internal auditors. In addition, the Audit Committee has discussions with management concerning the process used to support certifications by the Company's Chief Executive Officer and Chief Financial Officer that are required by the SEC and the Sarbanes-Oxley Act to accompany the Company's periodic filings with the SEC.

On an as needed basis and following each quarterly Audit Committee meeting, the Audit Committee meets privately with both BDO USA and the Company's internal auditors, each of whom has unrestricted access to the Audit Committee. BDO USA's ultimate accountability is to the Board of Directors of the Company and the Audit Committee, as representatives of the Company's stockholders. The Audit Committee is also responsible for BDO USA's appointment, and approves in advance its engagements to perform audit and any non-audit services and the fee for such services.

The Audit Committee annually reviews its independent registered public accounting firm's performance and independence from management. In addition, when appropriate, the Audit Committee discusses with the independent registered public accounting firm plans for audit partner rotation as required by the Sarbanes-Oxley Act.

Review of the Company's Audited Financial Statements for Fiscal 2020

The Audit Committee reviewed the Company's audited financial statements for fiscal 2020, as well as the process and results of the Company's assessment of internal control over financial reporting. The Audit Committee has also met with management, the internal auditors and BDO USA to discuss the financial statements and internal control over financial reporting. Management has represented

to the Audit Committee that the financial statements were prepared in accordance with accounting principles generally accepted in the United States, that internal control over financial reporting was effective and that no material weaknesses in those controls existed as of the fiscal year-end reporting date, December 26, 2020.

The Audit Committee has received from BDO USA the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed with BDO USA their independence from the Company and its management. The Audit Committee also received reports from BDO USA regarding all critical accounting policies and practices used by the Company, generally accepted accounting principles that have been discussed with management, and other material written communications between BDO USA and management. There were no differences of opinion reported between BDO USA and the Company regarding critical accounting policies and practices used by the Company. In addition, the Audit Committee has also received from, and discussed with, BDO USA the matters required to be discussed by the Public Company Accounting Oversight Board Auditing Standard No. 1301 (Communications with Audit Committees). Finally, the Audit Committee has received from, and reviewed with, BDO USA all communications and information concerning its audit of the Company's internal control over financial reporting as required by the Public Company Accounting Oversight Board Auditing Standard No. 2201.

Based on these reviews, activities and discussions, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for fiscal 2020.

THE AUDIT COMMITTEE

Kurt P. Kuehn, Chairperson
Barry J. Alperin
Philip A. Laskawy
Anne H. Margulies

Notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act of 1933, as amended, or the Exchange Act, that might incorporate by reference this proxy statement or future filings made by the Company under those statutes, the Compensation Committee Report, the information in the Report of the Audit Committee of the Board of Directors contained under the heading "Review of the Company's Audited Financial Statements for Fiscal 2020," references to the Audit Committee Charter and reference to the independence of the Audit Committee members are not deemed filed with the SEC, are not deemed soliciting material and shall not be deemed incorporated by reference into any of those prior filings or into any future filings made by the Company under those statutes, except to the extent that the Company specifically incorporates such information by reference into a previous or future filing, or specifically requests that such information be treated as soliciting material, in each case under those statutes.

VOTING OF PROXIES AND OTHER MATTERS

The Board of Directors recommends an affirmative vote be cast "FOR" all nominees for election to the Board of Directors listed in Proposal 1 on the proxy card and a vote "FOR" Proposals 2 and 3.

The Board of Directors knows of no other matter that may be brought before the meeting that requires submission to a vote of the stockholders. If any other matters are properly brought before the meeting, however, the persons named in the enclosed proxy or their substitutes will vote in accordance with their best judgment on such matters.

A complete list of stockholders entitled to vote at the Annual Meeting will be available for inspection beginning May 3, 2021 at the Company's principal place of business. If a state of emergency exists at that time preventing access to the Company's office during regular business hours, the Company will endeavor to make the list available for inspection upon request via email to investor@henryschein.com. The list of stockholders will be available electronically during the virtual Annual Meeting at www.virtualshareholdermeeting.com/HSIC2021.

ANNUAL REPORT ON FORM 10-K

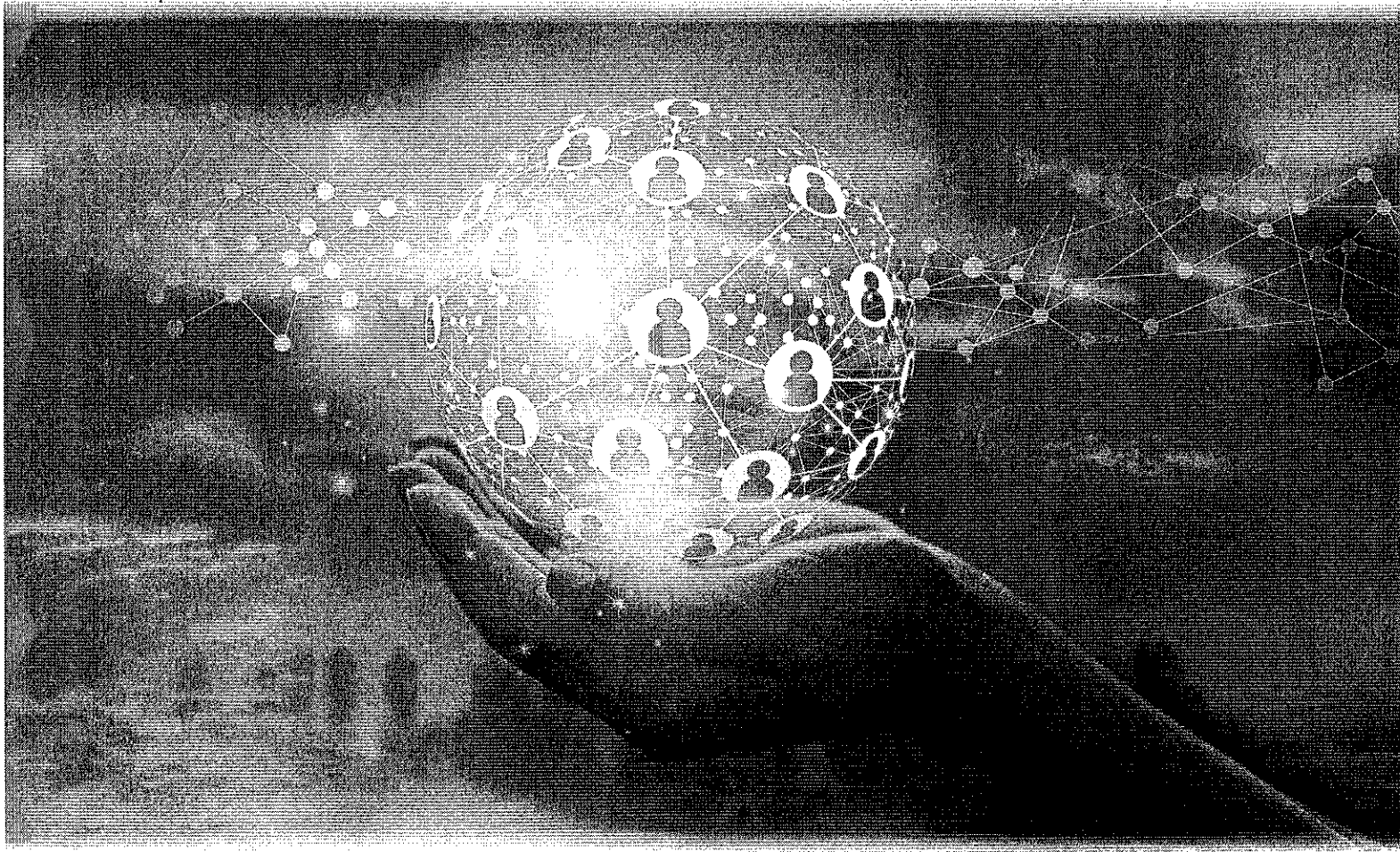
Our Annual Report on Form 10-K for the fiscal year ended December 26, 2020 has been filed with the SEC and is available free of charge through our Internet website, www.henryschein.com. Stockholders may also obtain a copy of the Form 10-K upon request via email to investor@henryschein.com. In response to such request, the Company will furnish without charge the Form 10-K including financial statements, financial schedules and a list of exhibits.

STOCKHOLDER PROPOSALS

Eligible stockholders wishing to have a proposal for action by the stockholders at the 2022 Annual Meeting included in our proxy statement must submit such proposal at the principal offices of the Company not later than November 30, 2021. It is suggested that any such proposals be submitted by certified mail, return receipt requested.

Under our Second Amended and Restated By-laws, a stockholder who intends to bring a proposal before the 2022 Annual Meeting without submitting such proposal for inclusion in our proxy statement cannot do so unless notice and a full description of such proposal (including all information that would be required in connection with such proposal under the SEC's proxy rules if such proposal were the subject of a proxy solicitation and the written consent of each nominee for election to the Board of Directors named therein (if any) to serve if elected) and the name, address and number of shares of common stock held of record or beneficially as of the record date for such meeting by the person proposing to bring such proposal before the 2022 Annual Meeting is delivered in person or mailed to, and received by, the Company by the later of March 20, 2022 and the date that is 75 days prior to the date of the 2022 Annual Meeting.

Under the SEC's proxy rules, proxies solicited by the Board of Directors for the 2022 Annual Meeting may be voted at the discretion of the persons named in such proxies (or their substitutes) with respect to any stockholder proposal not included in our proxy statement if we do not receive notice of such proposal on or before the deadline set forth in the preceding paragraph.



A HEALTH CARE SOLUTIONS NETWORK
SUPPORTING THE DELIVERY OF CARE

ANNUAL REPORT 2020

A MESSAGE FROM THE CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

To My Fellow Stakeholders,

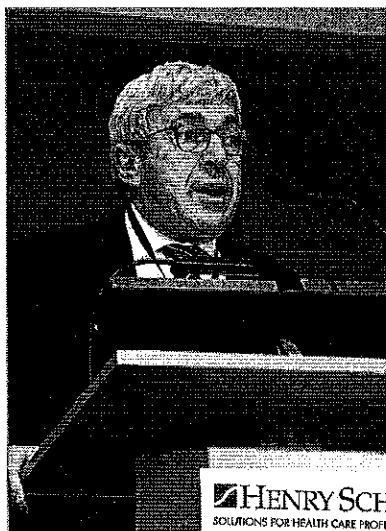
The year 2020 was unlike any other in modern times. The global health care ecosystem, indeed the entire global community, experienced the unprecedented, rapid impact of COVID-19.

Throughout the pandemic, we have remained focused on a number of key priorities: ensuring the safety of Team Schein Members across the globe, maintaining our commitment to customers as we helped practitioners navigate practice disruptions, implementing business continuity planning, and driving operating efficiencies across our organization, while conserving capital in the face of financial headwinds. All of these actions have been essential to our resilience as we emerge from the crisis. We also believe our customer commitment has only deepened practitioner relationships as our high-touch, full-service value proposition has made a positive difference in the lives of our customers through these most challenging times.

Disruption in Health Care Product Supply Chain

Early in the COVID-19 outbreak, the health care supply chain experienced significant disruption as manufacturers responded to a spike in demand for personal protective equipment (PPE) and shortages of raw materials, as well as logistics challenges, which led to significant price volatility. We were nimble and acted quickly to ensure our customers had access to critically needed products, and worked tirelessly to fill orders. Henry Schein also worked in close partnership with the health care supply chain

industry, international agencies, and governments to deliver supplies to those most in need. In the U.S., Henry Schein has been a participant in the U.S. Department of Health and Human Services COVID-19 Supply Chain Taskforce since its inception



in the spring of 2020 (originally managed by Federal Emergency Management Agency (FEMA)), working to secure and deliver critical supplies to health care professionals and institutions, and we worked with the Strategic National Stockpile to deliver PPE to COVID-19 testing sites. Over the past six years, as the cofounder and

private-sector lead of the Pandemic Supply Chain Network (PSCN), together with the World Health Organization (WHO), World Food Programme (WFP), World Economic Forum (WEF), World Bank, Centers for Disease Control and Prevention (CDC), and more than 60 companies spanning health care distribution, manufacturing, and logistics, we played a leadership role in fostering coordination and improving the resilience of the worldwide health care supply chain.

Solid Financial Results despite Historic Challenges

Despite the historic challenges of last year, the global end markets we serve are resilient. We delivered net sales for 2020 of \$10.1 billion, up 1.3%, or 0.8% internal growth in local currencies, compared with 2019, with record net sales for the second half of 2020. GAAP diluted EPS for 2020 decreased 40.1%, largely impacted by COVID-19 and a net gain on sale of equity investments in the prior year,

or a decrease of 15.4%* on a non-GAAP basis. Our Team quickly took action early last year to conserve cash, including significant expense reductions, suspending our share repurchase plan, and pausing our acquisition program and in 2020 we delivered strong operating cash flow of approximately \$594 million.

As global business conditions improved, we resumed acquisition activities and closed nine acquisitions with aggregate sales of almost \$300 million and deployed nearly \$200 million in capital in 2020. More recently, we reinstated our share repurchase program, allocating capital in support of our strategic plan. These actions are illustrative of our commitment to delivering attractive capital returns to our shareholders.

Throughout this time, we have remained focused on our efforts to drive innovation, build market share, enhance our margin profile, and optimize our cost infrastructure, which positions us well to drive earnings growth and value creation over the long term.

A Health Care Solutions Network Focused on Supporting the Delivery of Care

We serve as a business partner to our customers, and our consultative approach has never been more important. We are putting the power of our network of trusted advisors to work by providing information, education, and advice on more than 300 Business, Clinical, Technology, and Supply Chain Solutions. We believe our high-touch, consultative, full-service model represents a highly defensible value proposition. By providing world-class supply chain systems and online ordering capabilities, software and digital technology solutions, and an extensive array of equipment and other services, we can best serve the unique needs of our customers. We believe that no other company delivers a combination of products,

solutions, expertise, and access to a network of trusted advisors that is equal to Henry Schein's, which practitioners value as a resource to help drive practice success.

We are currently in the process of developing our 2022 through 2024 strategic plan, which we believe will optimize the long-term return on our investments and enable us to continue delivering value to our shareholders. A core element in our strategic efforts is a further advancement of our value-added model, with our One Schein initiative. This unified go-to-market approach enables practitioners to work synergistically with Henry Schein's supply chain, equipment sales and service, and other value-added services, allowing our customers to leverage the combined value that we offer through a single program. Ultimately, One Schein enables customers to enhance patient treatment options and outcomes and simplify business operations, in addition to the opportunity to drive practice profitability.

We believe our evolving strategic plan will drive our long-term goal to expand operating margin and earnings, in part with contributions from businesses that offer high-margin, high-growth opportunities, including Henry Schein One software, dental specialty solutions, including implant and bone regeneration, endodontic, and orthodontic products, as well as medical specialty solutions and corporate brands.

Continued Commitment to Stakeholders

2020 was a year in which access to quality health care and inequality came into sharp focus with regard to society overall. These crises have only deepened Henry Schein's resolve to play our part in addressing the gaps in access to quality health care and continuously building a more just society. As a global health care products and services leader, we embrace strong engagement with all our stakeholders, including

supplier partners, customers, Team Schein Members, shareholders, and society. At the heart of doing business while serving the needs of our communities is our commitment to advancing our environmental, social, and governance (ESG) performance. We have a broad cross-functional sustainability team working with our business and corporate teams on goals and targets for carbon dioxide, energy, waste, supply chain, diversity & inclusion, safety, employee training, volunteering, and community impact. We are taking steps toward disclosures under the Task Force on Climate-Related Financial Disclosures and the Science-Based Target Initiative, advancing our goals and targets and enhancing our policies. Our Diversity & Inclusion work has always been a part of our core values and we have helped drive this conversation for more than two decades. Building on our Women's Leadership Network Employee Resource Group, we have added three additional affinity groups, including our Black Legacy Professionals, Pride & Allies, and LatinX ERGs. We were pleased to earn 100% on the Human Rights Campaign Foundation's Corporate Equality Index, an annual assessment of LGBTQ workplace equality, to be named to the FORTUNE® 'World's Most Admired Companies' List for the 20th consecutive year as well as its 2020 'Change the World' List, and to be recognized by Ethisphere as one of the 2021 'World's Most Ethical Companies' for the 10th time.

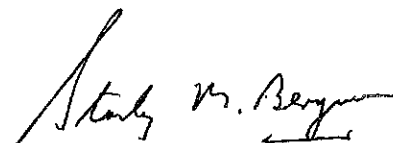
25 Years as a Public Company

In November 2020, Henry Schein celebrated 25 years as a publicly traded company on the Nasdaq Stock Market. Our annual net sales increased from approximately \$584 million to \$10.1 billion from the time of our Initial Public Offering through the end of 2020, and over that period we delivered a compound annual growth rate of 12% in sales and 12%** in non-GAAP diluted EPS, both from continuing operations.

Our balance sheet remains strong and we have access to significant liquidity. We will continue to invest in our business to fuel our growth, both organically and through strategic acquisitions.

As I look to our future, I have the utmost confidence in Henry Schein's business strategy, in our leadership team, and in all of Team Schein. I would like to take this opportunity to thank Paul Brons and Shira Goodman for their many years of service and valued contributions to the Henry Schein Board and welcome our newest members, Mohamad Ali and Deborah Derby, who will undoubtedly provide valuable perspectives as we continue to execute our strategy. I offer my sincere thanks to our Team Schein Members across the globe for an unwavering commitment and for the many sacrifices they have made for the benefit of Henry Schein and our customers. I also wish to thank our customers, supplier partners, and shareholders for their continued trust and support.

Sincerely,



Stanley M. Bergman
*Chairman of the Board
and Chief Executive Officer*

March 2021

Forward-looking statements made in this report are subject to the risks specified in the Safe Harbor statement in the Company's Form 10-K filing.

* See reconciliation of GAAP and non-GAAP measures on page 4.

** Diluted EPS was negative in 1995 and GAAP CAGR amount cannot be calculated.

NON-GAAP DISCLOSURES

The following table sets forth, for the applicable periods, a reconciliation of accounting principles generally accepted in the United States ("GAAP") operating income, net income from continuing operations attributable to Henry Schein, Inc., and diluted earnings per share from continuing operations adjusted to reflect the effects of restructuring costs, litigation settlements, and other adjustments.

USE OF NON-GAAP MEASURES

The information in the table includes financial measures that are not calculated and presented in accordance with GAAP. The table reconciles differences between each of operating income from continuing operations, net income from continuing operations attributable to Henry Schein, Inc., and diluted earnings per share from continuing operations attributable to Henry Schein, Inc., each as presented in accordance with GAAP, and comparable non-GAAP amounts as adjusted to eliminate the effect of the items listed below.

We eliminated the effect of the items listed below to assist in evaluating the underlying operational performance of our business, excluding such costs, over the periods presented. Management believes that non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance and allow for greater transparency with respect to key metrics used by management in operating our business. These non-GAAP financial measures are presented solely for informational and comparative purposes and should not be regarded as a replacement for corresponding, similarly captioned, GAAP measures.

NOTES

- (1) During 2020, we recorded restructuring costs of \$32.1 million pre-tax (\$24.1 million net of tax). During 2019, we recorded restructuring costs of \$14.7 million pre-tax (\$11.0 million net of tax). During 2018, we recorded restructuring costs of \$54.4 million pre-tax (\$40.8 million net of tax). The effect that these charges had on earnings per diluted share from continuing operations attributable to Henry Schein, Inc. was \$(0.17), \$(0.07) and \$(0.27), respectively.
- (2) Represents a 2018 pre-tax charge of \$38,488 related to a litigation settlement, resulting in a net after tax charge of \$28,866. The effect that this charge had on earnings per diluted share from continuing operations attributable to Henry Schein, Inc. was \$(0.19).
- (3) Represents net after-tax gains on the sale of equity investments recorded during 2020 and 2019. The effect that these transactions had on earnings per diluted share from continuing operations attributable to Henry Schein, Inc. was \$0.01 and \$1.25, respectively.
- (4) Represents a 2018 net credit of \$10,000 related to a change in the estimate of the transition tax on deemed repatriated foreign earnings. The effect that this credit had on earnings per diluted share from continuing operations attributed to Henry Schein, Inc. was \$0.07.
- (5) Represents a 2018 one-time charge of \$3,914 to income tax expense as a result of a reorganization of legal entities related to forming Henry Schein One. The effect that this charge had on earnings per diluted share from continuing operations attributed to Henry Schein, Inc. was \$(0.03).
- (6) Represents a \$10,649 effect on income resulting from an income tax credit of \$13,852, net of noncontrolling interest of \$3,203, originating from a legal entity reorganization outside the United States. The effect that this credit had on earnings per diluted share from continuing operations attributed to Henry Schein, Inc. was \$0.07.
- (7) Represents a 2018 one-time charge of \$3,135 to income tax expense as a result of a reorganization of legal entities completed in preparation for the Animal Health spin-off. The effect that this charge had on earnings per diluted share from continuing operations attributed to Henry Schein, Inc. was \$(0.02).
- (8) Represents a change in estimate to income tax expense as a result of a reorganization of legal entities completed in preparation for the Animal Health spin-off, which was completed on February 7, 2019. The effect this change had on earnings per diluted share from continuing operations attributed to Henry Schein, Inc. was \$0.01.

| | Year Ended December 26, 2020 | Year Ended December 28, 2019 | Year Ended December 29, 2018 |
|--|------------------------------------|------------------------------------|------------------------------------|
| (in thousands, except per share data) | | | |
| Operating income from continuing operations | \$ 535,303 | \$ 718,261 | \$ 600,619 |
| Operating margin from continuing operations | 5.3% | 7.2% | 6.4% |
| Adjustments: | | | |
| Restructuring costs (1) | \$ 32,093 | \$ 14,705 | \$ 54,367 |
| Litigation settlement (2) | \$ -- | \$ -- | \$ 38,488 |
| Adjusted operating income from continuing operations | \$ 567,396 | \$ 732,966 | \$ 693,472 |
| Adjusted operating margin from continuing operations | 5.6% | 7.3% | 7.4% |
| Net income from continuing operations attributable to Henry Schein, Inc.: | \$ 402,808 | \$ 700,691 | \$ 430,717 |
| Adjustments, net of tax: | | | |
| Restructuring costs (1) | \$ 24,070 | \$ 11,029 | \$ 40,775 |
| Litigation settlement (2) | -- | -- | \$ 28,866 |
| Net Gain on sale of equity investments (3) | \$ (1,572) | \$ (186,769) | -- |
| Transitional tax on repatriated Foreign earnings (4) | -- | -- | \$ (10,000) |
| One-time tax charge for Henry Schein One legal entity reorganization (5) | -- | -- | \$ 3,914 |
| Tax credit (net of noncontrolling interest from international legal entity reorganization) (6) | -- | -- | \$ (10,649) |
| One-time tax for Animal Health legal entity reorganization (7) | -- | -- | \$ 3,135 |
| Tax credit related to Animal Health spin-off (8) | -- | \$ (1,333) | -- |
| Adjusted net income from continuing operations attributable to Henry Schein, Inc.: | \$ 425,306 | \$ 523,618 | \$ 486,758 |
| Diluted earnings per share from continuing operations attributable to Henry Schein, Inc.: | \$ 2.81 | \$ 4.69 | \$ 2.80 |
| Adjusted diluted earnings per share from continuing operations attributable to Henry Schein, Inc.: | \$ 2.97 | \$ 3.51 | \$ 3.17 |
| Diluted weighted-average common shares outstanding: | 143,404 | 149,257 | 153,707 |

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

(Mark One)

- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 26, 2020
- ☐ 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
(State or other jurisdiction of
incorporation or organization)

11-3136595
(I.R.S. Employer Identification No.)

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

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

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

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|---|--------------------------|--|
| Common Stock, par value \$.01 per share | HSIC | The Nasdaq Global Select Market |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES: ☒ NO: ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES: ☐ NO: ☒

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

YES: ☒ NO: ☐

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

YES: ☒ NO: ☐

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. YES: ☒ NO: ☐

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

YES: ☐ NO: ☒

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, computed by reference to the closing sales price as quoted on the Nasdaq Global Select Market on June 27, 2020, was approximately \$7,932,914,000.

As of February 8, 2021, there were 142,464,090 shares of registrant's Common Stock, par value \$.01 per share, outstanding.

Documents Incorporated by Reference:

Portions of the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year (December 26, 2020) are incorporated by reference in Part III hereof.

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PART I

ITEM 1. Business

General

Henry Schein, Inc. is a solutions company for health care professionals powered by a network of people and technology. We believe we are the world's largest provider of health care products and services primarily to office-based dental and medical practitioners, as well as alternate sites of care. Our philosophy is grounded in our commitment to help customers operate a more efficient and successful business so the practitioner can provide better clinical care.

With more than 88 years of experience distributing health care products, we have built a vast set of small, mid-sized and large customers in the dental and medical markets, serving more than one million customers worldwide across dental practices and laboratories and physician practices, as well as government, institutional health care clinics and other alternate care clinics.

We are headquartered in Melville, New York, employ more than 19,000 people (of which approximately 9,800 are based outside the United States) and have operations or affiliates in 31 countries and territories, 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, South Africa, Spain, Sweden, Switzerland, Thailand, United Arab Emirates and the United Kingdom. This broad global footprint has evolved over time through our organic success as well as through contribution from strategic acquisitions.

Our business extends far beyond our supply chain capabilities across the globe. We provide a wide breadth of products, value-added solutions and support to customers, including consumables and equipment. Through Henry Schein One, we offer dental practice management, patient engagement and demand creation software solutions. We also offer a broad range of financial services for our customers to help them operate and expand their business operations. We believe our hands-on consultative approach to support practice decision-making is a key differentiator for our business.

We offer a comprehensive selection of more than 120,000 branded products and Henry Schein private brand products in stock, as well as more than 180,000 additional products available as special-order items.

As the market continues to evolve toward solutions that offer ease and convenience for ordering products and communicating with our solutions teams, we are investing in digital enhancements to our e-commerce platforms and our web capabilities.

We have established over 3.5 million square feet of space in 28 strategically located distribution centers around the world to enable us to better serve our customers and increase our operating efficiency. Our infrastructure allows us to provide rapid and accurate order fulfillment. Historically, approximately 99% of items have been shipped without back ordering and were shipped on the same business day the order is received. Due to the significant increase in demand for personal protective equipment ("PPE"), as a result of the COVID-19 pandemic, during the year ended December 26, 2020, approximately 93% of items ordered were shipped without back ordering and 90% were shipped on the same business day the order was received. As the demand for PPE stabilizes, we expect our percentage of items shipped without back ordering and shipped on the same day to return to historic levels. 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.

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 combined dental and medical 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, government and other institutions. Our global medical group serves physician offices, urgent care centers, ambulatory care sites, emergency medical technicians, dialysis centers, home health, federal and state governments and large enterprises, such as group practices and integrated delivery networks, among other providers across a wide range of specialties. While our primary go-to-market strategy is in our capacity as a distributor, we also manufacture certain dental specialty products in the areas of implants, orthodontics and endodontics. We have achieved scale in these global businesses primarily through acquisitions as manufacturers of these products typically do not utilize a distribution channel to serve customers.

As an alternative to branded product options, we also market under our own private label portfolio of cost-effective, high-quality consumable merchandise products for our dental and medical customers. Sales of our private label products generally achieve gross profit margins that are higher than the average margin on the other products we sell.

Our global technology and value-added services group provides software, technology and other value-added services to health care practitioners. Henry Schein One, the largest contributor of sales to this category, offers software systems for dental practitioners. This segment also includes a small medical software business known as MicroMD. In addition, we offer physicians a broad suite of electronic health records, integrated revenue cycle management, and patient communication services. Finally, our value-added practice solutions include financial service offerings, which include practice finance solutions such as credit card billing and facilitation of customer loans (on a non-recourse basis) to acquire equipment and technology, as well as solutions to broker dental practice transitions. We do not take on the liability of such loans but instead receive an origination fee for coordinating loans between practice customers and third-party banking groups.

Recent Developments

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments” herein for a discussion related to the COVID-19 pandemic and recent corporate transactions.

Industry

The global health care 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 mid-sized and large group practices ranging in size from a few practitioners to several hundred practices owned or operated by dental support organizations (DSOs), hospital systems, or integrated delivery networks (IDNs).

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, hygienist or office manager. Supplies and small equipment are generally purchased from more than one distributor, with one generally serving as the primary supplier.

The health care distribution industry continues to experience growth due to demand driven by the aging population, increased health care awareness and the importance of preventative care, an increasing understanding of the connection between good oral health and overall health, improved access to care globally, 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 and technological improvements, including the advancement of software and services, prosthetic solutions and telemedicine. In addition, the non-acute market continues to benefit from the shift of procedures and diagnostic testing from acute care settings to alternate-care sites, particularly physicians’ offices and ambulatory surgery centers.

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.

In addition, customer consolidation will likely lead to multiple locations under common management and the movement of more procedures from the hospital setting to the physician or alternate care setting as the health care industry is increasingly focused on efficiency and 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.

Competition

The distribution and manufacture of health care supplies and equipment is highly competitive. Many of the health care products we sell are available to our customers from a number of suppliers. In addition, our competitors could obtain exclusive rights from manufacturers to market particular products. Manufacturers also could seek to sell directly to end-users, and thereby eliminate or reduce our role and that of other distributors. In certain parts of the dental end market, such as those related to dental specialty products, manufacturers already sell directly to end customers.

In North America, we compete with other distributors, as well as several manufacturers, of dental and medical products, primarily on the basis of price, breadth of product line, e-commerce capabilities, customer service and value-added products and services. In the dental market, our primary competitors in the U.S. are the Patterson Dental division of Patterson Companies, Inc. and Benco Dental Supply Company. In addition, we compete against a number of other distributors that operate on a national, regional and local level. Our primary competitors in the U.S. medical market, which accounts for the large majority of our global medical sales, are McKesson Corporation and Medline Industries, Inc., which are national distributors. We also compete with a number of regional and local medical distributors, as well as a number of manufacturers that sell directly to physicians. With regard to our dental software, we compete against numerous companies, including the Patterson Dental division of Patterson Companies, Inc., Carestream Health, Inc., Open Dental Software, Inc., PlanetDDS LLC, Good Methods Global Inc. (d.b.a. CareStack) and Curve Dental, LLC. In other software end markets, including revenue cycle management, patient relationship management and patient demand generation, we compete with companies such as Vyne Therapeutics Inc., EDI-Health Group, Inc. (d.b.a. Dental X Change, Inc.), Weave Communications, Inc., Solutionreach, Inc., ZocDoc, Inc., LocalMed Inc. and Prosites Inc. The medical practice management and electronic medical records market is very fragmented and we compete with numerous companies such as the NextGen division of Quality Systems, Inc., eClinicalWorks, Allscripts Healthcare Solutions, Inc., and Epic Systems Corporation.

Outside of the U.S., we believe we are the only global distributor of supplies and equipment to dental practices, and our competitors are primarily local and regional companies. We also face significant competition internationally, where we compete on the basis of price and customer service against several large competitors, including the GACD Group, Proclinic SA, Lifco AB, Planmeca Oy and Billericay Dental Supply Co. Ltd., as well as a large number of other dental and medical product distributors and manufacturers in international countries and territories we serve.

Competitive Strengths

We have more than 88 years of experience in distributing products to health care practitioners resulting in strong awareness of the Henry Schein® brand. Our competitive strengths include:

A focus on meeting our customers' unique needs. We are committed to providing customized solutions to our customers that are driven by our understanding of the end markets we serve and reflect the technology-driven products and services best suited for their practice needs. We are committed to continuing to enhance these

offerings through organic investment in our products and our teams, as well through as the acquisition of new products and services that may help us better serve our customers.

Direct sales and marketing expertise. Our sales and marketing efforts are designed to establish and solidify customer relationships through personal or virtual visits by field sales representatives, frequent direct marketing and telesales contact, emphasizing our broad product lines, including exclusive distribution agreements, competitive prices and ease of order placement, particularly through our e-commerce platforms. The key elements of our direct sales and marketing efforts are:

- *Field sales consultants.* We have over 3,450 field sales consultants, including equipment sales specialists, covering major North American, European and other international markets. These consultants complement our direct marketing and telesales efforts and enable us to better market, service and support the sale of more sophisticated products and equipment.
- *Marketing.* During 2020, we marketed to existing and prospective office-based health care providers through a combination of owned, earned and paid digital channels, as well as through catalogs, flyers, direct mail, and other promotional materials. Our strategies included an emphasis on educational content through webinars and content marketing initiatives. We continue to enhance our marketing technology to improve our targeting capability and the relevance of messaging and offers.
- *Telesales.* We support our direct marketing effort with approximately 2,250 inbound and outbound telesales representatives, who facilitate order processing, generate new sales through direct and frequent contact with customers and stay abreast of market developments and the hundreds of new products, services and technologies introduced each year to educate practice personnel.
- *Electronic commerce solutions.* We provide our customers and sales teams with innovative and competitive e-commerce solutions. We continue to invest in our e-commerce platform to offer enhanced content management so customers can more easily find the products they need and to enable an engaging purchase experience, supported by excellent customer service.
- *Social media.* Our operating entities and employees engage our customers and supplier partners through various social media platforms, which are an important element of our communications and marketing efforts. We continue to expand our social media presence to raise awareness about issues, engage customers beyond a sale and deliver services and solutions to specialized audiences.

Broad product and service offerings at competitive prices. We offer a broad range of products and services to our customers, at competitive prices, in the following categories:

- *Consumable supplies and equipment.* We offer over 120,000 Stock Keeping Units, or SKUs, to our customers. We offer over 180,000 additional SKUs to our customers in the form of special order items.
- *Technology and other value-added products and services.* We sell practice management, patient engagement, and patient demand creation software solutions to our dental customers. Our practice management solutions provide practitioners with electronic medical records, patient treatment history, billing, accounts receivable analyses and management, appointment calendars, electronic claims processing and word processing programs, network and hardware services, e-commerce and electronic marketing services, sourcing third party patient payment plans, transition services and training and education programs for practitioners. We also sell medical software for practice management, certified electronic health records (“EHR”) and e-Prescribe medications and prescription solutions through MicroMD®. We have approximately 800 technical representatives supporting customers using our practice management solutions and services. As of December 26, 2020, we had an active user base of approximately 94,500 practices and 374,000 consumers, including users of AxiUm, Dentally®, Dentrrix Ascend®, Dental Vision®, Dentrrix® Dental Systems, Dentrrix® Enterprise, Easy Dental®, EndoVision®, Evolution® and EXACT®, Gesden®, Julie® Software, Oasis, OMSVision®, Orisline®, PerioVision®, Power Practice® Px, PowerDent, and Viive® and subscriptions for Demandforce®, Sesame, and Lighthouse360® for dental practices and DentalPlans.com® for dental patients; and MicroMD® for physician practices.

- *Repair services.* We have over 140 equipment sales and service centers worldwide that provide a variety of repair, installation and technical services for our health care customers. Our over 2,000 technicians provide installation and repair services for: dental handpieces; dental and medical small equipment; table top sterilizers; and large dental equipment.
- *Financial services.* We offer our customers solutions in operating their practices more efficiently by providing access to a number of financial services and products provided by third party vendors (including non-recourse financing for equipment, technology and software products; non-recourse patient financing; collection services and credit card processing) at rates that we believe are generally lower than what our customers would be able to secure independently. We also provide consulting services, dental practice valuation and brokerage services.

Commitment to superior customer service. We maintain a strong commitment to providing superior customer service. We frequently monitor our customer service through customer surveys, focus groups and statistical reports. Our customer service policy primarily focuses on:

- *Exceptional order fulfillment.* We ship an average of approximately 128,000 cartons daily. Historically, approximately 99% of items have been shipped without back ordering and were shipped on the same business day the order is received. Due to the significant increase in demand for PPE, as a result of COVID-19, during the year ended December 26, 2020, approximately 93% of items ordered were shipped without back ordering and 90% were shipped on the same business day the order was received. As the demand for PPE stabilizes, we expect our percentage of items shipped without back ordering and shipped on the same day to return to historical levels.
- *Comprehensive ordering process.* Customers may place orders 24 hours a day, 7 days a week via e-commerce solutions, telephone, fax, e-mail, and mail.

Integrated management information systems. Our information systems generally allow for centralized management of key functions, including accounts receivable, inventory, accounts payable, payroll, purchasing, sales, order fulfillment and financial and operational reporting. These systems allow us to manage our growth, deliver superior customer service, properly target customers, manage financial performance and monitor daily operational statistics.

Cost-effective purchasing. We believe that cost-effective purchasing is a key element to maintaining and enhancing our position as a competitively priced provider of health care products. We continuously evaluate our purchase requirements and suppliers' offerings and prices in order to obtain products at the lowest possible cost. In 2020, our top 10 health care distribution suppliers and our single largest supplier accounted for approximately 30% and 4%, respectively, of our aggregate purchases.

Efficient distribution. We distribute our products from our strategically located distribution centers. We strive to maintain optimal inventory levels in order to satisfy customer demand for prompt delivery and complete order fulfillment. These inventory levels are managed on a daily basis with the aid of our management information systems. Once an order is entered, it is electronically transmitted to the distribution center nearest the customer's location for order fulfillment.

Products

The following table sets forth the percentage of consolidated net sales by principal categories of products offered through our health care distribution and technology reportable segments:

| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
|---|----------------------|----------------------|----------------------|
| Health care distribution: | | | |
| Dental products ⁽¹⁾ | 58.4 % | 64.2% | 67.4% |
| Medical products ⁽²⁾ | 35.8 | 29.8 | 28.3 |
| Total health care distribution | 94.2 | 94.0 | 95.7 |
| Technology and value-added services: | | | |
| Software and related products and other value-added products ⁽³⁾ | 5.1 | 5.2 | 4.3 |
| Total excluding Corporate TSA revenues | 99.3 | 99.2 | 100.0 |
| Corporate TSA revenues ⁽⁴⁾ | 0.7 | 0.8 | - |
| Total | 100.0 | 100.0 | 100.0 |

(1) Includes infection-control products, handpieces, preventatives, impression materials, composites, anesthetics, teeth, dental implants, gypsum, acrylics, articulators, abrasives, dental chairs, delivery units and lights, X-ray supplies and equipment, personal protective equipment, equipment repair and high-tech and digital restoration equipment.

(2) Includes branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products, X-ray products, equipment, personal protective equipment, and vitamins.

(3) 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.

(4) Corporate TSA revenues represents sales of certain products to Covetrus under the transition services agreement entered into in connection with the Animal Health spin-off, which ended in December 2020.

Business Strategy

Our objective is to continue to expand as a global value-added provider of health care products and services to office-based dental and medical practitioners by increasing their efficiency and success. To accomplish this, we will apply our competitive strengths in executing the following strategies:

- *Increase penetration of our existing customer base.* We have over 1 million customers worldwide and we intend to increase sales to our existing customer base and enhance our position as their primary supplier. We believe our offering of a broad range of products, services and support, including software solutions that can help drive improved workflow efficiency and patient communications for practices, coupled with our full-service value proposition, helps us to retain and grow our customer base.
- *Increase the number of customers we serve.* This strategy includes increasing the productivity of our field sales consultants and telesales team, as well as using our customer database to focus our marketing efforts in all of our operating segments. In the dental business, we provide products and services to independent practices, mid-market groups, and large DSOs as well as community health centers and government sites of care. Leveraging our broad array of assets and capabilities, we offer solutions to address these new markets. In the medical business, we have expanded to serve customers located in settings outside of the traditional office, such as urgent care clinics, retail, occupational health and home health settings. As settings of health care shift, we remain committed to serving these practitioners and providing them with the products and services they need.
- *Leverage our value-added products and services.* We continue to increase cross-selling efforts for key product lines utilizing a consultative selling process. In the dental business, we have significant cross-selling opportunities between our dental software users and our dental distribution customers. In the medical business, we have opportunities to expand our vaccine, injectables and other pharmaceuticals sales to health care practitioners, as well as cross-selling electronic health record and software when we sell our core products. Our strategy extends to providing health systems, integrated delivery networks and other large group and multi-site health care organizations, including physician clinics, these same value added

products and services. As physicians and health systems closely align, we have increased access to opportunities for cross-marketing and selling our product and service portfolios.

- *Pursue strategic acquisitions and joint ventures.* Our acquisition strategy is focused on investments in companies that add new customers and sales teams, increase our geographic footprint (whether entering a new country, such as emerging markets, or building scale where we have already invested in businesses), and finally, those that enable us to access new products and technologies.

Markets Served

Demographic trends indicate that our markets are growing, as an aging U.S. population is increasingly using health care services. Between 2020 and 2030, the 45 and older population is expected to grow by approximately 11%. Between 2020 and 2040, this age group is expected to grow by approximately 22%. This compares with expected total U.S. population growth rates of approximately 7% between 2020 and 2030 and approximately 12% between 2020 and 2040.

