Henry Schein: Doing Well by Doing Good?

When Stanley Bergman became the CEO and chairman at Henry Schein, Inc. in 1989, the company had annual revenues around $225 million, employed fewer than 1,000 people and operated out of one location on Long Island, New York. It was then known as a U.S. dental supply mail-order catalog company. By 2013, Bergman and his executive team, many of whom had been with the company for decades, had created a global company. The company’s mission was to provide its customers (dentists, veterinarians, medical doctors and dental laboratories) “with innovative, integrated health care products and services and to be their trusted advisors and consultants, enabling them to deliver the best quality patient care and enhance their practice management efficiency and profitability.” The company had estimated 2013 sales of more than $9 billion, 800,000 customers, and nearly 16,000 employees across the world. Since going public in 1995, Henry Schein had grown impressively and outperformed the broader market. (See Exhibits 1 to 3 for historical information and Exhibits 4 to 7 for 2012 data.)

Bergman, an accountant by background, credited the company’s growth to its people and a culture of care and respect, and a commitment to corporate social responsibility—“doing well by doing good.” “Team Schein” – the employees were at the heart of the company’s success, the pivotal piece needed to deliver the company’s promise to its stakeholders (see Exhibit 8 for the company charter). Throughout the company’s history, growth and change had often tested the preservation of this culture and commitment. And this challenge intensified annually as the company’s size, geographic range and business operations expanded.

In 2014, Bergman and his colleagues were acutely aware of the challenges ahead. The first was one of growth. Over 30% of Schein’s growth had come from joint ventures and acquisitions of mostly family-owned businesses of varying sizes both in the U.S. and abroad. Historically, it had been possible to transition these acquisitions and partnerships to the Henry Schein culture very successfully. As the company continued moving towards new global markets, this model would be put to the test again. Could the company’s approach be successfully translated into the newly emerging markets where Schein was seeking to expand, including China and the developing world in general?

Secondly, Schein was evolving its business model from being primarily a logistics company with a value-added services component to becoming a company with a primary focus on value-added services and the sale of specialty products that the company might need to manufacture directly. “We
want to be more than just a distributor. We want to be an integrated solutions network, which depends on having strong and trustworthy relationships with our customers,” explained Dave McKinley, president of Henry Schein’s Medical Group. This would pose a further challenge as Schein moved into new market segments and new executives were brought into the company.

The third challenge the company faced was strategic: U.S. dental, animal health and medical practices, the backbone of Schein’s business, were consolidating. More and more dentists, veterinarians, and medical doctors had opted to work for large national or regional companies, rather than for their own private practice. While some of Schein’s businesses had been positioned to service large institutions and governmental customers historically, as this trend of consolidation grew, how would Schein’s other business divisions manage the shift? Would they be working with someone from the customer’s corporate purchasing department rather than the individual health care practitioner, for example? And if so, what would that mean to Schein’s business model, built in part on the personal relationships with practice owners? Furthermore in the U.S., the probable impact of the U.S. Affordable Care Act was still unknown. Would it put further pressure on dentists and medical practitioners?

Last but not least, many of the senior managers who had built the company had been with Schein since the 1980s and early 1990s and was now thinking about succession planning. In order to support the company’s continued growth, Henry Schein was increasingly bringing in senior managers who had not “grown up” in the company. Did the introduction of too many outsiders bring with it a risk of diluting the culture? Could the company maintain the unique mix of results focused on accountability and personal respect that had historically proved to be so successful?

A Family Business

In 1932, Henry Schein borrowed $500 and opened a corner drugstore in Queens, New York. In the front of the store, his partner operated a soda fountain, and in the back Schein, a graduate of Columbia University’s College of Pharmacy, filled prescriptions for physicians. Not long afterwards, Schein started to sell medical supplies by mail order to physicians. This business took off in the mid-1940s supported by Schein’s access to penicillin at a time when there was a shortage.

In 1953, Schein bought out his partner, removed the soda fountain, and replaced it with a medical supply counter displaying stethoscopes and other instruments, and later in the 1960s expanded into dental supplies. Henry’s wife Esther looked after the company’s books. The dental supply business, which was largely mail-order, grew to dwarf the medical supply business.

By the 1970s, the dental supply business became the company’s key focus under the leadership of Henry’s son Marvin Schein, who took over the day-to-day management of operations in 1971, supported by long-term, trusted, professional executive Martin Sperber. By then annual sales were in the vicinity of $6 million and the company stood for dependability, customer service, extensive product offerings and published low prices. In 1980, Henry’s older son Jay took over as CEO. “Jay saw the need for professional management and the investment in technology,” said a senior executive. In addition, Jay Schein put a lot of his time and energy into establishing and growing the company’s generic pharmaceutical business, called Schein Pharmaceutical. During the 1980’s, Henry Schein also benefitted from a large boost in revenue due to a new understanding and emphasis on infection control within the health care industry, through the sale of latex gloves, masks and other related products.
Many long-time employees spoke fondly of the Schein family. “Every winter, Henry and Esther would give us $100 to buy a coat,” said one long-time employee. “They made us feel like one big family.” Another spoke of Jay: “He would take the entire company skiing. Jay loved to ski. For many of us it was the first time we were ever on skis. I mean, we’re from Long Island.”

**Bergman and the Team Take Over**

While Schein Pharmaceutical was growing and profitable in the 1980s, the distribution business was not. Bergman, who had joined the company as CFO in 1980, became co-chairman and co-CEO of Henry Schein in 1989 following Jay Schein’s tragic death from cancer. Co-chairman and co-CEO Marty Sperber, who previously headed up marketing and purchasing, took over the leadership of Schein Pharmaceutical, which was later divested. At the time, Henry Schein was valued below book value at $32 million. The Schein family gave Bergman five years to turn the distribution business around and take the company public. “We had no cash,” recalled Len David, senior vice president (SVP) and chief compliance officer, “we needed to sell the dream that we could make the distribution business successful.” A team of young, untested executives were tasked with growing and leading a company during a time of great transition.

**Stan and the Team’s Strategy**

Bergman’s challenge was daunting. While Schein had approximately 12% of the U.S. dental supplies market, the company faced thousands of competitors who were offering similar products, many at similar or lower prices, while providing better customer service. The competition also had field sales teams, whereas Schein did not. Bergman’s objective was to optimize the company’s distribution capacity to lower costs so as to increase operating margins, and to increase the level of service to its customers. This would be achieved through a combination of objectives that increased the average spend of the existing customer base, and increased the number of new customers. To do this, the company developed three strategies: move from a mail-order dental supply business to a full-service dental business; diversify outside of dental; and grow internationally. Each element was to be executed simultaneously, particularly as opportunities for acquisitions and joint ventures opened up.

Jim Breslawski, president, Henry Schein, Inc. and CEO of Schein’s Global Dental Group, who led the transformation of the dental business and had been with the company for 33 years after leaving an accounting practice where he had worked with Bergman, explained the company’s strategy to transform the dental business:

We had about 60% of the mail-order dental supplies market but mail-order was less than 20% of the overall market. We moved from mail order and into full service dental, and we started by attracting field sales and equipment service people who believed in the vision to help support an already well-established telesales organization. So now we could offer the sale of large equipment and when the dentist’s equipment broke, we could service it. But we felt more was possible. We wanted to redefine full service. So we added practice management software and later digital technologies to our product line. We added sales people and invested in training so our sales team could become consultants to dentists, showing dentists how they could significantly improve their practices. Relationships between our sales consultants and dentists took hold, rose to a new level, and we became the dentist’s trusted partner. We listened to their vision for their practice and tried to deliver solutions so they could achieve their goals.
While the company was transforming its dental business, it also was expanding internationally, building its medical practice business and gradually entering into the companion animal health business. Schein had a small Canadian business in the 1980s, and in 1991 entered the Dutch market via a catalog. In the following few years, it entered Belgium, the United Kingdom, Spain, Ireland, Germany and Austria via joint ventures and partnerships. By 1995, Schein had five distribution centers in Europe.

Steve Paladino, the company CFO and one of the longer standing members of the Executive Management Committee (EMC), commented on the international strategy:

The success of the company stems from a deep understanding of the new opportunities offered by the market, and the ability to capitalize on these opportunities. This understanding allowed us to transition to a full service model in only 5 years. Similarly, we were the first to recognize that the European market was very fragmented, and that no large Pan-European players existed. Therefore, we quickly entered this market. We also entered into the Australia/New Zealand market. While this was not a perfect story, we had no major setbacks. However, we knew what we wanted to achieve, and did not lose sight of the target even in the face of difficulties.

In November 1995, the company raised $73 million in its initial public offering and began trading on NASDAQ to provide liquidity to the Schein family and to access low-cost capital to fund expansion. The company’s transformation under Bergman’s leadership was evident in its 1996 results. The company had sales of $1.4 billion and profits of $29 million. Of total sales, approximately 60% were dental, 25% medical, 3% animal health, and 2% technology (all domestic business) while 11% was international.

“As we added more customers and more global coverage over the years,” Mark Mlotek, executive vice president and chief strategy officer, said, “we were able to expand our access to more products and obtain some exclusive products from our suppliers. And the more products we had to sell, the more customers we could attract. Our extensive product offering is the foundation of the ecosystem we have been able to create.” Almost all products were sourced from third-party suppliers (although Schein did acquire a few small manufacturing companies to self-supply when it could not get products the company felt were essential to have as a full-service practice provider). Also approximately 10% of company sales were of corporate brand products. The company surveyed its suppliers to understand their perceptions of the company by function, including accounts payable, executive management, inventory management/purchasing, etc. On average, 96% of suppliers who responded indicated that they had a favorable experience with Schein.

Providing new opportunities to deliver value-added services in existing relationships was something that the company had consistently strived for over the years. “The context changes,” Paladino commented “but the idea is always the same. For example, when we deal with groups of dental practices rather than individual dentists, we know that they will be more interested in the prices, services and data analytics we can provide rather than the breadth of our catalogue, and we adapt the model accordingly. Our ability to focus and the belief in our strategy, as well as our participatory environment, is what allows us to sustain our strategy over time.”

Over the years, Schein’s major competitors in the U.S. dental business were the Patterson Dental division of Patterson Co., Inc., Benco Dental Supply Co. and a dozen or so midsized companies. In the U.S. medical business, McKesson Corp., PSS World Medical, Inc., and Cardinal Health, all national distributors, competed against Schein. In the U.S. animal health segment, MWI Veterinary Supply, Inc., and the Patterson Veterinary Supply division of Patterson Co. were all major
competitors. But in addition to these large companies that competed against Schein, thousands of small distribution companies and small manufacturers that sold direct to practitioners made up the bulk of the competition. The international markets were highly fragmented. (See Appendix for more information on the industry and competitors.)

