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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Frederick Lowery *Henry Schein Inc - Chief Executive Officer*

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

CONFERENCE CALL PARTICIPANTS

Jonathan Block *Stifel Nicolaus & Company Inc - Analyst*

PRESENTATION

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

Jon Block with Stifel, and we're moving forward and sticking with the dental track, and really pleased to have Henry Schein with us this afternoon. And joining us on stage is Fred Lowery, CEO; and Ron South, Senior Vice President and Chief Financial Officer.

Fred took over the role as CEO in March. So really appreciate you coming, joining Jaws & Paws. And hopefully, it's the first of many.

So thanks for being on stage with us.

QUESTIONS AND ANSWERS

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

I think I'll just start. It's what, roughly 90 days on the job for you, Fred?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Yeah.

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

I remember you talked a little bit about building the foundation at Henry Schein, but also the need for continuous improvement, right? Things were run maybe in a similar way for a prolonged period of time.

I'm going to ask you to sort of break those apart for us. What are you looking -- let's start with what you're looking to build upon at Henry Schein?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Yeah. So first off, thanks for having me, and I'm excited to be here. And it's been a great start in the role. And I'm starting to, I would say, get my sea legs, but I still have lots to learn. I spent the first 100 days kind of listening and learning and seeking to understand tour.

And as I'm kind of getting close to the end of that 100 days, I really kind of frame things in three different buckets. I mean, the first bucket of work is really to deliver on our commitments. And we've talked a lot about what those commitments are, delivering on our guidance for 2026, but also delivering on our value-creation initiatives that we've outlined before. And I'm excited to say that we're on track in both areas.

The second bit of work -- or bucket of work for me is around simplifying the business. And when I think about the business as being somewhat decentralized and siloed, in many cases, we have a lot of joint ventures that some of those that we could further simplify.

And even maybe our commercial approach in some ways can be simplified and maybe aligned better so that we can continue to support our customers better and expand from a share of wallet standpoint and provide even more services to our customers and help them, help really define the value proposition that allows them to see us as real partners and not just suppliers to them. So that's the second area.

And then the last area is really scaling for growth. And that's really -- and as to your real question of what do we want to build on, it's really our exciting technology business and our owned brands businesses and really continuing to take share in the market from a distribution standpoint.

So I'm very excited about building on those capabilities that we have already in the business to continue to drive -- to continue to accelerate growth.

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

Okay. That was a really thorough answer. Does that sort of tackle things that you'd be looking to accelerate as well? I mean, anything else stand out on where you could run faster or improve upon, or does it sort of fall under those three things that you just laid out?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Well, I think they fall under those things, but I mean, maybe more specifically in our technology business, boy, we're bringing out new capabilities much faster. And I think that's going to continue to accelerate as we leverage AI and as we partner with others in the industry to bring out different capabilities to our clinical workflow, our open architecture clinical workflow and our PMS system. I think that's going to be really exciting.

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

Okay. That's a great place to start. I'll pivot on to the business a little bit.

And you guys had a solid first quarter. On the earnings call, you called out the US dental market remaining healthy into April. And clearly, investors are worried about consumer confidence. I mean, you can use a couple of different metrics, but per Michigan, it hit an all-time low last Friday. So maybe just talk about the dental market you alluded to April. How have we seen things trend so far to May?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Yeah. I'll start with that, and I'll let Ron maybe talk a little bit about May.

But when I think about the dental market and as I've talked to lots and lots of customers and as people have framed it for me, you've got a couple of different types of customers. I mean, you have customers who go to the dentist every six months, and they are the good citizens of the world. And typically, they are insured by their employer. So as long as they're employed, they go every six months, and nothing changes based on consumer sentiment as it relates to that group of people.

And then you have the other -- another set of patients that sort of wait too long. As a matter of fact, they wait too long to go to the dentist. And they have some challenge or some discomfort or pain or some visual problem that forces them to say, hey, I have to go and get this fixed. And that, as long as -- and their insurance covers that typically. But as long as they're employed, they actually go and do it.

And then there's probably a smaller portion of the market that maybe is more in the cosmetic space, but that's tied to more discretionary income.