In the dental industry, there is predicted to be a rise in oral health care expenditures as the 45-and-older segment of the population increases. There is increasing demand for new technologies that allow dentists to increase productivity, and this is being driven in the U.S. by lower insurance reimbursement rates. At the same time, there is an expected increase in dental insurance coverage.

We support our dental professionals through the many SKUs that we offer, as well as through important value-added services, including practice management software, electronic claims processing, financial services and continuing education, all designed to help maximize a practitioner's efficiency.

In the medical market, there continues to be a migration of procedures from acute-care settings to physicians' offices and home health settings, a trend that we believe provides additional opportunities for us. There also is the continuing use of vaccines, injectables and other pharmaceuticals in alternate-care settings. We believe we have established a leading position as a vaccine supplier to the office-based physician practitioner.

Additionally, we seek to expand our dental full-service model and our medical offerings in countries where opportunities exist. Through our "Schein Direct" program, we also have the capability to provide door-to-door air package delivery to practitioners in over 190 countries around the world.

For information on revenues and long-lived assets by geographic area, see Note 18 -- Segment and Geographic Data of "Notes to Consolidated Financial Statements."

Seasonality and Other Factors Affecting Our Business and Quarterly Results

We experience fluctuations in quarterly earnings. As a result, we may fail to meet or exceed the expectations of securities analysts and investors, which could cause our stock price to decline.

Our business is subject to seasonal and other quarterly fluctuations. Revenues and profitability generally have been higher in the third and fourth quarters due to the timing of sales of seasonal products (including influenza vaccine, equipment and software products), purchasing patterns of office-based health care practitioners and year-end promotions. Revenues and profitability may also be impacted by the timing of certain annual and biennial dental tradeshows where equipment promotions are offered. In addition, some dental practices delay equipment purchases in the U.S. until year-end due to tax incentives. Revenues and profitability generally have been lower in the first quarter, primarily due to increased sales in the prior two quarters. We expect our historical seasonality of sales to continue in the foreseeable future.

Governmental Regulations

We strive to be substantially compliant with the applicable laws, regulations and guidance described below, and believe we have effective compliance programs and other controls in place to ensure substantial compliance. However, compliance is not guaranteed either now or in the future, as certain laws, regulations and guidance may be subject to varying and evolving interpretations that could affect our ability to comply, as well as future changes, additions, and enforcement approaches, including in light of political changes. For example, President Biden's administration has authorized and encouraged a freeze on certain federal regulations that have been published but are not yet effective, as well as a review of all federal regulations issued during President Trump's administration. Changes with respect to the applicable laws, regulations and guidance described below may require us to update or revise our operations, services, marketing practices, and compliance programs and controls, and may impose additional and unforeseen costs on us, pose new or previously immaterial risks to us, or may otherwise have a material adverse effect on our business.

Government

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

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

Our businesses are also generally subject to numerous other laws and regulations that could impact our financial performance, including securities, antitrust, consumer protection, anti-bribery and anti-kickback, customer interaction transparency, data privacy, data security, government contracting and other laws and regulations.

Failure to comply with law or regulations could have a material adverse effect on our business.

Operating, Security and Licensure Standards

Certain of our businesses involve the distribution, importation, exportation, marketing and sale of, and third party payment for, pharmaceuticals and medical devices, and in this regard we are subject to various local, state, federal and foreign governmental laws and regulations, including as applicable to our wholesale distribution and sale of pharmaceuticals and medical devices, and, as part of our specialty home medical supply business that distributes and sells medical equipment and supplies directly to patients. 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, as well as laws regulating the billing of and reimbursement from government programs, such as Medicare and Medicaid, and from commercial payers. We are also subject to comparable foreign regulations.

The FDC Act, the Controlled Substances Act, their implementing regulations, and similar foreign laws generally regulate the introduction, manufacture, advertising, marketing and promotion, sampling, pricing and reimbursement, labeling, packaging, storage, handling, returning or recalling, reporting, 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. Furthermore, 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. 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 certain 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. The DSCSA requires wholesalers and 3PLs to submit annual reports to the FDA, which include information regarding each state where the wholesaler or 3PL is licensed, the name and address of each facility and contact information. 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 concerning wholesalers will remain in effect until the FDA issues new regulations as directed by the DSCSA. In addition, with respect to our specialty home medical supply business, we are subject to certain state licensure laws (including state pharmacy laws), and also certain accreditation standards, including to qualify for reimbursement from Medicare and other third-party payers.

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, 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 (including, but not limited to, certain software that qualifies as a medical device under FDA rules), 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, reproducers 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.

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, reporting, record-keeping 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 ("HHS"), 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.

EU Regulation of Medicinal and Dental Products

EU member states regulate their own healthcare systems, as does EU law. The latter regulates certain matters, most notably medicinal products and medical devices. Medicinal products are defined, broadly, as substances or combinations of substances having certain functionalities and may not include medical devices. EU “regulations” apply in all Member States, whereas “directives” are implemented by the individual laws of member states.

On medicines for humans, we are regulated under Directive No. 2001/83/EC of 6 November 2001 and EU Regulation No. 726/2004 of 31 March 2004. These rules provide for the authorization of products, and regulate their manufacture, importation, marketing, and distribution. It implements requirements which may be implemented without warning, as well as a national pharmacovigilance system under which marketing authorizations may be withdrawn, and includes potential sanctions for breaches of the rules, and on other bases such as harmfulness or inefficiency.

EU Regulation No. 1223/2009 of 30 November 2009 *on cosmetic products* requires that cosmetic products (which includes dental products) be safe for human health when used under normal or reasonably foreseeable conditions of use and comply with certain obligations which apply to manufacturer, importer and distributor. It includes market surveillance, and non-compliance may result in the recall or withdrawal of products, along with other sanctions.

In the European Union, the EU Medical Device Regulation No. 2017/745 (“EU MDR”) covers a wide scope of our activities, from dental material to X-ray machines, and certain software. It was meant to become applicable three years after publication (in May 2020). However, on April 23, 2020, to allow European Economic Area (“EEA”) national authorities, notified bodies, manufacturers and other actors to focus fully on urgent priorities related to the COVID-19 pandemic, the European Council and Parliament adopted Regulation 2020/561, postponing the date of application of the EU MDR by one year (to May 2021). In the meantime, rules provided for by Directive No. 90/385/EEC of 20 June 1990 *on the approximation of the laws of the member states relating to active implantable medical devices* remain applicable (in particular to certain software).

The EU MDR significantly modifies and intensifies the regulatory compliance requirements for the medical device industry as a whole. Once applicable, the EU MDR will among other things:

- Strengthen the rules on placing devices on the market and reinforce surveillance once they are available;
- Establish explicit provisions on manufacturers’ responsibilities for the follow-up of the quality, performance and safety of devices placed on the market;
- Improve the traceability of medical devices throughout the supply chain to the end-user or patient through a unique identification number;
- Set up a central database to provide patients, healthcare professionals and the public with comprehensive information on products available in the EU;
- Strengthen rules for the assessment of certain high-risk devices, such as implants, which may have to undergo an additional check by experts before they are placed on the market; and
- Identify importers and distributors and medical device products through registration in a database (Eudamed not due until 2022 and after).

In particular, the EU MDR imposes stricter requirements for the confirmation that a product meets the regulatory requirements, including regarding a product's clinical evaluation and a company's quality systems, and for the distribution, marketing and sale of medical devices, including post-market surveillance. Medical devices that have been assessed and/or certified under the EU Medical Device Directive may continue to be placed on the market until 2024 (or until the expiry of their certificates, if applicable and earlier); however, requirements regarding the distribution, marketing and sale including quality systems and post-market surveillance have to be observed by manufacturers, importers and distributors as of the application date.

Other EU regulations that may apply under appropriate circumstances include EU Regulation No. 1907/2006 of 18 December 2006 *concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals*, which requires importers to register substances or mixtures that they import in the EU beyond certain quantities, and the EU Regulation No. 1272/2008 of 16 December 2008 on classification, labelling and packaging of substances and mixtures ("CLP Regulation"), which sets various obligations with respect to the labelling and packaging of concerned substances and mixtures.

Furthermore, compliance with legal requirements has required and may in the future require us to delay product release, sale or distribution, or institute voluntary recalls of products we sell, each of which could result in regulatory and enforcement actions, financial losses and potential reputational harm. Our customers are also subject to significant federal, state, local and foreign governmental regulation, which may affect our interactions with customers, including the design and functionality of our products.

Certain of our businesses are subject to various additional federal, state, local and foreign laws and regulations, including with respect to the sale, transportation, storage, handling and disposal of hazardous or potentially hazardous substances, and safe working conditions. In addition, certain of our businesses must operate in compliance with a variety of burdensome and complex billing and record-keeping requirements in order to substantiate claims for payment under federal, state and commercial healthcare reimbursement programs.

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

Antitrust and Consumer Protection

The federal government of the United States, most U.S. states and many foreign countries have antitrust laws that prohibit certain types of conduct deemed to be anti-competitive, as well as consumer protection laws that seek to protect consumers from improper business practices. At the U.S. federal level, the Federal Trade Commission oversees enforcement of these types of laws, and states have similar government agencies. Violations of antitrust or consumer protection laws may result in various sanctions, including criminal and civil penalties. Private plaintiffs may also bring civil lawsuits against us in the United States for alleged antitrust law violations, including claims for treble damages. EU law also regulates competition and provides for detailed rules protecting consumers.

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. Certain additional state and federal laws, such as the federal Physician Self-Referral Law, commonly known as the "Stark Law," prohibit physicians and other health professionals from referring a patient to an entity with which the physician (or family member) has a financial relationship, for the furnishing of certain designated health services (for example, durable medical equipment and medical supplies), unless an exception applies.

The fraud and abuse laws and regulations have been subject to 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 applicable false claims laws, and who may receive up to 30% of total government recoveries. Penalties under fraud and abuse laws may be severe, and 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. 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, as well as other fraud and abuse laws.

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.

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, or failure to comply with applicable law, could have a material adverse effect on our business.

Affordable Care Act

The United States Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, each enacted in March 2010, as amended (the “ACA”), 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 ACA also materially expanded the number of individuals in the United States with health insurance.

The ACA has faced ongoing legal challenges, including litigation seeking to invalidate and Congressional action seeking to repeal some of or all of the law or the manner in which it has been implemented. In 2012, the United States Supreme Court, in upholding the constitutionality of the ACA and its individual mandate provision requiring that people buy health insurance or else face a penalty, simultaneously limited ACA provisions requiring Medicaid expansion, making such expansion a state-by-state decision. In addition, one of the major political parties in the United States remains committed to seeking the ACA’s legislative repeal, but legislative efforts to do so have previously failed to pass both chambers of Congress. Under President Trump’s administration, a number of administrative actions were taken to materially weaken the ACA, including, without limitation, by permitting the use of less robust plans with lower coverage and eliminating “premium support” for insurers providing policies under the ACA. The Tax Cuts and Jobs Act enacted in 2017 (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, also effectively repealed the ACA’s individual mandate by zeroing out the penalty for non-compliance. In the most recent ACA litigation, the federal Fifth Circuit Court of Appeals found the individual mandate to be unconstitutional, and returned the case to the District Court for the Northern District of Texas for consideration of whether the remainder of the ACA could survive the excision of the individual mandate. The Fifth Circuit’s decision was appealed to the United States Supreme Court. The Supreme Court heard argument on the appeal on November 10, 2020, and a decision is anticipated soon. Any outcome of this case that changes the ACA, in addition to future legislation, regulation, guidance and/or Executive Orders that do the same, could have a significant impact on the U.S. healthcare industry.

An ACA provision, generally referred to as the Physician Payment Sunshine Act or Open Payments Program (the “Sunshine Act”), 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. The Centers for Medicare and Medicaid Services (“CMS”) publishes information from these reports on a publicly available website, including amounts transferred and physician, dentist and teaching hospital identities. Amendments expanded the law to also require reporting, effective January 1, 2022, of payments or other transfers of value to physician assistants, nurse practitioners, clinical nurse specialists, certified registered nurse anesthetists, and certified nurse-midwives, and this new requirement will be effective for data collected beginning in calendar year 2021. The 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 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.

In the United States, government actions to seek to increase health-related price transparency may also affect our business.

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, which modified 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”), through which Medicare reimbursement to eligible clinicians includes both positive and negative payment adjustments that take into account quality, promoting interoperability, cost, and improvement activities. Data collected in the first MIPS performance year (2017) determined payment adjustments that began January 1, 2019. MACRA standards continue to evolve, and represent 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. New payment and delivery system reform programs, including those modeled after such federal program, are also increasingly being rolled out at the state level through Medicaid administrators, as well as through the private sector, which may further alter the marketplace and impact our business.

Recently, in addition to other government efforts to control health care costs, there has been increased scrutiny on drug pricing and concurrent efforts to control or reduce drug costs by Congress, the President, executive branch agencies and various states. At the state level, several states have adopted laws that require drug manufacturers to provide advance notice of certain price increases and to report information relating to those price increases, while others have taken legislative or administrative action to establish prescription drug affordability boards or multi-payer purchasing pools to reduce the cost of prescription drugs. At the federal level, several related bills have been introduced and regulations proposed which, if enacted or finalized, respectively, would impact drug pricing and related costs.

As a result of political, economic and regulatory influences, the health care distribution industry in the United States is under intense scrutiny and subject to fundamental changes. We cannot predict what further reform proposals, if any, will be adopted, when they may be adopted, or what impact they may have on us.

EU Directive on the pricing and reimbursement of medicinal products

EU law provides for the regulation of the pricing of medicinal products which are implemented by EU member states (Directive No. 89/105/EC of 21 December 1988 *relating to the transparency of measures regulating the pricing of medicinal products for human use and their inclusion in the scope of national health insurance systems*). Member states may, subject notably to transparency conditions and to the statement of reasons based upon objective and verifiable criteria, regulate the price charged (or its increases) for authorized medicines and their level of reimbursement, or they may freeze prices, place controls on the profitability of persons responsible for placing medicinal products on the market, and include or exclude the medicine on the list of products covered by national health insurance systems.

EU law does not expressly include provisions like those of the Sunshine Act in the United States, but a growing number of EU member states (such as France since 2011) have enacted laws to increase the transparency of relationships in the healthcare sector. The scope of these laws varies from one member state to another and may, for example, include the relations between healthcare industry players and physicians or their associations, students preparing for medical professions or their associations, teachers, health establishments or publishers of prescription and dispensing assistance software.

Regulated Software; Electronic Health Records

The FDA has become increasingly active in addressing the regulation of computer software and digital health products intended for use in health care settings. The 21st Century Cures Act (the “Cures Act”), signed into law on December 13, 2016, among other things, amended the medical device definition to exclude certain software from FDA regulation, including clinical decision support software that meets certain criteria. On September 27, 2019, the FDA issued a suite of guidance documents on digital health products, which incorporated applicable Cures Act standards, including regarding the types of clinical decision support tools and other software that are exempt from regulation by the FDA as medical devices, and continues to issue new guidance in this area. 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, our businesses that involve physician and dental practice management products, and our specialty home medical supply business, include electronic information technology systems that store and process personal health, clinical, financial and other sensitive information of individuals. These information technology systems may be vulnerable to breakdown, wrongful intrusions, data breaches and malicious attack, which could require us to expend significant resources to eliminate these problems and address related security concerns and could involve claims against us by private parties and/or governmental agencies. For example, we are directly or indirectly subject to numerous and evolving federal, state, local and foreign laws and regulations that protect the privacy and security of personal information, such as the federal Health Insurance Portability and Accountability Act of 1996, as amended, and implementing regulations (“HIPAA”), the Controlling the Assault of Non-Solicited Pornography and Marketing Act, the Telephone Protection and Electronic Protection Act of 1991, Section 5 of the Federal Trade Commission Act, the California Privacy Act (“CCPA”), and the California Privacy Rights Act (“CPRA”) that becomes effective on January 1, 2023. Laws and regulations relating to privacy and data protection are continually evolving and subject to potentially differing interpretations. These requirements may not be harmonized, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or our practices. Our businesses’ failure to comply with these laws and regulations could expose us to breach of contract claims, substantial fines, penalties and other liabilities and expenses, costs for remediation and harm to our reputation. Also, evolving laws and regulations in this area could restrict the ability of our customers to obtain, use or disseminate patient information, or could require us to incur significant additional costs to re-design our products to reflect these legal requirements, which could have a material adverse effect on our operations.

Also, the European Parliament and the Council of the European Union adopted the pan-European General Data Protection Regulation (“GDPR”), effective from May 25, 2018, which increased privacy rights for individuals in Europe (“Data Subjects”), including individuals who are our customers, suppliers and employees. The GDPR extended the scope of responsibilities for data controllers and data processors, and generally imposes increased requirements and potential penalties on companies, such as us, that offer goods or services to Data Subjects or monitor their behavior (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, and Data Subjects may seek damages. EU member states may individually impose additional requirements and penalties regarding certain matters, such as employee personal data. With respect to the personal data it protects, the GDPR requires, among other things, company accountability, consents from Data Subjects or other acceptable legal basis to process the personal data, breach notifications within 72 hours, data integrity and security, and fairness and transparency regarding the storage, use or other processing of the personal data. The GDPR also provides rights to Data Subjects relating notably to information, access, modification, erasure and transporting of the personal data.

In the United States, the CCPA, which increases the privacy protections afforded California residents, became effective January 1, 2020. The CCPA generally requires companies, such as us, to institute additional protections regarding the collection, use and disclosure of certain personal information of California residents. Compliance with the new obligations imposed by the CCPA depends in part on how particular regulators interpret and apply them, and because the CCPA is relatively new, and its implementing regulations were released in August of 2020, there remains some uncertainty about how the CCPA will be interpreted by the courts and enforced by the regulators. If we fail to comply with the CCPA or if regulators assert that we have failed to comply with the CCPA, we may be subject to certain fines or other penalties and litigation, any of which may negatively impact our reputation, require us to expend significant resources, and harm our business. Furthermore, California voters approved the CPRA on November 3, 2020, which will amend and expand the CCPA, including by providing consumers with additional rights with respect to their personal information, and creating a new state agency to enforce the CCPA and the CPRA. The CPRA will come into effect on January 1, 2023, applying to information collected by businesses on or after January 1, 2022.

Other states, as well as the federal government, have increasingly considered the adoption of similarly expansive personal privacy laws, backed by significant civil penalties for non-compliance. While we believe we have substantially compliant programs and controls in place to comply with the GDPR, CCPA and CPRA requirements, our compliance with these measures 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 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 MIPS, to use 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 evolving standards adopted by CMS and by the Office of the National Coordinator for Health Information Technology of HHS ("ONC"). Certain of our businesses involve the manufacture and sale of such certified EHR systems and other products linked to government supported 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, we may be 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.

Moreover, in order to satisfy our customers, our products may need to incorporate increasingly complex functionality, such as 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. Failure to abide by these and other 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 to safely and effectively 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 or regulatory 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.

International Transactions

United States and foreign import and export laws and regulations require us to abide by certain standards relating to the importation and exportation of products. We also are subject to certain 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, as well as other types of foreign requirements similar to those imposed in the United States.

While we believe that we are substantially compliant with the foregoing laws and regulations promulgated thereunder and possess all material permits and licenses required for the conduct of our business, there can be no assurance that regulations that impact our business or customers' practices will not have a material adverse effect on our business.

See "Item 1A. Risk Factors." for a discussion of additional burdens, risks and regulatory developments that may affect our results of operations and financial condition.

Proprietary Rights

We hold trademarks relating to the "Henry Schein®" name and logo, as well as certain other trademarks. We intend to protect our trademarks to the fullest extent practicable.

Employees and Human Capital

At Henry Schein, our employees are our greatest asset. We employ more than 19,000 full-time equivalent employees, including approximately 2,250 telesales representatives, over 3,450 field sales consultants, including equipment sales specialists, 2,000 installation and repair technicians, 3,550 warehouse employees, 800 computer programmers and technicians, 675 management employees and 6,300 office, clerical and administrative employees. Approximately 49% of our workforce is based in the United States and approximately 51% is based outside of the United States. Approximately 13% of our employees are subject to collective bargaining agreements. We believe that our relations with our employees are excellent.

We refer to our employees as Team Schein Members, or “TSMs.” Our TSMs are the cornerstone of the Company. Our success is built on the engagement and commitment of our team, which is dedicated to meeting the needs of our customers, supplier partners, fellow TSMs, stockholders and society. We are committed to supporting the personal and professional development of our TSMs, as well as providing competitive benefits and a safe, inclusive workplace, and believe that these measures help us to retain our TSMs and attract new TSMs. As part of this commitment, we have, among other things:

- *Developed a strong collaborative workplace culture.* We believe our TSMs’ ability to effectively communicate and cooperate across functional and departmental teams positively impacts our performance. Each TSM’s performance is evaluated annually, based on a measure of Team Schein values, with a focus on open communication. Our team’s performance as a whole is evaluated via a culture survey, conducted every two years, distributed to all TSMs, which, among other things, addresses collaboration. The results from our culture surveys are reviewed by senior leaders, reported to the Board of Directors and used to implement programs and processes designed to further enhance our culture. We are currently in the process of further developing our collaborative culture by, among other things, strengthening our existing commitment to diversity and inclusion, as further described below.
- *Committed to enhance our Diversity and Inclusion (“D&I”) initiatives.* We believe a diverse workforce fosters innovation and cultivates an environment filled with unique perspectives. As a result, D&I helps us meet the needs of customers around the world. We collect feedback through hosting roundtables where our senior leaders actively listen to our TSMs on topics related to D&I, and the insights learned are used to guide our efforts to support a diverse and inclusive environment. To guide our efforts and education related to D&I, we have established an Executive Diversity and Inclusion Council with engagement from our Board of Directors and Executive Management Committee. This Council drives the Company’s overall D&I strategy. In 2020, we launched a D&I learning program to educate our TSMs on critical D&I related topics, and management is incentivized to advance our D&I efforts. Additionally, we promote engagement by utilizing our Employee Resource Groups as an inclusive and diverse vehicle for all TSMs to share, connect, learn, and develop both personally and professionally. We believe that these efforts will serve as a critical stepping stone as we continue to strengthen our D&I initiatives in an effort to meet the evolving needs of our customers, supplier partners, TSMs, stockholders and society.
- *Committed to the professional development of our TSMs.* We have invested in education and skill building, and provide formal and informal learning opportunities to our TSMs. All TSMs globally are offered a broad suite of talent and professional development training programs targeted to specific learning opportunities based on their current and potential future role within the Company. We also offer over 50 organizational and development training courses designed to aid in the overall development and advancement of skills and competencies to enable organizational success.
- *Supported talent development and succession planning.* Talent planning efforts are an integral part of our commitment to ensure a strong leadership pipeline across the organization. We continuously identify a group of potential management successors as part of our succession planning process. Our senior leaders work to develop our TSMs’ talent and focus the team to execute our long-term strategic plans. Our Board of Directors is provided with periodic updates regarding our talent development and succession planning efforts, participates in professional development activities with our TSMs and receives formal documentation on these topics annually.

- *Supported TSM health and safety.* We offer competitive health and wellness programs and other benefits to eligible TSMs. In addition to employee health, we are committed to providing a safe and secure work environment for all TSMs. In response to the COVID-19 pandemic, in March 2020, we implemented certain policy and procedure changes in an effort to protect our TSMs and customers, and to support appropriate health and safety protocols. While TSMs at our manufacturing and distribution facilities, as well as field sales consultants and equipment service technicians, have continued to work onsite or in the field to provide vital services to our customers, most TSMs in administrative functions have effectively worked remotely since mid-March. To support the health and safety of our TSMs, we, among other things, implemented extensive cleaning and sanitation processes and face mask policies to protect TSMs at our manufacturing and distribution facilities, instituted social distancing and face mask policies for our field sales consultants and equipment service technicians and adopted broad work-from-home initiatives for TSMs in administrative functions. In connection with this shift to remote working, we made investments in equipment, technology, and security upgrades to help protect our information and enhance our team's ability to work remotely. Additionally, to help the team manage stress during the pandemic, we, among other things, established a "COVID-19 Resource Center" to provide a central location for all communications to support the health of TSMs and their families, and hold virtual Global Town Halls for all TSMs.

Available Information

We make available free of charge through our Internet website, www.henryschein.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, statements of beneficial ownership of securities on Forms 3, 4 and 5 and amendments to these reports and statements filed or furnished pursuant to Section 13(a) and Section 16 of the Securities Exchange Act of 1934 as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the United States Securities and Exchange Commission, or SEC. Our principal executive offices are located at 135 Duryea Road, Melville, New York 11747, and our telephone number is (631) 843-5500. Unless the context specifically requires otherwise, the terms the "Company," "Henry Schein," "we," "us" and "our" mean Henry Schein, Inc., a Delaware corporation, and its consolidated subsidiaries.

Information about our Executive Officers

The following table sets forth certain information regarding our executive officers:

| Name | Age | Position |
|---------------------|-----|--|
| Stanley M. Bergman | 71 | Chairman, Chief Executive Officer, Director |
| Gerald A. Benjamin | 68 | Executive Vice President, Chief Administrative Officer, Director |
| James P. Breslawski | 67 | Vice Chairman, President, Director |
| Michael S. Ettinger | 59 | Senior Vice President, Corporate & Legal Affairs and Chief of Staff, Secretary |
| Mark E. Mlotek | 65 | Executive Vice President, Chief Strategic Officer, Director |
| Steven Paladino | 63 | Executive Vice President, Chief Financial Officer, Director |
| Walter Siegel | 61 | Senior Vice President and General Counsel |

Stanley M. Bergman has been our Chairman and Chief Executive Officer since 1989 and a director since 1982. Mr. Bergman held the position of President from 1989 to 2005. Mr. Bergman held the position of Executive Vice President from 1985 to 1989 and Vice President of Finance and Administration from 1980 to 1985.

Gerald A. Benjamin has been our Executive Vice President and Chief Administrative Officer since 2000 and a director since 1994. Prior to holding his current position, Mr. Benjamin was Senior Vice President of Administration and Customer Satisfaction since 1993. Mr. Benjamin was Vice President of Distribution Operations from 1990 to 1992 and Director of Materials Management from 1988 to 1990. Before joining us in 1988, Mr. Benjamin was employed for 12 years at Estée Lauder, Inc., in various management positions where his last position was Director of Materials Planning and Control.

James P. Breslawski has been our Vice Chairman since 2018, President since 2005 and a director since 1992. Mr. Breslawski was the Chief Executive Officer of our Henry Schein Global Dental Group from 2005 to 2018. Mr. Breslawski held the position of Executive Vice President and President of U.S. Dental from 1990 to 2005, with primary responsibility for the North American Dental Group. Between 1980 and 1990, Mr. Breslawski held various positions with us, including Chief Financial Officer, Vice President of Finance and Administration and Corporate Controller.

Michael S. Ettinger has been our Senior Vice President, Corporate & Legal Affairs, Chief of Staff and Secretary since 2015. Prior to his current position, Mr. Ettinger served as Senior Vice President, Corporate & Legal Affairs and Secretary from 2013 to 2015, Corporate Senior Vice President, General Counsel & Secretary from 2006 to 2013, Vice President, General Counsel and Secretary from 2000 to 2006, Vice President and Associate General Counsel from 1998 to 2000 and Associate General Counsel from 1994 to 1998. Before joining us, Mr. Ettinger served as a senior associate with Bower & Gardner and as a member of the Tax Department at Arthur Andersen.

Mark E. Mlotek has been our Executive Vice President and Chief Strategic Officer since 2012. Mr. Mlotek was Senior Vice President and subsequently Executive Vice President of the Corporate Business Development Group between 2000 and 2012. Prior to that, Mr. Mlotek was Vice President, General Counsel and Secretary from 1994 to 1999 and became a director in 1995. Prior to joining us, Mr. Mlotek was a partner in the law firm of Proskauer Rose LLP, counsel to us, specializing in mergers and acquisitions, corporate reorganizations and tax law from 1989 to 1994.

Steven Paladino has been our Executive Vice President and Chief Financial Officer since 2000. Prior to holding his current position, Mr. Paladino was Senior Vice President and Chief Financial Officer from 1993 to 2000 and has been a director since 1992. From 1990 to 1992, Mr. Paladino served as Vice President and Treasurer and from 1987 to 1990 served as Corporate Controller. Before joining us, Mr. Paladino was employed in public accounting for seven years, most recently with the international accounting firm of BDO USA, LLP. Mr. Paladino is a certified public accountant.

Walter Siegel has been our Senior Vice President and General Counsel since 2013. Prior to joining us, Mr. Siegel was employed with Standard Microsystems Corporation, a publicly traded global semiconductor company from 2005 to 2012, holding positions of increasing responsibility, most recently as Senior Vice President, General Counsel and Secretary.

Other Executive Management

The following table sets forth certain information regarding other Executive Management:

| Name | Age | Position |
|------------------------|-----|--|
| David Brous | 52 | President, Strategic Business Units Group and Asia Pacific & Brazil Dental |
| Brad Connett | 62 | President, U.S. Medical Group |
| Jonathan Koch | 46 | Senior Vice President and Chief Executive Officer, Global Dental Group |
| Lorelei McGlynn | 57 | Senior Vice President, Chief Human Resources Officer |
| James Mullins | 56 | Senior Vice President, Global Services |
| Christopher Pendergast | 58 | Senior Vice President and Chief Technology Officer |
| Michael Racioppi | 66 | Senior Vice President, Chief Merchandising Officer |
| René Willi, Ph.D. | 53 | President, Global Dental Surgical Group |

David Brous has been our President, Strategic Business Units Group and Asia Pacific & Brazil Dental since 2019. Mr. Brous joined us in 2002 and has held many positions within the organization, including leading and managing the Corporate Business Development Group and the International Healthcare Group (managing our International Animal Health business, International Medical business and Australia / New Zealand Dental business).

Brad Connett has been our President of the U.S. Medical Group since 2018. Mr. Connett joined us in 1997 and has held a number of increasingly responsible positions at the Company. Throughout his career, he has received numerous industry honors, including the John F. Saseen Leadership Award from the Health Industry Distributors Association (HIDA), in recognition of his service to the industry, and induction into the Medical Distribution Hall of Fame by Repertoire Magazine.

Jonathan Koch has been our Senior Vice President and Chief Executive Officer of our Global Dental Group since 2018. Prior to joining us, for the years 2006 to 2018, Mr. Koch was a senior executive at Covance, the drug development services business of Laboratory Corporation of America. In his last role at Covance, Mr. Koch was the Executive Vice President and Group President of Covance Clinical Development & Commercialization Services. Prior to that, Mr. Koch was Executive Vice President and Group President of Covance Research and Development Laboratories from 2015 to 2017. Mr. Koch was also President of Covance Central Laboratory Services from 2010 to 2015, and Vice President at Covance, with various responsibilities, from 2006 to 2010. Prior to Covance, Mr. Koch held senior leadership roles of increasing responsibility while employed with Charles River Laboratories from 1998 to 2006.

Lorelei McGlynn has been our Senior Vice President, Global Human Resources Officer since 2013. Since joining us in 1999, Ms. McGlynn has served as Vice President, Global Human Resources and Financial Operations from 2008 to 2013, Chief Financial Officer, International Group and Vice President of Global Financial Operations from 2002 to 2008 and Vice President, Finance, North America from 1999 to 2002. Prior to joining us, Ms. McGlynn served as Assistant Vice President of Finance at Adecco Corporation.

James Mullins has been our Senior Vice President of Global Services since 2018. Mr. Mullins joined us in 1988 and has held a number of key positions with increasing responsibility, including Global Chief Customer Service Officer.

Christopher Pendergast has been our Senior Vice President and Chief Technology Officer since 2018. Prior to joining us, Mr. Pendergast was employed by VSP Global from 2008 to 2018, most recently as the Chief Technology Officer and Chief Information Officer. Prior to VSP Global, Mr. Pendergast served in roles of increasing responsibility at Natural Organics, Inc., from 2006 to 2008, IdeaSphere Inc./Twinlab Corporation from 2000 to 2006, IBM Corporation from 1987 to 1994 and 1998 to 2000 and Rohm and Haas from 1994 to 1998.

Michael Racioppi has been our Senior Vice President, Chief Merchandising Officer since 2008. Prior to holding his current position, Mr. Racioppi was President of the Medical Division from 2000 to 2008 and Interim President from 1999 to 2000, and Corporate Vice President from 1994 to 2008, with primary responsibility for the Medical Group, Marketing and Merchandising departments. Mr. Racioppi served as Senior Director, Corporate Merchandising from 1992 to 1994. Before joining us in 1992, Mr. Racioppi was employed by Ketchum Distributors, Inc. as the Vice President of Purchasing and Marketing. He currently serves on the board of National Distribution and Contracting and previously served on the board of Health Distribution Management Association and Health Industry Distributors Association (HIDA).

René Willi, Ph.D. has been our President, Global Dental Surgical Group, Henry Schein Inc., since 2013. Prior to joining Henry Schein, Dr. Willi held senior level roles with Institut Straumann AG as Executive Vice President, Surgical Business Unit from 2005 to 2013. Prior to Straumann, he held roles of increasing responsibility in Medtronic Plc's cardiovascular division from 2003 to 2005 and with McKinsey & Company as a management consultant from 2000 to 2003.

ITEM 1A. Risk Factors

Our business operations could be affected by factors that are not presently known to us or that we currently consider not to be material to our operations, so you should not consider the risks disclosed in this section to necessarily represent a complete statement of all risks and uncertainties. The Company believes that the following risks could have a material adverse impact on our business, reputation, financial results, financial condition and/or the trading price of our common stock. The order in which these factors appear does not necessarily reflect their relative importance or priority.

COMPANY RISKS

Our business, results of operations, cash flows, financial condition and liquidity may be negatively impacted by the effects of disease outbreaks, epidemics, pandemics, or similar wide-spread public health concerns and other natural disasters. The COVID-19 pandemic and the responses of governments to it had, and may again have, a material adverse effect on our business, results of operations and cash flows and may result in a material adverse effect on our financial condition and liquidity.

Our business, results of operations, cash flows, financial condition and liquidity may be negatively impacted by the effects of disease outbreaks, epidemics, pandemics, similar wide-spread public health concerns, and other natural disasters. The COVID-19 pandemic has had, and continues to have, an unprecedented impact on society, worldwide economic activity, and the health care sector (particularly, the dental market). As a global healthcare solutions company, the COVID-19 pandemic and the governmental responses to it had, and may again have, a material adverse effect on our business, results of operations and cash flows and may result in a material adverse effect on our financial condition and liquidity. In March and April 2020, the dental market was severely impacted by COVID-19, with many, if not a majority, of practices being closed or open on a limited basis only. Although dental practice openings and patient volume recovery in the United States and many other countries have rebounded faster than originally anticipated, patient volumes have remained below pre-COVID-19 levels. Material uncertainty remains and the potential for additional significant resurgences of COVID-19 could cause a significant reduction in dental practice openings and patient volume recovery, or further delay the return to normal operations. Even after COVID-19 has subsided, we may again experience material adverse impacts to our business, results of operations and cash flows as a result of, among other things, its global economic impact, including any recession that may occur in the future, or a prolonged period of economic slowdown or the reluctance of patients to return for elective dental or medical care. The impacts and potential impacts from the COVID-19 pandemic include, but are not limited to:

- *Significant reductions in demand or significant volatility in demand for certain of our products.* For example, in March and April 2020, many dental offices in the United States performed only emergency procedures, and rescheduled wellness exams and elective procedures. Dental offices in other countries also experienced closures or restricted operations, as did medical offices around the world. Such closures and restrictions impacted our customers' spending with us and had, and if reinstated may again have, a material adverse effect on our business, results of operations and cash flows. Although dental practice openings and patient volume recovery have rebounded faster than originally anticipated, capacity constraints in offices and demand-side factors may again lead to reductions in demand or significant volatility in demand for our products. Additionally, significant reduction in demand for certain of our products or customers' decisions to delay the purchase of large equipment may result in us having increased inventory;
- *Shortage of Certain Personal Protective Equipment (PPE).* Supply chain disruptions for PPE and an increased demand for these products has resulted, and may continue to result, in backorders of certain PPE and a potential scarcity in raw materials to make certain PPE. Prices for certain PPE have been volatile. Although we believe that most practices currently are able to access adequate supply, with some exceptions in certain markets depending on a number of factors, including the progress of the virus and efforts to combat it, we still may be unable to supply our customers with the quantity of certain PPE products they demand, which may lead to our customers seeking alternative sources of supply. Furthermore, healthcare professionals' inability to obtain a sufficient quantity of certain PPE would adversely impact our business, results of operations and cash flows, and could materially adversely affect our financial condition and liquidity. Conversely, we recorded significant charges throughout the year beginning in the second quarter for PPE inventory due to volatility of pricing for PPE, and, depending upon

the course of the pandemic, if PPE pricing or demand decreases, our margins and the value of certain our PPE inventory could be further negatively impacted in future periods, which could result in a material adverse impact on our business, results of operations and cash flows and our financial condition and liquidity;

- *Reduction in Peoples' Ability and Willingness to be in Public.* Restrictions recommended by several public health organizations, and implemented by many local governments, to slow and limit the transmission of COVID-19 (including business closures and restrictions, stay-at-home and similar measures) were implemented and then lifted or partially lifted in some locations and reinstituted in others. Ongoing social distancing ordinances and similar restrictions, and the actual and potential for additional resurgences of COVID-19 has in some locations and may in other locations result in the re-imposition or tightening of governmental social distancing and other restrictions, and/or cause people to be less willing to go to elective medical and dental appointments, which could again materially adversely affect demand for our products. A lengthened period of materially suppressed demand could again cause material adverse impacts on our business, results of operations and cash flows and could materially adversely affect our financial condition and liquidity;

- *Potential delays in customer payments, or defaults on our customer credit arrangements.* We generally sell products to customers with payment terms. If customers' cash flows or operating and financial performance deteriorate due to the impact of COVID-19, or if they are unable to make scheduled payments or obtain credit, they may not be able to pay, or may delay payment to us. Likewise, for similar reasons, suppliers may restrict credit or impose more stringent payment terms. The inability of current and/or potential customers to pay us for our products and/or services or any demands by suppliers for more stringent payment terms may materially adversely affect our business, results of operations, cash flows, financial condition and liquidity and may limit the amounts we can borrow under our trade accounts receivable securitization;

- *Impact on third parties' ability to meet their obligations to us; impact on our ability to meet obligations to third parties.* Failure of third parties on which we rely, including our suppliers, contract manufacturers, distributors, contractors (including third-party shippers), banks, joint venture partners and external business partners, to meet their obligations to us, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties, or by travel restrictions and border closures, may materially adversely affect our business, results of operations, cash flows, financial condition and liquidity. Certain of our contracts with supply partners contain minimum purchase requirements or include rebate provisions if we satisfy certain sales or purchasing targets that, in certain cases we have not been able to satisfy and in other cases we may not be able to fully satisfy, due to the impact of the COVID-19 pandemic. Rebate income recognized in fiscal 2020 is less than rebates earned over the prior fiscal year. Our failure to satisfy such contractual provisions or renegotiate more favorable terms could materially adversely affect our business, results of operations and cash flows;

- *Negative impact on our workforce and impact of adapted business practices.* The spread of COVID-19 caused us to implement temporary cost reduction measures (including a payroll cost reduction plan centered around furloughs, reduced pay and work hours, voluntary unpaid time off, suspension of Company contributions to certain retirement plans and job reductions), all of which have now ended (except for a small number of TSMs who remain on furlough), modify our business practices (including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees. As the COVID-19 pandemic continues to unfold, we will continue to evaluate appropriate actions for our business. Many of our employees shifted abruptly to working remotely and our non-essential workers who are able to work from home continue to do so. An extended period of modified business practices and remote work arrangements could have a negative impact on employee morale, strain our business continuity plans, introduce operational risk (including but not limited to cybersecurity risks), and impair our ability to efficiently operate our business;

- *Significant changes in political conditions.* Significant changes in political conditions in markets in which we purchase and distribute our products have occurred and are expected to continue at least during the pendency of the pandemic, including quarantines, governmental or regulatory actions, closures or other restrictions that limit or close our operating facilities, restrict our employees' ability to travel or perform necessary business functions, or otherwise constrain the operations of our business partners, suppliers, or customers, which may materially adversely affect our business, results of operations, cash flows, financial condition and liquidity;

- *Potential impact on our ability to meet obligations under credit facilities.* Although in fiscal 2020 we entered into amendments to our material credit facilities to, among other things, extend the maturity dates and temporarily provide additional flexibility under certain covenants, an extended negative impact of COVID-19 on our business, results of operations, cash flows, financial condition and liquidity could impact our ability to meet our obligations under credit facilities or outstanding long term debt, which contain maximum leverage ratios, and customary representations, warranties and affirmative covenants;
- *Volatility in the financial markets.* Volatility in the financial markets may materially adversely affect the availability and cost of credit to us;
- *Refocusing management resources to mitigate effects of COVID-19.* Our management is focused on mitigating the effects of COVID-19, which has required, and may continue to require for the duration of the pandemic, a large investment of time and resources across the Company, and may delay certain strategic and other plans, which could materially adversely affect our business;
- *Potential increased costs associated with our self-insured medical insurance programs.* We may incur significant employee health care costs under our self-insurance medical insurance programs if a large number of our employees and/or their covered family members become ill from COVID-19; and
- *Reputational risk associated with response to COVID-19.* If we do not respond appropriately to the COVID-19 pandemic, or if customers do not perceive our response to be adequate, we could suffer damage to our reputation and our brands, which could materially adversely affect our business.

