HENRY SCHEIN INC
Form 10-Q
August 08, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended 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 incorporation or organization)	(I.R.S. Employer Identification No.)

135 Duryea Road

Melville, New York

(Address of principal executive offices)

11747

(Zip Code)

(631) 843-5500

(Registrant's telephone number, including area code)

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

Yes X No __

Indicate by check mark whether the registrant has submitted electronically 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 X 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 X	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.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

HENRY SCHEIN, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

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.

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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	82
Operating expenses:	
Selling, general and administrative	62
Restructuring costs	-
Operating income	2
Other income (expense):	
Interest income	4
Interest expense	(1
Other, net	72
Income before taxes and equity in earnings of affiliates	20
Income taxes	(5
Equity in earnings of affiliates	4
Net income	14
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.

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HENRY SCHEIN, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Thre July 201
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.

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HENRY SCHEIN, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except share and per share data)

(unaudited)

Balance, December 31, 2016	
Net income (excluding $22,740 attributable to Redeemable noncontrolling interests)	
Foreign currency translation gain (excluding gain of $4,601 attributable to Redeemable noncontrolling interests)	
Unrealized loss from foreign currency hedging activities, net of tax benefit of $64..	
Pension adjustment gain, net of tax benefit of $332..	
Dividends paid	
Other adjustments	
Change in fair value of redeemable securities	
Repurchase and retirement of common stock	
Stock issued upon exercise of stock options, including tax benefit of $841	
Stock-based compensation expense	
Shares withheld for payroll taxes	
Liability for cash settlement of stock-based compensation awards..	
Transfer of charges in excess of capital..	
Balance, July 01, 2017	

See accompanying notes.

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HENRY SCHEIN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

Cash flows from operating activities:
Net income ....
Adjustments to reconcile net income to net cash provided by
operating activities:
Depreciation and amortization
....
Stock-based compensation expense ....
Provision for losses on trade and other accounts receivable
....
Provision for (benefit from) deferred income taxes
....
Equity in earnings of affiliates ....
Distributions from equity affiliates ....

Changes in unrecognized tax benefits ....

Other ....
Changes in operating assets and liabilities, net of acquisitions:
Accounts receivable ....
Inventories ....
Other current assets ....
Accounts payable and accrued expenses ....
Net cash provided by operating activities
....

Cash flows from investing activities:
Purchases of fixed assets ....

Payments for equity investments and business
acquisitions, net of cash acquired ....

Other ....

Net cash used in investing activities
....

Cash flows from financing activities:
Proceeds from (repayments of) bank borrowings
....
Proceeds from issuance of long-term debt
....
Debt issuance costs ....

Principal payments for long-term debt
....
Proceeds from issuance of stock upon exercise of stock options
....
Payments for repurchases of common stock
....
Payments for taxes related to shares withheld for employee
taxes..
Distributions to noncontrolling shareholders
....
Acquisitions of noncontrolling interests in subsidiaries
....
Net cash provided by (used in) financing activities
....

Effect of exchange rate changes on cash and cash equivalents
....
Net change in cash and cash equivalents
....
Cash and cash equivalents, beginning of period
....
Cash and cash equivalents, end of period
....
See accompanying notes.

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HENRY SCHEIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(**unaudited**)

Note 1 – Basis of Presentation

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

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

The consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the consolidated results of operations and financial position for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2016.

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The results of operations for the six months ended July 1, 2017 are not necessarily indicative of the results to be expected for any other interim period or for the year ending December 30, 2017.

Note 2 – Segment Data

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

The health care distribution reportable segment aggregates our global dental, animal health 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 animal health group serves animal health practices and clinics. Our global medical group serves office-based medical practitioners, ambulatory surgery centers, other alternate-care settings and other institutions. Our global dental, animal health and medical groups serve practitioners in 32 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 and animal health clinics. Our value-added practice solutions include financial services on a non-recourse basis, e-services, continuing education services for practitioners, consulting and other services.

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HENRY SCHEIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(**unaudited**)

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

Net Sales:
Health care distribution (1):
Dental ....
Animal health ....
Medical ....
Total health care distribution ....
Technology and value-added services
(2)..
Total ....
*CS

(1) Consists of consumable products, small equipment, laboratory products, large equipment, equipment repair services, bran
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
and financial services on a non-recourse basis, e-services, continuing education services for practitioners, consulting and
services.