So I think in the context of that, our business is pretty steady. It's not -- it doesn't fluctuate so much as it relates to consumer confidence, but it has a lot to do with unemployment rates. And as long as people are working at a reasonable rate and unemployment rates have been pretty steady, I think that means, that bodes well for the market overall.

But I mean, Ron, I don't know if you want to mention how we're seeing May shape up?

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

No, you're right, Jon. What we said in the prepared remarks with our Q1 earnings release was that we saw good momentum during the quarter. We saw a February that was better than January, a March that was better than February. And then we saw that momentum continue into April.

And I can say a couple of weeks ago, we said in some public remarks that at the first part of May, we were pleased with the ongoing momentum of the dental business, and I think that's really continued for us within this particular month.

It's like Fred said, we do believe that the dental business isn't linked specifically to a lot of discretionary income. There is a discretionary piece to it, but it is limited within the industry.

So while you did cite a couple of economic -- whether they're surveys or studies that are out there, I can say that we're not seeing a direct correlation yet within our business.

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

And what do you guys attribute to the improvements in the business to sort of the March building on February, April versus March, et cetera? I mean, are these some early green shoots, Fred, of what maybe you're sort of implementing with the organization?

Ron, is it a little bit of -- there was some chatter that you were maybe hiring some competitive sales reps six or nine months ago, and that's helping from a market share perspective. Are you alluding to the market building month over month, Henry Schein building month over month, or maybe a combination of the two?

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

I think within Schein, it's been the ongoing momentum that we really began to get in the third quarter of last year. And I'm speaking more specific to the dental market right now. We had some promotional activity in the middle of the year last year that helped us gain some market share in the second half of '25.

We have perhaps gone a little more on offense, I would say, versus being on defense as we got kind of caught on defense for a while there. But I think we have -- we're a little more on offense, and we're starting to see that in the share gains, we see that continue into the first part of '26 as well.

Whether that be our success in hiring some experienced reps who know how to deal with our customers, who can bring value to our customers, those are all things that are what we're really emphasizing, and that's really the value proposition to our customers, being solutions providers and not just product providers to our customers, and we're really starting to gain more and more traction with that as the year goes.

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

It's funny. If I remember it correctly, in 2Q '25, you had a little bit of a tough quarter for Schein. You mentioned promotions. Everyone freaked out on the promotions word. But in retrospect, you're saying it might have been a good thing. Maybe it helped you gain some traction, get a foothold in some new practices and then gain share thereafter?

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

It definitely seemed to have been a pivotal point for us, yes.

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

Okay, very helpful. I'm going to continue on the business. So medical had a little bit of a light 1Q '26, but it seems like you have to peel it apart. It's, call it, the underlying medical business versus point-of-care testing headwinds that you cited on the 1Q call. How do you feel about medical's underlying trends? And if you've seen that improve coming out of 1Q as well?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Yeah. I think the -- as we said in Q1, we did see some challenges in kind of the diagnostic test kits around respiratory, primarily driven by flu, but also overall, respiratory. And if you back that out, the underlying business was mid-single-digit growth. So we're seeing that continue here in Q2.

And there are other parts of the business that are growing incredibly well, though. We feel really great about our home solutions business and the growth that we're seeing in that, and we expect that to continue as well.

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

Okay. And just maybe one or two more on trends, and then I'll zoom out. But international, I have to sort of ask a broad question. Any geographies worth calling out? I mean, you guys are very global in nature. Where do you see you have increasing momentum or maybe even some hotspots that have shown some challenges, if that's the case?

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

Well, I think that Germany has always been a steady market for us, not just in core dental, but as well as on the specialty side. And I think that we've been pleased this year with the activity we're seeing there. And we continue to see just a really strong business in Canada that has been really key for us. It's a very well-managed business. It has dealt with some competitive challenges very, very well, and very, very pleased with how the business is doing in Canada.

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

Okay. And maybe just to wrap. Your 1Q '26, I mean, if there were maybe a couple of blemishes, I believe the internal revenue growth number was 2.5%, Ron. It's a reported revenue growth number that you give for guide, but that's north of what you did in 1Q. Do we think about that number as trough for the year and that, that will improve for the remaining quarters of 2026?