The impact of COVID-19 may also exacerbate other risks discussed below, any of which could have a material adverse effect on us.

We are dependent upon third parties for the manufacture and supply of substantially all of our products.

We obtain substantially all of the products we distribute from third parties, with whom we generally do not have long-term contracts. While there is typically more than one source of supply, some key suppliers, in the aggregate, supply a significant portion of the products we sell. In 2020, our top 10 health care distribution suppliers and our single largest supplier accounted for approximately 30% and 4%, respectively, of our aggregate purchases. Because of our dependence upon such suppliers, our operations are subject to the suppliers' ability and willingness to supply products in the quantities that we require, and the risks include delays caused by interruption in production based on conditions outside of our control, including a supplier's failure to comply with applicable government requirements (which may result in product recalls and/or cessation of sales) or an interruption in the suppliers' manufacturing capabilities. In the event of any such interruption in supply, we would need to identify and obtain acceptable replacement sources on a timely basis. There is no guarantee that we would be able to obtain such alternative sources of supply on a timely basis, if at all, and an extended interruption in supply, particularly of a high sales volume product, could result in a significant disruption in our sales and operations, as well as damage to our relationships with customers and our reputation.

Our future growth (especially for our technology and value-added services segment) is dependent upon our ability to develop or acquire and maintain and protect new products and technologies that achieve market acceptance with acceptable margins.

Our future success depends on our ability to timely develop (or obtain the right to sell) competitive and innovative (particularly for our technology and value-added services segment), products and services and to market them quickly and cost-effectively. Our ability to anticipate customer needs and emerging trends and develop or acquire new products, services and technologies at competitive prices requires significant resources, including employees with the requisite skills, experience and expertise, particularly in our technology segment, including dental practice management, patient engagement and demand creation software solutions. The failure to successfully address these challenges could materially disrupt our sales and operations. Additionally, our software and e-services products, like software products generally, may contain undetected errors or bugs when introduced or as new versions are released. Any such defective software may result in increased expenses related to the software and could adversely affect our relationships with customers as well as our reputation. While certain software and e-services that we develop are

protected under patent law, we rely primarily upon copyright, trademark and trade secret laws, as well as contractual and common law protections and confidentiality obligations. We cannot provide assurance that such legal protections will be available, adequate or enforceable in a timely manner to protect our software or e-services products.

Our expansion through acquisitions and joint ventures involves risks and may not result in the benefits and revenue growth we expect.

One of our business strategies has been to expand our domestic and international markets in part through acquisitions and joint ventures, and we expect to continue to make acquisitions and enter into joint ventures in the future. Such transactions require significant management attention, may place significant demands on our operations, information systems and financial resources, and there is risk that one or more may not succeed. We cannot be sure, for example, that we will achieve the benefits of revenue growth that we expect from these acquisitions or joint ventures or that we will avoid unforeseen additional costs or expenses. Our ability to successfully implement our acquisition and joint venture strategy depends upon, among other things, the following:

- the availability of suitable acquisition or joint venture candidates at acceptable prices;
- our ability to consummate such transactions, which could potentially be prohibited due to U.S. or foreign antitrust regulations;
- the liquidity of our investments and the availability of financing on acceptable terms;
- our ability to retain customers or product lines of the acquired businesses or joint ventures;
- our ability to retain, recruit and incentivize the management of the companies we acquire; and
- our ability to successfully integrate these companies' operations, services, products and personnel with our culture, management policies, internal procedures, working capital management, financial and operational controls and strategies.

Furthermore, some of our acquisitions and future acquisitions may give rise to an obligation to make contingent payments or to satisfy certain repurchase obligations, which payments could have material adverse impacts on our financial results individually or in the aggregate.

Certain provisions in our governing documents and other documents to which we are a party may discourage third parties from seeking to acquire us that might otherwise result in our stockholders receiving a premium over the market price of their shares.

The provisions of our certificate of incorporation and by-laws may make it more difficult for a third-party to acquire us, may discourage acquisition bids and may impact the price that certain investors might be willing to pay in the future for shares of our common stock. These provisions, among other things require:

- the affirmative vote of the holders of at least 60% of the shares of common stock entitled to vote to approve a merger, consolidation, or a sale, lease, transfer or exchange of all or substantially all of our assets; and
- the affirmative vote of the holders of at least 66 2/3% of our common stock entitled to vote to (i) remove a director; and (ii) to amend or repeal our by-laws, with certain limited exceptions.

In addition, certain of our employee incentive plans provide for accelerated vesting of stock options and other awards upon termination without cause within two years following a change in control, or grant the plan committee discretion to accelerate awards upon a change of control. Further, certain agreements between us and our executive officers provide for increased severance payments and certain benefits if those executive officers are terminated without cause by us or if they terminate for good reason, in each case within two years following a change in control or within ninety days prior to the effective date of the change in control or after the first public announcement of the pendency of the change in control.

INDUSTRY RISKS

The health care products distribution industry is highly competitive (including, without limitation, competition from third-party online commerce sites) and consolidating, and we may not be able to compete successfully.

We compete with numerous companies, including several major manufacturers and distributors. Some of our competitors have greater financial and other resources than we do, which could allow them to compete more successfully. Most of our products are available from several sources and our customers tend to have relationships with several distributors. Competitors could obtain exclusive rights to market particular products, which we would then be unable to market. Manufacturers also could increase their efforts to sell directly to end-users and thereby eliminate or reduce our role in distribution. Industry consolidation among health care product distributors and manufacturers, price competition, product unavailability, whether due to our inability to gain access to products or to interruptions in manufacturing supply, or the emergence of new competitors, also could increase competition. Consolidation has also increased among manufacturers of health care products, which could have a material adverse effect on our margins and product availability. We could be subject to charges and financial losses in the event we fail to satisfy minimum purchase commitments contained in some of our contracts. Additionally, traditional health care supply and distribution relationships are being challenged by electronic online commerce solutions. The continued advancement of online commerce by third parties will require us to cost-effectively adapt to changing technologies, to enhance existing services and to differentiate our business (including with additional value-added services) to address changing demands of consumers and our customers on a timely basis. The emergence of such potential competition and our inability to anticipate and effectively respond to changes on a timely basis could have a material adverse effect on our business.

The repeal or judicial prohibition on implementation of the Affordable Care Act could materially adversely affect our business.

The U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, each enacted in March 2010, as amended (the “ACA”), greatly expanded health insurance coverage in the United States and has been the target of litigation and Congressional reform efforts since its adoption. The U.S. Supreme Court, in upholding the constitutionality of the ACA and its individual mandate provision in 2012, simultaneously limited ACA provisions requiring Medicaid expansion, making such expansion a state-by-state decision. In 2017, the U.S. Congress effectively repealed the ACA’s individual mandate provision by eliminating the financial penalty for non-compliance. In the most recent ACA litigation, a federal appeals court found the individual mandate to be unconstitutional, and returned the case to a lower federal court for consideration of whether the remainder of the ACA could survive the excision of the individual mandate. This decision was appealed to the U.S. Supreme Court, and a decision is expected soon. Any outcome of this case that changes the ACA, in addition to future legislation, regulation, guidance and/or Executive Orders that do the same, could have a significant impact on the U.S. healthcare industry and our operations.

The health care industry is experiencing changes due to political, economic and regulatory influences that could materially adversely affect our business.

The health care industry is highly regulated and subject to changing political, economic and regulatory influences. In recent years, the health care industry has undergone, and is in the process of undergoing, significant changes driven by various efforts to reduce costs, including, among other factors: trends toward managed care; collective purchasing arrangements and consolidation among office-based health care practitioners; and changes in reimbursements to customers, including increased attention to value-based payment arrangements, as well as growing enforcement activities (and related monetary recoveries) by governmental officials. Both our profitability and the profitability of our customers may be materially adversely affected by laws and regulations reducing reimbursement rates for pharmaceuticals, medical supplies and devices, and/or medical treatments or services, or changes to the methodology by which reimbursement levels are determined. If we are unable to react effectively to these and other changes in the health care industry, our business could be materially adversely affected.

Expansion of group purchasing organizations (“GPO”) or provider networks and the multi-tiered costing structure may place us at a competitive disadvantage.

The medical products industry is subject to a multi-tiered costing structure, which can vary by manufacturer and/or product. Under this structure, certain institutions can obtain more favorable prices for medical products than we are able to obtain. The multi-tiered costing structure continues to expand as many large integrated health care providers and others with significant purchasing power, such as GPOs, demand more favorable pricing terms. Additionally, the formation of provider networks and GPOs may shift purchasing decisions to entities or persons with whom we do not have a historical relationship and may threaten our ability to compete effectively, which could in turn negatively impact our financial results. Although we are seeking to obtain similar terms from manufacturers to access lower prices demanded by GPO contracts or other contracts, and to develop relationships with existing and emerging provider networks and GPOs, we cannot guarantee that such terms will be obtained or contracts executed.

Increases in shipping costs or service issues with our third-party shippers could harm our business.

Shipping is a significant expense in the operation of our business. We ship almost all of our orders through third-party delivery services, and typically bear the cost of shipment. Accordingly, any significant increase in shipping rates could have a material adverse effect on our business, financial condition or operating results. Similarly, strikes or other service interruptions by those shippers could cause our operating expenses to rise and materially adversely affect our ability to deliver products on a timely basis.

MACRO ECONOMIC AND POLITICAL RISKS

Uncertain global macro-economic and political conditions could materially adversely affect our results of operations and financial condition.

Uncertain global macro-economic and political conditions that affect the economy and the economic outlook of the United States, Europe, Asia and other parts of the world could materially adversely affect our results of operations and financial condition. These uncertainties, include, among other things:

- election results;
- changes to laws and policies governing foreign trade (including, without limitation, the United States-Mexico-Canada Agreement (USMCA), the EU-UK Trade and Cooperation Agreement of December 2020, and other international trade agreements);
- greater restrictions on imports and exports;
- supply chain disruptions due to social issues;
- changes in laws and policies governing health care or data privacy;
- tariffs and sanctions;
- changes to the relationship between the United States and China;
- sovereign debt levels;
- the inability of political institutions to effectively resolve actual or perceived economic, currency or budgetary crises or issues;
- consumer confidence;
- unemployment levels (and a corresponding increase in the uninsured and underinsured population);
- changes in regulatory and tax regulations;
- increases in interest rates;
- availability of capital;
- increases in fuel and energy costs;
- the effect of inflation on our ability to procure products and our ability to increase prices over time;
- changes in tax rates and the availability of certain tax deductions;
- increases in health care costs;
- the threat or outbreak of war, terrorism or public unrest; and
- changes in laws and policies governing manufacturing, development and investment in territories and countries where we do business.

Additionally, changes in government, government debt and/or budget crises may lead to reductions in government spending in certain countries, which could reduce overall health care spending, and/or higher income or corporate taxes, which could depress spending overall. Recessionary conditions and depressed levels of consumer and commercial spending may also cause customers to reduce, modify, delay or cancel plans to purchase our products and may cause suppliers to reduce their output or change their terms of sale. We generally sell products to customers with payment terms. If customers' cash flow or operating and financial performance deteriorate, or if they are unable to make scheduled payments or obtain credit, they may not be able to, or may delay, payment to us. Likewise, for similar reasons suppliers may restrict credit or impose different payment terms.

REGULATORY AND LITIGATION RISKS

Failure to comply with existing and future regulatory requirements could materially adversely affect our business.

The laws and regulations that govern our business and operations are subject to varying and evolving interpretations, future changes, additions, and enforcement approaches (including in light of political changes, such as with respect to the new administration of President Biden) that affect our ability to comply. For example, President Biden's administration has authorized and encouraged a freeze on certain federal regulations that have been published but are not yet effective, as well as a review of all federal regulations issued during President Trump's administration. Changes with respect to the applicable laws and regulations may require us to update or revise our operations, services, marketing practices, and compliance programs and controls, and may impose additional and unforeseen costs on us, pose new or previously immaterial risks to us, or may otherwise have a material adverse effect on our business. There can be no assurance that current and future government regulations will not adversely affect our business, and we cannot predict new regulatory priorities, the form, content or timing of regulatory actions, and their impact on the health care industry and on our business and operations.

Global efforts toward healthcare cost containment continue to exert pressure on product pricing. In the United States, in addition to other government efforts to control health care costs, there has been increased scrutiny on drug pricing and concurrent efforts to control or reduce drug costs by Congress, the President, executive branch agencies and various states. At the state level, several states have adopted laws that require drug manufacturers to provide advance notice of certain price increases and to report information relating to those price increases, while others have taken legislative or administrative action to establish prescription drug affordability boards or multi-payer purchasing pools to reduce the cost of prescription drugs. At the federal level, several related bills have been introduced and regulations proposed which, if enacted or finalized, respectively, would impact drug pricing and related costs.

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 or our subsidiaries may be required to report information 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 satisfying the above laws and requirements, such compliance imposes additional costs on us and the requirements are sometimes ambiguous. In the United States, government actions to seek to increase health-related price transparency may also affect our business.

Our business is subject to additional requirements under various local, state, federal and international laws and regulations applicable to the sale and distribution of, and third-party payment for, pharmaceuticals and medical devices, human cells, tissue and cellular and tissue-based products (“HCT/P products”). Among the federal laws with which we must comply are the Controlled Substances Act, the U.S. Food, Drug, and Cosmetic Act, as amended (“FDC Act”), the Federal Drug Quality and Security Act, including Drug Supply Chain Security Act (“DSCSA”), and Section 361 of the Public Health Services Act. Among other things, such laws, and the regulations promulgated thereunder:

- regulate the storage and distribution, labeling, packaging, handling, reporting, record keeping, introduction, manufacturing and marketing of drugs, HCT/P products and medical devices, including requirements with respect to unique medical device identifiers;
- subject us to inspection by the U.S. Food and Drug Administration (“FDA”) and the U.S. Drug Enforcement Administration (“DEA”), and similar state authorities;
- regulate the storage, transportation and disposal of certain of our products that are considered hazardous materials;
- require us to advertise and promote our drugs and devices in accordance with applicable FDA requirements;
- require registration with the FDA and the DEA and various state agencies;
- require record keeping and documentation of transactions involving drug products;
- require us to design and operate a system to identify and report suspicious orders of controlled substances to the DEA;
- require us to manage returns of products that have been recalled and subject us to inspection of our recall procedures and activities;
- impose on us reporting requirements if a pharmaceutical, HCT/P product or medical device causes serious illness, injury or death;
- require manufacturers, wholesalers, repackagers and dispensers of prescription drugs to identify and trace certain prescription drugs as they are distributed;
- require the licensing of prescription drug wholesalers and third-party logistics providers; and
- mandate compliance with standards for the recordkeeping, storage and handling of prescription drugs, and associated reporting requirements.

The FDA has become increasingly active in addressing the regulation of computer software and digital health products intended for use in health care settings. The 21st Century Cures Act (the “Cures Act”), signed into law on December 13, 2016, among other things, amended the medical device definition to exclude certain software from FDA regulation, including certain clinical decision support software. 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 subject to regulation as a medical device, which could subject us or one or more of our businesses to substantial additional requirements, costs, and potential enforcement actions or liabilities for noncompliance with respect to these products.

Applicable federal, state, local and foreign laws and regulations also may require us to meet various standards relating to, among other things, licensure or registration, program eligibility, procurement, third-party reimbursement, sales and marketing practices, product integrity and supply tracking to product manufacturers, product labeling, personnel, privacy and security of health or other personal information, installation, maintenance and repair of equipment and the importation and exportation of products. The FDA and DEA, as well as CMS (including with respect to complex Medicare reimbursement requirements applicable to our specialty home medical supplies business), have recently increased their regulatory and enforcement activities and, in particular, the DEA has heightened enforcement activities due to the opioid crisis in the United States. Our business is also subject to requirements of similar and other foreign governmental laws and regulations affecting our operations abroad.

The failure to comply with any of these laws and regulations, or new interpretations of existing laws and regulations, or the imposition of any additional laws and regulations, could materially adversely affect our business. The costs to us associated with complying with the various applicable statutes and regulations, as they now exist and as they may be modified, could be material. Allegations by a governmental body that we have not complied with these laws could have a material adverse effect on our businesses. While we believe that we are substantially

compliant with applicable laws and regulations, and believe we have adequate compliance programs and controls in place to ensure substantial compliance, if it is determined that we have not complied with these laws, we are potentially subject to penalties, including warning letters, substantial civil and criminal penalties, mandatory recall of product, seizure of product and injunction, consent decrees and suspension or limitation of product sale and distribution. If we enter into settlement agreements to resolve allegations of non-compliance, we could be required to make settlement payments or be subject to civil and criminal penalties, including fines and the loss of licenses. Non-compliance with government requirements could also adversely affect our ability to participate in important federal and state government health care programs, such as Medicare and Medicaid, and damage our reputation.

The EU Medical Device Regulation may adversely affect our business.

The EU Medical Device Regulation No. 2017/745 (“EU MDR”) was meant to become applicable three years after publication (in May 2020). However, on April 23, 2020, to allow EEA national authorities, notified bodies, manufacturers and other actors to focus fully on urgent priorities related to the COVID-19 pandemic, the European Council and Parliament adopted Regulation 2020/561, postponing the date of application of the EU MDR by one year (to May 2021). The EU MDR significantly modifies and intensifies the regulatory compliance requirements for the medical device industry as a whole. Once applicable, the EU MDR will among other things:

- Strengthen the rules on placing devices on the market and reinforce surveillance once they are available;
- Establish explicit provisions on manufacturers’ responsibilities for the follow-up of the quality, performance and safety of devices placed on the market;
- Improve the traceability of medical devices throughout the supply chain to the end-user or patient through a unique identification number;
- Set up a central database to provide patients, healthcare professionals and the public with comprehensive information on products available in the EU;
- Strengthen rules for the assessment of certain high-risk devices, such as implants, which may have to undergo an additional check by experts before they are placed on the market; and
- Identify importers and distributors and medical device products through registration in a database (Eudamed not due until 2022 and after).

In particular, the EU MDR imposes stricter requirements for the confirmation that a product meets the regulatory requirements, including regarding a product’s clinical evaluation and a company’s quality systems, and for the distribution, marketing and sale of medical devices, including post-market surveillance. Medical devices that have been assessed and/or certified under the EU Medical Device Directive may continue to be placed on the market until 2024 (or until the expiry of their certificates, if applicable and earlier); however, requirements regarding the distribution, marketing and sale including quality systems and post-market surveillance have to be observed by manufacturers, importers and distributors as of the application date.

The modifications created by the EU MDR may have an impact on the way we design and manufacture products and the way we conduct our business in the European Economic Area.

If we fail to comply with laws and regulations relating to health care fraud or other laws and regulations, we could suffer penalties or be required to make significant changes to our operations, which could materially adversely affect our business.

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. Certain additional state and federal laws, such as the federal Physician Self-Referral Law, commonly known as the “Stark Law,” prohibit physicians and other health professionals from referring a patient to an entity with which the physician (or family member) has a

financial relationship, for the furnishing of certain designated health services (for example, durable medical equipment and medical supplies), unless an exception applies.

The fraud and abuse laws and regulations have been subject to 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 applicable false claims laws, and who may receive up to 30% of total government recoveries. Penalties under fraud and abuse laws may be severe, and 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. 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, as well as other fraud and abuse laws.

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, dentists and other health care providers, on the other. As a result, we regularly review and revise our marketing practices as necessary to facilitate compliance.

In the EU, the Directive No. 2019/1937 of 23 October 2019 *on the protection of persons who report breaches of Union law* which organizes the legal protection of whistleblowers must be implemented by EU member states by December 17, 2021. This Directive covers whistleblowers reporting breaches of certain EU laws, in particular as regards public health, the above-mentioned Directive No. 2001/83, Regulation No. 726/2004 or, as regards data protection, the GDPR. The Directive protects a wide range of people and includes former employees. All private companies with 50 or more employees are required to create effective internal reporting channels.

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. Our businesses are generally subject to numerous other laws and regulations that could impact our financial results, including, without limitation, securities, antitrust, consumer protection, and marketing laws and regulations.

In the EU, both active and passive bribery are criminalized. The EU Council Framework Decision 2003/568/JHA of 22 July 2003 *on combating corruption in the private sector* establishes more detailed rules on the liability of legal persons and deterrent sanctions. However, the liability of legal persons is regulated at a national level.

Failure to comply with fraud and abuse laws and regulations, and other 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. We may determine to enter into settlements, make payments, agree to consent decrees or enter into other arrangements to resolve such matters. Intentional or unintentional failure to comply with consent decrees could materially adversely affect our business.

While we believe that we are substantially compliant with applicable fraud and abuse and other laws and regulations, and believe 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 services or marketing practices in response to changes in applicable law or interpretation of laws, could have a material adverse effect on our business.

If we fail to comply with laws and regulations relating to the confidentiality of sensitive personal information or standards in electronic health records or transmissions, we could be required to make significant changes to our products, or incur substantial fines, penalties or other liabilities.

Our businesses that involve physician and dental practice management products, and our specialty home medical supply business, include electronic information technology systems that store and process personal health, clinical, financial and other sensitive information of individuals. These information technology systems may be vulnerable to breakdown, wrongful intrusions, data breaches and malicious attack, which could require us to expend significant resources to eliminate these problems and address related security concerns, and could involve claims against us by private parties and/or governmental agencies.

We are directly or indirectly subject to numerous and evolving federal, state, local and foreign laws and regulations that protect the privacy and security of personal information, such as the HIPAA, the Controlling the Assault of Non-Solicited Pornography and Marketing Act, the Telephone Protection and Electronic Protection Act of 1991, Section 5 of the Federal Trade Commission Act, the CCPA, and the CPRA that becomes effective on January 1, 2023. Laws and regulations relating to privacy and data protection are continually evolving and subject to potentially differing interpretations. These requirements may not be harmonized, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or our practices. Our businesses' failure to comply with these laws and regulations could expose us to breach of contract claims, substantial fines, penalties and other liabilities and expenses, costs for remediation and harm to our reputation. Also, evolving laws and regulations in this area could restrict the ability of our customers to obtain, use or disseminate patient information, or could require us to incur significant additional costs to re-design our products to reflect these legal requirements, which could have a material adverse effect on our operations.

In addition, the European Parliament and the Council of the European Union have adopted the GDPR, which increases privacy rights for individuals in Europe, or "Data Subjects", including individuals who are our customers, suppliers and employees. The GDPR extended the scope of responsibilities for data controllers and data processors and generally imposes increased requirements and potential penalties on companies, such as us, that offer goods or services to Data Subjects or monitor their behavior (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. Data Subjects also have the right to seek compensation for damages. EU member states may individually impose additional requirements and penalties regarding certain matters, such as employee personal data.

In the United States, the CCPA, which increases the privacy protections afforded California residents, became effective January 1, 2020. The CCPA generally requires companies, such as us, to institute additional protections regarding the collection, use and disclosure of certain personal information of California residents. Compliance with the new obligations imposed by the CCPA depends in part on how particular regulators interpret and apply them, and because the CCPA is relatively new, and its implementing regulations were released in August of 2020, there remains some uncertainty about how the CCPA will be interpreted by the courts and enforced by the regulators. If we fail to comply with the CCPA or if regulators assert that we have failed to comply with the CCPA, we may be subject to certain fines or other penalties and litigation, any of which may negatively impact our reputation, require us to expend significant resources, and harm our business. Furthermore, California voters approved the CPRA on November 3, 2020, which will amend and expand the CCPA, including by providing consumers with additional rights with respect to their personal information, and creating a new state agency to enforce CCPA and CPRA. The CPRA will come into effect on January 1, 2023, applying to information collected by businesses on or after January 1, 2022.

Other states, as well as the federal government, have increasingly considered the adoption of similarly expansive personal privacy laws, backed by significant civil penalties for non-compliance. While we believe we have substantially compliant programs and controls in place to comply with the GDPR, CCPA and CPRA requirements, our compliance with these measures 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 HIPAA and the Payment Card Industry Data Security Standards, which require the protection of the privacy and security of those records. Our products or services may be used as part of these customers' comprehensive data security programs, including in connection with their efforts to comply with applicable data privacy and security laws and contractual requirements. 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.

Under the EU GDPR, health data belong to the category of "sensitive data" and benefit from specific protections. Processing of such data is generally prohibited, except for specific exceptions.

Certain of our businesses involve the manufacture and sale of electronic health record ("EHR") systems and other products linked to government supported incentive programs, where the EHR systems must be certified as having certain capabilities designated in evolving standards, such as those adopted by CMS and by the Office of the National Coordinator for Health Information Technology of HHS ("ONC"). In order to maintain certification of our EHR products, we must satisfy the 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, we may be exposed to risk, such as under federal health care fraud and abuse laws, including 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 that 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 resulting changes in our, 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.

Additionally, as electronic medical devices are increasingly connected to each other and to other technology, the ability of these connected systems to safely and effectively exchange and use exchanged information becomes increasingly important. As a medical device manufacturer, we must manage risks including those associated with an electronic interface that is incorporated into a medical device.

Tax legislation could materially adversely affect our financial results and tax liabilities.

We are subject to the tax laws and regulations of the United States federal, state and local governments, as well as foreign jurisdictions. From time to time, various legislative initiatives may be proposed that could materially adversely affect our tax positions. There can be no assurance that our effective tax rate will not be materially adversely affected by legislation resulting from these initiatives. In addition, tax laws and regulations are extremely complex and subject to varying interpretations. Although we believe that our historical tax positions are sound and consistent with applicable laws, regulations and existing precedent, there can be no assurance that our tax positions will not be challenged by relevant tax authorities or that we would be successful in any such challenge.

We face inherent risk of exposure to product liability, intellectual property infringement and other claims in the event that the use of the products we sell results in injury.

Our business involves a risk of product liability, intellectual property infringement and other claims in the ordinary course of business, and from time to time we are named as a defendant in cases as a result of our distribution of products. Additionally, we own interests in companies that manufacture certain dental products. As a result, we could be subject to the potential risk of product liability, intellectual property infringement or other claims relating to the manufacture and distribution of products by those entities. In addition, as our private-label business continues to grow, purchasers of such products may increasingly seek recourse directly from us, rather than the ultimate product manufacturer, for product-related claims. Another potential risk we face in the distribution of our products is liability resulting from counterfeit or tainted products infiltrating the supply chain. In addition, some of the products that we transport and sell are considered hazardous materials. The improper handling of such materials or

accidents involving the transportation of such materials could subject us to liability or at least legal action that could harm our reputation.

GENERAL RISKS

Security risks generally associated with our information systems and our technology products and services could materially adversely affect our business, and our results of operations could be materially adversely affected if such products, services or systems (or third-party systems we rely on) are interrupted, damaged by unforeseen events, are subject to cyberattacks or fail for any extended period of time.

We rely on information systems (IS) in our business to obtain, rapidly process, analyze, manage and store customer, product, supplier and employee data to, among other things:

- maintain and manage worldwide systems to facilitate the purchase and distribution of thousands of inventory items from numerous distribution centers;
- receive, process and ship orders on a timely basis;
- manage the accurate billing and collections for thousands of customers;
- process payments to suppliers; and
- provide products and services that maintain certain of our customers' electronic medical or dental records (including protected health information of their patients).

Information security risks have generally increased in recent years, and a cyberattack that bypasses our IS security systems (including third-party systems we rely on) causing an IS security breach may lead to a material disruption of our IS business systems (including third-party systems we rely on) and/or the loss of business information, as well as claims against us by affected parties and/or governmental agencies, and involve fines and penalties, costs for remediation, and substantial defense and settlement expenses. In addition, we develop products and provide services to our customers that are technology-based, and a cyberattack that bypasses the IS security systems of our products or services causing a security breach and/or perceived security vulnerabilities in our products or services could also cause significant loss of business and reputational harm, and actual or perceived vulnerabilities may lead to claims against us by our customers and/or governmental agencies. In particular, certain of our practice management products and services purchased by health care providers, such as physicians and dentists, are used to store and manage patient medical or dental records. These customers are subject to laws and regulations which require that they protect the privacy and security of those records, and our products may 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 to comply with applicable legal requirements, may not only cause reputational harm and loss of business, but may also lead to claims against us by our customers and/or governmental agencies and involve damages, fines and penalties, costs for remediation, and substantial defense and settlement expenses. In addition, a cyberattack on a third-party that we use to manage a portion of our information systems could result in the same effects. Additionally, legislative or regulatory action related to cybersecurity may increase our costs to develop or implement new technology products and services.

Furthermore, procedures and safeguards must continually evolve to meet new IS challenges, and enhancing protections, and conducting investigations and remediation, may impose additional costs on us.

Finally, our business may be interrupted by shortfalls of IS systems providers engaged by our customers, such as Internet-based services upon which our customers depend to access certain of our products.

Our global operations are subject to inherent risks that could materially adversely affect our business.

Our global operations are subject to risks that may materially adversely affect our business. The risks that our global operations are subject to include, among other things:

- difficulties and costs relating to staffing and managing foreign operations;
- difficulties and delays inherent in sourcing products, establishing channels of distribution and contract manufacturing in foreign markets;

- fluctuations in the value of foreign currencies (including, without limitation, in connection with Brexit);
- uncertainties relating to the EU-UK Trade and Cooperation Agreement of December 2020, including for example potential implementation problems such as border delays, as well as potential changes to the U.K. regulatory scheme to replace EU requirements;
- longer payment cycles of foreign customers and difficulty of collecting receivables in foreign jurisdictions;
- repatriation of cash from our foreign operations to the United States;
- regulatory requirements, including without limitation, anti-bribery, anti-corruption and laws pertaining to the accuracy of our internal books and records;
- unexpected difficulties in importing or exporting our products and import/export tariffs, quotas, sanctions or penalties;
- limitations on our ability under local laws to protect our intellectual property;
- unexpected regulatory, legal, economic and political changes in foreign markets;
- changes in tax regulations that influence purchases of capital equipment;
- civil disturbances, geopolitical turmoil, including terrorism, war or political or military coups; and
- public health emergencies, including COVID-19.

Our future success is substantially dependent upon our senior management, and our revenues and profitability depend on our relationships with capable sales personnel as well as customers, suppliers and manufacturers of the products that we distribute.

Our future success is substantially dependent upon the efforts and abilities of members of our existing senior management, particularly Stanley M. Bergman, Chairman and Chief Executive Officer. The loss of the services of Mr. Bergman could have a material adverse effect on our business. We have an employment agreement with Mr. Bergman. We do not currently have “key man” life insurance policies on any of our employees. Competition for senior management is intense and we may not be successful in attracting and retaining key personnel. Additionally, our future revenues and profitability depend on our ability to maintain satisfactory relationships with qualified sales personnel as well as customers, suppliers and manufacturers. If we fail to maintain our existing relationships with such persons or fail to acquire relationships with such key persons in the future, our business may be materially adversely affected.

Disruptions in the financial markets may materially adversely affect the availability and cost of credit to us.

Our ability to make scheduled payments or refinance our obligations with respect to indebtedness will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions and financial, business and other factors beyond our control. Disruptions in the financial markets may materially adversely affect the availability and cost of credit to us.

Item 1B. Unresolved Staff Comments

We have no unresolved comments from the staff of the SEC that were issued 180 days or more preceding the end of our 2020 fiscal year.

ITEM 2. Properties

We own or lease the following properties with more than 100,000 square feet:

| Property | Location | Own or Lease | Approximate Square Footage | Lease Expiration Date |
|--------------------------------|---|--------------|----------------------------|-----------------------|
| Corporate Headquarters | Melville, NY | Lease | 185,000 | July 2036 |
| Corporate Headquarters | Melville, NY | Own | 105,000 | N/A |
| Office and Distribution Center | Fiumana-Predappio, Italy | Own | 183,000 | N/A |
| Office and Distribution Center | Tours, France | Own | 166,000 | N/A |
| Office and Distribution Center | Gillingham, United Kingdom | Lease/Own | 165,000 | June 2033 |
| Office and Distribution Center | Eastern Creek, New South Wales, Australia | Lease | 161,000 | July 2030 |
| Office and Distribution Center | Niagara on the Lake, Canada | Lease | 128,000 | September 2021 |
| Office and Distribution Center | Bastian, VA | Own | 108,000 | N/A |
| Office and Distribution Center | West Allis, WI | Lease | 106,000 | October 2027 |
| Office and Distribution Center | Greer, SC | Lease | 102,000 | December 2028 |
| Distribution Center | Denver, PA | Lease | 624,000 | December 2032 |
| Distribution Center | Indianapolis, IN | Lease | 380,000 | March 2022 |
| Distribution Center | Sparks, NV | Lease | 370,000 | December 2021 |
| Distribution Center | Indianapolis, IN | Own | 287,000 | N/A |
| Distribution Center | Grapevine, TX | Lease | 242,000 | July 2023 |
| Distribution Center | Gallin, Germany | Own | 215,000 | N/A |
| Distribution Center | Jacksonville, FL | Lease | 212,000 | February 2026 |
| Distribution Center | Heppenheim, Germany | Lease | 194,000 | March 2030 |

The properties listed in the table above are our principal properties primarily used by our health care distribution segment. In addition, we lease numerous other distribution, office, showroom, manufacturing and sales space in locations 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, South Africa, Spain, Sweden, Switzerland, Thailand, United Arab Emirates and the United Kingdom.

We believe that our properties are in good condition, are well maintained and are suitable and adequate to carry on our business. We have additional operating capacity at certain distribution center facilities.

ITEM 3. Legal Proceedings

For a discussion of Legal Proceedings, see Note 20 – Commitments and Contingencies of the Notes to the Consolidated Financial Statements included under Item 8.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the Nasdaq Global Select Market tier of the Nasdaq Stock Market, or Nasdaq, under the symbol HSIC.

On February 8, 2021, there were approximately 235 holders of record of our common stock and the last reported sales price was \$70.78.

Purchases of Equity Securities by the Issuer

Our share repurchase program, announced on March 3, 2003, originally allowed us to repurchase up to two million shares pre-stock splits (eight million shares post-stock splits) of our common stock, which represented approximately 2.3% of the shares outstanding at the commencement of the program. Subsequent additional increases totaling \$3.7 billion, authorized by our Board of Directors, to the repurchase program provide for a total of \$3.8 billion of shares of our common stock to be repurchased under this program.

As of December 26, 2020, we had repurchased approximately \$3.6 billion of common stock (75,563,289 shares) under these initiatives, with \$201.2 million available for future common stock share repurchases.

As a result of the COVID-19 pandemic, as previously announced, we have temporarily suspended our share repurchase program in an effort to preserve cash and exercise caution in this uncertain period and due to certain restrictions related to financial covenants in our credit facilities.

During the fiscal quarter ended December 26, 2020, we did not make any repurchases of our common stock. The maximum number of shares that could 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. The maximum number of shares that could be repurchased as of October 31, 2020, November 28, 2020, and December 26, 2020 were 3,164,694, 3,159,724 and 3,056,528, respectively.

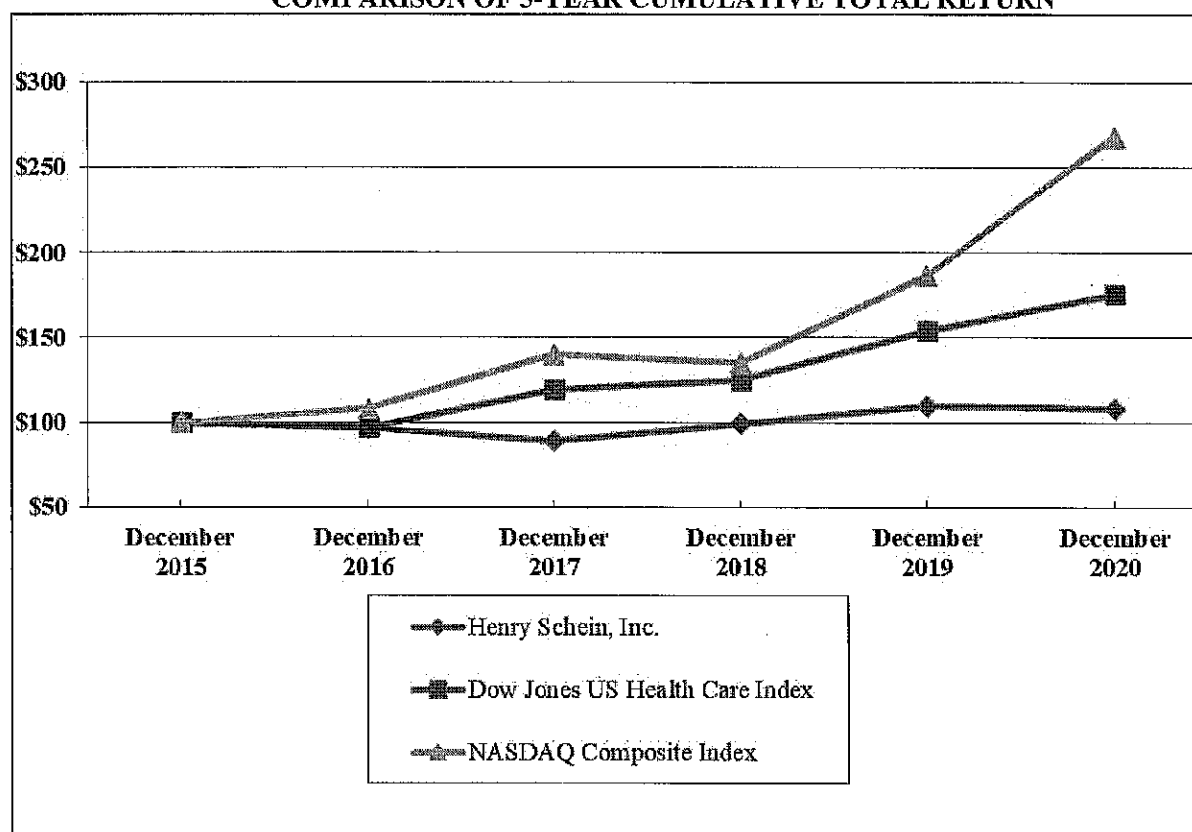
Dividend Policy

We have not declared any cash or stock dividends on our common stock during fiscal years 2020 or 2019. We currently do not anticipate declaring any cash or stock dividends on our common stock in the foreseeable future. We intend to retain earnings to finance the expansion of our business and for general corporate purposes, including our share repurchase program. Any declaration of dividends will be at the discretion of our Board of Directors and will depend upon the earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends and other factors.

