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EDITED TRANSCRIPT

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OVERVIEW:

Company Summary

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CORPORATE PARTICIPANTS

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

Tom Popeck *Henry Schein Inc - Chief Executive Officer - Henry Schein Products Group*

Andrea Albertini *Henry Schein Inc - Chief Executive Officer - Global Distribution and Technology*

CONFERENCE CALL PARTICIPANTS

Jonathan Block *Stifel, Nicolaus & Company, Inc. - Analyst*

PRESENTATION

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Trying to stay on time. Good afternoon. Jon Block with Stifel. And I'm pleased to have Henry Schein, and joining us on the stage is Ron South, Senior Vice President and Chief Financial Officer; as well as Andrea Albertini, CEO, Global Distribution and Technology; and Tom Popeck, Chief Executive Officer of Henry Schein Products Group

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QUESTIONS AND ANSWERS

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

A lot to go over. I'll jump into it. And Ron, I'll just ask the questions, and you guys can decide on how to slice it up. And I want to start with momentum because you guys talked about a slow January on the 1Q call, which seemingly was weather oriented. However, things picked up in February and March. Maybe if you can talk to what that pickup was attributable to? Was it just less adverse weather or anything more that was driving it?

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

Thank you, Jon. Yes, we -- like I said, January was pretty soft for us. I think some of the market data we picked up on, we saw that the market was pretty soft as well. So we were assuming it was weather driven. We did see some recovery in February, and then we saw even better recovery in March. You do get some timing of holidays when you're looking at March and April.

I think it's important that when we -- as we looked at April results, I like to look at that 60-day period as opposed to just a 30-day period, March over March, April over April, so you can kind of neutralize out the effect of the Easter holidays. And we're still -- we were encouraged by what we saw, we were encouraged by the trends there.

This is in the backdrop of -- in April, we began to introduce some uncertainty in the market, whether it be around tariffs, other regulatory changes that are happening in the markets that I think our customers are still trying to navigate a little bit. We're trying to navigate, our suppliers are trying to navigate. So all those are things that are part of what we're experiencing thus far this quarter, but we're in the same boat as everybody else. We're all just trying to figure out what's the -- what does this mean to the end market?

In the meantime, we're seeing dental stay relatively stable. I think that what we're seeing on the medical side, similarly, they had a slow start in January that we attributed to weather. And then we did see some nice uptick in medical likely due to the -- what we know it was due to the late flu season because we did see good revenues with diagnostic kits, that meaning that people were going to the physician to be tested for COVID or for flu or for strep, et cetera. So that really came out as part of kind of the February-March period.

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Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Okay. And maybe just to run some of that back, because there was a good amount of moving parts there, Ron. It sounds like you saw the pickup in February-March, but there's a lot of dynamics with the calendar and holidays. So when you actually look at March and April together, maybe that March was moderated a bit, but you're still saying --

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

That's right.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

But you're still saying when you put it together, you feel okay about the trend.

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

Yes, it's an encouraging trend. Yes.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Okay. I want to move to initiatives, because I thought on the earnings call, you talked a lot about some new initiatives, really for the first time, and couple of those, I think, will pull in everyone on the panel. Specialty products are now being sold by the distribution sales force. Can you elaborate? And respectfully, I have to ask, why wasn't this initiative rolled out earlier?

Tom Popeck - *Henry Schein Inc - Chief Executive Officer - Henry Schein Products Group*

I think that's specific to our endodontic business with our Edge product portfolio. So to answer your second question. We did do it earlier. We did it in our -- outside the US business. In the US business, it was a little different because we had strong market share in that product line. We had a partner in our business, so it wasn't until we bought out that business that we really were able to shift some of those margins into our distribution business and start to capitalize on that. But it's been going very well.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Okay. And when we say specialty being sold by the distribution sales force, do we think about it across the board? I mean obviously, implants is the biggest piece of that, but are they going to be involved in implants and endo? And how does that work? Are they going to prioritize one versus the other?

Tom Popeck - *Henry Schein Inc - Chief Executive Officer - Henry Schein Products Group*

Very similar. A good example would be with implants, right? There's a premium, high-service, high-touch clinical specialty, feet on the street, go in and sit with the doctor product portfolio, and then there's your challenger or value brands that's kind of lower service, lower clinical support.