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

You're referencing specifically to the internal growth number of 2.5% or just the overall number?

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

Yeah. I mean, I'd say maybe just talk about the overall revenue growth number and how that might play out for the remaining quarters.

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

Yeah. Well, the overall revenue number in Q1 did benefit about 3 percentage points from the -- or 3 points of growth from foreign exchange. Just the math of the foreign exchange rates that we expect as the year goes on, we'll see that benefit diminish as the year progresses.

We do think we can improve on that internal growth number, though. I mean, Q1 did have really two things that created a bit of a headwind on the internal growth. One was the medical situation with point-of-care diagnostic kits, what we just discussed, and also just some timing around the specialty business. And as we said in the prepared remarks, we would expect internal growth in the specialty business to improve as the year goes on.

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

Okay. So those two headwinds are behind you.

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

That's right.

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

Fair enough. Fred, I'll pivot. And on the conference call, you discussed new products. And it's funny. For Henry Schein, in the past, I always thought when Henry Schein talked new products, it was almost like making a call out to their manufacturing partners and saying, where is it? Invest in R&D, we want some new products, and we'll sell it. But you guys go ahead and develop it and spend on it.

You seem to be taking a different approach, saying what Henry Schein could do. So if you don't mind maybe elaborate on that? You said earlier, the software business, maybe AI, But what do those products look like? And from a timing perspective, when can they come to fruition?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Yeah. So I mean, first off, let's don't walk away from working with our supplier partners and expecting them to introduce new products. We're excited about all of our suppliers investing in new products.

And actually, we do see ourselves as a great place to launch new products, and many of our suppliers do as well. The one that comes to mind that's incredibly exciting is Curodont, the launch of the Curodont product exclusively through the Henry Schein distribution network, which is making a huge difference for our customers. And so we're very excited about that. So that is a real important part of our portfolio.

But yeah, we're -- when I think about the technology business, the new products, they don't always look the same way. They're the new capabilities. And we have launched quite a few new capabilities in the recent past. And what I'm excited about is really accelerating that, leveraging our own AI development internally, which allows us to bring things to market faster, but then also working with partners who we want to plug in or who want to plug in to our clinical workflow there. So I think you'll see a steady drumbeat of new products and new capabilities coming to market in our technology business.

And then finally, in our specialty products business, new products is an important part of where we are investing, and you'll see us continue to launch new products in that business as well.

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

Okay. Maybe across all the platforms. I mean, I'm used to some of that innovation we've seen come through in implants. Are there opportunities in endo? And it might be a little bit early to ask you, but thoughts on ortho and if you want to be there longer term?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Yeah. I think it's a little early to ask me that question, so I'm not going to answer it, but -- today, at least. But at some point, maybe we'll come back and talk about portfolio.

I will say we're very excited about our implant business. In Q1, we became the majority owner of S.I.N. US distribution business, which is a value implant business, which is really the place where you're seeing a lot of growth in the US. And by adding that business, really allowing ourselves to align the portfolios there, we think we're going to see a lot of growth, and we're very excited about that.

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

Okay. A few more, maybe I'll stick on the new products and accelerating growth.

On that earnings call, you seem confident about the company's ability to accelerate growth across the different businesses, maybe distribution and specialty and technology, 90 or 100 days on the job. But as you sit here today, are there certain businesses where you feel more comfortable or more bullish on the prospects to accelerate that rate of growth?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

I think we have -- I mean, each business has an opportunity to grow faster than it is today. And I mean, I think it's important to note that we are taking share today. So if you look at our growth versus the market, we're growing faster than market. So I think that's a positive place to start.

But as we think about -- and I talked about this on the call, as we think about aligning our go-to-market and aligning our commercial teams in a way to expand the number of offerings that customers buy from us, then you would have to believe that we're going to grow faster. That means where customers are leveraging us from a distribution standpoint, that we continue to add in our value-added services so that we can help them from a solution standpoint. Or we also want to, of course, continue to increase the growth of our own brands with our customers, which will, of course, drive growth.

