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EDITED TRANSCRIPT

HSIC.OQ - Henry Schein Inc at Wells Fargo Healthcare Conference

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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*

CONFERENCE CALL PARTICIPANTS

Vik Chopra *Wells Fargo Securities LLC - Analyst*

PRESENTATION

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. Good morning, everyone. My name is Vik Chopra. I'm one of the medical device analysts at Wells Fargo. Time for discussion. So Ron, thanks for being here.

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

Certainly, thank you.

QUESTIONS AND ANSWERS

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Let's just get into the second quarter about a month ago, just curious what investor feedback you've received.

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

Yeah. Certainly, Vik, I think, as people are probably aware, our results were a little less than what was expected. We did see a little pressure on the stock that day, but since then, the stock price has recovered to a level that is back to where we were prior to our release.

I think it's an indication that as investors had the opportunity to kind of digest our message, indicate why we were holding our -- maintaining our guidance for the balance of the year. They began to understand the story a little better and we did see the recovery in the share price.

So a lot of the investor communication we've had since then, it's just kind of understanding, what are some of the initiatives we have in place to accelerate earnings and what are the kind of general expectations kind of going forward beyond 2025.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay, great. On your second quarter call, you called out good momentum in July. I'm just curious if you have any color to share, post that, like what trends were like in August, has that positive momentum in July carried into August as well?

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

Yeah. I mean, typically we wouldn't provide kind of intra-quarter guidance like that, but I will say that, like I said, we were pleased with our results in July. We saw, I think some benefits from some of the promotional activity that we had in the second quarter.

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Now it's just our job to try to make that a little sticky, develop a strategic relationship with some of those customers that we obtained through that promotional activity and allow that to be a part of our revenue base going forward.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay, great. Maybe just talk about how you see the rest of the year playing out from a cadence perspective on the top line, how do you feel about current consensus estimates and what drives a step up in revenues in Q4 over Q3.

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

Certainly. Q4 revenues are typically better than Q3 revenues. As we see, Q3 can sometimes be a little soft with our European businesses in the holiday season, but Q4 is often strong as it relates to equipment.

We see a lot of tax incentive buying of equipment in the fourth quarter, so we do expect the fourth quarter to be stronger than that of Q3. I think also on the top line, with reference to equipment, we did see some pressure on equipment in the first half of the year.

Some of that was -- it was driven by some uncertainty around what was happening with tariffs, not so much directly to equipment buys, but just kind of that macroeconomic uncertainty. The feedback we're getting from customers now and the ordering patterns we're seeing from customers is more back in line with what we would expect.

And as we said on the call last month, we were comfortable with the backlog we had in equipment and the general demand we were seeing through the ordering process for equipment, and that's why we believe we can get equipment growth in the second half of the year as well.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay, great. So the EPS guidance implies a pretty big step up in Q3 from Q2 and then another step up again in Q4 over the third quarter. Just talk about the drivers here and what gives you confidence in a back half ramp on EPS.

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

I think, part of it is, like I said, with reference to the improvements in the equipment area, we do believe we can get some improved growth in dental merchandise coming out of the promotional activity we did in the second quarter.

And just carrying the momentum I believe as we've seen with in our technology business, we had good momentum going from first quarter to second quarter and Henry Schein One very good kind of targeted investment by that business and reducing costs and making better use of some of the OpEx.

Our technology sector had -- our segment had greater than 30% operating income growth in the second quarter versus the prior year. So we were encouraged by that, we can continue with good growth there. Keep in mind the second half of the year we do expect to have a remeasurement gain that will occur in either the third quarter or the fourth quarter depending on the timing of the related transaction.

I suspect that gain will be somewhere in line with what we have seen in similar remeasurement gains in the last couple of years, and that will also benefit earnings in the second half.

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Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay, great. And just stepping back, the big picture looking at the macro environment, the operating environment, how are you thinking about that in 2025, what are the potential headwinds and tailwinds to keep an eye out for? And we'd just love to get your thoughts around the trajectory for the dental market, which has obviously been pressured into in the US.

