Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 1-9810

Owens & Minor, Inc.

(Exact name of Registrant as specified in its charter)

Virginia	**54-1701843**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
9120 Lockwood Boulevard, Mechanicsville, Virginia	**23116**
(Address of principal executive offices)	**(Zip Code)**
Post Office Box 27626, Richmond, Virginia	**23261-7626**
(Mailing address of principal executive offices)	**(Zip Code)**

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “larger accelerated filer”, “accelerated filer”, “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	☐
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	o		

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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

The number of shares of Owens & Minor, Inc.’s common stock outstanding as of May 7, 2018, was 61,791,911 shares.

Owens & Minor, Inc. and Subsidiaries
Index

Part I. Financial Information		**Page**
Item 1.	Financial Statements	3
	Consolidated Statements of Income—Three Months Ended March 31, 2018 and 2017	3
	Consolidated Statements of Comprehensive Income —Three Months Ended March 31, 2018 and 2017	4
	Consolidated Balance Sheets—March 31, 2018 and December 31, 2017	5
	Consolidated Statements of Cash Flows—Three Months Ended March 31, 2018 and 2017	6
	Consolidated Statements of Changes in Equity—Three Months Ended March 31, 2018 and 2017	7
	Notes to Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	29
Item 4.	Controls and Procedures	29
Part II. Other Information		
Item 1.	Legal Proceedings	29
Item 1A.	Risk Factors	29
Item 2.	Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities	37
Item 5.	Other Information	38
Item 6.	Exhibits	38

Part I. Financial Information

Item 1. Financial Statements

Owens & Minor, Inc. and Subsidiaries
Consolidated Statements of Income
(unaudited)

(in thousands, except per share data)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Net revenue	**$ 2,372,579**	$ 2,328,573
Cost of goods sold	**2,047,892**	2,047,393
Gross margin	**324,687**	281,180
Distribution, selling and administrative expenses	**284,361**	237,693
Acquisition-related and exit and realignment charges	**14,760**	8,942
Other operating (income) expense, net	**1,349**	(972)
Operating income	**24,217**	35,517
Interest expense, net	**10,253**	6,744
Income before income taxes	**13,964**	28,773
Income tax provision	**5,813**	9,988
Net income	**$ 8,151**	$ 18,785
Net income per common share: basic and diluted	**$ 0.13**	$ 0.31
Cash dividends per common share	**$ 0.26**	$ 0.2575

See accompanying notes to consolidated financial statements.

Owens & Minor, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(unaudited)

(in thousands)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Net income	**$ 8,151**	$ 18,785
Other comprehensive income, net of tax:		
Currency translation adjustments (net of income tax of $0 in 2018 and 2017)	**8,921**	5,492
Change in unrecognized net periodic pension costs (net of income tax of $142 in 2018 and $226 in 2017)	**380**	236
Other (net of income tax of $0 in 2018 and 2017)	**6**	110
Total other comprehensive income, net of tax	**9,307**	5,838
Comprehensive income	**$ 17,458**	$ 24,623

See accompanying notes to consolidated financial statements.

Table of Contents

Owens & Minor, Inc. and Subsidiaries
Consolidated Balance Sheets
(unaudited)

(in thousands, except per share data)	March 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	**$ 87,632**	$ 104,522
Accounts receivable, net of allowances of $17,925 and $16,280	**778,155**	758,936
Merchandise inventories	**1,021,711**	990,193
Other current assets	**300,275**	328,254
Total current assets	**2,187,773**	2,181,905
Property and equipment, net of accumulated depreciation of $248,482 and $239,581	**207,042**	206,490
Goodwill, net	**715,445**	713,811
Intangible assets, net	**178,880**	184,468
Other assets, net	**102,414**	89,619
Total assets	**$ 3,391,554**	$ 3,376,293
Liabilities and equity		
Current liabilities		
Accounts payable	**$ 958,270**	$ 947,572
Accrued payroll and related liabilities	**30,480**	30,416
Other current liabilities	**337,230**	331,745
Total current liabilities	**1,325,980**	1,309,733
Long-term debt, excluding current portion	**897,071**	900,744
Deferred income taxes	**73,180**	74,247
Other liabilities	**76,405**	76,090
Total liabilities	**2,372,636**	2,360,814
Commitments and contingencies		
Equity		
Common stock, par value $2 per share; authorized - 200,000 shares; issued and outstanding - 61,812 shares and 61,476 shares	**123,624**	122,952
Paid-in capital	**228,273**	226,937
Retained earnings	**682,798**	690,674
Accumulated other comprehensive loss	**(15,777)**	(25,084)
Total equity	**1,018,918**	1,015,479
Total liabilities and equity	**$ 3,391,554**	$ 3,376,293

See accompanying notes to consolidated financial statements.

Owens & Minor, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

(in thousands)	Three Months Ended March 31, 2018	2017
Operating activities:		
Net income	**$ 8,151**	$ 18,785
Adjustments to reconcile net income to cash provided by (used for) operating activities:		
Depreciation and amortization	**17,911**	12,558
Share-based compensation expense	**3,035**	2,511
Provision for losses on accounts receivable	**1,073**	(603)
Deferred income tax expense (benefit)	**(1,482)**	(825)
Changes in operating assets and liabilities:		
Accounts receivable	**(18,519)**	1,554
Merchandise inventories	**(30,556)**	(32,777)
Accounts payable	**9,478**	(7,341)
Net change in other assets and liabilities	**28,904**	(24,965)
Other, net	**278**	4,743
Cash provided by (used for) operating activities	**18,273**	(26,360)
Investing activities:		
Additions to property and equipment	**(7,074)**	(10,146)
Additions to computer software and intangible assets	**(7,086)**	(4,622)
Proceeds from sale of property and equipment	**—**	315
Cash used for investing activities	**(14,160)**	(14,453)
Financing activities:		
Borrowings (repayments) under revolving credit facility	**(300)**	—
Repayments of debt	**(3,125)**	—
Cash dividends paid	**(16,074)**	(15,740)
Other, net	**(2,304)**	(2,759)
Cash used for financing activities	**(21,803)**	(18,499)
Effect of exchange rate changes on cash and cash equivalents	**800**	991
Net increase (decrease) in cash and cash equivalents	**(16,890)**	(58,321)
Cash and cash equivalents at beginning of period	**104,522**	185,488
Cash and cash equivalents at end of period	**$ 87,632**	$ 127,167
Supplemental disclosure of cash flow information:		
Income taxes paid, net	**$ 1,197**	$ 2,825
Interest paid	**$ 9,661**	$ 6,183

See accompanying notes to consolidated financial statements.

Owens & Minor, Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
(unaudited)

(in thousands, except per share data)	Common Shares Outstanding	Common Stock ($2 par value)	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance December 31, 2016	61,031	$ 122,062	$ 219,955	$ 685,504	$ (67,483)	$ 960,038
Net income				18,785		18,785
Other comprehensive income (loss)					5,838	5,838
Dividends declared ($0.2575 per share)				(15,698)		(15,698)
Share-based compensation expense, exercises and other	171	341	653			994
Balance March 31, 2017	61,202	$ 122,403	$ 220,608	$ 688,591	$ (61,645)	$ 969,957
Balance December 31, 2017	61,476	$ 122,952	$ 226,937	$ 690,674	$ (25,084)	$ 1,015,479
Net income				8,151		8,151
Other comprehensive income (loss)					9,307	9,307
Dividends declared ($0.26 per share)				(16,027)		(16,027)
Share-based compensation expense, exercises and other	336	672	1,336			2,008
Balance March 31, 2018	**61,812**	**$ 123,624**	**$ 228,273**	**$ 682,798**	**$ (15,777)**	**$ 1,018,918**

See accompanying notes to consolidated financial statements.

Owens & Minor, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(unaudited)
(in thousands, unless otherwise indicated)

Note 1—Basis of Presentation and Use of Estimates

Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Owens & Minor, Inc. and the subsidiaries it controls (we, us, or our) and contain all adjustments (which are comprised only of normal recurring accruals and use of estimates) necessary to conform with U.S. generally accepted accounting principles (GAAP). All significant intercompany accounts and transactions have been eliminated. The results of operations for interim periods are not necessarily indicative of the results expected for the full year.

Recently, we have made certain changes to the leadership team, organizational structure, budgeting and financial reporting processes which drive changes to segment reporting. These changes align our operations into two distinct business units: Global Solutions and Global Products. Global Solutions (previously Domestic and International) is our U.S. and European distribution, logistics and value-added services business. Global Products (previously Proprietary Products) provides product-related solutions, including surgical and procedural kitting and sourcing. Beginning with the quarter ended March 31, 2018, we now report financial results using this two segment structure and have recast prior year segment results on the same basis.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make assumptions and estimates that affect reported amounts and related disclosures. Actual results may differ from these estimates.

Revenue Recognition

On January 1, 2018, we adopted ASC 606 *Revenue from Contracts with Customers*, which establishes principles for recognizing revenue and reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. We applied the guidance using the modified retrospective transition method. The adoption of this guidance had no impact on the amount and timing of revenue recognized, therefore, no adjustments were recorded to our consolidated financial statements upon adoption.

Our revenue is primarily generated from sales contracts with customers. Under most of our distribution arrangements, our performance obligations are limited to delivery of products to a customer upon receipt of a purchase order. For these arrangements, we recognize revenue at the point in time when shipment is completed, as control passes to the customer upon product receipt.

Revenue for activity-based fees and other services is recognized over time as activities are performed. Depending on the specific contractual provisions and nature of the performance obligation, revenue from services may be recognized on a straight-line basis over the term of the service, on a proportional performance model, based on level of effort, or when final deliverables have been provided.

Our contracts sometimes allow for forms of variable consideration including rebates, incentives and performance guarantees. In these cases, we estimate the amount of consideration to which we will be entitled in exchange for transferring the product or service to the customer. Rebates and customer incentives are estimated based on contractual terms or historical experience and we maintain a liability for rebates or incentives that have been earned but are unpaid. The amount accrued for rebates and incentives due to customers was $14.8 million at March 31, 2018 and $13.0 million at December 31, 2017.

Additionally, we generate fees from arrangements that include performance targets related to cost-saving initiatives for customers that result from our supply-chain management services. Achievement against performance targets, measured in accordance with contractual terms, may result in additional fees paid to us or, if performance targets are not achieved, we may be obligated to refund or reduce a portion of our fees or to provide credits toward future purchases by the customer. For these arrangements, contingent revenue is deferred and recognized as the performance target is achieved and the applicable contingency is released. When we determine that a loss is probable under a contract, the estimated loss is accrued. The amount deferred under these arrangements is not material.

For our direct to patient and home health agency sales, revenues are recorded based upon the estimated amounts due from patients and third-party payors. Third-party payors include federal and state agencies (under Medicare and Medicaid programs), managed care health plans and commercial insurance companies. Estimates of contractual allowances are based upon historical collection rates for the related payor agreements. The estimated reimbursement amounts are made on a payor-specific basis and are recorded based on the best information available regarding management's interpretation of the applicable laws, regulations and reimbursement terms.

In most cases, we record revenue gross, as we are the primary obligor in the arrangement and we obtain control of the products before they are transferred to the customer. When we act as an agent in a sales arrangement and do not bear a significant portion of inventory risks, primarily for our third-party logistics business, we record revenue net of product cost. Sales taxes collected from customers and remitted to governmental authorities are excluded from revenues.

See Note 13 for disaggregation of revenue by segment and geography as we believe that best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Note 2—Fair Value

The carrying amounts of cash and cash equivalents, accounts receivable, financing receivables, accounts payable and financing payables included in the consolidated balance sheets approximate fair value due to the short-term nature of these instruments. The fair value of long-term debt is estimated based on quoted market prices or dealer quotes for the identical liability when traded as an asset in an active market (Level 1) or, if quoted market prices or dealer quotes are not available, on the borrowing rates currently available for loans with similar terms, credit ratings and average remaining maturities (Level 2). We determine the fair value of our derivatives, if any, based on estimated amounts that would be received or paid to terminate the contracts at the reporting date based on current market prices for applicable currencies. See Note 8 for the fair value of long-term debt.

Note 3—Acquisitions

On August 1, 2017, we completed the acquisition of Byram Healthcare, a leading domestic distributor of reimbursable medical supplies sold directly to patients and home health agencies.

The consideration was $367 million, net of cash acquired, which is subject to final working capital adjustments with the seller. The purchase price was allocated on a preliminary basis to the underlying assets acquired and liabilities assumed based upon our current estimate of their fair values at the date of acquisition. The purchase price exceeded the preliminary estimated fair value of the net tangible and identifiable intangible assets by $289 million which was allocated to goodwill. The following table presents the preliminary estimated fair value of the assets acquired and liabilities assumed recognized as of the acquisition date. The fair value of intangibles from this acquisition was primarily determined by applying the income approach, using several significant unobservable inputs for projected cash flows and a discount rate. These inputs are considered Level 3 inputs. The allocation of purchase price to assets and liabilities acquired is not yet complete, as final working capital adjustments with the seller are still pending.

	Preliminary Fair Value Originally Estimated as of Acquisition Date [1]	Differences Between Prior and the Current Periods Preliminary Fair Value Estimate	Preliminary Fair Value Currently Estimated as of Acquisition Date
Assets acquired:			
Current assets	$ 61,986	$ —	$ 61,986
Goodwill	288,691	—	288,691
Intangible assets	115,000	—	115,000
Other noncurrent assets	5,069	—	5,069
Total assets	470,746	—	470,746
Liabilities assumed:			
Current liabilities	72,962	—	72,962
Noncurrent liabilities	31,215	—	31,215
Total liabilities	104,177	—	104,177
Fair value of net assets acquired, net of cash	$ 366,569	$ —	$ 366,569

[(1)] *As previously reported in our 2017 Form 10-K.*

We are amortizing the preliminary fair value of acquired intangible assets, primarily chronic customer relationships and a trade name, over their weighted average useful lives of three to 10 years.

Goodwill of $289 million, which we assigned to our Global Solutions segment, consists largely of expected opportunities to expand into the non-acute market with direct to patient distribution capabilities. None of the goodwill recognized is expected to be deductible for income tax purposes.

Pro forma results of operations for Byram has not been presented because the effects on revenue and net income were not material to our historic consolidated financial statements.

Acquisition-related expenses in the current quarter consist primarily of transition and transaction costs for the Halyard S&IP transaction (See Note 16) as well as Byram and in first quarter of 2017 consist primarily of transaction costs for Byram. We recognized pre-tax acquisition-related expenses of $12.1 million in 2018 and $1.3 million related to these activities in 2017.

Note 4—Financing Receivables and Payables

At March 31, 2018 and December 31, 2017, we had financing receivables of $170.5 million and $192.1 million and related payables of $106.7 million and $124.9 million outstanding under our order-to-cash program and product financing arrangements, which were included in other current assets and other current liabilities, respectively, in the consolidated balance sheets.

Note 5—Goodwill and Intangible Assets

In connection with our new segment structure, goodwill is now reported as part of Global Solutions or Global Products. There was no change to our underlying reporting units as part of this segment change and therefore no reallocation of goodwill. The following table summarizes the goodwill balances by segment and the changes in the carrying amount of goodwill through March 31, 2018:

	Global Solutions	Global Products	Consolidated
Carrying amount of goodwill, December 31, 2017	$ 495,860	$ 217,951	$ 713,811
Currency translation adjustments	1,070	564	1,634
Carrying amount of goodwill, March 31, 2018	**$ 496,930**	**$ 218,515**	**$ 715,445**

Intangible assets at March 31, 2018, and December 31, 2017, were as follows:

	March 31, 2018		December 31, 2017	
	Customer Relationships	Other Intangibles	Customer Relationships	Other Intangibles
Gross intangible assets	**$ 200,574**	**$ 43,683**	$ 199,265	$ 43,537
Accumulated amortization	**(60,641)**	**(4,736)**	(54,757)	(3,577)
Net intangible assets	**$ 139,933**	**$ 38,947**	$ 144,508	$ 39,960

At March 31, 2018, $122.8 million in net intangible assets were held in the Global Solutions segment and $56.1 million were held in the Global Products segment. Amortization expense for intangible assets was $6.4 million and $2.3 million for the three months ended March 31, 2018 and 2017.