And then again, from a technology standpoint, continuing to add capabilities where we can do two things to increase recurring revenue. One is adding more of our cloud-based Ascend platform placements. So that's actually growing rapidly for us. And then secondly, as we add capabilities to our current placements, increasing that share of wallet and allowing customers to continue to upgrade to add more capabilities to their practices.

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

Okay. I just want to survey the landscape, I'm going to see if I'm missing any questions. Sometimes I always have my head down. Guys, if you have questions, throw your hand up, please.

I want to go back to how you sort of led off with some of your comments. You said three things, and one of them was delivering on the guidance and also the value creation. And you said you sort of feel good on both of those, and you shared some comments about the business in the past 10 or 15 minutes.

Let's shift to the value creation. So after those 90 days on the job, what else, Fred, can you share on value-creation initiatives that give you increased confidence on that $125 million run rate net number exiting the year?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Yeah. When I think about the value creation initiatives, it's important to understand that they're not -- there's maybe two things. One, they're not just cost initiatives, which you didn't say. But they're broad value creation initiatives, and they're split in two areas.

One, we'll be driving more gross profit. And when I think about that area, we're focused on adding analytics, adding tools, adding people to allow us to have better visibility in the pricing so that when it makes sense, we have the opportunity to raise price, we can do that. Where we have the opportunity to lower price and drive more volume, we can do that. And that's a real capability. That's a new capability for the company or an enhanced capability for the company that will well outlast the value creation period of time. We'll continue to see improvements or benefits from that over a period of time.

We also are focused on, of course, growing our own brands and tactics and strategies to do that. That's a part of increasing our gross profits as well.

But on the cost side, we're also building capabilities also. So if you think about the fact that we did not have a shared service for our back office, we're very decentralized. We didn't have a shared service. And we are truly building with an outsourced partner, a shared service for the business, which, again, initially would be a lift and shift, and we'll see some benefit from that. But over time, we'll standardize those processes and continue to drive improvement because of that.

And then finally, from a leveraging our scale standpoint in sourcing, we were not leveraging our scale from an indirect sourcing standpoint. So we've built capabilities to do that as a company, and we'll continue to see the benefit from that over time. And that is both in systems, in process and in people.

So for me, the value creation, delivering $125 million, I'm excited about that. We have line of sight to do it, and we'll have a $125 million run rate by the end of this year net. And then we'll deliver up to $200 million over the next few years net. But for me, the thing that I'm most excited about is we're building capabilities that we will continue to benefit from over a period of time.

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

That was great. That was really helpful color. Ron, feel free to push back if I make a statement that's off. But in my view, price realization for Henry Schein seems somewhat evasive in the past. And Fred, you're talking about maybe being able to lean in and take price in select cases. So what allows you to do it? So it's better information, it's better systems in place that allow you to identify select situations where you can take price? And do you feel comfortable you'll be able to do that even with a customer base that is still somewhat price sensitive?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

I actually think -- when you think about us as a business, we have a very broad portfolio. And the fact that certain SKUs, the price goes up, it doesn't mean there are alternatives for customers. And it gives us a chance to have that conversation and say, well, if you're looking for a lower price point, we've got another opportunity for you. And then oftentimes, those opportunities are our own brands. Not all the time, and sometimes they are our private labels.

So for customers that are price sensitive, there's a solution. In places where we can raise price, we certainly will consider and take those opportunities.

And I think about it in value pricing because it's not just that we're going to go out and raise a bunch of prices. In places where we need to lower our prices to be more competitive, we'll take those actions as well. So I don't think of it as a one size fits all. It's not just raising price. It's actually getting to the right price to optimize the business.

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

Okay. I want to sort of lay out an area where I struggle, but it's a good place to struggle. And Ron, maybe I'll push you a little bit here.

So I struggle with the numbers of the value creation of $200 million net and tying that figure back to high-single-digit to low-double-digit EPS growth. And struggle in a good way where even if the business is doing okay on an underlying business perspective and you layer in $200 million in net cost savings over a few years, I have your EPS growth probably a heck of a lot closer to mid-teens than high-single digit to low-double digit. So is it a little bit of conservatism built in there? Does it allow for maybe a base business that decelerates a little bit? How can we reconcile those two items?