As one of the drivers of success, the company became an acquisition machine: between 1989 and 2012 the company made over 100 acquisitions. (See Exhibit 9 for sales growth by acquisition and Exhibit 10 for acquisitions from 2004 to 2012.) In 1996, alone, Schein entered into or completed seventeen acquisitions. Of these, 15 were for majority ownership (100% in 9 of the transactions). On three separate occasions, Schein took majority stakes in companies held by private equity firms.

Acquisitions and joint ventures allowed Schein to gain access to additional product lines, field sales consultants and to develop a presence in new geographies. Mlotek said: “We built a business development team that is a competitive advantage for the company. We can do 10 to 20 acquisitions each year; we can even do numerous acquisitions at the same time. And we have a healthy pipeline of 80 or so investment opportunities at any given time.” Bob Minowitz, president, International Dental Group, added:

We rarely enter a new geographic or product market without a partner. Our key objective is to learn the local market. It is not simply about financial benefits, but rather it is about building out our footprint. This was our approach in Europe and we are now the largest distributor there, twice the size of our nearest competitors. With our partnership approach, where we acquire 51% to 70% of a company, we want to maintain local knowledge and local accountability. We constantly challenge ourselves to build an entrepreneurial culture. We have found that the best way for the management of acquisitions and joint ventures to learn from us, and to give us a chance to learn from the company we merged with, is for the original management/ownership to be with us for a number of years, and to experience and understand our culture. The people drive the business and when they’re aligned and engaged, we’ll all be more profitable as a result.

“What we are not,” continued Mlotek, “is a turnaround company. We take existing management and invest in them. So in a way it’s a private equity model, but Henry Schein maintains its interest on a permanent basis.”

“There were four pivotal acquisitions to the evolution of the company: Dentrix Dental Systems (1997) provided us with Windows® dental practice software and a 3,500 installed user base with annual sales of $10 million to complement our install base of 10,000 DOS user systems; Sullivan Dental (1997) came with a large field sales organization and put us on the map as a full service dental business; and demedis GmbH (2004), provided us with greater access to the European markets,” one EMC member said. “And then there was Butler, which gave us market leadership in the U.S. animal health market.” In early 2010, Butler merged with Schein’s relatively small companion animal health business to form Butler Schein Animal Health. As of 2012, Schein held a 71.2% ownership stake, and, in 2013, the business was rebranded as Henry Schein Animal Health.

“Our business philosophy, commitment to social responsibility, and ability to form deep, trust-based relationships is what has enabled us to harness the entrepreneurial energy of innovators and form joint ventures with partners and competitors from across the industry,” said Bergman. “There are bigger companies to go to, but in the end, it is the trust we have built that provides the confidence to innovators that joining us will create an optimal platform from which to make their vision a reality.” One example was Schein’s creation of its Zahn dental laboratory supplies business through a joint venture with Norman Weinstock in 1985 to become a leader in the field. Another example was
the company’s 1997 merger with Sullivan Dental Products, established by early industry pioneer Robert Sullivan. Robert’s son, Tim Sullivan, became and remained the president of Schein’s North American Dental business, the largest business division of the company. A third example was the company’s joint venture in 1998 with Maurice and Bernie Stang of Regional Health which created Schein’s business in Australia and New Zealand. Both Stang brothers remained contributors to the business nearly two decades later. Lastly, commenting on a fourth example—Schein’s 2010 investment in the Ohio-based Butler Animal Health business, owned by a private equity firm and the Ashkin family—Bergman noted “Michael Ashkin and his family were long-time fierce competitors and have since become great partners in several joint ventures.”

“Once a partnership is formed, we look for integration opportunities, but we don’t push,” said Michael Racioppi, SVP, chief merchandising officer, and 21-year Schein veteran. “There is no one cookie cutter approach to all acquisitions.” As result of a pull versus push philosophy around integration, there were 400 different profit and loss statements at Henry Schein, and multiple purchasing systems, distribution systems, and reporting systems that did not necessarily tie together. “It’s not easy for me to get a rollup of products sold by country,” Racioppi said. “We have an effectiveness model rather than a pure efficiency model,” said Lonnie Shoff, CEO, Global Animal Health and Strategic Partnership Group, “We focus on local optimization.” Lezlee Blackburn, vice president, European Inventory Management, explained:

What you don’t want to do is make a country unprofitable by stamping the global footprint on them, and that’s one of the things that we don’t do. We make sure that we understand what they need. For example, within purchasing, we have a system called E3 that bolts onto any host system, and when we acquire an organization, we talk through the technology of E3, and then we explain the benefits. We get pushback sometimes, because it can be seen as a loss of control and too much transparency, so depending on the market, we could do things faster or we could do things slower. In some of our countries, for example, we have EDI and in other countries they prefer to have telephone and paper.

Of the integration of Butler Animal Health into Henry Schein, former Butler CEO and Chairman Kevin Vasquez (now chairman, president and CEO of Henry Schein Animal Health) said, “Yes, things changed for us . . . there was more scrutiny, more attention to quarterly results. Yet Schein did not dictate what needed to be done. Both parties knew they could learn from one another.”

The Team

The Employed a critical role in both leading the company and in reinforcing the culture by its own example. (Six members were added in 2013. See Exhibit 11 for member bios.) “Much of today’s leadership was installed fifteen or more years ago,” Bergman explained. “We have always focused attention on who to put in what job. We are not necessarily experts in all phases of the business, but what each of us does have is a complete understanding of our culture. The senior team members are all practitioners of our culture, and all are very intensely detail oriented.” Five members—Gerry Benjamin, chief administrative officer and executive vice president, Stan Bergman, Breslawski, Mlotek, and Paladino—were also on Schein’s board of directors (for independent directors see Exhibit 12).

EMC member Shoff said: “I have been with the company for four years. This team of people is unique in that they have accepted what they are good at—like siblings; they know each other’s strengths and weaknesses. It is never people advocating for their individual interests; people will advocate for the good of the company.” Paul Rose, SVP, Global Supply Chain, and one of the newest
members of the EMC, added, “There are no hidden agendas and we take care to ensure all messages from us are consistent so there is no confusion or uncertainty within the organization."

Management by consensus and inclusiveness was one pivotal element of the EMC and other senior management. “In my 25 years,” noted Mlotek, “I’ve never heard Stan issue an order.” Stanley Komaroff, senior advisor, said, “He often speaks first in management meetings and Stan lets his views be known but he is also inclusive to an extreme. He wants the team behind all decisions. If the people agree, he trusts their judgment and consequently does not need to spend as much personal time on an issue.” Dr. Kerry Sulikowicz, consultant to Bergman and to senior management on organization development and leadership observed, “New ideas need to be socialized. Even though it may take longer to arrive at decisions, once you’ve touched all the bases you get great buy-in.”

A senior executive located abroad said,

   Everybody has to get onboard, and that includes at the executive management level. The EMC, they’re all friends, working together for years, and they all have to make sure that they reach consensus. You see it. If somebody has a doubt about something or doesn’t want to move ahead, it will slow the whole process down. So it’s this constant push and pull of . . . go fast but slow down and build consensus and make sure everybody agrees.

Consensus decision making was aided by a de-emphasis of organizational hierarchy, a belief in full transparency, and an emphasis on broad and vertical input. “Part of the culture is that everybody is informed of the smallest detail especially when things go wrong. If you know something has gone or is going to go wrong, let Stan know,” said Jim Harding, SVP, chief technology officer. “If Stan is informed, or for that matter other managers or supervisors, then you can marshal the resources to fix the problem. It is a great benefit to not have to carry a burden around on your own shoulders alone.”

   It is great to have the support and the help of others,” said one senior executive, “but don’t get me wrong. There are times when you want to say, ‘enough! I’ve got it covered.” Another manager added, “With communications you copy 20 people not 4; you want everyone to be aware of an issue or decision even if it does not directly impact their department.”

   We are a group of Type A personalities that will work harder than the next person to win, which is 80% of the battle in the distribution business,” an EMC member said. “Yet Stanley has created a culture where any senior executive can walk into a meeting and ask candid questions about strategy or actions: Is this the right thing to do? Have you thought about this? It is never adversarial where the attitude is, who are you to tell me about my business?”

**Team Schein**

   “A large part of the company’s success,” said Benjamin, “is what we call the Team Schein culture. In practice it is simple: treat people the way you want to be treated. Treat everyone as equals. We don’t have employees, we have Team Schein Members or TSMs.” One customer service culture manager in Melville, in describing the Team Schein culture, said:

   I wouldn’t say that everything is perfect and you have this culture where nothing ever goes wrong because that is not the case. But I think one of the things that I have found in working here for 10 years is that people really respect your opinion. Not everybody is going to agree . . .

   You can’t reasonably expect that with a lot of people in different departments coming together. I think we try to come up with a reasonable resolution for things and I think that process works nicely. I’m in customer service so we partner with a lot of groups and we don’t always agree. And we’re a little bit selfish, obviously, like all groups when it comes to our needs. But,
at the end of the day, we all want what’s best for the company. When I am interviewing to hire I tell the candidate that on my first day at Henry Schein, I walked down the hallway and everybody was walking by saying, “hello” or “good morning.” And I thought, “This is weird.” It was really strange to me until I got used to it and then I said, “Wow, this is unique.”

Depending on whom you ask, the company’s culture either started with Bergman or with Jay Schein or with Henry and Esther. “It all starts with Stan,” said one executive. Another said, “Jay was the visionary, Stan learned from Jay, and took it to a new level.” Others in the organization clearly traced the company’s culture back to Henry and Esther Schein and the way they treated employees. Said one relative newcomer to the company: “You hear these amazing stories; it is like sitting around the campfire.” “Our roots are our competitive advantage,” added one 21-year SVP. “What has made all the difference is the people, who care so much about the company and each other,” said Howard Stapler, vice president, global services administration, and a 21-year veteran at Schein.

“It really comes down to feeling that you are part of something very personal, even though we are a company of 16,000 people,” said Allison Neale, a 6-year manager. “Being a Team Schein Member means that you are more than just an employee . . . you are respected as an individual person. It is almost like being part of a giant extended family. You always feel that your individual contributions are important to the whole. This feeling of being a TSM is intrinsically motivating and makes you feel like you want to do excellent work because the work that you do really matters.”