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

Yeah. The dental market, especially in the US has been relatively flat the last couple of years. If there's been any growth, it's been fairly tepid growth, you're really looking at something in the very kind of low single digits.

It's really indicative of, I believe, not as much expansion in dental services, more practices opening up. We do see some of our DSO customers are continuing to build De novo practices, but coming out of the pandemic, there were an increase in the number of dentists who were retiring.

You had some, a fairly I would say strong disruption to the end market. A lot of patients changed dentists as part of the pandemic. That created opportunities for a lot of dentists. We saw a lot of good investment in equipment for a couple of years that has now kind of leveled off some as many practices were adding a new chair, building out new [operatories].

But I do think that as we begin to see perhaps lowering interest rates, we were just in the last breakout session that I was just in, we were talking about interest rates and I think we've all been expecting interest rates to go down for some time now.

At some point it might actually happen, and I think when it does, we'll see an acceleration in the pace of growth of new dental offices opening up, and I think that expansion of the supply of dentistry services is obviously beneficial for us. It will require more equipment in those new practices.

There's clearly sufficient demand for dental services, so we're confident that those new offices will fill up with patients fairly quickly, which means the churn of consumable merchandise will pick up. So I think there is opportunity for us in the coming years as we see perhaps a more favorable interest rate environment and greater investment by our customers in their practices.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay, great. You also highlighted some targeted sales initiatives in Q2. I'm just curious, as the company has returned to normal levels of promotional activity. What strategies do you have in place to sustain the momentum and customer loyalty gained from these campaigns?

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

Well, there's a couple of different ways we've approached this, right? So we targeted customers who were buying some product from us, but they were fairly low volume customers. We knew they were also buying from other distributors at the same time.

And so we targeted them and in some cases we were able to get commitments from them to purchase a minimum amount of merchandise over a period of time in exchange for a rebate at the end of that commitment period if they fulfilled that commitment.

That gives us time to engage with that specific customer so that they can better understand what are some of the value added services that we can also offer them. Our strategy with our customer base is to help them run a more profitable practice, not just part of that is delivering merchandise and installing equipment for them and doing all these things that are fundamental, but it goes beyond that to what can we do to help them run a more efficient practice.

And so by engaging with that customer for a longer period of time and getting that commitment from them to purchase from us for a longer period of time. It gives us the opportunity and we've also increased the number of salespeople we have so that we can -- we have the resources

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available to engage with those customers. It gives us a better opportunity to educate them as to what we can do to help them with other pain points in their practice.

I always kind of use the example, that if you sat down with a focus group of dentists and asked them what is the -- what are the things that are pain points for you, it's not that they wish they could buy a consumable merchandise like cotton balls or gloves for $0.05 or $0.10 cheaper, they want to be able to get reimbursed faster by their insurance company.

They want to be able to increase the reimbursement rate from insurance. They want to hire a hygienist. There's a number of things they want to do that we can help them with. And help them run a more profitable practice. They want to see more customers. They want to be able to see more patients in a day.

We can help them improve their capacity if they want to see more patients in a day. So those are all areas that if we just get the opportunity to engage with some of these customers, we think we can make them more sticky going forward.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay, great. So it's September, I'm sure you're planning for 2026. Any potential headwinds or tailwinds that you call out on the top line and any items that will impact the P&L next year that you can highlight broad strokes.

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

Certainly, as I mean, whenever I start talking about '26, I'll start with, this is not '26 guidance, but we will provide, we're planning on providing 2026 guidance as part of our Q4 release next February. But some of the things we'll take into consideration when looking at '26.

One, we'll state the obvious what's happening in the markets? What are we seeing in terms of market growth rates? What kind of trends are we seeing in core dental, in core medical? What are we seeing in specialty dental because sometimes those growth rates will differ frequently. They will differ from what you see in core dental. And what kind of developments do we have in our technology business? All those areas will come into consideration.

We'll also have to take a look at, what's the most recent tariff environment? It has been changing. It does have an impact on pricing. It does have an impact on how we negotiate with our suppliers. It also has an impact on how we negotiate with our customers.

