OWENS & MINOR INC/VA/

FORM 8-K
(Current report filing)

Filed 11/01/17 for the Period Ending 10/31/17

Address	9120 LOCKWOOD BLVD MECHANICSVILLE, VA, 23116
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Industry	Medical Equipment, Supplies & Distribution
Sector	Healthcare
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 31, 2017

Owens & Minor, Inc.
(Exact name of registrant as specified in its charter)

Virginia	1-9810	54-1701843
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

9120 Lockwood Blvd., Mechanicsville, Virginia	23116
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (804) 723-7000

Not applicable
(former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17-CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 1.01 Entry Into a Material Definitive Agreement.

Purchase Agreement

On October 31, 2017, Owens & Minor, Inc. (the "Company") entered into a Purchase Agreement (the "Purchase Agreement") by and among the Company, Halyard Health, Inc. ("Halyard") and certain affiliates of Halyard. The Purchase Agreement provides for the acquisition by the Company, subject to the terms and conditions of the Purchase Agreement, of substantially all of Halyard's Surgical and Infection Prevention ("S&IP") business, the name "Halyard Health" (and all variations of that name and related intellectual property rights) and Halyard's IT system (the "Acquisition"). The total price payable by the Company will be $710 million in cash, subject to certain adjustments as provided in the Purchase Agreement. The Company expects the transaction to close in the first quarter of 2018.

The closing of the Acquisition is subject to the satisfaction or waiver of certain customary closing conditions, including, among others, (i) expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and other acquisition and competition laws applicable to the Acquisition, (ii) receipt of all required consents from, and the making of all required notices to, governmental authorities (subject to a material adverse effect standard), and (iii) the absence of any law, regulation, or order issued by a court or other governmental authority restraining or making illegal the Acquisition. Each party's obligation to consummate the Acquisition is also conditioned upon the accuracy of the other party's representations and warranties (generally subject, other than for certain representations and warranties, to a material adverse effect standard) and the other party having performed in all material respects its obligations under the Purchase Agreement. Each party's obligation to consummate the Acquisition is further subject to the completion of certain actions by Halyard necessary to separate the S&IP business from Halyard's remaining operations.

The Purchase Agreement contains customary representations, warranties and covenants from both the Company and Halyard, and contains certain customary termination rights for each of the Company and Halyard. Subject to certain exceptions and limitations, the Company and Halyard have agreed to indemnify each other for breaches of representations, warranties, covenants and other specified matters contained in the Purchase Agreement. Among these other specified matters, Halyard has agreed to indemnify the Company for losses related to certain pending litigation against the S&IP business, including with respect to the matter styled *Bahamas Surgery Center, LLC v. Kimberly-Clark Corporation and Halyard Health, Inc.,* No. 2:14-cv-08390-DMG-SH (C.D. Cal.).

Pursuant to the terms of the Purchase Agreement, at or before the closing of the Acquisition, the Company and Halyard will enter into transition services agreements pursuant to which the Company, Halyard and each party's respective affiliates will provide to each other various transitional services, including, but not limited to, facilities, product supply, financial and business services, procurement, human resources, research and development, regulatory affairs and quality assurance, sales and marketing, information technology and other support services. The services generally are expected to commence on the closing date of the Acquisition and terminate no later than two years thereafter.

The foregoing description of the Purchase Agreement and the Acquisition does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Purchase Agreement which will be filed by the Company at a later time.

The Purchase Agreement contains various representations and warranties made by the parties solely for the benefit of the other parties to the Purchase Agreement. Such representations and warranties (a) have been made only for purposes of the Purchase Agreement, (b) have been qualified by confidential disclosures made to the other parties in connection with the Purchase Agreement, (c) are subject to materiality qualifications contained in the Purchase Agreement that may differ from what may be viewed as material by investors, (d) were made only as of the date of the Purchase Agreement or such other date as is specified in the Purchase Agreement, and (e) have been included in the Purchase Agreement for the purpose of allocating risk between the contracting parties rather than establishing matters as facts. Accordingly, the Purchase Agreement is included with this filing only to provide investors with information regarding the terms of the Purchase Agreement, and not to provide investors with any other factual information regarding either party or its business. Investors should not rely on the representations or warranties or any descriptions thereof as characterizations of the actual state of facts or condition of the S&IP business, the Company, or any of its subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Purchase Agreement, which subsequent information may or may not be reflected in the Company's public disclosures. The Purchase Agreement and the foregoing description of it and the Acquisition should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the Form 10-K, Form 10-Q and other documents that the Company files or has filed with the Securities and Exchange Commission (the "SEC").

Commitment Letter

Bank of America, N.A. ("Bank of America") and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Lead Arranger" and, together with Bank of America, the "Commitment Parties") have committed to provide a term loan B facility in an initial aggregate principal amount of up to $450 million (the "TLB Facility") and to backstop on a fully committed basis an amendment (the "Amendment") to the Company's existing credit agreement (which existing credit agreement currently provides for borrowing capacity of $600 million and a $250 million term loan) to permit the TLB Facility and make certain other changes thereto, in each case on the terms and subject to the conditions set forth in the commitment letter and a fee letter, each dated October 31, 2017.