And that's how we see leveraging and optimizing our sales channels. We have a sales channel that's high touch, specialty. And then we have our distribution sales channels where it's more of the value challenger brands across all of our specialties.

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Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

And you mentioned earlier, hey, look, Jon, it has been rolled out maybe in the international markets and now bringing this more to the US. Any early learnings that you can share with us in terms of what you have experienced to date? Upside, more challenges, speed bumps along the way?

Tom Popeck - *Henry Schein Inc - Chief Executive Officer - Henry Schein Products Group*

I don't think that there's anything in particular to call out. We were probably a little surprised on how well it took off and the momentum we gained and the opportunity and just really supporting our thesis of premium, high service, lower service, challenger, lower price and really just justifying our thesis on how that could work.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Okay. Maybe I've got a couple more on specialty. As always, guys, if you have questions, up your hand, and we'll get it in front of the management team.

I think throughout the past couple of days, there's been a lot of talk up here and chatter about implants in the implant market. So is there a way to view the long-term growth rate specific to implants and for your Pro Tapered Conical? Talk to us about where that is. I think initially, it was going into your current users and then you're hoping to bring on new users. Where are you in that evolution process?

Tom Popeck - *Henry Schein Inc - Chief Executive Officer - Henry Schein Products Group*

Yes. So in particular to TPC, that launch is still in process. It's going very well. Clinically, a success for sure. Customers really like the product portfolio.

The thing about implants is you sell the implant and then there's additional sales down the road for the abutment and the prosthetics. Typically, that's a six- to nine-month process before you start to see that.

The nice thing about TPC is that the connection between the implant and the prosthetics is proprietary. So that locks in those sales down the road for us, which with our older versions, generics were possible. And so therefore, we didn't recognize all of that.

So the real thing we're looking for, and we're starting to see it is more of those prosthetic sales going with the implants. We've done a very nice job, a meaningful part of our current customer base has converted to our new product, to the new technology. And we are starting to see some new customers switch over as well.

But it's -- this is a multiyear process. It's not a six-month process. It's going to take some time, but we are very encouraged. And we also haven't launched it outside the US yet.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Okay. So one more down this road, and Ron, this might pull you back in, because I'm going to take some wording that I think was reflective of first quarter in commentary. I think you mentioned at the time, US was softer, EMEA was stronger, specific to 1Q. Has that remained intact or reversed in any way? Are you seeing any green shoots more specific to the implant market here in North America?

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

Well, I don't want to kind of get into too much into what we're seeing in the second quarter at this point. But I would say that markets have remained relatively steady. We have seen, like I said, in the first quarter, we saw we had good growth in implants in Europe, especially in the DACH region,

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in the Germany, Austria, Swiss region, where we were getting in the mid- to high single-digit growth, which led us to believe that we were definitely taking market share. We don't think the markets are growing that high there.

In the US, it was a relatively flat market. I think you've heard that from us and you've heard it from others in the industry. Those trends can kind of run into Q2. Keep in mind, with implants, the end market is much more responsible for -- the patient itself is much more responsible for the cost of an implant in the US. So in the US, you are a little more vulnerable to macroeconomic conditions, as opposed to in Europe where national health plans do give a slightly more generous coverage of that.

So there's less vulnerability in Europe. So I think we're going to continue to see some growth in Europe. Perhaps I won't call it challenges in the US because we're encouraged by some of the things that Tom talked about, but it is a challenging market right now. And I think that some of it goes back to how many people in the end market are willing to go out and get an implant procedure already for --

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Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Understood. Just going to look at the audience. I'm going to shift now to the other initiative that I think was talked about on the first quarter earnings call. The global e-commerce platform, let's just level set. Please talk to that. And then what is it? Is it a share recapture effort? Is that how we should think about it? Or is it more sort of a cost and margin opportunity, or maybe a little bit of both?