Principles

“There are several principles of the Team Schein culture,” Benjamin said. “The team comes first, you include and engage people at all levels of the organization, you hold people accountable, expect them to be honest and transparent, and you keep a finger on the details. Each element enables trust to be built and maintained; and with trust you can make things happen. And finally, there is a sense of giving back to the community.”

Putting the interests of the company and the team before any individual needs was a key principle. “People that put the institution first,” said Michael Ettinger, SVP, corporate and legal affairs & secretary, “tend to excel here rather than those that focus on individual awards.” Another TSM added, “You have to be a team player, and that goes beyond your department. So you may have business goals and targets for your department, but when you are in a situation that might jeopardize one of your MBOs (management business objectives) but it’s ultimately in the best interest of the company, you have to be that person that chooses what’s best for the company.” Lorena Bloom, director of the Office of the CEO, added: “When I joined the company two decades ago, the team always came first; and that remains true today.”

Bergman felt strongly that engaging the team was essential to getting results. “You don’t create without engagement,” he said. “We have no patents, so if we are not engaging our team, then we are not optimizing the company’s success. Our people are our greatest assets.” For example, more than 100 managers were involved in developing the company’s 2012 strategic plan. Bergman added:

Everything we do can be done by others. You can get a warehouse; you can get distribution software; you can get a list of all of the dentists in the U.S. or U.K. There are no barriers to entry. The only way to have success in our business is to have everyone engaged. We are big subscribers to the notion of intrapreneurship; we want people to feel like entrepreneurs even though they are working for a large company. I have never met an entrepreneur who was not engaged. Being a successful manager is like being a camp counselor . . . you need to be able to get everyone on the field and ready to play their best.
This strong emphasis on the softer elements of culture was complemented by a laser-like focus on detailed engagement with the business and accountability for results. “Stan is an accountant and into the weeds . . . he has a detail orientation,” said one senior executive. “He cares for the people but pushes hard. People do not want to disappoint him.” Rich Miranda, vice president, chief administrative & operations officer for the Global Dental business, explained:

Pressure is always up. There is never a feeling that you have arrived. There are many business updates with senior leadership—and there are always a host of items that come up during these updates that make people feel like they could have done more. This starts with Stan, but is now a characteristic of other senior managers. You do not want to go to a meeting here if you have not met your numbers. You are expected to meet numbers. Acknowledge you have missed and come out with an action plan. Our CEO is present physically and is personally involved if things don’t go well. He’ll send personal notes if you are missing your numbers as well as notes of encouragement.

Bergman and the EMC felt that putting the team first, engaging the workforce, and insisting on transparency and accountability throughout the organization helped to build trust between departments, functions, and management and their reports. “We work very hard for the health of institutional trust,” said Jim Breslawski. One TSM, a middle manager, said, “I know the company has a plan for me. I don’t know what it is right now, but I trust that it will be in my best interests and support what is best for the company.” Benjamin said, “We ask our TSMs to trust us [management], that we are going to make the right decision that will make the company a better company at the end of the journey. This trust was built over time based on our history and on our success.”

Sustaining the Culture

Bergman and the EMC and other managers paid a great deal of attention to sustaining the company culture. “I sleep quite well, but the only thing that might keep me awake a little at night is that we ensure that we sustain our unique culture as we continue to grow,” said Bergman. As one senior executive said, “It takes hard work to keep the culture going.” Patty Kamerer, project manager for the Global Supply Chain, said, “My experience in the various Henry Schein locations reinforces my opinion that the culture is a top-down phenomenon, originating in Melville.” One senior executive explained. “If there’s somebody who is a real outlier to the culture, somehow Gerry hears about it and he’ll have a little chat with that person, and a little chat with Gerry is a powerful thing. It’s not threatening. It’s more about: you can’t act that way.”

Being Seen and Walking the Talk

“I think of Stan as the founder of the modern day Henry Schein,” said a senior manager. “His influence is profound. He gets involved in the lives of the TSMs.” As Schein grew larger and its operations began to spread across the U.S. and the world, Bergman felt it was critically important that TSMs away from Headquarters had the chance to see and engage with him and other senior leaders. Every year, he visited at least 50 Schein locations where he discussed the state of the company and also held roundtables with TSMs at all levels of the organization. He was known as a very hands-on leader who worked hard to maintain personal relationships with TSMs throughout the company.

On a smaller scale, Bergman and executives went out of their way to recognize personal events. “My daughter, who was a temp, received a birthday card from Gerry Benjamin,” said one astonished TSM in the management ranks. Bergman, for example, sent a video message to an executive in Germany who was celebrating her 25-year anniversary with the company (in the case of acquisitions, Schein counted the employee’s years of service as Schein years of service). Another way Bergman role
modeled Team Schein culture was when he asked the board to cut his bonus because it was too high relative to the bonuses of other members of the EMC.

“It is not just about the EMC setting the example,” one EMC member said. “After twenty years, we have created a cadre of cultural disciples.” In 2013, Schein lost a particularly vital disciple of the company’s culture of care and respect when Teddy Philson, who had worked at Schein for 48 years, passed away. Gregarious, warm, and with a knuckle-breaking handshake, Philson rose from the loading dock to be the unofficial Ambassador of Henry Schein. One TSM recalled, “Teddy was our secret weapon,” Benjamin said, “He broke the ice.”

Looking for Fit

Fit was critically important; consequently the company had an extensive interview process to ensure, as best that it could, that positions were filled with people who would fit the culture. While the company placed a strong emphasis on this cultural fit, it encouraged a diversity of experiences and styles. “I interviewed with 18 people,” said one manager. “The company wanted to not only know if I would fit but also wanted to expose me to the culture so I could determine if I felt I fit.” Another said his interviews took place over seven months. Benjamin explained: “When someone is coming to interview with me, I do not go down to the lobby to greet them, which might seem in opposition to our Team Schein culture. Instead I have my assistant bring the person to my office, and then after the interview is over I ask my assistant how the interviewee treated her.” The same level of scrutiny was applied to most positions within the company. “Our interview process is thorough; almost to the point of losing candidates,” Lorelei McGlynn, SVP, global human resource and financial operations, said. “But our goal is to ensure that our candidates are exposed to as many individuals throughout the company as possible before an offer is made. Before a final offer is made to an individual for a vice president position or above, Stan almost always meets with the candidate.”

“If you don’t fit in,” said one TSM, “you won’t last long.” “People,” said another TSM, “who don’t have the patience for consensus decision making, for example, may not fit in.” If someone has trouble fitting in but works hard, he or she will be coached and placed in another department or organization where a better fit may be found. “Management can be patient with underperforming,” said one TSM, “provided motivation is not the problem.” Bob Possenriede, vice president of Schein Creative Services and a 32-year TSM, said, “We are the majority; you will not feel comfortable if you do not embrace the culture.”

Dr. Sulkowicz, who was involved in the interview process for very senior positions, said: “I tell candidates ‘if you are the kind of person who wants to come into a new company like gangbusters and revolutionize things in the first few months, you’ve got the wrong place.’ There have been some people who have tried that and they have failed at Schein.”

The focus on ensuring cultural fit continued well after hiring into the orientation process for new senior hires. For the first three months or so of a new executive’s tenure, relationship building was seen as the most important priority, rather than immediately jumping to drive business results. Senior hires were given a list of executives and managers across businesses and functions to meet.
Fit was also critically important when it came to acquisitions. There was an intense evaluation of each opportunity, Paladino commented: “We cannot overextend ourselves because the value added that we bring differs country by country, and industry by industry.” But the company looked not only for a business model fit but also a cultural fit. “Our values system is a prime differentiator of the company,” Breslawski said. “Our acquisition partners need to share the same values.”

The courtship could be lengthy, allowing Schein to get to know the possible partner, as well as allowing the possible partner to get to know Schein. Mlotek commented: “Stanley—and several of us on the EMC—meet every potential joint venture partner, from the smallest to the largest, at the very beginning, and help shape the vision and where they fit. So right from the outset, you hear buy in from the top that you are important. It takes us not months but years from the first meeting of a potential partner until consummation. There are many, many meetings at many levels of the organization often involving Stanley.”

Mlotek added: “This partnership model is more costly than just buying a company outright. A great deal of upfront resources goes into crafting the shareholder agreement between the minority owners and us—often they being a family/founder. Then you have a partner that you don’t manage directly, but through a board. And integrations are sometimes delayed or sometimes do not happen.”

Michael Zack, retired president of Henry Schein International Group, suggested it could take a long time to find partners that could adapt to the Team Schein culture. “It is not always easy to develop the consensus and participatory model with our acquisition partners, but it is insisted upon,” he said.

But there were a few examples over the years where the leaders from the acquired/partnered company did not or could not live and breathe the Schein culture. Reflecting on one such example, Mlotek said, “We had one acquisition where the leader wanted more power, more compensation. This leader left after a short time. It wasn’t a question of achieving results or of business intelligence—this was a smart, driven person—but if someone comes in and creates an imbalance to this culture so that the team can no longer work well together, then you have to make a change.”

Developing Talent

While salaries across departments were deliberately set at the industry median, fringe benefits were among the best in the industry, according to McGlynn. Internal promotions were common, and were preferred over bringing in someone from the outside. As examples, Jim Loiacono, vice president, Telesales, in charge of five call centers and over 300 TSMs, had started as a telesales rep and after just a few months, management identified him as a potential leader, and Peter Dellacroce began as a picker in the warehouse more than 33 years ago and rose through the company to be vice president of infrastructure administration. Management also often tapped talented individuals for new positions outside of their functional area of expertise. McGlynn, for example, took on a new role by moving to HR. “My background and experience was in finance, but they wanted someone internal who really knew the company to head HR. It was a massive career change for me,” she explained.

“The expectation is that things will always change: your role will change,” said Miranda. “People are comfortable with it. A lot of this comes from Stan. Managers are always on the lookout for people looking for new opportunities; but Stanley is the key. He wants managers to focus on internal promotion opportunities, so they know it and look for it.” Another manager said, “One time I was communicating with a junior colleague and she said she was now working in Australia. I asked her what was she doing there?! Stan had asked at a roundtable if anyone was interested in working abroad and she had said that she was. Two weeks later, she’s in a new position in a new country.”