Item 2.02. Results of Operations and Financial Condition.

On November 1, 2017, the Company issued a press release regarding its financial results for the third quarter ended September 30, 2017. The Company is furnishing the press release attached hereto as Exhibit 99.1 pursuant to Item 2.02 of Form 8-K. In accordance with General Instruction B.2 of Form 8-K, the information in this Item 2.02, including Exhibit 99.1, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 7.01 Regulation FD Disclosure.

On November 1, 2017, the Company issued a press release regarding its entry into the Purchase Agreement. A copy of the press release is furnished as Exhibit 99.2 to this Current Report on Form 8-K. In accordance with General Instruction B.2 of Form 8-K, the information in this Item 7.01, including Exhibit 99.2, shall not be deemed "filed" for the purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description of Exhibit
99.1	Press Release issued by the Company on November 1, 2017 announcing third quarter results (furnished pursuant to Item 2.02).
99.2	Press Release issued by the Company on November 1, 2017 announcing the signing of the Purchase Agreement (furnished pursuant to Item 7.01).

Safe Harbor Statement

This Current Report contains certain "forward-looking" statements, which are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements related to the Company's expectations regarding the performance of its business, its financial results, its liquidity and capital resources, the Company's ability to complete the transaction with Halyard described herein and any projections of earnings, revenues or other financial or operational items related to the transaction or Halyard following the closing of the transaction, and other non-historical statements. Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results in future periods to differ materially from those projected or contemplated in the forward-looking statements. Important factors that could cause actual events or results to be materially different from our expectations with respect to the transaction with Halyard include, but are not limited to: the effect of the announcement of the transaction on the Company's business relationships, operating results, share price or business generally; the occurrence of any event or other circumstances that could give rise to the termination of the definitive agreement relating to the transaction; the outcome of any legal proceedings that may be instituted against the Company related to the transaction; the failure to satisfy any of the conditions to completion of the transaction, including the receipt of all required regulatory approvals and antitrust consents; and the failure to realize the expected synergies resulting from the transaction. Investors should refer to the Company's annual report on Form 10-K for the year ended December 31, 2016 filed with the SEC and subsequent quarterly reports on Form 10-Q and current reports on Form 8-K filed with or furnished to the SEC, for a discussion of certain other known risk factors that could cause our actual results to differ materially from the Company's current estimates. These filings are available at www.owens-minor.com . Given these risks and uncertainties, the Company can give no assurance that any forward-looking statements will, in fact, transpire and, therefore, cautions investors not to place undue reliance on them. The Company specifically disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

The Company uses its Web site, www.owens-minor.com , as a channel of distribution for material company information, including news releases, investor presentations and financial information. This information is routinely posted and accessible under the Investor Relations section.

Exhibit Index

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

OWENS & MINOR, INC.

Date: November 1, 2017

By: /s/ Nicholas J. Pace
Name: Nicholas J. Pace
Title: Senior Vice President, General Counsel and Corporate Secretary

Owens&Minor

News Release

FOR IMMEDIATE RELEASE
November 1, 2017

Owens & Minor Reports 3 rd Quarter 2017 Financial Results

Owens & Minor to acquire the Surgical & Infection Prevention Business of Halyard Health in a $710 million transaction

Richmond, Va. — BUSINESS WIRE — November 1, 2017 — Owens & Minor, Inc. (NYSE-OMI) today reported financial results for the third quarter ended September 30, 2017, including consolidated revenues of $2.33 billion, compared to revenues of $2.42 billion in the third quarter of 2016. Consolidated operating earnings for the third quarter of 2017 were $29.7 million, compared to $53.6 million in last year's third quarter. Adjusted consolidated operating earnings (non-GAAP) for the third quarter were $48.5 million, compared to $58.8 million for the same period last year. Quarterly net income was $10.9 million, or $0.18 per share, compared to $0.48 per share for the third quarter last year. Adjusted net income (non-GAAP) was $24.3 million, or $0.40 per share, compared to $0.54 per share in last year's third quarter. Today, Owens & Minor also announced that it has signed a definitive agreement to acquire the surgical & infection prevention (S&IP) business of Halyard Health Inc. in a $710 million all cash transaction that, subject to regulatory approval, including Hart-Scott-Rodino, is expected to close in the first quarter of 2018.

The quarterly change in revenues resulted primarily from the previously discussed transition of a significant customer in 2016, as well as one less sales day in the third quarter of 2017 and lower growth with existing customers when compared to 2016. Quarterly operating earnings were negatively affected by revenue shortfalls, as well as ongoing margin pressure in our domestic distribution business and increased costs to support new business in Europe. Partially offsetting these factors were benefits derived from expense control and productivity initiatives, as well as positive contributions from Byram Healthcare, which the company acquired on August 1, 2017. Byram's results are included in the Domestic segment. Quarterly net income and earnings per share reflect the impact of an increase in our effective tax rate, which resulted primarily from a higher proportion of pre-tax income from higher tax rate jurisdictions.