Based on the current carrying value of intangible assets subject to amortization, estimated amortization expense is $19.2 million for the remainder of 2018, $25.6 million for 2019, $24.6 million for 2020, $22.9 million for 2021, $22.1 million for 2022 and $21.1 million for 2023.

Note 6—Exit and Realignment Costs

We periodically incur exit and realignment and other charges associated with optimizing our operations which include the closure and consolidation of certain distribution and logistics centers, administrative offices and warehouses in the United States and Europe. These charges also include costs associated with our strategic organizational realignment which include management changes, certain professional fees, and costs to streamline administrative functions and processes.

Exit and realignment charges by segment for the three months ended March 31, 2018 and 2017 were as follows:

	Three Months Ended March 31,	
	2018	2017
Global Solutions segment	**$ 2,708**	$ 7,132
Global Products segment	**(29)**	463
Total exit and realignment charges	**$ 2,679**	$ 7,595

The following table summarizes the activity related to exit and realignment cost accruals through March 31, 2018 and 2017:

	Lease Obligations	Severance and Other	Total
Accrued exit and realignment costs, December 31, 2017	$ —	$ 11,972	$ 11,972
Provision for exit and realignment activities	—	2,295	2,295
Change in estimate	—	(23)	(23)
Cash payments	—	(6,479)	(6,479)
Accrued exit and realignment costs, March 31, 2018	**$ —**	**$ 7,765**	**$ 7,765**
Accrued exit and realignment costs, December 31, 2016	$ —	$ 2,238	$ 2,238
Provision for exit and realignment activities	—	3,211	3,211
Change in estimate	—	(304)	(304)
Cash payments	—	(3,034)	(3,034)
Accrued exit and realignment costs, March 31, 2017	$ —	$ 2,111	$ 2,111

In addition to the exit and realignment accruals in the preceding table, we also incurred $0.4 million in costs that were expensed as incurred for the quarter ended March 31, 2018, including $0.2 million in information system restructuring costs and $0.2 million in other costs.

We also incurred $4.7 million of costs that were expensed as incurred for the quarter ended March 31, 2017, including $4.5 million in asset write-downs and $0.2 million in other costs.

Note 7—Retirement Plans

We have a noncontributory, unfunded retirement plan for certain officers and other key employees in the United States. Certain of our foreign subsidiaries also have defined benefit pension plans covering substantially all of their respective employees.

The components of net periodic benefit cost, which are included in distribution, selling and administrative expenses, for the three months ended March 31, 2018 and 2017, were as follows:

	Three Months Ended March 31,	
	2018	**2017**
Service cost	**$ 19**	$ 12
Interest cost	**419**	474
Recognized net actuarial loss	**522**	462
Net periodic benefit cost	**$ 960**	$ 948

Certain of our foreign subsidiaries have health and welfare plans covering substantially all of their respective employees. Our expense for these plans totaled $0.5 million and $0.4 million for the three months ended March 31, 2018 and 2017.

Note 8—Debt

We have $275 million of 3.875% senior notes due 2021 (the “2021 Notes”) and $275 million of 4.375% senior notes due 2024 (the “2024 Notes”), with interest payable semi-annually. The 2021 Notes were sold at 99.5% of the principal amount with an effective yield of 3.951%. The 2024 Notes were sold at 99.6% of the principal with an effective yield of 4.422% . We have the option to redeem the 2021 Notes and 2024 Notes in part or in whole prior to maturity at a redemption price equal to the greater of 100% of the principal amount or the present value of the remaining scheduled payments discounted at the Treasury Rate plus 30 basis points. As of March 31, 2018 and December 31, 2017, the estimated fair value of the 2021 Notes was $272.7 million and $278.1 million and the estimated fair value of the 2024 Notes was $271.2 million and $277.9 million, respectively.

We have a Credit Agreement with a borrowing capacity of $600 million and a $250 million term loan. We make principal payments under the term loan on a quarterly basis with the remaining outstanding principal due in July 2022. The revolving credit facility matures in July 2022. Under the Credit Agreement, we have the ability to request two one -year extensions and to request an increase in aggregate commitments by up to $200 million . The interest rate on the Credit Agreement, which is subject to adjustment quarterly, is based on the Eurocurrency Rate, the Federal Funds Rate or the Prime Rate, plus an adjustment based on the better of our debt ratings or leverage ratio (Credit Spread) as defined by the Credit Agreement. We are charged a commitment fee of between 12.5 and 25.0 basis points on the unused portion of the facility. The terms of the Credit Agreement limit the amount of indebtedness that we may incur and require us to maintain ratios for leverage and interest coverage, including on a pro forma basis in the event of an acquisition. Based on our Credit Spread, the interest rate under the credit facility at March 31, 2018 is Eurocurrency Rate plus 1.5%.

At March 31, 2018, we had borrowings of $104.3 million under the revolver and letters of credit of approximately $6.8 million outstanding under the Credit Agreement, leaving $488.9 million available for borrowing. We also had a letter of credit outstanding for $1.3 million as of March 31, 2018 and December 31, 2017, which supports our facilities leased in Europe.

Scheduled future principal payments of debt are $12.5 million in 2018, $12.5 million in 2019, $14.1 million in 2020, $295.3 million in 2021, $291.8 million in 2022, and $275.0 million thereafter.

The Credit Agreement and senior notes contain cross-default provisions which could result in the acceleration of payments due in the event of default of either agreement. We believe we were in compliance with our debt covenants at March 31, 2018.

In connection with the Halyard S&IP acquisition, we have amended our Credit Agreement. See Note 16 for further information.

Note 9—Income Taxes

The effective tax rate was 41.6% for the three months ended March 31, 2018, compared to 34.7% in the same quarter of 2017. The increase in the rate resulted from losses in jurisdictions with full valuation allowances and additional income tax expense associated with the vesting of restricted stock. The liability for unrecognized tax benefits was $13.9 million at March 31, 2018 and $13.6 million at December 31, 2017. Included in the liability at March 31, 2018 were $5.1 million of tax positions for which ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

On December 22, 2017, the President signed the Tax Cuts and Jobs Act (the Act). While we substantially completed our analysis of the Act as of December 31, 2017, the amounts recorded for the Act remain provisional for the transition tax, the remeasurement of deferred taxes, our reassessment of permanently reinvested earnings, uncertain tax positions and valuation allowances. These estimates may be impacted by further analysis and future clarification and guidance regarding available tax accounting methods and elections, earnings and profits computations, state tax conformity to federal tax changes and the impact of the global intangible low-taxed Income (GILTI) provisions. We included an estimate of the current GILTI impact in our tax provision for 2018, however, we have not yet determined our policy election with respect to whether such taxes are recorded as a current period expense when incurred or whether such amounts should be factored into a company’s measurement of its deferred taxes.

Note 10—Net Income per Common Share

The following summarizes the calculation of net income per common share attributable to common shareholders for the three months ended March 31, 2018 and 2017.

(in thousands, except per share data)	Three Months Ended March 31, 2018	2017
Numerator:		
Net income	**$ 8,151**	$ 18,785
Less: income allocated to unvested restricted shares	**(323)**	(239)
Net income attributable to common shareholders - basic	**7,828**	18,546
Add: undistributed income attributable to unvested restricted shares - basic	**—**	23
Less: undistributed income attributable to unvested restricted shares - diluted	**—**	(23)
Net income attributable to common shareholders - diluted	**$ 7,828**	$ 18,546
Denominator:		
Weighted average shares outstanding - basic and diluted	**59,969**	60,013
Net income per share attributable to common shareholders:		
Basic and diluted	**$ 0.13**	$ 0.31

Note 11—Shareholders' Equity

Our Board of Directors has authorized a share repurchase program of up to $100 million of our outstanding common stock to be executed at the discretion of management over a three-year period, expiring in December 2019. The timing of repurchases and the exact number of shares of common stock to be purchased will depend upon market conditions and other factors and may be suspended or discontinued at any time. Purchases under the share repurchase program are made either pursuant to 10b5-1 plans entered into by the company from time to time and/or during the company's scheduled quarterly trading windows for officers and directors. We did not repurchase any shares during the three months ended March 31, 2018. As of March 31, 2018, we have approximately $94.0 million remaining under the repurchase program. We have elected to allocate any excess of share repurchase price over par value to retained earnings.

Note 12—Accumulated Other Comprehensive Income (Loss)

The following table shows the changes in accumulated other comprehensive income (loss) by component for the three months ended March 31, 2018 and 2017:

	Retirement Plans	Currency Translation Adjustments	Other	Total
Accumulated other comprehensive income (loss), December 31, 2017	$ (12,066)	$ (13,185)	$ 167	$ (25,084)
Other comprehensive income (loss) before reclassifications	—	8,921	6	8,927
Income tax	—	—	—	—
Other comprehensive income (loss) before reclassifications, net of tax	—	8,921	6	8,927
Amounts reclassified from accumulated other comprehensive income (loss)	522	—	—	522
Income tax	(142)	—	—	(142)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	380	—	—	380
Other comprehensive income (loss)	380	8,921	6	9,307
Accumulated other comprehensive income (loss), March 31, 2018	**$ (11,686)**	**$ (4,264)**	**$ 173**	**$ (15,777)**

	Retirement Plans	Currency Translation Adjustments	Other	Total
Accumulated other comprehensive income (loss), December 31, 2016	$ (11,209)	$ (56,245)	$ (29)	$ (67,483)
Other comprehensive income (loss) before reclassifications	—	5,492	110	5,602
Income tax	—	—	—	—
Other comprehensive income (loss) before reclassifications, net of tax	—	5,492	110	5,602
Amounts reclassified from accumulated other comprehensive income (loss)	462	—		462
Income tax	(226)	—	—	(226)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	236	—	—	236
Other comprehensive income (loss)	236	5,492	110	5,838
Accumulated other comprehensive income (loss), March 31, 2017	$ (10,973)	$ (50,753)	$ 81	$ (61,645)

We include amounts reclassified out of accumulated other comprehensive income related to defined benefit pension plans as a component of net periodic pension cost recorded in distribution, selling and administrative expenses. For both the three months ended March 31, 2018 and 2017, we reclassified $0.5 million of actuarial net losses.

Note 13—Segment Information

We periodically evaluate our application of accounting guidance for reportable segments and disclose information about reportable segments based on the way management organizes the enterprise for making operating decisions and assessing performance. We report our business under two segments: Global Solutions and Global Products. The Global Solutions segment includes our United States and European distribution, logistics and value-added services business. Global Products provides product-related solutions, including surgical and procedural kitting and sourcing. The Halyard S&IP business, acquired on April 30, 2018, will be part of Global Products.

We evaluate the performance of our segments based on their operating income excluding acquisition-related and exit and realignment charges, certain purchase price fair value adjustments, and other substantive items that, either as a result of their nature or size, would not be expected to occur as part of our normal business operations on a regular basis. Segment assets exclude inter-segment account balances as we believe their inclusion would be misleading or not meaningful. We believe all inter-segment sales are at prices that approximate market.

The following tables present financial information by segment:

	Three Months Ended March 31,	
	2018	**2017**
Net revenue:		
Segment net revenue		
Global Solutions	**$ 2,341,122**	$ 2,288,955
Global Products	**121,287**	137,153
Total segment net revenue	**2,462,409**	2,426,108
Inter-segment revenue		
Global Products	**(89,830)**	(97,535)
Total inter-segment revenue	**(89,830)**	(97,535)
Consolidated net revenue	**$ 2,372,579**	$ 2,328,573
Operating income (loss):		
Global Solutions	**$ 31,625**	$ 37,951
Global Products	**9,811**	8,128
Inter-segment eliminations	**(242)**	(698)
Acquisition-related and exit and realignment charges	**(14,760)**	(8,942)
Other [1]	**(2,217)**	(922)
Consolidated operating income	**$ 24,217**	$ 35,517
Depreciation and amortization:		
Global Solutions	**$ 15,781**	$ 10,664
Global Products	**2,130**	1,894
Consolidated depreciation and amortization	**$ 17,911**	$ 12,558
Capital expenditures:		
Global Solutions	**$ 13,602**	$ 13,840
Global Products	**558**	928
Consolidated capital expenditures	**$ 14,160**	$ 14,768

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

	March 31, 2018	December 31, 2017
Total assets:		
Global Solutions	**$ 2,900,618**	$ 2,870,999
Global Products	**403,304**	400,772
Segment assets	**3,303,922**	3,271,771
Cash and cash equivalents	**87,632**	104,522
Consolidated total assets	**$ 3,391,554**	$ 3,376,293

The following table presents net revenue by geographic area, which were attributed based on the location from which we ship products or provide services.

	Three Months Ended March 31,	
	2018	2017
Net revenue:		
United States	**$ 2,252,634**	$ 2,220,649
Outside of the United States	**119,945**	107,924
Consolidated net revenue	**$ 2,372,579**	$ 2,328,573

Note 14—Condensed Consolidating Financial Information

The following tables present condensed consolidating financial information for: Owens & Minor, Inc. (O&M); the guarantors of Owens & Minor, Inc.'s 2021 Notes and 2024 Notes, on a combined basis; and the non-guarantor subsidiaries of the 2021 Notes and 2024 Notes, on a combined basis. The guarantor subsidiaries are 100% owned by Owens & Minor, Inc. Separate financial statements of the guarantor subsidiaries are not presented because the guarantees by our guarantor subsidiaries are full and unconditional, as well as joint and several, and we believe the condensed consolidating financial information is more meaningful in understanding the financial position, results of operations and cash flows of the guarantor subsidiaries.

