

CHIEF EXECUTIVES FOR CORPORATE PURPOSE - CECF

**15th Annual Board of Boards and CEO Investor
Forum
Stanley Bergman, Henry Schein, Inc., Long-Term
Plan Presentation**

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**Ubiquis
61 Broadway – Suite 1400 – New York, NY 10006
Phone: 212-346-6666 ♦ Fax: 888-412-3655**

15th Annual Board of Boards and CEO Investor Forum

MS. BASAK: Hi there. I'm going to wait for everyone to step in. We're looking forward to our next speaker. We will be hearing from Stanley Bergman. Hello, everybody. You will be hearing from Stanley Bergman who has been the chairman of the board and CEO of Henry Schein since 1989. It's a Fortune 500 company and the world's largest provider of healthcare products and services to office space dental and medical practitioners.

MR. STANLEY BERGMAN: Good afternoon. Well, I'm so excited to be here today. This is Henry Schein's passion, combining investing with social responsibility, so thank you all for being here. Thank you to the CECF team for inviting us. Henry Schein has had a long commitment, actually since Henry and Esther opened the store almost 90 years ago, of combining business with the needs of society, our customers, our team, and our suppliers. So thank you for listening to our story.

Before I continue, let me just put up the customary safe harbor provisions, and of course details are available on our website. So Henry Schein is the largest provider of healthcare products and related services to office space healthcare practitioners, that's dentists and physicians in their private practice, and we also provide products and services to alternate care sites where healthcare is provided. We have about just over a million customers. That means we service about a million and a half dentists and physicians. We are committed to helping our customers operate a better organization for the providing of healthcare so that our customers can provide better healthcare. So we are committed to helping our customers with the business aspects of their practice.

We had \$10 billion of sales last year, over 19,000 what we call Team Schein Members, TSMs. We've been on the Fortune 500 list for 15 years and the S&P for the past four years. Henry Schein has been recognized as a most admired company by Fortune 500, and in our category has either been one or two, but generally one, listed number one for actually most of the period that we've been on the list for the last 19 years. We have been ranked as a Ethisphere member listing for the past eight years and our very proud with our 100% ranking for the corporate equality index and have been on that index also for five years, and for the past four years ranked by Forbes Magazine as one of

the best places to work. Two recent awards were the High Ambitions Company of the Year in 2018 and Fortune Change the World List in 2018 as well.

So from a market position point of view, we are the largest provider of dental products and related services including technology, software-type systems in the world, and we are the number two provider in the United States of products to physicians and alternate care sites. Our financial results have been pretty stable. In other words, we've grown by a track record of something like 15%, just over 15% in compounded annual sales growth since we went public 25 years ago, 14% in EPS growth, and our market cap has grown 16% compounded annual growth since we went public 25 years ago. We do purchase back - - and I'll talk about that later -- stock each year, so despite the purchase back of our stock, the market cap has grown by 16% on a compounded annual growth rate since we went public 25 years ago.

What is very often not quite understood by Henry Schein, of course we are viewed as a distributor, but we do a lot more than that. Of course we believe we have the finest supply chain network in the markets we serve, but it's the value-added services that are really what distinguishes us, that helps us create value for our customers, and we wish to help run their business, their practice, their organization, and at the same time position them to provide great clinical care. And our focus is therefore on the delivery of healthcare in the practice or positioning our customers to deliver the healthcare in their practice, in other words providing our customers with the tools so that they can operate their practice efficiently.

If you look at just the last three years, over the last three years our sales have grown at a compounded annual growth rate of about 5%, our operating income at about 4%, and our EPS at about 10%. We did spin off a significant part of our business, our animal health business a year and change ago, and so we do have strand of costs that have impacted our cost structure, but we expect that to be flushed through the system in another year or so.