"We are excited about the Halyard S&IP transaction. This is the largest acquisition in the company's history and represents a significant step in strengthening and diversifying our business. Halyard is a market leader in the prevention of healthcare-associated infections, and its differentiated portfolio of products and services is highly complementary to our existing business," said P. Cody Phipps, chairman, president, & chief executive officer of Owens & Minor. "While we are disappointed with our quarterly results, we continue to make meaningful progress with our business transformation and the execution of our four-part strategy. We remain focused on improving our operating performance and enhancing our value proposition. Both Byram and Halyard represent meaningful steps in the transformation of our business."

Year-to-Date 2017 Results

For the first nine months of 2017, consolidated revenues were $6.93 billion compared to revenues of $7.36 billion in the first nine months of 2016. Consolidated operating earnings for the 2017 year to date period were $98.0 million, compared to $151 million in the same period last year. Adjusted consolidated operating earnings (non-GAAP) for the first nine months of 2017 were $138 million, compared to $178 million for the same period last year. Net income for the first nine months of the year was $49.8 million, or $0.82 per share, compared to $1.32 per share for the same period last year. Adjusted net income (non-GAAP) was $76.5 million, or $1.26 per share, compared to $1.62 per share in the first nine months of last year.

Segment Results

Segment financial results for the quarter are shown in the financial tables included with this release. Segment results include:

- **Domestic Segment** quarterly revenues were $2.19 billion compared to revenues of $2.29 billion a year ago. Quarterly segment operating earnings were $36.1 million, which declined when compared to operating earnings of $41.0 million for the same period last year. The change in operating earnings reflects the revenue shortfall, continued margin pressure, and incremental costs to serve customers before, during and after the hurricanes in Texas and Florida. Expense control and successful productivity initiatives, as well as earnings from Byram Healthcare positively affected the quarterly results.
- **International Segment** quarterly revenues were $96.7 million compared to $83.8 million last year. The quarterly segment operating earnings (loss) was ($2.2 million), compared to $1.4 million in last year’s third quarter. The International results reflect an increase in expenses primarily resulting from costs to support new business in Europe. The International segment has taken steps to improve its cost structure and is better positioned to leverage future opportunities.
- **Proprietary Products Segment** quarterly revenues were $124.5 million compared to $132.7 million in the prior year quarter. Segment operating earnings were $9.1 million versus $14.3 million last year. While representing a sequential improvement, the operating earnings decline was primarily related to the revenue shortfall and increased production costs for the company’s custom procedure trays. The company has stabilized the production environment, which will lead to lower costs and a renewed focus on growing the business.

Revised Financial Guidance and Outlook

The company has revised its outlook for non-GAAP diluted earnings per share in 2017 to a range of $1.75 to $1.85, from a previous range of $1.90 to $2.00. For 2018, the company plans to provide updated guidance upon the close of the Halyard transaction, which is expected to occur in the first quarter of 2018.

Although the company does provide guidance for adjusted earnings per share (which is a non-GAAP financial measure), it is not able to forecast the most directly comparable measure calculated and presented in accordance with GAAP. Certain elements of the composition of the GAAP amounts are not predictable, making it impractical for the company to forecast without unreasonable efforts. Such elements include, but are not limited to restructuring and acquisition charges. As a result, no GAAP guidance is provided. For the same reasons, the company is unable to address the probable significance of the unavailable information, which could have a potentially unpredictable, and potentially significant, impact on its future GAAP financial results. The outlook is based on certain assumptions that are subject to the risk factors discussed in the company’s filings with the Securities and Exchange Commission (the “SEC”).

Upcoming Investor Events

Owens & Minor is scheduled to participate in a number of investor conferences in the fourth quarter of 2017; webcasts of formal presentations will be posted on the company's corporate website:

- Credit Suisse Healthcare Conference, Scottsdale, AZ, November 7, 2017
- Jefferies 2017 London Healthcare Conference, London, UK, November 15, 2017

Investors Conference Call & Supplemental Material

Company executives will host a conference call, which will also be webcast, to discuss the company's third quarter results and the Halyard S&IP transaction today, Wednesday, November 1, 2017, at 8:00 a.m. EDT. The access code for the conference call, international dial-in and replay is #4577919. Participants may access the call at 866-393-1604. The international dial-in number is 224-357-2191. A replay of the call will be available for one week by dialing 855-859-2056. Webcast: A listen-only webcast of the call, along with supplemental information, will be available on www.owens-minor.com under "Investor Relations."

Safe Harbor Statement

This release is intended to be disclosure through methods reasonably designed to provide broad, non-exclusionary distribution to the public in compliance with the SEC's Fair Disclosure Regulation. This release contains certain "forward-looking'' statements, which are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements related to the company's expectations regarding the performance of its business, its financial results, its liquidity and capital resources, the company's ability to complete the transaction with Halyard described herein and any projections of earnings, revenues or other financial or operational items related to the transaction or Halyard following the closing of the transaction, and other non-historical statements, including statements in the "Revised Financial Guidance and Outlook" section of this press release. Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results in future periods to differ materially from those projected or contemplated in the forward-looking statements. Important factors that could cause actual events or results to be materially different from our expectations with respect to the transaction with Halyard include, but are not limited to: the effect of the announcement of the transaction on the company's business relationships, operating results, share price or business generally; the occurrence of any event or other circumstances that could give rise to the termination of the definitive agreement relating to the transaction; the outcome of any legal proceedings that may be instituted against the company related to the transaction; the failure to satisfy any of the conditions to completion of the transaction, including the receipt of all required regulatory approvals and antitrust consents; and the failure to realize the expected synergies resulting from the transaction. Investors should refer to our annual report on Form 10-K for the year ended December 31, 2016, filed with the ("SEC") and subsequent quarterly reports on Form 10-Q and current reports on Form 8-K filed with or furnished to the SEC, for a discussion of certain other known risk factors that could cause our actual results to differ materially from our current estimates. These filings are available at www.owens-minor.com . Given these risks and uncertainties, we can give no assurances that any forward-looking statements will, in fact, transpire and, therefore, caution investors not to place undue reliance on them. We specifically disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