Stock Performance Graph

The graph below compares the cumulative total stockholder return on \$100 invested, assuming the reinvestment of all dividends, on December 26, 2015, the last trading day before the beginning of our 2016 fiscal year, through the end of our 2020 fiscal year with the cumulative total return on \$100 invested for the same period in the Dow Jones U.S. Health Care Index and the Nasdaq Stock Market Composite Index.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN



ASSUMES \$100 INVESTED ON DECEMBER 26, 2015

ASSUMES DIVIDENDS REINVESTED

| | December 26, 2015 | December 31, 2016 | December 30, 2017 | December 29, 2018 | December 28, 2019 | December 26, 2020 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Henry Schein, Inc. | \$ 100.00 | \$ 96.58 | \$ 88.97 | \$ 99.20 | \$ 109.44 | \$ 108.21 |
| Dow Jones U.S. Health Care Index | 100.00 | 97.04 | 119.21 | 124.84 | 154.14 | 175.81 |
| NASDAQ Stock Market Composite Index | 100.00 | 108.00 | 140.01 | 134.97 | 186.63 | 267.70 |

ITEM 6. Selected Financial Data

The following selected financial data, with respect to our financial position and results of operations for each of the five fiscal years in the period ended December 26, 2020, set forth below, has been derived from, should be read in conjunction with and is qualified in its entirety by reference to, our consolidated financial statements and notes thereto. The selected financial data presented below should also be read in conjunction with ITEM 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and ITEM 8, “Financial Statements and Supplementary Data.”

| | Years ended | | | | |
|---|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 | December 30, 2017 | December 31, 2016 |
| | (in thousands, except per share data) | | | | |
| Income Statement Data: | | | | | |
| Net sales | \$ 10,119,141 | \$ 9,985,803 | \$ 9,417,603 | \$ 8,883,438 | \$ 8,218,885 |
| Gross profit | 2,814,343 | 3,090,886 | 2,910,747 | 2,746,662 | 2,605,907 |
| Selling, general and administrative expenses | 2,246,947 | 2,357,920 | 2,217,273 | 2,071,576 | 1,975,445 |
| Litigation settlements | - | - | 38,488 | 5,325 | - |
| Restructuring costs (1) | 32,093 | 14,705 | 54,367 | - | 38,621 |
| Operating income | 535,303 | 718,261 | 600,619 | 669,761 | 591,841 |
| Other expense, net | (35,408) | (37,954) | (63,783) | (39,967) | (18,705) |
| Income from continuing operations before taxes, equity in earnings of affiliates and noncontrolling interests | 499,895 | 680,307 | 536,836 | 629,794 | 573,136 |
| Income taxes (2) | (95,374) | (159,515) | (107,432) | (308,975) | (169,311) |
| Equity in earnings of affiliates | 12,344 | 17,900 | 21,037 | 15,293 | 17,110 |
| Net gain (loss) on sale of equity investments (3) | 1,572 | 186,769 | - | (17,636) | - |
| Net income from continuing operations | 418,437 | 725,461 | 450,441 | 318,476 | 420,935 |
| Income (loss) from discontinued operations | 986 | (6,323) | 111,685 | 140,817 | 135,460 |
| Net income | 419,423 | 719,138 | 562,126 | 459,293 | 556,395 |
| Less: Net income attributable to noncontrolling interests | (15,629) | (24,770) | (19,724) | (25,304) | (19,651) |
| Less: Net (income) loss attributable to noncontrolling interests from discontinued operations | - | 366 | (6,521) | (27,690) | (29,966) |
| Net income attributable to Henry Schein, Inc. | \$ 403,794 | \$ 694,734 | \$ 535,881 | \$ 406,299 | \$ 506,778 |
| Amounts attributable to Henry Schein, Inc.: | | | | | |
| Continuing operations | 402,808 | 700,691 | 430,717 | 293,172 | 401,284 |
| Discontinued operations | 986 | (5,957) | 105,164 | 113,127 | 105,494 |
| Net income attributable to Henry Schein, Inc. | \$ 403,794 | \$ 694,734 | \$ 535,881 | \$ 406,299 | \$ 506,778 |
| Earnings (loss) per share attributable to Henry Schein, Inc.: | | | | | |
| From continuing operations: | | | | | |
| Basic | \$ 2.83 | \$ 4.74 | \$ 2.82 | \$ 1.87 | \$ 2.48 |
| Diluted | 2.81 | 4.69 | 2.80 | 1.85 | 2.45 |
| From discontinued operations: | | | | | |
| Basic | \$ 0.01 | \$ (0.04) | \$ 0.69 | \$ 0.72 | \$ 0.65 |
| Diluted | 0.01 | (0.04) | 0.68 | 0.72 | 0.64 |
| Earnings per share attributable to Henry Schein, Inc.: | | | | | |
| Basic | \$ 2.83 | \$ 4.70 | \$ 3.51 | \$ 2.59 | \$ 3.14 |
| Diluted | 2.82 | 4.65 | 3.49 | 2.57 | 3.10 |
| Weighted-average common shares outstanding: | | | | | |
| Basic | 142,504 | 147,817 | 152,656 | 156,787 | 161,641 |
| Diluted | 143,404 | 149,257 | 153,707 | 158,208 | 163,723 |

| | Years ended | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 | December 30, 2017 | December 31, 2016 |
| | (in thousands) | | | | |
| Net Sales by Market Data: | | | | | |
| Health care distribution (4): | | | | | |
| Dental | \$ 5,912,593 | \$ 6,415,865 | \$ 6,347,998 | \$ 6,047,811 | \$ 5,554,296 |
| Medical | 3,617,017 | 2,973,586 | 2,661,166 | 2,497,994 | 2,337,661 |
| Total health care distribution | 9,529,610 | 9,389,451 | 9,009,164 | 8,545,805 | 7,891,957 |
| Technology and value-added services (5) | 514,258 | 515,085 | 408,439 | 337,633 | 326,928 |
| Total excluding Corporate TSA revenues | 10,043,868 | 9,904,536 | 9,417,603 | 8,883,438 | 8,218,885 |
| Corporate TSA revenues (6) | 75,273 | 81,267 | - | - | - |
| Total | <u>\$ 10,119,141</u> | <u>\$ 9,985,803</u> | <u>\$ 9,417,603</u> | <u>\$ 8,883,438</u> | <u>\$ 8,218,885</u> |
| | As of | | | | |
| | December 26, 2020 | December 28, 2019 | December 29, 2018 | December 30, 2017 | December 31, 2016 |
| | (in thousands) | | | | |
| Balance Sheet Data: | | | | | |
| Total assets | \$ 7,772,532 | \$ 7,151,101 | \$ 8,500,527 | \$ 7,863,995 | \$ 6,811,763 |
| Long-term debt | 515,773 | 622,908 | 980,344 | 884,227 | 689,626 |
| Redeemable noncontrolling interests | 327,699 | 287,258 | 219,724 | 465,584 | 285,567 |
| Stockholders' equity | 3,984,385 | 3,630,137 | 3,541,788 | 2,824,410 | 2,800,804 |

- 1) Restructuring costs for the year ended December 26, 2020 consist primarily of severance costs, including severance pay and benefits of \$25.8 million, facility closing costs of \$5.9 million and other costs of \$0.4 million. Restructuring costs for the year ended December 28, 2019 consist primarily of severance costs, including severance pay and benefits of \$13.8 million and facility closing costs of \$0.9 million. Restructuring costs for the year ended December 29, 2018 consist primarily of severance costs, including severance pay and benefits of \$50.2 million, facility closing costs of \$3.2 million and other costs of \$1.0 million. Restructuring costs for the year ended December 31, 2016 consist primarily of severance costs, including severance pay and benefits of \$33.8 million, facility closing costs of \$3.2 million and other costs of \$1.6 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Plans of Restructuring" herein and the consolidated financial statements and related notes contained in ITEM 8.
- (2) In 2018 we recorded (a) a \$10.0 million net credit to income tax representing a change in our estimate of the transition tax on deemed repatriated foreign earnings, (b) a one-time income tax charge of \$3.9 million to income tax as a result of a reorganization of legal entities related to Henry Schein One, (c) an income tax credit of \$13.9 million (\$10.6 million attributable to Henry Schein, Inc.) resulting from a legal entity reorganization outside of the United States and (d) a one-time income tax charge of \$3.1 million as a result of the reorganization of legal entities completed in preparation for the Animal Health Spin-off. In 2017 we recorded a one-time income tax charge of \$140 million related to the transition tax on deemed repatriated foreign earnings and a one-time income tax charge of \$3.0 million for the revaluation of deferred taxes associated with U.S. tax reform legislation.
- (3) During the fourth quarter of 2019, we sold an equity investment in Hu-Friedy Mfg. Co., LLC, a manufacturer of dental instruments and infection prevention solutions. In the fourth quarter of 2020 we received contingent proceeds of \$2.1 million from the 2019 sale of Hu-Friedy resulting in the recognition of an additional after-tax gain of \$1.6 million. Our investment was non-controlling, we were not involved in running the business and had no representation on the board of directors. During the fourth quarter of 2019, we also sold certain other equity investments. During 2017 we sold our equity ownership in E4D Technologies resulting in a loss of approximately \$17.6 million. There was no tax benefit recognized related to this loss.
- (4) Consists of consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, personal protective equipment, infection-control products and vitamins.
- (5) 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.
- (6) Corporate TSA revenues represents sales of certain products to Covetrus under the transition services agreement entered into in connection with the Animal Health Spin-off, which ended in December 2020.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Statements

In accordance with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, we provide the following cautionary remarks regarding important factors that, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. All forward-looking statements made by us are subject to risks and uncertainties and are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are generally identified by the use of such terms as "may," "could," "expect," "intend," "believe," "plan," "estimate," "forecast," "project," "anticipate," "to be," "to make" or other comparable terms. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Annual Report on Form 10-K, and in particular the risks discussed under the caption "Risk Factors" in Item 1A of this report and those that may be discussed in other documents we file with the Securities and Exchange Commission (SEC). Forward looking statements include the overall impact of the Novel Coronavirus Disease 2019 (COVID-19) on the Company, its results of operations, liquidity, and financial condition (including any estimates of the impact on these items), the rate and consistency with which dental and other practices resume or maintain normal operations in the United States and internationally, expectations regarding personal protective equipment ("PPE") and COVID-19 related product sales and inventory levels and whether additional resurgences of the virus will adversely impact the resumption of normal operations, the impact of restructuring programs as well as of any future acquisitions, and more generally current expectations regarding performance in current and future periods. Forward looking statements also include the (i) ability of the Company to make additional testing available, the nature of those tests and the number of tests intended to be made available and the timing for availability, the nature of the target market, as well as the efficacy or relative efficacy of the test results given that the test efficacy has not been, or will not have been, independently verified under normal FDA procedures and (ii) potential for the Company to distribute the COVID-19 vaccines and ancillary supplies.

Risk factors and uncertainties that could cause actual results to differ materially from current and historical results include, but are not limited to: risks associated with COVID-19, as well as other disease outbreaks, epidemics, pandemics, or similar wide spread public health concerns and other natural disasters or acts of terrorism; our dependence on third parties for the manufacture and supply of our products; our ability to develop or acquire and maintain and protect new products (particularly technology products) and technologies that achieve market acceptance with acceptable margins; transitional challenges associated with acquisitions, dispositions and joint ventures, including the failure to achieve anticipated synergies/benefits; financial and tax risks associated with acquisitions, dispositions and joint ventures; certain provisions in our governing documents that may discourage third-party acquisitions of us; effects of a highly competitive (including, without limitation, competition from third-party online commerce sites) and consolidating market; the potential repeal or judicial prohibition on implementation of the Affordable Care Act; changes in the health care industry; risks from expansion of customer purchasing power and multi-tiered costing structures; increases in shipping costs for our products or other service issues with our third-party shippers; general global macro-economic and political conditions, including international trade agreements and potential trade barriers; failure to comply with existing and future regulatory requirements; risks associated with the EU Medical Device Regulation; failure to comply with laws and regulations relating to health care fraud or other laws and regulations; failure to comply with laws and regulations relating to the confidentiality of sensitive personal information or standards in electronic health records or transmissions; changes in tax legislation; litigation risks; new or unanticipated litigation developments and the status of litigation matters; cyberattacks or other privacy or data security breaches; risks associated with our global operations; our dependence on our senior management, as well as employee hiring and retention; and disruptions in financial markets. The order in which these factors appear should not be construed to indicate their relative importance or priority.

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

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

COVID-19 Pandemic

In March 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of global financial markets. In response, many countries implemented business closures and restrictions, stay-at-home and social distancing ordinances and similar measures to combat the pandemic, which significantly impacted global business and dramatically reduced demand for dental products and certain medical products beginning in the second quarter of 2020. Demand increased in the second half of 2020 resulting in slight growth over the prior year driven by sales of PPE and COVID-19 related products.

Our consolidated financial statements reflect estimates and assumptions made by us that affect, among other things, our goodwill, long-lived asset and definite-lived intangible asset valuation; inventory valuation; equity investment valuation; assessment of the annual effective tax rate; valuation of deferred income taxes and income tax contingencies; the allowance for doubtful accounts; hedging activity; vendor rebates; measurement of compensation cost for certain share-based performance awards and cash bonus plans; and pension plan assumptions. Due to the significant uncertainty surrounding the future impact of COVID-19, our judgments regarding estimates and impairments could change in the future. In addition, the impact of COVID-19 had a material adverse effect on our business, results of operations and cash flows, primarily in the second quarter of 2020. In the latter half of the second quarter, dental and medical practices began to re-open worldwide, and continued to do so during the second half of 2020. However, patient volumes have remained below pre-COVID-19 levels and certain regions in the U.S. and internationally are experiencing an increase in COVID-19 cases. As such, there is an ongoing risk that the COVID-19 pandemic may again materially adversely effect our business, results of operations and cash flows and may result in a material adverse effect on our financial condition and liquidity. However, the extent of the potential impact cannot be reasonably estimated at this time.

As part of a broad-based effort to support plans for the long-term health of our business and to strengthen our financial flexibility, we implemented cost reduction measures that included certain reductions in payroll, substantially decreased capital expenditures, reduced corporate spending and eliminated certain non-strategic targeted expenditures. As our markets began to recover, we substantially ended most of those temporary expense-reduction initiatives during the second half of 2020.

Corporate Transactions

During the fourth quarter of 2019, we sold an equity investment in Hu-Friedy Mfg. Co., LLC (“Hu-Friedy”), a manufacturer of dental instruments and infection prevention solutions. Our investment was non-controlling, we were not involved in running the business and had no representation on the board of directors. During the fourth quarter of 2019, we also sold certain other equity investments. In the aggregate, the sales of these investments resulted in a pre-tax gain in 2019 of approximately \$250.2 million and an after-tax gain of approximately \$186.8 million. In the fourth quarter of 2020 we received contingent proceeds of \$2.1 million from the 2019 sale of Hu-Friedy resulting in the recognition of an additional after-tax gain of \$1.6 million.

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 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, as well as alternate sites of care. We serve more than one 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 88 years of experience distributing health care products.

We are headquartered in Melville, New York, employ more than 19,000 people (of which more than 9,800 are based outside the United States) and have operations or affiliates in 31 countries and territories, 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, South Africa, Spain, Sweden, 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. In response to the COVID-19 pandemic, we had taken a range of actions to preserve cash, including the temporary suspension of significant acquisition activity. During the third and fourth quarters of 2020, as global conditions improved, we resumed our acquisition strategy.

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 2020 there were more than six and a half million Americans aged 85 years or older, the segment of the population most in need of long-term care and elder-care services. By the year 2050, that number is projected to nearly triple to approximately 19 million. The population aged 65 to 84 years is projected to increase by approximately 36% 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 2019-2028" indicating that total national health care spending reached approximately \$3.6 trillion in 2018, or 17.7% 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 \$6.2 trillion in 2028, approximately 19.7% of the nation's projected gross domestic product.

Results of Operations

The following tables summarize the significant components of our operating results and cash flows from continuing operations for each of the three years ended December 26, 2020, December 28, 2019 and December 29, 2018 (in thousands):

| | Years Ended | | |
|---|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Operating results: | | | |
| Net sales | \$ 10,119,141 | \$ 9,985,803 | \$ 9,417,603 |
| Cost of sales | 7,304,798 | 6,894,917 | 6,506,856 |
| Gross profit | 2,814,343 | 3,090,886 | 2,910,747 |
| Operating expenses: | | | |
| Selling, general and administrative | 2,246,947 | 2,357,920 | 2,217,273 |
| Litigation settlements | - | - | 38,488 |
| Restructuring costs | 32,093 | 14,705 | 54,367 |
| Operating income | <u>\$ 535,303</u> | <u>\$ 718,261</u> | <u>\$ 600,619</u> |
| Other expense, net | \$ (35,408) | \$ (37,954) | \$ (63,783) |
| Net gain on sale of equity investments | 1,572 | 186,769 | - |
| Net income from continuing operations | 418,437 | 725,461 | 450,441 |
| Income (loss) from discontinued operations | 986 | (6,323) | 111,685 |
| Net income attributable to Henry Schein, Inc. | 403,794 | 694,734 | 535,881 |

| | Years Ended | | |
|--|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Cash flows: | | | |
| Net cash provided by operating activities from continuing operations | \$ 593,519 | \$ 820,478 | \$ 450,955 |
| Net cash used in investing activities from continuing operations | (115,019) | (422,309) | (164,324) |
| Net cash used in financing activities from continuing operations | (181,794) | (363,351) | (402,173) |

Plans of Restructuring

On July 9, 2018, we committed to an initiative to rationalize our operations and provide expense efficiencies. These actions allowed us to execute on our plan to reduce our cost structure and fund new initiatives to drive growth under our 2018 to 2020 strategic plan. This initiative resulted in the elimination of approximately 4% of our workforce and the closing of certain facilities.

On November 20, 2019, we committed to a contemplated initiative, intended to mitigate stranded costs associated with the Animal Health Spin-off and to rationalize operations and to provide expense efficiencies. These activities were originally expected to be completed by the end of 2020. As a result of the business environment brought on by the COVID-19 pandemic, we are continuing our restructuring activities into 2021. We are currently unable in good faith to make a determination of an estimate of the amount or range of amounts expected to be incurred in connection with these activities in 2021, both with respect to each major type of cost associated therewith and with respect to the total cost, or an estimate of the amount or range of amounts that will result in future cash expenditures.

During the years ended December 26, 2020, December 28, 2019, and December 29, 2018 we recorded restructuring charges of \$32.1 million, \$14.7 million and \$54.4 million, respectively. The costs associated with these restructurings are included in a separate line item, "Restructuring costs" within our consolidated statements of income.

2020 Compared to 2019

Net Sales

Net sales for 2020 and 2019 were as follows (in thousands):

| | 2020 | % of Total | 2019 | % of Total | Increase / (Decrease) | |
|--|----------------------|---------------|---------------------|---------------|-----------------------|------------|
| | | | | | \$ | % |
| Health care distribution ⁽¹⁾ | | | | | | |
| Dental | \$ 5,912,593 | 58.4% | \$ 6,415,865 | 64.2% | \$ (503,272) | (7.8)% |
| Medical | 3,617,017 | 35.8 | 2,973,586 | 29.8 | 643,431 | 21.6 |
| Total health care distribution | 9,529,610 | 94.2 | 9,389,451 | 94.0 | 140,159 | 1.5 |
| Technology and value-added services ⁽²⁾ | 514,258 | 5.1 | 515,085 | 5.2 | (827) | (0.2) |
| Total excluding Corporate TSA revenues | 10,043,868 | 99.3 | 9,904,536 | 99.2 | 139,332 | 1.4 |
| Corporate TSA revenues ⁽³⁾ | 75,273 | 0.7 | 81,267 | 0.8 | (5,994) | (7.4) |
| Total | <u>\$ 10,119,141</u> | <u>100.0</u> | <u>\$ 9,985,803</u> | <u>100.0</u> | <u>\$ 133,338</u> | <u>1.3</u> |

(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, personal protective equipment 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 products to Covetrus under the transition services agreement entered into in connection with the Animal Health Spin-off, which ended in December 2020.

The 1.3% increase in net sales for the year ended December 26, 2020 includes an increase of 1.4% local currency growth (0.8% increase in internally generated revenue and 0.6% growth from acquisitions) partially offset by a decrease of 0.1% related to foreign currency exchange. Excluding sales of products under the transition services agreement with Covetrus, our net sales increased 1.4%, including local currency growth of 1.5% (0.9% increase in internally generated revenue and 0.6% growth from acquisitions) partially offset by a decrease of 0.1% related to foreign currency exchange. Sales for the year ended December 26, 2020 benefited from sales of PPE and COVID-19 related products of approximately \$1,298 million, an increase of approximately 208% versus the prior year. Future PPE and COVID-19 related product sales may be lower than what we have experienced in 2020, which were driven by rising positive COVID-19 cases and practices seeking to ensure adequate supply.

The 7.8% decrease in dental net sales for the year ended December 26, 2020 includes a decrease of 7.6% in local currencies (8.0% decrease in internally generated revenue, partially offset by 0.4% growth from acquisitions) and a decrease of 0.2% related to foreign currency exchange. The 7.6% decrease in local currency sales was due to decreases in dental equipment sales and service revenues of 12.5%, all of which is attributable to a decrease in internally generated revenue and a decrease in dental consumable merchandise sales of 6.1% (6.5% decrease in internally generated revenue, partially offset by 0.4% growth from acquisitions). The COVID-19 pandemic adversely impacted our dental business beginning in mid-March of 2020 as many dental offices progressively closed or began seeing a limited number of patients, resulting in a decrease of 41.2% in second quarter dental revenues versus the same period in the prior year. However, in the second half of the year ended December 26, 2020, our dental sales began to improve as dental practices resumed activities and patient traffic increased. Global dental sales for the year ended December 26, 2020 benefited from sales of PPE and COVID-19 related products of approximately \$491 million, an increase of approximately 72% versus the prior year.

The 21.6% increase in medical net sales for the year ended December 26, 2020 includes an increase of 21.6% local currency growth (20.7% increase in internally generated revenue and 0.9% growth from acquisitions). The COVID-19 pandemic adversely impacted our medical business beginning in mid-March of 2020, but not as significantly as our dental business as the decrease in second quarter medical revenues was only 11.2% versus the same period in the prior year. Our medical business rebounded strongly in the second half of the year in part due to continued strong sales of PPE, such as masks, gowns and face shields, and COVID-19 related products, such as diagnostic test kits. Global medical sales for the year ended December 26, 2020 benefited from sales of PPE and COVID-19 related products of approximately \$807 million, an increase of approximately 490% versus the prior year.

The 0.2% decrease in technology and value-added services net sales for the year ended December 26, 2020 includes a decrease of 0.3% local currency growth (3.2% decrease in internally generated revenue, partially offset by 2.9% growth from acquisitions) partially offset by an increase of 0.1% related to foreign currency exchange. The closure of dental and medical offices beginning in mid-March of 2020 due to the COVID-19 pandemic resulted in a decrease of 15.9% in second quarter technology and value-added services revenues versus the same period in the prior year. As dental and medical practice operations, resumed in the second half of the year, the trend for transactional software revenues improved as more patients visited practices worldwide.

Although dental and medical practices continued to re-open globally in the second half of the year, patient volumes remain below pre-COVID-19 levels. As such, there is an ongoing risk that the COVID-19 pandemic may again have a material adverse effect on our net sales in future periods.

Gross Profit

Gross profit and gross margins for 2020 and 2019 by segment and in total were as follows (in thousands):

| | 2020 | Gross Margin % | 2019 | Gross Margin % | Decrease | |
|--|---------------------|-------------------|---------------------|-------------------|---------------------|--------|
| | | | | | \$ | % |
| Health care distribution | \$ 2,448,991 | 25.7% | \$ 2,717,574 | 28.9% | \$ (268,583) | (9.9)% |
| Technology and value-added services | 363,245 | 70.6 | 370,887 | 72.0 | (7,642) | (2.1) |
| Total excluding Corporate TSA revenues | 2,812,236 | 28.0 | 3,088,461 | 31.2 | (276,225) | (8.9) |
| Corporate TSA revenues | 2,107 | 2.8 | 2,425 | 3.0 | (318) | (13.1) |
| Total | <u>\$ 2,814,343</u> | 27.8 | <u>\$ 3,090,886</u> | 31.0 | <u>\$ (276,543)</u> | (8.9) |

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 – Discontinued Operations for additional details), we entered into a transition services agreement with Covetrus, pursuant to which Covetrus purchased certain products from us. The agreement, which ended in December 2020, provided that these products would be sold to Covetrus at a mark-up that ranged from 3% to 6% of our product cost to cover handling costs.

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 pharmaceutical products are generally at lower gross profit margins than other products. Conversely, 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 decreased \$268.6 million, or 9.9%, for the year ended December 26, 2020 compared to the prior year period, due primarily to the COVID-19 pandemic. Health care distribution gross profit margin decreased to 25.7% for the year ended December 26, 2020 from 28.9% for the comparable prior year period. The overall decrease in our health care distribution gross profit is attributable to a \$232.2 million decline in gross profit due to the decrease in the gross margin rates and a \$48.3 million gross profit decrease in internally generated revenue, partially offset by \$11.9 million of additional gross profit from acquisitions. Gross profit margin was negatively affected by significant adjustments recorded for PPE inventory and COVID-19 related products caused by volatility of pricing and demand experienced during the year, which conditions may recur and adversely impact gross profit margins in future periods, although we do not expect material inventory adjustments to continue into 2021. During the year, we continued to earn lower vendor rebates, due to lower purchase volumes, in our health care distribution segment, which also contributes to the lower gross profit margin.

Technology and value-added services gross profit decreased \$7.6 million, or 2.1%, for the year ended December 26, 2020 compared to the prior year period. Technology and value-added services gross profit margin decreased to 70.6% for the year ended December 26, 2020 from 72.0% for the comparable prior year period. The overall decrease in our Technology and value-added services gross profit is attributable to a decrease of \$11.5 million in internally generated revenue and a decrease of \$8.8 million in gross profit due to the decrease in the gross margin rates, partially offset by \$12.7 million additional gross profit from acquisitions.

Selling, General and Administrative

Selling, general and administrative expenses by segment and in total for 2020 and 2019 were as follows (in thousands):

| | 2020 | % of Respective Net Sales | 2019 | % of Respective Net Sales | Increase / (Decrease) | |
|-------------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|-----------------------|--------|
| | | | | | \$ | % |
| Health care distribution | \$ 2,014,925 | 21.1% | \$ 2,128,595 | 22.7% | \$ (113,670) | (5.3)% |
| Technology and value-added services | 264,115 | 51.4 | 244,030 | 47.4 | 20,085 | 8.2 |
| Total | <u>\$ 2,279,040</u> | 22.5 | <u>\$ 2,372,625</u> | 23.8 | <u>\$ (93,585)</u> | (3.9) |

Selling, general and administrative expenses (including restructuring costs in the years ended December 26, 2020 and December 28, 2019) decreased \$93.6 million, or 3.9%, to \$2,279.0 million for the year ended December 26, 2020 from the comparable prior year period. The \$113.7 million decrease in selling, general and administrative expenses within our health care distribution segment for the year ended December 26, 2020 as compared to the prior year period was attributable to a reduction of \$151.5 million of operating costs, primarily as a result of cost-saving measures taken in response to the COVID-19 pandemic, partially offset by \$20.8 million of additional costs from acquired companies and an increase of \$17.0 million in restructuring costs. The \$20.1 million increase in selling, general and administrative expenses within our technology and value-added services segment for the year ended December 26, 2020 as compared to the prior year period was attributable to \$10.5 million of additional costs from acquired companies and an increase of \$9.6 million of operating costs. As a percentage of net sales, selling, general and administrative expenses decreased to 22.5% from 23.8% for the comparable prior year period. The cost savings achieved from measures taken in response to the COVID-19 pandemic are expected to diminish in future periods as most of these measures were temporary and substantially ended during the second half of 2020.

As a component of total selling, general and administrative expenses, selling expenses decreased \$86.4 million, or 5.9%, to \$1,375.2 million for the year ended December 26, 2020 from the comparable prior year period, primarily as a result of cost-saving measures taken in response to the COVID-19 pandemic. As a percentage of net sales, selling expenses decreased to 13.6% from 14.7% for the comparable prior year period.

As a component of total selling, general and administrative expenses, general and administrative expenses decreased \$7.2 million, or 0.8%, to \$903.8 million for the year ended December 26, 2020 from the comparable prior year period. As a percentage of net sales, general and administrative expenses decreased to 8.9% from 9.1% for the comparable prior year period.

Other Expense, Net

Other expense, net for the years ended 2020 and 2019 was as follows (in thousands):

| | 2020 | 2019 | Variance | |
|--------------------|--------------------|--------------------|-----------------|---------|
| | | | \$ | % |
| Interest income | \$ 9,842 | \$ 15,757 | \$ (5,915) | (37.5)% |
| Interest expense | (41,377) | (50,792) | 9,415 | 18.5 |
| Other, net | (3,873) | (2,919) | (954) | (32.7) |
| Other expense, net | <u>\$ (35,408)</u> | <u>\$ (37,954)</u> | <u>\$ 2,546</u> | 6.7 |

Interest income decreased \$5.9 million primarily due to lower interest rates and reduced late fee income. Interest expense decreased \$9.4 million primarily due to lower interest rates and lower average debt balances for the year ended December 26, 2020 as compared to the prior year.

Income Taxes

For the year ended December 26, 2020, our effective tax rate was 19.1% compared to 23.4% for the prior year period. In 2020, our effective tax rate was primarily impacted by the agreement with the U.S Internal Revenue Service on our Advanced Pricing Agreement (APA), other audit resolutions, and state and foreign income taxes and interest expense. In 2019, our effective tax rate was primarily impacted by state and foreign income taxes and interest expense.

Net Gain on Sale of Equity Investments

In the fourth quarter of 2020 we received contingent proceeds of \$2.1 million from the 2019 sale of Hu-Friedy resulting in the recognition of an additional after-tax gain of \$1.6 million.

2019 Compared to 2018

Net Sales

Net sales for 2019 and 2018 were as follows (in thousands):

| | 2019 | % of Total | 2018 | % of Total | Increase | |
|--|--------------|---------------|--------------|---------------|------------|------|
| | | | | | \$ | % |
| Health care distribution ⁽¹⁾ | | | | | | |
| Dental | \$ 6,415,865 | 64.2% | \$ 6,347,998 | 67.4% | \$ 67,867 | 1.1% |
| Medical | 2,973,586 | 29.8 | 2,661,166 | 28.3 | 312,420 | 11.7 |
| Total health care distribution | 9,389,451 | 94.0 | 9,009,164 | 95.7 | 380,287 | 4.2 |
| Technology and value-added services ⁽²⁾ | 515,085 | 5.2 | 408,439 | 4.3 | 106,646 | 26.1 |
| Total excluding Corporate TSA revenues | 9,904,536 | 99.2 | 9,417,603 | 100.0 | 486,933 | 5.2 |
| Corporate TSA revenues ⁽³⁾ | 81,267 | 0.8 | - | - | 81,267 | - |
| Total | \$ 9,985,803 | 100.0 | \$ 9,417,603 | 100.0 | \$ 568,200 | 6.0 |

(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 products to Covetrus under the transition services agreement entered into in connection with the Animal Health Spin-off, which ended in December 2020.

The 6.0% increase in net sales for the year ended December 28, 2019 includes an increase of 7.7% local currency growth (4.4% increase in internally generated revenue and 3.3% growth from acquisitions) partially offset by a decrease of 1.7% related to foreign currency exchange. Excluding sales of products under the transition services agreement with Covetrus, our net sales increased 5.2%, including local currency growth of 6.9% (3.5% increase in internally generated revenue and 3.4% growth from acquisitions) partially offset by a decrease of 1.7% related to foreign currency exchange.

The 1.1% increase in dental net sales for the year ended December 28, 2019 includes an increase of 3.4% in local currencies (2.0% increase in internally generated revenue and 1.4% growth from acquisitions) partially offset by a decrease of 2.3% related to foreign currency exchange. The 3.4% increase in local currency sales was due to increases in dental equipment sales and service revenues of 1.0%, all of which is attributable to an increase in internally generated revenue and dental consumable merchandise sales growth of 4.2% (2.3% increase in internally generated revenue and 1.9% growth from acquisitions).

The 11.7% increase in medical net sales for the year ended December 28, 2019 includes an increase of 11.9% local currency growth (7.0% increase in internally generated revenue and 4.9% growth from acquisitions) partially offset by a decrease of 0.2% related to foreign currency exchange.

The 26.1% increase in technology and value-added services net sales for the year ended December 28, 2019 includes an increase of 27.0% local currency growth (4.3% increase in internally generated revenue and 22.7% growth from acquisitions) partially offset by a decrease of 0.9% related to foreign currency exchange.

Gross Profit

Gross profit and gross margins for 2019 and 2018 by segment and in total were as follows (in thousands):

| | 2019 | Gross Margin % | 2018 | Gross Margin % | Increase | |
|--|---------------------|-------------------|---------------------|-------------------|-------------------|-------|
| | | | | | \$ | % |
| Health care distribution | \$ 2,717,574 | 28.9 % | \$ 2,628,767 | 29.2 % | \$ 88,807 | 3.4 % |
| Technology and value-added services | 370,887 | 72.0 | 281,980 | 69.0 | 88,907 | 31.5 |
| Total excluding Corporate TSA revenues | 3,088,461 | 31.2 | 2,910,747 | 30.9 | 177,714 | 6.1 |
| Corporate TSA revenues | 2,425 | 3.0 | - | - | 2,425 | - |
| Total | <u>\$ 3,090,886</u> | 31.0 | <u>\$ 2,910,747</u> | 30.9 | <u>\$ 180,139</u> | 6.2 |

As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies. Additionally, we realize substantially higher gross margin percentages in our technology 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 – Discontinued Operations for additional details), we entered into a transition services agreement with Covetrus, pursuant to which Covetrus purchased certain products from us. The agreement, which ended in December 2020, provided that these products would be sold to Covetrus at a mark-up that ranged from 3% to 6% of our product cost to cover handling costs.

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 pharmaceutical products are generally at lower gross profit margins than other products. Conversely, 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 \$88.8 million, or 3.4%, for the year ended December 28, 2019 compared to the prior year period. Health care distribution gross profit margin decreased to 28.9% for the year ended December 28, 2019 from 29.2% for the comparable prior year period. The overall increase in our health care distribution gross profit is attributable to \$73.1 million of additional gross profit from acquisitions and \$30.9 million gross profit increase from growth in internally generated revenue. These increases were partially offset by a \$15.2 million decline in gross profit due to the decrease in the gross margin rates.

Technology and value-added services gross profit increased \$88.9 million, or 31.5%, for the year ended December 28, 2019 compared to the prior year period. Technology and value-added services gross profit margin increased to 72.0% for the year ended December 28, 2019 from 69.0% for the comparable prior year period. Acquisitions accounted for \$80.2 million of our gross profit increase within our technology and value-added services segment for the year ended December 28, 2019 compared to the prior year period and also accounted for the increase in the gross profit margin. The remaining increase of \$8.7 million in our technology and value-added services segment gross profit was primarily attributable to growth in internally generated revenue.

Selling, General and Administrative

Selling, general and administrative expenses by segment and in total for 2019 and 2018 were as follows (in thousands):

| | 2019 | % of Respective Net Sales | 2018 | % of Respective Net Sales | Increase / (Decrease) | |
|-------------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|-----------------------|--------|
| | | | | | \$ | % |
| Health care distribution | \$ 2,128,595 | 22.7% | \$ 2,137,779 | 23.7% | \$ (9,184) | (0.4)% |
| Technology and value-added services | 244,030 | 47.4 | 172,349 | 42.2 | 71,681 | 41.6 |
| Total | <u>\$ 2,372,625</u> | 23.8 | <u>\$ 2,310,128</u> | 24.5 | <u>\$ 62,497</u> | 2.7 |

Selling, general and administrative expenses (including restructuring costs in the years ended December 28, 2019 and December 29, 2018, and litigation settlements in the year ended December 29, 2018) increased \$62.5 million, or 2.7%, to \$2,372.6 million for the year ended December 28, 2019 from the comparable prior year period. The \$9.2 million decrease in selling, general and administrative expenses within our health care distribution segment for the year ended December 28, 2019 as compared to the prior year period was attributable to a reduction of \$73.7 million of operating costs (primarily due to \$38.5 million of litigation settlement costs recorded in 2018 and a \$39.7 million decrease in restructuring costs) partially offset by \$64.5 million of additional costs from acquired companies. The \$71.7 million increase in selling, general and administrative expenses within our technology and value-added services segment for the year ended December 28, 2019 as compared to the prior year period was attributable to \$70.5 million of additional costs from acquired companies and \$1.2 million of additional operating costs. As a percentage of net sales, selling, general and administrative expenses decreased to 23.8% from 24.5% for the comparable prior year period.

As a component of total selling, general and administrative expenses, selling expenses increased \$33.5 million, or 2.3%, to \$1,461.6 million for the year ended December 28, 2019 from the comparable prior year period. As a percentage of net sales, selling expenses decreased to 14.7% from 15.1% for the comparable prior year period.

As a component of total selling, general and administrative expenses, general and administrative expenses decreased \$29.0 million, or 3.3%, to \$911.0 million for the year ended December 28, 2019 from the comparable prior year period primarily due to \$38.5 million of litigation settlement costs recorded in 2018 and a \$39.7 million decrease in restructuring costs partially offset by increases in general and administrative expenses. As a percentage of net sales, general and administrative expenses decreased to 9.1% from 9.4% for the comparable prior year period.

Other Expense, Net

Other expense, net for the years ended 2019 and 2018 was as follows (in thousands):

| | 2019 | 2018 | Variance | |
|--------------------|--------------------|--------------------|------------------|------|
| | | | \$ | % |
| Interest income | \$ 15,757 | \$ 15,491 | \$ 266 | 1.7% |
| Interest expense | (50,792) | (76,016) | 25,224 | 33.2 |
| Other, net | (2,919) | (3,258) | 339 | 10.4 |
| Other expense, net | <u>\$ (37,954)</u> | <u>\$ (63,783)</u> | <u>\$ 25,829</u> | 40.5 |

Interest expense decreased \$25.2 million primarily due to decreased borrowings under our bank credit lines.

Income Taxes

For the year ended December 28, 2019, our effective tax rate was 23.4% compared to 20.0% for the prior year period. In 2019, our effective tax rate was primarily impacted by state and foreign income taxes and interest expense. In 2018, our effective tax rate was primarily impacted by a reduction in the estimate of our transition tax associated with the Tax Cuts and Jobs Act, tax charges and credits associated with legal entity reorganizations outside the U.S., and state and foreign income taxes and interest expense.

Within our consolidated balance sheets, transition tax of \$9.9 million was included in “Accrued taxes” for 2019 and 2018, and \$94.9 million and \$104.2 million were included in “Other liabilities” for 2019 and 2018 respectively.

Net Gain on Sale of Equity Investments

On October 1, 2019, we sold an equity investment in Hu-Friedy, a manufacturer of dental instruments and infection prevention solutions. Our investment was non-controlling, we were not involved in running the business and had no representation on the board of directors.

During the fourth quarter of 2019, we also sold certain other investments. In the aggregate, the sales of these investments resulted in a pre-tax gain of approximately \$250.2 million and an after-tax gain of approximately \$186.8 million.

Liquidity and Capital Resources

Our principal capital requirements have included funding of acquisitions, purchases of additional noncontrolling interests, repayments of debt principal, the funding of working capital needs, purchases of fixed assets and repurchases of common stock (which have been temporarily suspended). 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.

The pandemic and the governmental responses to it had a material adverse effect on our cash flows in the second quarter of 2020. In the latter half of the second quarter and continuing through year-end, dental and medical practices began to re-open worldwide. However, patient volumes remain below pre-COVID-19 levels and certain regions in the U.S. and internationally are experiencing an increase in COVID-19 cases. As such, there is an ongoing risk that the COVID-19 pandemic may again have a material adverse effect on our cash flows in future periods and may result in a material adverse effect on our financial condition and liquidity. However, the extent of the potential impact cannot be reasonably estimated at this time.

As part of a broad-based effort to support plans for the long-term health of our business and to strengthen our financial flexibility, we implemented cost reduction measures that included certain reductions in payroll, substantially decreased capital expenditures, reduced corporate spending and the elimination of certain non-strategic targeted expenditures. As our markets have begun to recover, we ended most of those temporary expense-reduction initiatives during the second half of 2020. As the COVID-19 pandemic continues to unfold, we will continue to evaluate appropriate actions for the business.

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 provided by operating activities was \$593.5 million for the year ended December 26, 2020, compared to \$820.5 million for the prior year. The net change of \$227.0 million was primarily attributable to lower net income and lower distributions from equity affiliates, both resulting from the sale of our equity investment in Hu-Friedy in the fourth quarter of 2019, and increased working capital requirements, specifically an increase in inventories due to stocking of PPE and COVID-19 related products, and an increase in accounts receivable due to higher sales volume. These working capital increases were partially offset by greater growth in accounts payable and accrued expenses.

Net cash used in investing activities was \$115.0 million for the year ended December 26, 2020, compared to \$422.3 million for the prior year. The net change of \$307.3 million was primarily due to decreased payments for equity investments and business acquisitions, partially offset by decreased proceeds from sales of equity investments.

Net cash used in financing activities was \$181.8 million for the year ended December 26, 2020, compared to \$363.4 million for the prior year. The net change of \$181.6 million was primarily due to increased net proceeds from bank borrowings and lower repurchases of our common stock, partially offset by proceeds received during the prior year related to the Animal Health Spin-off.

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

| | December 26, 2020 | December 28, 2019 |
|---|----------------------|----------------------|
| Cash and cash equivalents | \$ 421,185 | \$ 106,097 |
| Working capital ⁽¹⁾ | 1,508,313 | 1,188,133 |
| Debt: | | |
| Bank credit lines | \$ 73,366 | \$ 23,975 |
| Current maturities of long-term debt | 109,836 | 109,849 |
| Long-term debt | 515,773 | 622,908 |
| Total debt | <u>\$ 698,975</u> | <u>\$ 756,732</u> |
| Leases: | | |
| Current operating lease liabilities | \$ 64,716 | \$ 65,349 |
| Non-current operating lease liabilities | 238,727 | 176,267 |

(1) Includes \$0.0 million and \$127.0 million of accounts receivable which serve as security for U.S. trade accounts receivable securitization at December 26, 2020 and December 28, 2019, 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 turnover

Our accounts receivable days sales outstanding from operations increased to 46.0 days as of December 26, 2020 from 44.5 days as of December 28, 2019. During the years ended December 26, 2020 and December 28, 2019, we wrote off approximately \$7.8 million and \$5.9 million, respectively, of fully reserved accounts receivable against

our trade receivable reserve. Our inventory turnover from operations was 5.1 as of December 26, 2020 and 5.0 as of December 28, 2019. Our working capital accounts may be impacted by current and future economic conditions.