Operating Income:
Health care distribution
....
Technology and value-added services
....
Total ....

Note 3 – Debt

Bank Credit Lines

On April 18, 2017, we entered into a new $750 million revolving agreement (the "Credit Agreement"). This facility, which matures in April 2022, replaced our $500 million revolving credit facility, which was scheduled to mature in September 2019. The interest rate is based on the USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. The Credit Agreement provides, among other things, that we are required to maintain maximum leverage ratios, and contains customary representations, warranties and affirmative covenants. The Credit Agreement also contains customary negative covenants, subject to negotiated exceptions on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements. As of July 1, 2017 and December 31, 2016, the borrowings on this revolving credit facility and the prior credit facility were $175.0 million and $65.0 million, respectively. As of July 1, 2017 and December 31, 2016, there were $12.7 million and $13.0 million of letters of credit, respectively, provided to third parties under the credit facility and the prior credit facility.

As of July 1, 2017 and December 31, 2016, we had various other short-term bank credit lines available, of which $402.5 million and $372.5 million, respectively, were outstanding. At July 1, 2017 and December 31, 2016, borrowings under all of our credit lines had a weighted average interest rate of 1.98% and 1.61%, respectively.

HENRY SCHEIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(**unaudited**)

Private Placement Facilities

On September 22, 2014, we increased our available private placement facilities with three insurance companies to a total facility amount of $975 million, and extended the expiration date to September 22, 2017. These facilities are available on an uncommitted basis at fixed rate economic terms to be agreed upon at the time of issuance, from time to time through September 22, 2017. The facilities allow us to issue senior promissory notes to the lenders at a fixed rate based on an agreed upon spread over applicable treasury notes at the time of issuance. The term of each possible issuance will be selected by us and can range from five to 15 years (with an average life no longer than 12 years). The proceeds of any issuances under the facilities will be used for general corporate purposes, including working capital and capital expenditures, to refinance existing indebtedness and/or to fund potential acquisitions. The agreements provide, among other things, that we maintain certain maximum leverage ratios, and contain restrictions relating to subsidiary indebtedness, liens, affiliate transactions, disposal of assets and certain changes in ownership. These facilities contain make-whole provisions in the event that we pay off the facilities prior to the applicable due dates.

The components of our private placement facility borrowings as of July 1, 2017 are presented in the following table (in thousands):

Date of Borrowing	Amount of Borrowing Outstanding	Borrowing Rate		Due Date
September 2, 2010	$ 100,000	3.79	%	September 2, 2020
January 20, 2012	50,000	3.45		January 20, 2024
January 20, 2012 (1)	35,714	3.09		January 20, 2022
December 24, 2012	50,000	3.00		December 24, 2024
June 2, 2014	100,000	3.19		June 2, 2021
June 16, 2017	100,000	3.42		June 16, 2027
	$ 435,714			

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

U.S. Trade Accounts Receivable Securitization

We have a facility agreement with a bank, as agent, based on the securitization of our U.S. trade accounts receivable that is structured as an asset-backed securitization program with pricing committed for up to three years. On June 1, 2016, we extended the expiration date of this facility agreement to April 29, 2019 and increased the purchase limit under the facility from $300 million to $350 million. On July 6, 2017, we extended the expiration date of this facility agreement to April 29, 2020. The borrowings outstanding under this securitization facility were $349.6 million and $350.0 million as of July 1, 2017 and December 31, 2016, respectively. At July 1, 2017, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 125 basis points plus 75 basis points, for a combined rate of 2.00%. At December 31, 2016, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 101 basis points plus 75 basis points, for a combined rate of 1.76%.

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

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

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HENRY SCHEIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(**unaudited**)

Long-term debt

Long-term debt consisted of the following:

	Jul 20
Private placement facilities	$4
U.S. trade accounts receivable securitization	3
Note payable to bank at a weighted-average interest rate of 21.37% at December 31, 2016..	-
Various collateralized and uncollateralized loans payable with interest, in varying installments through 2021 at interest rates ranging from 2.56% to 12.90% at July 1, 2017 and ranging from 2.56% to 12.90% at December 31, 2016..	3
Capital lease obligations payable through 2029 with interest rates ranging from 0.84% to 19.79% at July 1, 2017 and ranging from 1.38% to 19.15% at December 31, 2016	5
Total	8
Less current maturities	(
Total long-term debt	$8