Having Fun—Theme Day
One senior manager said, “We expect TSMs to work hard and to meet their commitments, but we also want all TSMs to have fun.” One TSM added, “The work can sometimes be pushing a box from point A to point B, but you have to make it fun.” Once a year, Schein locations had the opportunity to hold “Theme Day.” On Theme Day in 2013, for example, TSMs dressed up like superheroes. “I was visiting the U.K., a few years back,” said one member of the EMC, “and I had a meeting scheduled with one of my senior managers. When I got there, he was dressed in a Gumby cartoon costume. We went to his office, and he took the meeting with me dressed like that.”

There was initial resistance or skepticism at some locations. As one senior manager said, “I just don’t get it. I think there are better ways to build a culture.” But another long-standing senior manager said, “We don’t force anyone to do it, but for new acquisitions we just want someone to take a chance and see what it is before deciding against it. We find that those that do give it a try become enthusiastic and supportive. You would be surprised by how many TSMs look forward to the team-building experience that Theme Day provides every year.”

**Being involved with the Community**

At the heart of Schein’s model of global corporate social responsibility was the concept that giving back to society must engage the company’s five key constituents—TSMs, customers, suppliers, investors, and society (refer to Exhibit 8)—with the larger purpose of giving back to society. The major platform for this work was “Henry Schein Cares,” the company’s corporate social responsibility (CSR) program, which worked to expand access to care for at-risk and underserved populations globally. Steve Kess, who as vice president, global professional relations, played an important role in coordinating CSR activities, noted, “Henry Schein is a great sandwich, and Henry Schein Cares is the secret sauce that makes it taste better.” He saw Henry Schein Cares, as well as its other community involvement activities, as reinforcing Schein’s brand promise as a socially responsible company that could be trusted.

There was considerable evidence that Schein had been successful in building a trusted brand image. It had been named a FORTUNE “World’s Most Admired” company for 12 consecutive years, ranking #1 in its industry for 11 of those 12 years. Bergman noted: “By continuing to set the industry standard for two pillars of corporate performance—social responsibility and global competitiveness—we believe that we are demonstrating the wisdom of Benjamin Franklin’s philosophy of ‘enlightened self-interest.’ We truly believe that we are proving that it is possible to ‘do well by doing good.’”

The program’s strategy was to harness the company’s core competencies—its distribution capabilities, its communication network, and its relationships with customer and supplier partners—“in creative and innovative ways to provide resources that supported the programs of community-based health care professionals and organizations.” Bergman sought to make Schein the catalyst organization in public-private-partnerships to mobilize resources to address health care issues, by leveraging its ties with sector players in collaboration with local communities (see Exhibit 13). He called it a charity chain:

Consider a new paradigm that elevates the social and philanthropic side of corporate responsibility to a value that is shared across the supply chain. Rather than having each [constituency] of the supply chain “go it alone” in its contribution to society, this model creates opportunities to achieve greater impact by learning from and building on each other’s strengths. With suppliers and customers invited to participate and leverage the capabilities of a range of industry partners, established business relationships expand and unite in achieving enhanced corporate responsibility results.
For example, through Henry Schein Cares’ Global Donation program, the company provided a broad selection of health care products and supplies to community health clinics and international NGOs. Since 2001, products valued at more than $31 million had been donated. Henry Schein Cares was also involved with disaster relief: the company pre-positioned vital health care products with NGO partners to support their ability to immediately respond to humanitarian disasters—everything from the 9/11 terrorist attack on New York City to the devastating earthquake in Haiti to Hurricane Sandy. The company also engaged TSMs to play a role by offering “matching” funds for disaster relief efforts. Bergman said:

The great value we bring is our ability to quickly assemble life-saving health care products and to expedite shipment to our NGO partners on the ground, who will ensure that the products are used to their best advantage in providing relief to victims. CSR only pays back if you fully commit to it . . . . You just can’t say CSR is important and [only] write a check to a charity. You must participate so that people can believe in your sincerity.

Beginning in 2003, the company partnered with the American Dental Association’s Give Kids a Smile program. The program initially began as a one-day annual event, but grew to nearly 1,500 local and national events year-round. Each year, approximately 40,000 dentists and others volunteered their time and services to provide screenings, treatments and education to more than 450,000 children throughout the United States. Schein worked with its suppliers to provide the dental supplies needed for this program, which had amounted to more than $12 million in value from 2003 to 2011. “Using our close relationships with dental product manufacturers, we recruited a roster of nearly 50 supplier partners who donate needed products,” Bergman said.

The company also had a number of flagship annual programs to directly engage TSMs in giving back to the less fortunate, including Back to School and Holiday Cheer for Children. Back to School, for example, started as a homegrown community service effort that identified local children who were underprivileged and connected them with a TSM who helped the children to be prepared for the first day of school. The mission of the program was to build the children’s self-esteem. TSMs provided new clothes for the children, and the company provided backpacks and supplies. The program expanded exponentially over time and as of 2013—sixteen years after the program’s inception—more than 22,000 children across North America had been served. With Holiday Cheer, TSM’s sponsored an individual child and purchased a gift for them based on a wish list from the children to brighten their holidays. The company threw a big holiday party every year where the children received their gifts. In 2013, more than 1,000 underprivileged children participated—and since 1998 when the program began, thousands of children had been served.

“At our core, we are a giving company that cares about the community around us,” said Benjamin. “To participate brings us pride.” Some TSMs noted that pride came from the fact that Schein was in the health care industry. Another TSM from Melville commented: “Community service is such a big part of our culture and a lot of us are very involved. Management encourages us to be involved in it. When you go to Back to School and Holiday Cheer events, you see many members of the senior management team there, serving food and otherwise engaged. Maybe the participants in the program don’t realize what these men and women who are serving them food do, but we do.”

While deeply rooted in Schein’s core values and culture, and a deep source of pride for TSMs, Schein’s community engagement activities were also seen as good business. “We think that dentists who are part of the Give Kids a Smile program would rather buy from us than our competitors,” said Tim Sullivan. According to the company, a sample of dentists who were customers of Schein who participated in Give Kids a Smile had doubled their spending with Schein in 2012, compared with a
sample of dentists who were Schein customers but did not participate. Furthermore, of the company’s approximately 900 dental field sales consultants in the U.S., 17% participated in the program, and nearly half of those who participated were the company’s top sales people.

**Taking the Pulse of the Culture**

“We always talked about culture,” Benjamin said, “but we never really defined or measured it.” But in 2006, Schein created a cultural assessment model and rolled out its first culture survey to all TSMs; something the firm had repeated every two years since. Its purpose was to understand the global reach of the Schein culture. The (voluntary) survey included 73 multiple choice questions and allowed for written feedback. The questions fell under one of four dimensions: beliefs, people, practices, and processes. In 2012, 90% of TSMs participated.

Following the survey, each team was required to create an action plan to raise its survey scores. “Generally,” John Simpkins, head of Talent Acquisition, said, “they are asked to focus on raising the scores in the areas where they can have the most tangible impact, not simply the dimensions that need the most work. Why? If we ask them to raise their lower scores, the areas the team is good at will typically fall.”

The company used the written section to also solicit new ideas. In one example, a non-management TSM comment led to a small reorganization. Global results of the 2012 survey showed that the company scored highest in commitment/passion, customer focus, individual impact, and honesty across all geographies. Comparing 2006 results versus 2012, scores in all 4 dimensions and all 19 factors had improved (see Exhibit 14). Greatest improvements were seen in communication, community service, honesty, leadership, and recognition and trust.

Schein relied on the culture survey to first get an assessment of the culture of a new acquisition/partner—did they get it right with their due diligence?—and then to track and monitor their assimilation to the Schein culture. “When you buy into Schein you are buying into a culture that operates on two levels—it must operate throughout the company and in our joint ventures,” Bergman said.

In three acquisitions, as an example, test scores improved over time, indicating that these companies were adapting to the Team Schein culture. In one case, the first survey scores of a foreign-based company acquired in 2006 were below the global average. An action plan was put in place and scores increased more than in any other unit, department, or team in the company, with the primary improvement in community service, recognition and respect. With another acquisition, the scores showed a decrease from the first survey in 2008 to the second in 2010. Scores rebounded, however, in 2012 following the implementation of an action plan that was put in place after the 2010 survey.

**Future Challenges**

In late 2013, Bergman believed the company’s best years still lay ahead. Yet he and the EMC knew that the company faced new challenges. The company’s business model continued to evolve as Schein expanded to new geographies, including Asia and the developing world; as rapid customer consolidation was taking place; as it added specialty product sales development and manufacturing; and as more outside talent joined the company. Would the company be able to maintain its unique approach to culture in the face of these significant challenges? They were beginning to see some indications that the Team Schein culture was showing signs of strain as more outside talent joined the company. “I am seeing some self-interest and territory building,” said one longtime member of the
EMC. “Some of the newer executives we have brought in don’t have the same sense of urgency or attention to details that we want.” One senior executive added:

Recently the consensus decision-making has become more frustrating to some. I think the company is at an inflection point, where it’s reached a certain scale and there are new external challenges, too, in terms of some dynamic industry changes. I think there’s a need to really tweak some aspects of the culture, but there’s a reluctance to do that just because the model has been so successful. And people are used to it. Some on the EMC are now saying, “We need to change things, we need to make things easier to get things done,” but then there’s Stan: “But I want to know what’s happening in Australia.”

Furthermore, many members of the senior leadership had been at Schein for decades, succession planning was emerging as a key priority, and many new leaders were being brought into senior positions as the company expanded. Was the company positioned to carry forward its culture? What would be the cultural impact of introducing “outsiders” to the mix and of promoting and preparing the next generation of senior management?

Looking East and to New Markets

In recent years, one focus for Bergman and others was expansion to new geographic regions. The company had recently made its first acquisition in Southeast Asia and more recently in South Africa.

The company was focused on penetrating the Asian dental market, including China. One of the company’s stated goals was to be the first national distributor of dental supplies in the People’s Republic of China, and the company was actively scouting acquisitions and joint ventures in the region. Considering China’s population of 1.3 billion and a growing middle class, Schein estimated the dental supplies market in China was between $400 million and $600 million.11 (For more on the Chinese Dental Market see Exhibit 15.)

By late 2013, Schein had consummated three investments with small private Chinese companies. “It took us upwards of three years to find the right partners,” Bergman said. The company had about 100 TSMs on the ground in China, largely sales and business development people in Beijing, Guangzhou, Shanghai, Shenzhen as well as Hong Kong. Of Team Schein in China, only four members were long-standing TSMs, all others were new hires. Approximately 25% to 30% of Schein’s dental product offerings were available in China, and the company had 2,500 customers there.