So what's that tariff environment and has that stabilized and what economic challenges or benefits do we think we may be able to generate from that. And then also, one of the things we mentioned in our earnings release last month was that we have initiated two value creation projects.

I describe it to people as if you look at the P&L and cut the P&L in half, the top half is gross profit. We have a one value creation project that is looking to optimize gross profit. That's not just how do we increase revenues.

It's also how do we work smarter to improve gross margins and gross profit through either greater acceleration of our private label products, better negotiation of how we acquire products. There's a lot of different areas there that we can look at that we believe can improve gross profits.

And then also the bottom half of the P&L. G&A costs. Well, we have been, I think, quite good at reducing costs over the last several years. It tends to be related to companies that we've acquired and how do we rationalize some costs there and how do we combine some of the -- some cost within certain business lines, but now stepping back from a global perspective, how do we operate more efficiently from a G&A perspective?

And we have a different group of consultants who are helping us with that. So what do we think we can deliver going forward in terms of value in terms of what can drop out to the bottom line, both in gross profit and G&A going forward will be something else we consider for '26.

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Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay, great. So let's double click on these value creation projects that you just talked about. When can we expect to hear more on the specific details on the expected cadence and magnitude of these savings?

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

So we're in the middle of what I call the assessment phase right now where we are developing estimates of what we think the opportunity is and then pressure testing those opportunities. Our intent is that when we provide our third quarter earnings release, which is typically around the first week of November. That we will be able to provide some color around what those expectations will be for both projects, for both the gross profit optimization as well as the G&A optimization.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. And I'm just curious, are these expected to be upfront cost savings or are you expecting this to be a more consistent gradual enhancement of profitability?

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

I think there will be some short term benefits, but I think the more important, the goal of both of these projects is to provide long term sustainable value to the business. So while there -- could, there will be some short-term benefits, I think we will see incremental benefits as we progress through '26 and even well into '27.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay, great. On your restructuring plan, you've said that you expect to be above $100 million in annualized run rate savings. Can you provide a breakdown of the specific areas where these significant savings are being realized? And just to add to that, what portion of these are from the right sizing of expenses and the distribution business versus the consolidation of the manufacturing facilities.

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

Certainly, so I would say some of the savings that we achieved in 2024, when we announced this plan, it was almost exactly a year ago. It was in August of last year, and some of the initial savings that we achieved in 2024 was really through the fundamental reduction of headcount in our distribution business as we right size that business to reflect, really, what the ongoing growth rate was in distribution at that point in time. So that was the immediate cost savings that we were able to generate from it. Then you have some of the additional cost savings that we have been able to get over the course of this year from more complex matters such as combining some operations that are the endodontic business.

A really kind of stripping down of some of the infrastructure in our orthodontic business and folding it into the operating infrastructure of our US dental business, those are the areas that we have really focused on over the course of 2025, and we've been able to get more meaningful savings within those.

That's really our specialty products group if you're looking at it from a from a segment perspective. If someone wants to see where we are incurring restructuring costs -- the restructuring footnote in our SEC filing will show you one of the required disclosures is, where are you recording restructuring costs by segment and people can see what that level of activity is in each of those segments.

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Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. And I'm curious how you balance the need for cost cuts with continued investment in your growth businesses. And then how much of that $100 million in annual run rate savings will fall to the bottom line versus reinvesting it back into the business?

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

Yeah. It is a delicate balance. I mean you have -- we've made some significant investments in the last several years in some of the specialty areas of dental, specifically, we bought an implant manufacturer in France and an implant manufacturer in Brazil.

We are very bullish on the long term opportunities in the implant industry. So you don't want to make cuts that could sacrifice your ability to grow with the market once the market improves in implants. Having said that, you can still find opportunities to run the companies more efficiently and when we see that we are doing so.

I would say in terms of what falls out to the bottom line, and this always gets to be kind of a tricky question because you can identify a $100 million of savings, but is that $100 million going to immediately fall to the bottom line? I would say, yes.

You might also have to reinvest in certain aspects of the business. Quite frankly, those areas of the business that we probably needed to invest in regardless if we had taken that $100 million of savings or not. So are we reinvesting the $100 million or is that just investment that we made and we got a net benefit by also taking out $100 million?