So if you look at the megatrends impacting our industry, the big trend is digitalization like in many other industries. Both our customers are using more technology to deal with their day-to-day operations of the practice but also using digital technology to undertake the clinical parts of their practice including for

example in dentistry the digitalization of prosthetics, in other words a crown or a bridge can now be digitally milled and even chairside while the patient is in the practice. This is having a profound impact on our customers' offices.

Customer consolidation is occurring quite rapidly. In the medical world, it's much faster than the dental world, but it's also occurring in the dental world through practices emerging, and we've been a leader in this part of the industry for decades. The aging population and the middle class, the Baby Boomers are of course bigger users of the kinds of services that our customers provide, and at the same time, the middle class is growing throughout the world, and the middle class is seeking the kinds of services that our customers provide.

There's an increasing awareness of prevention and wellness. A key thesis behind our business is to put our customers in a position where our customers can drive wellness and prevention in their offices amongst their patients, and if you look at dentistry in the last decade or so, there's been significant studies that show a direct correlation between good oral care and good healthcare. Prevention is key, and we have decided to focus a big part of our business on putting our customers in a position to provide wellness and prevention type activities to patients, prevent people from getting sick rather than treating people when they are sick. And this is a key thesis behind our business and has helped us in fact grow the business now for a while, and we anticipate this as a trend going forward.

Of course the moving of procedures from the acute care setting to the alternate care setting, to the physician office, to the - - centers, et cetera is also a key trend. Demographics of our customers have changed rapidly. Go to any graduation of a dental school or a medical school, and you'll see the majority of graduates today are women. This has changed the way in which our customers operate their businesses and is an area that Henry Schein has been involved with for decades. We've been a big proponent of diversity in the healthcare provider networks and done a lot of work in that area. And of course the big issue we're involved with is prevention of the spreading of disease. I will talk about that in a minute, and it's quite topical obviously because of the Corona virus.

So if you look at our growth opportunities, you will see that there's a key goal of ours is to increase penetration of our existing customers. We have a huge number of customers and a

huge market share of customers in the markets that we're in, the developed world markets, and we wish to do more business with these customers, we're well-positioned to do that, and also add new customer in the developing world.

So there's a big focus on large customers as our customers grow and consolidate, large group practices, IDNs, integrated delivery networks, adding customers -- sorry, adding sites, consolidation in providers, and this is an area that we are focused on. A big, big area of focus for us is providing technological services to our customers, practice management software, electronic medical records, and software related to demand generation, driving patients in to the dental office or the physician office. We are the largest provider of dental software in the world.

Digitalization of dentistry, as I covered earlier on, is a big opportunity for us, and focusing on specialty areas, particularly areas of growth are implants, bone regeneration type products, endodontic products, and orthodontic products, wires and brackets, and the new aligner products.

So Henry Schein has a strategic plan like all of us do here in this room. We have been particularly focused on linking our strategic plan to sustainability, to the ESG type areas, and this is something that's been part of our culture and part of our planning for a long, long time. So we have three big plants in our strategic plan. The first is to expand our core business, in other words distribution in markets we're in, and in markets that are emerging, the developing world markets, adding value-added solutions to help our customers operate a better enterprise so that they can provide better clinical care, and enhancing our own brand including products that carry our own brands on them.

So if you look at the core business, we are working on and have worked for years on providing access to oral care and access to prevention. This is an area that we believe is a direct alignment with the company's goals and the society's goals, the idea of adding prevention and wellness rather than dealing with people when they are sick. If you look at the value-added solutions, we are working with healthcare networks and our customers in particular, the smaller practice, to advance sustainability, and on the brand enhancements, we are driving purpose right through our network whether it's to our customers or to our suppliers. What is very important for us is to help

our customers link with us on advancing purpose and in fact finding ways to align with all of our constituents on adding to the needs of the society and satisfying the needs of society.