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Included with the press release financial tables are reconciliations of the differences between the non-GAAP financial measures presented in this news release and their most directly comparable GAAP financial measures.

About Owens & Minor, Inc.

Owens & Minor, Inc. (NYSE: OMI) is a global healthcare solutions company dedicated to *Connecting the World of Medical Products to the Point of Care* SM by providing vital supply chain services to healthcare providers and manufacturers of healthcare products. Owens & Minor provides logistics services across the spectrum of medical products from disposable medical supplies to devices and implants. With logistics platforms strategically located in the United States and Europe, Owens & Minor serves markets where three quarters of global healthcare spending occurs. Owens & Minor's customers span the healthcare market from independent hospitals to large integrated healthcare networks, as well as group purchasing organizations, healthcare products manufacturers, the federal government, and healthcare patients at home through the Byram Healthcare subsidiary. A FORTUNE 500 company, Owens & Minor is headquartered in Richmond, Virginia, and has annualized revenues exceeding $9 billion. For more information about Owens & Minor, visit owens-minor.com, follow @Owens_Minor on Twitter, and connect on LinkedIn at www.linkedin.com/company/owens-&-minor.

CONTACTS :

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SOURCE: Owens & Minor

Owens & Minor, Inc.
Consolidated Statements of Income (unaudited)
(dollars in thousands, except per share data)

	Three Months Ended September 30,	
	2017	**2016**
Net revenue	**$ 2,333,961**	$ 2,415,601
Cost of goods sold	**2,032,019**	2,119,326
Gross margin	**301,942**	296,275
Distribution, selling and administrative expenses	**261,045**	241,305
Acquisition-related and exit and realignment charges	**9,299**	2,739
Other operating (income) expense, net	**1,927**	(1,337)
Operating earnings	**29,671**	53,568
Interest expense, net	**8,737**	6,770
Income before income taxes	**20,934**	46,798
Income tax provision	**10,063**	16,967
Net income	**$ 10,871**	$ 29,831
Net income per common share:		
Basic and diluted	**$ 0.18**	$ 0.48

	Nine Months Ended September 30,	
	2017	**2016**
Net revenue	**$ 6,928,441**	$ 7,355,069
Cost of goods sold	**6,071,787**	6,462,739
Gross margin	**856,654**	892,330
Distribution, selling and administrative expenses	**735,353**	726,944
Acquisition-related and exit and realignment charges	**21,134**	19,974
Other operating (income) expense, net	**2,143**	(5,179)
Operating earnings	**98,024**	150,591
Interest expense, net	**22,218**	20,324
Income before income taxes	**75,806**	130,267
Income tax provision	**26,010**	48,585
Net income	**$ 49,796**	$ 81,682
Net income per common share:		
Basic and diluted	**$ 0.82**	**$ 1.32**

Owens & Minor, Inc.
Condensed Consolidated Balance Sheets (unaudited)
(dollars in thousands)

	September 30, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 98,415	$ 185,488
Accounts receivable, net	732,756	606,084
Merchandise inventories	989,251	916,311
Other current assets	311,499	254,156
Total current assets	2,131,921	1,962,039
Property and equipment, net	203,587	191,718
Goodwill, net	690,230	414,936
Intangible assets, net	231,886	82,511
Other assets, net	76,532	66,548
Total assets	$ 3,334,156	$ 2,717,752
Liabilities and equity		
Current liabilities		
Accounts payable	$ 875,630	$ 750,750
Accrued payroll and related liabilities	31,998	45,051
Other current liabilities	296,663	238,837
Total current liabilities	1,204,291	1,034,638
Long-term debt, excluding current portion	917,256	564,583
Deferred income taxes	137,539	90,383
Other liabilities	71,286	68,110
Total liabilities	2,330,372	1,757,714
Total equity	1,003,784	960,038
Total liabilities and equity	$ 3,334,156	$ 2,717,752

Owens & Minor, Inc.
Consolidated Statements of Cash Flows (unaudited)
(dollars in thousands)