John Orr, regional director, dental—Greater China, a 22-year TSM, explained the challenges:

We want to use the same acquisition/partnership model in China that we use across the world. We want to take a majority interest but to keep the ownership/management in place to leverage their skills, knowledge of the local market, and their relationships with suppliers, customers and key opinion leaders such as deans at the dental schools. We have very little name recognition in China and institutional relationships are critical to success. In our favor is that entrepreneurs in China tend to be fairly young. So we can expect long-term involvement, which is what we want. On the other hand, many have a dream of taking their companies public, so selling a majority stake to Henry Schein goes against that dream. Beyond that, margins in China are very tight; there is a different corporate culture, and business practices of some companies may not meet our standards.

While Schein was concentrating its efforts in China on its coastal markets, it was also developing its specific targeted business development approach. “We are still experimenting,” said Jane Shen,
brought on board in January 2013 as managing director, Henry Schein China. “The big question,” according to Zack, “is how will our acquisition/partnership model that has worked so well for us in Europe translate to the Asian and developing world markets?”

It was not a question of whether Schein should expand into new geographic regions, the question was how? Would the continuation of rapid global expansion—particularly into new regions like Asia and the developing world—coupled with the firm’s business model evolution into a value-added services and specialty products company put even more strain on Schein’s unique culture and test its model once again?
**Exhibit 1**  Henry Schein Financials 1995 to 2012 (US millions except EPS, Return on Assets, Return on Equity, and No. of Employees)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>6,940.0</td>
<td>6,530.2</td>
<td>7,526.8</td>
<td>6,538.3</td>
<td>6,398.4</td>
</tr>
<tr>
<td>yoy growth</td>
<td>4.8%</td>
<td>3.3%</td>
<td>5.1%</td>
<td>2.5%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>2,507.5</td>
<td>2,418.1</td>
<td>2,170.9</td>
<td>1,916.8</td>
<td>1,874.3</td>
</tr>
<tr>
<td>% margin</td>
<td>28.1%</td>
<td>28.4%</td>
<td>28.8%</td>
<td>29.3%</td>
<td>29.4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>759.5</td>
<td>694.2</td>
<td>629.7</td>
<td>542.7</td>
<td>515.5</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>619.0</td>
<td>582.2</td>
<td>521.1</td>
<td>464.1</td>
<td>419.3</td>
</tr>
<tr>
<td>% margin</td>
<td>6.9%</td>
<td>6.8%</td>
<td>6.9%</td>
<td>7.1%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Net Income</td>
<td>388.1</td>
<td>367.7</td>
<td>325.8</td>
<td>308.4</td>
<td>247.4</td>
</tr>
<tr>
<td>% margin</td>
<td>4.7%</td>
<td>4.3%</td>
<td>4.3%</td>
<td>4.7%</td>
<td>3.9%</td>
</tr>
<tr>
<td>EPS (GAAP)</td>
<td>$4.32</td>
<td>$3.97</td>
<td>$3.49</td>
<td>$3.41</td>
<td>$2.71</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>51.2</td>
<td>45.2</td>
<td>39.0</td>
<td>51.6</td>
<td>50.9</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>356.9</td>
<td>509.5</td>
<td>356.5</td>
<td>346.4</td>
<td>333.9</td>
</tr>
<tr>
<td>Cash &amp; ST Investments</td>
<td>122.1</td>
<td>147.9</td>
<td>150.4</td>
<td>471.2</td>
<td>369.6</td>
</tr>
<tr>
<td>Total Assets</td>
<td>5,334.0</td>
<td>4,740.1</td>
<td>4,547.5</td>
<td>3,836.0</td>
<td>3,599.2</td>
</tr>
<tr>
<td>Total Debt</td>
<td>533.3</td>
<td>444.1</td>
<td>444.1</td>
<td>267.9</td>
<td>418.0</td>
</tr>
<tr>
<td>Total Equity</td>
<td>2,613.6</td>
<td>2,432.2</td>
<td>2,411.6</td>
<td>2,161.5</td>
<td>1,772.1</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>8.3%</td>
<td>8.4%</td>
<td>8.2%</td>
<td>8.8%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Return on Common Equity</td>
<td>15.4%</td>
<td>15.2%</td>
<td>14.3%</td>
<td>15.7%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Enterprise Value (EV)</td>
<td>7,873.2</td>
<td>6,491.6</td>
<td>6,311.4</td>
<td>4,779.7</td>
<td>3,443.0</td>
</tr>
<tr>
<td># of Employees</td>
<td>15,000</td>
<td>15,000</td>
<td>13,500</td>
<td>12,500</td>
<td>12,500</td>
</tr>
</tbody>
</table>

Source: Thomson One, accessed October 18, 2013.

Revenue by Product Segment, 2008 to 2012 ($ millions)

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical products</td>
<td>1,569.0</td>
<td>1,504.5</td>
<td>1,374.0</td>
<td>1,312.8</td>
<td>1,271.3</td>
</tr>
<tr>
<td>Animal health products</td>
<td>2,321.2</td>
<td>2,010.3</td>
<td>1,537.4</td>
<td>875.3</td>
<td>791.8</td>
</tr>
<tr>
<td>Total</td>
<td>8,656.6</td>
<td>8,279.6</td>
<td>7,326.8</td>
<td>6,365.1</td>
<td>6,217.1</td>
</tr>
</tbody>
</table>

Technology:

<table>
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<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Software and related products and other value-added products</td>
<td>283.4</td>
<td>250.6</td>
<td>200.0</td>
<td>173.2</td>
<td>163.3</td>
</tr>
<tr>
<td>Total</td>
<td>$8,940.0</td>
<td>$8,530.2</td>
<td>$7,528.8</td>
<td>$6,538.3</td>
<td>$6,380.4</td>
</tr>
</tbody>
</table>

Exhibit 2  Henry Schein Growth, 1995 to 2012 (US millions, except per share data)

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>2012</th>
<th>CAGR*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$616.2</td>
<td>$8,940.0</td>
<td>17%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$19.3</td>
<td>$634.2</td>
<td>23%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>3.1%</td>
<td>7.1%</td>
<td>23bp</td>
</tr>
<tr>
<td>Net Income</td>
<td>$9.1</td>
<td>$389.6</td>
<td>25%</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$0.34</td>
<td>$4.44</td>
<td>16%</td>
</tr>
</tbody>
</table>


* Compound Annual Growth Rate

Exhibit 3  Henry Schein Stock Price November 1995 to October 2013

![Henry Schein Stock Price Chart]

Source:  Capital IQ, accessed October 18, 2013.
Exhibit 4  Henry Schein Sales Breakdown, 2012 – Total Sales $8.9 billion

<table>
<thead>
<tr>
<th>Percent of Total Sales</th>
<th>North America</th>
<th>International</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dental</td>
<td>33.6%</td>
<td>19.8%</td>
<td>53.4%</td>
</tr>
<tr>
<td>Animal Health</td>
<td>11.6%</td>
<td>14.4%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Medical</td>
<td>16.6%</td>
<td>0.8%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Technology and Value-Added Services</td>
<td>2.9%</td>
<td>0.3%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Total</td>
<td>61.8%</td>
<td>35.3%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>


International
- Served approximately 260,000 office-based dental, medical and animal health practices through operations or affiliates in 24 countries outside of North America:
  - Australia, Austria, Belgium, China, the Czech Republic, France, Germany, Hong Kong SAR, Iceland, Ireland, Israel, Italy, Luxembourg, the Netherlands, New Zealand, Portugal, Saudi Arabia, Slovakia, Spain, Switzerland, Thailand, Turkey, the United Kingdom

Exhibit 5  Henry Schein Employees by Category, 2012

<table>
<thead>
<tr>
<th>Managers</th>
<th>Field Sales</th>
<th>Telesales</th>
<th>Warehouse</th>
<th>Clerical, Admin, Office</th>
<th>IT</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,475</td>
<td>3,300</td>
<td>1,650</td>
<td>2,925</td>
<td>5,500</td>
<td>725</td>
<td>15,575</td>
</tr>
</tbody>
</table>

Source: 2012 annual report.

Exhibit 6  Henry Schein Major Products and Services, 2012

<table>
<thead>
<tr>
<th>Business</th>
<th>Products and Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dental</td>
<td><strong>Consumable Dental Products, Laboratory Products, Small Equipment:</strong> X-Ray, Infection-Control, Anesthetics, Acrylics, Articulators, Abrasives, Impression Materials, Teeth, Dental Implants, Gypsum, Hand-pieces, Preventatives, Composites. <strong>Large Dental Equipment:</strong> X-Ray, Dental Chairs, Delivery Units and Lights, Equipment Repair and High-Tech Equipment</td>
</tr>
<tr>
<td>Animal Health</td>
<td>Branded and Generic Pharmaceuticals, Surgical and Consumable Products</td>
</tr>
<tr>
<td>Medical</td>
<td>Branded and Generic Pharmaceuticals, Diagnostic Tests, Infection Control Products, Surgical Products, Vaccines, X-Ray Products, Equipment and Vitamins</td>
</tr>
<tr>
<td>Technology</td>
<td>Software, Financial and Continuing Education Products, Value-Added Products</td>
</tr>
</tbody>
</table>


**Exhibit 7  Additional Company Information**

- The company had 61 distribution centers: 9 in North America served dental and medical; 14 in the U.S. served animal health; 15 in Europe served all three businesses; 18 in Australia and New Zealand served dental and animal health; and 5 in Asia and rest of the world served dental.
  - The largest was the 624,000 square foot Denver, Pennsylvania distribution center located in close proximity to a UPS terminal. Outside of the U.S., the company had distribution centers of over 100,000 square feet in Canada, France, Germany, Switzerland, the Netherlands, and the U.K.
- The utilization rate at the company’s distribution centers was 75% to 80%.
- The company had 187 equipment sales and service locations worldwide. Technicians provided equipment installations and repairs.
- On average the company shipped 150,000 packages each day to customers. The average order size was $500 to $700. “Think of us as the Amazon of the health care market,” said one executive. In 2012, Schein shipped 135 cartons per minutes and $1.5 million of revenue every hour.
- The company had a 99.9% order accuracy rate.
- 99% of orders shipped the same day the orders were received.
- 91% of orders were delivered within 1 day; 99% of orders were delivered within 2 days.
- Average speed of answering a customer service call was 15 seconds.
- Customer call abandonment rate (customer hangs up before the call was answered) was less than 2%.
- Schein carried more than 96,000 branded and Henry Schein private label SKUs (approximately 51,000 for dental customers, 39,000 for medical customers, and 15,500 for animal health customers) and offered more than 110,000 special order items.
- More than 75,000 practices across the three business segments were using proactive management software systems provided by Schein.
- Financial services and products included financing for equipment, plus dental practice valuation and brokerage services.