So we have believed in the Benjamin Franklin concept really since Henry and Esther opened the door. They didn't call it this, but it's the Benjamin concept of enlightened self-interest, doing well but doing good. We of course in recent times have used the concept of higher ambition, but this concept of higher ambition that we're speaking about really in the last decade or so has been part of our core business really since the beginning. So Henry and Esther started out doing a lot of philanthropic work in Queens. This moved along in the company, and so what we have done is we have figured a way to work with our suppliers, 3,500 different suppliers around the world, our million-plus customers, million and a half practitioners, and they are in turn, our customers, seeing about a billion patients in a particular year. We're figuring out and have figured out actually and have figured out to a greater extent how we can advance our sustainability in that loop, our sustainability contribution helping our customers in fact provide more sustainable activities to their patients, whether it's how patients visit the practice or actually running the practice.

So the five constituents that make up the Henry Schein mosaic of success are our suppliers, and for our suppliers we want to be the best way for our suppliers to bring their products to market. Of course today we actually manufacture some of the products, and we want to figure out and we do in fact work on providing the best vehicles to bring our supplier products to market or our own products to market. At the same time, we're working with our customers to help our customers operate a better practice so that they can provide better clinical care, and a part of all of this is our number asset, Team Schein. We have been committed to a very, very strong value system, a value system where everybody in the company is treated equally. There's equal opportunity for everyone. Everyone is committed to working on programs to help society, advance the needs of society, mutuality, ethics. This is at the cornerstone of our value system, although it is clear that our culture has modified over the years because culture has to change and adapt to society's needs at the time, and so our values, our culture modifies and molds to the needs of society as society progresses.

On the other side, our investors, we are very clear with our

investors and have been clear since our IPO 25 years ago. Our investors are critical. Our investors are entitled to consistent growth in earnings, but our investors are one of the five constituents that make up the Henry Schein mosaic of success. And if you take that a little bit further, it's our fifth constituency, society, that is I believe the secret sauce that has motivated the company, motivated our constituents to work with us, and has been at the heart of our consistent growth in earnings and at the heart of our growth in shareholder value.

We believe that these ideas that we've had for 88 years, which we codified 19 years ago when we founded Henry Schein Cares, but prior to codifying and creating Henry Schein Cares, we were committed to this notion of balancing the needs of the five constituents that make up the Henry Schein mosaic of success. We're of course very, very pleased that in 2018, Larry Fink sent out his letter, in '19 the Business Roundtable, and of course in 2020 the Davos Manifesto, and we're quite active at the World Economic Forum.

But we believe that it is really important for the five constituents to be balanced because that in the end creates trust. When all five constituents are working together, it is the best way to create trust and advance change in any industry, and we have been a change agent in the industry, in the markets that we support, in the industries that we're in, the dental and medical industry. We believe that this trust creates brand value, consumer loyalty, ethical behavior, employee retention, and sustainability. And in fact we believed in the sustainability idea way before it became fashionable.

So what have we done on the ESG journey? Informally we've had a commitment to ESG, to all three letters, E, S, G. But over the last few years, we have in fact codified the ESG work through our strategic philanthropy, transparency and accountability on sustainability activities, and other kinds of metrics in the ESG world, and integrated that with our sustainability work. We subscribe and have been working towards the SASB metrics. Our sustainability activity is under the aegis of our board and particularly our governance and nominating committee play a key role in providing oversight in this area. Our board members have been committed to social responsibility really since the day they joined our board. We've also sought board members that are committed to a broader idea of social responsibility and caring about society because we've found that this is the way in which we've been able to generate shareholder value.

When you look at the E, I can give you -- there's a lot of examples. By the way this presentation, a little bit more, will be posted on the website. There's not going to be time to go through all of this, but on the E side it was suggested I give two examples, and here are two examples. The one is the work we're doing in reducing the network -- our transportation network and building network in carbon emissions. We are working with our top 20 customers on a reduction in carbon emission and have worked on a number of initiatives in this regard in particular with our carrier UPS. A lot of work has gone on in this area.