	Nine Months Ended September 30,	
	2017	**2016**
Operating activities:		
Net income	$ **49,796**	$ 81,682
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	**41,060**	42,182
Share-based compensation expense	**8,592**	8,934
Provision for losses on accounts receivable	**1,158**	(216)
Deferred income tax (benefit) expense	**(4,585)**	(3,233)
Changes in operating assets and liabilities:		
Accounts receivable	**(79,114)**	5,023
Merchandise inventories	**(56,134)**	(5,066)
Accounts payable	**79,787**	58,742
Net change in other assets and liabilities	**(40,634)**	(44,903)
Other, net	**5,719**	1,366
Cash provided by operating activities	**5,645**	144,511
Investing activities:		
Acquisition, net of cash acquired	**(366,569)**	—
Additions to property and equipment	**(24,963)**	(13,682)
Additions to computer software and intangible assets	**(12,826)**	(7,081)
Proceeds from sale of property and equipment	**780**	4,497
Cash used for investing activities	**(403,578)**	(16,266)
Financing activities:		
Change in bank overdraft	—	21,753
Proceeds from debt issuance	**250,000**	—
Borrowing under revolving credit facility	**117,200**	—
Financing costs paid	**(1,798)**	—
Cash dividends paid	**(47,316)**	(47,802)
Repurchases of common stock	**(5,000)**	(48,654)
Other, net	**(7,363)**	(8,118)
Cash provided by (used for) financing activities	**305,723**	(82,821)
Effect of exchange rate changes on cash and cash equivalents	**5,137**	6,652
Net increase (decrease) in cash and cash equivalents	**(87,073)**	52,076
Cash and cash equivalents at beginning of period	**185,488**	161,020
Cash and cash equivalents at end of period	$ **98,415**	$ 213,096

Owens & Minor, Inc.
Financial Statistics and GAAP/Non-GAAP Reconciliations (unaudited)

(dollars in thousands, except per share data)	Quarter Ended				
	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Consolidated operating results:					
Net revenue	**$2,333,961**	$2,265,907	$2,328,573	$2,368,361	$2,415,601
Gross margin	**$ 301,942**	$ 273,533	$ 281,180	$ 294,980	$ 296,275
Gross margin as a percent of revenue	**12.94%**	12.07%	12.08%	12.46%	12.27%
Distribution, selling & administrative expenses	**$ 261,045**	$ 236,615	$ 237,693	$ 243,480	$ 241,305
Distribution, selling & administrative expenses as a percent of revenue	**11.18%**	10.44%	10.21%	10.28%	9.99%
Operating earnings, as reported (GAAP)	**$ 29,671**	$ 32,837	$ 35,517	$ 49,008	$ 53,568
Acquisition-related charges (1)	**4,253**	692	1,347	286	597
Exit and realignment charges (2)	**5,046**	2,201	7,595	4,415	2,142
Acquisition-related intangible amortization (3)	**5,071**	2,347	2,319	2,450	2,489
Other (4)	**4,441**	3,311	922	—	—
Operating earnings, adjusted (Non-GAAP)	**$ 48,482**	$ 41,388	$ 47,700	$ 56,159	$ 58,796
Operating earnings as a percent of revenue (GAAP)	**1.27%**	1.45%	1.53%	2.07%	2.22%
Operating earnings as a percent of revenue, adjusted (Non-GAAP)	**2.08%**	1.83%	2.05%	2.37%	2.43%
Net income, as reported (GAAP)	**$ 10,871**	$ 20,141	$ 18,785	$ 27,105	$ 29,831
Acquisition-related charges (1)	**4,253**	692	1,347	286	597
Income tax expense (benefit) (5)	**(1,090)**	(228)	(450)	67	(221)
Exit and realignment charges (2)	**5,046**	2,201	7,595	4,415	2,142
Income tax expense (benefit) (5)	**(1,764)**	(780)	(3,055)	(289)	(794)
Acquisition-related intangible amortization (3)	**5,071**	2,347	2,319	2,450	2,489
Income tax expense (benefit) (5)	**(1,601)**	(696)	(696)	(633)	(645)
Other (4)	**4,441**	3,311	922	—	—
Income tax expense (benefit) (5)	**(973)**	(1,139)	(354)	—	—
Net income, adjusted (Non-GAAP)	**$ 24,254**	$ 25,849	$ 26,413	$ 33,401	$ 33,399
Net income per share, as reported (GAAP)	**$ 0.18**	$ 0.33	$ 0.31	$ 0.45	$ 0.48
Acquisition-related charges, after-tax (1)	**0.05**	0.01	0.01	—	0.01
Exit and realignment charges, after-tax (2)	**0.06**	0.02	0.08	0.07	0.02
Acquisition-related intangible amortization, after-tax (3)	**0.06**	0.03	0.03	0.03	0.03
Other, after-tax (4)	**0.05**	0.04	0.01	—	—
Net income per share, adjusted (Non-GAAP)	**$ 0.40**	$ 0.43	$ 0.44	$ 0.55	$ 0.54
Financing:					
Cash and cash equivalents	**$ 98,415**	$ 57,066	$ 127,167	$ 185,488	$ 213,096
Total interest-bearing debt	**$ 933,489**	$ 583,201	$ 568,565	$ 569,387	$ 570,263
Stock information:					
Cash dividends per common share	**$ 0.2575**	$ 0.2575	$ 0.2575	$ 0.255	$ 0.255
Stock price at quarter-end	**$ 29.20**	$ 32.19	$ 34.60	$ 35.29	$ 34.73

Owens & Minor, Inc.
Financial Statistics and GAAP/Non-GAAP Reconciliations (unaudited)

The following items in the current quarter have been excluded in our non-GAAP financial measures:

(1) Acquisition-related charges in 2017 were primarily transaction and transition costs associated with the acquisition of Byram and the upcoming Halyard S&IP transaction. The prior year amounts related primarily to costs incurred to settle certain obligations and address other on-going matters associated with the acquisitions of ArcRoyal and Medical Action.

