

HENRY SCHEIN INC
Form 10-Q
August 08, 2017
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 1, 2017

or

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

For the transition period from _____ to _____

Commission File Number: 0-27078

HENRY SCHEIN, INC.

(Exact name of registrant as specified in its charter)

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

135 Duryea Road

Melville, New York

(Address of principal executive offices)

11747

(Zip Code)

(631) 843-5500

(Registrant's telephone number, including area code)

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

Yes No

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 (Do not check if a smaller reporting company) 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 7(a)(2)(B) of the Securities Act.

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

Yes ___

No X

As of August 2, 2017, there were 79,055,985 shares of the registrant's common stock outstanding.

Table of Contents

HENRY SCHEIN, INC.
INDEX

Page

PART I. FINANCIAL INFORMATION

ITEM 1. Consolidated Financial Statements:

<u>Balance Sheets as of July 1, 2017 and December 31, 2016.....</u>	3
<u>Statements of Income for the three and six months ended July 1, 2017 and June 25, 2016.....</u>	4
<u>Statements of Comprehensive Income for the three and six months ended July 1, 2017 and June 25, 2016.....</u>	5
<u>Statement of Changes in Stockholders' Equity for the six months ended July 1, 2017.....</u>	6
<u>Statements of Cash Flows for the six months ended July 1, 2017 and June 25, 2016.....</u>	7
<u>Notes to Consolidated Financial Statements.....</u>	8
<u>Note 1 – Basis of Presentation.....</u>	8
<u>Note 2 – Segment Data.....</u>	8
<u>Note 3 - Debt.....</u>	9
	11

	<u>Note 4 – Redeemable Noncontrolling Interests</u>	
	<u>Note 5 – Comprehensive Income</u>	12
	<u>Note 6 – Fair Value Measurements</u>	14
	<u>Note 7 – Business Acquisitions</u>	16
	<u>Note 8 – Plan of Restructuring</u>	17
	<u>Note 9 – Earnings Per Share</u>	18
	<u>Note 10 – Income Taxes</u>	18
	<u>Note 11 – Derivatives and Hedging Activities</u>	19
	<u>Note 12 – Stock-Based Compensation</u>	19
	<u>Note 13 – Supplemental Cash Flow Information</u>	21
	<u>Note 14 – Legal Proceedings</u>	21
<u>ITEM 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	
<u>ITEM 3.</u>		45
	<u>Controls and Procedures</u>	
<u>ITEM 4.</u>		45
<u>PART II. OTHER INFORMATION</u>		
<u>ITEM 1.</u>	<u>Legal Proceedings</u>	46

	<u>Risk</u>	
<u>ITEM 1A.</u>	<u>Factors</u>	47
	<u>Unregistered Sales of Equity Securities and Use of</u>	
<u>ITEM 2.</u>	<u>Proceeds</u>	47
	<u>Other</u>	
<u>ITEM 5.</u>	<u>Information</u>	48
	<u>Exhibits</u>	
<u>ITEM 6.</u>		49
	<u>Signature</u>	50

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

HENRY SCHEIN, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

ASSETS

Current assets:

Cash and cash equivalents

Accounts receivable, net of reserves of \$89,145 and \$90,329

Inventories, net

Prepaid expenses and other

Total current assets

Property and equipment, net

Goodwill

Other intangibles, net

Investments and other

Total assets

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable

Bank credit lines

Current maturities of long-term debt

Accrued expenses:

Payroll and related

Taxes

Other

Total current liabilities	
Long-term debt	
Deferred income taxes	
Other liabilities	
Total liabilities	
Redeemable noncontrolling interests	
Commitments and contingencies	
Stockholders' equity:	
Preferred stock, \$.01 par value, 1,000,000 shares authorized, none outstanding	
Common stock, \$.01 par value, 240,000,000 shares authorized, 79,194,792 outstanding on July 01, 2017 and 79,402,505 outstanding on December 31, 2016	
Additional paid-in capital	
Retained earnings	
Accumulated other comprehensive loss	
Total Henry Schein, Inc. stockholders' equity	
Noncontrolling interests	
Total stockholders' equity	
Total liabilities, redeemable noncontrolling interests and stockholders' equity	
See accompanying notes.	

Table of Contents

HENRY SCHEIN, INC.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

(unaudited)

	T Jul 20
Net sales	\$3
Cost of sales	2
Gross profit	8
Operating expenses:	
Selling, general and administrative	6
Restructuring costs	-
Operating income	2
Other income (expense):	
Interest income	4
Interest expense	(1)
Other, net	7
Income before taxes and equity in earnings of affiliates	2
Income taxes	(5)
Equity in earnings of affiliates	4
Net income	1
Less: Net income attributable to noncontrolling interests	(1)
	\$1

Net income attributable to Henry Schein, Inc.
.....

Earnings per share attributable to Henry Schein, Inc.:

Basic \$1
Diluted \$1

Weighted-average common shares outstanding:

Basic 7
Diluted 7

See accompanying notes.

Table of Contents

HENRY SCHEIN, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Thre July 2011
Net income	\$14
Other comprehensive income (loss), net of tax:	
Foreign currency translation gain (loss).....	72
Unrealized gain (loss) from foreign currency hedging activities	1,6
Pension adjustment gain (loss).....	(79)
Other comprehensive income (loss), net of tax	73
Comprehensive income	22
Comprehensive income attributable to noncontrolling interests:	
Net income	(13)
Foreign currency translation loss (gain)	(1,
Comprehensive income attributable to noncontrolling interests	(14
Comprehensive income attributable to Henry Schein, Inc.	\$20
See accompanying notes.	

Table of Contents

HENRY SCHEIN, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except share and per share data)

(unaudited)

Common Stock	Additional		Accumulated		Total
\$.01 Par Value	Paid-in	Retained	Other	Noncontrolling	Stockholders'
Shares	Amount	Earnings	Income/(Loss)	Interests	Equity