Contractual obligations

The following table summarizes our contractual obligations related to fixed and variable rate long-term debt and finance lease obligations, including interest (assuming a weighted average interest rate of 3.3%), as well as inventory purchase commitments and operating lease obligations as of December 26, 2020:

| | Payments due by period (in thousands) | | | | |
|---|---------------------------------------|-------------------|-------------------|-------------------|---------------------|
| | < 1 year | 2 - 3 years | 4 - 5 years | > 5 years | Total |
| Contractual obligations: | | | | | |
| Long-term debt, including interest | \$ 125,797 | \$ 43,994 | \$ 126,464 | \$ 435,219 | \$ 731,474 |
| Inventory purchase commitments | 208,200 | 110,800 | - | - | 319,000 |
| Operating lease obligations | 71,801 | 98,719 | 55,046 | 110,228 | 335,794 |
| Transition tax obligations | 9,895 | 43,291 | 30,923 | - | 84,109 |
| Finance lease obligations, including interest | 2,503 | 2,138 | 632 | 920 | 6,193 |
| Total | <u>\$ 418,196</u> | <u>\$ 298,942</u> | <u>\$ 213,065</u> | <u>\$ 546,367</u> | <u>\$ 1,476,570</u> |

Bank Credit Lines

Bank credit lines consisted of the following:

| | December 26, 2020 | December 28, 2019 |
|------------------------------------|----------------------|----------------------|
| Revolving credit agreement | \$ - | \$ - |
| Other short-term bank credit lines | 73,366 | 23,975 |
| Total | <u>\$ 73,366</u> | <u>\$ 23,975</u> |

Revolving Credit Agreement

On April 18, 2017, we entered into a \$750 million revolving credit agreement (the "Credit Agreement"), which matures in April 2022. 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. We expect the LIBOR rate to be discontinued at some point during 2021, which will require an amendment to our debt agreements to reflect a new reference rate. We do not expect the discontinuation of LIBOR as a reference rate in our debt agreements to have a material adverse effect on our financial position or to materially affect our interest expense. The Credit Agreement also requires, among other things, that we maintain maximum leverage ratios. Additionally, the Credit Agreement contains customary representations, warranties and affirmative covenants as well as customary negative covenants, subject to negotiated exceptions on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements. As of December 26, 2020 and December 28, 2019, we had no borrowings on this revolving credit facility. As of December 26, 2020 and December 28, 2019, there were \$9.5 million and \$9.6 million of letters of credit, respectively, provided to third parties under the credit facility.

On April 17, 2020, we amended the Credit Agreement to, among other things, (i) modify the financial covenant from being based on total leverage ratio to net leverage ratio, (ii) adjust the pricing grid to reflect the net leverage ratio calculation, and (iii) increase the maximum maintenance leverage ratio through March 31, 2021.

364-Day Credit Agreement

On April 17, 2020, we entered into a new \$700 million 364-day credit agreement, with JPMorgan Chase Bank, N.A. and U.S. Bank National Association as joint lead arrangers and joint bookrunners. This facility matures on April 16, 2021. As of December 26, 2020, we had no borrowings under this credit facility. We have the ability to borrow up to an additional \$200 million, from the original facility amount of \$700 million, under this credit facility on a revolving basis as needed, subject to the terms and conditions of the credit agreement. The interest rate for borrowings under this facility will fluctuate based on our net leverage ratio. At December 26, 2020, the interest rate on this facility was 2.50%. The proceeds from this facility can be used for working capital requirements and general corporate purposes, including, but not limited to, permitted refinancing of existing indebtedness. Under the terms of this agreement, we are prohibited from repurchasing our common stock until we report our financial results for the second quarter of 2021.

Other Short-Term Credit Lines

As of December 26, 2020 and December 28, 2019, we had various other short-term bank credit lines available, of which \$73.4 million and \$24.0 million, respectively, were outstanding. At December 26, 2020 and December 28, 2019, borrowings under all of these credit lines had a weighted average interest rate of 4.14% and 3.45%, respectively.

Long-term debt

Long-term debt consisted of the following:

| | December 26, 2020 | December 28, 2019 |
|--|----------------------|----------------------|
| Private placement facilities | \$ 613,498 | \$ 621,274 |
| U.S. trade accounts receivable securitization | - | 100,000 |
| Note payable due in 2025 with an interest rate of 3.1% at December 26, 2020 | 1,554 | - |
| Various collateralized and uncollateralized loans payable with interest, in varying installments through 2023 at interest rates ranging from 2.62% to 4.27% at December 26, 2020 and ranging from 2.56% to 10.5% at December 28, 2019 | 4,596 | 6,089 |
| Finance lease obligations (see Note 7) | 5,961 | 5,394 |
| Total | 625,609 | 732,757 |
| Less current maturities | (109,836) | (109,849) |
| Total long-term debt | <u>\$ 515,773</u> | <u>\$ 622,908</u> |

Private Placement Facilities

Our private placement facilities, with three insurance companies, have a total facility amount of \$1 billion, and are available on an uncommitted basis at fixed rate economic terms to be agreed upon at the time of issuance, from time to time through June 23, 2023. 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. On June 29, 2018, we amended and restated the above private placement facilities to, among other things, (i) permit the consummation of the Animal Health Spin-off and (ii) provide for the issuance of notes in Euros, British Pounds and Australian Dollars, in addition to U.S. Dollars. 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.

On June 23, 2020, we amended the private placement facilities to, among other things, (i) temporarily modify the financial covenant from being based on total leverage ratio to net leverage ratio until March 31, 2021, (ii) increase the maximum maintenance leverage ratio through March 31, 2021, but with a 1.00% interest rate increase on the outstanding notes if the net leverage ratio exceeds 3.0x, which will remain in effect until we deliver financials for a four-quarter period ending on or after June 30, 2021 showing compliance with the total leverage ratio requirement, and (iii) make certain other changes conforming to the Credit Agreement, dated as of April 18, 2017, as amended.

The components of our private placement facility borrowings as of December 26, 2020 are presented in the following table (in thousands):

| Date of Borrowing | Amount of Borrowing Outstanding | Borrowing Rate | Due Date |
|------------------------------------|--|---------------------------|--------------------|
| January 20, 2012 ⁽¹⁾ | \$ 14,286 | 3.09% | January 20, 2022 |
| January 20, 2012 | 50,000 | 3.45 | January 20, 2024 |
| 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 |
| September 2, 2020 ⁽²⁾ | 100,000 | 2.35 | September 2, 2030 |
| Less: Deferred debt issuance costs | (788) | | |
| | <u>\$ 613,498</u> | | |

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

(2) On September 2, 2020, we refinanced our \$100 million private placement borrowing at 3.79%, originally due on September 2, 2020, with a similar 10-year borrowing at 2.35% maturing on September 2, 2030.

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, was scheduled to expire on April 29, 2022. On June 22, 2020, the expiration date for this facility was extended to June 12, 2023 and was amended to adjust certain covenant levels for 2020. As of December 26, 2020 and December 28, 2019, the borrowings outstanding under this securitization facility were \$0.0 million and \$100 million, respectively. At December 26, 2020, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 0.22% plus 0.95%, for a combined rate of 1.17%. At December 28, 2019, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 1.90% plus 0.75%, for a combined rate of 2.65%.

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

We are required to pay a commitment fee of 25 to 45 basis points depending upon program utilization.

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 one year to 16 years, some of which may include options to extend the leases for up to 10 years. As of December 26, 2020, our right-of-use assets related to operating leases were \$288.8 million and our current and non-current operating lease liabilities were \$64.7 million and \$238.7 million, respectively.

Stock Repurchases

From June 21, 2004 through December 26, 2020, we repurchased \$3.6 billion, or 75,563,289 shares, under our common stock repurchase programs, with \$201.2 million available as of December 26, 2020 for future common stock share repurchases.

On October 30, 2019, our Board of Directors authorized the repurchase of up to an additional \$400 million in shares of our common stock.

As a result of the COVID-19 pandemic, as previously announced, we have temporarily suspended our share repurchase program in an effort to preserve cash and exercise caution during this uncertain period and due to certain restrictions related to financial covenants in our credit facilities.

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. Account Standards Codification (“ASC”) 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 years ended December 26, 2020, December 28, 2019 and December 29, 2018 are presented in the following table:

| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
|---|----------------------|----------------------|----------------------|
| Balance, beginning of period | \$ 287,258 | \$ 219,724 | \$ 465,585 |
| Decrease in redeemable noncontrolling interests due to redemptions | (17,241) | (2,270) | (287,767) |
| Increase in redeemable noncontrolling interests due to business acquisitions | 28,387 | 74,865 | 4,655 |
| Net income attributable to redeemable noncontrolling interests | 13,363 | 14,838 | 15,327 |
| Dividends declared | (12,631) | (10,264) | (8,206) |
| Effect of foreign currency translation loss attributable to redeemable noncontrolling interests | (4,279) | (2,335) | (11,330) |
| Change in fair value of redeemable securities | 32,842 | (7,300) | 41,460 |
| Balance, end of period | <u>\$ 327,699</u> | <u>\$ 287,258</u> | <u>\$ 219,724</u> |

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 years ended December 26, 2020 and December 28, 2019, there were no

material adjustments recorded in our consolidated statements of income relating to changes in estimated contingent purchase price liabilities.

On July 1, 2018, we closed on a joint venture with Internet Brands, a provider of web presence and online marketing software, to create a newly formed entity, Henry Schein One, LLC. The joint venture includes Henry Schein Practice Solutions products and services, as well as Henry Schein's international dental practice management systems and the dental businesses of Internet Brands. Internet Brands originally held a 26% noncontrolling interest in Henry Schein One, LLC that is accounted for within stockholders' equity, as well as a freestanding and separately exercisable right to put its noncontrolling interest to Henry Schein, Inc. for fair value following the fifth anniversary of the effective date of the formation of the joint venture. Beginning with the second anniversary of the effective date of the formation of the joint venture, Henry Schein One began issuing a fixed number of additional interests to Internet Brands, which increased Internet Brands interest to 27% effective July 1, 2020. Henry Schein One will continue issuing additional interests to Internet Brands annually through the fifth anniversary, ultimately increasing Internet Brands' ownership to approximately 33.6%. Internet Brands is also entitled to receive a fixed number of additional interests, in the aggregate up to approximately 1.6% of the joint venture's ownership, if certain operating targets are met by the joint venture in its fourth, fifth and sixth operating years. These additional shares are considered contingent consideration that are accounted for within stockholders' equity; however, these shares will not be allocated any net income of Henry Schein One until the shares vest or are earned by Internet Brands. A Monte Carlo simulation was utilized to value the additional contingent interests that are subject to operating targets. Key assumptions that were applied to derive the fair value of the contingent interests include an assumed equity value of Henry Schein One, LLC at its inception date, a risk-free interest rate based on U.S. treasury yields, an assumed future dividend yield, a risk-adjusted discount rate applied to projected future cash flows, an assumed equity volatility based on historical stock price returns of a group of guideline companies, and an estimated correlation of annual cash flow returns to equity returns. As a result of this transaction with Internet Brands, we recorded \$567.6 million of noncontrolling interest within stockholders' equity.

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.

Unrecognized tax benefits

As more fully disclosed in Note 14 of "Notes to Consolidated Financial Statements," we cannot reasonably estimate the timing of future cash flows related to the unrecognized tax benefits, including accrued interest, of \$84.0 million as of December 26, 2020.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. We base our estimates on historical data, when available, experience, industry and market trends, and on various other assumptions that are believed to be reasonable under the circumstances, the combined results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. However, by their nature, estimates are subject to various assumptions and uncertainties. Reported results are therefore sensitive to any changes in our assumptions, judgments and estimates, including the possibility of obtaining materially different results if different assumptions were to be applied.

Our financial results for the year ended December 26, 2020 were affected by certain estimates we made due to the adverse business environment brought on by the COVID-19 pandemic. During the year ended December 26, 2020, we recorded incremental bad debt reserves of approximately \$10.0 million for our global dental business. Our stock compensation expense during the year ended December 26, 2020 was lower than in the years ended December 28, 2019 and December 29, 2018 due to our estimate that a lower amount of performance shares granted in 2018, 2019 or 2020 would ultimately vest as a result of the lower-than-normal earnings in 2020. Additionally, in the year ended December 26, 2020, we recorded total impairment charges on intangible assets of approximately \$20.3 million. Although our selling, general and administrative expenses for the year ended December 26, 2020

represent management's best estimates and assumptions that affect the reported amounts, our judgment could change in the future due to the significant uncertainty surrounding the macroeconomic effect of the COVID-19 pandemic.

Furthermore, during the year ended December 26, 2020, our gross profit margin was negatively affected by significant adjustments recorded for PPE inventory and COVID-19 related products reflecting changes in our estimates of net realizable value brought on by volatility of pricing and changes in demand experienced during the year. Such conditions may recur and adversely impact gross profit margins in future periods, although we do not expect material inventory adjustments to continue into 2021.

We believe that the following critical accounting policies, which have been discussed with the Audit Committee of the Board of Directors, affect the significant estimates and judgments used in the preparation of our financial statements:

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 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.

Accounts Receivable

Accounts receivable are generally recognized when health care distribution and technology and value-added services revenues are recognized. In accordance with the “expected credit loss” model, 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 types of customers and their credit worthiness, experience and historical data adjusted for current conditions and reasonable supportable forecasts.

Sales Returns

Sales returns are recognized as a reduction of revenue by the amount of expected returns and are recorded as refund liability within current liabilities. We estimate the amount of revenue expected to be reversed to calculate the sales return liability based on historical data for specific products, adjusted as necessary for new products. The allowance for returns is presented gross as a refund liability and we record an inventory asset (and a corresponding adjustment to cost of sales) for any products that we expect to be returned.

Inventories and Reserves

Inventories consist primarily of finished goods and are valued at the lower of cost or market. Cost is determined by the first-in, first-out method for merchandise or actual cost for large equipment and high tech equipment. In accordance with our policy for inventory valuation, we consider many factors including the condition and salability of the inventory, historical sales, forecasted sales and market and economic trends.

From time to time, we may adjust our assumptions for anticipated changes in any of these or other factors expected to affect the value of inventory. Although we believe our judgments, estimates and/or assumptions related to inventory and reserves are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect our financial results.

Acquisitions

We account for business acquisitions and combinations under the acquisition method of accounting, where the net assets of businesses purchased are recorded at their fair value at the acquisition date and our consolidated financial statements include their results of operations from that date. Any excess of acquisition consideration over the fair value of identifiable net assets acquired is recorded as goodwill. The major classes of assets and liabilities that we generally allocate purchase price to, excluding goodwill, include identifiable intangible assets (i.e., trademarks and trade names, customer relationships and lists, non-compete agreements and product development), property, plant and equipment, deferred taxes and other current and long-term assets and liabilities. The estimated fair value of identifiable intangible assets is based on critical estimates, judgments and assumptions derived from: analysis of market conditions; discount rates; discounted cash flows; customer retention rates; and estimated useful lives. Some prior owners of such acquired subsidiaries are eligible to receive additional purchase price cash consideration if certain financial targets are met. While we use our best estimates and assumptions to accurately value those assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill within our consolidated balance sheets. At the end of the measurement period or final determination of the values of such assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recognized in our consolidated statements of operations.

Goodwill

Goodwill is not amortized, but is subject to impairment analysis at least once annually, or if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Such impairment analyses for goodwill require a comparison of the fair value to the carrying value of reporting units. We regard our reporting units to be our operating segments: global dental, global medical, and technology and value-added services. Goodwill was allocated to such reporting units, for the purposes of preparing our impairment analyses, based on a specific identification basis.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities that are considered shared services to the reporting units, and ultimately the determination of the fair value of each reporting unit. The fair value of each reporting unit is calculated by applying the discounted cash flow methodology and confirming with a market approach. This analysis requires judgments, including estimation of detailed future cash flows based on budget expectations, and determination of comparable companies to develop a weighted average cost of capital for each reporting unit. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for each reporting unit.

Supplier Rebates

Supplier rebates are included as a reduction of cost of sales and are recognized over the period they are earned. The factors we consider in estimating supplier rebate accruals include forecasted inventory purchases and sales in conjunction with supplier rebate contract terms which generally provide for increasing rebates based on either increased purchase or sales volume. Although we believe our judgments, estimates and/or assumptions related to supplier rebates are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect our financial results.

Long-Lived Assets

Long-lived assets, other than goodwill and other definite-lived intangibles, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows to be derived from such assets.

Definite-lived intangible assets primarily consist of non-compete agreements, trademarks, trade names, customer relationships and lists, and product development. For long-lived assets used in operations, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted, probability-weighted future cash flows. We measure the impairment loss based on the difference between the carrying amount and the estimated fair value. When an impairment exists, the related assets are written down to fair value. Although we believe our judgments, estimates and/or assumptions used in estimating cash flows and determining fair value are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect such impairment analyses and our financial results.

During the year ended December 26, 2020, we recorded total impairment charges on intangible assets of approximately \$20.3 million, nearly all of which was recorded in our technology and value-added services segment.

Stock-Based Compensation

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 2020 Stock Incentive Plan (formerly known as the 2013 Stock Incentive Plan), 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. Equity-based awards are 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 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 tax rates in certain countries, 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.

Although we believe our judgments, estimates and/or assumptions related to stock-based compensation are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect our financial results.

Unrecognized Tax Benefits

ASC Topic 740 prescribes the accounting for uncertainty in income taxes recognized in the financial statements in accordance with other provisions contained within this guidance. This topic prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by the taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate audit settlement. In the normal course of business, our tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing authorities for uncertain tax positions taken in respect of certain tax matters.

Accounting Standards Update

For a discussion of accounting standards updates that have been adopted or will be adopted in the future, please see Note 1 – Significant Accounting Policies included under Item 8.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Currency Agreements

The value of certain foreign currencies as compared to the U.S. dollar and the value of certain underlying functional currencies of the Company, including its foreign subsidiaries, may affect our financial results. Fluctuations in exchange rates 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., generally 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 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. A hypothetical 5% change in the average value of the U.S. dollar in 2020 compared to foreign currencies would have changed our 2020 reported Net income attributable to Henry Schein, Inc. by approximately \$1.3 million.

As of December 26, 2020, we had forward foreign currency exchange agreements, which expire through November 16, 2023, which include a mark-to-market loss of \$9.9 million as determined by quoted market prices. Included in the forward foreign currency exchange agreements, Henry Schein, Inc. had EUR/USD forward contracts notionally totaling an amount of approximately €200 million, with a reported fair value of these contracts as a net liability of \$9.6 million. A 5% increase in the value of the Euro to the USD from December 26, 2020, with all other variables held constant, would have had an unfavorable effect on the fair value of these forward contracts by decreasing the value of these instruments by \$11.9 million.

Total Return Swaps

On March 20, 2020, we entered into a total return swap for the purpose of economically hedging our unfunded non-qualified supplemental retirement plan ("SERP") and our deferred compensation plan ("DCP"). This swap will offset changes in our SERP and DCP liabilities. At the inception, the notional value of the investments in these plans was \$43.4 million. At December 26, 2020, the notional value of the investments in these plans was \$67.6 million. At December 26, 2020 the financing rate for this swap was based on LIBOR of 0.15% plus 0.38%, for a combined rate of 0.53%. From March 20, 2020, the effective date of the swap, to December 26, 2020, we have recorded a gain, within the selling, general and administrative line item in our consolidated statement of income, of approximately \$21.2 million, net of transaction costs, related to this undesignated swap for the year ended December 26, 2020. This gain was offset by the change in fair value adjustment in deferred compensation, resulting in a neutral impact to our results of operations. This swap is expected to be renewed on an annual basis.

Short-Term Investments

We limit our credit risk with respect to our cash equivalents, short-term investments and derivative instruments, by monitoring the credit worthiness of the financial institutions who are the counterparties to such financial instruments. As a risk management policy, we limit the amount of credit exposure by diversifying and utilizing numerous investment grade counterparties.

Variable Interest Rate Debt

As of December 26, 2020, we had variable interest rate exposure for certain of our revolving credit facilities and our U.S. trade accounts receivable securitization.

Our revolving credit facility which we entered into on April 18, 2017 and expires on April 18, 2022, has an interest rate that is based on the U.S. Dollar LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. As of December 26, 2020, there was \$0.0 million outstanding under this revolving credit facility. During the year ended December 26, 2020, the average outstanding balance under this revolving credit facility was approximately \$21.4 million. Based upon our average outstanding balance for this revolving credit facility, for each hypothetical increase of 25 basis points, our interest expense thereunder would have increased by less than \$0.1 million.

Our U.S trade accounts receivable securitization, which we entered into on April 17, 2013 and was scheduled to expire on April 29, 2022, has an interest rate that is based upon the asset-backed commercial paper rate. On June 22, 2020, the expiration date for this facility was extended to June 12, 2023. As of December 26, 2020, the commercial paper rate was 0.22% plus 0.95%, for a combined rate of 1.17%. At December 26, 2020 the outstanding balance was \$0.0 million under this securitization facility. During the year ended December 26, 2020, the average outstanding balance under this securitization facility was approximately \$92.3 million. Based upon our average outstanding balance for this securitization facility, for each hypothetical increase of 25 basis points, our interest expense thereunder would have increased by \$0.2 million.

ITEM 8. Financial Statements and Supplementary Data

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| All other schedules are omitted because the required information is either inapplicable or is included in the consolidated financial statements or the notes thereto. | |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Henry Schein, Inc.
Melville, NY

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Henry Schein, Inc. (the “Company”) as of December 26, 2020 and December 28, 2019, the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 26, 2020, the related notes and schedule (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 26, 2020 and December 28, 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 26, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 26, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated February 17, 2021 expressed an unqualified opinion thereon.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, effective on December 30, 2018, the Company changed its method of accounting for leases due to the adoption of Accounting Standards Codification Topic 842, *Leases*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the Audit Committee of the Board of Directors and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements; and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Uncertain Tax Position

As described in Note 14 of the consolidated financial statements the Company operates in multiple jurisdictions and is subject to transfer pricing compliance for intercompany transactions that are subject to audit by taxing authorities. The resolution of these audits may span multiple years.

We identified the determination of uncertain tax positions related to transfer pricing from intercompany transactions as a critical audit matter. The principal considerations for our determination included complex judgments related to: (i) auditing assumptions applied to the interpretation of tax laws and legal rulings in multiple tax paying jurisdictions, (ii) determining whether a transfer pricing tax position's technical merits are more-likely-than-not to be sustained when measuring the amount of tax benefits that qualifies for recognition, (iii) assessing whether intercompany transactions are based on the arm's length standard that may produce a range of arm's length outcomes, and (iv) assessing the adjustments to the liability for unrecognized tax benefits associated with tax settlements or agreements. Auditing these elements involved especially subjective auditor judgment and an increased level of audit effort, including involvement of personnel with specialized skills and knowledge.

The primary procedures we performed to address this critical audit matter included:

- Assessing the design and implementation and testing operating effectiveness of certain controls over the recognition and measurement of uncertain tax positions related to transfer pricing.
- Utilizing personnel with specialized knowledge and skill in taxation to evaluate the appropriateness of management's methods and assumptions used to estimate uncertain tax positions related to transfer pricing by: (i) verifying our understanding of the relevant facts by reading the Company's correspondence with the relevant tax authorities and third-party advice obtained by the Company, (ii) evaluating the reasonableness of technical merits, management's judgments and assumptions and assessing the overall reasonableness of conclusions reached, (iii) evaluating the ranges of arm's length outcomes and pricing conclusions reached within management's transfer pricing studies, and (iv) reviewing settlement activity or agreements with income tax authorities.

/s/ BDO USA, LLP

We have served as the Company's auditor since 1984.

New York, NY
February 17, 2021

HENRY SCHEIN, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

| | December 26, 2020 | December 28, 2019 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 421,185 | \$ 106,097 |
| Accounts receivable, net of reserves of \$88,030 and \$60,002 | 1,424,787 | 1,246,246 |
| Inventories, net | 1,512,499 | 1,428,799 |
| Prepaid expenses and other | 432,944 | 445,360 |
| Total current assets | 3,791,415 | 3,226,502 |
| Property and equipment, net | 342,004 | 329,645 |
| Operating lease right-of-use assets, net | 288,847 | 231,662 |
| Goodwill | 2,504,392 | 2,462,495 |
| Other intangibles, net | 479,429 | 572,878 |
| Investments and other | 366,445 | 327,919 |
| Total assets | <u>\$ 7,772,532</u> | <u>\$ 7,151,101</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,005,655 | \$ 880,266 |
| Bank credit lines | 73,366 | 23,975 |
| Current maturities of long-term debt | 109,836 | 109,849 |
| Operating lease liabilities | 64,716 | 65,349 |
| Accrued expenses: | | |
| Payroll and related | 295,329 | 265,206 |
| Taxes | 138,671 | 165,171 |
| Other | 595,529 | 528,553 |
| Total current liabilities | 2,283,102 | 2,038,369 |
| Long-term debt | 515,773 | 622,908 |
| Deferred income taxes | 30,065 | 64,989 |
| Operating lease liabilities | 238,727 | 176,267 |
| Other liabilities | 392,781 | 331,173 |
| Total liabilities | 3,460,448 | 3,233,706 |
| Redeemable noncontrolling interests | 327,699 | 287,258 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none outstanding | - | - |
| Common stock, \$0.01 par value, 480,000,000 shares authorized, 142,462,571 outstanding on December 26, 2020 and 143,353,459 outstanding on December 28, 2019 | 1,425 | 1,434 |
| Additional paid-in capital | - | 47,768 |
| Retained earnings | 3,454,831 | 3,116,215 |
| Accumulated other comprehensive loss | (108,084) | (167,373) |
| Total Henry Schein, Inc. stockholders' equity | 3,348,172 | 2,998,044 |
| Noncontrolling interests | 636,213 | 632,093 |
| Total stockholders' equity | 3,984,385 | 3,630,137 |
| Total liabilities, redeemable noncontrolling interests and stockholders' equity | <u>\$ 7,772,532</u> | <u>\$ 7,151,101</u> |

See accompanying notes.

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

| | Years Ended | | |
|---|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Net sales | \$ 10,119,141 | \$ 9,985,803 | \$ 9,417,603 |
| Cost of sales | 7,304,798 | 6,894,917 | 6,506,856 |
| Gross profit | 2,814,343 | 3,090,886 | 2,910,747 |
| Operating expenses: | | | |
| Selling, general and administrative | 2,246,947 | 2,357,920 | 2,217,273 |
| Litigation settlements | - | - | 38,488 |
| Restructuring costs | 32,093 | 14,705 | 54,367 |
| Operating income | 535,303 | 718,261 | 600,619 |
| Other income (expense): | | | |
| Interest income | 9,842 | 15,757 | 15,491 |
| Interest expense | (41,377) | (50,792) | (76,016) |
| Other, net | (3,873) | (2,919) | (3,258) |
| Income from continuing operations before taxes, equity in earnings of affiliates and noncontrolling interests | 499,895 | 680,307 | 536,836 |
| Income taxes | (95,374) | (159,515) | (107,432) |
| Equity in earnings of affiliates | 12,344 | 17,900 | 21,037 |
| Net gain on sale of equity investments | 1,572 | 186,769 | - |
| Net income from continuing operations | 418,437 | 725,461 | 450,441 |
| Income (loss) from discontinued operations, net of tax | 986 | (6,323) | 111,685 |
| Net Income | 419,423 | 719,138 | 562,126 |
| Less: Net income attributable to noncontrolling interests | (15,629) | (24,770) | (19,724) |
| Less: Net (income) loss attributable to noncontrolling interests from discontinued operations | - | 366 | (6,521) |
| Net income attributable to Henry Schein, Inc. | \$ 403,794 | \$ 694,734 | \$ 535,881 |
| Amounts attributable to Henry Schein Inc.: | | | |
| Continuing operations | \$ 402,808 | \$ 700,691 | \$ 430,717 |
| Discontinued operations | 986 | (5,957) | 105,164 |
| Net income attributable to Henry Schein, Inc. | \$ 403,794 | \$ 694,734 | \$ 535,881 |
| Earnings per share from continuing operations attributable to Henry Schein, Inc.: | | | |
| Basic | \$ 2.83 | \$ 4.74 | \$ 2.82 |
| Diluted | \$ 2.81 | \$ 4.69 | \$ 2.80 |
| Earnings (loss) per share from discontinued operations attributable to Henry Schein, Inc.: | | | |
| Basic | \$ 0.01 | \$ (0.04) | \$ 0.69 |
| Diluted | \$ 0.01 | \$ (0.04) | \$ 0.68 |
| Earnings per share attributable to Henry Schein, Inc.: | | | |
| Basic | \$ 2.83 | \$ 4.70 | \$ 3.51 |
| Diluted | \$ 2.82 | \$ 4.65 | \$ 3.49 |
| Weighted-average common shares outstanding: | | | |
| Basic | 142,504 | 147,817 | 152,656 |
| Diluted | 143,404 | 149,257 | 153,707 |

See accompanying notes.

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

| | Years Ended | | |
|---|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Net income | \$ 419,423 | \$ 719,138 | \$ 562,126 |
| Other comprehensive income (loss), net of tax: | | | |
| Foreign currency translation gain (loss) | 63,094 | (4,070) | (136,356) |
| Unrealized gain (loss) from foreign currency hedging activities | (7,456) | (3,876) | 626 |
| Unrealized investment gain (loss) | (5) | 12 | (3) |
| Pension adjustment gain (loss) | 143 | (5,924) | 3,033 |
| Other comprehensive income (loss), net of tax | 55,776 | (13,858) | (132,700) |
| Comprehensive income | 475,199 | 705,280 | 429,426 |
| Comprehensive income attributable to noncontrolling interests: | | | |
| Net income | (15,629) | (24,404) | (26,245) |
| Foreign currency translation loss | 3,513 | 1,848 | 13,996 |
| Comprehensive income attributable to noncontrolling interests | (12,116) | (22,556) | (12,249) |
| Comprehensive income attributable to Henry Schein, Inc. | <u>\$ 463,083</u> | <u>\$ 682,724</u> | <u>\$ 417,177</u> |

See accompanying notes.

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

| | Common Stock \$.01 Par Value | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interests | Total Stockholders' Equity |
|---|---------------------------------|--------|----------------------------------|----------------------|--|-----------------------------|----------------------------------|
| | Shares | Amount | | | | | |
| 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 \$21,848 attributable to Redeemable noncontrolling interests) | - | - | - | 535,881 | - | 4,397 | 540,278 |
| Foreign currency translation loss (excluding loss of \$13,031 attributable to Redeemable noncontrolling interests) | - | - | - | - | (122,360) | (965) | (123,325) |
| Unrealized gain from foreign currency hedging activities, net of tax benefit of \$396 | - | - | - | - | 626 | - | 626 |
| Unrealized investment loss, net of tax benefit of \$0 | - | - | - | - | (3) | - | (3) |
| Pension adjustment gain, net of tax of \$1,179 | - | - | - | - | 3,033 | - | 3,033 |
| Dividends paid | - | - | - | - | - | (656) | (656) |
| Other adjustments | - | - | (19) | - | - | 713 | 694 |
| Purchase of noncontrolling interests | - | - | - | - | - | (214) | (214) |
| Change in fair value of redeemable securities | - | - | (148,919) | - | - | - | (148,919) |
| Initial noncontrolling interests and adjustments related to business acquisitions | - | - | - | - | - | 564,270 | 564,270 |
| Repurchase and retirement of common stock | (2,518,387) | (25) | (36,206) | (163,769) | - | - | (200,000) |
| Stock issued upon exercise of stock options | 153,516 | 1 | 3,075 | - | - | - | 3,076 |
| Stock-based compensation expense | 340,794 | 4 | 36,236 | - | - | - | 36,240 |
| Shares withheld for payroll taxes | (267,772) | (3) | (18,140) | - | - | - | (18,143) |
| Settlement of stock-based compensation awards | 3,371 | - | (727) | - | - | - | (727) |
| Deferred tax benefit arising from acquisition of noncontrolling interest in partnership | - | - | 58,554 | - | - | - | 58,554 |
| Transfer of charges in excess of capital | - | - | 106,146 | (106,146) | - | - | - |
| Balance, December 29, 2018 | 151,401,668 | 1,514 | - | 3,208,589 | (248,771) | 580,456 | 3,541,788 |
| Cumulative impact of adopting new accounting standards | - | - | - | (274) | - | - | (274) |
| Net income (excluding \$14,838 attributable to Redeemable noncontrolling interests from continuing operations and \$366 from discontinued operations) | - | - | - | 694,734 | - | 9,932 | 704,666 |
| Foreign currency translation loss (excluding loss of \$2,335 attributable to Redeemable noncontrolling interests and \$592 gain from discontinued operations) | - | - | - | - | (2,222) | (105) | (2,327) |
| Unrealized loss from foreign currency hedging activities, net of tax benefit of \$1,035 | - | - | - | - | (3,876) | - | (3,876) |
| Unrealized investment gain, net of tax of \$2 | - | - | - | - | 12 | - | 12 |
| Pension adjustment loss, net of tax benefit of \$1,806 | - | - | - | - | (5,924) | - | (5,924) |
| Dividends paid | - | - | - | - | - | (535) | (535) |
| Other adjustments | - | - | (3) | - | - | - | (3) |
| Change in fair value of redeemable securities | - | - | 7,300 | - | - | - | 7,300 |
| Initial noncontrolling interests and adjustments related to business acquisitions | - | - | - | - | - | 42,345 | 42,345 |
| Adjustment for Animal Health Spin-off | 87,629 | 1 | - | - | - | - | 1 |
| Repurchase and retirement of common stock | (8,173,912) | (82) | (79,785) | (445,133) | - | - | (525,000) |
| Stock issued upon exercise of stock options | 2,526 | - | 34 | - | - | - | 34 |
| Stock-based compensation expense | 215,408 | 2 | 45,243 | - | - | - | 45,245 |
| Shares withheld for payroll taxes | (179,860) | (1) | (10,844) | - | - | - | (10,845) |
| Settlement of stock-based compensation awards | - | - | 160 | - | - | - | 160 |
| Share Sale related to Animal Health business | - | - | 361,090 | - | - | - | 361,090 |
| Separation of Animal Health business | - | - | (73,970) | (543,158) | 93,408 | - | (523,720) |
| Transfer of charges in excess of capital | - | - | (201,457) | 201,457 | - | - | - |
| Balance, December 28, 2019 | 143,353,459 | 1,434 | 47,768 | 3,116,215 | (167,373) | 632,093 | 3,630,137 |
| Cumulative impact of adopting new accounting standards | - | - | - | (412) | - | - | (412) |
| Net income (excluding \$13,363 attributable to Redeemable noncontrolling interests from continuing operations) | - | - | - | 403,794 | - | 2,266 | 406,060 |
| Foreign currency translation gain (excluding loss of \$4,279 attributable to Redeemable noncontrolling interests) | - | - | - | - | 66,607 | 766 | 67,373 |
| Unrealized loss from foreign currency hedging activities, net of tax benefit of \$2,768 | - | - | - | - | (7,456) | - | (7,456) |
| Unrealized investment loss, net of tax benefit of \$1 | - | - | - | - | (5) | - | (5) |
| Pension adjustment gain, including tax benefit of \$676 | - | - | - | - | 143 | - | 143 |
| Dividends paid | - | - | - | - | - | (1,086) | (1,086) |
| Purchase of noncontrolling interests | - | - | (1,597) | - | - | (701) | (2,298) |
| Change in fair value of redeemable securities | - | - | (32,842) | - | - | - | (32,842) |
| Initial noncontrolling interests and adjustments related to business acquisitions | - | - | - | - | - | 2,875 | 2,875 |
| Repurchase and retirement of common stock | (1,200,000) | (12) | (10,949) | (62,828) | - | - | (73,789) |
| Stock-based compensation expense | 545,864 | 5 | 8,783 | - | - | - | 8,788 |
| Shares withheld for payroll taxes | (236,752) | (2) | (14,475) | - | - | - | (14,477) |
| Settlement of stock-based compensation awards | - | - | (275) | - | - | - | (275) |
| Separation of Animal Health business | - | - | 1,649 | - | - | - | 1,649 |
| Transfer of charges in excess of capital | - | - | 1,938 | (1,938) | - | - | - |
| Balance, December 26, 2020 | 142,462,571 | 1,425 | - | 3,454,831 | (108,084) | 636,213 | 3,984,385 |

See accompanying notes.

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

| | Years Ended | | |
|---|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Cash flows from operating activities: | | | |
| Net income | \$ 419,423 | \$ 719,138 | \$ 562,126 |
| Income (loss) from discontinued operations | 986 | (6,323) | 111,685 |
| Income from continuing operations | 418,437 | 725,461 | 450,441 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 185,538 | 184,942 | 143,630 |
| Impairment charge on intangible assets | 20,275 | - | - |
| Gain on sale of equity investments | (2,096) | (250,167) | - |
| Stock-based compensation expense | 8,788 | 44,920 | 32,621 |
| Provision for losses on trade and other accounts receivable | 35,137 | 12,612 | 14,384 |
| Benefit from deferred income taxes | (52,977) | (4,057) | (25,388) |
| Equity in earnings of affiliates | (12,344) | (17,900) | (21,037) |
| Distributions from equity affiliates | 16,002 | 71,469 | 20,386 |
| Changes in unrecognized tax benefits | (24,881) | 1,941 | (1,169) |
| Benefit from transition tax | - | - | (10,000) |
| Other | 5,012 | 5,684 | 369 |
| Changes in operating assets and liabilities, net of acquisitions: | | | |
| Accounts receivable | (189,349) | (72,689) | (127,201) |
| Inventories | (31,817) | 14,702 | (41,042) |
| Other current assets | (6,479) | (57,291) | (165,645) |
| Accounts payable and accrued expenses | 224,273 | 160,851 | 180,606 |
| Net cash provided by operating activities from continuing operations | 593,519 | 820,478 | 450,955 |
| Net cash provided by (used in) operating activities from discontinued operations | 5,391 | (166,391) | 233,751 |
| Net cash provided by operating activities | 598,910 | 654,087 | 684,706 |
| Cash flows from investing activities: | | | |
| Purchases of fixed assets | (48,829) | (76,219) | (71,283) |
| Payments related to equity investments and business acquisitions, net of cash acquired | (60,173) | (655,879) | (53,240) |
| Proceeds from sale of equity investment | 14,020 | 307,251 | 1,000 |
| Repayments from (borrowings for) loan to affiliate | (1,243) | 16,713 | (25,700) |
| Other | (18,794) | (14,175) | (15,101) |
| Net cash used in investing activities from continuing operations | (115,019) | (422,309) | (164,324) |
| Net cash used in investing activities from discontinued operations | - | (2,064) | (28,630) |
| Net cash used in investing activities | (115,019) | (424,373) | (192,954) |
| Cash flows from financing activities: | | | |
| Net change in bank borrowings | 45,082 | (927,912) | 210,741 |
| Proceeds from issuance of long-term debt | 501,421 | 741 | 115,000 |
| Principal payments for long-term debt | (611,216) | (260,944) | (24,735) |
| Debt issuance costs | (3,879) | (391) | (501) |
| Debt extinguishment costs | (401) | - | - |
| Proceeds from issuance of stock upon exercise of stock options | - | 34 | 3,076 |
| Payments for repurchases of common stock | (73,789) | (525,000) | (200,000) |
| Payments for taxes related to shares withheld for employee taxes | (14,299) | (10,814) | (18,023) |
| 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 shareholders | (7,886) | 51,498 | (7,351) |
| Acquisitions of noncontrolling interests in subsidiaries | (19,538) | (2,358) | (287,635) |
| Proceeds from (payments) to Henry Schein Animal Health Business | 2,711 | (169,295) | (192,745) |
| Net cash used in financing activities from continuing operations | (181,794) | (363,351) | (402,173) |
| Net cash provided by (used in) financing activities from discontinued operations | (5,391) | 147,371 | (201,603) |
| Net cash used in financing activities | (187,185) | (215,980) | (603,776) |
| Effect of exchange rate changes on cash and cash equivalents from continuing operations | 18,382 | 14,394 | 14,425 |
| Effect of exchange rate changes on cash and cash equivalents from discontinued operations | - | (2,240) | 3,150 |
| Net change in cash and cash equivalents from continuing operations | 315,088 | 49,212 | (101,117) |
| Net change in cash and cash equivalents from discontinued operations | - | (23,324) | 6,668 |
| Cash and cash equivalents, beginning of period | 106,097 | 56,885 | 158,002 |
| Cash and cash equivalents, end of period | \$ 421,185 | \$ 106,097 | \$ 56,885 |

See accompanying notes.