Andrea Albertini - *Henry Schein Inc - Chief Executive Officer - Global Distribution and Technology*

It may be both. (laughter) So yes, we announced that we launched a major initiative on what we call the global e-commerce platform that is the new henryschein.com. We launched it at the end of last year in the UK and Ireland. And we picked these markets because first of all, because of the size, they are not huge markets, so more manageable for a new product launch, but also because they are very e-commerce oriented. So we wanted to have feedback from a market quite sophisticated on e-commerce.

We are very happy with the results. We're very encouraged it. We learned some small topics that we had to improve, and we did it before the launch that will happen in the second part of this year, in the US and Canada.

This is a sophisticated e-commerce platform, so more with features like B2C more than B2B, but also with the typical requirement that our markets, both in dental and medical, have multi-practice management budget or formularies. We have all the equipment information, let's say, lead generation capabilities, we have education capabilities. So we try to combine the state-of-the-art of the e-commerce platform with what is needed in our market.

The second part of your question, is it share regain? Definitely can help on this, because especially on the, let's say, episodic customers that are more inclined to shop online, we are more sophisticated. We have more tools to target these kinds of customers with dedicated promotion and initiatives. And on the -- there is a loyalty component, a customer experience component that should drive loyalty. And then there is, of course, an efficiency component, because the more customers we onboard to buy electronically, the more efficient is our sales process and the more our team on the field can focus on helping the customer, developing the customers, and finding new customers.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

And you alluded to it, maybe, you said the back part of this year, but how do we think about that initiative fully rolled out? I mean, do we start to see that take hold in the back half of this year? Is this more a 2026 US timeline when we think about it getting up and running and having some momentum to it?

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Andrea Albertini - *Henry Schein Inc - Chief Executive Officer - Global Distribution and Technology*

I would say more a 2026 impact because 2025, the second part of this year will be more the rollout. And we will do it in stages because we want to make sure we are close to our customers during the transition.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Okay. That's a good segue. Ron, to throw it back to you, for both of those initiatives, are there upfront costs or dilutive costs associated with either of those? Or is it like, no, we're taking the team we've already got in the field and we're better utilizing them. And so don't think about it dilutive, think about it as actually can be somewhat accretive and be accretive pretty quickly?

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

Well, one of the things we talked about when we provided guidance for 2025 was we were expecting higher depreciation expense this year because we did have to begin, even though when we launched the product, it was restricted to the UK and Ireland, at the end of last year, you do have to begin depreciating all the capital that you put on the balance sheet associated with it at that point in time, even though it's restricted to that one geographic area. So we did indicate that our guidance did reflect this higher depreciation expense, so that's part of that.

Sure, there are increased operating expenses associated with the system of this nature, but we do think that the -- we expect slightly better distribution margins because there's kind of less face-to-face negotiation on price. So when you have a system like this, the whole idea is we want to get as many of our customers as possible to use the system to order their product and allow our field sales reps to spend more time with them, focusing on how to drive efficiencies in their practice and how to increase profitability in their practice. So those margins, we could get a little bit of extra margin there.

And over time, I think we can get some efficiencies on just on how we go to market. And will this result in an ability to really kind of leverage the system to have a more efficient operating base around the revenues that support -- and the system that supports those revenues.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

I'm going to shift gears. We're going to go to LRP. Maybe we can talk about the things needed for the LRP EPS goal, which I believe is high single digits to low double digits to take hold? I feel like when you guided for 2025, you sort of said our expectation is those LRP goals come back into play in 2026. So maybe we can just give that a quick blessing. Is that correct?

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

Yes. So clearly, we haven't provided guidance on '26 yet. But I think our point there is -- and this is kind of looking back on our Investor Day about 2.5 years ago, when we said our long-term goals, and you mentioned it, Jon, would be kind of this 8% to 11% range in EPS growth.

To get that 8% to 11% EPS growth, we need top-line growth of about 6% to 8%. That 6% to 8% assumed that we would get a certain amount of market growth, and we kind of broke out four different segments, right? Core dental, which we said would be -- we would need market growth in that 2% to 4% range. Core medical, which we said would be in that 4% to 7% growth range. Dental specialties, which was in the 5% to 8% market growth range. And then finally, on technology and value-added services, we said 8% to 12%. So a lot of it starts with that market growth.