Three Months Ended March 31, 2018	Owens & Minor, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Statements of Income					
Net revenue	$ —	$ 2,110,861	$ 301,266	$ (39,548)	$ 2,372,579
Cost of goods sold	—	1,914,637	172,726	(39,471)	2,047,892
Gross margin	—	196,224	128,540	(77)	324,687
Distribution, selling and administrative expenses	(179)	160,870	123,670	—	284,361
Acquisition-related and exit and realignment charges	—	13,228	1,532	—	14,760
Other operating income, net	—	(583)	1,932	—	1,349
Operating income (loss)	179	22,709	1,406	(77)	24,217
Interest expense (income), net	6,741	2,022	1,490	—	10,253
Income (loss) before income taxes	(6,562)	20,687	(84)	(77)	13,964
Income tax (benefit) provision	—	4,456	1,357	—	5,813
Equity in earnings of subsidiaries	14,713	2,210	—	(16,923)	—
Net income (loss)	8,151	18,441	(1,441)	(17,000)	8,151
Other comprehensive income (loss)	9,307	9,363	8,921	(18,284)	9,307
Comprehensive income (loss)	$ 17,458	$ 27,804	$ 7,480	$ (35,284)	$ 17,458

Three Months Ended March 31, 2017	Owens & Minor, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Statements of Income					
Net revenue	$ —	$ 2,193,285	$ 186,854	$ (51,566)	$ 2,328,573
Cost of goods sold	—	1,990,186	108,185	(50,978)	2,047,393
Gross margin	—	203,099	78,669	(588)	281,180
Distribution, selling and administrative expenses	156	161,235	76,302	—	237,693
Acquisition-related and exit and realignment charges	—	7,799	1,143	—	8,942
Other operating income, net	—	(374)	(598)	—	(972)
Operating income (loss)	(156)	34,439	1,822	(588)	35,517
Interest expense (income), net	6,848	(790)	686	—	6,744
Income (loss) before income taxes	(7,004)	35,229	1,136	(588)	28,773
Income tax (benefit) provision	—	8,013	1,975	—	9,988
Equity in earnings of subsidiaries	25,789	(1,105)	—	(24,684)	—
Net income (loss)	18,785	26,111	(839)	(25,272)	18,785
Other comprehensive income (loss)	5,838	5,644	5,492	(11,136)	5,838
Comprehensive income (loss)	$ 24,623	$ 31,755	$ 4,653	$ (36,408)	$ 24,623

March 31, 2018	Owens & Minor, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheets					
Assets					
Current assets					
Cash and cash equivalents	$ 13,271	$ 1,018	$ 73,343	$ —	$ 87,632
Accounts receivable, net	—	613,000	172,044	(6,889)	778,155
Merchandise inventories	—	933,024	90,342	(1,655)	1,021,711
Other current assets	25	111,987	188,263	—	300,275
Total current assets	13,296	1,659,029	523,992	(8,544)	2,187,773
Property and equipment, net	—	108,770	98,272	—	207,042
Goodwill, net	—	180,006	535,439	—	715,445
Intangible assets, net	—	9,064	169,816	—	178,880
Due from O&M and subsidiaries	—	413,109	—	(413,109)	—
Advances to and investment in consolidated subsidiaries	2,129,567	566,615	—	(2,696,182)	—
Other assets, net	—	67,071	35,343	—	102,414
Total assets	$ 2,142,863	$ 3,003,664	$ 1,362,862	$ (3,117,835)	$ 3,391,554
Liabilities and equity					
Current liabilities					
Accounts payable	$ —	$ 841,364	$ 123,814	$ (6,908)	$ 958,270
Accrued payroll and related liabilities	—	14,888	15,592	—	30,480
Other accrued liabilities	5,867	166,738	164,625	—	337,230
Total current liabilities	5,867	1,022,990	304,031	(6,908)	1,325,980
Long-term debt, excluding current portion	545,603	337,024	14,444	—	897,071
Due to O&M and subsidiaries	572,475	—	460,381	(1,032,856)	—
Intercompany debt	—	138,890	—	(138,890)	—
Deferred income taxes	—	24,058	49,122	—	73,180
Other liabilities	—	66,152	10,253	—	76,405
Total liabilities	1,123,945	1,589,114	838,231	(1,178,654)	2,372,636
Equity					
Common stock	123,624	—	—	—	123,624
Paid-in capital	228,273	174,614	583,866	(758,480)	228,273
Retained earnings (deficit)	682,798	1,254,606	(54,857)	(1,199,749)	682,798
Accumulated other comprehensive income (loss)	(15,777)	(14,670)	(4,378)	19,048	(15,777)
Total equity	1,018,918	1,414,550	524,631	(1,939,181)	1,018,918
Total liabilities and equity	$ 2,142,863	$ 3,003,664	$ 1,362,862	$ (3,117,835)	$ 3,391,554

December 31, 2017	Owens & Minor, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Balance Sheets					
Assets					
Current assets					
Cash and cash equivalents	$ 13,700	$ 865	$ 89,957	$ —	$ 104,522
Accounts receivable, net	—	559,269	206,410	(6,743)	758,936
Merchandise inventories	—	902,190	89,580	(1,577)	990,193
Other current assets	100	123,067	205,087	—	328,254
Total current assets	13,800	1,585,391	591,034	(8,320)	2,181,905
Property and equipment, net	—	107,010	99,480	—	206,490
Goodwill, net	—	180,006	533,805	—	713,811
Intangible assets, net	—	9,582	174,886	—	184,468
Due from O&M and subsidiaries	—	439,654	—	(439,654)	—
Advances to and investments in consolidated subsidiaries	2,114,853	558,429	—	(2,673,282)	—
Other assets, net	—	57,724	31,895	—	89,619
Total assets	$ 2,128,653	$ 2,937,796	$ 1,431,100	$ (3,121,256)	$ 3,376,293
Liabilities and equity					
Current liabilities					
Accounts payable	$ —	$ 824,307	$ 130,028	$ (6,763)	$ 947,572
Accrued payroll and related liabilities	—	15,504	14,912	—	30,416
Other current liabilities	5,822	140,048	185,875	—	331,745
Total current liabilities	5,822	979,859	330,815	(6,763)	1,309,733
Long-term debt, excluding current portion	545,352	340,672	14,720	—	900,744
Due to O&M and subsidiaries	562,000	—	506,703	(1,068,703)	—
Intercompany debt	—	138,890	—	(138,890)	—
Deferred income taxes	—	25,493	48,754	—	74,247
Other liabilities	—	66,136	9,954	—	76,090
Total liabilities	1,113,174	1,551,050	910,946	(1,214,356)	2,360,814
Equity					
Common stock	122,952	—	—	—	122,952
Paid-in capital	226,937	174,614	583,869	(758,483)	226,937
Retained earnings (deficit)	690,674	1,236,165	(50,416)	(1,185,749)	690,674
Accumulated other comprehensive income (loss)	(25,084)	(24,033)	(13,299)	37,332	(25,084)
Total equity	1,015,479	$ 1,386,746	520,154	(1,906,900)	1,015,479
Total liabilities and equity	$ 2,128,653	$ 2,937,796	$ 1,431,100	$ (3,121,256)	$ 3,376,293

Three Months Ended March 31, 2018	Owens & Minor, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Statements of Cash Flows					
Operating activities:					
Net income (loss)	$ 8,151	$ 18,441	$ (1,441)	$ (17,000)	$ 8,151
Adjustments to reconcile net income to cash provided by (used for) operating activities:					
Equity in earnings of subsidiaries	(14,713)	(2,210)	—	16,923	—
Depreciation and amortization	—	6,653	11,258	—	17,911
Share-based compensation expense	—	3,035	—	—	3,035
Provision for losses on accounts receivable	—	(724)	1,797	—	1,073
Deferred income tax expense (benefit)	—	(1,453)	(29)	—	(1,482)
Changes in operating assets and liabilities:					
Accounts receivable	—	(53,007)	34,341	147	(18,519)
Merchandise inventories	—	(30,834)	202	76	(30,556)
Accounts payable	—	17,057	(7,439)	(140)	9,478
Net change in other assets and liabilities	121	31,976	(3,187)	(6)	28,904
Other, net	250	132	(104)	—	278
Cash provided by (used for) operating activities	(6,191)	(10,934)	35,398	—	18,273
Investing activities:					
Additions to property and equipment	—	(5,847)	(1,227)	—	(7,074)
Additions to computer software and intangible assets	—	(6,078)	(1,008)	—	(7,086)
Cash provided by (used for) investing activities	—	(11,925)	(2,235)	—	(14,160)
Financing activities:					
Borrowing (repayments) under revolving credit facility	—	(300)	—	—	(300)
Repayment of debt	—	(3,125)	—	—	(3,125)
Change in intercompany advances	22,949	26,858	(49,807)	—	—
Cash dividends paid	(16,074)	—	—	—	(16,074)
Other, net	(1,113)	(421)	(770)	—	(2,304)
Cash provided by (used for) financing activities	5,762	23,012	(50,577)	—	(21,803)
Effect of exchange rate changes on cash and cash equivalents	—	—	800	—	800
Net increase (decrease) in cash and cash equivalents	(429)	153	(16,614)	—	(16,890)
Cash and cash equivalents at beginning of period	13,700	865	89,957	—	104,522
Cash and cash equivalents at end of period	$ 13,271	$ 1,018	$ 73,343	$ —	$ 87,632

Table of Contents

Three Months Ended March 31, 2017	Owens & Minor, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Statements of Cash Flows					
Operating activities:					
Net income (loss)	$ 18,785	$ 26,111	$ (839)	$ (25,272)	$ 18,785
Adjustments to reconcile net income to cash provided by (used for) operating activities:					
Equity in earnings of subsidiaries	(25,789)	1,105	—	24,684	—
Depreciation and amortization	—	6,876	5,682	—	12,558
Share-based compensation expense	—	2,511	—	—	2,511
Provision for losses on accounts receivable	—	(707)	104	—	(603)
Deferred income tax expense (benefit)	—	(825)	—	—	(825)
Changes in operating assets and liabilities:					
Accounts receivable	—	2,459	(131)	(774)	1,554
Merchandise inventories	—	(3,311)	(30,154)	688	(32,777)
Accounts payable	37	(15,051)	6,999	674	(7,341)
Net change in other assets and liabilities	164	(3,434)	(21,695)	—	(24,965)
Other, net	214	4,549	(20)	—	4,743
Cash provided by (used for) operating activities	(6,589)	20,283	(40,054)	—	(26,360)
Investing activities:					
Additions to property and equipment	—	(8,141)	(2,005)	—	(10,146)
Additions to computer software and intangible assets	—	(677)	(3,945)	—	(4,622)
Proceeds from the sale of property and equipment	—	45	270	—	315
Cash provided by (used for) investing activities	—	(8,773)	(5,680)	—	(14,453)
Financing activities:					
Change in intercompany advances	49,025	(56,375)	7,350	—	—
Cash dividends paid	(15,740)	—	—	—	(15,740)
Other, net	(1,541)	(516)	(702)	—	(2,759)
Cash provided by (used for) financing activities	31,744	(56,891)	6,648	—	(18,499)
Effect of exchange rate changes on cash and cash equivalents	—	—	991	—	991
Net increase (decrease) in cash and cash equivalents	25,155	(45,381)	(38,095)	—	(58,321)
Cash and cash equivalents at beginning of period	38,015	61,266	86,207	—	185,488
Cash and cash equivalents at end of period	$ 63,170	$ 15,885	$ 48,112	$ —	$ 127,167

Note 15—Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. We adopted ASU 2014-09 in the first quarter of 2018 using the modified retrospective approach. The impact on our consolidated financial statements is not material. See Note 1 for further information.

In February 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which permits the reclassification of stranded tax effects resulting from the Tax Cuts and Jobs Act (the "Act") from accumulated other comprehensive income (loss) to retained earnings. This new guidance is effective for us beginning on January 1, 2019, with early adoption permitted, and must be applied either in the period of adoption or retrospectively to periods in which the effects of the Act are recognized. We are currently evaluating the effects that the adoption of this guidance will have on our consolidated financial statements and the related disclosures.

There have been no further changes in our significant accounting policies from those contained in our Annual Report on Form 10-K for the year ended December 31, 2017.

Note 16—Subsequent Events

On April 30, 2018 (the "Closing Date"), we completed the previously announced acquisition of substantially all of Halyard Health, Inc.'s ("Halyard") 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 (collectively, the "Acquisition"), contemplated by the Amended and Restated Purchase Agreement, in exchange for $710 million, subject to certain adjustments as provided in the Amended and Restated Purchase Agreement based on the cash, indebtedness and net working capital transferred at the closing. 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. This business will be reported as part of the Global Products segment.The initial allocation of purchase price to assets and liabilities acquired is not yet complete.

We entered into transition services agreements with Halyard pursuant to which they and we 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. On the Closing Date, certain of our affiliates also entered into transitional distribution agreements with affiliates of Halyard under which the Halyard affiliates will serve as limited risk distributors for our international customer orders on a transitional basis. The services under the transition services agreements and distribution agreements generally will commence on the Closing Date and terminate within 18 months thereafter.

In connection with the Halyard S&IP acquisition, we amended our Credit Agreement. The amendments contain the following principal terms, among others:

- lender commitments and funding for a $195.75 million term A-2 loan with a four-year maturity and a $254.25 million term B loan with a seven-year maturity;
- lender commitments and funding for an additional $245.75 million of term B loans with a seven-year maturity;
- interest rate pricing grid based on the better of debt to EBITDA ratio or credit ratings for all loans other than the term B loans;
- a new interest rate margin for term B loans of 3.50% per annum with respect to Base Rate Loans (as defined in the Credit Agreement), and 4.50% per annum with respect to Eurocurrency Rate Loans (as defined in the Credit Agreement);
- amended financial covenant-related definitions and amendments to certain customary affirmative and negative covenants;
- the addition of collateral for the benefit of the Secured Parties (as defined), first priority liens and security interests ("Liens") in (a) all present and future shares of capital stock owned by the Credit Parties (as defined) in the Credit Parties' present and future subsidiaries (limited, in the case of controlled foreign corporations, to a pledge of 65% of the voting capital stock of each first-tier foreign subsidiary of each Credit Party) and (b) all present and future personal property and assets of the Credit Parties, subject to certain exceptions;
- addition of a "springing maturity date" with respect to (i) the term B loans, if as of the date that is 91 days prior to the maturity date of the Company's 3.875% senior notes due 2021 (the "2021 Notes") or 4.375% senior notes due 2024 (the "2024 Notes"), all outstanding amounts owing under the 2021 Notes or the 2024 Notes, respectively, have not been paid in full and (ii) the revolving loans and the term A loans, if as of the date that is 91 days prior to the 2021 Notes maturity date, all outstanding amounts owing under the 2021 Notes have not been paid in full; and
- extension of the "soft call" provision from six months to twelve months.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis describes results of operations and material changes in the financial condition of Owens & Minor, Inc. and its subsidiaries since December 31, 2017. Trends of a material nature are discussed to the extent known and considered relevant. This discussion should be read in conjunction with the consolidated financial statements, related notes thereto, and management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2017.

Overview

Owens & Minor, Inc., along with its subsidiaries, (we, us, or our) is a leading global healthcare services company that connects the world of medical products to the point of care. Recently, we have made certain changes to the leadership team, organizational structure, budgeting and financial reporting processes which drive changes to segment reporting. These changes align our operations into two distinct business units: Global Solutions and Global Products. Global Solutions (previously Domestic and International) is our U.S. and European distribution, logistics and value-added services business. Global Products (previously Proprietary Products) provides product-related solutions, including surgical and procedural kitting and sourcing. The Halyard S&IP business, acquired on April 30, 2018 (see below), will be reported as part of the Global Products segment. Beginning with the quarter ended March 31, 2018, we now report financial results using this two segment structure and have recast prior year segment results on the same basis.

On April 30, 2018 (the “Closing Date”), we completed the previously announced acquisition of substantially all of Halyard Health, Inc.’s (“Halyard”) 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 (collectively, the “Acquisition”), contemplated by the Amended and Restated Purchase Agreement, in exchange for $710 million, subject to certain adjustments as provided in the Amended and Restated Purchase Agreement based on the cash, indebtedness and net working capital transferred at the closing. See Note 16 in the Notes to Consolidated Financial Statements for further information.

Financial highlights. The following table provides a reconciliation of reported operating income, net income and net income per diluted common share to non-GAAP measures used by management.

	Three Months Ended March 31,	
(Dollars in thousands except per share data)	**2018**	**2017**
Operating income, as reported (GAAP)	**$ 24,217**	$ 35,517
Acquisition-related intangible amortization [1]	**6,407**	2,319
Acquisition-related and exit and realignment charges [2]	**14,760**	8,942
Other [3]	**2,217**	922
Operating income, adjusted (non-GAAP) (Adjusted Operated Income)	**$ 47,601**	$ 47,700
Operating Income as a percent of revenue (GAAP)	**1.02%**	1.53%
Adjusted Operating Income as a percent of revenue (non-GAAP)	**2.01%**	2.05%
Net income, as reported (GAAP)	**$ 8,151**	$ 18,785
Acquisition-related intangible amortization [1]	**6,407**	2,319
Income tax expense (benefit) [4]	**(1,557)**	(696)
Acquisition-related and exit and realignment charges [2]	**14,760**	8,942
Income tax expense (benefit) [4]	**(3,576)**	(3,505)
Other [3]	**2,217**	922
Income tax expense (benefit) [4]	**(228)**	(354)
Net income, adjusted (non-GAAP) (Adjusted Net Income)	**$ 26,174**	$ 26,413
Net income per diluted common share, as reported (GAAP)	**$ 0.13**	$ 0.31
Acquisition-related intangible amortization [1]	**0.08**	0.03
Acquisition-related and exit and realignment charges [2]	**0.19**	0.09
Other [3]	**0.03**	0.01
Net income per diluted common share, adjusted (non-GAAP)(Adjusted EPS)	**$ 0.43**	$ 0.44

Net income per diluted share was $0.13 for the three months ended March 31, 2018, a decline of $0.18 compared to 2017. Adjusted EPS (non-GAAP) was $0.43 in the first quarter of 2018, a decline of $0.01 when compared to prior year. Global Solutions segment operating income of $31.6 million declined $6.3 million from the first quarter of 2017 as a result of continued pressure on provider margins and and warehouse inefficiencies in our distribution centers. Global Products operating income of $9.8 million increased $1.7 million from 2017 as a result of improved operational efficiency.