(2) Exit and realignment charges in 2017 were associated with severance from reduction in force and other employee costs associated with the establishment of our new client engagement centers, the write-down of information system assets which are no longer used and other IT restructuring charges. Expenses associated with the establishment of the client engagement center will continue to be recorded throughout 2017. Charges in 2016 included severance activities and other costs associated with our strategic organizational realignment which included certain professional fees and costs to streamline administrative functions and processes in the United States and Europe.

(3) Acquisition-related intangible amortization includes amortization of certain intangible assets established during purchase accounting for business combinations. These amounts are highly dependent on the size and frequency of acquisitions and are being excluded to allow for a more consistent comparison with forecasted, current and historical results and the results of our peers. We began to exclude these charges from our non-GAAP results in the second quarter of 2017 and thus prior year amounts have been recast on the same basis. Full year 2016 intangible amortization was $10.0 million or $0.12 per share.

(4) Software as a Service (SaaS) implementation costs associated with the upgrading of global IT platforms in connection with the redesign of our global information system strategy.

(5) These charges have been tax effected in the preceding table by determining the income tax rate depending on the amount of charges incurred in different tax jurisdictions and the deductibility of those charges for income tax purposes.

Use of Non-GAAP Measures

This earnings release contains financial measures that are not calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). In general, the measures exclude items and charges that (i) management does not believe reflect Owens & Minor, Inc.'s (the "Company") core business and relate more to strategic, multi-year corporate activities; or (ii) relate to activities or actions that may have occurred over multiple or in prior periods without predictable trends. Management uses these non-GAAP financial measures internally to evaluate the Company's performance, evaluate the balance sheet, engage in financial and operational planning and determine incentive compensation.

Management provides these non-GAAP financial measures to investors as supplemental metrics to assist readers in assessing the effects of items and events on its financial and operating results and in comparing the Company's performance to that of its competitors. However, the non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements set forth above should be carefully evaluated.

Owens & Minor, Inc.
Summary Segment Information (unaudited)
(dollars in thousands)

	Three Months Ended September 30,			
	2017		2016	
	Amount	% of consolidated net revenue	Amount	% of consolidated net revenue
Net revenue:				
Segment net revenue				
Domestic	**$2,194,143**	**94.01%**	$2,287,233	94.69%
International	**96,661**	**4.14%**	83,751	3.47%
Proprietary Products	**124,542**	**5.34%**	132,705	5.49%
Total segment net revenue	**2,415,346**		2,503,689	
Inter-segment revenue				
Proprietary Products	**(81,385)**	**(3.49)%**	(88,088)	(3.65)%
Total inter-segment revenue	**(81,385)**		(88,088)	
Consolidated net revenue	**$2,333,961**	**100.00%**	$2,415,601	100.00%
		% of segment net revenue		% of segment net revenue
Operating earnings (loss):				
Domestic	**$ 36,056**	**1.64%**	$ 41,034	1.79%
International	**(2,163)**	**(2.24)%**	1,382	1.65%
Proprietary Products	**9,102**	**7.31%**	14,340	10.81%
Inter-segment eliminations	**416**		(449)	
Acquisition-related and exit and realignment charges	**(9,299)**		(2,739)	
Other (1)	**(4,441)**		—	
Consolidated operating earnings	**$ 29,671**	**1.27%**	$ 53,568	2.22%
Depreciation and amortization:				
Domestic	**$ 9,602**		$ 7,360	
International	**4,304**		4,259	
Proprietary Products	**1,947**		2,218	
Consolidated depreciation and amortization	**$ 15,853**		$ 13,837	
Capital expenditures:				
Domestic	**$ 9,572**		$ 3,071	
International	**3,206**		3,223	
Proprietary Products	**718**		1,009	
Consolidated capital expenditures	**$ 13,496**		$ 7,303	

Owens & Minor, Inc.
Summary Segment Information (unaudited)
(dollars in thousands)