What we're seeing this year, arguably in both in core dental and core medical, are market growth rates that are probably a little below those ranges, right? So we'll closely monitor what do we think those market growth rates are as we get into the back half of '25 leading into '26. And to the extent that we are within or not within those assumed market growth ranges will impact that assumed 6% to 8% overall revenue growth, which in turn influences the 8% to 11% EPS growth, right? So that's the cascade that we're looking at.

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To the extent markets aren't quite there, chances are, EPS won't quite be there either, right? But there are some other things that can influence this, some of the new products we have, the success of the restructuring programs. What are some of the value-creation ideas that we're working on, for example, with KKR, at this point in time? And to what extent do those begin to monetize at some point, right? So these are all things that we'll also have to take into consideration when contemplating 2026 guidance.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Then come back the other way, or I should say, the favorable way. So just to maybe rehash that a little bit because you did go down the road of a couple of my questions. I was going to say, look, I think we'd all do a backflip right now if 6% to 8% or dental market accelerated, right? So let's just take what we're looking at right now and extrapolate that going forward. Probably best off of like a spot rate mentality in that regard.

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

Yes. Yes.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

That's not going to get us to a 6% to 8%, most likely. But I was going to say, one of the tailwinds that could help even in a more modest top-line environment, we just discussed a couple, right? And also the restructuring, correct? I mean, when we think about the restructuring and the way it's flowing through, you do have some incremental dollars or incremental savings in '26 versus '25, if I got that right.

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

That's correct. I mean, we initiated the new restructuring plan in the summer of last year. At that point in time, we estimated we could get annual savings in the $75 million to $100 million range. We are completing some of those initiatives over the course of '25, but we believe by the end of this year, we will have completed enough that we will be getting pretty close to the high end of that $75 million to $100 million, or close to $100 million of annual run rate cost that we've been able to -- that we'll be able to take out of, or will have taken out of our cost base at that point.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Okay. I'm going to probably stick with you, Ron, because I've got a couple of model-related questions, and then we'll zoom out and go to a couple of different areas. But when I look at the model, I was confused on one or two things. So you talked about the difficult US dental equipment comp last quarter, right, because it was the flop from the 4Q to the 1Q a year prior. But this quarter, if I've got this right, the US dental equipment comp is again mid-single digits -- or sorry, 4% to 5%. So is there anything to call out when we think about the resumption of US dental equipment growth this quarter, because the comps seem somewhat consistent on what you faced 1Q and 2Q?

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

Yes. I mean, I think especially in the US, when you look at equipment, a lot of it comes down to what are we seeing in terms of build-out of de novo practices. One of the things we have talked about is we are seeing an increase in the rate of those de novo practices. When we say buildouts, I really mean the initiation of these, not the completion of them, right? So typically, you're looking at kind of six to nine months from the time you're going to break ground that you're actually going to start seeing patients in a practice like that. But those are the types of activities that give us some optimism around equipment, probably more so in the back half of the year than now.

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With the tariff environment, it does create a little bit of macroeconomic concerns for us. I mean, to what extent other dental practices out there who were getting ready to pull the trigger on some high-dollar equipment, but with some of the uncertainties happening with tariffs or elsewhere in the economy, pulled back on that a little bit.

We have been monitoring the equipment order -- the volume of equipment orders that we're getting because -- and I emphasize orders, because orders don't necessarily mean revenues right away. There's going to be a lag of time between orders and when you actually install the equipment and recognize the revenue. So -- but the -- we said earlier that the equipment order volumes are meeting our expectations, in a range of our expectations.

Will that mean that -- is there a chance that some practices may push back a little bit that installation before they commit to actually taking the equipment? There's always a risk of that in this type of environment. But I think that in this space that we're all kind of dealing with each day, okay, what environment are we operating in today, right? But that includes our customers. So it wouldn't be unusual to see that get pushed out a little bit. But if it does, we still feel like we can complete our equipment goals and get to our equipment revenue goals before the end of the year.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Okay. Understood. We had a dinner last night, just something's changed in the middle of the -- (laughter) Understood. Technology, some things have moved around with the reporting structure, but this was seemingly solidly a high single-digit grower. I'm not going to pretend I had this crazy top-line build for your technology segment before. But you used to plug in the 6s and the 7s and sometimes be surprised at the upside. The internal growth has slowed to low single digits the last couple of quarters. I think there were some moving parts, right? Stanley talked openly about, hey, the move from on-prem to SaaS, and that changed the timing of the rev rec as it hit upfront sales. I think you also talked about some new products as well. But what's the right more long-term technology growth rate that we should think about from this more recent low single-digit range?