Use of Non-GAAP Measures

Adjusted operating income, adjusted net income and adjusted EPS are an alternative view of performance used by management, and we believe that investors' understanding of our performance is enhanced by disclosing these performance measures. In general, the measures exclude items and charges that (i) management does not believe reflect our 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 our 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 our financial and operating results and in comparing our performance to that of our competitors. However, the non-GAAP financial measures used by us 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 us 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.

(1) 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.

(2) Acquisition-related charges, pre-tax, were $12.1 million and $1.3 million in the first quarter of 2018 and 2017. Acquisition related expenses in the current quarter consist primarily of transition and transaction costs for the Halyard S&IP transaction. Expenses in 2017 consisted primarily of transaction costs for Byram.

Exit and realignment charges, pre-tax, were $2.7 million in the first quarter of 2018 and $7.6 million in the first quarter of 2017. Amounts in 2018 were associated with establishment of our client engagement centers. Amounts in 2017 were associated with the write-down of information system assets which are no longer used and severance charges from reduction in force and other employee costs associated with the establishment of our new client engagement center.

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

(4) 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.

Results of Operations

Net revenue.

	Three Months Ended March 31,		Change	
(Dollars in thousands)	**2018**	2017	$	%
Global Solutions	**$ 2,341,122**	$ 2,288,955	$ 52,167	2.3 %
Global Products	**121,287**	137,153	(15,866)	(11.6)%
Inter-segment	**(89,830)**	(97,535)	7,705	7.9 %
Net revenue	**$ 2,372,579**	$ 2,328,573	$ 44,006	1.9 %

Consolidated net revenue increased primarily as a result of the acquisition of Byram in August 2017 which contributed revenue of $118 million to Global Solutions in the quarter. The increase also included favorable impact from foreign exchange of $16.0 million, offset by reduced distribution revenues from lost customers. A decrease in sales of custom procedure trays contributed to the year over year change in the Global Products segment.

Cost of goods sold.

	Three Months Ended March 31,		Change	
(Dollars in thousands)	**2018**	2017	$	%
Cost of goods sold	**$ 2,047,892**	$ 2,047,393	$ 499	—%

Cost of goods sold includes the cost of the product (net of supplier incentives and cash discounts) and all costs incurred for shipments of products from manufacturers to our distribution centers for all customer arrangements where we are the primary obligor and bear risk of general and physical inventory loss. These are sometimes referred to as distribution or buy/sell contracts. Cost of goods sold also includes direct and certain indirect labor, material and overhead costs associated with our Global Products business. There is no cost of goods sold associated with our fee-for-service arrangements. Cost of

goods sold compared to prior year reflects changes in sales activity, including sales mix, and improved operational performance in our kitting operations.

Gross margin.

	Three Months Ended March 31,		Change	
(Dollars in thousands)	**2018**	2017	$	%
Gross margin	**$ 324,687**	$ 281,180	$ 43,507	15.5%
As a % of net revenue	***13.68%***	*12.08%*		

Gross margin in the first quarter of 2018 included positive contribution from Byram and favorable impact from foreign exchange of $9.9 million, offset by a decline in provider margin compared to the prior year. With increasing customer cost pressures and competitive dynamics in healthcare, we believe the current trend of increased gross margin pressure will continue.

Operating expenses.

	Three Months Ended March 31,		Change	
(Dollars in thousands)	**2018**	2017	$	%
Distribution, selling & administrative expenses	**$ 284,361**	$ 237,693	$ 46,668	19.6%
As a % of net revenue	***11.99%***	*10.21%*		
Other operating (income) expense, net	**$ 1,349**	$ (972)	$ 2,321	238.8%

Distribution, selling and administrative (DS&A) expenses include labor and warehousing costs associated with our distribution and logistics services and all costs associated with our fee-for-service arrangements. Shipping and handling costs are included in DS&A expenses and include costs to store, move, and prepare products for shipment, as well as costs to deliver products to customers.

Excluding Byram, DS&A expenses for the three months ended March 31, 2018 were 11.05% of net revenues. Overall DS&A expenses compared to prior year reflected unfavorable foreign currency translation impacts of $10.3 million, as well as higher warehouse and delivery expenses.

The decrease in other operating income, net was attributed primarily to higher software as a service implementation expenses.

A discussion of the acquisition-related and exit and realignment charges is included above in the Overview section.

Interest expense, net.

	Three Months Ended March 31,		Change	
(Dollars in thousands)	**2018**	2017	$	%
Interest expense, net	**$ 10,253**	$ 6,744	$ 3,509	52.0%
Effective interest rate	***4.52%***	*4.59%*		

Interest expense in the first quarter of 2018 was higher than prior year as a result of borrowings under our revolving credit facility and term loan.

Income taxes.

	Three Months Ended March 31,		Change	
(Dollars in thousands)	**2018**	2017	$	%
Income tax provision	**$ 5,813**	$ 9,988	$ (4,175)	(41.8)%
Effective tax rate	***41.6%***	*34.7%*		

The increase in the effective tax rate compared to 2017 resulted primarily from losses in jurisdictions with full valuation allowances and additional income tax expense associated with the vesting of restricted stock.

Financial Condition, Liquidity and Capital Resources

Financial condition. We monitor operating working capital through days sales outstanding (DSO) and merchandise inventory turnover. We estimate a hypothetical increase (decrease) in DSO of one day would result in a decrease (increase) in our cash balances, an increase (decrease) in borrowings against our revolving credit facility, or a combination thereof of approximately $26 million.

The majority of our cash and cash equivalents are held in cash depository accounts with major banks in the United States and Europe or invested in high-quality, short-term liquid investments. Changes in our working capital can vary in the normal course of business based upon the timing of inventory purchases, collections of accounts receivable, and payments to suppliers and vendors.

(Dollars in thousands)	March 31, 2018	December 31, 2017	Change $	Change %
Cash and cash equivalents	**$ 87,632**	$ 104,522	$ (16,890)	(16.2)%
Accounts receivable, net of allowances	**$ 778,155**	$ 758,936	$ 19,219	2.5 %
Consolidated DSO [1]	***28.9***	*28.7*		
Merchandise inventories	**$ 1,021,711**	$ 990,193	$ 31,518	3.2 %
Consolidated inventory turnover [2]	***8.3***	*8.5*		
Accounts payable	**$ 958,270**	$ 947,572	$ 10,698	1.1 %

(1) Based on period end accounts receivable and net revenue for the quarter
(2) Based on average annual inventory and costs of goods sold for the quarter ended March 31, 2018 and year ended December 31, 2017

Liquidity and capital expenditures. The following table summarizes our consolidated statements of cash flows for the three months ended March 31, 2018 and 2017:

(Dollars in thousands)	2018	2017
Net cash provided by (used for):		
Operating activities	**$ 18,273**	$ (26,360)
Investing activities	**(14,160)**	(14,453)
Financing activities	**(21,803)**	(18,499)
Effect of exchange rate changes	**800**	991
Increase (decrease) in cash and cash equivalents	**$ (16,890)**	$ (58,321)

Cash provided by operating activities was $18.3 million in the first three months of 2018, compared to $26.4 million in cash used for operating activities for the same period of 2017. The increase in cash from operating activities for the first three months of 2018 compared to the same period in 2017 was primarily due to routine changes in working capital, including timing of payments to suppliers and vendors.

Cash used for investing activities was $14.2 million in the first three months of 2018, compared to $14.5 million in the same period of 2017. Investing activities in 2018 and 2017 relate to capital expenditures for our strategic and operational efficiency initiatives, particularly initiatives relating to information technology enhancements and optimizing our distribution network.

Cash used for financing activities in the first three months of 2018 was $21.8 million, compared to $18.5 million used in the same period of 2017. During the first three months of 2018, we paid dividends of $16.1 million (compared to $15.7 million in the same period of 2017) and repaid $3.1 million in debt.

Capital resources. Our sources of liquidity include cash and cash equivalents and a revolving credit facility under our Credit Agreement with Wells Fargo Bank, N.A., JPMorgan Chase Bank, N.A., Bank of America, N.A. and a syndicate of financial institutions (the Credit Agreement). The Credit Agreement provides borrowing capacity of $600 million and a $250 million term loan. We make principal payments under the term loan on a quarterly basis with the remaining outstanding principal due in five years. The revolving credit facility has a five-year maturity. Under the Credit Agreement, we have the ability to request two one-year extensions and to request an increase in aggregate commitments by up to $200 million. The interest rate on the Credit Agreement, which is subject to adjustment quarterly, is based on the Eurocurrency Rate, the Federal Funds Rate or the Prime Rate, plus an adjustment based on the better of our debt ratings or leverage ratio (Credit Spread) as defined by the Credit Agreement. We are charged a commitment fee of between 12.5 and 25.0 basis points on the unused portion of the facility. The terms of the Credit Agreement limit the amount of indebtedness that we may incur and require us to

maintain ratios for leverage and interest coverage, including on a pro forma basis in the event of an acquisition. We may utilize the revolving credit facility for long-term strategic growth, capital expenditures, working capital and general corporate purposes. If we were unable to access the revolving credit facility, it could impact our ability to fund these needs. Based on our Credit Spread, the interest rate under the credit facility at March 31, 2018 is Eurocurrency Rate plus 1.5%.

At March 31, 2018, we had borrowings of $104.3 million and letters of credit of approximately $6.8 million outstanding under the Credit Agreement, leaving $488.9 million available for borrowing. We also have a $1.3 million letter of credit outstanding as of March 31, 2018 and December 31, 2017 which supports our facilities leased in Europe.

In connection with the Halyard S&IP acquisition, we amended our Credit Agreement. See Note 16 of Notes to Consolidated Financial Statements for further information.

We have $275 million of 3.875% senior notes due 2021 (the “2021 Notes”) and $275 million of 4.375% senior notes due 2024 (the “2024 Notes”). The 2021 Notes were sold at 99.5% of the principal amount with an effective yield of 3.951%. The 2024 Notes were sold at 99.6% of the principal amount with an effective yield of 4.422%. Interest on the 2021 Notes and 2024 Notes is payable semiannually in arrears, which commenced on March 15, 2015 and December 15, 2014, respectively. We have the option to redeem the 2021 Notes and 2024 Notes in part or in whole prior to maturity at a redemption price equal to the greater of 100% of the principal amount or the present value of the remaining scheduled payments discounted at the Treasury Rate plus 30 basis points.

In the first quarter of 2018, we paid quarterly cash dividends on our outstanding common stock at the rate of $0.26 per share, which represents a 1% increase over the rate of $0.2575 per share in the first quarter of 2017. We anticipate continuing to pay quarterly cash dividends in the future. However, the payment of future dividends remains within the discretion of the Board of Directors and will depend upon our results of operations, financial condition, capital requirements and other factors.

In October 2016, the Board of Directors authorized a share repurchase program of up to $100 million of our outstanding common stock to be executed at the discretion of management over a three-year period, expiring in December 2019. The program is intended to offset shares issued in conjunction with our stock incentive plan and return capital to shareholders, and may be suspended or discontinued at any time. We did not purchase any shares in the first quarter of 2018. At March 31, 2018, the remaining amount authorized for repurchase under this program was $94.0 million.

We believe available financing sources, including cash generated by operating activities and borrowings under the Amended Credit Agreement, will be sufficient to fund our working capital needs, capital expenditures, long-term strategic growth, payments under long-term debt and lease arrangements, payments of quarterly cash dividends, share repurchases and other cash requirements. While we believe that we will have the ability to meet our financing needs in the foreseeable future, changes in economic conditions may impact (i) the ability of financial institutions to meet their contractual commitments to us, (ii) the ability of our customers and suppliers to meet their obligations to us or (iii) our cost of borrowing.

We earn a portion of our operating income in foreign jurisdictions outside the United States. Prior to the reporting period in which the Tax Cuts and Jobs Act (the Act) was enacted we considered foreign earnings to be indefinitely reinvested and provided no United States federal and state taxes or withholding taxes on those earnings. Our cash, cash equivalents, short-term investments, and marketable securities held by our foreign subsidiaries totaled $60.8 million and $79.1 million at March 31, 2018 and December 31, 2017. Upon enactment, the Act imposed a tax on our total post-1986 foreign earnings at various tax rates. In 2017, the Company recognized a provisional amount of this one-time transition tax. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax, or any additional outside basis difference inherent in these entities, as these amounts continue to be indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in these entities (i.e., basis difference in excess of that subject to the one-time transition tax) is not practicable. The Company continues to evaluate its foreign earnings repatriation policy in 2018.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see our Annual Report on Form 10-K for the year ended December 31, 2017 and Note 15 in the Notes to Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q for the quarterly period ended on March 31, 2018.

Forward-looking Statements

Certain statements in this discussion constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe our expectations with respect to the forward-looking statements are based upon reasonable assumptions within the bounds of our knowledge of our business and operations, all forward-looking statements involve risks and uncertainties and, as a result, actual results could differ materially from those projected, anticipated or implied by these statements. Such forward-looking statements involve known and unknown risks, including, but not limited to:

- competitive pressures in the marketplace, including intense pricing pressure;
- our ability to retain existing and attract new customers in a market characterized by significant customer consolidation and intense cost-containment initiatives;
- our dependence on sales to certain customers or the loss or material reduction in purchases by key customers;
- our dependence on distribution of product of certain suppliers;
- our ability to successfully identify, manage or integrate acquisitions, including our ability to successfully integrate the S&IP business into our operations and to realize the anticipated benefits and synergies from the S&IP acquisition;
- our ability to successfully manage our international operations, including risks associated with changes in international trade regulations, foreign currency volatility, changes in regulatory conditions, deteriorating economic conditions, adverse tax consequences, and other risks of operating in international markets;
- uncertainties related to and our ability to adapt to changes in government regulations, including healthcare laws and regulations (including the Affordable Care Act);
- risks arising from possible violations of legal, regulatory or licensing requirements of the markets in which we operate;
- uncertainties related to general economic, regulatory and business conditions;
- our ability to successfully implement our strategic initiatives;
- the availability of and modifications to existing supplier funding programs and our ability to meet the terms to qualify for certain of these programs;
- our ability to adapt to changes in product pricing and other terms of purchase by suppliers of product;
- the ability of customers and suppliers to meet financial commitments due to us;
- changes in manufacturer preferences between direct sales and wholesale distribution;
- changing trends in customer profiles and ordering patterns and our ability to meet customer demand for additional value-added services;
- our ability to manage operating expenses and improve operational efficiencies in response to changing customer profiles;
- our ability to meet performance targets specified by customer contracts under contractual commitments;
- availability of and our ability to access special inventory buying opportunities;
- the ability of business partners and financial institutions to perform their contractual responsibilities;
- the effect of price volatility in the commodities markets, including fuel price fluctuations, on our operating costs and supplier product prices;
- our ability to continue to obtain financing at reasonable rates and to manage financing costs and interest rate risk;
- the risk that information systems are interrupted or damaged or fail for any extended period of time, that new information systems are not successfully implemented or integrated, or that there is a data security breach in our information systems;

- the risk that a decline in business volume or profitability could result in an impairment of goodwill or other long-lived assets;
- our ability to timely or adequately respond to technological advances in the medical supply industry;
- the costs associated with and outcome of outstanding and any future litigation, including product and professional liability claims;
- adverse changes in U.S. and foreign tax laws and the outcome of outstanding tax contingencies and legislative and tax proposals;
- our ability to successfully implement the expense reduction and productivity and efficiency increasing initiatives of our Rapid Business Transformation (RBT);
- our ability to continue to comply with the terms and conditions of Byram Healthcare's Corporate Integrity Agreement;
- the potentially adverse impact of the United Kingdom's planned withdrawal from the European Union; and
- other factors detailed from time to time in the reports we file with the SEC.