Source: Company.
Exhibit 8  Henry Schein Corporate Charter

To Our Customers
We provide the best quality and value in products and services, helping our customers, as trusted advisors and consultants, to:

- Deliver quality health care to patients;
- Efficiently operate and grow practices; and
- Increase financial return and financial security.

To Our Shareholders and Venture Partners
We endeavor to provide continued growth and profitability, resulting in a superior return on investment.

To Team Schein Members
We foster an entrepreneurial environment, offer exciting opportunities for personal and professional growth, and treat each individual with respect and dignity.

To Our Suppliers
Together, we create an environment that enables us to grow our respective businesses in the spirit of partnership, with each making a fair profit.

To Society at Large
We act in a socially responsible manner to:

- Further humanitarian relief and disaster response;
- Increase access to health care among underserved populations;
- Strengthen wellness programs and volunteer activities;
- Enhance health care advocacy and education;
- Positively address environmental concerns; and
- Maintain the highest standards of corporate governance.

**Exhibit 9  Henry Schein Sales Growth,* 2004 to 2012**

<table>
<thead>
<tr>
<th>Year</th>
<th>Internal</th>
<th>Acquisition</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>8%</td>
<td>11</td>
<td>19</td>
</tr>
<tr>
<td>2005</td>
<td>8%</td>
<td>11</td>
<td>19</td>
</tr>
<tr>
<td>2006</td>
<td>7%</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>2007</td>
<td>7%</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>2008</td>
<td>4%</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>2009</td>
<td>1%</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2010</td>
<td>3%</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>2011</td>
<td>5%</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>2012</td>
<td>5%</td>
<td>3</td>
<td>8</td>
</tr>
</tbody>
</table>


* Local currency.

**Exhibit 10  Acquisitions 2004 to 2008**

<table>
<thead>
<tr>
<th>Year</th>
<th>Name</th>
<th>Key Strategic Benefit</th>
<th>Revenue * (US mil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>-demedia Group</td>
<td>Expands European <strong>dental</strong> equipment offering</td>
<td>$345</td>
</tr>
<tr>
<td></td>
<td>-Camlog</td>
<td>Entrée into the growing market for <strong>dental</strong> implants</td>
<td>$30</td>
</tr>
<tr>
<td>2005</td>
<td>-Ash Temple</td>
<td>Expands presence in Canadian <strong>dental</strong> market</td>
<td>$100</td>
</tr>
<tr>
<td></td>
<td>-Halas Dental, Shalfoon</td>
<td>Strengthens position in Australia and New Zealand</td>
<td>$60</td>
</tr>
<tr>
<td>2006</td>
<td>-NLS Animal Health</td>
<td>Expands presence in U.S. <strong>veterinary</strong> market</td>
<td>$110</td>
</tr>
<tr>
<td></td>
<td>-Provet / Switzerland</td>
<td>Expands presence in European <strong>veterinary</strong> market</td>
<td>$50</td>
</tr>
<tr>
<td>2007</td>
<td>-Software of Excellence</td>
<td>Provides leading position in U.K. <strong>dental</strong> software market</td>
<td>$20</td>
</tr>
<tr>
<td></td>
<td>- W&amp;J Dunlop</td>
<td>Expands presence in European <strong>veterinary</strong> market</td>
<td>$340</td>
</tr>
<tr>
<td>2008</td>
<td>-Minerva Dental</td>
<td>Expands full-service <strong>dental</strong> presence in U.K.</td>
<td>$40</td>
</tr>
<tr>
<td>2009</td>
<td>-Noviko</td>
<td>Expands <strong>veterinary</strong> presence in the Czech Rep.</td>
<td>$70</td>
</tr>
<tr>
<td></td>
<td>-DNA Anthos</td>
<td>Strengthens <strong>dental</strong> equipment presence in Italy</td>
<td>$43</td>
</tr>
<tr>
<td></td>
<td>-Medka</td>
<td>Expands <strong>medical</strong> presence in Germany</td>
<td>$36</td>
</tr>
<tr>
<td></td>
<td>-Ortho Organizers (U.S.)</td>
<td>Provides entrée into <strong>orthodontic</strong> market</td>
<td>$30</td>
</tr>
<tr>
<td>2010</td>
<td>-Butler</td>
<td>Creates U.S. market leader in companion <strong>animal health</strong></td>
<td>$620</td>
</tr>
<tr>
<td></td>
<td>-Brasseler USA</td>
<td>Expands product offerings to <strong>dental</strong> specialists</td>
<td>$122</td>
</tr>
<tr>
<td>2011</td>
<td>-Provet (Australasias)</td>
<td>Provides leading position in Australasia <strong>veterinary</strong> market</td>
<td>$280</td>
</tr>
<tr>
<td></td>
<td>-McAllister/ImproMed</td>
<td>Creates U.S. market leader in <strong>veterinary</strong> software solutions</td>
<td>$25</td>
</tr>
<tr>
<td></td>
<td>-Alpha Scientific</td>
<td>Expands <strong>medical</strong> penetration in California market</td>
<td>$10</td>
</tr>
<tr>
<td></td>
<td>-SOGIM</td>
<td>Expands <strong>dental</strong> penetration in Southeast French market</td>
<td>$20</td>
</tr>
<tr>
<td>2012</td>
<td>-Vetinary Instrumentation</td>
<td>Expands product offering for <strong>animal health</strong> business in U.K.</td>
<td>$10</td>
</tr>
<tr>
<td></td>
<td>-AUV Veterinary Group</td>
<td>Entrance into <strong>veterinary</strong> market in Netherlands and Belgium</td>
<td>$270</td>
</tr>
<tr>
<td></td>
<td>-Ortho Technology</td>
<td>Strengthens global <strong>orthodontics</strong> business</td>
<td>$26</td>
</tr>
<tr>
<td></td>
<td>-Accord</td>
<td>Establishes <strong>dental</strong> presence in Thailand</td>
<td>$16</td>
</tr>
<tr>
<td></td>
<td>-Modern Laboratory Services</td>
<td>Strengthens clinical lab presence in the Western U.S.</td>
<td>$22</td>
</tr>
<tr>
<td></td>
<td>-Exan</td>
<td>Expands software presence in <strong>dental</strong> schools</td>
<td>$12</td>
</tr>
<tr>
<td></td>
<td>-C&amp;M Vetlink</td>
<td>Entry into and leading market share position in <strong>animal health</strong> in Ireland</td>
<td>$54</td>
</tr>
</tbody>
</table>


* Approximate revenue in fiscal year prior to acquisition or expected 12-month revenue post-acquisition.
**Exhibit 11**  Henry Schein Executive Management Committee (* New to EMC in 2013*)

**Stanley M. Bergman** *Chairman of the Board and CEO (63 years old)*
Since 1989, Bergman has been Chairman and CEO. Bergman serves as a board member or advisor for numerous institutions including New York University College of Dentistry; the University of Pennsylvania School of Dental Medicine; the Columbia University Medical Center; Hebrew University; Tel Aviv University; the University of Witwatersrand Fund; World Economic Forum’s Health Care Governors; and Metropolitan Opera. Bergman received his Bachelor of Commerce and Certificate in Theory of Accounting from the University of Witwatersrand in South Africa, and is a NYS Certified Public Accountant (CPA).

**Gerald A. Benjamin** *EVP, Chief Administrative Officer, Member of the Board of Directors (60 years old)*
Benjamin is now in his 25th year with Henry Schein. He has been EVP and Chief Administrative Officer since 2000. In his current position, Benjamin directs global operations at Henry Schein distribution centers in North America, Europe, Australia, New Zealand, and Asia, including 4.5 million square feet of distribution space. He also has guided all aspects of human resources and organizational development. In addition to spearheading professional development initiatives, Benjamin has ensured that the Company’s values-based culture has been preserved and strengthened as the organization has experienced exponential growth through scores of strategic global acquisitions. This culture is marked by Henry Schein’s commitment to social responsibility, and Benjamin has directed all internally driven programs for Henry Schein Cares. Prior to his current position, he was EVP of Administration and Customer Satisfaction, VP of Distribution Operations, and Director of Materials Management. Prior to joining the Company, Benjamin served in a series of positions with increasing responsibility in 12 years with Estée Lauder, Inc., leaving that company as Director of Material Planning & Control. Benjamin earned a bachelor’s degree in Electrical Engineering at the City College of New York and an M.B.A. in Marketing at Fordham University at Lincoln Center.

**James P. Breslawski** *President, Henry Schein, and CEO, Global Dental Group, Member of the Board of Directors (59 years old)*
Breslawski is now in his 33rd year with Henry Schein. Before assuming his current position, he held a number of key roles with increasing responsibility throughout the Company, including EVP and President of Henry Schein Dental, the Company’s U.S. Dental business; CFO; VP of Finance and Administration; and VP and Controller. Prior to joining Henry Schein, Breslawski was a CPA at the national professional services firm BDO Seidman, LLP. He received his degree in accounting from St. John’s University.

**Leonard A. David** *SVP and Chief Compliance Officer (64 years old)*
David is a 23-year veteran with Henry Schein. He joined the Company as General Counsel and subsequently held the position of head of Human Resources, Regulatory Affairs and Safety/Security. He assumed the post of Chief Compliance Officer in 2005, which expands his management reach over Regulatory Affairs and Security and adds the global compliance function, focusing on corporate integrity, governance, and business ethics. In this role, David interacts closely with virtually every infrastructure and business division within Henry Schein. Prior to joining Henry Schein, David was a practicing attorney in New York and New Jersey specializing in corporate and commercial law.

**Michael S. Ettinger** *SVP, Corporate and Legal Affairs & Secretary *(52 years old)*
Ettinger is now in his 19th year with Henry Schein and oversees all activities in the legal and regulatory functions; the work of the Company’s global communications team; government relations; and the operations of the Office of the CEO, including Henry Schein Cares, the Company’s global corporate social responsibility program. In addition, Ettinger manages the Company’s corporate secretary function. Prior to his current position, he served as Corporate SVP, General Counsel & Secretary of Henry Schein, Inc.; VP, General Counsel and Secretary; VP and Associate General Counsel, and Associate General Counsel. Before joining the Company, Ettinger served as Senior Associate with Bower & Gardner and as a member of the Tax Department at Arthur Andersen. He earned a bachelor’s degree in economics at Binghamton University, State University of New York, and a JD/MBA from the University at Buffalo, State University of New York.