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

I still expect this to ultimately get back to high single digits. I think when you look at -- when you kind of peel back our technology business a little, the core part of our technology business, our practice management systems, we have an on-prem system, Dentrix, which has been the market leader for years and continues to be a principal core product of Henry Schein One, our technology business.

We recently introduced -- relatively recently introduced Dentrix Ascend, which is an SaaS model, subscription model. What's -- the shift we're seeing is that more and more customers, the new customers are signing up for the SaaS model and taking on the subscription-based system.

But we still have a lot of Dentrix customers. As a matter of fact, it's still about a 90/10 split between on-prem customers and SaaS customers. The conversion of Dentrix customers to SaaS is not a fast process. They are -- most of our Dentrix customers like Dentrix. They want to stay on it. And they also understand there's going to be some disruption to go to the SaaS model. So most of the new business we're getting is on is Dentrix Ascend, but we still have a very solid base of Dentrix on-prem customers.

Collectively, those products are getting us pretty much high single-digit revenue growth. It's elsewhere within Henry Schein One, where we are consolidating some products, for example, around what we call patient experience modules, where we had kind of multiple brands, a lot of costs kind of spread out between supporting those brands. And we're in the process of combining these a little bit so that we can get some efficiencies there.

We've already pulled back a lot on some of the OpEx associated with those brands. And that's why in the first quarter, we were able to achieve, well, you mentioned it's, say, roughly 3% revenue growth in technology, we were able to achieve greater than 20% operating income growth. Because we just found that it wasn't really efficient use of funds to support some of these patient experience modules that, quite frankly, aren't growing very much.

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So you're seeing that kind of drag down that revenue growth, but the core practice management systems are in that high single-digit range. And that's why I think that once we kind of clean up some of these other modules, while still being very profitable in the business, we can also get back to that high single digit.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

You clean that up, you lap that, and you sort of exit, you get back to your high single-digit trajectory with a more profitable organization.

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

Yes.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Okay. Last one, little down to the model, if you can help me reconcile this. For the past two years, EPS was up high single digits to low double digits, 1Q to 2Q, just from a seasonality perspective. This year, the Street has you up low single digits EPS growth Q-over-Q were mid-single digits. Yet, what was going on? Well, revenue growth accelerated exiting 1Q? You talked about Feb/March, the dollar's in a better place when we think about FX. The restructuring is ongoing. So it seems like the incrementals would be more favorable this year, 1Q to 2Q, yet that growth rate is more suppressed. So help me with that delta, if you would.

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

Well, I mean, 1Q did finish, I think, a little better than expectations. That could be part of it. There could be a little bit just of a phasing issue within Q1, Q2. We're continuing to invest in the business. We're getting ready to launch GIP. These are all things that become important in terms of the timing of when certain costs were going to be incurred. So I'm pretty comfortable with what's out there.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Pretty confident with where the Street currently is.

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

Yes.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Okay, works. Let's pivot, DSOs, and we had Heartland here right before, and they had some really nice things to say about you guys. Just DSOs in general, they're going to get bigger, at least we think so. So how do we think about the DSOs and the impact on your P&L? Obviously, they get a lower price, but higher utilization, higher margins because lower cost to serve. Can you talk to us about the moving parts in dealing with the DSOs?

Andrea Albertini - *Henry Schein Inc - Chief Executive Officer - Global Distribution and Technology*

Sure. So when we talk about DSOs and especially big national DSOs, they are -- on the price side, they are more demanding. And this is given the return of commitment on volumes, a commitment on long-term partnerships, and commitment on having a higher utilization of our portfolio of

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products and services. So lower price, more portfolio of products and solutions sold from our side, and then we work, of course, on the vendor side, having dedicated conditions for these kinds of customers.