At the end of the day, taking out $100 million of cost improves your operating income by $100 million. Net then other things that other areas of the business where you need to invest regardless if you made those cuts or not.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. Let's talk about capital allocation. I think you have about $400 million left in your share repurchase authorization program. You said you bought back stock in the second quarter, just given the stock reaction after the Q2 results, how are you thinking about share repurchases today?

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

I think that typically prior to say, I would say leading up to around 2024, we were doing typically around $300 million to $400 million of share repurchases in a year. If you look at what we've done the first six months of 2025, we obviously have bumped that up a little bit. We do see the stock at these levels we see this as opportunistic.

And our accretion models show it's a very good use of capital for us. The board has given us some authorization -- some additional authorization over the over the course of the last year or so -- and so we continue to, as we look at the accretion model and we look at the use of capital, we see share repurchases as a very effective use right now.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. And then just maybe talk about your M&A pipeline and your acquisition strategy more broadly, I mean, I know M&A is in the DNA of the company but would just love to hear your thoughts about the pipeline.

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

Yeah. We've probably, one area of focus of M&A in the last, most recently has been in the medical side. We haven't talked too much about the medical business yet, and we have established this home solutions business within our medical operations that has been quite successful, and we've been able to establish essentially a Holdco within that medical business that makes it easier for us to fold in other home solutions businesses.

So we did a census earlier this year that gave us access to continuous glucose monitoring and delivering of those devices to the home, and it makes it much easier for us to expand the available product categories that we can do there as well as expanding some of the geographies in which we operate that business.

So the home solutions business relative to our core medical business, it's growing faster and it also gets better margins. So it's kind of a win-win for us. So that's been the focus of M&A, I would say within the last year.

We're also looking at other opportunities within our technology business to add on some modules to do some things that are addressing some of the needs we see with our customers who are trying to run again going back to running more efficient practices. What can we do in terms of our offerings through Henry Schein One that can help them with that. So we've also looked at some acquisitions there.

On the distribution side, sometimes our acquisition opportunities can be a little bit limited just given our, given the antitrust position of the company and the fact that we are market leaders in so many territories, but we would still, entertain a distribution acquisition if it can be a nice neat fold and that can be immediately accretive for us, I'm not looking to add on more infrastructure if I can take something that we can into our infrastructure it would clearly be a benefit to us.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

And what's your M&A criteria in terms of, specifically ROIC targets and, factors like that?

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

Yeah. I mean we haven't really disclosed the actual targets themselves for competitive reasons, but we have a general philosophy that says, whenever we do an acquisition, we want it to be something that benefits the whole -- what I call the whole company.

If you're not buying something that really kind of folds into the company and provides a complimentary benefit to the total company, then it's really no different than just acquiring a stock and just hoping it increases in value.

So we're always looking for synergistic opportunities an additional tool that the sales rep can have in their bag when talking to their customers about what are the things that they are trying to get past to run a better practice and what can we do? Is there a company out there that we can be acquiring who can bring a service that would provide that?

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. Let's talk about your LRP. You said that 2025 is expected to be a foundational year for achieving your long term goal of high single digit to low double digit earnings growth. I'm just curious how you feel about achieving your LRP targets given the current macroeconomic backdrop and your first half results and just what drives your confidence in these goals?

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

Well, we have to achieve those goals, we'll have to deliver on a couple of things, right? One is let's start with the foundation of the business and what the market is doing. It's something we kind of addressed earlier in our conversation that it will be important that we have a firm understanding of what the market growth opportunities are within the various segments in which we operate starting with that.

From there, what can we get out of the value creation projects? I mean, to what extent can we optimize, accelerate optimization of gross profit, accelerate optimization of some of the G&A so we get some benefit in 2026? Those are all things that are part of the assessment phase that we're taking a look at now.

And then there's other very specific things within the business, we continue to see sequential quarter to quarter uptake, for example, of our Tapered Pro Conical product at BioHorizons, our implant subsidiary in the in the United States.