**James A. Harding** *SVP and Chief Technology Officer (57 years old)*
Harding, in his 13th year with Henry Schein, is responsible for ensuring that information technology remains a competitive advantage for the Company, internally and externally. In this capacity, he leads Henry Schein’s Global Practice Solutions Group, as well as the Global Information Services function. Harding was formerly CIO at Olsten Corp., a leading health care and staffing services company. Prior to Olsten, he worked 20 years at Mobil Oil Corp. in Strategic Planning, Operations, Finance, and IT. Harding has an M.B.A. in Finance from DePaul University and is a CPA; he received his B.S. degree in accounting from Tennessee Temple University.
Stanley Komaroff, Esq. Senior Advisor (77 years old)
Komaroff joined Henry Schein in 2003 as Senior Advisor concentrating in business development and acquisitions, joint ventures, international matters, and legal and regulatory affairs. Prior to joining the Company, Komaroff served as an advisor on legal and board-related issues and provides a wealth of experience in the corporate, commercial and health care worlds. Komaroff was formerly the Chairman of Proskauer Rose LLP, the Company’s principal law firm and one of the largest firms in the nation, and he led the firm through a period of significant growth. Komaroff has been involved with hundreds of transactions, dozens of securities filings, and the widest variety of sophisticated issues in M&A, which he served as a counselor, advisor, strategist and confidant. Komaroff earned his bachelor’s degree from Cornell University and his J.D. from Cornell Law School. He was Editor-in-Chief of the Cornell Law Review.

Lorelei McGlynn SVP, Global Human Resources and Financial Operations *(50 years old)
Since joining Henry Schein in 1999, McGlynn has held several key positions with increasing responsibility, including VP, Global Human Resources and Financial Operations; VP, Finance, North America; CFO, International Group; and VP of Global Financial Operations. In her current position, McGlynn is responsible for managing the Company’s Global Human Resources function, including recruiting, organizational development, compensation, benefits and employee relations. In addition, she oversees Henry Schein’s Accounts Payable, Accounts Receivable, Payroll and Financial Inventory departments. In addition, McGlynn leads and participates in numerous special projects, such as system integrations, software implementations, due diligence, Team Schein Member communications, and global best practices. Prior to joining the Company, she served as Asst. VP of Finance at Adecco Corp. McGlynn earned a bachelor’s degree at the University at Buffalo, State University of New York. She is a member of the New York State Society of CPAs.

Dave C. McKinley President, Medical Group *(61 years old)
McKinley is in his 9th year with Henry Schein. He has held this position since 2008. Previously, McKinley was President of the Henry Schein Practice Solutions and the President of Dental Prosthetic Solutions. Prior to joining Henry Schein, McKinley served as the Group Executive for Olympus Medical North America, the market leader for medical and surgical instruments, endoscopes and imaging systems. Prior to Olympus, McKinley was General Manager for the Bard Urology Division and Bard Germany. He graduated from Western Michigan University with a Bachelor’s degree in Business Administration.

Bob Minowitz President, International Dental Group *(55 years old)
Now in his 27th year with Henry Schein, and currently serves as President, International Dental Group, a position he has held since 2012. He is a member of the EMC. Before assuming his current position, Minowitz held a number of key roles with increasing responsibility throughout the Company, including President, Henry Schein European Dental Group; President, Henry Schein Western Europe, Middle East and Pacific Regions; President, Henry Schein Europe; and Managing Director, Henry Schein U.K. Holdings. Minowitz has played a key role in establishing Henry Schein’s international operations, from the Company’s initial European expansion in The Netherlands in 1990 and Spain in 1991, to more recent growth across Europe, Asia, and Australasia. Prior to joining Henry Schein, Minowitz was a Senior Internal Auditor at Bristol-Myers Co. He earned his B.B.A. in Accounting from Pace University, and is a CPA in New York State.

Mark E. Mlotek EVP, Chief Strategic Officer, Member of the Board of Directors *(55 years old)
Mlotek, now in his 18th year with Henry Schein, has three main priorities: worldwide merger and acquisition activity for the Company; business development, including important supplier partnership arrangements; and worldwide strategic planning. Prior to holding his current position, Mlotek served as SVP of Corporate Business Development, and before that, upon joining the Company was VP, General Counsel, and Secretary. Prior to joining Henry Schein, Mlotek was a partner in the law firm of Proskauer Rose, LLP and counsel to the Company, specializing in M&A, corporate reorganizations and tax law. At Proskauer, since 1989, Mlotek worked very closely with Henry Schein on various corporate matters. Prior to joining Proskauer, Mlotek was a partner in the law firm of Feit & Ahrens. He graduated from the Columbia University School of Law with high honors in 1980. He received an LL.M. in Taxation from New York University School of Law in 1985. Mlotek graduated summa cum laude with a B.S. degree in accounting from the Herbert Lehman University of the City College of New York in 1977.

Steven Paladino EVP, CFO, Member of the Board of Directors *(55 years old)
Now in his 26th year with Henry Schein, Paladino has held the position of EVP and CFO at since 2000, and has been CFO since 1993. Previously, he was VP and Treasurer and Corporate Controller. He was with BDO Seidman, LLP as Manager, General Audit and Consulting Services prior to joining Henry Schein in 1987. Paladino’s responsibilities include the corporate oversight of business units, as well as direct responsibility for Corporate Finance. These corporate services include Financial Reporting, Financial Planning, Treasury, Investor Relations, Internal Audit, Risk Management and Taxation. He also has responsibility for Henry Schein Financial Services, which provides financial business services to Henry Schein’s customers and works
with Henry Schein’s Corporate Business Development Group on M&A activities. Paladin led the Company through the corporate reorganization and separation from Schein Pharmaceutical in 1993 and through the IPO process in 1995. He has a Bachelor of Business Administration degree from Bernard M. Baruch College.

**Michael Racioppi SVP, Chief Merchandising Officer (58 years old)**
Racioppi is now in his 21st year with Henry Schein. He was promoted to SVP, Chief Merchandising Officer in 2008. He previously served as President of the Henry Schein Medical Group since 1999. Prior to holding that position, he was VP since 1994, with primary responsibility for the Medical Division, the Marketing and Merchandising Groups. Racioppi served as VP and as Senior Director, Corporate Merchandising from 1992 to 1994. He graduated from the University of Rhode Island with a B.S. in Pharmacy.

**Paul Rose SVP, Global Supply Chain *(56 years old)*
Rose, now in his 12th year with Henry Schein, is currently SVP, Global Supply Chain, a position he has held since 2007. As SVP of Global Supply Chain, Rose is directly responsible for distribution, inventory and product mix to support the Company’s Global Dental, Medical, Animal Health businesses. Rose’s team generates over $6 billion of product purchases each year. He is also responsible for working with the Henry Schein’s senior management team to establish and implement Worldwide Supply Chain procedures and guidelines. Before assuming his current position, Rose held a number of key roles with increasing responsibility throughout the Company, including Vice President, Corporate Inventory Management.

**Lonnie Shoff CEO, Global Animal Health and Strategic Partnership Group (54 years old)**
Shoff, now in her 4th year with Henry Schein, oversees Henry Schein’s Global Animal Health business. She also oversees the Company’s Global Dental Specialties Group and Henry Schein’s Joint Venture businesses and other strategic relationships. Shoff was previously President of the Henry Schein Global Health care Specialties Group. Prior to joining Henry Schein, Shoff was with Roche Diagnostics, where she held a series of increasingly responsible positions in the U.S. and Switzerland over the past 20 years, most recently as SVP and General Manager, Applied Science. Shoff earned a bachelor’s degree in Biological Sciences from Purdue University and attended graduate school for Genetics at Temple University.

**Walter Siegel SVP and General Counsel *(54 years old)*
Siegel joined Henry Schein in 2013. He directs the Company’s worldwide legal and regulatory functions and activities, advising the Company on a broad range of legal matters affecting various business units. Siegel manages the Company’s mergers and acquisitions activities, litigation portfolio, intellectual property portfolio, and SEC reporting. He also manages input from outside counsel on corporate and litigation matters, and oversees and participates in drafting a broad range of commercial documents and contracts between the Company’s business units (and affiliates) and third parties. He comes to Henry Schein with a diverse and wide background of legal expertise, including mergers and acquisitions, partnerships, securities, litigation and regulatory. Siegel previously held the position of SVP, General Counsel and Secretary for Standard Microsystems Corp., a publicly traded global semiconductor company. He is a Yale Law School graduate.
Exhibit 12  Henry Schein Board of Directors (Independent Directors)

Barry J. Alperin - Retired Vice Chairman, Hasbro, Inc. (Director since 1996)

Paul Brons - Former Member of the Board of Management of Akzo Nobel NV (Director since 2005)
A member of the Akzo Nobel Board of Management from 1994-2002, he led all of the company’s pharmaceutical business units, including human and veterinary pharmaceuticals, OTCs, generics, diagnostics and pharmaceutical active ingredients.

Donald J. Kabat - Retired Partner, Accenture PLC Ireland (Director since 1996)
He joined Andersen Consulting (now Accenture) in 1960. He specialized in management organization, financial information systems, and Change Management Services before he retired in 1992. From 1992 to 2006, Kabat was the President of DJK Consulting Services, Inc. From 1992 to 1997, he served as the CFO of Blades Board and Skate, a retail chain of specialty sporting goods. Kabat received his bachelor's degree from Antioch College and a master’s degree from Columbia University School of Business. He majored in accounting, became a CPA.

Philip A. Laskawy - Retired Chairman, Ernst & Young, LLP (Director since 2002)
Laskawy spent 40 years at Ernst & Young, retiring as Chairman and CEO in 2001. He graduated from the Wharton School of the University of Pennsylvania with a Bachelor's degree in Economics. Laskawy also serves on the board of Capp Gemini, General Motors Co., Lazard Ltd, and Loews Corp. In 2008 he was appointed non-executive Chairman of Fannie Mae. He has served as both Chairman and Vice Chairman of the International Accounting Standards Committee Foundation.

Karyn Mashima - Private Consultant; Former Senior VP, Strategy & Technology, Avaya (Director since 2008)
For the past 25 years, Mashima has held senior line management and corporate leadership positions for Avaya, Lucent, AT&T, Hewlett-Packard, and Xerox. During that time, she has had responsibility for business units in the U.S., Europe, India, Japan, Australia, and Israel, while also interfacing with markets in Latin America and China. She has an M.B.A. and B.S. degree from the University of New Mexico.