At the same time on the healthcare side, we have worked on ways in which to advance sustainability in healthcare in general and particularly in sites outside of the hospital. On the sustainability side, we have implemented a number of activities over the last few years with regards to diversity and inclusion. We have what we call our pods, our DNI pods. We have a women's leadership network. We have a pride and allies ERG network in the marketplace. We have worked very closely with the major dental and medical societies in advancing diversity both in terms of women and minorities in healthcare, sponsoring the American Dental Association's Minority Leadership Institute, and wherever we have an opportunity in this area, we have been active. 20 years ago, we called a summit a LaGuardia Airport of dentists from all parts of the dental community to kick off a diversity in leadership of the dental profession. So we have done a huge amount of work in this diversity inclusion area.

And on the global healthcare leadership side, we have worked with multiple organizations including UPS, BD, the World Health Organization, the World Food Program, the CDC to alert the world over the last couple of decades on the importance of pandemic planning and in 2015 were instrumental in launching the pandemic supply network. This is a network of companies and public policy groups including the World Health Organization that have been pretty active in understanding what products are needed to respond to a pandemic and where these products can be found. And so obviously quite timely at this point in time.

And on governance, we have a strict, strict policy on ethics. This is not something that we just created in the last few years but it's been part of our culture really since before we went public 25 years ago. 50% of our independent directors are diverse candidates and 40% are in fact minority. We have a regulatory compliance committee which is part of our board

committee structure, not required but it's something we implemented. We have a cybersecurity committee, and our directors hold regular meetings in executive session without the CEO, and we are a company that has always believed in the combination of chairman and CEO in one position, but all major decisions are made by the independent directors.

So in summary, our goal going forward is to grow about 1% to 2% faster organically than the markets. Of course we add acquisitions to that. We have made about 250 acquisitions since we went public. We do about ten acquisitions a year. Our goal is also to drive non-GAAP EPS to around mid- to high-single digits although obviously we aim for a higher number, and we aim to turn our profits into cash, and we've done more than that in recent times. So capital allocation, we generate a lot of cash, goes three ways. We buy stock, about a third of it or so, a third of it we plow back into the business, and about a third of it is used for M&A. And in that regard, we are always looking to add products and services to our platform.

So going forward ESG platform alignment with the needs of our key constituents is very, very important. Multiple organic and strategic growth opportunities abound within the dental and medical businesses. There's no need to go beyond what we do today. We do have a proven track record. We have a pretty stable management team which is quite experienced in the worlds that we're in. Having said that, we are not shy to add expertise each year from industries outside of our field where we can find executives that bring us talent.

So I've gone through it as quickly as possible because I'd like to allow for opportunity for Q&A, but the track record stands on its own. Everything I've said here is available on the website and with some more of course. So thank you very much for listening and look forward to answering any questions.

[Applause]

MS. BASAK: Again, if you are listening through a webcast, remember you can submit a question through Slido. Is there anybody in our room that has a question? A lot of them over here. Here first.

MS. CHRIS PETERSON: Hi, thank you for that amazing track record, leading with purpose and ESG - - business. I'm Chris Peterson from Ernst and Young, and my question is as you strive to create as you said purpose-driven value, are you measuring yourself

differently? Are you including different kinds of metric sets to your investors? Is your investor communication different now to portray those different types of purpose-driven value?

MR. BERGMAN: Well, I'm going to answer with a bit of humor to start with if you don't mind, and I learned though -- Steve Paladino our CFO is here, and in our original IPO I tried to say something funny when we started, and the investors didn't laugh, and that is the last time I've been funny with investors. But in any event, let me just tell you the history. 25 years when we went public we had a slide on purpose and values, and at that time we were asked by our bankers to take it out. So that will answer the change in a word. It's 25 years ago, not so long ago.

Bottom line is we do measure. We issue a sustainability report. We have codified our giving to Henry Schein Cares which is an NGO. We do not give money just as a donation. We give money where our team can be involved. And yes, we measure results. But I will say that we are only publishing these results in the last few years because there's been no interest, so it's been internal, and we do hold ourselves accountable.