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

Well, I mean, just to kind of step back from it a little bit and repeat back out what we've committed to. We've committed to, as you said, $200 million of operating income improvements. Not all in the form of cost savings, but it is operating income improvements over the next few years. Some of that will be in the form of gross profit improvement. Some of that will be in the form of lower G&A.

We have also committed to a net $125 million savings by the end of 2026. I think I said the word savings, what I mean is operating income improvements because some of that will also be in the form of gross profit improvements. That $125 million, as we then enter '27, clearly, those -- the benefits that we're committing to there do support the notion that we could get to double-digit earnings growth in 2027.

Having said that, there are other variables we'll be taking into consideration when we provide '27 guidance. It's clearly way too early for us to be providing '27 guidance. But when we do provide '27 guidance, which typically would be in February of '27 if we follow the timing pattern of the last several years, it will be an important variable when we determine what that guidance will be.

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

Okay. Just looking at the audience. I'm going to hit on a couple of more topics. And Ron, you and I usually do a little bit of like a cadence dance up here every now and then for Jaws & Paws. So we'll keep that tradition intact as long as you don't mind.

You mentioned the back half should be -- should have better earnings than the first half. And I just want to make sure that's just an absolute earnings comment, 1H versus 2H? That's not a growth rate thing?

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

I expect earnings to be -- we expect earnings to be greater in the second half of the year than the first half.

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

Okay. So I think the Street is there. I think the Street is right around 52% of your earnings in the back part of the year.

The 2Q EPS cadence, you're usually up 1Q to 2Q. You weren't last year. We mentioned that rough 2Q from promotions, but you're usually up 1Q to 2Q. You were $1.32 in the first quarter, but it had $0.07 from the remeasurement. So if I strip the $0.07 from $1.32, think about $1.25 underlying. And then cadence-wise, you usually are up Q-over-Q. Is that fair?

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

Well, I mean, I think as you're aware, Jon, we haven't typically provided quarterly guidance, right? So we did affirm the full-year guidance. And we did say, as you mentioned, that we would expect earnings to be greater in the second half of the year than in the first half of the year.

When we get to the end of Q2 and we provide the earnings release in early August, we'll address what we believe the balance of the year will be at that point in time.

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

Okay. And then, Fred, what do you want to do with this remeasurement gain longer term? And it came up when we all had the opportunity to meet with you the first time. And it just creates a lot of noise, sort of noise I'm doing right now with you guys up here.

So is it like, hey, let's just strip this and make the business a little bit easier and take out some of the lumpiness? Or is this, hey, as you mentioned earlier, you have a lot of JVs and you've invested in these businesses and it gives you the opportunity to bring them in-house, and it's just part of the business as we move forward?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Yeah. So I think the first thing is it's important that we talk about our strategy and what we're doing. And as in Q1, we were very clear that we took a majority stake in our S.I.N. joint venture because we wanted to be the majority owner because it's part of our strategy to grow the implant business. And value implants are growing, and we really needed this in-house. So I think the first thing to know is that we'll be very clear about what we're doing and why we're doing it. So I think that's important.

And then as a result of that, there was a remeasurement gain. We're pretty -- we're as transparent as we could be about what that meant from an EPS standpoint. So I think we'll do that and follow that for the rest of the year. And we'll take it under consideration as we bring out our guidance in 2027 and make a decision at that point.

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

Okay. And Fred, have you been running the business long enough? I think what preceded you was some investors who may have thought, look, there's the opportunity to spin this medical business and it could unlock shareholder value. I thought on the conference call, you guys cited a little bit of the competitive advantage from having those businesses together.

Ron, in the past, I think you talked about or alluded to the overlapping SKUs. I'm just curious, when you look at the company and sort of the playbook in front of you, is that off the table and it's really just about execution, accelerating growth, unlocking value creation, or could we see more dramatic steps taken?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Yeah. I mean, at this point, we're comfortable with the perimeter of the business. I mean, those businesses are quite integrated from a supply chain standpoint.