	Nine Months Ended September 30,			
	2017		2016	
	Amount	% of consolidated net revenue	Amount	% of consolidated net revenue
Net revenue:				
Segment net revenue				
Domestic	**$ 6,518,571**	**94.08%**	$ 6,954,687	94.56%
International	**287,555**	**4.15%**	255,861	3.48%
Proprietary Products	**392,654**	**5.67%**	409,022	5.56%
Total segment net revenue	**7,198,780**		7,619,570	
Inter-segment revenue				
Proprietary Products	**(270,339)**	**(3.90)%**	(264,501)	(3.60)%
Total inter-segment revenue	**(270,339)**		(264,501)	
Consolidated net revenue	**$ 6,928,441**	**100.00%**	$ 7,355,069	100.00%
		% of segment net revenue		% of segment net revenue
Operating earnings (loss):				
Domestic	**$ 102,812**	**1.58%**	$ 126,202	1.81%
International	**(754)**	**(0.26)%**	3,402	1.33%
Proprietary Products	**26,040**	**6.63%**	41,866	10.24%
Inter-segment eliminations	**(266)**		(905)	
Acquisition-related and exit and realignment charges	**(21,134)**		(19,974)	
Other (1)	**(8,674)**		—	
Consolidated operating earnings	**$ 98,024**	**1.41%**	$ 150,591	2.05%
Depreciation and amortization:				
Domestic	**$ 23,233**		$ 22,399	
International	**12,072**		13,125	
Proprietary Products	**5,755**		6,658	
Consolidated depreciation and amortization	**$ 41,060**		$ 42,182	
Capital expenditures:				
Domestic	**$ 23,376**		$ 10,274	
International	**11,659**		8,053	
Proprietary Products	**2,754**		2,436	
Consolidated capital expenditures	**$ 37,789**		$ 20,763	
	September 30, 2017		December 31, 2016	
Total assets:				
Domestic	**$ 2,416,079**		$ 1,778,481	
International	**418,331**		352,898	
Proprietary Products	**401,331**		400,885	
Segment assets	**3,235,741**		2,532,264	
Cash and cash equivalents	**98,415**		185,488	
Consolidated total assets	**$ 3,334,156**		$ 2,717,752	

(1) Software as a Service (SaaS) implementation costs associated with the upgrading of global IT platforms in connection with the redesign of our global information system strategy.

Owens & Minor, Inc.
Net Income Per Common Share (unaudited)
(dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Numerator:				
Net income	**$ 10,871**	$ 29,831	**$ 49,796**	$ 81,682
Less: income allocated to unvested restricted shares	**(279)**	(291)	**(738)**	(855)
Net income attributable to common shareholders - basic	**10,592**	29,540	**49,058**	80,827
Add: undistributed income attributable to unvested restricted shares -basic	**—**	80	**16**	216
Less: undistributed income attributable to unvested restricted shares -diluted	**—**	(80)	**(16)**	(216)
Net income attributable to common shareholders - diluted	**$ 10,592**	$ 29,540	**$ 49,058**	$ 80,827
Denominator:				
Weighted average shares outstanding - basic and diluted	**59,849**	61,015	**60,010**	61,405
Net income per share attributable to common shareholders:				
Basic and diluted	**$ 0.18**	$ 0.48	**$ 0.82**	$ 1.32

Exhibit 99.2

Owens&Minor

News Release

Owens & Minor to Acquire Halyard Health, Inc.'s
Surgical & Infection Prevention (S&IP) Business for $710 Million in Cash

Strengthens and diversifies O&M's business model
Strategically compelling and value-enhancing transaction
Expands O&M's platforms for growth

RICHMOND, VA, November 1, 2017 – Owens & Minor (NYSE: OMI) today announced that it has signed a definitive agreement to acquire the surgical and infection prevention ("S&IP") business of Halyard Health, Inc. for approximately $710 million in cash. The highly complementary business will increase scale and profitability across Owens & Minor's global business, while also enhancing the company's owned-brand product portfolio and expanding the company's global network into new markets and channels.

Halyard's S&IP business is a leading global provider of medical supplies and solutions for the prevention of healthcare-associated infections across acute care and non-acute care markets. S&IP's focused portfolio of surgical and infection prevention offerings, which includes sterilization wraps, surgical drapes and gowns, facial protection, protective apparel and medical exam gloves, is highly regarded in the industry. Recognized S&IP brands include surgical drape products such as AEROBLUE and AEROCHROME; exam gloves including PURPLE, LAVENDER and STERLING; and sterilization wrap such as ONE-STEP, QUICK CHECK and SMART-FOLD. As a market leader with a differentiated product portfolio and strong brand recognition, S&IP brings an experienced global sales force with direct channel access to both acute care and non-acute care markets throughout the world. Additionally, S&IP brings a world-class manufacturing network, a strong pipeline of new products, and a successful track record of bringing products to the global market.

"Halyard's S&IP business is a market leader in the prevention of healthcare-associated infections, and its portfolio of products and services is highly complementary to the innovative solutions we currently provide to our customers," said P. Cody Phipps, Chairman, President & Chief Executive Officer of Owens & Minor. "In today's rapidly changing healthcare industry, Owens & Minor is taking aggressive steps to strengthen and diversify our business model, and this transaction supports and enhances our ability to execute our strategy and provides significant opportunities for growth."

"This transaction is both strategically and financially compelling," said Richard Meier, EVP, Chief Financial Officer and President-International. "It will allow us to enhance our product offerings to our acute care and non-acute care customers in a wider range of global markets and—combined with our recent acquisition of Byram Healthcare—will position us to achieve sustainable, profitable growth."

Strategically and Financially Compelling Transaction

- **Expands opportunities for Owens & Minor's owned-brand product portfolio –** S&IP's differentiated product portfolio, which holds leading U.S. market positions and has strong brand recognition across developed markets, complements Owens & Minor's existing portfolio of brands and is expected to drive growth in revenue, operating earnings, earnings per share and cash flow.