We undertake no obligation to update or revise any forward-looking statements, except as required by applicable law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates related to our revolving credit facility. We had a $243.8 million term loan, borrowings of $104.3 million under the revolver and $6.8 million in letters of credit under the Credit Agreement at March 31, 2018. A hypothetical increase in interest rates of 100 basis points would result in a potential reduction in future pre-tax earnings of approximately $0.1 million per year for every $10 million of outstanding borrowings under the revolving credit facility.

Due to the nature and pricing of our Global Solutions segment distribution services, we are exposed to potential volatility in fuel prices. Our strategies for helping to mitigate our exposure to changing domestic fuel prices has included entering into leases for trucks with improved fuel efficiency. We benchmark our domestic diesel fuel purchase prices against the U.S. Weekly Retail On-Highway Diesel Prices (benchmark) as quoted by the U.S. Energy Information Administration. The benchmark averaged $3.02 per gallon in the first three months of 2018, increased 17.5% from $2.57 per gallon in the first three months of 2017. Based on our fuel consumption in the first three months of 2018, we estimate that every 10 cents per gallon increase in the benchmark would reduce our Global Solutions segment operating earnings by approximately $0.3 million on an annualized basis.

In the normal course of business, we are exposed to foreign currency translation and transaction risks. Our business transactions outside of the United States are primarily denominated in the Euro and British Pound. We may use foreign currency forwards, swaps and options, where possible, to manage our risk related to certain foreign currency fluctuations. However, we believe that our foreign currency transaction risks are low since our revenues and expenses are typically denominated in the same currency.

Item 4. Controls and Procedures

We carried out an evaluation, with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2018. There has been no change in our internal control over financial reporting during the quarter ended March 31, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

SEC guidance permits the exclusion of an evaluation of the effectiveness of a registrant's disclosure controls and procedures as they relate to the internal control over financial reporting for an acquired business during the first year following such acquisition. In the third quarter of 2017, we acquired Byram Healthcare. This acquisition represented $479 million of total assets and $118 million of revenues as of and for the three months ended March 31, 2018. Management's evaluation and conclusion as to the effectiveness of the design and operation of the Company's disclosure controls and procedures as of and for the period covered by this report excludes any evaluation of the internal control over financial reporting of this acquisition.

Part II. Other Information

Item 1. Legal Proceedings

Certain legal proceedings pending against us are described in our Annual Report on Form 10-K for the year ended December 31, 2017. Through March 31, 2018, there have been no material developments in any legal proceedings reported in such Annual Report.

Item 1A. Risk Factors

The following description of risk factors includes any material changes to, and supersedes the description of, risk factors associated with the Company's business previously disclosed in Part I, Item 1A of the 2017 Form 10-K, under the heading "Risk Factors." Set forth below are certain risk factors that we currently believe could materially and adversely affect
our business, financial condition and results of operations. These risk factors are in addition to those mentioned in other parts of this report and are not all of the risks that we face. We could also be affected by risks that we currently are not aware of or that we currently do not consider material to our business.

Risks Related to Our Current Operations

We face competition and accelerating pricing pressure.

The medical/surgical supply distribution industry in the United States is highly competitive and characterized by pricing pressure which accelerated in 2017 and put further margin pressure on our business. We expect this margin pressure to continue through 2018. We compete with other national distributors and a number of regional and local distributors, as well as customer self-distribution models and, to a lesser extent, certain third-party logistics companies. Competitive factors within the medical/surgical supply distribution industry include market pricing, total delivered product cost, product availability, the ability to fill and invoice orders accurately, delivery time, range of services provided, efficient product sourcing, inventory management, information technology, electronic commerce capabilities, and the ability to meet customer-specific requirements. Our success is dependent on the ability to compete on the above factors, while managing internal costs and expenses. These competitive pressures could have a material adverse effect on our results of operations.

In addition, in recent years, the healthcare industry in the United States has experienced and continues to experience significant consolidation in response to cost containment legislation and general market pressures to reduce costs. This consolidation of our customers and suppliers generally gives them

greater bargaining power to reduce the pricing available to them, which may adversely impact our results of operations and financial condition.

The healthcare third-party logistics business in both the United States and Europe also is characterized by intense competition from a number of international, regional and local companies, including large conventional logistics companies and internet based non-traditional competitors that are moving into the healthcare and pharmaceutical distribution business. This competitive market places continuous pricing pressure on us from customers and manufacturers that could adversely affect our results of operations and financial condition if we are unable to continue to increase our revenues and to offset margin reductions caused by pricing pressures through cost control measures.

We have significant concentration in and dependence on Group Purchasing Organizations and certain healthcare provider customers.

In 2017, our top ten customers in the United States represented approximately 23% of our consolidated net revenue. In addition, in 2017, approximately 78% of our consolidated net revenue was from sales to member hospitals under contract with our largest group purchasing organizations (GPO): Vizient, Premier and HPG. We could lose a significant healthcare provider customer or GPO relationship if an existing contract expires without being replaced or is terminated by the customer or GPO prior to its expiration. For example, in April 2016, we announced the loss of our largest IDN customer which had accounted for approximately $525 million of revenue in 2015. Although the termination of our relationship with a given GPO would not necessarily result in the loss of all of the member hospitals as customers, any such termination of a GPO relationship, or a significant individual healthcare provider customer relationship, could have a material adverse effect on our results of operations and financial condition.

Our operating earnings are dependent on certain significant domestic suppliers.

In the United States, we distribute products from nearly 1,100 suppliers and are dependent on these suppliers for the continuing supply of products. In 2017, sales of products of our ten largest domestic suppliers accounted for approximately 54% of consolidated net revenue. In the Global Solutions segment, sales of products supplied by Medtronic, Johnson & Johnson and Becton Dickinson accounted for approximately 11%, 9% and 9% of our consolidated net revenue for 2017, respectively. We rely on suppliers to provide agreeable purchasing and delivery terms and performance incentives. Our ability to sustain adequate operating income has been, and will continue to be, dependent upon our ability to obtain favorable terms and incentives from suppliers, as well as suppliers continuing use of third-party distributors to sell and deliver their products. A change in terms by a significant supplier, or the decision of such a supplier to distribute its products directly to healthcare providers rather than through third-party distributors, could have a material adverse effect on our results of operations and financial condition.

Our inability to adequately integrate acquisitions could have a material adverse effect on our operations.

In connection with our growth strategy, we from time to time acquire other businesses, including recently, Byram Healthcare (Byram) and Halyard Health's S&IP business (S&IP), that we believe will expand or complement our existing businesses and operations. The integration of acquisitions involves a number of significant risks, which may include but are not limited to, the following:

- Expenses and difficulties in the transition and integration of operations and systems;
- Retention of current customers and the ability to obtain new customers;
- The assimilation and retention of personnel, including management personnel, in the acquired businesses;
- Accounting, tax, regulatory and compliance issues that could arise;
- Difficulties in implementing uniform controls, procedures and policies in our acquired companies, or in remediating control deficiencies in acquired companies not formerly subject to the Sarbanes-Oxley Act of 2002;
- Unanticipated expenses incurred or charges to earnings based on unknown circumstances or liabilities;
- Failure to realize the synergies and other benefits we expect from the acquisition at the pace we anticipate;
- General economic conditions in the markets in which the acquired businesses operate; and
- Difficulties encountered in conducting business in markets where we have limited experience and expertise.

If we are unable to successfully complete and integrate our strategic acquisitions in a timely manner, our business, growth strategies and results of operations could be adversely affected.

Our global operations increase the extent of our exposure to the economic, political, currency and other risks of international operations.

Our global operations involve issues and risks, including but not limited to the following, any of which could have an adverse effect on our business and results of operations:

- Lack of familiarity with and expertise in conducting business in foreign markets;
- Foreign currency fluctuations and exchange risk;
- Unexpected changes in foreign regulations or conditions relating to labor, economic or political environment, and social norms or requirements;
- Adverse tax consequences and difficulties in repatriating cash generated or held abroad;
- Local economic environments, such as in the European markets served by Movianto, ArcRoyal and Halyard Health’s S&IP business, including recession, inflation, indebtedness, currency volatility and competition; and
- Changes in trade protection laws and other laws affecting trade and investment, including import/export regulations in both the United States and foreign countries.

Our operations are also subject to risks of violation of laws that prohibit improper payments to and bribery of government officials and other individuals and organizations. These laws include the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and other similar laws and regulations in foreign jurisdictions, any violation of which could result in substantial liability and a loss of reputation in the marketplace. Failure to comply with these laws also could subject us to civil and criminal penalties that could adversely affect our business and results of operations.

Changing conditions in the United States healthcare industry may impact our results of operations.

We, along with our customers and suppliers, are subject to extensive federal and state regulations relating to healthcare as well as the policies and practices of the private healthcare insurance industry. In recent years, there have been a number of government and private initiatives to reduce healthcare costs and government spending. These changes have included an increased reliance on managed care; reductions in Medicare and Medicaid reimbursement levels; consolidation of competitors, suppliers and customers; a shift in healthcare provider venues from acute care settings to clinics, physician offices and home care; and the development of larger, more sophisticated purchasing groups. All of these changes place additional financial pressure on healthcare provider customers, who in turn seek to reduce the costs and pricing of products and services provided by us. We expect the healthcare industry to continue to change significantly and these potential changes, which may include a reduction in government support of healthcare services, adverse changes in legislation or regulations, and further reductions in healthcare reimbursement practices, could have a material adverse effect on our business, results of operations and financial condition.

We are subject to stringent regulatory and licensing requirements.

We are required to comply with extensive and complex laws and regulations at the federal, state and local government levels in the United States and other countries where we operate. We also are required to hold permits and licenses and to comply with the operational and security standards of various governmental bodies and agencies. Any failure to comply with these laws and regulations or any failure to maintain the necessary permits, licenses or approvals, or to comply with the required standards, could disrupt our operations and/or adversely affect our results of operations and financial condition.

Among the healthcare related laws that we are subject to include the U.S. federal Anti-kickback Statute, the U.S. federal Stark Law, the False Claims Act and similar state laws relating to fraud, waste and abuse. The requirements of these laws are complex and subject to varying interpretations, and it is possible that regulatory authorities could challenge our policies and practices. If we fail to comply with these laws, we could be subject to federal or state government investigations or qui tam actions (false claims cases initiated by private parties purporting to act on behalf of federal or state governments), which could result in civil or criminal sanctions, including the loss of licenses or the ability to participate in Medicare, Medicaid and other federal and state healthcare programs. Such sanctions and damages could adversely affect our results of operations and financial condition.

Our Byram business is a Medicare-certified supplier and participates in state Medicaid programs. Failure to comply with applicable standards and regulations could result in civil or criminal sanctions, including the loss of our ability to participate in Medicare, Medicaid and other federal and state healthcare programs.

We collect, handle and maintain patient-identifiable health information and other sensitive personal and financial information, which are subject to federal, state and foreign laws that regulate the use and disclosure of such information. Regulations currently in place continue to evolve, and new laws in this area could further restrict our ability to collect, handle and maintain personal or patient information, or could require us to incur additional compliance costs, either of which could have an adverse impact on our results of operations. Violations of federal, state or foreign laws concerning privacy and data protection could subject us to civil or criminal penalties, breach of contract claims, costs for remediation and harm to our reputation.

We may be unable to realize anticipated cost savings and efficiency and productivity gains or may incur additional and/or unexpected costs in order to realize them.

In the first quarter of 2017, we unveiled our Rapid Business Transformation (RBT) process to reduce expenses, increase efficiency and productivity and add significant operating income (to replace lost margin). Throughout 2017, the RBT process identified and implemented initiatives designed to drive better earnings and cash flow through efficiency and productivity gains, expense reduction and diversification of our business. However, our expectations pertaining to run-rate cost savings and efficiency and productivity increases are inherently estimates that are difficult to predict and are necessarily speculative in nature, and we cannot assure you that we will achieve expected or any actual run-rate cost savings or efficiency and productivity gains. A variety of factors could cause us not to realize some or all of the expected run-rate cost savings, including, among others, macroeconomic conditions, regulatory changes, delays in the anticipated timing of activities related to our cost savings programs, lack of sustainability in cost savings over time, unexpected costs associated with operating our business and our ability to achieve the efficiencies contemplated by the cost savings initiative. We may be unable to realize all of these run-rate cost savings within the expected timeframe, or at all, and we may incur additional or unexpected costs in order to realize them.

These cost savings and efficiency and productivity gains are based upon a number of assumptions and estimates that are in turn based on our analysis of the various factors which currently, and could in the future, impact our business. These assumptions and estimates are inherently uncertain and subject to significant business, operational, economic and competitive uncertainties and contingencies. Certain of the assumptions relate to business decisions that are subject to change, including, among others, our anticipated business strategies, our marketing strategies, our product development and licensing strategies and our ability to anticipate and react to business trends. Other assumptions relate to risks and uncertainties beyond our control, including, among others, the economic environment in which we operate, healthcare regulation and other developments in our industry as well as capital markets conditions from time to time. The actual results of implementing the various cost savings and efficiency and productivity initiatives may differ materially from our estimates. Moreover, our continued efforts to implement these cost savings and efficiency and productivity initiatives may divert management attention from the rest of our business and may preclude us from seeking attractive opportunities, any of which may materially and adversely affect our business.

Compliance with the terms and conditions of Byram's Corporate Integrity Agreement requires significant resources and, if we fail to comply, we could be subject to penalties or excluded from participation in government healthcare programs, which could seriously harm our results of operations, liquidity and financial condition.

Prior to its acquisition by Owens & Minor, Byram entered into a five-year Corporate Integrity Agreement beginning April 2016 with the Office of Inspector General of the United States Department of Health and Human Services ("OIG"). The Corporate Integrity Agreement provides that Byram shall, among other things, establish and maintain a compliance program, including a corporate compliance officer and committee, a code of conduct, comprehensive compliance policies and procedures, training and monitoring, a review process for certain arrangements between Byram and referral sources, a compliance hotline, an open door policy and a disciplinary process for compliance violations. The Corporate Integrity Agreement further provides that Byram shall provide periodic reports to the OIG, complete certain regular certifications and engage an Independent Review Organization to perform reviews of certain arrangements between Byram and referral sources.

Failing to meet the Corporate Integrity Agreement obligations could have material adverse consequences for Byram including monetary penalties for each instance of non-compliance. In addition, in the event of an uncured material breach or deliberate violation of the Corporate Integrity Agreement, we could be excluded from participation in federal healthcare programs, or other significant penalties, which could seriously harm our results of operations, liquidity and financial results.

Risks Related to our Borrowings and Leverage

We may not be able to generate sufficient cash to service our debt and other obligations.

As of March 31, 2018, on a consolidated basis we had approximately $898 million of aggregate principal amount of unsecured indebtedness as well as approximately $266 million in obligations under our leasing arrangements and $489 million of undrawn availability under our credit facilities. Our ratio of total debt to total shareholders' equity as of March 31, 2018 was approximately 90%.

Our ability to make payments on our indebtedness and our other obligations will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. We cannot assure you that we would be able to implement any of these alternatives on satisfactory terms or at all. In the absence of such operating results and resources, we could face substantial liquidity problems and may be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them, and these proceeds may not be adequate to meet any debt service obligations then due.

If we are unable to service our debt obligations from cash flows, we may need to refinance all or a portion of our debt obligations prior to maturity. Our ability to refinance or restructure our debt will depend upon the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Despite current indebtedness levels, we may still be able to incur substantially more debt. This could further exacerbate the risks described herein.

As of March 31, 2018, on a pro forma basis after giving effect to the Halyard S&IP acquisition, we would have had $1.7 billion of consolidated total indebtedness outstanding, all of which would have been secured indebtedness, and we would have had $367 million available for borrowing under our credit facilities, all of which would be secured when drawn.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, including secured indebtedness. If additional indebtedness is added to our current debt levels, the related risks that we and our subsidiaries could face to fund our future debt service obligations and the risks associated with failure to adequately service our debt could intensify. Additionally, the incurrence of any new indebtedness could make it more difficult to refinance our existing indebtedness and make it more likely that any refinancing of such indebtedness may not be on commercially reasonable terms.