And we work on our cost side. For example, we don't have the typical FSCs paid on commission to serve these kinds of customers, but we work more with key account management that are paid on base salary plus bonus. And we tend to find agreements with these kinds of customers where we are more efficient in terms of logistics.

In general, we see these customers -- this customer segment is very valuable because they are more interested in which kind of value we can bring on the table. Yes, they are very demanding on prices, but they are really looking at us as a partner to the business.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

And when you say a partner to the business, again, when speaking to Heartland, it seems like, look, let's keep as much of this under our roof as possible. Let's go ahead and monetize the patient. And then you look at Henry Schein's portfolio and how it's expanded notably within specialties, is that where that sort of partnership comes into play?

Andrea Albertini - *Henry Schein Inc - Chief Executive Officer - Global Distribution and Technology*

That is a very good example, the usage of our product, our specialty products with these customers.

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

And Jon, just to add to that. I mean, Andrea has really hit on the key points there. The fundamental thing is, and this isn't only DSOs, but it really -- the DSOs especially, is that you can't allow your relationship with your DSO customers to be a transactional relationship, or else it's just a race to the bottom in terms of who can sell equipment and merchandise at a lower price. You have to be partnering with them to help them drive profits in their practices and in their overall business. And if you can have that type of strategic relationship with them, then it gets sticky, then it's -- and we have that breadth of products and services.

These guys, both of them, I know that when Heartland was here, they talked about the BioHorizons products they sell. They're able to -- their GPs are doing more and more implants within their practices. We can offer that up to them. We can help get them certified. We can make sure they get the right products, so we can go through that whole process with them. They don't have to go to someone else to do that. That's part of the strategic approach we have to have with all of our DSO customers to assure that it just doesn't turn into who can sell cotton balls the cheapest to somebody, because that's just not a winning proposition.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Understood. And great point. I do want to quickly hit up medical, and maybe we'll have time at the end for one more. The LRP growth, I think you mentioned it earlier, Ron, I said mid-single, but I think more specifically the 4% to 7%, I believe, is what you called out. Is that still the right number longer term? It's been low single digits more recently. And how do we get there? In other words, you've made some acquisitions. They might lap in a core. Is that going to get you in the right direction? And at the end of the day, do we need a little bit more of a firmer end market?

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

Yes, acquisitions will definitely contribute to that. I do think that especially on the home solutions side, our home solutions business, it tends to grow faster than core medical. Tends to get better operating profits than -- or operating margins than our core medical. Our home solutions business had 9% internal growth in the first quarter. And I think we can continue to get kind of high single-digit growth in that subsegment of medical going forward.

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So yes, I think, 4% to 7%, I think, is very doable over a period of time in terms of a CAGR for the medical business. A lot of that is going to be our -- how well we can continue to grow that home solutions contribution to that business now.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

Okay. And last one, I mentioned Heartland earlier, KKR has obviously had a very successful investment in Heartland and now an investor in Henry Schein. What have you seen to date from their involvement? And maybe more importantly, as we look forward a little bit, what are the areas that you expect them to focus on? Is it from an OpEx viewpoint? Is it more on cap deployment?

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

With KKR, we've been able to share with them what are some of the initiatives we have in place, whether it be around revenue enhancement, margin enhancement, G&A optimization, what are some of the different initiatives we had within that. We've shared with them what we're working on. And they've been able to look at that and determine where do we have resources that we can -- where we can help you either accelerate that process or at least increase the chances of success with that process, right?

So we're still pretty much early stages, a lot of data sharing with them at this point in time. I mean Max and Dan came on the Board officially within the last month or so. So we're still very much in the early stages with them, but I do think that we're excited about the opportunity. They give us a fresh perspective on some of the things we've been working on, and we do think we're going to get some good value creation that we can attribute to them.

Jonathan Block - *Stifel, Nicolaus & Company, Inc. - Analyst*

A little bit over, but thanks, guys, very much for your time.

Andrea Albertini - *Henry Schein Inc - Chief Executive Officer - Global Distribution and Technology*

Thank you.

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