- **Accelerates Owens & Minor’s strategy to deliver value at the point of care –** The transaction complements Owens & Minor’s business model with expanded solutions and trusted products at the point of care in the acute care and non-acute care markets.
- **Creates a platform for future growth –** The acquisition allows Owens & Minor to respond more quickly to a changing healthcare industry, with a focus on new opportunities for unique product solutions and value-enhancing bundles and expansion into more clinically relevant areas. The transaction also adds new skill sets, resources, and capabilities to support growth initiatives.

With the S&IP transaction, Owens & Minor expects to acquire approximately $1 billion in revenues and approximately $80 million of annual EBITDA. Additionally, Owens & Minor expects annual pre-tax synergies to reach approximately $40 million by year three post-closing. Owens & Minor intends to finance the transaction with a combination of cash and debt, and has obtained committed financing, subject to customary closing conditions, from BofA Merrill Lynch in connection with the planned acquisition. Owens & Minor expects the transaction to be accretive to non-GAAP diluted earnings per share in 2018, with increasing accretion thereafter. The transaction, which has been approved by the boards of directors of both companies, is expected to close in the first quarter of 2018, subject to customary closing conditions and regulatory approvals, including Hart-Scott-Rodino.

BofA Merrill Lynch and Lazard acted as lead financial advisors to Owens & Minor. Citigroup also provided advice to Owens & Minor. Simpson Thacher & Bartlett LLP acted as lead legal counsel to Owens & Minor; while Hyman, Phelps & McNamara, P.C. provided advisory services on regulatory matters; and Eversheds Sutherland provided advisory services on international legal matters.

Investor Call to Discuss the Transaction and Third Quarter 2017 Earnings Results

In a separate press release issued today, Owens & Minor released financial results for the third quarter of 2017. Company executives will host a conference call, which will also be webcast, to discuss the results and transaction today, Wednesday, November 1, 2017, at 8:00 a.m. EDT. The access code for this event is #4577919. The dial-in number for the live conference call is 866-393-1604; the international dial-in number is 224-357-2191; and a replay of the call will be available for one week by calling 855-859-2056. A webcast of the event and a corresponding slide presentation will be available on www.owens-minor.com under the Investor Relations section.

Safe Harbor Statement

This release is intended to be disclosure through methods reasonably designed to provide broad, non-exclusionary distribution to the public in compliance with the Securities and Exchange Commissions Fair Disclosure Regulation. This release contains certain “forward-looking” statements, which are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements related to Owens & Minor’s expectations regarding the performance of its business, its financial results, its liquidity and capital resources, Owens & Minor’s ability to complete the transaction with Halyard Health Inc. described herein and any projections of earnings, revenues or other financial or operational items related to the transaction or Halyard Health Inc. following the closing of the transaction, and other non-historical statements. Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results in future periods to differ materially from those projected or contemplated in the forward-looking statements. Important factors that could cause actual events or results to be materially different from our expectations with respect to the transaction with Halyard Health Inc. include, but are not limited to: the effect of the announcement of the transaction on Owens & Minor’s business relationships, operating results, share price or business generally; the occurrence of any event or other circumstances that could give rise to the termination of the definitive agreement relating to the transaction; the outcome of any legal proceedings that may be instituted against Owens & Minor related to the transaction; the failure to satisfy any of the conditions to completion of the transaction, including the receipt of all required regulatory approvals and antitrust consents; and the failure to realize the expected synergies resulting from the transaction. Investors should refer to our annual report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission (“SEC”) and subsequent quarterly reports on Form 10-Q and current reports on Form 8-K filed with or furnished to the SEC, for a discussion of certain other known risk factors that could cause our actual results to differ materially from our current estimates. These filings are available at www.owens-minor.com . Given these risks and uncertainties, we can give no assurance that any forward-looking statements will, in fact, transpire and, therefore, caution investors not to place undue reliance on them. We specifically disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Owens & Minor uses its Web site, www.owens-minor.com, as a channel of distribution for material company information, including news releases, investor presentations and financial information. This information is routinely posted and accessible under the Investor Relations section.

About Owens & Minor, Inc.

Owens & Minor, Inc. (NYSE: OMI) is a global healthcare solutions company dedicated to *Connecting the World of Medical Products to the Point of Care* SM by providing vital supply chain services to healthcare providers and manufacturers of healthcare products. Owens & Minor provides logistics services across the spectrum of medical products from disposable medical supplies to devices and implants. With logistics platforms strategically located in the United States and Europe, Owens & Minor serves markets where three quarters of global healthcare spending occurs. Owens & Minor's customers span the healthcare market from independent hospitals to large integrated healthcare networks, as well as group purchasing organizations, healthcare products manufacturers, the federal government, and healthcare patients at home through the Byram Healthcare subsidiary. A FORTUNE 500 company, Owens & Minor is headquartered in Richmond, Virginia, and has annualized revenues exceeding $9 billion. For more information about Owens & Minor, visit owens-minor.com, follow @Owens_Minor on Twitter, and connect on LinkedIn at www.linkedin.com/company/owens-&-minor.

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