Our credit facilities and our existing notes have restrictive covenants that could limit our financial flexibility.

The indentures that govern our existing notes and our credit facilities contain financial and other restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests.

Our credit facilities and the indentures governing our existing notes include restrictions that, among other things, limit our ability to: incur indebtedness; grant liens; engage in mergers, consolidations and liquidations; make asset dispositions, restricted payments and investments; enter into transactions with affiliates; and amend, modify or prepay certain indebtedness. Under our credit facilities, we are subject to financial covenants that require us to maintain ratios for leverage and interest coverage, including on a pro forma basis in the event of an acquisition.

Our failure to comply with these restrictions or covenants could result in a default under the agreements governing the relevant indebtedness. If a default under the credit facilities and the indentures governing our existing notes is not cured or waived, such default could result in the acceleration of debt or other payment obligations under our debt or other agreements that contain cross-acceleration, cross-default or similar provisions, which could require us to repurchase or pay debt or other obligations prior to the date it is otherwise due.

Our ability to comply with covenants contained in the credit facilities and the indentures governing our existing notes and any other debt or other agreements to which we are or may become a party, may be affected by events beyond our control, including prevailing economic, financial and industry conditions. Even if we are able to comply with all of the applicable covenants, the restrictions on our ability to manage our business in our sole discretion could adversely affect our business by, among other things, limiting our ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that we believe would be beneficial to us.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly.

Borrowings under our Credit Agreement bear interest at variable rates and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on our variable rate indebtedness would increase even though the amount borrowed remained the same, and our earnings and cash flows will correspondingly decrease.

Risks Related to Our Halyard S&IP Acquisition

We may fail to realize the anticipated benefits of the S&IP Acquisition or those benefits may take longer to realize than expected. We may also encounter significant difficulties in integrating the S&IP business into our operations.

Our ability to realize the anticipated benefits and synergies of the S&IP Acquisition will depend, to a large extent, on our ability to integrate the S&IP business into ours. We may devote significant management attention and resources preparing for and then integrating the business practices and operations of the S&IP business with ours. This integration process may be disruptive to our and the S&IP businesses, and, if implemented ineffectively, could restrict realization of the expected benefits. In addition, we may fail to realize some of the anticipated benefits and synergies of the S&IP Acquisition if the integration process takes longer than expected or is more costly than expected. Potential difficulties we may encounter in the integration process include:

- The inability to successfully combine operations in a manner that would result in the anticipated benefits of the S&IP Acquisition in the time frame currently anticipated or at all;
- Complexities associated with managing the expanded operations;
- Integrating personnel;
- Creation of uniform standards, internal controls, procedures, policies and information systems;
- Unforeseen increased expenses, delays or regulatory issues associated with integrating the operations; and
- Performance shortfalls as a result of the diversion of management attention caused by completing the integration of the operations.

Even if we are able to integrate the S&IP business successfully, this integration may not result in the realization of the full benefits that we currently expect, nor can we give assurances that these benefits will be achieved when expected or at all. Moreover, the integration of the S&IP business may result in unanticipated problems, expenses, liabilities, regulatory risks and competitive responses that could have material adverse consequences.

In connection with the S&IP Acquisition, we and Halyard have agreed to indemnify each other with respect to certain matters, and such indemnities may not be adequate.

The Amended and Restated Purchase Agreement contains customary representations, warranties and covenants from both us and Halyard. Subject to certain exceptions and limitations, we and Halyard have agreed to indemnify each other for breaches of representations, warranties, covenants and other specified matters contained in the Amended and Restated Purchase

Agreement. Among these other specified matters, Halyard has agreed to indemnify us 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.), certain previously initiated actions arising out of the same or similar products and any future action, whether known or unknown, that both (i) concerns a product or products of Halyard that is or are the subjects of the actions already identified as being covered and (ii) is based on a claim that is substantially similar to a claim alleged by a plaintiff in the actions already identified as being covered or relates to or arises out of substantially similar facts and circumstances or substantially similar courses of conduct as those alleged in the actions already identified as being covered. We cannot assure you that the indemnity from Halyard will be sufficient to protect us against the full amount of such liabilities, or that Halyard will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from Halyard any amounts for which the S&IP business is held liable, we may be temporarily required to bear these losses ourselves.

Any failure by Halyard or one of its affiliates to deliver the services to be provided under the transition services agreement could have a material adverse effect on our business, financial condition and results of operations.

Pursuant to the terms of the Amended and Restated Purchase Agreement, at the closing of the S&IP acquisition, we and Halyard entered into transition services agreements pursuant to which we, 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. At the closing of the S&IP Acquisition, certain of our affiliates also entered into transitional distribution agreements with affiliates of Halyard under which the Halyard affiliates will serve as limited risk distributors for our international customer orders on a transitional basis. If Halyard or its affiliates fail to provide or procure the services prescribed by the transition services agreements or distribution agreements, or fail to provide such services in a consistent and/or timely manner, such failure could have a material adverse effect on our business, financial condition and results of operations. Further, if the transition services agreements or distribution agreements are terminated, we would need to make alternative arrangements for the performance of these services. We may not be able to obtain these services promptly or at reasonable rates, if at all.

The S&IP business is exposed to price fluctuations of key commodities, which may negatively impact our results of operations.

The S&IP business relies on product inputs, such as polypropylene and nitrile, as well as other commodities, in the manufacture of its products. Prices of these commodities are volatile and have fluctuated significantly in recent years, which may contribute to fluctuations in our results of operations. Our ability to hedge commodity price volatility is limited. Furthermore, due to competitive dynamics, we may be unable to pass along commodity-driven cost increases through higher prices. If we cannot fully offset cost increases through other cost reductions, or recover these costs through price increases or surcharges, we could experience lower margins and profitability which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

An inability to obtain key components, raw materials or manufactured products from third parties may have a material adverse effect on the S&IP business.

The S&IP business depends on the availability of various components, raw materials and manufactured products supplied by others for its operations. If the capabilities of suppliers and third-party manufacturers are limited or stopped, due to quality, regulatory or other reasons, that could negatively impact our ability to manufacture or deliver S&IP products and could lead to exposure to regulatory actions. Further, for quality assurance or cost effectiveness, Halyard has purchased from sole suppliers certain components and raw materials such as polymers used in the S&IP products, and we expect to continue to purchase these components and raw materials from these sole suppliers. Although there are other sources in the market place for these items, we may not be able to quickly establish additional or replacement sources for certain components or materials due to regulations and requirements of the FDA and other regulatory authorities regarding the manufacture of S&IP products. The loss of any sole supplier or any sustained supply interruption that affects the ability to manufacture or deliver S&IP products in a timely or cost effective manner could have a material adverse effect on our business, results of operations, financial condition and cash flows.

An interruption in the ability of the S&IP business to manufacture products may have a material adverse effect on our business.

The S&IP business manufactures approximately 75% of its products in five facilities, one each in the United States, Thailand and Honduras and two in Mexico. If one or more of these facilities experience damage, or if these manufacturing

capabilities are otherwise limited or stopped due to quality, regulatory or other reasons, including natural disasters, prolonged power or equipment failures or labor disputes, it may not be possible to timely manufacture the relevant products at previous levels or at all. A reduction or interruption in any of these manufacturing processes could have a material adverse effect on our business, results of operations, financial condition and cash flows.

The S&IP business must obtain clearance or approval from the appropriate regulatory authorities prior to introducing a new product or a modification to an existing product. The regulatory clearance process may result in substantial costs, delays and limitations on the types and uses of products the S&IP business can bring to market, any of which could have a material adverse effect on the S&IP business.

In the United States, before the S&IP business can market a new product, or a new use of, or claim for, or significant modification to, an existing product, the S&IP business generally must first receive clearance or approval from the U.S. Food and Drug Administration and certain other regulatory authorities. Most major markets for medical products outside the United States also require clearance, approval or compliance with certain standards before a product can be commercially marketed. The process of obtaining regulatory clearances and approvals to market a medical product can be costly and time consuming, involve rigorous pre- clinical and clinical testing, require changes in products or result in limitations on the indicated uses of products. We cannot assure you that these clearances and approvals will be granted on a timely basis, or at all. In addition, once a medical product has been cleared or approved, a new clearance or approval may be required before it may be modified, its labeling changed or marketed for a different use. Medical products are cleared or approved for one or more specific intended uses and promoting a device for an off-label use could result in government enforcement action. Furthermore, a product approval or clearance can be withdrawn or limited due to unforeseen problems with the medical product or issues relating to its application. The regulatory clearance and approval process may result in, among other things, delayed, if at all, realization of product net sales, substantial additional costs and limitations on the types of products the S&IP business may bring to market or their indicated uses, any one of which could have a material adverse effect on our results of operations, financial condition and cash flows.

The S&IP business may incur product liability losses, litigation liability, product recalls, safety alerts or regulatory action associated with the S&IP business's products which can be costly and disruptive to the S&IP business.

The risk of product liability claims is inherent in the design, manufacture and marketing of the medical products of the type the S&IP business produces and sells. A number of factors could result in an unsafe condition or injury to, or death of, a patient with respect to the products that the S&IP business manufactures or sells, including physician technique and experience in performing the relevant surgical procedure, component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or information.

In addition to product liability claims and litigation, an unsafe condition or injury to, or death of, a patient associated with our products could lead to a recall of, or issuance of a safety alert relating to, our products, or suspension or delay of regulatory product approvals or clearances, product seizures or detentions, governmental investigations, civil or criminal sanctions or injunctions to halt manufacturing and distribution of our products. Any one of these could result in significant costs and negative publicity resulting in reduced market acceptance and demand for the S&IP business's products and harm its reputation. In addition, a recall or injunction affecting the S&IP business's products could temporarily shut down production lines or place products on a shipping hold.

All of the foregoing types of legal proceedings and regulatory actions are inherently unpredictable and, regardless of the outcome, could disrupt the S&IP business, result in substantial costs or the diversion of management attention and could have a material adverse effect on the S&IP business's results of operations, financial condition and cash flows.

Other Risks Related to Our Business

Products we source, assemble and sell may be subject to recalls and product liability claims.

Certain of the products that we sell and distribute are sourced and sold under one or more private labels or are assembled by us into custom trays and minor procedure kits. If these products do not function as designed, are inappropriately designed or are not properly produced, we may have to withdraw such products from the market and/or be subject to product liability claims. Although we maintain insurance against product liability and defense costs in amounts believed to be reasonable, we cannot assure you that we can successfully defend any such claims or that the insurance we carry will be sufficient. A successful claim against us in excess of insurance coverage could have a material adverse impact on our business, financial condition and results of operations.

General economic conditions may adversely affect demand for our products and services.

Poor or deteriorating economic conditions in the United States and the other countries in which we conduct business could adversely affect the demand for healthcare services and consequently, the demand for our products and services. Poor economic conditions also could lead our suppliers to offer less favorable terms of purchase to distributors, which would negatively affect our profitability. These and other possible consequences of financial and economic decline could have a material adverse effect on our business, results of operations and financial condition.

Our results of operations may suffer upon the bankruptcy, insolvency, or other credit failure of a customer that has a substantial amount owed to us.

We provide credit in the normal course of business to customers. We perform initial and ongoing credit evaluations of customers and maintain reserves for credit losses. The bankruptcy, insolvency or other credit failure of one or more customers with substantial balances due to us could have a material adverse effect on our results of operations and financial condition.

Our operations depend on the proper functioning of information systems, and our business could be adversely affected if we experience a cyber-attack or other systems breach.

We rely on information systems to receive, process, analyze and manage data in distributing thousands of inventory items to customers from numerous distribution and logistics centers. These systems are also relied upon for billings to and collections from customers, as well as the purchase of and payment for inventory and related transactions from our suppliers. In addition, the success of our long-term growth strategy is dependent upon the ability to continually monitor and upgrade our information systems to provide better service to customers. Our business and results of operations may be materially adversely affected if systems are interrupted or damaged by unforeseen events (including cyber-attacks) or fail to operate for an extended period of time, or if we fail to appropriately enhance our systems to support growth and strategic initiatives.

Our distribution and logistics services include acting as the primary billing, order-to-cash and collections function for many of our customers. These services rely on the performance and upkeep of our information systems. If our information systems are interrupted, damaged or fail to operate, our customers could be negatively impacted which could have a material adverse effect on our results of operations.

We could be subject to adverse changes in the tax laws or challenges to our tax positions.

We operate throughout the United States and other countries. As a result, we are subject to the tax laws and regulations of the United States federal, state and local governments and of various foreign jurisdictions. From time to time, legislative and regulatory initiatives are proposed, including but not limited to proposals to repeal LIFO (last-in, first-out) treatment of inventory in the United States or changes in tax accounting methods for inventory, import tariffs and taxes, or other tax items. In 2017, we recorded a provisional estimate of the impact of The Tax Cuts and Jobs Act (the "Act") based on our initial analysis of the Act. Given the significant complexity of the Act, anticipated guidance from the U. S. Treasury about implementing the Act, and the potential for additional guidance from the Securities and Exchange Commission or the Financial Accounting Standards Board related to the Act, these estimates may be adjusted during 2018. These and other changes in tax laws and regulations could adversely affect our tax positions, tax rate or cash payments for taxes.

Our business and operations depend on the proper functioning of critical facilities and distribution networks.

Damage or disruption to our distribution capabilities due to weather, natural disaster, fire, terrorism, pandemic, strikes, the financial and/or operational instability of key suppliers, geo-political events or other reasons could impair our ability to distribute our products and conduct our business. To the extent that we are unable, or it is not financially feasible, to mitigate the likelihood or potential impact of such events, or to manage effectively such events if they occur, there could be a material adverse effect on our business, financial condition or results of operations.

Our goodwill may become impaired, which would require us to record a significant charge to earnings in accordance with generally accepted accounting principles.

U.S. GAAP requires us to test our goodwill for impairment on an annual basis, or more frequently if indicators for potential impairment exist. The testing required by GAAP involves estimates and judgments by management. Although we believe our assumptions and estimates are reasonable and appropriate, any changes in key assumptions, including a failure to meet business plans or other unanticipated events and circumstances such as a rise in interest rates, may affect the accuracy or validity of such estimates. We may be required to record a significant charge to earnings in our consolidated financial

statements during the period in which any impairment of our goodwill is determined, which charge could adversely affect our results of operations.

We operate within the European Union, including in the United Kingdom and therefore may be affected by the United Kingdom's withdrawal from the European Union.

We operate within the European Union (the “E.U.”), including the United Kingdom (the “U.K.”). On June 23, 2016, the U.K. held a referendum in which voters approved an exit from the E.U., commonly referred to as “Brexit”. As a result of the referendum, it is expected that the British government will begin negotiating the terms of the U.K.’s withdrawal from the E.U. A withdrawal could, among other outcomes, disrupt the free movement of goods, services and people between the U.K. and the E.U., and disrupt trade between the U.K. and the E.U. Given the lack of comparable precedent and recent occurrence of these events, we are monitoring the situation but it is unclear what financial, trade and legal implications the withdrawal of the U.K. from the E.U. would have and how such withdrawal may affect our operations or financial performance.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

In October 2016, our Board of Directors authorized a share repurchase program of up to $100 million of the company’s outstanding common stock to be executed at the discretion of management over a three-year period. The timing of repurchases and the exact number of shares of common stock to be purchased will depend upon market conditions and other factors and may be suspended or discontinued at any time. Purchases under the share repurchase program are made either pursuant to 10b5-1 plans entered into by the company from time to time and/or during the company’s scheduled quarterly trading windows for officers and directors. We did not repurchase any shares for the three months ended March 31, 2018.