Note 4 – Redeemable Noncontrolling Interests

Some minority shareholders in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value. Accounting Standards Codification ("ASC") Topic 480-10 is applicable for noncontrolling interests where we are or may be required to purchase all or a portion of the outstanding interest in a consolidated subsidiary from the noncontrolling interest holder under the terms of a put option contained in contractual agreements. The components of the change in the Redeemable noncontrolling interests for the six months ended July 1, 2017 and the year ended December 31, 2016 are presented in the following table:

	Jul 20
Balance, beginning of period	$6
Decrease in redeemable noncontrolling interests due to redemptions	(
Increase in redeemable noncontrolling interests due to business acquisitions..	1
Net income attributable to redeemable noncontrolling interests	2
Dividends declared	(
Effect of foreign currency translation gain (loss) attributable to redeemable noncontrolling interests	4
Change in fair value of redeemable securities	1
Balance, end of period	$7

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.

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HENRY SCHEIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(**unaudited**)

Note 5 – 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. Our comprehensive income is primarily comprised of net income, foreign currency translation gain (loss), unrealized gain (loss) on foreign currency hedging activities, unrealized investment gain (loss) and pension adjustment gain (loss).

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

	July 1, 2017	D 31 2(
Attributable to Redeemable noncontrolling interests:		
Foreign currency translation adjustment	$(8,424)	$(
Attributable to noncontrolling interests:		
Foreign currency translation adjustment	$71	$(
Attributable to Henry Schein, Inc.:		
Foreign currency translation loss	$(186,747)	$(
Unrealized loss from foreign currency hedging activities	(1,293)	(
Pension adjustment loss	(21,486)	(
Accumulated other comprehensive loss	$(209,526)	$(
Total Accumulated other comprehensive loss	$(217,879)	$(

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

	T E J 2
Net income	$
Foreign currency translation gain (loss)	
Tax effect	
Foreign currency translation gain (loss)	
Unrealized gain (loss) from foreign currency hedging activities	
Tax effect	
Unrealized gain (loss) from foreign currency hedging activities	
Pension adjustment gain (loss)	
Tax effect	
Pension adjustment gain (loss)	
Comprehensive income	$

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HENRY SCHEIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(**unaudited**)

During the three months ended July 1, 2017 and June 25, 2016, we recognized, as a component of our comprehensive income, a foreign currency translation gain (loss) of $72.8 million and $(5.6) million, respectively, due to changes in foreign exchange rates from the beginning of the period to the end of the period. During the six months ended July 1, 2017 and June 25, 2016, we recognized, as a component of our comprehensive income, a foreign currency translation gain of $114.3 million and $4.4 million, respectively, due to changes in foreign exchange rates from the beginning of the period to the end of the period. Our financial statements are denominated in the U.S. Dollar currency. Fluctuations in the value of foreign currencies as compared to the U.S. Dollar may have a significant impact on our comprehensive income (loss). The foreign currency translation loss during the three and six months ended July 1, 2017 and June 25, 2016 was impacted by changes in foreign currency exchange rates as follows:

Currency	For Cu Tra Ga (Lo for Th Mo En Jul 20
Euro	$ 5
British Pound	1
Australian Dollar	1.
Canadian Dollar	3.
Polish Zloty	4.
Swiss Franc	3.
Brazilian Real	(7
All other currencies	3.

Total	$72

Currency	For Cu Tra Ga (Lo for Six Mo En Jul 201
Euro	$6.
British Pound	1.
Australian Dollar	12
Canadian Dollar	4.
Polish Zloty	6.
Swiss Franc	4.
Brazilian Real	(2
All other currencies	7.
Total	$1

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HENRY SCHEIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(**unaudited**)

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

	Three M Ended July 1, 2017
Comprehensive income attributable to Henry Schein, Inc.	$208,34
Comprehensive income attributable to noncontrolling interests	276
Comprehensive income attributable to Redeemable noncontrolling interests	14,583
Comprehensive income	$223,20

Note 6 – Fair Value Measurements

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

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

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

- Level 1— Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

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

- Level 3— Inputs that are unobservable for the asset or liability.

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

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.

HENRY SCHEIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(**unaudited**)

Debt

The fair value of our debt as of July 1, 2017 and December 31, 2016 was estimated at $1,402.3 million and $1,218.9 million, respectively. Factors that we considered when estimating the fair value of our debt include market conditions, prepayment and make-whole provisions, liquidity levels in the private placement market, variability in pricing from multiple lenders and term of debt.