What kind of continued traction can we get there? That's a very attractive product to our customers, good margins for us, and could be a vehicle of growth for us going forward. That's just one example of the various different matters that we have to execute on in order to achieve that growth.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. Is there any update on the on the CEO search, talk about the criteria for the candidate timelines? Are you looking at internal candidates?

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

Yeah. So regarding the CEO search, I mean it's really a board matter. So our board is obviously leading that effort, I think we can all acknowledge there's only one Stanley Bergman out there. They're not going to find another Stanley Bergman, right? But they are going to find someone who I trust on our board is going to find someone who is going to be a very effective leader for us, but that search remains in process.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay, great. Let's double click on the dental capital equipment environment, you talked about it earlier, but I'm just curious, are you seeing a difference in capital demand between DSO and non-DSO customers?

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

I think the ADA survey recently did show that there was perhaps a little more appetite by the DSOs to invest in equipment than the private practices. Could be their access to capital is a little better. And declining interest rates, if we were to get declining interest rates could perhaps level that playing field for the individual practitioners as well.

So I think as the DSOs are building up new practices, it does mean that obviously, that they would be acquiring more equipment. One of the things we mentioned on the call last month was that we do track kind of known build outs from our customers. What's the volume of renovation or expansion that we see.

And we're seeing -- every month we're seeing double digit increases. The one exception to that was May, which had a significant decrease we think because of the uncertainty around the tariffs at the time, but we saw recovery in June.

There's usually a pretty good lag to when that generates revenue for us because one of the last things that will occur will be the delivery and installation of a new chair or whatever might be associated with that. But to us it's a very encouraging sign.

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Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. And are you seeing customers ask for alternative forms of financing for dental equipment?

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

I think that we have a financial services business that we don't take the paper when financing this, but we do facilitate the financing and we help kind of pre-negotiate the rates so that we feel like our customers do get very competitive rates with our financing partners, and that's been very effective.

I would say about 50% of the equipment of the larger equipment that we sell is financed and I think our customers do appreciate the fact that we can help them get more attractive financing that perhaps they can get on their own.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. Just talk about where you are with your phase launch in North America, the e-commerce platform and when do you expect to go into full commercial launch.

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

Certainly, so actually a very exciting time for us, the new henryschein.com is a we launched it in the UK and Ireland in the latter half of last year. We used that launch as a basis to really kind of learn. How do customers react? What are some of the things that we need to do to prep for the launch in the US? Got a lot of really good feedback from customers but also saw some opportunities to improve on it.

That gave us some time to prep for a preliminary launch in June in Canada, and then we started launching on a phased basis in the United States in July. Initial feedback has been very good. I think as we look at it, we see a lot of opportunity in terms of typically this type of online ordering process will result in a higher than average order size.

Also, it tends to be at better margins and it's more efficient for the customer. It's a better customer experience. Our customers could go to our website before and order product, but if they had inquiries about product, they had to reach out to someone, and this is a much more robust system. They can see demos of equipment.

They can -- it's got a much more sophisticated search engine to it versus what we had before. So these are all things that will make this a much better experience for our customers and we think make the customer experience more sticky.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

What's some of the feedback you received from customers, when you launched it in Europe that you're incorporating into the US launch?

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

Well, I think that, not to start with the negative, but one of the learnings was, we've all had the frustration of if you're going to go to a new website, all of a sudden it's asking you for your password and your payment information.

And one of our learnings was making sure we over communicated to our customers in the US. You're going to have to do this. You don't want people going to the site and go, I don't remember this stuff. I'm just going to go into somebody else's site, right?

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So they appreciated the smooth transition of that. I think they also appreciate just the robustness of being able to like I said before, looking at a demo on the equipment, being able to see what are some of the, like I said, it's more of a B2C feel.

It's like the same kind of experience you have going to Amazon where if you're buying something, here are some other things that are complimentary to that you may want to consider, and it just has made for a much more efficient process for the customers.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. Within your technology segment, I'd love to hear about how that segment solutions will be integrated with dental equipment, especially digital equipment, and value added services to differentiate Henry Schein in the market.