MS. BASAK: Given that we have so many questions from over here also --

MR. BERGMAN: Sorry, can I just say one last thing?

MS. BASAK: Oh yes, of course.

MR. BERGMAN: And we issue -- we have a survey every two years amongst our team, and one of the question or actually a group of questions relates to the social responsibility of the company and engagement, and we ask the team to judge the company on purpose.

MALE VOICE: The main adjustments that you made when distinguishing between GAAP and non-GAAP earnings and what do you say to people who think that companies are obscuring their results rather than informing their investors when they made those adjustments? And I'm very sympathetic to these adjustments. I want to hear how you defend yourself against the inevitable - -

MR. BERGMAN: Okay, well first, I think we're more purist than most because we report our earnings on an accrual basis taking into account depreciation and amortization. We do report cash basis earnings, but we hold ourselves accountable to fully loaded accrual-based earnings taking into account goodwill and

amortization. I believe there are very few companies that do that.

Having said that, the adjustments really relate to primarily restructuring which may occur every few years, and we take those out, and that's permitted, and we show what they are, and we hold ourselves accountable for how much money we put into restructuring and the benefits that shareholders get. But I believe we are quite transparent in our reporting of our earnings and in particular in the difference between non-GAAP and GAAP. And there's tons of this on the website and lots of lots of analyst reports.

MS. BASAK: Question right here?

FEMALE VOICE: Hi, if we could just spend a few minutes on the G part of the discussion. So could you speak a little bit how the board is thinking about the refreshment process - -

MR. BERGMAN: Could you speak a little louder?

FEMALE VOICE: Can you speak a little bit about how the board is thinking about the refreshment process number one. And number two, you touched on diversity in your presentation. Most of the female directors on the board are relatively new. Can you provide some insight as to how they changed the culture of the board since they've arrived?

MR. BERGMAN: Well, actually there's a combination of -- first of all, we're in a highly unusual situation. We do have 5 of our 15 directors that are management. But there's a history behind that. I've never heard an investor complain because at the end of the day we don't produce results. But there's a history behind that. All of the major decisions are made by the independent directors including our lead director who chairs the board meeting on sensitive matters, and those only relate to -- and those discussions are only held amongst independent directors.

I think the board consists of a mix. I have to think through the numbers, but of people that have been with us really since our IPO. Two initial directors, one of whom left the board about two years ago - - and the other leaves the board in about a year or so. But I believe we have about half the board of independents that have been with us for five, six, seven years, and half the board is relatively new.

I think if you look at our list of board members, it's a good

mix and quite a credible group of directors. The only real requirements we have I mean other than traditional qualifications is that directors subscribe to our purpose-driven culture, and it's never really been an issue in approving because actually most I think people that are interested in joining boards are interested in, today, ESG. Perhaps ten years ago were not as interested but found it quite interesting.

On refreshing, first of all, the board conducts surveys amongst themselves under the chairmanship of the lead director, and our board is, I've been told by board members many of whom are on substantial boards, that we are actually much more transparent than most boards. We are very much involving our board the people side. So at board meetings when I make my presentation, I start out talking about management changes, people that - - more people that have been promoted, because I believe that at the end of the day an organization - - is really driven by its people and nothing else. So our board members are very much engaged in understanding the people and are regularly refreshed on what is happening in the organization from a people point of view and how people contributions and movements line up with our strategy.

I'm not sure if I answered the question or was it something more specific?

FEMALE VOICE: I just asked about - -

MR. BERGMAN: Sorry?

MS. BASAK: - -

MR. BERGMAN: Oh, so you want to know who they are.