Item 5. Other Information

On May 9, 2018, Owens & Minor, Inc. (the "Company") entered into a Third Amendment to Credit Agreement (the "Third Amendment"), by and among O&M Halyard, Inc., Owens & Minor Distribution, Inc., Owens & Minor Medical, Inc., Barista Acquisition I, LLC and Barista Acquisition II, LLC (the "Borrowers"), the Company and each other domestic subsidiary of the Company party thereto from time to time as guarantors (collectively, the "Guarantors" and, together with the Borrowers, the "Credit Parties"), Wells Fargo Bank, N.A., as administrative agent for certain of the credit facilities, (the "Administrative Agent"), Bank of America, N.A., as collateral agent (the "Collateral Agent") and administrative agent for the term B facility, the other agents party thereto and a syndicate of financial institutions specified therein. The Third Amendment amends the Credit Agreement, dated as of July 27, 2017 (as amended by the First Amendment to Credit Agreement, dated as of March 29, 2018, and the Second Amendment to Credit Agreement dated as of April 30, 2018, the "Credit Agreement"), by and among the Borrowers, the Company, the other Guarantors party thereto, the Administrative Agent and the other agents party thereto and the syndicate of financial institutions specified therein. The Third Amendment contains the following principal terms, among others:

- lender commitments for an additional $245.75 million of term B loans with a seven-year maturity funded on May 9, 2018 (the proceeds of which were used to pay down outstanding revolving borrowings incurred in connection with the Company's acquisition of Halyard Health, Inc.'s Surgical and Infection Prevention business (the "Acquisition"));
- a new interest rate margin for term B loans of 3.50% per annum with respect to Base Rate Loans (as defined in the Credit Agreement), and 4.50% per annum with respect to Eurocurrency Rate Loans (as defined in the Credit Agreement);
- addition of a "springing maturity date" with respect to (i) the term B loans, if as of the date that is 91 days prior to the maturity date of the Company's 3.875% senior notes due 2021 (the "2021 Notes") or 4.375% senior notes due 2024 (the "2024 Notes"), all outstanding amounts owing under the 2021 Notes or the 2024 Notes, respectively, have not been paid in full and (ii) the revolving loans and the term A loans, if as of the date that is 91 days prior to the 2021 Notes maturity date, all outstanding amounts owing under the 2021 Notes have not been paid in full; and
- extension of the "soft call" provision from six months to twelve months.

The foregoing description of the Third Amendment does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Third Amendment attached hereto as Exhibit 10.9, which is incorporated herein by reference.

Wells Fargo Bank, N.A., Bank of America, N.A. and several of the lenders under the Credit Agreement and their affiliates have various relationships with the Company and its subsidiaries involving the provision of financial services, including investment banking, commercial banking, advisory, cash management, custody and trust services, for which they have received customary fees, and may do so again in the future. Additionally, an affiliate of Bank of America, N.A. served as a lead financial advisor to the Company in connection with the Acquisition.

Item 6. Exhibits

(a) Exhibits

2.1	Amended and Restated Purchase Agreement, dated as of April 30, 2018, by and among Halyard Health, Inc., the other sellers party thereto and Owens & Minor, Inc. (incorporated herein by reference to our Current Report on Form 8-K, Exhibit 2.1, dated May 1, 2018)*
3.1	Amended and Restated Bylaws of Owens & Minor, Inc. (incorporated herein by reference to our Current Report on Form 8-K, Exhibit 3.1, dated February 28, 2018)
3.2	Amended and Restated Bylaws of Owens & Minor, Inc. (incorporated herein by reference to our Current Report on Form 8-K, Exhibit 3.1, dated May 9, 2018)
4.1	Third Supplemental Indenture, dated as of April 30, 2018, by and among Owens & Minor, Inc., the guarantors signatory thereto and U.S. Bank National Association, as trustee. (incorporated herein by reference to our Current Report on Form 8-K, Exhibit 4.1, dated May 4, 2018)*
10.1	Form of Owens & Minor Director Restricted Stock Agreement under the Company's 2018 Stock Incentive Plan (incorporated herein by reference to our Current Report on Form 8-K, Exhibit 10.1, dated May 9, 2018)**

10.2	Form of Owens & Minor Restricted Stock Agreement under the Company's 2018 Stock Incentive Plan (incorporated herein by reference to our Current Report on Form 8-K, Exhibit 10.2, dated May 9, 2018)**
10.3	Form of Owens & Minor Restricted Stock Unit Agreement under the Company's 2018 Stock Incentive Plan (incorporated herein by reference to our Current Report on Form 8-K, Exhibit 10.3, dated May 9, 2018)**
10.4	Owens & Minor, Inc. Officer Severance Policy dated May 7, 2018 (incorporated herein by reference to our Current Report on Form 8-K, Exhibit 10.4, dated May 9, 2018)**
10.5	Owens & Minor, Inc. 2018 Stock Incentive Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed March 26, 2018 (File No. 001-09810))**
10.6	First Amendment to Credit Agreement, dated as of March 29, 2018, by and among Owens & Minor Distribution, Inc., Owens & Minor Medical, Inc., Barista Acquisition I, LLC, and Barista Acquisition II, LLC, as Borrowers, Owens & Minor, Inc. and certain of its domestic subsidiaries, as Guarantors, the banks party thereto and Wells Fargo Bank, N.A., as Administrative Agent for the banks party thereto (incorporated herein by reference to our Current Report on Form 8-K, Exhibit 10.1, dated April 18, 2018)
10.7	Second Amendment to Credit Agreement, dated as of April 30, 2018, by and among O&M Halyard, Inc., Owens & Minor Distribution, Inc., Owens & Minor Medical, Inc., Barista Acquisition I, LLC and Barista Acquisition II, LLC, Owens & Minor, Inc. and each other domestic subsidiary of the Company party thereto from time to time, Wells Fargo Bank, N.A., as administrative agent for certain of the credit facilities, Bank of America, N.A., as collateral agent and administrative agent for the term B facility, and the other agents party thereto. (incorporated herein by reference to our Current Report on Form 8-K, Exhibit 10.1, dated May 4, 2018)*
10.8	Security and Pledge Agreement, dated as of April 30, 2018, by and among Owens & Minor, Inc., O&M Halyard, Inc., Owens & Minor Distribution, Inc., Owens & Minor Medical, Inc., Barista Acquisition I, LLC and Barista Acquisition II, LLC, Bank of America, N.A., U.S. Bank National Association, and the other secured parties thereto. (incorporated herein by reference to our Current Report on Form 8-K, Exhibit 10.2, dated May 4, 2018)*
10.9	Third Amendment to Credit Agreement, dated as of May 9, 2018, by and among O&M Halyard, Inc., Owens & Minor Distribution, Inc., Owens & Minor Medical, Inc., Barista Acquisition I, LLC and Barista Acquisition II, LLC, Owens & Minor, Inc. and each other domestic subsidiary of the Company party thereto from time to time, Wells Fargo Bank, N.A., as administrative agent for certain of the credit facilities, Bank of America, N.A., as collateral agent and administrative agent for the term B facility, and the other agents party thereto.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document

101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Certain exhibits and schedules been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish copies of such omitted materials supplementally upon request by the SEC.

** Management contract or compensatory plan or arrangement

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 thereunto duly authorized.

	Owens & Minor, Inc. (Registrant)
Date: May 10, 2018	/s/ Paul C. Phipps
	Paul C. Phipps President & Chief Executive Officer
Date: May 10, 2018	/s/ Richard A. Meier
	Richard A. Meier Executive Vice President, Chief Financial Officer & President, International

Exhibit 10.9

EXECUTION VERSION

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT (this "Agreement") dated as of May 9, 2018 (the "Third Amendment Effective Date") is entered into among OWENS & MINOR DISTRIBUTION, INC., a Virginia corporation ("Distribution"), OWENS & MINOR MEDICAL, INC., a Virginia corporation ("Medical"), BARISTA ACQUISITION I, LLC, a Virginia limited liability company ("Barista I"), BARISTA ACQUISITION II, LLC, a Virginia limited liability company ("Barista II"), O&M HALYARD, INC., a Virginia corporation ("O&M Halyard"; O&M Halyard, together with Distribution, Medical, Barista I, and Barista II, collectively the "Borrowers"), OWENS & MINOR, INC., a Virginia corporation (the "Parent"), the Banks party hereto, WELLS FARGO BANK, N.A., as administrative agent for the Pro Rata Facilities (in such capacity, the "Administrative Agent"), and BANK OF AMERICA, N.A., as administrative agent for the Term B Facility (in such capacity, the "Term B Facility Agent") and as collateral agent for the Secured Parties (in such capacity, the "Collateral Agent"). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Existing Credit Agreement (as defined below) or the Amended Credit Agreement (as defined below), as applicable.

RECITALS

WHEREAS, the Borrowers, the Guarantors party thereto, the Banks from time to time party thereto, Wells Fargo Bank, N.A., as the Administrative Agent, and Bank of America, N.A., as the Term B Facility Agent and the Collateral Agent, have entered into that certain Credit Agreement dated as of July 27, 2017 (as amended, modified, extended, restated, replaced, or supplemented prior to the Third Amendment Effective Date, the "Existing Credit Agreement");

WHEREAS, the Parent and the Borrowers have requested an increase in the amount of the Term B Facility in the form of additional Term B Loans in an aggregate principal amount of $245,750,000 to be advanced on the Third Amendment Effective Date; and

WHEREAS, the Parent and the Borrowers have requested that the Banks, the Administrative Agent, the Term B Facility Agent and the Collateral Agent amend the Existing Credit Agreement as set forth below (the Existing Credit Agreement, as amended by this Agreement, the "Amended Credit Agreement").

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments.

(a) Clause (b) in the definition of "Applicable Percentage" in Section 1.1 of the Existing Credit Agreement is hereby amended to read as follows:

(b) with respect to the Term B Loans, 3.50% per annum with respect to Term B Loans that are Base Rate Loans, and 4.50% per annum with respect to Term B Loans that are Eurocurrency Rate Loans; and

(b) The definition of "Revolving Termination Date" in Section 1.1 of the Existing Credit Agreement is hereby amended to read as follows:

"Revolving Termination Date" means, with respect to each Bank, the earlier of (a) July 27, 2022, as such date may be extended from time to time with respect to such Bank

pursuant to Section 2.11; provided, that if payment in full of all outstanding amounts owing under the 2021 Notes has not occurred on the date that is ninety-one (91) days prior to the 2021 Notes Maturity Date, the Revolving Termination Date shall automatically be deemed to be the date that is ninety-one (91) days prior to the 2021 Notes Maturity Date; provided, further, that, in each case, if such date is not a Business Day, the Revolving Termination Date shall be the next preceding Business Day; and (b) the date on which the Aggregate Revolving Committed Amount terminates in accordance with the provisions of this Credit Agreement.

(c) The definition of "Term B Commitment" in Section 1.1 of the Existing Credit Agreement is hereby amended to read as follows:

"Term B Commitment" means, as to each Bank, the Second Amendment Effective Date Term B Commitment of such Bank, and/or the Third Amendment Effective Date Term B Commitment of such Bank, as the context may require.

(d) The second sentence of the definition of "Term B Commitment Percentage" in Section 1.1 of the Existing Credit Agreement is hereby amended to read as follows:

The Term B Commitment Percentage of each Bank on the Third Amendment Effective Date is set forth on Schedule 2.1.

(e) The definition of "Term B Facility" in Section 1.1 of the Existing Credit Agreement is hereby amended to read as follows:

"Term B Facility" means, at any time, the sum of (a) the aggregate principal amount of the Term B Loans advanced on the Second Amendment Effective Date pursuant to Section 2.1(d)(iii)(A) of all Banks outstanding at such time plus (b) the aggregate principal amount of the Term B Loans advanced on the Third Amendment Effective Date pursuant to the Third Amendment and Section 2.1(d)(iii)(B) of all Banks outstanding at such time.

(f) The definition of "Term B Facility Termination Date" in Section 1.1 of the Existing Credit Agreement is hereby amended to read as follows:

"Term B Facility Termination Date" means April 30, 2025; provided that if any Relevant Notes Maturity Event shall have occurred, the Term B Facility Termination Date shall automatically be deemed to be the date of such Relevant Notes Maturity Event; provided, further, that, in each case, if such date is not a Business Day, the Term B Facility Termination Date shall be the next preceding Business Day.

(g) The reference to "the Term B Commitment" in the definition of "Term Commitment" in Section 1.1 of the Existing Credit Agreement is hereby amended to read "a Term B Commitment".

(h) The definition of "Term Facilities Termination Date" in Section 1.1 of the Existing Credit Agreement is hereby amended to read (and re-alphabetized as appropriate) as follows:

"Term A Facilities Termination Date" means July 27, 2022; provided that if payment in full of all outstanding amounts owing under the 2021 Notes has not occurred on the date that is ninety-one (91) days prior to the 2021 Notes Maturity Date, the Term A Facilities Termination Date shall automatically be deemed to be the date that is ninety-one (91) days

prior to the 2021 Notes Maturity Date; provided, further, that, in each case, if such date is not a Business Day, the Term A Facilities Termination Date shall be the next preceding Business Day.

(i) Each usage of the defined term "Term Facilities Termination Date" in the Credit Documents (including without limitation in Section 1.1 and Section 2.4 of the Existing Credit Agreement) is hereby amended to read "Term A Facilities Termination Date".

(j) The following definitions are hereby added to Section 1.1 of the Existing Credit Agreement in the appropriate alphabetical order:

"2021 Notes Maturity Date" means September 15, 2021.

"2024 Notes Maturity Date" means December 15, 2024.

"Relevant Notes Maturity Event" means the occurrence of any of the following: (a) as of the date that is ninety-one (91) days prior to the 2021 Notes Maturity Date, all outstanding amounts owing under the 2021 Notes shall not have been paid in full or (b) as of the date that is ninety-one (91) days prior to the 2024 Notes Maturity Date, all outstanding amounts owing under the 2024 Notes shall not have been paid in full.

"Second Amendment Effective Date Term B Commitment" means, as to each Bank, the commitment of such Bank to make a Term B Loan on the Second Amendment Effective Date, in the aggregate principal amount set forth opposite such Bank's name under the heading "Second Amendment Effective Date Term B Commitment" on Schedule 2.1. The aggregate amount of the Second Amendment Effective Date Term B Commitments of all of the Banks on the Second Amendment Effective Date was $254,250,000.

"Third Amendment" means that certain Third Amendment to Credit Agreement, dated as of the Third Amendment Effective Date, among Distribution, Medical, Barista I, Barista II, O&M Halyard, the Parent, the Banks party thereto, the Administrative Agent, the Term B Facility Agent and the Collateral Agent.

"Third Amendment Effective Date" means May 9, 2018.

"Third Amendment Effective Date Term B Commitment" means, as to each Bank, the commitment of such Bank to make a Term B Loan on the Third Amendment Effective Date, in the aggregate principal amount set forth opposite such Bank's name under the heading "Third Amendment Effective Date Term B Commitment" on Schedule 2.1. The aggregate amount of the Third Amendment Effective Date Term B Commitments of all of the Banks to be advanced on the Third Amendment Effective Date pursuant to Section 2.1(d)(iii)(B) is $245,750,000.

(k) The following definition is hereby deleted from Section 1.1 of the Existing Credit Agreement: Term B Facility Increase Effective Date.

(l) Section 2.1(d)(iii) of the Existing Credit Agreement is hereby amended to read as follows:

(iii) Term B Commitments. On: (A) the Second Amendment Effective Date, subject to the terms and conditions hereof, each Term B Bank with a Second Amendment Effective Date Term B Commitment severally made a Term B Loan to O&M Halyard in Dollars in one (1) advance in an aggregate amount not to exceed such Term B Bank's Second Amendment Effective Date Term B Commitment, which Borrowing consisted of Term B Loans made simultaneously by the Term B Banks with Second Amendment Effective Date Term B Commitments in accordance with their respective Second Amendment Effective Date Term B Commitments; and (B) the Third Amendment Effective Date, subject to the terms and conditions hereof, each Term B Bank with a Third Amendment Effective Date Term B Commitment severally agrees to make a Term B Loan to O&M Halyard in Dollars in one (1) advance in an aggregate amount not to exceed such Term B Bank's Third Amendment Effective Date Term B Commitment, such Borrowing to consist of Term B Loans made simultaneously by the Term B Banks with Third Amendment Effective Date Term B Commitments in accordance with their respective Third Amendment Effective Date Term B Commitments. Term B Loans repaid or prepaid may not be reborrowed. Term B Loans may consist of Base Rate Loans or Eurocurrency Rate Loans (or a combination thereof), as the Borrower Representative may request.