Derivative contracts

Derivative contracts are valued using quoted market prices and significant other observable and unobservable inputs. We use derivative instruments to minimize our exposure to fluctuations in foreign currency exchange rates. Our derivative instruments primarily include foreign currency forward agreements related to intercompany loans and certain forecasted inventory purchase commitments with suppliers.

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

Redeemable noncontrolling interests

Some minority shareholders in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value based on third-party valuations. The primary factor affecting the future value of redeemable noncontrolling interests is expected earnings and, if such earnings are not achieved, the value of the redeemable noncontrolling interests might be impacted. The noncontrolling interests subject to put options are adjusted to their estimated redemption amounts each reporting period with a corresponding adjustment to Additional paid-in capital. Future reductions in the carrying amounts are subject to a “floor” amount that is equal to the fair value of the redeemable noncontrolling interests at the time they were originally recorded. The recorded value of the redeemable noncontrolling interests cannot go below the floor level. These adjustments do not impact the calculation of earnings per share. The values for Redeemable noncontrolling interests are classified within Level 3 of the fair value hierarchy. The details of the changes in Redeemable noncontrolling interests are presented in Note 4.

The following table presents our assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of July 1, 2017 and December 31, 2016:

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HENRY SCHEIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(**unaudited**)

	Ju
Assets:	
Derivative contracts	$
Total assets	$
Liabilities:	
Derivative contracts	$
Total liabilities	$
Redeemable noncontrolling interests	$

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	D
Assets:	
Derivative contracts	$
Total assets	$
Liabilities:	
Derivative contracts	$
Total liabilities	$
Redeemable noncontrolling interests	$

Note 7 – Business Acquisitions

Acquisitions

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

We did not complete any material acquisitions during the six months ended July 1, 2017.

Some prior owners of acquired subsidiaries are eligible to receive additional purchase price cash consideration if certain financial targets are met. We have accrued liabilities for the estimated fair value of additional purchase price consideration at the time of the acquisition. Any adjustments to these accrual amounts are recorded in our consolidated statements of income. For the six months ended July 1, 2017 and June 25, 2016, there were no material adjustments recorded in our consolidated statement of income relating to changes in estimated contingent purchase price liabilities.

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HENRY SCHEIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(**unaudited**)

Note 8 – Plan of Restructuring

On November 6, 2014, we announced a corporate initiative to rationalize our operations and provide expense efficiencies, which was expected to be completed by the end of fiscal 2015. This initiative originally planned for the elimination of approximately 2% to 3% of our workforce and the closing of certain facilities. We subsequently announced our plan to extend these restructuring activities through the end of 2016 to further implement cost-savings initiatives, which ultimately resulted in the elimination of approximately 900 positions, representing 4% of our workforce. We recorded restructuring costs of $34.9 million pre-tax in fiscal 2015 and $45.9 million pre-tax in fiscal 2016. Our restructuring activities are complete and we do not expect to report any such charges in 2017.

During the six months ended June 25, 2016, we recorded restructuring costs of $24.4 million. The costs associated with this restructuring are included in a separate line item, "Restructuring costs" within our consolidated statements of income.

The following table shows the amounts expensed and paid for restructuring costs that were incurred during the six months ended July 1, 2017 and during our 2016 fiscal year and the remaining accrued balance of restructuring costs as of July 1, 2017, which is included in Accrued expenses: Other and Other liabilities within our consolidated balance sheet:

	S C
Balance, December 26, 2015	$
Provision	
Payments and other adjustments	
Balance, December 31, 2016	$

Provision	
Payments	
Balance, July 01, 2017	$

The following table shows, by reportable segment, the amounts expensed and paid for restructuring costs that were incurred during the six months ended July 1, 2017 and the 2016 fiscal year and the remaining accrued balance of restructuring costs as of July 1, 2017:

	Health Care Distribution	Technology and Value-Added Services	Total
Balance, December 26, 2015	$ 12,062	$ 3	$ 12,065
Provision	44,082	1,809	45,891
Payments and other adjustments	(30,906)	(1,347)	(32,253)
Balance, December 31, 2016	$ 25,238	$ 465	$ 25,703
Provision	-	-	-
Payments	(16,905)	(254)	(17,159)
Balance, July 01, 2017	$ 8,333	$ 211	$ 8,544

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HENRY SCHEIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(**unaudited**)

Note 9 –