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

Yeah. So it is really, when we are talking to our customers about operating a more efficient practice. You really begin to see the linkage between the equipment they use -- the digital equipment they use, and Henry Schein One and if they are Dentrix and Dentrix Ascend products, they can use anybody's scanner because we are kind of agnostic to the brand out there using anybody's scanner.

They can scan a patient, immediately update the patient's records within Dentrix, also use that to immediately send an image to a third party lab, to their on-site 3D printer, to their on-site chairside mill, depending on what procedure they have going on, and do it in a very seamless way.

Also importantly, they can use it to process an e-claim with the insurance company. What they find is that they get a much more quicker response from the insurance company because the claim tends to be more accurate.

All these things can really come into play and really take a lot of pain points away from the practitioner. It's also a better experience for the patient. So these are all things that we're kind of bringing together to assure that and becomes part of the education process with the customer as well that these are the tools that are available to them in order to run a more efficient practice.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. What are customer adoption trends for Dentrix Ascend currently?

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

Well, of our practices that we have our practice management systems that we have out there, about 10% of them are on Dentrix, and that tends to be primarily new customers. Our existing customers who are on Dentrix, which is the on-prem product, like the product. And so we've really worked with developing a very seamless way to transition some of these customers from the on-prem to the cloud-based product, which is Ascend.

In a manner that can be quick and not have really kind of minimize the disruption of any disruption to the practice. So you're starting to see more conversions now, but it's still both are growing in the double digits kind of we look at them year over year, but we're clearly getting better growth. In Ascend, the cloud-based product as we work off that low base, but each quarter we've been providing, what that adoption has been and we're seeing it accelerate now.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. And how does the ongoing shift to a fast model for Dentrix Ascend impact the segment's short term revenue growth prospects versus the long-term financial benefits?

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

Yeah. So you do get, just the whole revenue recognition standard around, if you're selling somebody in on prem, you're going to recognize a much larger piece of revenue as you install that software for them and then you get a maintenance fee over a period of time versus the subscription base where you're not getting that that one time pay but you're getting a much higher a monthly kind of annuity on that subscription.

So you do get, a little bit of an effect there, but I would say that, kind of the year over year impact of that has not been, really significant. If it was real significant it's something that we would quantify and call out, but you know that's really going to be the business model going forward and we expect that, it'll continue to kind of trend in a uniform way.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. And just when we talk about, your plan to accelerate the conversion of existing.

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

One, you got Dentrix is a really good product. You got to show them that Ascend is also a really good product, right? You've got to convince them that it's worth leaving this product that you really like to this other product that you're also going to really like and also the advantage of in the future the obvious advantages of a cloud-based system.

The upgrades are quicker. You can add new modules more easily if they want to subscribe to additional modules, you can add them more easily. So that's part of that, but it also goes back to that disruption factor of moving from -- while you're moving from Dentrix to Dentrix Ascend, it sounds like, well that that should be easy, but it's still -- there's still some disruption there. And just convincing them that you can do this in a manner that's going to minimize disruption to the operations of the practice.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay. Maybe one last question for me, talk about your plans for expanding Henry Schein One's broader portfolio, especially in fast growing areas like revenue cycle management.

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

Well, revenue cycle management is always an interesting product for us and a lot of it comes down to how do you define revenue cycle management? I mean, it includes, we recently included a new module as part of our of our part of Dentrix and Dentrix Ascend is called Eligibility Pro, which will give the practitioner greater visibility into the exact coverage you have as a patient from your insurance company.

So that if the dentist identifies a procedure that is necessary, while you might be there for a routine checkup and yet they identify a problem. If they say, look, this is something we can take care of now, frequently the patient wants to know what's my out-of-pocket going to be.

There's 2,000 private insurance plans out there on the dental side. The practitioner is not going to know that answer. With Eligibility Pro they can immediately let them know your out-of-pocket will be X, and as long as you consider that a fair price, they can do the procedure and they maintain the revenue base.

Vik Chopra - *Wells Fargo Securities LLC - Analyst*

Okay, great. I think we're at time. Thanks for being here.

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

Very good. Thank you.

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