And just remember, one of the things that is unique about our company, one of the things that really drives a lot of value for our customers is that we have a supply chain that is purpose-built to support the right level of product or the right size of products to small office practitioners. And that's the same whether it's dental or whether it's physician or non-acute.

We don't supply in the acute world. We're not positioned to do that, and we don't aspire to do that. So there is quite a bit of overlap. 30% of our SKUs are overlapping between medical and dental. And for now, we're happy with the perimeter. If that changes, we'll let you know.

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

Okay. A couple more questions, and then I want to end with capital allocation and go back to you, Fred, but maybe just a couple of small ones.

Ron, it seems pretty straightforward why medical would improve off those 1Q levels. You mentioned the point-of-care testing. But you alluded to Specialty strengthening going forward as well. What held it back in 1Q? And was it a comp thing, or what was sort of transitory within the Specialty division and the confidence we see that number improve?

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

Well, I think within that particular segment, you can have some -- different than distribution, you can have the occasional larger sale, whether it be in the form of an export or -- that's just one example of where you can have a larger sale. So we did have some difference in timing associated with that quarter.

That quarter, actually, the results were in line with our expectations. It was what we were expecting with it. And we do expect the internal growth within that segment to be better, to improve as the year progresses.

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

Okay. And then just a couple of quick ones on equipment, and then we'll conclude with capital allocation. Where are you guys now on this US split between traditional versus digital? And I ask because you used to provide that. But now for so many quarters in a row, traditional seemingly outgrown digital. So is there sort of a new split when we think about those two divisions?

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

No, it's still roughly a 2:1 split. It's about a two-thirds, one-third split, two-thirds being traditional equipment, one-third being digital equipment.

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

And any line of sight -- I feel like one of the underappreciated things in dental or one of the, I don't know, misconceptions is that consumption has been under pressure with the dentists. And I don't really think that's the case. I think they've bought intraoral scanners. They've purchased 3D printers. Maybe there's certain equipment that they've been more reticent to buy because of structural headwinds. It's just really this pricing that we've seen. I mean, I remember intraoral scanners when they were $40,000. Now maybe they're $9,000 or $11,000.

Any line of sight where we might be coming up against bottoming in price on a couple of these key equipment items where the growth rate would be more reflective of volumes per se going forward?

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

I would say that it's becoming a dangerous game trying to predict when the -- we're going to find the -- where that ASP is going to land. I think that more and more entries are coming into the market at very competitive prices. We're getting good volume increases in intraoral scanner sales, but it is at lower ASPs as the lower-price items tend to be taking more and more of that market. It's not necessarily a hugely negative thing for us.

I've always said when a practice has bought its first scanner -- and maybe this is -- we're down to the point where this is a very attractive price point for practices to invest in an intraoral scanner. They really kind of crossed that threshold from being an analog practice to being a digital practice. And now -- they now open themselves up to being a customer for additional digital equipment.

And so I think as more and more offices buy scanners and begin to adopt digital technology, it does create more opportunity for us down the road.

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

Last one quickly, and we're running a little bit over. But Fred, over to you. I think from a capital allocation standpoint, that free cash flow has been used predominantly for share repurchases. Any thoughts on tweaking that? M&A, in short? Where -- what's the best approach in terms of deploying your capital?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Yeah. I think we remain committed to a balanced and a disciplined capital allocation strategy. In recent past, we've prioritized share buybacks. We did in Q1. I think you'll see that continue to be a priority. I mean, the stock is clearly undervalued, at least in my opinion. And so we think that will continue to be a priority. We do want to maintain enough flexibility for strategic investments.

But as I think about M&A, I think you should expect us to be a very disciplined acquirer, and we'll certainly look at opportunities. But I think we'll be -- we'll look at opportunities in a very disciplined way, focused on -- what does that mean -- focused on assets that are strategic. And I mean, strategic in the context of they continue to help us build out this platform to really support our customers better, assets that are going to drive organic growth in the future. And of course, that will drive expansion in margin and the appropriate returns for our shareholders.

So I think you'll see a balanced approach from us. But in the short term, we're very focused on share buybacks given where the stock is.

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

Okay. Fair enough. We're going to have to conclude there. Guys, thanks very much for your time.