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

Note 1 –Significant Accounting Policies

Nature of Operations

We distribute health care products and services primarily to office-based health care practitioners with operations or affiliates in 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, South Africa, Spain, Sweden, Switzerland, Thailand, United Arab Emirates and the United Kingdom.

Principles of Consolidation

Our consolidated financial statements include the accounts of Henry Schein, Inc. and all of our controlled subsidiaries. All intercompany accounts and transactions are eliminated in consolidation. Investments in unconsolidated affiliates, which are greater than or equal to 20% and less than or equal to 50% owned or investments in unconsolidated affiliates of less than 20% in which we have the ability to influence the operating or financial decisions, are accounted for under the equity method. Certain prior period amounts have been reclassified to conform to the current period presentation.

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 December 26, 2020 and December 28, 2019, trade accounts receivable that can only be used to settle obligations of this VIE were \$0.0 million and \$127 million, respectively, and the liabilities of the VIE where the creditors have recourse to us were \$0.0 million and \$100 million, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In March 2020, the World Health Organization declared the Novel Coronavirus Disease 2019 (“COVID-19”) a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of global financial markets. In response, many countries implemented business closures and restrictions, stay-at-home and social distancing ordinances and similar measures to combat the pandemic, which significantly impacted global business and dramatically reduced demand for dental products and certain medical products in the second quarter of 2020. Demand increased in the second half of the year resulting in growth over the prior year driven by sales of personal protective equipment (PPE) and COVID-19 related products.

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

Our consolidated financial statements reflect estimates and assumptions made by us that affect, among other things, our goodwill, long-lived asset and indefinite-lived intangible asset valuation; inventory valuation; equity investment valuation; assessment of the annual effective tax rate; valuation of deferred income taxes and income tax contingencies; the allowance for doubtful accounts; hedging activity; vendor rebates; measurement of compensation cost for certain share-based performance awards and cash bonus plans; and pension plan assumptions. Due to the significant uncertainty surrounding the future impact of COVID-19, our judgments regarding estimates and impairments could change in the future. In addition, the impact of COVID-19 had a material adverse effect on our business, results of operations and cash flows in the second quarter of 2020. In the latter half of the year, dental and medical practices began to re-open worldwide, and continued to do so during the remainder of the year. However, patient volumes remain below pre-COVID-19 levels and certain regions in the U.S. and internationally are experiencing an increase in COVID-19 cases. As such, there is an ongoing risk that the COVID-19 pandemic may again have a material adverse effect on our business, results of operations and cash flows and may result in a material adverse effect on our financial condition and liquidity. However, the extent of the potential impact cannot be reasonably estimated at this time.

Fiscal Year

We report our results of operations and cash flows on a 52-53 week basis ending on the last Saturday of December. The years ended December 26, 2020, December 28, 2019 and December 29, 2018 consisted of 52 weeks.

Revenue Recognition

Revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration that we expect to receive for those goods or services. To recognize revenue, we do the following:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognize revenue when, or as, the entity satisfies a performance obligation.

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 Accounting Standards Codification (“ASC”) 460 “Guarantees”.

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

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 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.

See Note 17 – Revenue from Contracts with Customers for additional disclosures of disaggregated net sales and Note 18 – Segment and Geographic Data for disclosures of net sales by segment and geographic data.

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 health care distribution and technology and value-added services revenues are recognized. In accordance with the “expected credit loss” model, the carrying amount of accounts receivable is reduced by a valuation allowance that reflects our best estimate of the amounts that we do not expect to collect. In addition to reviewing delinquent accounts receivable, we consider many factors in estimating our reserve, including types of customers and their credit worthiness, experience and historical data adjusted for current conditions and reasonable supportable forecasts.

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

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

Investments and other within our consolidated balance sheets. Current and non-current contract asset balances as of December 26, 2020 and December 28, 2019 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 sheets. At December 28, 2019, the current portion of contract liabilities of \$70.8 million was reported in Accrued expenses: Other, and \$6.2 million related to non-current contract liabilities were reported in Other liabilities. During the year ended December 26, 2020, we recognized substantially all of the current contract liability amounts that were previously deferred at December 28, 2019. At December 26, 2020, the current and non-current portion of contract liabilities were \$71.5 million and \$8.2 million, respectively.

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. Our deferred commission balances as of December 26, 2020 and December 28, 2019 were not material.

Sales Returns

Sales returns are recognized as a reduction of revenue by the amount of expected returns and are recorded as refund liability within current liabilities. We estimate the amount of revenue expected to be reversed to calculate the sales return liability based on historical data for specific products, adjusted as necessary for new products. The allowance for returns is presented gross as a refund liability and we record an inventory asset (and a corresponding adjustment to cost of sales) for any products that we expect to be returned.

Inventories and Reserves

Inventories consist primarily of finished goods and are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method for merchandise or actual cost for large equipment and high tech equipment. In accordance with our policy for inventory valuation, we consider many factors including the condition and salability of the inventory, historical sales, forecasted sales and market and economic trends. From time to time, we adjust our assumptions for anticipated changes in any of these or other factors expected to affect the value of inventory.

Cash and Cash Equivalents

We consider all highly liquid short-term investments with an original maturity of three months or less to be cash equivalents. Due to the short-term maturity of such investments, the carrying amounts are a reasonable estimate of fair value. Outstanding checks in excess of funds on deposit of \$1.3 million and \$29.5 million, primarily related to payments for inventory, were classified as accounts payable as of December 26, 2020 and December 28, 2019.

Direct Shipping and Handling Costs

Freight and other direct shipping costs are included in cost of sales. Direct handling costs, which represent primarily direct compensation costs of employees who pick, pack and otherwise prepare, if necessary, merchandise

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

for shipment to our customers are reflected in selling, general and administrative expenses. Direct shipping and handling costs were \$79.2 million, \$73.8 million and \$70.6 million for the years ended December 26, 2020, December 28, 2019 and December 29, 2018.

Advertising and Promotional Costs

We generally expense advertising and promotional costs as incurred. Total advertising and promotional expenses were \$30.8 million, \$25.2 million and \$12.9 million for the years ended December 26, 2020, December 28, 2019 and December 29, 2018.

Supplier Rebates

Supplier rebates are included as a reduction of cost of sales and are recognized over the period they are earned. The factors we consider in estimating supplier rebate accruals include forecasted inventory purchases and sales, in conjunction with supplier rebate contract terms, which generally provide for increasing rebates based on either increased purchase or sales volume.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation or amortization. Depreciation is computed primarily under the straight-line method (see Note 3 -- Property and Equipment, Net for estimated useful lives). Amortization of leasehold improvements is computed using the straight-line method over the lesser of the useful life of the assets or the lease term.

Capitalized software costs consist of costs to purchase and develop software. Costs incurred during the application development stage for software bought and further customized by outside suppliers for our use and software developed by a supplier for our proprietary use are capitalized. Costs incurred for our own personnel who are directly associated with software development are capitalized.

Income Taxes

We account for income taxes under an asset and liability approach that requires the recognition of deferred income tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In estimating future tax consequences, we generally consider all expected future events other than enactments of changes in tax laws or rates. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date. We file a consolidated U.S. federal income tax return with our 80% or greater owned U.S. subsidiaries.

Foreign Currency Translation and Transactions

The financial position and results of operations of our foreign subsidiaries are determined using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in Accumulated other comprehensive income in stockholders' equity. Gains and losses resulting from foreign currency transactions are included in earnings.

Risk Management and Derivative Financial Instruments

We use derivative instruments to minimize our exposure to fluctuations in foreign currency exchange rates. Our objective is to manage the impact that foreign currency exchange rate fluctuations could have on recognized asset and liability fair values, earnings and cash flows, as well as our net investments in foreign subsidiaries. Our risk

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management policy requires that derivative contracts used as hedges be effective at reducing the risks associated with the exposure being hedged and be designated as a hedge at the inception of the contract. We do not enter into derivative instruments for speculative purposes. Our derivative instruments primarily include foreign currency forward agreements related to certain intercompany loans, certain forecasted inventory purchase commitments with foreign suppliers and foreign currency forward contracts to hedge a portion of our euro-denominated foreign operations which are designated as net investment hedges.

Foreign currency forward agreements related to forecasted inventory purchase commitments with foreign suppliers and foreign currency swaps related to foreign currency denominated debt are designated as cash flow hedges. For derivatives that are designated and qualify as cash flow hedges, the changes in the fair value of the derivative is recorded as a component of Accumulated other comprehensive income in stockholders' equity and subsequently reclassified into earnings in the period(s) during which the hedged transaction affects earnings. We classify the cash flows related to our hedging activities in the same category on our consolidated statements of cash flows as the cash flows related to the hedged item.

Foreign currency forward contracts related to our euro-denominated foreign operations are designated as net investment hedges. For derivatives that are designated and qualify as net investment hedges, the changes in the fair value of the derivative is recorded in the foreign currency translation gain (loss) component of Accumulated other comprehensive income in stockholders' equity until the net investment is sold or substantially liquidated.

Our foreign currency forward agreements related to foreign currency balance sheet exposure provide economic hedges but are not designated as hedges for accounting purposes.

For agreements not designated as hedges, changes in the value of the derivative, along with the transaction gain or loss on the hedged item, are recorded in earnings.

Total return swaps are entered into for the purpose of economically hedging our unfunded non-qualified supplemental retirement plan ("SERP") and our deferred compensation plan ("DCP"). This swap will offset changes in our SERP and DCP liabilities. This swap is expected to be renewed on an annual basis.

Acquisitions

We account for business acquisitions and combinations under the acquisition method of accounting, where the net assets of businesses purchased are recorded at their fair value at the acquisition date and our consolidated financial statements include their results of operations from that date. Any excess of acquisition consideration over the fair value of identifiable net assets acquired is recorded as goodwill. The major classes of assets and liabilities that we generally allocate purchase price to, excluding goodwill, include identifiable intangible assets (i.e., trademarks and trade names, customer relationships and lists, non-compete agreements and product development), property, plant and equipment, deferred taxes and other current and long-term assets and liabilities. The estimated fair value of identifiable intangible assets is based on critical estimates, judgments and assumptions derived from: analysis of market conditions; discount rates; discounted cash flows; customer retention rates; and estimated useful lives. Some prior owners of such acquired subsidiaries are eligible to receive additional purchase price cash consideration if certain financial targets are met. While we use our best estimates and assumptions to accurately value those assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill within our consolidated balance sheets. At the end of the measurement period or final determination of the values of such assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recognized in our consolidated statements of operations. For the years ended December 26, 2020, December 28, 2019 and December 29, 2018, there were no material adjustments recorded in our consolidated statement of income relating to changes in subsequent adjustments or estimated contingent purchase price liabilities.

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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. Their interests in these subsidiaries are classified outside permanent equity on our consolidated balance sheets and are carried at the estimated redemption amounts. The redemption amounts have been estimated based on expected future earnings and cash flow and, if such earnings and cash flow are not achieved, the value of the redeemable noncontrolling interests might be impacted. Changes in the estimated redemption amounts of the noncontrolling interests subject to put options are reflected 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.

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.

Goodwill

Goodwill is not amortized, but is subject to impairment analysis annually or more frequently if there is a triggering event or if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Such impairment analyses for goodwill requires a comparison of the fair value to the carrying value of reporting units. We regard our reporting units to be our operating segments: global dental; global medical; and technology and value-added services. Goodwill was allocated to such reporting units, for the purposes of preparing our impairment analyses, based on a specific identification basis.

On December 29, 2019 we adopted Account Standards Update (“ASU”) 2017-04 Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which eliminated step two from the goodwill impairment test, thereby eliminating the requirement to calculate the implied fair value of a reporting unit. We perform our annual goodwill impairment test by comparing the fair value of our reporting units to the carrying value of those units. Goodwill as of December 26, 2019 and December 29, 2018 were tested under the prior standard.

For the year ended December 26, 2020 we tested goodwill for impairment, on the first day of the fourth quarter, using a quantitative analysis comparing the carrying value of our reporting units, including goodwill, to the estimated fair value of our reporting units using a discounted cash flow methodology. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. Conversely, impairment loss would be equivalent to the excess of a reporting unit’s carrying value over its fair value limited to the total amount of goodwill allocated to that reporting unit.

For the years ended December 26, 2019 and December 29, 2018 we tested goodwill for impairment on the first day of the fourth quarter, using a quantitative analysis which consisted of a two-step approach. The first step of our quantitative analysis consisted of a comparison of the carrying value of our reporting units, including goodwill, to the estimated fair value of our reporting units using a discounted cash flow methodology. If step one resulted in the carrying value of the reporting unit exceeding the fair value of such reporting unit, we would have then proceeded to step two which would have required us to calculate the amount of impairment loss, if any, that we would have recorded for such reporting unit. The calculation of the impairment loss in step two would have been equivalent to the reporting unit’s carrying value of goodwill less the implied fair value of such goodwill.

Our use of a discounted cash flow methodology includes estimates of future revenue based upon budget projections and growth rates which take into account estimated inflation rates. We also develop estimates for future levels of

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gross and operating profits and projected capital expenditures. Our methodology also includes the use of estimated discount rates based upon industry and competitor analysis as well as other factors. The estimates that we use in our discounted cash flow methodology involve many assumptions by management that are based upon future growth projections. Some factors we consider important that could trigger an interim impairment review include: significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of our use of acquired assets or the strategy for our overall business (e.g., decision to divest a business); or significant negative industry or economic trends.

If we determine through the impairment review process that goodwill is impaired, we record an impairment charge in our consolidated statements of income. For the years ended December 28, 2019 and December 29, 2018, the results of our goodwill impairment analysis did not result in any impairments.

Long-Lived Assets

Long-lived assets, other than goodwill and other definite-lived intangibles, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows to be derived from such assets.

Definite-lived intangible assets primarily consist of non-compete agreements, trademarks, trade names, customer lists, customer relationships and intellectual property. For long-lived assets used in operations, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted, probability-weighted future cash flows. We measure the impairment loss based on the difference between the carrying amount and the estimated fair value. When an impairment exists, the related assets are written down to fair value.

During the year ended December 26, 2020, we recorded total impairment charges on intangible assets of approximately \$20.3 million, nearly all of which was recorded in our technology and value-added services segment.

Cost of Sales

The primary components of cost of sales include the cost of the product (net of purchase discounts, supplier chargebacks and rebates) and inbound and outbound freight charges. Costs related to purchasing, receiving, inspections, warehousing, internal inventory transfers and other costs of our distribution network are included in selling, general and administrative expenses along with other operating costs.

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. Total distribution network costs were \$71.7 million, \$72.3 million and \$69.6 million for the years ended December 26, 2020, December 28, 2019 and December 29, 2018.

Comprehensive Income

Comprehensive income includes certain gains and losses that, under accounting principles generally accepted in the United States, are excluded from net income as such amounts are recorded directly as an adjustment to stockholders' equity. Our comprehensive income is primarily comprised of net income, foreign currency translation gain (loss), unrealized gain (loss) from foreign currency hedging activities, unrealized investment gain (loss) and pension adjustment gain (loss).

Leases

On December 30, 2018, we adopted ASC Topic 842, Leases, using a modified retrospective approach, 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. We elected the package of

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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 December 28, 2019 is presented under Topic 842, while prior period amounts are not adjusted and continue to be reported under legacy guidance in ASC Topic 840, Leases.

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 \$1.1 million 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.

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, 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 generally use our incremental borrowing rate based on the estimated rate of interest for fully collateralized and fully amortizing borrowings over a similar term of the lease payments 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. Expenses associated with operating leases and finance leases are included in "Selling, general and administrative" and "Interest expense", respectively within our Consolidated Statement of Income. 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

On December 29, 2019, we adopted 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 requires 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. Our adoption of ASU 2017-04 did not have a material impact on our consolidated financial statements.

On December 29, 2019, we adopted 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. We adopted Topic 326 using the modified-retrospective method and recorded an immaterial cumulative-effect adjustment to the opening balance of retained earnings. Based upon the level and makeup of our financial asset portfolio, including accounts receivable, past loan loss activity and current known activity regarding our outstanding loans, the adoption of this ASU resulted in a decrease of \$0.4 million to retained earnings.

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Recently Issued Accounting Standards

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes” (Topic 740): Simplifying the Accounting for Income Taxes (“ASU 2019-12”). ASU 2019-12 will simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify U.S. GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020. We do not expect that the requirements of this ASU will have a material impact on our consolidated financial statements.

In August 2020, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2020-06, “Debt—Debt with Conversion and Other Options” (Subtopic 470-20) and “Derivatives and Hedging— in Entity’s Own Equity” (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (“ASU 2020-06”). ASU 2020-06 simplifies the accounting for convertible instruments. In addition to eliminating certain accounting models, this ASU includes improvements to the disclosures for convertible instruments and earnings-per-share (EPS) guidance and amends the guidance for the derivatives scope exception for contracts in an entity’s own equity. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021. We do not expect that the requirements of this ASU will have a material impact on our consolidated financial statements.

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Note 2 – Discontinued Operations

Animal Health Spin-off

On February 7, 2019 (the “Distribution Date”), we completed the separation (the “Separation”) and subsequent merger (“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”). 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, which ended in December 2020, with Covetrus under which we 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 an adjustment to the balances at December 26, 2020.

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Summarized financial information for our discontinued operations is as follows:

| | Years Ended | | |
|--|------------------------------|------------------------------|------------------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Net sales | \$ - | \$ 319,522 | \$ 3,784,392 |
| Cost of goods sold | - | 260,097 | 3,100,055 |
| Gross profit | - | 59,425 | 684,337 |
| Selling, general and administrative | 2,347 | 68,919 | 531,905 |
| Operating income (loss) | (2,347) | (9,494) | 152,432 |
| Income tax expense (benefit) | (3,333) | (2,181) | 48,060 |
| Income (loss) from discontinued operations | 986 | (6,323) | 111,685 |
| Net (income) loss attributable to noncontrolling interests | - | 366 | (6,521) |
| Net income (loss) from discontinued operations attributable to Henry Schein, Inc. | 986 | (5,957) | 105,164 |

The operating loss from discontinued operations for the year ended December 26, 2020 was primarily attributable to costs directly related to the Animal Health Spin-off. See Note 23 – Related Party Transactions for additional information.

The net income from discontinued operations for the year ended December 26, 2020 was primarily attributable to a reduction in a liability for tax indemnification and a tax refund received during 2020 by a holding company previously part of our Animal Health legal structure and other favorable tax resolutions.

The financial information above, for the year ended December 28, 2019, represents activity of the discontinued operations during year-to-date through the Distribution Date. The loss from discontinued operations for the year ended December 28, 2019 was primarily attributable to the inclusion of the transaction costs directly related to the Animal Health Spin-off.

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

| | <u>February 7, 2019</u> |
|--|-----------------------------|
| Cash and cash equivalents | \$ 6,815 |
| Accounts receivable, net | 432,812 |
| Inventories, net | 536,637 |
| Prepaid expenses and other | 120,546 |
| Total current assets of discontinued operations | 1,096,810 |
| Property and equipment, net | 69,790 |
| Operating lease right-of-use asset, net | 57,012 |
| Goodwill | 742,931 |
| Other intangibles, net | 205,793 |
| Investments and other | 120,518 |
| Total long-term assets of discontinued operations | 1,196,044 |
| Total assets of discontinued operations | <u>\$ 2,292,854</u> |
| Accounts payable | \$ 316,162 |
| Current maturities of long-term debt | 657 |
| Operating lease liabilities | 18,951 |
| Accrued expenses: | |
| Payroll and related | 36,847 |
| Taxes | 24,060 |
| Other | 80,400 |
| Total current liabilities of discontinued operations | 477,077 |
| Long-term debt | 1,176,105 |
| Deferred income taxes | 17,019 |
| Operating lease liabilities | 38,668 |
| Other liabilities | 29,209 |
| Total long-term liabilities of discontinued operations | 1,261,001 |
| Total liabilities of discontinued operations | <u>\$ 1,738,078</u> |
| Redeemable noncontrolling interests | <u>\$ 28,270</u> |

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Note 3 – Property and Equipment, Net

Property and equipment, including related estimated useful lives, consisted of the following:

| | December 26, 2020 | December 28, 2019 |
|--------------------------------------|------------------------------|------------------------------|
| Land | \$ 20,297 | \$ 18,030 |
| Buildings and permanent improvements | 145,160 | 121,823 |
| Leasehold improvements | 107,753 | 104,089 |
| Machinery and warehouse equipment | 142,437 | 124,640 |
| Furniture, fixtures and other | 108,041 | 99,083 |
| Computer equipment and software | <u>344,494</u> | <u>330,926</u> |
| | 868,182 | 798,591 |
| Less accumulated depreciation | <u>(526,178)</u> | <u>(468,946)</u> |
| Property and equipment, net | <u><u>\$ 342,004</u></u> | <u><u>\$ 329,645</u></u> |

| | <u>Estimated Useful Lives (in years)</u> |
|--------------------------------------|--|
| Buildings and permanent improvements | 40 |
| Machinery and warehouse equipment | 5-10 |
| Furniture, fixtures and other | 3-10 |
| Computer equipment and software | 3-10 |

Property and equipment related depreciation expense for the years ended December 26, 2020, December 28, 2019 and December 29, 2018 was \$64.3 million, \$64.4 million and \$58.1 million.

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Note 4 – Goodwill and Other Intangibles, Net

The changes in the carrying amount of goodwill for the years ended December 26, 2020 and December 28, 2019 were as follows:

| | Health Care Distribution | Technology and Value-Added Services | Total |
|---------------------------------|-------------------------------------|--|---------------------|
| Balance as of December 29, 2018 | \$ 1,433,412 | \$ 647,617 | \$ 2,081,029 |
| Adjustments to goodwill: | | | |
| Acquisitions | 50,276 | 338,352 | 388,628 |
| Foreign currency translation | (6,969) | (193) | (7,162) |
| Balance as of December 28, 2019 | 1,476,719 | 985,776 | 2,462,495 |
| Adjustments to goodwill: | | | |
| Acquisitions | 14,230 | 12,101 | 26,331 |
| Foreign currency translation | 9,888 | 5,678 | 15,566 |
| Balance as of December 26, 2020 | <u>\$ 1,500,837</u> | <u>\$ 1,003,555</u> | <u>\$ 2,504,392</u> |

Other intangible assets consisted of the following:

| | December 26, 2020 | | | December 28, 2019 | | |
|---|--------------------------|-------------------------------------|-------------------|--------------------------|-------------------------------------|-------------------|
| | Cost | Accumulated Amortization | Net | Cost | Accumulated Amortization | Net |
| Non-compete agreements | \$ 30,993 | \$ (11,480) | \$ 19,513 | \$ 34,553 | \$ (9,327) | \$ 25,226 |
| Trademarks / trade names - definite lived | 95,382 | (50,893) | 44,489 | 99,314 | (44,134) | 55,180 |
| Customer relationships and lists | 652,605 | (283,469) | 369,136 | 715,630 | (274,330) | 441,300 |
| Product Development | 94,216 | (54,451) | 39,765 | 85,211 | (42,326) | 42,885 |
| Other | 14,188 | (7,662) | 6,526 | 26,237 | (17,950) | 8,287 |
| Total | <u>\$ 887,384</u> | <u>\$ (407,955)</u> | <u>\$ 479,429</u> | <u>\$ 960,945</u> | <u>\$ (388,067)</u> | <u>\$ 572,878</u> |

Non-compete agreements represent amounts paid primarily to key employees and prior owners of acquired businesses, as well as certain sales persons, in exchange for placing restrictions on their ability to pose a competitive risk to us. Such amounts are amortized, on a straight-line basis over the respective non-compete period, which generally commences upon termination of employment or separation from us. The weighted-average non-compete period for agreements currently being amortized was approximately 5.1 years as of December 26, 2020.

Trademarks, trade names, customer lists and customer relationships were established through business acquisitions. Definite-lived trademarks and trade names are amortized on a straight-line basis over a weighted-average period of approximately 8.1 years as of December 26, 2020. Customer relationships and customer lists are definite-lived intangible assets that are amortized on a straight-line basis over a weighted-average period of approximately 10.0 years as of December 26, 2020. Product development is a definite-lived intangible asset that is amortized on a straight-line basis over a weighted-average period of approximately 8.5 years as of December 26, 2020.

Amortization expense related to definite-lived intangible assets for the years ended December 26, 2020, December 28, 2019 and December 29, 2018 was \$105.9 million, \$108.3 million and \$75.3 million. During the year ended December 26, 2020, we recorded total impairment charges on intangible assets of approximately \$20.3 million. The annual amortization expense expected to be recorded for existing intangibles assets for the years 2021 through 2025 is \$99.3 million, \$85.5 million, \$78.0 million, \$54.8 million and \$43.2 million.

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Note 5 – Investments and Other

Investments and other consisted of the following:

| | December 26, 2020 | December 28, 2019 |
|--|------------------------------|------------------------------|
| Investment in unconsolidated affiliates | \$ 169,382 | \$ 164,659 |
| Non-current deferred foreign, state and local income taxes | 42,594 | 23,625 |
| Notes receivable ⁽¹⁾ | 34,760 | 43,544 |
| Capitalized costs for internally generated software for resale | 47,650 | 42,445 |
| Security deposits | 1,752 | 534 |
| Acquisition-related indemnification | 49,401 | 38,464 |
| Other long-term assets | 20,906 | 14,648 |
| Total | <u>\$ 366,445</u> | <u>\$ 327,919</u> |

- (1) Long-term notes receivable carry interest rates ranging from 1.0% to 14.0% and are due in varying installments through September 30, 2027.

Amortization expense related to other long-term assets for the years ended December 26, 2020, December 28, 2019 and December 29, 2018 was \$15.3 million, \$12.3 million and \$10.2 million.

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Note 6 – Debt

Bank Credit Lines

Bank credit lines consisted of the following:

| | December 26, 2020 | December 28, 2019 |
|------------------------------------|----------------------|----------------------|
| Revolving credit agreement | \$ - | \$ - |
| Other short-term bank credit lines | 73,366 | 23,975 |
| Total | <u>\$ 73,366</u> | <u>\$ 23,975</u> |

Revolving Credit Agreement

On April 18, 2017, we entered into a \$750 million revolving credit agreement (the “Credit Agreement”), which matures in April 2022. 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. We expect the LIBOR rate to be discontinued at some point during 2021, which will require an amendment to our debt agreements to reflect a new reference rate. We do not expect the discontinuation of LIBOR as a reference rate in our debt agreements to have a material adverse effect on our financial position or to materially affect our interest expense. The Credit Agreement also requires, among other things, that we maintain maximum leverage ratios. Additionally, the Credit Agreement contains customary representations, warranties and affirmative covenants as well as customary negative covenants, subject to negotiated exceptions on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements. As of December 26, 2020 and December 28, 2019, we had no borrowings on this revolving credit facility. As of December 26, 2020 and December 28, 2019, there were \$9.5 million and \$9.6 million of letters of credit, respectively, provided to third parties under the credit facility.

On April 17, 2020, we amended the Credit Agreement to, among other things, (i) modify the financial covenant from being based on total leverage ratio to net leverage ratio, (ii) adjust the pricing grid to reflect the net leverage ratio calculation, and (iii) increase the maximum maintenance leverage ratio through March 31, 2021.

364-Day Credit Agreement

On April 17, 2020, we entered into a new \$700 million 364-day credit agreement, with JPMorgan Chase Bank, N.A. and U.S. Bank National Association as joint lead arrangers and joint bookrunners. This facility matures on April 16, 2021. As of December 26, 2020, we had no borrowings under this credit facility. We have the ability to borrow up to an additional \$200 million, from the original facility amount of \$700 million, under this credit facility on a revolving basis as needed, subject to the terms and conditions of the credit agreement. The interest rate for borrowings under this facility will fluctuate based on our net leverage ratio. At December 26, 2020, the interest rate on this facility was 2.50%. The proceeds from this facility can be used for working capital requirements and general corporate purposes, including, but not limited to, permitted refinancing of existing indebtedness. Under the terms of this agreement, we are prohibited from repurchasing our common stock until we report our financial results for the second quarter of 2021.

Other Short-Term Credit Lines

As of December 26, 2020 and December 28, 2019, we had various other short-term bank credit lines available, of which \$73.4 million and \$24.0 million, respectively, were outstanding. At December 26, 2020 and December 28, 2019, borrowings under all of these credit lines had a weighted average interest rate of 4.14% and 3.45%, respectively.

HENRY SCHEIN, INC.
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Long-term debt

Long-term debt consisted of the following:

| | December 26, 2020 | December 28, 2019 |
|--|----------------------|----------------------|
| Private placement facilities | \$ 613,498 | \$ 621,274 |
| U.S. trade accounts receivable securitization | - | 100,000 |
| Note payable due in 2025 with an interest rate of 3.1% at December 26, 2020 | 1,554 | - |
| Various collateralized and uncollateralized loans payable with interest, in varying installments through 2023 at interest rates ranging from 2.62% to 4.27% at December 26, 2020 and ranging from 2.56% to 10.5% at December 28, 2019 | 4,596 | 6,089 |
| Finance lease obligations (see Note 7) | 5,961 | 5,394 |
| Total | 625,609 | 732,757 |
| Less current maturities | (109,836) | (109,849) |
| Total long-term debt | <u>\$ 515,773</u> | <u>\$ 622,908</u> |

Private Placement Facilities

Our private placement facilities, with three insurance companies, have a total facility amount of \$1 billion, and are available on an uncommitted basis at fixed rate economic terms to be agreed upon at the time of issuance, from time to time through June 23, 2023. 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. On June 29, 2018, we amended and restated the above private placement facilities to, among other things, (i) permit the consummation of the Animal Health Spin-off and (ii) provide for the issuance of notes in Euros, British Pounds and Australian Dollars, in addition to U.S. Dollars. 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.

On June 23, 2020, we amended the private placement facilities to, among other things, (i) temporarily modify the financial covenant from being based on total leverage ratio to net leverage ratio until March 31, 2021, (ii) increase the maximum maintenance leverage ratio through March 31, 2021, but with a 1.00% interest rate increase on the outstanding notes if the net leverage ratio exceeds 3.0x, which will remain in effect until we deliver financials for a four-quarter period ending on or after June 30, 2021 showing compliance with the total leverage ratio requirement, and (iii) make certain other changes conforming to the Credit Agreement, dated as of April 18, 2017, as amended.

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The components of our private placement facility borrowings as of December 26, 2020 are presented in the following table (in thousands):

| Date of Borrowing | Amount of Borrowing Outstanding | Borrowing Rate | Due Date |
|------------------------------------|--|---------------------------|--------------------|
| January 20, 2012 ⁽¹⁾ | \$ 14,286 | 3.09% | January 20, 2022 |
| January 20, 2012 | 50,000 | 3.45 | January 20, 2024 |
| 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 |
| September 2, 2020 ⁽²⁾ | 100,000 | 2.35 | September 2, 2030 |
| Less: Deferred debt issuance costs | (788) | | |
| | <u>\$ 613,498</u> | | |

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

(2) On September 2, 2020, we refinanced our \$100 million private placement borrowing at 3.79%, originally due on September 2, 2020, with a similar 10-year borrowing at 2.35% maturing on September 2, 2030.

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, was scheduled to expire on April 29, 2022. On June 22, 2020, the expiration date for this facility was extended to June 12, 2023 and was amended to adjust certain covenant levels for 2020. As of December 26, 2020 and December 28, 2019, the borrowings outstanding under this securitization facility were \$0.0 million and \$100 million, respectively. At December 26, 2020, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 0.22% plus 0.95%, for a combined rate of 1.17%. At December 28, 2019, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 1.90% plus 0.75%, for a combined rate of 2.65%.

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

We are required to pay a commitment fee of 25 to 45 basis points depending upon program utilization.

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As of December 26, 2020, the aggregate amounts of long-term debt, including finance lease obligations and net of deferred debt issuance costs of \$0.8 million, maturing in each of the next five years and thereafter are as follows:

| | | |
|------------|----|-----------------------|
| 2021 | \$ | 109,836 |
| 2022 | | 11,607 |
| 2023 | | 1,916 |
| 2024 | | 100,303 |
| 2025 | | 1,839 |
| Thereafter | | <u>400,108</u> |
| Total | \$ | <u><u>625,609</u></u> |

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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 one year to approximately 16 years, some of which may include options to extend the leases for up to 10 years. The components of lease expense were as follows:

| | Years Ended | |
|---|------------------------------|------------------------------|
| | December 26, 2020 | December 28, 2019 |
| Operating lease cost: ⁽¹⁾⁽²⁾ | \$ 86,800 | \$ 88,246 |
| Finance lease cost: | | |
| Amortization of right-of-use assets | 2,209 | 1,154 |
| Interest on lease liabilities | 115 | 131 |
| Total finance lease cost | <u>\$ 2,324</u> | <u>\$ 1,285</u> |

(1) Includes variable lease expenses.

(2) Operating lease cost for each of the years ended December 26, 2020, and December 28, 2019, includes amortization of right-of-use assets of \$0.6 million, related to facility leases recorded in “Restructuring costs” within our consolidated statements of income.

Supplemental balance sheet information related to leases is as follows:

| | Years Ended | |
|---|------------------------------|------------------------------|
| | December 26, 2020 | December 28, 2019 |
| Operating Leases: | | |
| Operating lease right-of-use assets | \$ 288,847 | \$ 231,662 |
| Current operating lease liabilities | 64,716 | 65,349 |
| Non-current operating lease liabilities | 238,727 | 176,267 |
| Total operating lease liabilities | <u>\$ 303,443</u> | <u>\$ 241,616</u> |
| Finance Leases: | | |
| Property and equipment, at cost | \$ 10,683 | \$ 10,268 |
| Accumulated depreciation | (4,277) | (4,581) |
| Property and equipment, net of accumulated depreciation | <u>\$ 6,406</u> | <u>\$ 5,687</u> |
| Current maturities of long-term debt | \$ 2,420 | \$ 1,736 |
| Long-term debt | 3,541 | 3,658 |
| Total finance lease liabilities | <u>\$ 5,961</u> | <u>\$ 5,394</u> |
| Weighted Average Remaining Lease Term in Years: | | |
| Operating leases | 7.5 | 5.5 |
| Finance leases | 4.3 | 5.0 |
| Weighted Average Discount Rate: | | |
| Operating leases | 2.8% | 3.4% |
| Finance leases | 1.9% | 2.2% |

HENRY SCHEIN, INC.
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Supplemental cash flow information related to leases is as follows:

| | Years Ended | |
|---|------------------------------|------------------------------|
| | December 26, 2020 | December 28, 2019 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows for operating leases | \$ 76,985 | 79,699 |
| Operating cash flows for finance leases | 101 | 99 |
| Financing cash flows for finance leases | 2,148 | 1,413 |
| Right-of-use assets obtained in exchange for lease obligations: | | |
| Operating leases | \$ 120,148 | 297,800 |
| Finance leases | 2,947 | 2,940 |

Maturities of lease liabilities are as follows:

| | December 26, 2020 | |
|-----------------------------|-----------------------------|---------------------------|
| | Operating Leases | Finance Leases |
| 2021 | \$ 71,801 | \$ 2,503 |
| 2022 | 58,049 | 1,542 |
| 2023 | 40,670 | 596 |
| 2024 | 28,899 | 327 |
| 2025 | 26,147 | 305 |
| Thereafter | 110,228 | 920 |
| Total future lease payments | 335,794 | 6,193 |
| Less imputed interest | (32,351) | (232) |
| Total | <u>\$ 303,443</u> | <u>\$ 5,961</u> |

As of December 26, 2020, we have additional operating leases with total lease payments of \$13.5 million for buildings and vehicles that have not yet commenced. These operating leases will commence subsequent to December 26, 2020, with lease terms of two years to 10 years.

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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 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 years ended December 26, 2020, December 28, 2019 and December 29, 2018 are presented in the following table:

| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
|---|------------------------------|------------------------------|------------------------------|
| Balance, beginning of period | \$ 287,258 | \$ 219,724 | \$ 465,585 |
| Decrease in redeemable noncontrolling interests due to redemptions | (17,241) | (2,270) | (287,767) |
| Increase in redeemable noncontrolling interests due to business acquisitions | 28,387 | 74,865 | 4,655 |
| Net income attributable to redeemable noncontrolling interests | 13,363 | 14,838 | 15,327 |
| Dividends declared | (12,631) | (10,264) | (8,206) |
| Effect of foreign currency translation loss attributable to redeemable noncontrolling interests | (4,279) | (2,335) | (11,330) |
| Change in fair value of redeemable securities | 32,842 | (7,300) | 41,460 |
| Balance, end of period | <u>\$ 327,699</u> | <u>\$ 287,258</u> | <u>\$ 219,724</u> |

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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:

| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
|--|----------------------|----------------------|----------------------|
| Attributable to Redeemable noncontrolling interests: | | | |
| Foreign currency translation adjustment | \$ (24,617) | \$ (20,338) | \$ (18,595) |
| Attributable to noncontrolling interests: | | | |
| Foreign currency translation adjustment | \$ 235 | \$ (531) | \$ (426) |
| Attributable to Henry Schein, Inc.: | | | |
| Foreign currency translation adjustment | \$ (76,565) | \$ (143,172) | \$ (234,799) |
| Unrealized loss from foreign currency hedging activities | (11,488) | (4,032) | (156) |
| Unrealized investment gain (loss) | 1 | 6 | (6) |
| Pension adjustment loss | (20,032) | (20,175) | (13,810) |
| Accumulated other comprehensive loss | \$ (108,084) | \$ (167,373) | \$ (248,771) |
| Total Accumulated other comprehensive loss | \$ (132,466) | \$ (188,242) | \$ (267,792) |

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

| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
|---|----------------------|----------------------|----------------------|
| Net income | \$ 419,423 | \$ 719,138 | \$ 562,126 |
| Foreign currency translation gain (loss) | 63,094 | (4,070) | (136,356) |
| Tax effect | - | - | - |
| Foreign currency translation gain (loss) | 63,094 | (4,070) | (136,356) |
| Unrealized gain (loss) from foreign currency hedging activities | (10,224) | (4,911) | 1,022 |
| Tax effect | 2,768 | 1,035 | (396) |
| Unrealized gain (loss) from foreign currency hedging activities | (7,456) | (3,876) | 626 |
| Unrealized investment gain (loss) | (6) | 14 | (3) |
| Tax effect | 1 | (2) | - |
| Unrealized investment gain (loss) | (5) | 12 | (3) |
| Pension adjustment gain (loss) | (533) | (7,730) | 4,212 |
| Tax effect | 676 | 1,806 | (1,179) |
| Pension adjustment gain (loss) | 143 | (5,924) | 3,033 |
| Comprehensive income | \$ 475,199 | \$ 705,280 | \$ 429,426 |

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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 years ended December 26, 2020, December 28, 2019 and December 29, 2018 was impacted by changes in foreign currency exchange rates of the Euro, Brazilian Real, British Pound and Australian Dollar.

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

| | <u>December 26, 2020</u> | <u>December 28, 2019</u> | <u>December 29, 2018</u> |
|--|------------------------------|------------------------------|------------------------------|
| Comprehensive income attributable to Henry Schein, Inc. | \$ 463,083 | \$ 682,724 | \$ 417,177 |
| Comprehensive income attributable to noncontrolling interests | 3,032 | 9,827 | 3,432 |
| Comprehensive income attributable to Redeemable noncontrolling interests | 9,084 | 12,729 | 8,817 |
| Comprehensive income | <u>\$ 475,199</u> | <u>\$ 705,280</u> | <u>\$ 429,426</u> |

Note 10 – Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for determining 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 are described as follows:

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

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

Investments and notes receivable

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

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Debt

The fair value of our debt (including bank credit lines) is classified as Level 3 within the fair value hierarchy and as of December 26, 2020 and December 28, 2019 was estimated at \$699.0 million and \$756.7 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 certain intercompany loans, certain forecasted inventory purchase commitments with foreign suppliers and foreign currency forward contracts to hedge a portion of our euro-denominated foreign operations which are designated as net investment hedges; and a total return swap for the purpose of economically hedging our unfunded non-qualified SERP and our DCP.

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. See Note 16 – Derivatives and Hedging Activities for additional information.

Redeemable noncontrolling interests

The values for Redeemable noncontrolling interests are classified within Level 3 of the fair value hierarchy and are based on recent transactions and/or implied multiples of earnings. See Note 8 – Redeemable Noncontrolling Interests for additional information.