FEMALE VOICE: No, I wanted to know how they've changed the culture of the board - -

MR. BERGMAN: Oh, how have the females changed the culture of the board? I don't know, I mean I respect all of our board members, and I would say I think the first female director was a person that became FDA commissioner. I'm not going to say she changed the culture of the board from a female point of view, but she brought some oversight mentality to us 10 or 12 years ago that was not that much 15 years ago in the general culture in healthcare companies - -

I can't say that a woman per se could change the culture because they're a woman. We've been a company that has always respected

women, and so I can't say that there were any particular woman issues. I don't know - - Steven, you've been to board meetings. Do you feel women have changed per se our culture in board meetings? Steven's our CFO.

MR. STEVEN PALADINO: So I would say it's more a greater awareness towards diversity. While we always had awareness of diversity, I think this really helped - - metric to give - - 'cause we very much believe in it, but just believing it isn't good enough - - and metrics really helped out.

MR. BERGMAN: I'll say to you -- thank you, Steven -- I'll say to you something that's very interesting. We have set up this women leadership groups, and as a result of that, I wouldn't say it's because of board involvement, many of us including myself became aware of unconscious bias. My wife is a medical practitioner. She never experienced the prejudice really as being a woman. Maybe occasionally somebody would look at the male nurse and think he was the doctor. But other than that, I would say to you that I guess from my own personal point of view I became aware of this unconscious bias issue from our woman leadership, and I know it's - - but I can't say a woman at the board -- it's a good question. I have to think about it - -

MS. BASAK: So the next question is about the environment. Given a number of your products that are one use and non-recyclable, are you thinking about helping customers think about reducing landfill contribution?

MR. BERGMAN: I can tell you that there is a movement towards multiple use of particular devices. Having said that, very often there are issues related to sterilization. But I suspect that over time we will driving more of our products to multiple use products that are sterilizable within the standards. But I think that is the case - - but there is a huge amount of single-use procedure type devices, devices that were driven really as a result of the AIDS crisis in the eighties. Now we have to move through another thinking because of the environmental issue. I think the environmental issue will be front with the way products go. But the sterilization issue is going to be something in the forefront because you can't interchange a single-use device for a multiple-use device unless you get the -

MS. BASAK: You have two questions about digitalization. Can Schein grow market share as digital disruptors find newer and cheaper ways to reach end customers, or do you think you have to rely on

buybacks?

MR. BERGMAN: Oh, first of all, we invest about a third of our free cash flow just substantially in buybacks, but two-thirds, one additional third in investing in the business and an additional third in acquisitions. In some years, acquisitions have been almost half of cash flow or more. So I don't think we need to rely on buybacks. But we've always, and maybe you can argue this, we've always believed in sending cash to investors in the form of buyback versus dividend. That's just -- it's a preference, but think of the buyback as a dividend that Henry Schein provides from a different -- or a different tax perspective to additional dividend.

Now, digitalization is something completely different. There is digital disruption opportunities everywhere in healthcare. Firstly, a whole way in which we relate to our customers. We've invested heavily in that area, first of all in the way ordering takes place, but secondly in the way in which we communicate new ideas. I'd say five, six, seven years ago -- piece of paper, then it moved to our website, and now it's social media. So there's huge opportunities in communicating new ideas to our customers and interfacing from a digital point of view.

At the same time, devices have changed dramatically. And there's huge opportunity there for the digitalization of providing dental care. The example I gave earlier on was prosthetics. It's no longer necessary to get a manual impression. This can be done digitally. Lots and lots of opportunity, tying that into our practice management, electronic medical record devices and system so that you have interoperability. Huge amount of -- opportunities. Medical record, digitalization of medical record, the portable record the dental -- for patients -- digitalization is a huge opportunity for us. We have a joint venture with Henry Schein -- three-quarters of with respect to the digitalization of the dental office, practice management software, electronic medical records, different kinds of communication, interoperability devices, and patients. That's a huge, huge opportunity for Henry Schein.

MS. BASAK: -- thank you so much.

MR. BERGMAN: Thank you.

[Applause]