Norman S. Matthews - Former President; Federated Department Stores, Inc. (Director since 2002)
He has over three decades of experience as a business leader in marketing and merchandising, and is currently an independent business consultant. Matthews is a Princeton University graduate, and earned his MBA from Harvard Business School. He also currently serves on the Board of Directors at The Children’s Place, The Progressive Corporation, and Spectrum Brands.

Carol Raphael - Former President and CEO, Visiting Nurse Service of New York (Director since 2012)
From 1989 to 2011, Raphael served as President and CEO of Visiting Nurse Service of New York (VNSNY), the largest nonprofit home health agency in the U.S. Prior to joining VNSNY, she held executive positions at Mt. Sinai Medical Center and in New York City government. She has served on numerous commissions including the Medicare Payment Advisory Commission, the New York State Hospital Review and Planning Council. Raphael also has served on numerous boards including those of Lifetime Blue Cross/Blue Shield, Barrier Therapeutics, Inc., Future Health, and the American Foundation for the Blind. She serves on the boards of the Primary Care Development Corp., Pace University, the Medicare Rights Center and the New York City Citizens Budget Commission. She has an MPA from Harvard University’s Kennedy School.

Bradley T. Sheares, Ph.D. - Former CEO, Reliant Pharmaceuticals (Director since 2010)
He most recently served as CEO of Reliant Pharmaceuticals, Inc., a pharmaceutical company leading that company from January 2007 through its acquisition by GlaxoSmithKline plc in December 2007. Prior to joining Reliant, Dr. Sheares served as President of U.S. Human Health at Merck & Co. from March 2001 until July 2006, the culmination of a 19-year career with that company. Dr. Sheares is the former chair of the Board of Directors of the National Pharmaceutical Council. Sheares holds a bachelor’s degree in chemistry from Fisk University and earned his doctorate in biochemistry from Purdue University. He completed his postdoctoral training as a Lucille P. Markey Scholar and a National Institutes of Health Postdoctoral Fellow at the Massachusetts Institute of Technology. Sheares also serves as a director of Honeywell Int’l; The Progressive Corp., one of the nation’s largest insurance holding companies; and Covance Inc., one of the world’s largest drug development companies.

Louis W. Sullivan, M.D. - Former U.S. Secretary of Health and Human Services; Founding Dean, Director and President Emeritus of the Morehouse School of Medicine (Director since 2003)
With the exception of his tenure as Secretary of the U.S. Department of Health and Human Services (HHS) from 1989 to 1993, Sullivan was President of Morehouse School of Medicine for more than two decades. He taught at Harvard Medical School, Seton Hall College of Medicine, and Boston University School of Medicine. In addition to the Henry Schein Board, Sullivan serves on the Boards of United Therapeutics Corporation, Emergent BioSolutions, Inhibitex, and BioSante Pharmaceuticals. He recently retired from the Board of General Motors Corp., Household Int’l, and 3M Corp., Bristol-Myers Squibb Co., CIGNA Corp., and Georgia-Pacific Corp.

**Exhibit 13**  Henry Schein Model for Public Private Partnerships

![A Model for Public Private Partnership](image)

Source: Company.

**Exhibit 14**  Henry Schein Cultural Assessment Model

![Culture Assessment Model](image)

Source: Company.
Exhibit 15  Overview of China’s Dental Market

- 88% of adults have dental decay while ~29% of children 12-years old did” (2012)
- ~86% adults suffer from gum disease, and ~7% of the elderly have lost all their teeth.
- 8% of the Chinese population visited the dentist annually, compared to 45% in Singapore.
- According to Schein there where about 160,000 dentists in China, the majority worked in hospitals (about 300 dental hospitals and 16,000 hospitals offering dental care) while a growing number worked in private sector clinics and practices. There were 30 dental clinic chains operating in China.
- Ratio of dentists to patients: 1 to 10,000 (China)
  1 to 3,500 (Singapore)
  1 to 1,200 (Japan)
  5 to 10,000 (Europe)
  11 to 10,000 (U.S.)
  3 to 10,000 (World)
- There were 34 dental schools in China, graduating about 2,500 new dentists each year.
- The number of oral health practitioners was growing ~15,000 a year.
- Jiamei Dental Hospital: founded in 1993, claimed to be the first large scale of private dental chain operator with 26 clinics in Beijing, Shanghai and Dalian, Liaoning province.
- Arrail Dental: clinic chain founded in 1999, had 20 outlets in China’s major cities; and planned to open another 30 clinics.
- The most significant shift the private clinics had seen was more patients were wealthy Chinese, and not solely expatriate, as in the past.
- According to Schein, there were roughly 1,000 companies distributing dental supplies in China.

Source: Compiled by Casewriter.
Appendix

Medical Equipment and Supply Wholesalers Market Overview

The global Medical Supplies Wholesaling market was valued at $280 billion in 2009. It was expected to grow at an annual compound rate of 5% between 2013 and 2017, and was segmented into medical and surgical instruments (45%), supplies (40%), orthopedics (10%), and dental equipment (5%). The largest markets were found in the US, France, Germany, Italy, and Japan.

According to Hoovers, 11,067 companies were involved in medical equipment wholesaling in October 2013. Forty eight were categorized as large companies (worth over $50 million), 853 were medium-sized ($5 million-$50 million), and 10,166 were small (under $5 million). Large companies relied on economies of scale, infrastructure, and efficient distribution systems for their profits. Some of the larger corporations included Henry Schein, Owens & Minor (US), Patterson Companies (US), PSS World Medical (US), Amplifon (Italy), DICIPA (Mexico), and EBOS Group (Australia). Smaller companies tended to specialize in niche markets. Gross margin across the sector stood at 27.2%, while net income was 1.7%.

In recent years, the sector had been characterized by a widespread consolidation trend. For instance, the top 50 companies in the U.S. accounted for 70% of the revenue in 2012. Large wholesalers typically used acquisitions as vehicles to enter new international markets. Markets in Dental in the U.S., there was a move away from individual practices to large group practices (LGP) and corporate dental organizations, a growing trend, representing about 10% of the U.S. market (e.g., Aspen Dental with more than 400 dental offices across the U.S.).

Worldwide demographic developments presented a favorable market trend for companies involved in medical equipment wholesaling. Specifically, aging populations in the U.S., Europe, Australia, Japan, and China ensured increased demand for medical equipment. The U.S. alone would see a 35% increase between 2010 and 2020 in the number of adults aged over 65 years old. Indeed, by 2020, an estimated one in five dollars spent in the U.S. would be dedicated to health care. Other industry opportunities included the growth of standalone outpatient/surgical centers, higher demand for cosmetic and elective surgeries, faster product introductions, increased need for technology-based products, and the inclusion of millions more Americans into the health care system due to the passage of health care reform.

Henry Schein’s North American Competitors

Dental

Patterson Dental Division of Patterson Companies: Patterson Companies Inc. was the 26th largest medical equipment wholesaler in the world. It supplied dental, veterinary, and physical rehabilitation products. It also sold computer equipment, office supplies, software, and other products to dental offices and laboratories. The company was the second-largest dental wholesaler in the U.S. and Canada after Henry Schein. Dental supplies accounted for 2/3 of its sales. Patterson acquired companies in the U.K., Canada, Ireland, Australia, and New Zealand. •Founded in 1877 •Revenues: $3.6 billion in fiscal year 2013 •Headquartered in U.S. •Employees 7,000

Benco Dental was the largest privately owned, full-service distributor of dental supplies, dental equipment, dental consulting and equipment services in the U.S. Founded in 1930 and headquartered in Pennsylvania, Benco Dental had 50 regional showroom locations and five distribution centers servicing more than 30,000 dental professionals in all 50 states.
Medical

Cardinal Health Inc. was the third largest medical equipment wholesaler in the world and supplied branded and generic prescription and over the Counter (OTC) drug distribution. It also franchised the Medicine Shoppe pharmacy chain. Pharmaceutical distribution accounted for 90% of its sales. CVS and Walgreen each accounted for over 20% of sales. The company retreated from several acquisitions in the U.K., and operated almost exclusively in the US market. • Revenues: $101 billion in fiscal year 2012 • Headquartered in U.S. • 33,600 employees

McKesson Corp. operated in two segments. Distribution of ethical and proprietary drugs, medical/surgical supplies and equipment and health, beauty care products, and other specialty solutions throughout North America. In addition, this segment sold financial, operational and clinical solutions for pharmacies (retail, hospital,) and provided consulting, outsourcing and other services. McKesson Technology Solutions segment delivered enterprise-wide clinical, patient care, financial, supply chain, strategic management software solutions, pharmacy automation for hospitals, as well as connectivity, outsourcing and other services, including remote hosting and managed services, to health care organizations. Customers included (1) retail national accounts (including national and regional chains, food/drug combinations, mail order pharmacies and mass merchandisers); (2) independent retail pharmacies; and (3) institutional health care providers (including hospitals, health systems, integrated delivery networks, clinics and alternate site providers). The company served more than 50% of American hospitals, 20% of physicians and 100% of health plans, and as the largest pharmaceutical distributor in North America, delivered 1/3rd of all medications used every day. • Founded in 1833 • Revenues: $123 billion in fiscal year 2012 • Headquartered in U.S. • 37,000+ employees

Animal Health

Patterson Animal Health Division of Patterson Companies (See above)

MWI Veterinary Supply, Inc. was a leading distributor of animal health products to veterinarians across the U.S. and U.K. The company sold more than 38,000 products, of which over 17,000 were stocked in its distribution centers, sourced from nearly 700 vendors. Products included pharmaceuticals, vaccines, parasiticides, diagnostics, capital equipment, supplies, veterinary pet food and nutritional products marketed to veterinarians in both the companion animal and production animal markets. • Revenues: $2.4 billion for fiscal year 2013 • Headquartered in U.S • 1,500 employees

International Competitors

Schein competed against several large competitors, including the GACD Group, Pluradent AG & Co., Planmeca Oy, Arseus NV, Billericay Dental Supply Co. Ltd., National Veterinary Services and Alcyon SA, as well as a large number of dental, medical and animal health product distributors and manufacturers in Australia, Austria, Belgium, China, the Czech Republic, France, Germany, Hong Kong SAR, Ireland, Israel, Italy, Luxembourg, the Netherlands, New Zealand, Portugal, Slovakia, Spain, Switzerland, Thailand, and the U.K.

Source: Compiled by Casewriter.
Endnotes