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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 December 26, 2020 and December 28, 2019:

| December 26, 2020 | | | | |
|-------------------------------------|----------------|------------------|-------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Derivative contracts | \$ - | \$ 1,868 | \$ - | \$ 1,868 |
| Total return swaps | - | 1,565 | - | 1,565 |
| Total assets | <u>\$ -</u> | <u>\$ 3,433</u> | <u>\$ -</u> | <u>\$ 3,433</u> |
| Liabilities: | | | | |
| Derivative contracts | \$ - | \$ 11,765 | \$ - | \$ 11,765 |
| Total liabilities | <u>\$ -</u> | <u>\$ 11,765</u> | <u>\$ -</u> | <u>\$ 11,765</u> |
| Redeemable noncontrolling interests | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 327,699</u> | <u>\$ 327,699</u> |
| December 28, 2019 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Derivative contracts | \$ - | \$ 567 | \$ - | \$ 567 |
| Total assets | <u>\$ -</u> | <u>\$ 567</u> | <u>\$ -</u> | <u>\$ 567</u> |
| Liabilities: | | | | |
| Derivative contracts | \$ - | \$ 5,795 | \$ - | \$ 5,795 |
| Total liabilities | <u>\$ -</u> | <u>\$ 5,795</u> | <u>\$ -</u> | <u>\$ 5,795</u> |
| Redeemable noncontrolling interests | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 287,258</u> | <u>\$ 287,258</u> |

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Note 11 – Business Acquisitions and Divestitures

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

We completed acquisitions during the year ended December 26, 2020, which were immaterial to our financial statements individually. In the aggregate, these transactions resulted in consideration of \$57.8 million in 2020 related to business combinations, for net assets amounting to \$32.8 million. As of December 26, 2020, we had recorded \$36.9 million of identifiable intangibles, \$23.9 million of goodwill and \$26.4 million of non-controlling interest, related to these acquisitions.

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, none of which are material. Any adjustments to these accrual amounts are recorded in our consolidated statements of income. For the years ended December 26, 2020, December 28, 2019 and December 29, 2018, there were no material adjustments recorded in our consolidated statement of income relating to changes in estimated contingent purchase price liabilities.

Divestitures of Investments

During the fourth quarter of 2019, we sold an equity investment in Hu-Friedy Mfg. Co., LLC, a manufacturer of dental instruments and infection prevention solutions. Our investment was non-controlling, we were not involved in running the business and had no representation on the board of directors. During the fourth quarter of 2019, we also sold certain other equity investments. In the aggregate, the sales of these investments resulted in a pre-tax gain of approximately \$250.2 million, net of taxes of approximately \$63.4 million. In the fourth quarter of 2020 we received contingent proceeds of \$2.1 million from the 2019 sale of Hu-Friedy resulting in the recognition of an additional after-tax gain of \$1.6 million. For the years ended December 28, 2019 and December 29, 2018, we recognized approximately \$6.0 million and \$10.4 million of equity in earnings from these affiliates.

Acquisition Costs

During the years ended December 26, 2020, December 28, 2019, and December 29, 2018 we incurred \$5.9 million, \$4.5 million and \$7.3 million in acquisition costs from continuing operations.

In February 2019, we completed the Animal Health Spin-off. During the years ended December 26, 2020, December 28, 2019, and December 29, 2018, we incurred \$0.1 million, \$23.6 million and \$38.9 million in transaction costs associated with this transaction. We do not expect to incur additional spin-off related transaction costs after December 26, 2020. All transaction costs related to the Animal Health Spin-off have been included in results from discontinued operations.

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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 allowed us to execute on our plan to reduce our cost structure and fund new initiatives to drive growth under our 2018 to 2020 strategic plan. This initiative resulted in the elimination of approximately 4% of our workforce and the closing of certain facilities.

On November 20, 2019, we committed to a contemplated initiative, intended to mitigate stranded costs associated with the Animal Health Spin-off and to rationalize operations and to provide expense efficiencies. These activities were originally expected to be completed by the end of 2020. As a result of the business environment brought on by the COVID-19 pandemic, we are continuing our restructuring activities into 2021. We are currently unable in good faith to make a determination of an estimate of the amount or range of amounts expected to be incurred in connection with these activities in 2021, both with respect to each major type of cost associated therewith and with respect to the total cost, or an estimate of the amount or range of amounts that will result in future cash expenditures.

During the years ended December 26, 2020, December 28, 2019, and December 29, 2018 we recorded restructuring charges of \$32.1 million, \$14.7 million and \$54.4 million, respectively. The costs associated with these restructurings 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 our 2020, 2019 and 2018 fiscal years and the remaining accrued balance of restructuring costs as of December 26, 2020, 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 | 13,741 | 937 | 27 | 14,705 |
| Payments and other adjustments | (30,794) | (1,714) | (112) | (32,620) |
| Balance, December 28, 2019 | \$ 12,911 | \$ 826 | \$ 73 | \$ 13,810 |
| Provision | 25,855 | 5,878 | 360 | 32,093 |
| Payments and other adjustments | (26,152) | (6,309) | (329) | (32,790) |
| Balance, December 26, 2020 | <u>\$ 12,614</u> | <u>\$ 395</u> | <u>\$ 104</u> | <u>\$ 13,113</u> |

The following table shows, by reportable segment, the amounts expensed and paid for restructuring costs that were incurred during our 2020, 2019 and 2018 fiscal years and the remaining accrued balance of restructuring costs as of December 26, 2020:

| | 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 | 13,935 | 770 | 14,705 |
| Payments and other adjustments | (30,853) | (1,767) | (32,620) |
| Balance, December 28, 2019 | \$ 13,373 | \$ 437 | \$ 13,810 |
| Provision | 30,935 | 1,158 | 32,093 |
| Payments and other adjustments | (31,484) | (1,306) | (32,790) |
| Balance, December 26, 2020 | <u>\$ 12,824</u> | <u>\$ 289</u> | <u>\$ 13,113</u> |

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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:

| | Years Ended | | |
|--|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Basic | 142,504 | 147,817 | 152,656 |
| Effect of dilutive securities: | | | |
| Stock options, restricted stock and restricted stock units | 900 | 1,440 | 1,051 |
| Diluted | <u>143,404</u> | <u>149,257</u> | <u>153,707</u> |

Note 14 – Income Taxes

Income before taxes and equity in earnings of affiliates was as follows:

| | Years ended | | |
|----------|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Domestic | \$ 430,838 | \$ 507,003 | \$ 405,289 |
| Foreign | 69,057 | 173,304 | 131,547 |
| Total | <u>\$ 499,895</u> | <u>\$ 680,307</u> | <u>\$ 536,836</u> |

The provisions for income taxes were as follows:

| | Years ended | | |
|--|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Current income tax expense: | | | |
| U.S. Federal | \$ 82,912 | \$ 93,418 | \$ 71,854 |
| State and local | 24,640 | 28,150 | 22,533 |
| Foreign | 40,799 | 42,004 | 38,433 |
| Total current | <u>148,351</u> | <u>163,572</u> | <u>132,820</u> |
| Deferred income tax expense (benefit): | | | |
| U.S. Federal | (18,032) | 5,633 | 206 |
| State and local | (4,889) | 1,597 | (1,622) |
| Foreign | (30,056) | (11,287) | (23,972) |
| Total deferred | <u>(52,977)</u> | <u>(4,057)</u> | <u>(25,388)</u> |
| Total provision | <u>\$ 95,374</u> | <u>\$ 159,515</u> | <u>\$ 107,432</u> |

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The tax effects of temporary differences that give rise to our deferred income tax asset (liability) were as follows:

| | Years Ended | |
|--|------------------------------|------------------------------|
| | December 26, 2020 | December 28, 2019 |
| Deferred income tax asset: | | |
| Investment in partnerships | \$ (6,294) | \$ 1,420 |
| Net operating losses and other carryforwards | 64,297 | 43,663 |
| Inventory, premium coupon redemptions and accounts receivable valuation allowances | 56,668 | 23,808 |
| Stock-based compensation | 4,858 | 14,075 |
| Uniform capitalization adjustment to inventories | 6,895 | 7,259 |
| Operating lease right of use asset | 74,674 | 56,780 |
| Other asset | 49,260 | 33,311 |
| Total deferred income tax asset | 250,358 | 180,316 |
| Valuation allowance for deferred tax assets ⁽¹⁾ | (40,496) | (20,699) |
| Net deferred income tax asset | 209,862 | 159,617 |
| Deferred income tax liability | | |
| Intangibles amortization | (118,165) | (135,754) |
| Operating lease liability | (71,343) | (54,672) |
| Property and equipment | (7,820) | (10,555) |
| Total deferred tax liability | (197,328) | (200,981) |
| Net deferred income tax asset (liability) | <u>\$ 12,534</u> | <u>\$ (41,364)</u> |

(1) Primarily relates to operating losses, the benefits of which are uncertain. Any future reductions of such valuation allowances will be reflected as a reduction of income tax expense.

The assessment of the amount of value assigned to our deferred tax assets under the applicable accounting rules is judgmental. We are required to consider all available positive and negative evidence in evaluating the likelihood that we will be able to realize the benefit of our deferred tax assets in the future. Such evidence includes scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and the results of recent operations. Since this evaluation requires consideration of events that may occur some years into the future, there is an element of judgment involved. Realization of our deferred tax assets is dependent on generating sufficient taxable income in future periods. We believe that it is more likely than not that future taxable income will be sufficient to allow us to recover substantially all of the value assigned to our deferred tax assets. However, if future events cause us to conclude that it is not more likely than not that we will be able to recover all of the value assigned to our deferred tax assets, we will be required to adjust our valuation allowance accordingly.

As of December 26, 2020, we had federal, state, and foreign net operating loss carryforwards of approximately \$29.8 million, \$31.6 million and \$200.5 million, respectively. The federal, state and foreign net operating loss carryforwards will begin to expire in various years from 2024 through 2040. The amounts of state and foreign net operating losses that can be carried forward indefinitely are \$10.6 million and \$199.3 million, respectively.

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The tax provisions differ from the amount computed using the federal statutory income tax rate as follows:

| | Years ended | | |
|---|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Income tax provision at federal statutory rate | \$ 104,977 | \$ 142,865 | \$ 112,735 |
| State income tax provision, net of federal income tax effect | 13,015 | 16,539 | 15,872 |
| Foreign income tax benefit | (428) | (4,580) | (2,558) |
| Pass-through noncontrolling interest | (2,681) | (3,931) | (2,700) |
| Valuation allowance | 659 | (79) | 2,017 |
| Unrecognized tax benefits and audit settlements | (17,722) | 3,671 | 2,126 |
| Interest expense related to loans | (11,098) | (5,498) | (11,700) |
| Excess tax benefits related to stock compensation | 778 | (86) | (1,008) |
| Transition tax on deemed repatriation of foreign earnings | - | - | (10,000) |
| Revaluation of deferred tax assets and liabilities | - | - | (1,676) |
| Tax on global intangible low-taxed income ("GILTI") | 2,365 | 3,917 | 7,599 |
| Tax benefit related to legal entity reorganization outside the U.S. | (5,823) | - | (13,852) |
| Tax charge related to reorganization of legal entities related to forming Henry Schein One | - | - | 3,914 |
| Tax charge (credit) related to reorganization of legal entities completed in preparation for the Animal Health spin-off | - | (1,333) | 3,135 |
| Other | 11,332 | 8,030 | 3,528 |
| Total income tax provision | <u>\$ 95,374</u> | <u>\$ 159,515</u> | <u>\$ 107,432</u> |

For the year ended December 26, 2020, our effective tax rate was 19.1% compared to 23.4% for the prior year period. Our effective tax rate in 2020 was primarily impacted by an Advance Pricing Agreement ("APA") with the U.S Internal Revenue Service (the "IRS") in the U.S., other audit resolutions, state and foreign income taxes and interest expense. The positive effect of the APA and the other audit resolutions are not expected to be recurring and, as a result, we expect our effective tax rate in future periods to be higher.

In 2019, our effective tax rate of 23.4% was primarily impacted by state and foreign income taxes and interest expense. In 2018, our effective tax rate of 20.0% was primarily impacted by a reduction in the estimate of our transition tax associated with the Tax Act, tax charges and credits associated with legal entity reorganizations outside the U.S., and state and foreign income taxes and interest expense.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 pandemic. The CARES Act includes, but is not limited to, certain income tax provisions that modify the Section 163(j) limitation of business interest and Net Operating Loss ("NOL") carryover and carryback rules. The modifications to Section 163(j) increase the allowable business interest deduction from 30% of adjusted taxable income to 50% of adjusted taxable income for years beginning in 2019 and 2020. The CARES Act eliminated the NOL income limitation for years beginning before 2021 and it extended the carryback period to five years for losses incurred in 2018, 2019 and 2020. We have analyzed the income tax provisions of the CARES Act and have accounted for the impact in the year ended December 26, 2020, which did not have a material impact on our consolidated financial statements. There are certain other non-income tax benefits available to us under the CARES Act that require further clarification or interpretation that may affect our consolidated financial statements in the future. On December 27, 2020, the Consolidated Appropriations Act was enacted into law and extended certain non-income tax benefits under the CARES Act.

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On July 20, 2020, the IRS issued final regulations related to the Tax Act. The final regulations concern the global intangible low-taxed income ("GILTI") and subpart F income provisions of the Tax Act. To provide flexibility to taxpayers, the IRS is permitting the application of these final regulations to prior tax years, if the taxpayer elects to do so. We have analyzed the final regulations, which do not have a material impact to our consolidated financial statements.

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. In the fourth quarter of 2017, we recorded provisional amounts for any items that could be reasonably estimated at the time. This included the one-time transition tax that we estimated to be \$140.0 million and a net deferred tax expense of \$3.0 million attributable to the revaluation of deferred taxes due to the lower enacted federal income tax rate of 21%. We completed our analysis in the year ended December 29, 2018 and recorded a net \$10.0 million reduction to the one-time transition tax and an additional \$1.7 million net deferred tax benefit from the revaluation of deferred taxes to reflect the new tax rate.

Within our consolidated balance sheets, transition tax of \$9.9 million was included in "Accrued taxes" for 2020 and 2019 and \$74.5 million and \$94.9 million were included in "Other liabilities" for 2020 and 2019, respectively.

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. We recorded a current tax expense for the GILTI provision of \$2.4 million \$3.9 million and \$7.6 million for 2020, 2019, and 2018, respectively.

Due to the one-time transition tax and the imposition of the GILTI provisions, all previously unremitted earnings will no longer be subject to U.S. federal income tax; however, there could be U.S. state and/or foreign withholding taxes upon distribution of such unremitted earnings. Determination of the amount of unrecognized deferred tax liability with respect to such earnings is not practicable.

ASC 740 prescribes the accounting for uncertainty in income taxes recognized in the financial statements in accordance with other provisions contained within this guidance. This topic prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by the taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate audit settlement. In the normal course of business, our tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing authorities for uncertain tax positions taken in respect to certain tax matters.

The total amount of unrecognized tax benefits, which are included in "Other liabilities" within our consolidated balance sheets as of December 26, 2020 was approximately \$84.0 million, of which \$70.1 million would affect the effective tax rate if recognized. It is possible that the amount of unrecognized tax benefits may change in the next 12 months, which may result in a material impact on our consolidated statement of income.

The tax years subject to examination by major tax jurisdictions include the years 2012 and forward by the IRS, as well as the years 2008 and forward for certain states and certain foreign jurisdictions. All tax returns audited by the IRS are officially closed through 2011 and 2014 through 2016. All IRS audit fieldwork has been completed for the

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years 2012 and 2013. In the quarter ended December 28, 2019, we reached a settlement with the U.S. Competent Authority to resolve certain transfer pricing issues related to 2012 and 2013. For all remaining outstanding issues for 2012 and 2013, we have provided all necessary documentation to the Appellate Division to date and are waiting for responses. We do not believe the final resolution will have a material impact to our consolidated financial statements. During the quarter ended September 26, 2020 we finalized negotiations with the Advance Pricing Division and reached an agreement on an appropriate transfer pricing methodology for the years 2014-2025. The objective of this resolution is to mitigate future transfer pricing audit adjustments. In the fourth quarter of 2020, we reached a favorable resolution with the IRS relating to select audit years.

The total amounts of interest and penalties are classified as a component of the provision for income taxes. The amount of tax interest expense (credit) was approximately \$(3.3) million, \$2.2 million, and \$3.6 million in 2020, 2019 and 2018, respectively. The total amount of accrued interest is included in "Other liabilities", and was approximately \$14.0 million as of December 26, 2020 and \$18.0 million as of December 28, 2019. No penalties were accrued for the periods presented.

The following table provides a reconciliation of unrecognized tax benefits:

| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
|---|----------------------|----------------------|----------------------|
| Balance, beginning of period | \$ 91,100 | \$ 77,800 | \$ 83,200 |
| Additions based on current year tax positions | 4,900 | 4,900 | 5,000 |
| Additions based on prior year tax positions | 7,900 | 17,300 | 9,400 |
| Reductions based on prior year tax positions | (1,000) | (1,000) | (1,600) |
| Reductions resulting from settlements with taxing authorities | (18,600) | (4,200) | (1,600) |
| Reductions resulting from lapse in statutes of limitations | (14,300) | (3,700) | (16,600) |
| Balance, end of period | <u>\$ 70,000</u> | <u>\$ 91,100</u> | <u>\$ 77,800</u> |

Note 15 – Concentrations of Risk

Certain financial instruments potentially subject us to concentrations of credit risk. These financial instruments consist primarily of cash equivalents, trade receivables, long-term investments, notes receivable and derivative instruments. In all cases, our maximum exposure to loss from credit risk equals the gross fair value of the financial instruments. We routinely maintain cash balances at financial institutions in excess of insured amounts. We have not experienced any loss in such accounts and we manage this risk through maintaining cash deposits and other highly liquid investments in high quality financial institutions. We continuously assess the need for reserves for such losses, which have been within our expectations. We do not require collateral or other security to support financial instruments subject to credit risk, except for long-term notes receivable.

We limit our credit risk with respect to our cash equivalents, short-term and long-term investments and derivative instruments, by monitoring the credit worthiness of the financial institutions who are the counter-parties to such financial instruments. As a risk management policy, we limit the amount of credit exposure by diversifying and utilizing numerous investment grade counter-parties.

With respect to our trade receivables, our credit risk is somewhat limited due to a relatively large customer base and its dispersion across different types of health care professionals and geographic areas. For the year ended December 26, 2020, two customers accounted for slightly more than 3% of our net sales from continuing operations. For the year ended December 28, 2019, one customer accounted for slightly less than 2% of our net sales from continuing operations. With respect to our sources of supply, our top 10 health care distribution suppliers from continuing operations and our single largest supplier from continuing operations accounted for approximately 30% and 4%, respectively, of our aggregate purchases in 2020 and approximately 31% and 6%, respectively, of our aggregate purchases in 2019.

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Our long-term notes receivable primarily represent strategic financing arrangements with certain industry affiliates and amounts owed to us from sales of certain businesses. Generally, these notes are secured by certain assets of the counterparty; however, in most cases our security is subordinate to other commercial financial institutions. While we have exposure to credit loss in the event of non-performance by these counter-parties, we conduct ongoing assessments of their financial and operational performance.

Note 16 – 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.

During 2019 we entered into foreign currency forward contracts to hedge a portion of our euro-denominated foreign operations which are designated as net investment hedges. These net investment hedges offset the change in the U.S. dollar value of our investment in certain euro-functional currency subsidiaries due to fluctuating foreign exchange rates. Gains and losses related to these net investment hedges are recorded in Accumulated other comprehensive loss within our consolidated balance sheets. Amounts excluded from the assessment of hedge effectiveness are included in interest expense within our consolidated statements of income. The aggregate notional value of this net investment hedge, which matures on November 16, 2023, is approximately €200 million. During the years ended December 26, 2020 and December 28, 2019 we recognized approximately \$4.7 million and \$0.6 million, respectively, of interest savings as a result of this net investment hedge.

On March 20, 2020, we entered into a total return swap for the purpose of economically hedging our unfunded non-qualified SERP and DCP. This swap will offset changes in our SERP and DCP liabilities. At the inception, the notional value of the investments in these plans was \$43.4 million. At December 26, 2020, the notional value of the investments in these plans was \$67.6 million. At December 26, 2020, the financing rate for this swap is based on LIBOR of 0.15% plus 0.38%, for a combined rate of 0.53%. From March 20, 2020, the effective date of the swap, to December 26, 2020, we have recorded a gain, within the selling, general and administrative line item in our consolidated statement of income, of approximately \$21.2 million, net of transaction costs, related to this undesignated swap for the year ended December 26, 2020. This gain was partially offset by the change in fair value adjustment of \$10.6 million in the SERP and the DCP, which occurred prior to the inception of the swap on March 20, 2020. This swap is expected to be renewed on an annual basis and is expected to result in a neutral impact to our results of operations. See Note 19 – Employee Benefit Plans for additional information.

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., generally 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 815 have been omitted.

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Note 17 – Revenue from Contracts with Customers

Revenue (Net sales) is recognized in accordance with the policies discussed in Note 1 – Significant Accounting Policies.

Disaggregation of Net sales

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

| | Year Ended December 26, 2020 | | |
|---|---------------------------------|---------------|---------------|
| | North America | International | Global |
| Revenues: | | | |
| Health care distribution | | | |
| Dental | \$ 3,471,521 | 2,441,072 | 5,912,593 |
| Medical | 3,514,670 | 102,347 | 3,617,017 |
| Total health care distribution | 6,986,191 | 2,543,419 | 9,529,610 |
| Technology and value-added services | 446,830 | 67,428 | 514,258 |
| Total excluding Corporate TSA revenues ⁽¹⁾ | 7,433,021 | 2,610,847 | 10,043,868 |
| Corporate TSA revenues ⁽¹⁾ | - | 75,273 | 75,273 |
| Total revenues | \$ 7,433,021 | \$ 2,686,120 | \$ 10,119,141 |
| | Year Ended December 28, 2019 | | |
| | North America | International | Global |
| Revenues: | | | |
| Health care distribution | | | |
| Dental | \$ 3,911,746 | 2,504,119 | 6,415,865 |
| Medical | 2,894,137 | 79,449 | 2,973,586 |
| Total health care distribution | 6,805,883 | 2,583,568 | 9,389,451 |
| Technology and value-added services | 445,317 | 69,768 | 515,085 |
| Total excluding Corporate TSA revenues ⁽¹⁾ | 7,251,200 | 2,653,336 | 9,904,536 |
| Corporate TSA revenues ⁽¹⁾ | 4,098 | 77,169 | 81,267 |
| Total revenues | \$ 7,255,298 | \$ 2,730,505 | \$ 9,985,803 |

(1) 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 ended in December 2020.

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Note 18 – Segment and Geographic 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:

| | Years Ended | | |
|--|------------------------------|------------------------------|------------------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Net Sales: | | | |
| Health care distribution ⁽¹⁾ | | | |
| Dental | \$ 5,912,593 | \$ 6,415,865 | \$ 6,347,998 |
| Medical | 3,617,017 | 2,973,586 | 2,661,166 |
| Total health care distribution | 9,529,610 | 9,389,451 | 9,009,164 |
| Technology and value-added services ⁽²⁾ | 514,258 | 515,085 | 408,439 |
| Total excluding Corporate TSA revenues | 10,043,868 | 9,904,536 | 9,417,603 |
| Corporate TSA revenues ⁽³⁾ | 75,273 | 81,267 | - |
| Total | <u>\$ 10,119,141</u> | <u>\$ 9,985,803</u> | <u>\$ 9,417,603</u> |

- (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, personal protective equipment 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 products to Covetrus under the transition services agreement entered into in connection with the Animal Health Spin-off, which ended in December 2020.

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| | Years ended | | |
|---|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Operating Income: | | | |
| Health care distribution | \$ 436,173 | \$ 591,404 | \$ 490,988 |
| Technology and value-added services | 99,130 | 126,857 | 109,631 |
| Total | <u>\$ 535,303</u> | <u>\$ 718,261</u> | <u>\$ 600,619</u> |
| Income from continuing operations before taxes and equity in earnings of affiliates: | | | |
| Health care distribution | \$ 400,343 | \$ 553,181 | \$ 429,429 |
| Technology and value-added services | 99,552 | 127,126 | 107,407 |
| Total | <u>\$ 499,895</u> | <u>\$ 680,307</u> | <u>\$ 536,836</u> |
| Depreciation and Amortization: | | | |
| Health care distribution | \$ 142,712 | \$ 146,960 | \$ 122,767 |
| Technology and value-added services | 42,826 | 37,982 | 20,863 |
| Total | <u>\$ 185,538</u> | <u>\$ 184,942</u> | <u>\$ 143,630</u> |
| Interest Income: | | | |
| Health care distribution | \$ 9,736 | \$ 15,352 | \$ 15,106 |
| Technology and value-added services | 106 | 405 | 385 |
| Total | <u>\$ 9,842</u> | <u>\$ 15,757</u> | <u>\$ 15,491</u> |
| Interest Expense: | | | |
| Health care distribution | \$ 41,307 | \$ 50,666 | \$ 76,006 |
| Technology and value-added services | 70 | 126 | 10 |
| Total | <u>\$ 41,377</u> | <u>\$ 50,792</u> | <u>\$ 76,016</u> |
| Income Tax Expense: | | | |
| Health care distribution | \$ 71,206 | \$ 129,381 | \$ 53,660 |
| Technology and value-added services | 24,168 | 30,134 | 53,772 |
| Total | <u>\$ 95,374</u> | <u>\$ 159,515</u> | <u>\$ 107,432</u> |
| Purchases of Fixed Assets: | | | |
| Health care distribution | \$ 43,511 | \$ 69,095 | \$ 68,577 |
| Technology and value-added services | 5,318 | 7,124 | 2,706 |
| Total | <u>\$ 48,829</u> | <u>\$ 76,219</u> | <u>\$ 71,283</u> |
| | As of | | |
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Total Assets: | | | |
| Health care distribution | \$ 6,503,089 | \$ 5,821,468 | \$ 5,288,662 |
| Technology and value-added services | 1,269,443 | 1,329,633 | 995,192 |
| Discontinued operations | - | - | 2,216,673 |
| Total | <u>\$ 7,772,532</u> | <u>\$ 7,151,101</u> | <u>\$ 8,500,527</u> |

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The following table presents information about our operations by geographic area as of and for the three years ended December 26, 2020. Net sales by geographic area are based on the respective locations of our subsidiaries. No country, except for the United States, generated net sales greater than 10% of consolidated net sales. There were no material amounts of sales or transfers among geographic areas and there were no material amounts of export sales.

| | 2020 | | 2019 | | 2018 | |
|--------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Net Sales | Long-Lived Assets | Net Sales | Long-Lived Assets | Net Sales | Long-Lived Assets |
| United States | \$ 7,090,206 | \$ 2,362,823 | \$ 6,876,194 | \$ 2,400,733 | \$ 6,411,558 | \$ 1,753,697 |
| Other | 3,028,935 | 1,251,849 | 3,109,609 | 1,195,947 | 3,006,045 | 1,017,584 |
| Consolidated total | <u>\$ 10,119,141</u> | <u>\$ 3,614,672</u> | <u>\$ 9,985,803</u> | <u>\$ 3,596,680</u> | <u>\$ 9,417,603</u> | <u>\$ 2,771,281</u> |

Note 19 – Employee Benefit Plans

Stock-based Compensation

Our accompanying consolidated statements of income reflect pre-tax share-based compensation expense of \$8.8 million (\$7.1 million after-tax) for the year ended December 26, 2020, and pre-tax share-based expense of \$44.9 million (\$34.4 million after-tax) and \$32.6 million (\$25.3 million after-tax) for the years ended December 28, 2019 and December 29, 2018.

Our accompanying consolidated statements of cash flows present our stock-based compensation expense as an adjustment to reconcile net income to net cash provided by operating activities for all periods presented. In the accompanying consolidated statements of cash flows, there were no benefits associated with tax deductions in excess of recognized compensation as a cash inflow from financing activities for the years ended December 26, 2020, December 28, 2019 and December 29, 2018.

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 2020 Stock Incentive Plan (formerly known as the 2013 Stock Incentive Plan), 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. Equity-based awards are 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. As of December 26, 2020, there were 65,243 shares authorized and 5,812 shares available to be granted under the 2020 Stock Incentive Plan and 1,893 shares authorized and 265 shares available to be granted under the 2015 Non-Employee Director Stock Incentive Plan.

Grants of restricted stock units are stock-based awards granted to recipients with specified vesting provisions. 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).

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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 tax rates in certain countries, 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 (as of the date of the Separation) 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.

We record deferred income tax assets for awards that will result in future deductions on our income tax returns based on the amount of compensation cost recognized and our statutory tax rate in the jurisdiction in which we will receive a deduction.

Stock-based compensation grants for the three years ended December 26, 2020 consisted of restricted stock/unit grants. Certain stock-based compensation granted may require us to settle in the form of a cash payment. During the year ended December 26, 2020, we recorded a liability of \$0.8 million relating to the grant date fair value of stock-based compensation to be settled in cash. The weighted-average grant date fair value of stock-based awards granted before forfeitures was \$60.23, \$56.83 and \$71.38 per share during the years ended December 26, 2020, December 28, 2019 and December 29, 2018.

Total unrecognized compensation cost related to non-vested awards as of December 26, 2020 was \$42.2 million, which is expected to be recognized over a weighted-average period of approximately 2.3 years.

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A summary of the stock option activity under the Plans is presented below:

| | Years Ended | | | | | |
|------------------------------------|----------------------|--|----------------------|--|----------------------|--|
| | December 26, 2020 | | December 28, 2019 | | December 29, 2018 | |
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding at beginning of year | - | \$ - | 3 | \$ 13.63 | 155 | \$ 29.65 |
| Granted | - | - | - | - | - | - |
| Exercised | - | - | (3) | 13.63 | (152) | 29.81 |
| Forfeited | - | - | - | - | - | - |
| Outstanding at end of year | - | \$ - | - | \$ - | 3 | \$ 17.22 |
| Options exercisable at end of year | - | \$ - | - | \$ - | 3 | \$ 17.22 |

The following table represents the intrinsic values of:

| | As of | | |
|---------------------------|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Stock options outstanding | \$ - | \$ - | \$ 121 |
| Stock options exercisable | - | - | 121 |

The total cash received as a result of stock option exercises for the year ended December 29, 2018 was approximately \$3.1 million. In connection with these exercises, we did not realize any tax benefits for the years ended December 26, 2020, December 28, 2019 and December 29, 2018. We settle employee stock option exercises with newly issued common shares.

The total intrinsic value per share of restricted stock/units that vested was \$61.49, \$64.31 and \$76.48 during the years ended December 26, 2020, December 28, 2019 and December 29, 2018. The following table summarizes the status of our non-vested restricted stock/units for the year ended December 26, 2020:

| | Time-Based Restricted Stock/Units | | |
|------------------------------------|--|--|------------------------------|
| | Shares/Units | Weighted Average Grant Date Fair Value Per Share | Intrinsic Value Per Share |
| | | | |
| Outstanding at beginning of period | 1,417 | \$ 58.72 | |
| Granted | 391 | 60.19 | |
| Vested | (298) | 65.91 | |
| Forfeited | (51) | 59.71 | |
| Outstanding at end of period | 1,459 | \$ 57.61 | \$ 65.83 |
| | Performance-Based Restricted Stock/Units | | |
| | Shares/Units | Weighted Average Grant Date Fair Value Per Share | Intrinsic Value Per Share |
| | | | |
| Outstanding at beginning of period | 1,459 | \$ 61.41 | |
| Granted | (954) | 56.52 | |
| Vested | (327) | 67.48 | |
| Forfeited | (42) | 57.82 | |
| Outstanding at end of period | 136 | \$ 53.52 | \$ 65.83 |

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401(k) Plans

We offer qualified 401(k) plans to substantially all our domestic full-time employees. As determined by our Board of Directors, matching contributions to these plans generally do not exceed 100% of the participants' contributions up to 7% of their base compensation, subject to applicable legal limits. Matching contributions consist of cash and were allocated entirely to the participants' investment elections on file, subject to a 20% allocation limit to the Henry Schein Stock Fund. Due to the impact of COVID-19, as part of our initiative to generate cash savings, we suspended the matching contribution for the second half of 2020. Forfeitures attributable to participants whose employment terminates prior to becoming fully vested are used to reduce our matching contributions and offset administrative expenses of the 401(k) plans.

Assets of the 401(k) and other defined contribution plans are held in self-directed accounts enabling participants to choose from various investment fund options. Matching contributions related to these plans charged to operations during the years ended December 26, 2020, December 28, 2019 and December 29, 2018 amounted to \$19.9 million, \$34.9 million and \$35.0 million, respectively.

Supplemental Executive Retirement Plan

We offer an unfunded, non-qualified SERP to eligible employees. This plan generally covers officers and certain highly compensated employees after they have reached the maximum IRS allowed pre-tax 401(k) contribution limit. Our contributions to this plan are equal to the 401(k) employee-elected contribution percentage applied to base compensation for the portion of the year in which such employees are not eligible to make pre-tax contributions to the 401(k) plan. Due to the impact of COVID-19, as part of our initiative to generate cash savings, we suspended contributions under the SERP for the second half of 2020. The amounts charged to operations during the years ended December 26, 2020, December 28, 2019 and December 29, 2018 amounted to \$2.8 million, \$4.0 million and \$0.4 million, respectively. Please see Note 16 – Derivatives and Hedging Activities for additional information.

Deferred Compensation Plan

During 2011, we began to offer DCP to a select group of management or highly compensated employees of the Company and certain subsidiaries. This plan allows for the elective deferral of base salary, bonus and/or commission compensation by eligible employees. The amounts charged (credited) to operations during the years ended December 26, 2020, December 28, 2019 and December 29, 2018 were approximately \$7.8 million, \$8.3 million and \$(2.3) million, respectively. Please see Note 16 – Derivatives and Hedging Activities for additional information.

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Note 20 – Commitments and Contingencies

Purchase Commitments

In our health care distribution business, we sometimes enter into long-term purchase commitments to ensure the availability of products for distribution. Future minimum annual payments for inventory purchase commitments as of December 26, 2020 were:

| | |
|--|-------------------|
| 2021 | \$ 208,200 |
| 2022 | 110,800 |
| 2023 | - |
| 2024 | - |
| 2025 | - |
| Thereafter | - |
| Total minimum inventory purchase commitment payments | <u>\$ 319,000</u> |

Employment, Consulting and Non-Compete Agreements

We have definite-lived employment, consulting and non-compete agreements that have varying base aggregate annual payments for the years 2021 through 2025 and thereafter of approximately \$16.9 million, \$6.8 million, \$1.0 million, \$0.9 million, \$0.9 million, and \$0.9 million, respectively. We also have lifetime consulting agreements that provide for current compensation of \$0.4 million per year, increasing \$25 every fifth year with the next increase in 2022. In addition, some agreements have provisions for additional incentives and compensation.

Litigation

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 Companies, Inc. (“Patterson”) and Benco Dental Supply Co. (“Benco”) as defendants, and alleging that Henry Schein, Patterson, Benco and Burkhart Dental Supply 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

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remanding the case to the Fifth Circuit for further proceedings consistent with the Supreme Court's opinion. On April 2, 2019, the District Court stayed the proceeding in the trial court pending resolution by the Fifth Circuit. The Fifth Circuit heard oral argument on May 1, 2019 on whether the case should be arbitrated. The Fifth Circuit issued its opinion on August 14, 2019 affirming the District Court's order denying defendants' motions to compel arbitration. Defendants filed a petition for rehearing en banc before the Fifth Circuit. The Fifth Circuit denied that petition. On October 1, 2019, the District Court set the case for trial on February 3, 2020, which was subsequently moved to January 29, 2020. On January 24, 2020 the Supreme Court granted our motion to stay the District Court proceedings, pending the disposition of our petition for writ of certiorari, which was filed on January 31, 2020. Archer conditionally cross petitioned for certiorari on an arbitration issue on March 2, 2020. On June 15, 2020, the Supreme Court granted our petition for writ of certiorari, and denied Archer's conditional petition for certiorari, and thus the District Court proceedings remained stayed. After briefing from the parties and several amici, the case was argued before the Supreme Court on December 8, 2020. On January 25, 2021, the Supreme Court dismissed the writ of certiorari as improvidently granted. That action dissolved the stay the Supreme Court had previously granted, and thus the trial of the lawsuit may proceed. The U.S. District Court for the Eastern District of Texas has scheduled a Status Conference for February 19, 2021. Patterson and the Danaher Defendants settled with Archer and they have been dismissed from the case with prejudice. Benco is still a defendant. 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. Summit County alleged 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. On October 29, 2019, the Company was dismissed with prejudice from this lawsuit. Henry Schein, working with Summit County, donated \$1 million to a foundation and paid \$250,000 of Summit County's expenses, as described in our prior filings with the SEC.

In addition to the County of Summit Action, Henry Schein and/or one or more of its affiliated companies have been named as a defendant in multiple lawsuits (currently less than one-hundred and fifty (150)), which allege claims similar to those alleged in the County of Summit Action. 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. On October 9, 2020, the Circuit Court of the 17th Judicial Circuit in and for Broward County, Florida, Case No. CACE19018882, granted Henry Schein's motion to dismiss the claims brought against it in the action filed by North Broward Hospital District et al. The Florida court gave plaintiffs until November 24, 2020 to replead their claims against Henry Schein. On January 8, 2021, Henry Schein filed a motion to dismiss the Amended Complaint. An action filed by Tucson Medical Center et al. was previously scheduled for trial beginning on June 1, 2021 but the court has vacated that trial date. At this time, the only case set for trial is the action filed by West Virginia University Hospitals, Inc. et al., which is currently scheduled for a non-jury liability trial on Plaintiffs' public nuisance claims on November 1, 2021. Of Henry Schein's 2020 revenue of approximately \$10.1 billion from continuing operations, sales of opioids represented less than one-tenth of 1 percent. Opioids represent a negligible part of our business. We intend to defend ourselves vigorously against these actions.

On September 30, 2019, the City of Hollywood Police Officers Retirement System, 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., Covetrus, Inc., and Benjamin Shaw and Christine Komola (Covetrus's then Chief Executive Officer and Chief Financial Officer, respectively) in the U.S. District Court for the Eastern District of New York, Case No. 2:19-cv-05530-FB-RLM. The complaint seeks to certify a class consisting of all persons and entities who, subject to certain exclusions, purchased or otherwise acquired Covetrus common stock from February

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8, 2019 through August 12, 2019. The case relates to the Animal Health Spin-off and Merger of the Henry Schein Animal Health Business with Vets First Choice in February 2019. The complaint alleges violations of Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5 and asserts that defendants' statements in the offering documents and after the transaction were materially false and misleading because they purportedly overstated Covetrus's capabilities as to inventory management and supply-chain services, understated the costs of integrating the Henry Schein Animal Health Business and Vets First Choice, understated Covetrus's separation costs from Henry Schein, and understated the impact on earnings from online competition and alternative distribution channels and from the loss of an allegedly large customer in North America just before the Separation and Merger. The complaint seeks unspecified monetary damages and a jury trial. Pursuant to the provisions of the PSLRA, the court appointed lead plaintiff and lead counsel on December 23, 2019. Lead plaintiff filed a Consolidated Class Action Complaint on February 21, 2020. Lead plaintiff added Steve Paladino, our Chief Financial Officer, as a defendant in the action. Lead plaintiff filed an Amended Consolidated Class Action Complaint on May 21, 2020, in which it added a claim that Mr. Paladino is a "control person" of Covetrus. We intend to defend ourselves vigorously against this action.

On November 15, 2019, Frank Finazzo filed a putative shareholder derivative action on behalf of Henry Schein, Inc. against various present and former directors and officers of Henry Schein in the U.S. District Court for the Eastern District of New York, Case No. 1:19-cv-6485-LDH-JO. The named defendants in the action were Stanley M. Bergman, Steven Paladino, Timothy J. Sullivan, Barry J. Alperin, Lawrence S. Bacow, Gerald A. Benjamin, James P. Breslawski, Paul Brons, Shira Goodman, Joseph L. Herring, Donald J. Kabat, Kurt Kuehn, Philip A. Laskawy, Anne H. Margulies, Karyn Mashima, Norman S. Matthews, Mark E. Mlotek, Carol Raphael, E. Dianne Rekow, Bradley T. Sheares, and Louis W. Sullivan, with Henry Schein named as a nominal defendant. The Complaint asserted claims under the federal securities laws and state law relating to the allegations in the antitrust actions, the *In re Henry Schein, Inc. Securities Litigation*, and the City of Hollywood securities class action described in our prior filings with the SEC and/or above. The complaint sought declaratory, injunctive, and monetary relief on behalf of Henry Schein. On January 6, 2020, one of the two law firms that filed the Finazzo case filed another, virtually identical putative shareholder derivative action on behalf of Henry Schein against the same defendants, asserting the same claims and seeking the same relief. That case, captioned *Mark Sloan v. Stanley M. Bergman, et al.*, was also filed in the U.S. District Court for the Eastern District of New York, Case No. 1:20-cv-0076. On January 24, 2020, the court consolidated the Finazzo and Sloan cases under the new caption *In re Henry Schein, Inc. Derivative Litigation*, No. 1:19-cv-06485-LDH-JO, and appointed the two law firms that filed the Finazzo case as co-lead counsel for the consolidated action. The parties agreed to a resolution of this matter subject to various conditions, including court approval. The settlement involves the adoption of certain procedures but does not involve the payment of any money except a fee to the plaintiffs' attorneys that is immaterial. After the court referred the motion to approve the settlement to a Magistrate Judge, the parties consented to having the case assigned to the Magistrate Judge for all purposes. The Magistrate Judge to which the matter was ultimately assigned held a fairness hearing and issued an order and judgment approving the settlement. The order and judgment approving the settlement have become final.