(m) The heading in the right column of the table set forth in Section 2.4(b)(iii) of the Existing Credit Agreement is hereby amended to read as follows:

Principal Amortization Payment (% of Aggregate Original Principal Amount of Term B Loans Advanced on the Second Amendment Effective Date plus Aggregate Original Principal Amount of Term B Loans Advanced on the Third Amendment Effective Date)

(n) Section 2.10(b)(xi) of the Existing Credit Agreement is hereby amended to read as follows:

(xi) the Applicable Percentage for the Incremental Term Loans under such Incremental Term Facility shall be as set forth in the Incremental Term Joinder Agreement relating to such Incremental Term Facility; provided that with respect to any Incremental Term Loans incurred under such Incremental Term Facility, if the All-In-Yield on such Incremental Term Loans exceeds the All-In-Yield on the Term B Loans by more than fifty basis points (0.50%) per annum, then the Applicable Percentage payable with respect to the Term B Loans shall on the effective date of such Incremental Term Facility be increased by an amount equal to the difference between the All-In-Yield on such Incremental Term Loans and the corresponding All-In-Yield on the Term B Loans minus fifty basis points (0.50%); and

(o) Section 2.15 of the Existing Credit Agreement is hereby deleted.

(p) Section 3.3(d) of the Existing Credit Agreement is hereby amended to read as follows:

(d) The aggregate Second Amendment Effective Date Term B Commitments were automatically and permanently reduced to zero upon the Borrowing of Term B Loans pursuant to Section 2.1(d)(iii)(A) on the Second Amendment Effective Date. The aggregate Third Amendment Effective Date Term B Commitments shall be automatically and

permanently reduced to zero upon the Borrowing of Term B Loans pursuant to Section 2.1(d)(iii)(B) on the Third Amendment Effective Date.

(q) The reference to "six (6) months" in Section 3.4(c) of the Existing Credit Agreement is hereby amended to read "twelve (12) months".

(r) Section 6.18(a) of the Existing Credit Agreement is hereby amended to replace each reference to "Term B Facility Increase Effective Date" with "Third Amendment Effective Date".

(s) Section 8.1(j) of the Existing Credit Agreement is hereby amended to read as follows:

(j) other secured Indebtedness of any member of the Consolidated Group; provided that the aggregate principal amount of all such Indebtedness at any one time outstanding shall not exceed an amount equal to the greater of (i) $50,000,000 and (ii) 15% of Consolidated EBITDA (determined as of the end of the most recent fiscal quarter of the Parent for which financial statements have been delivered pursuant to Section 7.1(a) or (b)); provided, further, that, if any such Indebtedness is secured on an equal priority basis with the Liens on the Collateral securing the Obligations, then such Indebtedness shall be subject to Section 2.10(b)(xi) as if such Indebtedness was Incremental Term Loans;

(t) Section 9.1(c)(ii) of the Existing Credit Agreement is hereby amended to read as follows:

(ii) default in the due performance or observance of any of the financial covenants contained in Section 7.10 and the continuance thereof for a period of 15 days after knowledge thereof by a Responsible Officer of the Borrower Representative (but in no event later than 15 days after the date by which the Borrower Representative is required to deliver annual or quarterly financial statements in accordance with Sections 7.1(a) and (b), as appropriate) without the Borrower Representative having obtained an effective waiver hereunder (provided that, notwithstanding the foregoing, the failure to observe or perform the covenant set forth in Section 7.10(b) shall not in and of itself constitute an Event of Default with respect to the Term B Facility unless the Required Financial Covenant Banks have accelerated the Loans (other than the Term B Loans) and related Obligations then outstanding as a result of such breach and such declaration has not been rescinded on or before the date on which the Term B Banks declare an Event of Default in connection therewith), or

(u) The initial paragraph of Section 9.2 of the Existing Credit Agreement is hereby amended to read as follows:

Upon the occurrence of an Event of Default, and at any time thereafter unless and until such Event of Default has been waived by the requisite Banks (pursuant to the voting procedures in Section 11.6) or cured to the satisfaction of the requisite Banks (pursuant to the voting procedures in Section 11.6), the Administrative Agent may, and upon the request and direction of the Required Banks (or, in the case of any Event of Default arising from a breach of Section 7.10(b), shall, at the request of, or may, with the consent of, the Required Financial Covenant Banks and only with respect to the Loans (other than the Term B Loans) and Obligations relating thereto) shall, by written notice to the Borrower Representative take any of the following actions without prejudice to the rights of any Agent or any Bank

to enforce its claims against the Credit Parties, except as otherwise specifically provided for herein:

(v) The "and" at the end of Section 11.6(f) is hereby deleted, the "." at the end of Section 11.6(g) is hereby amended to "; and" and a new Section 11.6(h) is hereby added to the Existing Credit Agreement to read as follows:

(h) without the consent of the Required Financial Covenant Banks, no amendment, waiver or consent shall amend, change, waive, discharge or terminate (i) clause (L) of the last paragraph of this Section 11.6, or (ii) this Section 11.6(h).

(w) Clause (L) in the last paragraph of Section 11.6 of the Existing Credit Agreement is hereby amended to read as follows:

(L) any amendment, waiver or consent with respect to (1) Section 7.10(b) (or any defined terms as and to the extent used therein, but not to the extent that such terms are used in any other provision of this Credit Agreement or any other Credit Document), (2) clause (c) of the definition of "Applicable Percentage" (or any defined terms as and to the extent used therein, but not to the extent that such terms are used in any other provision of this Credit Agreement or any other Credit Document) for the purpose of reducing the rate of interest on Loans under the Pro Rata Facilities, (3) the proviso to Section 9.1(c)(ii) or (4) the parenthetical provisions referencing Section 7.10 in Section 9.2, in each case, shall not require the consent of the Required Banks but shall be effective if, and only if, signed by the Required Financial Covenant Banks (or, in the case any amendment to clause (c) of the definition of "Applicable Percentage" referenced in clause (L)(2) above, the consent of each Revolving Bank affected thereby), the Credit Parties and the Administrative Agent;

(x) Clause (M) in the last paragraph of Section 11.6 of the Existing Credit Agreement is hereby deleted, clause (N) in the last paragraph of Section 11.6 of the Existing Credit Agreement is hereby re-numbered as clause (M), and clause (O) in the last paragraph of Section 11.6 of the Existing Credit Agreement is hereby re-numbered as clause (N).

(y) The "Term B Committed Amount" and "Term B Commitment Percentage" columns set forth in the table on Schedule 2.1 to the Existing Credit Agreement are hereby replaced with the "Second Amendment Effective Date Term B Commitment", "Third Amendment Effective Date Term B Commitment" and "Term B Commitment Percentage" columns in the table set forth on Schedule 2.1 attached hereto.

2. Funding of Term B Loans on the Third Amendment Effective Date. On the Third Amendment Effective Date, subject to the terms and conditions of this Agreement and the Amended Credit Agreement, each Term B Bank with a Third Amendment Effective Date Term B Commitment severally agrees to make a Term B Loan to O&M Halyard in Dollars in one (1) advance in an aggregate amount not to exceed such Term B Bank's Third Amendment Effective Date Term B Commitment, such Borrowing to consist of Term B Loans made simultaneously by the Term B Banks with Third Amendment Effective Date Term B Commitments in accordance with their respective Third Amendment Effective Date Term B Commitments.

3. Conditions Precedent. This Agreement shall become effective upon satisfaction of the following conditions precedent:

(a) receipt by the Administrative Agent and the Term B Facility Agent of counterparts of this Agreement properly executed by a Responsible Officer of each Credit Party, the Required Banks, the Required Term B Banks, each Bank with a Third Amendment Effective Date Term B Commitment, the Administrative Agent, the Term B Facility Agent and the Collateral Agent;

(b) receipt by the Administrative Agent and the Term B Facility Agent of counterparts of opinions of counsel for the Credit Parties relating to this Agreement and the transactions contemplated herein;

(c) receipt by the Administrative Agent and the Term B Facility Agent of (i) a certificate of the Borrower Representative dated as of the Third Amendment Effective Date and signed by a Responsible Officer of the Borrower Representative certifying that, before and after giving effect to Borrowing of Term B Loans on the Third Amendment Effective Date, (A) the representations and warranties made by the Credit Parties in the Amended Credit Agreement and in the other Credit Documents or which are contained in any certificate furnished at any time under or in connection therewith are true and correct in all material respects on and as of the Third Amendment Effective Date as if made on and as of the Third Amendment Effective Date (except (x) for those which expressly relate to an earlier date, in which case they shall be true and correct in all material respects on and as of such earlier date, and (y) to the extent any such representation and warranty is qualified by materiality or reference to Material Adverse Effect, in which case, such representation and warranty shall be true and correct in all respects), and (B) no Default or Event of Default exists, and (ii) a certificate of each Credit Party dated as of the Third Amendment Effective Date and signed by a Responsible Officer of each Credit Party certifying and attaching the resolutions adopted by such Credit Party approving or consenting to the Borrowing of the Term B Loans on the Third Amendment Effective Date;

(d) receipt by the Term B Facility Agent of a Notice of Loan Borrowing with respect to the Borrowing of Term B Loans to be advanced on the Third Amendment Effective Date;

(e) simultaneously with the Borrowing of Term B Loans on the Third Amendment Effective Date, the Borrowers shall prepay all Revolving Loans outstanding on the Third Amendment Effective Date with the proceeds of such Term B Loans; and

(f) all fees of the Arrangers, the Administrative Agent, the Term B Facility Agent, the Collateral Agent and the Banks required to be paid on the Third Amendment Effective Date have been paid.

4. Expenses. The Credit Parties agree to reimburse the Administrative Agent, the Term B Facility Agent and the Collateral Agent for all reasonable and documented out-of-pocket costs and expenses of the Administrative Agent, the Term B Facility Agent and the Collateral Agent in connection with the preparation, execution and delivery of this Agreement, including without limitation the reasonable documented fees and expenses of Moore & Van Allen PLLC.

5. Miscellaneous.

(a) The Existing Credit Agreement and the obligations of the Credit Parties thereunder and under the other Credit Documents, are hereby ratified and confirmed and shall remain in full force and effect according to their terms. This Agreement shall constitute a Credit Document.

(b) Each Guarantor (i) acknowledges and consents to all of the terms and conditions of this Agreement, (ii) affirms all of its obligations under the Credit Documents, and (iii) agrees that this Agreement and all documents executed in connection herewith do not operate to reduce or discharge its obligations under the Existing Credit Agreement or the other Credit Documents.

(c) Each Credit Party hereby represents and warrants as follows: (i) such Credit Party has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of this Agreement; (ii) this Agreement has been duly executed and delivered by such Credit Party and constitutes the legal, valid and binding obligation of such Credit Party, enforceable against such Credit Party in accordance with its terms, except as may be limited by bankruptcy or insolvency laws or similar laws affecting creditors' rights generally or by general equitable principles; and (iii) no consent, approval, authorization or order of, or filing, registration or qualification with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by such Credit Party of this Agreement (or, if required, such consent, approval and authorization has been obtained).

(d) The Credit Parties represent and warrant that, after giving effect to this Agreement and the Borrowing of Term B Loans on the Third Amendment Effective Date, (i) the representations and warranties made by the Credit Parties in the Amended Credit Agreement and in the other Credit Documents and which are contained in any certificate furnished at any time under or in connection therewith are true and correct in all material respects on and as of the date hereof as if made on and as of such date (except (A) for those which expressly relate to an earlier date, in which case they were true and correct as of such earlier date, and (B) to the extent any such representation and warranty is qualified by materiality or reference to Material Adverse Effect, in which case, such representation and warranty is true and correct in all respects), and (ii) no Default or Event of Default has occurred and is continuing.

(e) This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart for each of the parties hereto. Delivery by facsimile by any of the parties hereto of an executed counterpart of this Agreement shall be as effective as an original executed counterpart hereof and shall be deemed a representation that an original executed counterpart hereof will be delivered.

(f) THIS AGREEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[*Signature Pages Follow*]

Each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

BORROWERS: OWENS & MINOR DISTRIBUTION, INC.,
a Virginia corporation

By:__________
Name:
Title:

OWENS & MINOR MEDICAL, INC.,
a Virginia corporation

By:__________
Name:
Title:

BARISTA ACQUISITION I, LLC,
a Virginia limited liability company

By:__________
Name:
Title:

BARISTA ACQUISITION II, LLC,
a Virginia limited liability company

By:__________
Name:
Title:

O&M HALYARD, INC.,
a Virginia corporation

By:__________
Name:
Title:

GUARANTORS: OWENS & MINOR, INC.,
a Virginia corporation

By:__________
Name:
Title:

ADMINISTRATIVE AGENT: WELLS FARGO BANK, N.A.,
in its capacity as Administrative Agent

By:__________
Name:
Title:

TERM B FACILITY AGENT AND COLLATERAL AGENT:

BANK OF AMERICA, N.A.,
in its capacity as Term B Facility Agent and as Collateral Agent

By:__________
Name:
Title:

BANKS:

WELLS FARGO BANK, N.A.,
in its capacity as a Bank, Issuing Bank and the Swingline Bank

By:___________
Name:
Title:

BANK OF AMERICA, N.A.,
in its capacity as a Bank and an Issuing Bank

By:__________
Name:
Title:

JPMORGAN CHASE BANK, N.A.,
in its capacity as a Bank and an Issuing Bank

By:__________
Name:
Title:

SUNTRUST BANK,
in its capacity as a Bank

By:___________
Name:
Title:

PNC BANK, NATIONAL ASSOCIATION,
in its capacity as a Bank

By:__________
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION,
in its capacity as a Bank

By:__________
Name:
Title:

MUFG BANK, LTD., FORMERLY KNOWN AS THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,
in its capacity as a Bank

By:___________
Name:
Title:

By:___________
Name:
Title:

BRANCH BANKING & TRUST COMPANY,
in its capacity as a Bank

By:__________
Name:
Title:

CITIBANK, N.A.,
in its capacity as a Bank

By:___________
Name:
Title:

HSBC BANK USA, NATIONAL ASSOCIATION,
in its capacity as a Bank

By:__________
Name:
Title:

Schedule 2.1

Bank	Second Amendment Effective Date Term B Commitment	Third Amendment Effective Date Term B Commitment	Term B Commitment Percentage
Bank of America, N.A.	$254,250,000.00	$245,750,000.00	100.000000000%
Wells Fargo Bank, N.A.	$0.00	$0.00	0.000000000%
JPMorgan Chase Bank, N.A.	$0.00	$0.00	0.000000000%
SunTrust Bank	$0.00	$0.00	0.000000000%
PNC Bank, National Association	$0.00	$0.00	0.000000000%
U.S. Bank National Association	$0.00	$0.00	0.000000000%
MUFG Bank, Ltd.	$0.00	$0.00	0.000000000%
Branch Banking& Trust Company	$0.00	$0.00	0.000000000%
Citibank, N.A.	$0.00	$0.00	0.000000000%
HSBC Bank USA, National Association	$0.00	$0.00	0.000000000%
Total:	**$254,250,000.00**	**$245,750,000.00**	**100.000000000%**

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul C. Phipps, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 of Owens & Minor, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 10, 2018

/s/ Paul C. Phipps

Paul C. Phipps
President & Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard A. Meier, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, of Owens & Minor, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2018

/s/ Richard A. Meier

Richard A. Meier

Executive Vice President, Chief Financial Officer & President, International

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Owens & Minor, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Paul C. Phipps, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul C. Phipps

Paul C. Phipps
President & Chief Executive Officer
Owens & Minor, Inc.
May 10, 2018

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Owens & Minor, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard A. Meier, Executive Vice President, Chief Financial Officer & President, International of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard A. Meier

Richard A. Meier

Executive Vice President, Chief Financial Officer & President, International

Owens & Minor, Inc.

May 10, 2018