On February 5, 2021, Jack Garnsey filed a putative shareholder derivative action on behalf of Covetrus, Inc. in the U.S. District Court for the Eastern District of New York, naming as defendants Benjamin Shaw, Christine T. Komola, Steven Paladino, Betsy Atkins, Deborah G. Ellinger, Sandra L. Helton, Philip A. Laskaway, Mark J. Manoff, Edward M. McNamara, Ravi Sachdev, David E. Shaw, Benjamin Wolin, and Henry Schein, Inc., with Covetrus, Inc. named as a nominal defendant. The complaint alleges that the individual defendants breached their fiduciary duties under state law in connection with the same allegations asserted in the City of Hollywood securities class action described above and further alleges that Henry Schein aided and abetted such breaches. The complaint also asserts claims for contribution under the federal securities laws against Henry Schein and other defendants, also arising out of the allegations in the City of Hollywood lawsuit. The complaint seeks declaratory, injunctive, and monetary relief. 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

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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 December 26, 2020, we had accrued our best estimate of potential losses relating to claims that were probable to result in liability and for which we were able to reasonably estimate a loss. This accrued amount, as well as related expenses, was not material to our financial position, results of operations or cash flows. Our method for determining estimated losses considers currently available facts, presently enacted laws and regulations and other factors, including probable recoveries from third parties.

Note 21 – Quarterly Information (Unaudited)

The following tables present certain quarterly financial data:

| | Quarters ended | | | |
|---|-------------------|------------------|-----------------------|----------------------|
| | March 28, 2020 | June 27, 2020 | September 26, 2020 | December 26, 2020 |
| Net sales | \$ 2,428,871 | \$ 1,684,399 | \$ 2,840,146 | \$ 3,165,725 |
| Gross profit | 746,039 | 454,294 | 754,299 | 859,711 |
| Restructuring costs ⁽¹⁾ | 4,787 | 15,934 | 6,992 | 4,380 |
| Operating income (loss) | 173,865 | (7,433) | 187,671 | 181,200 |
| Net gain on sale of equity investments ⁽²⁾ | - | - | - | 1,572 |
| Net income (loss) from continuing operations | 133,847 | (13,852) | 151,813 | 146,629 |
| Amounts attributable to Henry Schein, Inc. | | | | |
| from continuing operations: | | | | |
| Net income (loss) | 130,543 | (11,382) | 141,726 | 141,921 |
| Earnings (loss) per share attributable to | | | | |
| Henry Schein, Inc. from continuing operations: | | | | |
| Basic | \$ 0.91 | \$ (0.08) | \$ 1.00 | \$ 1.00 |
| Diluted | 0.91 | (0.08) | 0.99 | 0.99 |

| | Quarters ended | | | |
|--|-------------------|------------------|-----------------------|----------------------|
| | March 30, 2019 | June 29, 2019 | September 28, 2019 | December 28, 2019 |
| Net sales | \$ 2,360,268 | \$ 2,447,827 | \$ 2,508,767 | \$ 2,668,941 |
| Gross profit | 751,690 | 767,431 | 761,167 | 810,598 |
| Restructuring costs (credits) ⁽¹⁾ | 4,641 | 11,925 | (802) | (1,059) |
| Operating income | 172,441 | 162,288 | 187,198 | 196,334 |
| Net gain on sale of equity investments ⁽²⁾ | - | - | - | 186,769 |
| Net income from continuing operations | 123,640 | 121,417 | 143,212 | 337,192 |
| Amounts attributable to Henry Schein, Inc. | | | | |
| from continuing operations: | | | | |
| Net income | 118,413 | 116,753 | 134,916 | 330,609 |
| Earnings per share attributable to Henry Schein, Inc. | | | | |
| from continuing operations: | | | | |
| Basic | \$ 0.79 | \$ 0.79 | \$ 0.92 | \$ 2.27 |
| Diluted | 0.78 | 0.78 | 0.91 | 2.25 |

(1) See Note 12 – Plans of Restructuring for details of the restructuring costs (credits) incurred during our 2020 and 2019 fiscal years.

(2) See Note 11 – Business Acquisitions Divestitures for details of the net gain on sale of equity investments.

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Note 22 – Supplemental Cash Flow Information

Cash paid for interest and income taxes was:

| | Years ended | | |
|--------------|----------------------|----------------------|----------------------|
| | December 26, 2020 | December 28, 2019 | December 29, 2018 |
| Interest | \$ 43,123 | \$ 54,685 | \$ 69,371 |
| Income taxes | 206,796 | 177,277 | 236,479 |

For the years ended December 26, 2020, December 28, 2019 and December 29, 2018, we had \$(10.2) million, \$(4.9) million and \$1.0 million of non-cash net unrealized gains (losses) related to foreign currency hedging activities, respectively.

During the third quarter of 2018, we formed Henry Schein One, LLC with Internet Brands through a non-cash transaction resulting in approximately \$390.3 million of noncontrolling interest representing Internet Brands' current 26% minority interest and \$160.6 million of deferred additional ownership interests of Internet Brands in Henry Schein One, representing up to an additional 9.2% ownership interests at December 26, 2020, a portion of which is contingent upon the achievement of certain operating targets. During the third quarter of 2020, the Internet Brands ownership interest in Henry Schein One, LLC increased to 27%.

Note 23 – Related Party Transactions

In connection with the completion of the Animal Health Spin-off during our 2019 fiscal year, 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 (see Note 2 – Discontinued Operations for additional details).

For the years ended December 26, 2020 and December 28, 2019, we recorded approximately \$13.0 million and \$17.5 million of fees for these services, respectively. Pursuant to the transition services agreement, Covetrus purchased certain products from us. During the years ended December 26, 2020 and December 28, 2019, net sales to Covetrus under the transition services agreement were approximately \$75.3 million and \$81.3 million, respectively. Sales to Covetrus under the transition services agreement ended in December 2020. At December 26, 2020 we had \$0.3 million payable to Covetrus under this transition services agreement.

In connection with the formation of Henry Schein One, LLC, our joint venture with Internet Brands, which was formed on July 1, 2018, we entered into a ten-year royalty agreement with Internet Brands whereby we will pay Internet Brands approximately \$31.0 million annually for the use of their intellectual property. During 2020, 2019 and 2018, we recorded \$31.0 million, \$31.0 million and \$15.5 million, respectively in connection with costs related to this royalty agreement. As of December 26, 2020 and December 28, 2019, Henry Schein One, LLC had a net receivable balance due from Internet Brands of \$4.7 million and \$9.4 million, respectively, comprised of amounts related to the royalty agreement and other management fees.

During our normal course of business, we have interests in entities that we account for under the equity accounting method. During our fiscal years ended 2020, 2019 and 2018, we recorded net sales of \$59.6 million, \$93.2 million, and \$27.0 million, respectively, to such entities. During our fiscal years ended 2020, 2019 and 2018, we purchased \$12.6 million, \$11.8 million, and \$10.8 million, respectively, from such entities. At December 26, 2020 and December 28, 2019, we had in the aggregate \$36.4 million and \$31.0 million, due from our equity affiliates, and \$8.6 million and \$4.9 million due to our equity affiliates, respectively.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. 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 annual 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 December 26, 2020 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 and continued acquisition integrations undertaken during the quarter and carried over from prior quarters as well as changes to the operating methods of some of our internal controls over financial reporting due to the COVID-19 pandemic, when considered in the aggregate, represents a material change in our internal control over financial reporting.

During the quarter ended December 26, 2020, we completed the acquisition of a dental business in North America with approximate aggregate annual revenues of approximately \$20 million. In addition, post-acquisition integration related activities continued for our global dental and North American medical businesses acquired during prior quarters, representing aggregate annual revenues of approximately \$370 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.

All acquisitions and continued acquisition integrations involve 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.

In addition, as a result of a combination of continued governmental imposed and Company directed closures of some of our facilities due to the COVID-19 pandemic, we have had to maintain a number of changes to the operating methods of some of our internal controls. For example, moving from manual sign-offs and in-person meetings to electronic sign-offs and electronic communications such as email and telephonic or video conference due to out-of-office working arrangements. However, the design of our internal control framework and objectives over financial reporting remains unchanged and we do not believe that these changes have materially affected, or are reasonably likely to materially affect, the effectiveness of our internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013), updated and reissued by the Committee of Sponsoring Organizations, or the COSO Framework. Based on our

evaluation under the COSO Framework, our management concluded that our internal control over financial reporting was effective at a reasonable assurance level as of December 26, 2020.

The effectiveness of our internal control over financial reporting as of December 26, 2020 has been independently audited by BDO USA, LLP, an independent registered public accounting firm, and their attestation is included herein.

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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Henry Schein, Inc.
Melville, NY

Opinion on Internal Control over Financial Reporting

We have audited Henry Schein, Inc.'s (the "Company's") internal control over financial reporting as of December 26, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 26, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 26, 2020 and December 28, 2019, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 26, 2020, and the related notes and schedule and our report dated February 17, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP
New York, NY
February 17, 2021

ITEM 9B. Other Information

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information required by this item regarding our directors and executive officers and our corporate governance is hereby incorporated by reference to the Section entitled “Election of Directors,” with respect to directors, and the first paragraph of the Section entitled “Corporate Governance - Board of Directors Meetings and Committees - Audit Committee,” with respect to corporate governance, in each case in our definitive 2021 Proxy Statement to be filed pursuant to Regulation 14A and to the Section entitled “Information about our Executive Officers” in Part I of this report, with respect to executive officers.

There have been no changes to the procedures by which stockholders may recommend nominees to our Board of Directors since our last disclosure of such procedures, which appeared in our definitive 2020 Proxy Statement filed pursuant to Regulation 14A on April 7, 2020.

Information required by this item concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 is hereby incorporated by reference to the Section entitled “Delinquent Section 16(a) Reports” in our definitive 2021 Proxy Statement to be filed pursuant to Regulation 14A, to the extent responsive disclosure is required.

We have adopted a Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Controller. We make available free of charge through our Internet website, www.henryschein.com, under the “About Henry Schein--Corporate Governance Highlights” caption, our Code of Ethics. We intend to disclose on our Web site any amendment to, or waiver of, a provision of the Code of Ethics.

ITEM 11. Executive Compensation

The information required by this item is hereby incorporated by reference to the Sections entitled “Compensation Discussion and Analysis,” “Compensation Committee Report” (which information shall be deemed furnished in this Annual Report on Form 10-K), “Executive and Director Compensation” and “Compensation Committee Interlocks and Insider Participation” in our definitive 2021 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

We maintain several stock incentive plans for the benefit of certain officers, directors and employees. All active plans have been approved by our stockholders. Descriptions of these plans appear in the notes to our consolidated financial statements. The following table summarizes information relating to these plans as of December 26, 2020:

| Plan Category | Number of Common | | Weighted- Average Exercise Price of Outstanding Options | Number of Common Shares Available for Future Issuances |
|------------------------------------|---|----|---|--|
| | Shares to be Issued Upon Exercise of Outstanding Options and Rights | | | |
| Plans Approved by Stockholders | - | \$ | - | 6,077,548 |
| Plans Not Approved by Stockholders | - | | - | - |
| Total | - | \$ | - | 6,077,548 |

The other information required by this item is hereby incorporated by reference to the Section entitled “Security Ownership of Certain Beneficial Owners and Management” in our definitive 2021 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is hereby incorporated by reference to the Section entitled “Certain Relationships and Related Transactions” and “Corporate Governance – Board of Directors Meetings and Committees – Independent Directors” in our definitive 2021 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 14. Principal Accounting Fees and Services

The information required by this item is hereby incorporated by reference to the Section entitled “Independent Registered Public Accounting Firm Fees and Pre-Approval Policies and Procedures” in our definitive 2021 Proxy Statement to be filed pursuant to Regulation 14A.

PART IV**ITEM 15. Exhibits, Financial Statement Schedules****(a) List of Documents Filed as a Part of This Report:**

1. Financial Statements:
Our Consolidated Financial Statements filed as a part of this report are listed on the index on Page 70.
2. Financial Statement Schedules:
Schedule II – Valuation of Qualifying Accounts
No other schedules are required.
3. Index to Exhibits:
See exhibits listed under Item 15(b) below.

(b) Exhibits

- 2.1 Contribution and Distribution Agreement, dated as of April 20, 2018, by and among us, HS Spinco, Inc., Direct Vet Marketing, Inc. and Shareholder Representative Services LLC. (Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on April 23, 2018 (film no. 18767875).)*
- 2.2 Agreement and Plan of Merger, dated as of April 20, 2018, by and among us, HS Spinco, Inc., HS Merger Sub, Inc., Direct Vet Marketing, Inc. and Shareholder Representative Services LLC. (Incorporated by reference to Exhibit 2.2 to our Current Report on Form 8-K filed on April 23, 2018 (film no. 18767875).)*
- 2.3 Letter Agreement, Amendment No. 1 to Contribution and Distribution Agreement and Amendment No. 1 to Agreement and Plan of Merger, dated as of September 14, 2018, by and among us, HS Spinco, Inc., HS Merger Sub, Inc., Direct Vet Marketing, Inc. and Shareholder Representative Services LLC. (Incorporated by reference to Exhibit 2.3 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2018 filed on February 20, 2019.)
- 2.4 Letter Agreement and Amendment No. 2 to Contribution and Distribution Agreement, dated as of November 30, 2018, by and among us, HS Spinco, Inc., Direct Vet Marketing, Inc. and Shareholder Representative Services LLC. (Incorporated by reference to Exhibit 2.4 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2018 filed on February 20, 2019.)
- 2.5 Letter Agreement and Amendment No. 3 to Contribution and Distribution Agreement and Amendment No. 2 to Agreement and Plan of Merger, dated as of December 25, 2018, by and among us, HS Spinco, Inc., HS Merger Sub, Inc., Direct Vet Marketing, Inc. and Shareholder Representative Services LLC. (Incorporated by reference to Exhibit 2.5 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2018 filed on February 20, 2019.)
- 2.6 Letter Agreement and Amendment No. 4 to Contribution and Distribution Agreement, dated as of January 15, 2019, by and among us, HS Spinco, Inc., Direct Vet Marketing, Inc. and Shareholder Representative Services LLC. (Incorporated by reference to Exhibit 2.6 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2018 filed on February 20, 2019.)
- 3.1 Second Amended and Restated Certificate of Incorporation of Henry Schein, Inc. (Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on June 1, 2018.)
- 3.2 Second Amended and Restated By-Laws of Henry Schein, Inc. (Incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on June 1, 2018.)
- 4.1 Second Amended and Restated Multicurrency Master Note Purchase Agreement dated as of June 29, 2018, by and among us, Metropolitan Life Insurance Company, MetLife Investment Advisors Company, LLC and each MetLife affiliate which becomes party thereto. (Incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K filed on July 2, 2018.)

- 4.2 First Amendment to Second Amended and Restated Multicurrency Master Note Purchase Agreement, dated as of June 23, 2020, by and among us, Metropolitan Life Insurance Company, MetLife Investment Management, LLC and each MetLife affiliate which becomes party thereto. (Incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K filed on June 25, 2020.)
- 4.3 Second Amended and Restated Master Note Facility dated as of June 29, 2018, by and among us, NYL Investors LLC and each New York Life affiliate which becomes party thereto. (Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on July 2, 2018.)
- 4.4 First Amendment to Second Amended and Restated Master Note Facility, dated as of June 23, 2020, by and among us, NYL Investors LLC and each New York Life affiliate which becomes party thereto. (Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on June 25, 2020.)
- 4.5 Second Amended and Restated Multicurrency Private Shelf Agreement dated as of June 29, 2018, by and among us, PGIM, Inc. and each Prudential affiliate which becomes party thereto. (Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on July 2, 2018.)
- 4.6 First Amendment to Second Amended and Restated Multicurrency Private Shelf Agreement, dated as of June 23, 2020, by and among us, PGIM, Inc. and each Prudential affiliate which becomes party thereto. (Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on June 25, 2020.)
- 4.7 Description of Securities. (Incorporated by reference to Exhibit 4.4 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2019 filed on February 20, 2020.)
- 10.1 Henry Schein, Inc. 2013 Stock Incentive Plan, as amended and restated effective as of May 14, 2013. (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on May 16, 2013.)**
- 10.2 Form of 2017 Restricted Stock Unit Agreement for time-based restricted stock awards pursuant to the Henry Schein, Inc. 2013 Stock Incentive Plan (as amended and restated effective as of May 14, 2013). (Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended April 1, 2017 filed on May 9, 2017.)**
- 10.3 Form of 2018 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). (Incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2018 filed on May 8, 2018.)**
- 10.4 Form of 2018 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). (Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2018 filed on May 8, 2018.)**

- 10.5 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). (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2019 filed on May 7, 2019.)**
- 10.6 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). (Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2019 filed on May 7, 2019.)**
- 10.7 Henry Schein, Inc. 2020 Stock Incentive Plan, as amended and restated effective as of May 21, 2020. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 26, 2020.)**
- 10.8 Henry Schein, Inc. 2015 Non-Employee Director Stock Incentive Plan. (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2015 filed on July 29, 2015.)**
- 10.9 Form of 2018 Restricted Stock Unit Agreement for time-based restricted stock unit awards pursuant to the Henry Schein, Inc. 2015 Non-Employee Director Stock Incentive Plan (as amended and restated effective as of June 22, 2015). (Incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2018 filed on May 8, 2018.)**
- 10.10 Henry Schein, Inc. Supplemental Executive Retirement Plan, amended and restated effective as of January 1, 2014. (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 28, 2013 filed on November 5, 2013.)**
- 10.11 Amendment Number One to the Henry Schein, Inc. Supplemental Executive Retirement Plan, amended and restated effective as of January 1, 2014. . (Incorporated by reference to Exhibit 10.18 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2020 filed on February 20, 2020.)**
- 10.12 Amendment Number Two to the Henry Schein, Inc. Supplemental Executive Retirement Plan, amended and restated effective as of January 1, 2014. (Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2020 filed on May 5, 2020.)**
- 10.13 Amendment Number Three to the Henry Schein, Inc. Supplemental Executive Retirement Plan, amended and restated effective as of January 1, 2014. (Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 26, 2020 filed on November 2, 2020.)**
- 10.14 Henry Schein, Inc. 2004 Employee Stock Purchase Plan, effective as of May 25, 2004. (Incorporated by reference to Exhibit D to our definitive 2004 Proxy Statement on Schedule 14A, filed on April 27, 2004.)**

- 10.15 Henry Schein, Inc. Non-Employee Director Deferred Compensation Plan, amended and restated effective as of January 1, 2005. (Incorporated by reference to Exhibit 10.11 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008 filed on February 24, 2009.)**
- 10.16 Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.23 to our Annual Report on Form 10-K for the fiscal year ended December 25, 2010 filed on February 22, 2011.)**
- 10.17 Amendment to the Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.26 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed on February 15, 2012.)**
- 10.18 Amendment Number Two to the Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.20 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2013 filed on February 11, 2014.)**
- 10.19 Amendment Number Three to the Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.21 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2013 filed on February 11, 2014.)**
- 10.20 Amendment Number Four to the Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.46 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed on February 21, 2017.)**
- 10.21 Amendment Number Five to the Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.32 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2020 filed on February 20, 2020.)**
- 10.22 Amendment Number Six to the Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2020 filed on May 5, 2020.)**
- 10.23 Henry Schein Management Team Performance Incentive Plan and Plan Summary, effective as of January 1, 2014. (Incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2014 filed on May 6, 2014.)**
- 10.24 Henry Schein, Inc. 2020 Recovery Performance Plan. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 12, 2020.)**
- 10.25 Amended and Restated Employment Agreement dated as of August 8, 2019, by and between Henry Schein, Inc. and Stanley M. Bergman. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 9, 2019.)**
- 10.26 Voluntary Salary Waiver effective April 6, 2020, by and between Henry Schein, Inc. and Stanley M. Bergman. (Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2020 filed on May 5, 2020.)**

- 10.27 Voluntary Salary Waiver effective June 19, 2020, by and between Henry Schein, Inc. and Stanley M. Bergman. (Incorporated by reference to Exhibit 10.9 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2020 filed on August 4, 2020.)**
- 10.28 Form of Performance-Based RSU Award Agreement for Stanley M. Bergman Pursuant to the Henry Schein, Inc. 2013 Stock Incentive Plan (as Amended and Restated as of May 14, 2013). (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on August 9, 2019.)**
- 10.29 Form of Time-Based RSU Award Agreement for Stanley M. Bergman Pursuant to the Henry Schein, Inc. 2013 Stock Incentive Plan (as Amended and Restated as of May 14, 2013). (Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on August 9, 2019.)**
- 10.30 Form of Amended and Restated Change in Control Agreement dated December 12, 2008 between us and certain executive officers who are a party thereto (Gerald Benjamin, James Breslawski, Michael S. Ettinger, Mark Mlotek and Steven Paladino, respectively). (Incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008 filed on February 24, 2009.)**
- 10.31 Form of Amendment to Amended and Restated Change in Control Agreement effective January 1, 2012 between us and certain executive officers who are a party thereto (Gerald Benjamin, James Breslawski, Michael S. Ettinger, Mark Mlotek and Steven Paladino, respectively). (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 20, 2012.)**
- 10.32 Form of Change in Control Agreement between us and certain executive officers who are a party thereto (Walter Siegel). (Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2019 filed on May 7, 2019.)**
- 10.33 Credit Agreement, dated as of April 17, 2020, among us, the several lenders parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, joint lead arranger and joint bookrunner, and U.S. Bank National Association, as joint lead arranger and joint bookrunner. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 20, 2020.)
- 10.34 Credit Agreement, dated as of April 18, 2017, among the Company, the several lenders parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, joint lead arranger and joint bookrunner, U.S. Bank National Association, as syndication agent, joint lead arranger and joint bookrunner, together with the exhibits and schedules thereto. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 19, 2017.)
- 10.35 First Amendment, dated as of June 29, 2018, among us, the several lenders parties thereto, and JPMorgan Chase Bank, N.A., as administrative agent, lead arranger and lead bookrunner. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on July 2, 2018.)
- 10.36 Second Amendment, dated as of April 17, 2020, among us, the several lenders parties thereto, and JPMorgan Chase Bank, N.A., as administrative agent. (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on April 20, 2020.)

- 10.37 Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as servicer, HSFR, Inc., as seller, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as agent and the various purchaser groups from time to time party thereto. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 19, 2013.)
- 10.38 Amendment No. 1 dated as of September 22, 2014 to the Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as servicer, HSFR, Inc., as seller, The Bank of Tokyo-Mitsubishi UFJ, LTD., New York Branch, as agent and the various purchaser groups from time to time party thereto, as amended. (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on September 26, 2014.)
- 10.39 Amendment No. 2 dated as of April 17, 2015 to Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as performance guarantor, HSFR, Inc., as seller, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as agent and the various purchaser groups party thereto. (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 25, 2016 filed on August 4, 2016.)
- 10.40 Amendment No. 3 dated as of June 1, 2016 to Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as performance guarantor, HSFR, Inc., as seller, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as agent and the various purchaser groups party thereto. (Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 25, 2016 filed on August 4, 2016.)
- 10.41 Amendment No. 4 dated as of July 6, 2017 to Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as performance guarantor, HSFR, Inc., as seller, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as agent and the various purchaser groups party thereto. (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017 filed on November 6, 2017.)
- 10.42 Amendment No. 5 dated as of May 13, 2019 to Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as performance guarantor, HSFR, Inc., as seller, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as agent and the various purchaser groups party thereto. (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 29, 2019 filed on August 6, 2019.)
- 10.43 Amendment No. 6 dated as of June 22, 2020 to the Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as servicer, HSFR, Inc., as seller, lender, as agent and the various purchaser groups from time to time party thereto, as amended. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on June 25, 2020.)
- 10.44 Limited Waiver dated as of May 22, 2020 to Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as servicer, HSFR, Inc., as seller, lender, as agent and the various purchaser groups from time to time party thereto, as amended. (Incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2020 filed on August 4, 2020.)

- 10.45 Omnibus Amendment No. 1, dated July 22, 2013, to Receivables Purchase Agreement dated as of April 17, 2013, by and among us, as servicer, HSFR, Inc., as seller, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as agent, and the various purchaser groups from time to time party thereto and Receivables Sales Agreement, dated as of April 17, 2013, by and among us, certain of our wholly-owned subsidiaries and HSFR, Inc., as buyer. (Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 29, 2013 filed on August 6, 2013.)
- 10.46 Omnibus Amendment No. 2, dated April 21, 2014, to Receivables Purchase Agreement dated as of April 17, 2013, as amended, by and among us, as servicer, HSFR, Inc., as seller, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as agent, and the various purchaser groups from time to time party thereto and Receivables Sales Agreement, dated as of April 17, 2013, by and among us, certain of our wholly-owned subsidiaries and HSFR, Inc., as buyer. (Incorporated by reference to Exhibit 10.8 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2014 filed on May 6, 2014.)
- 10.47 Receivables Sale Agreement, dated as of April 17, 2013, by and among us, certain of our wholly-owned subsidiaries and HSFR, Inc., as buyer. (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on April 19, 2013.)
- 10.48 Form of Indemnification Agreement between us and certain directors and executive officers who are a party thereto (Mohamed Ali, Barry J. Alperin, Ph.D., Paul Brons, Deborah Derby, Shira Goodman, Joseph L. Herring, Kurt P. Kuehn, Philip A. Laskawy, Anne H. Margulies, Carol Raphael, E. Dianne Rekow, DDS, Ph.D., Bradley T. Sheares, Ph.D., Gerald A. Benjamin, Stanley M. Bergman, James P. Breslawski, Michael S. Ettinger, Mark E. Mlotek, Steven Paladino, and Walter Siegel, respectively). (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 26, 2015 filed on November 4, 2015.)**
- 21.1 List of our Subsidiaries.+
- 23.1 Consent of BDO USA, LLP.+
- 31.1 Certification of our Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+
- 31.2 Certification of our Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+
- 32.1 Certification of our Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.+

101.INS Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.+
 101.SCH Inline XBRL Taxonomy Extension Schema Document+
 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document+
 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document+
 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document+
 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document+
 104 The cover page of Henry Schein, Inc.'s Annual Report on Form 10-K for the year ended December 26, 2020, formatted in Inline XBRL (included within Exhibit 101 attachments).+

+ Filed or furnished herewith.

* Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementally a copy of any of the omitted schedules and exhibits upon request by the U.S. Securities and Exchange Commission.

** Indicates management contract or compensatory plan or agreement.

ITEM 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ STANLEY M. BERGMAN

Stanley M. Bergman

Chairman and Chief Executive Officer

February 17, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Capacity | Date |
|---|--|-------------------|
| <u>/s/ STANLEY M. BERGMAN</u> Stanley M. Bergman | Chairman, Chief Executive Officer and Director (principal executive officer) | February 17, 2021 |
| <u>/s/ STEVEN PALADINO</u> Steven Paladino | Executive Vice President, Chief Financial Officer and Director (principal financial and accounting officer) | February 17, 2021 |
| <u>/s/ JAMES P. BRESLAWSKI</u> James P. Breslawski | Vice Chairman, President and Director | February 17, 2021 |
| <u>/s/ GERALD A. BENJAMIN</u> Gerald A. Benjamin | Director | February 17, 2021 |
| <u>/s/ MARK E. MLOTEK</u> Mark E. Mlotek | Director | February 17, 2021 |
| <u>/s/ MOHAMAD ALI</u> Mohamad Ali | Director | February 17, 2021 |
| <u>/s/ BARRY J. ALPERIN</u> Barry J. Alperin | Director | February 17, 2021 |
| <u>/s/ PAUL BRONS</u> Paul Brons | Director | February 17, 2021 |
| <u>/s/ DEBORAH DERBY</u> Deborah Derby | Director | February 17, 2021 |
| <u>/s/ SHIRA GOODMAN</u> Shira Goodman | Director | February 17, 2021 |
| <u>/s/ JOSEPH L. HERRING</u> Joseph L. Herring | Director | February 17, 2021 |
| <u>/s/ KURT P. KUEHN</u> Kurt P. Kuehn | Director | February 17, 2021 |
| <u>/s/ PHILIP A. LASKAWY</u> Philip A. Laskawy | Director | February 17, 2021 |
| <u>/s/ ANNE H. MARGULIES</u> Anne H. Margulies | Director | February 17, 2021 |
| <u>/s/ CAROL RAPHAEL</u> Carol Raphael | Director | February 17, 2021 |
| <u>/s/ E. DIANNE REKOW</u> E. Dianne Rekow, DDS, Ph.D. | Director | February 17, 2021 |
| <u>/s/ BRADLEY T. SHEARES, PH. D.</u> Bradley T. Sheares, Ph. D. | Director | February 17, 2021 |

Schedule II
Valuation and Qualifying Accounts
(in thousands)

| Description | Balance at beginning of period | Additions (Reductions) | | Deductions (3) | Balance at end of period |
|--|--------------------------------------|--|---|----------------|--------------------------------|
| | | Charged to statement of income (1) | Charged (credited) to other accounts (2) | | |
| Year ended December 26, 2020: | | | | | |
| Allowance for doubtful accounts and other | \$ 60,002 | \$ 35,137 | \$ 730 | \$ (7,839) | \$ 88,030 |
| Year ended December 28, 2019: | | | | | |
| Allowance for doubtful accounts and other | \$ 53,121 | \$ 12,612 | \$ 134 | \$ (5,865) | \$ 60,002 |
| Year ended December 29, 2018: | | | | | |
| Allowance for doubtful accounts and other | \$ 46,261 | \$ 14,384 | \$ (1,158) | \$ (6,366) | \$ 53,121 |

(1) Represents amounts charged to bad debt expense.

(2) Amounts charged (credited) to other accounts primarily relate to provision for late fees and the impact of foreign currency exchange rates and the adoption of ASU No. 2016-13 effective December 29, 2019.

(3) Deductions primarily consist of fully reserved accounts receivable that have been written off.

COMMON STOCK

Henry Schein Common Stock trades on the Nasdaq® Stock Market under the symbol "HSIC."

STOCKHOLDER REPORTS AND INVESTOR INQUIRIES

For stockholder inquiries, including requests for quarterly and annual reports, contact our Investor Relations department at (631) 843-5611, or e-mail your request to investor@henryschein.com. Printed materials can also be requested through the Company's Website.

FORM 10-K

Our Annual Report on Form 10-K for the fiscal year ended December 26, 2020 has been filed with the SEC and is available free of charge through our Internet Website, www.henryschein.com. Stockholders may also obtain a copy of the Form 10-K upon request via email at investor@henryschein.com. In response to such request, the Company will furnish without charge the Form 10-K including financial statements, financial schedules, and a list of exhibits.

INDEPENDENT AUDITORS

BDO USA, LLP

100 Park Avenue, New York, New York 10017

LEGAL COUNSEL

Proskauer Rose LLP

Eleven Times Square, New York, New York 10036

STOCK TRANSFER AGENT

For address changes, account cancellation, registration changes and lost stock certificates, please contact:

Continental Stock Transfer & Trust Company
1 State Street, 30th Floor
New York, New York 10004
(212) 509-4000

EXECUTIVE MANAGEMENT

| | |
|-------------------------------|---|
| Stanley M. Bergman* | Chairman of the Board and Chief Executive Officer |
| Gerald A. Benjamin* | Executive Vice President, Chief Administrative Officer |
| James P. Breslawski* | Vice Chairman of the Board and President |
| David Brous | President, Strategic Business Units Group and Asia Pacific & Brazil Dental |
| Brad Connett | President, U.S. Medical Group |
| Michael S. Ettinger* | Senior Vice President, Corporate & Legal Affairs and Chief of Staff, Secretary |
| Jonathan Koch | Senior Vice President and Chief Executive Officer, Global Dental Group |
| Lorelei McGlynn | Senior Vice President, Chief Human Resources Officer |
| Mark E. Mlotek* | Executive Vice President, Chief Strategic Officer |
| James Mullins | Senior Vice President, Global Services |
| Steven Paladino* | Executive Vice President, Chief Financial Officer |
| Christopher Pendergast | Senior Vice President, and Chief Technology Officer |
| Michael Racioppi | Senior Vice President, Chief Merchandising Officer |
| Walter Siegel* | Senior Vice President and General Counsel |
| René Will, Ph.D. | President, Global Dental Surgical Group |

*Executive Officers

BOARD OF DIRECTORS

| | |
|------------------------------------|--|
| Stanley M. Bergman | Chairman of the Board and Chief Executive Officer |
| Mohamad Ali | Chief Executive Officer, International Data Group, Inc. |
| Barry J. Alperin | Retired Vice Chairman, Hasbro, Inc. |
| Gerald A. Benjamin | Executive Vice President, Chief Administrative Officer |
| James P. Breslawski | Vice Chairman of the Board and President |
| Paul Brons | Former President, Organon International BV |
| Deborah Derby | Former President, Horizon Group USA, Inc. |
| Shira Goodman | Former Chief Executive Officer, Staples, Inc. |
| Joseph L. Herring | Former Chief Executive Officer, Covance, Inc. |
| Kurt P. Kuehn | Former Chief Financial Officer, United Parcel Service, Inc. |
| Phillip A. Laskawy | Lead Director, Henry Schein, Inc.; and Retired Chairman, Ernst & Young, LLP (now known as EY LLP) |
| Anne H. Margulies | Vice President and Chief Information Officer, Harvard University |
| Mark E. Mlotek | Executive Vice President, Chief Strategic Officer |
| Steven Paladino | Executive Vice President, Chief Financial Officer |
| Carol Raphael | Senior Advisor for Manatt Health Solutions; and Former President and Chief Executive Officer, Visiting Nurse Service of New York |
| E. Dianne Rekow, DDS, Ph.D. | Professor Emerita and Fellow at King's College London; Former Executive Dean and Professor of Orthodontics at King's College Dental Institute; and Former Senior Vice Provost of Engineering Technology and Provost of Polytechnic Institute at New York University |
| Bradley T. Sheares, Ph.D. | Former Chief Executive Officer, Reliant Pharmaceuticals, Inc.; and Former President of U.S. Human Health, Merck & Co. |

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Henry Schein, Inc.
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Malville, New York 11747
U.S.A.
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www.henryschein.com

 **HENRY SCHEIN**
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21KS4935



CERTIFICATE OF LIABILITY INSURANCE

DATE(MM/DD/YYYY)
05/25/2021

Holder Identifier :

Certificate No : 570087417530



THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

| | | |
|--|--|---------------------------------------|
| PRODUCER Aon Risk Services Northeast, Inc. New York NY Office One Liberty Plaza 165 Broadway, Suite 3201 New York NY 10006 USA | CONTACT NAME: | |
| | PHONE (A/C. No. Ext.): (866) 283-7122 | FAX (A/C. No.): (800) 363-0105 |
| INSURED Henry Schein, Inc., Subsidiaries & Affiliates 135 Puryear Road Melville NY 11747 USA | E-MAIL ADDRESS: | |
| | INSURER(S) AFFORDING COVERAGE | |
| | NAIC # | |
| | INSURER A: National Union Fire Ins Co of Pittsburgh | 19445 |
| | INSURER B: Berkshire Hathaway Specialty Ins Company | 22276 |
| | INSURER C: Liberty Mutual Fire Ins Co | 23035 |
| | INSURER D: Noetic Specialty Insurance Co | 17400 |
| INSURER E: Liberty Insurance Corporation | 42404 | |
| INSURER F: | | |

COVERAGES **CERTIFICATE NUMBER:** 570087417530 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS. **Limits shown are as requested**

| INSR LTR | TYPE OF INSURANCE | ADD'L INSD | SUBR WVD | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS |
|----------|--|---|--|----------------------------|-------------------------|-------------------------|---|
| C | <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY | | | TB2621093363031 | 06/01/2021 | 06/01/2022 | EACH OCCURRENCE \$1,000,000 |
| | <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR | | | | | | DAMAGE TO RENTED PREMISES (Ea occurrence) \$100,000 |
| | | | | | | | MED EXP (Any one person) \$5,000 |
| | | | | | | | PERSONAL & ADV INJURY \$1,000,000 |
| | GEN'L AGGREGATE LIMIT APPLIES PER: | | | | | | GENERAL AGGREGATE \$5,000,000 |
| | <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input checked="" type="checkbox"/> LOC | | | | | | PRODUCTS - COMP/OP AGG Excluded |
| | OTHER: | | | | | | |
| | AUTOMOBILE LIABILITY | | | | | | COMBINED SINGLE LIMIT (Ea accident) |
| | <input type="checkbox"/> ANY AUTO | | | | | | BODILY INJURY (Per person) |
| | <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS ONLY | | | | | | BODILY INJURY (Per accident) |
| | <input type="checkbox"/> HIRED AUTOS ONLY | | | | | | PROPERTY DAMAGE (Per accident) |
| E | <input checked="" type="checkbox"/> UMBRELLA LIAB | <input checked="" type="checkbox"/> OCCUR | | TH7621093363071 | 06/01/2021 | 06/01/2022 | EACH OCCURRENCE \$4,000,000 |
| | <input type="checkbox"/> EXCESS LIAB | <input type="checkbox"/> CLAIMS-MADE | | | | | AGGREGATE \$4,000,000 |
| | <input type="checkbox"/> DED | <input type="checkbox"/> RETENTION | | | | | |
| | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY | | | | | | |
| | ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below | | <input type="checkbox"/> Y / <input checked="" type="checkbox"/> N / A | | | | PER STATUTE <input type="checkbox"/> OTHER <input type="checkbox"/> |
| | | | | | | | E.L. EACH ACCIDENT |
| | | | | | | | E.L. DISEASE-EA EMPLOYEE |
| | | | | | | | E.L. DISEASE-POLICY LIMIT |
| D | Products Liab | | | N21NY380026 Claims Made | 06/01/2021 | 06/01/2022 | Each Occurrence \$1,000,000 |
| | | | | | | | Aggregate \$1,000,000 |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
Nassau County Office of Purchasing is included as Additional Insured as required by written agreement, but limited to the operations of the Insured under said agreement with respect to the General Liability policy.

CERTIFICATE HOLDER**CANCELLATION**

| | |
|---|--|
| Nassau County Office of Purchasing One West Street Mineola NY 11501 USA | SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. |
| | AUTHORIZED REPRESENTATIVE <i>Aon Risk Services Northeast Inc.</i> |



ADDITIONAL REMARKS SCHEDULE

Page _ of _

| | | | |
|---|-----------|--------------------------------------|--|
| AGENCY Aon Risk Services Northeast, Inc. | | NAMED INSURED Henry Schein, Inc., | |
| POLICY NUMBER See Certificate Number: 570087417530 | | | |
| CARRIER See Certificate Number: 570087417530 | NAIC CODE | EFFECTIVE DATE: | |

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,
FORM NUMBER: ACORD 25 **FORM TITLE:** Certificate of Liability Insurance
 Named Insureds

Henry Schein, Inc.
 Ace Surgical Supply Company, Inc.
 All Star Orthodontics
 BIOHORIZONS IMPLANT SYSTEMS, INC.
 Camlog
 Dental Instrument Sales & Service, LLC
 Dentrax Dental Systems
 Exan Enterprises
 G.I.V. Inc.
 General Injectibles & Vaccines, Inc.
 HF Acquisition Co. LLC
 Hand Piece Parts & Repair, Inc.
 Henry Schein and Schvavent
 Henry Schein Dental, Inc.
 Henry Schein Global Sourcing, Inc.
 Henry Schein Medical
 Henry Schein Practice Solutions
 Henry Schein, Supply
 HealthFirst
 Impromed, LLC.
 Insource, Inc.
 Ortho Organizers, Inc.
 Ortho Technology, Inc.
 RXWORKS, INC.
 Southern Anesthesia & Surgical
 The Custom Milling Center, Inc.
 Zahn Dental Company, Inc.
 Zahn/Darby Lab
 Edge Endo
 Henry Schein Professional Practice Transitions
 North American Rescue LLC and NAR Medical Depot, LLC
 NAR Training
 Lighthouse 360, Inc.
 Hayes Handpiece Franchises, Inc.
 Henry Schein One, LLC
 US Endodontics
 TDSC, Inc.
 NAR Medical Depot LLC
 Prism Medical Products - 12.31.20