Supplemental Materials
Owens & Minor Inc. Consolidated Financial Statements
Annual Report on Form 10-K for 2023 as Filed with the SEC

OWENS & MINOR, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

Years Ended December 31,	**2023**	**2022**	**2021**
Net revenue	**$ 10,333,967**	$ 9,955,475	$ 9,785,315
Cost of goods sold	**8,208,806**	8,129,124	8,272,086
Gross margin	**2,125,161**	1,826,351	1,513,229
Distribution, selling and administrative expenses	**1,813,559**	1,554,821	1,077,064
Acquisition-related charges and intangible amortization	**101,037**	126,972	42,774
Exit and realignment charges	**99,127**	6,897	31,109
Other operating expense (income), net	**6,930**	(5,252)	(6,191)
Operating income	**104,508**	142,913	368,473
Interest expense, net	**157,915**	128,891	48,090
(Gain) loss on extinguishment of debt	**(3,518)**	-	40,433
Other expense, net	**4,837**	3,131	3,196
(Loss) income before income taxes	**(54,726)**	10,891	276,754
Income tax (benefit) provision	**(13,425)**	(11,498)	55,165
Net (loss) income	**$ (41,301)**	$ 22,389	$ 221,589
Net (loss) income per common share:			
Basic	**$ (0.54)**	$ 0.30	$ 3.05
Diluted	**$ (0.54)**	$ 0.29	$ 2.94

See accompanying notes to consolidated financial statements.

OWENS & MINOR, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in thousands)

Years Ended December 31,	**2023**	**2022**	**2021**
Net (loss) income	**$ (41,301)**	$ 22,389	$ 221,589
Other comprehensive income (loss) net of tax:			
Currency translation adjustments	**7,141**	(14,101)	(25,976)
Change in unrecognized net periodic pension costs	**2,086**	7,396	3,850
Change in gains and losses on derivative instruments	**(5,190)**	11,441	20,044
Total other comprehensive income (loss), net of tax	**4,037**	4,736	(2,082)
Comprehensive (loss) income	**$ (37,264)**	$ 27,125	$ 219,507

See accompanying notes to consolidated financial statements.

OWENS & MINOR, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

December 31,	2023	2022
Assets		
Current assets		
Cash and cash equivalents	**$ 243,037**	$ 69,467
Accounts receivable, net	**598,257**	763,497
Merchandise inventories	**1,110,606**	1,333,585
Other current assets	**150,890**	128,636
Total current assets	**2,102,790**	2,295,185
Property and equipment, net	**543,972**	578,269
Operating lease assets	**296,533**	280,665
Goodwill	**1,638,846**	1,636,705
Intangible assets, net	**361,835**	445,042
Other assets, net	**149,346**	150,417
Total assets	**$ 5,093,322**	$ 5,386,283
Liabilities and equity		
Current liabilities		
Accounts payable	**$ 1,171,882**	$ 1,147,414
Accrued payroll and related liabilities	**116,398**	93,296
Current portion of long-term debt	**206,904**	17,906
Other current liabilities	**396,701**	307,850
Total current liabilities	**1,891,885**	1,566,466
Long-term debt, excluding current portion	**1,890,598**	2,482,968
Operating lease liabilities, excluding current portion	**222,429**	215,469
Deferred income taxes, net	**41,652**	60,833
Other liabilities	**122,592**	114,943
Total liabilities	**4,169,156**	4,440,679
Commitments and contingencies		
Equity		
Common stock, par value $2 per share; authorized - 200,000 shares; issued and outstanding - 76,546 shares and 76,279 shares as of December 31, 2023 and December 31, 2022	**153,092**	152,557
Paid-in capital	**434,185**	418,894
Retained earnings	**368,707**	410,008
Accumulated other comprehensive loss	**(31,818)**	(35,855)
Total equity	**924,166**	945,604
Total liabilities and equity	**$ 5,093,322**	$ 5,386,283

See accompanying notes to consolidated financial statements.

OWENS & MINOR, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands) **Years Ended December 31,**	**2023**	**2022**	**2021**
Operating activities:			
Net (loss) income	**$ (41,301)**	$ 22,389	$ 221,589
Adjustments to reconcile net (loss) income to cash provided by operating activities:			
Depreciation and amortization	**287,377**	228,667	90,621
Share-based compensation expense	**23,218**	20,993	25,016
(Gain) loss on extinguishment of debt	**(3,518)**	-	40,433
Deferred income tax benefit	**(23,648)**	(26,361)	(29,736)
(Benefit) provision for losses on accounts receivable	**(1,414)**	3,315	21,158
Changes in operating lease right-of-use assets and lease liabilities	**(47)**	353	1,463
Gain on sale and dispositions of property and equipment	**(34,882)**	(26,260)	-
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	**166,581**	1,101	(2,201)
Merchandise inventories	**224,338**	166,559	(263,439)
Accounts payable	**30,997**	13,652	3,548
Net change in other assets and liabilities	**100,370**	(91,544)	692
Other, net	**12,639**	12,142	15,033
Cash provided by operating activities	**740,710**	325,006	124,177
Investing activities:			
Acquisition, net of cash acquired	**-**	(1,684,607)	-
Additions to property and equipment	**(190,870)**	(158,090)	(40,985)
Additions to computer software	**(17,022)**	(8,492)	(8,705)
Proceeds from sale of property and equipment	**71,574**	48,383	-
Other, net	**(936)**	(1,670)	(3,940)
Cash used for investing activities	**(137,254)**	(1,804,476)	(53,630)
Financing activities:			
Borrowings under amended Receivables Financing Agreement	**476,000**	1,022,300	-
Repayments under amended Receivables Financing Agreement	**(572,000)**	(1,156,300)	-
Repayments of debt	**(320,693)**	(4,500)	(553,140)
Proceeds from issuance of debt	**-**	1,691,000	574,900
Borrowings (repayments) under revolving credit facility, net and Receivables Financing Agreement	**-**	30,000	(103,200)
Financing costs paid	**-**	(42,602)	(13,912)
Cash dividends paid	**-**	-	(731)
Payment for termination of interest rate swaps	**-**	-	(15,434)
Other, net	**(637)**	(42,793)	(17,961)
Cash (used for) provided by financing activities	**(417,330)**	1,497,105	(129,478)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**613**	(3,485)	(3,540)
Net increase in cash, cash equivalents and restricted cash	**186,739**	14,150	(62,471)
Cash, cash equivalents and restricted cash at beginning of period	**86,185**	72,035	134,506
Cash, cash equivalents and restricted cash at end of period	**$ 272,924**	$ 86,185	$ 72,035
Supplemental disclosure of cash flow information:			
Income taxes (received) paid, net	**$ (6,283)**	$ 33,973	$ 99,400
Interest paid	**$ 153,247**	$ 107,022	$ 38,717
Noncash investing activity:			
Unpaid purchases of property and equipment and computer software at end of period	$ **77,279**	$ 67,852	$ -

See accompanying notes to consolidated financial statements.

OWENS & MINOR, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands, except per share data)

	Common Shares Outstanding	Common Stock ($2 par value)	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance, December 31, 2020	73,472	$ 146,944	$ 436,597	$ 167,022	$ (38,509)	$ 712,054
Net income	-	-	-	221,589	-	221,589
Other comprehensive loss	-	-	-	-	(2,082)	(2,082)
Dividends declared ($0.01 per share)	-	-	-	(992)	-	(992)
Share-based compensation expense, exercises and other	1,961	3,921	4,011	-	-	7,932
Balance, December 31, 2021	75,433	150,865	440,608	387,619	(40,591)	938,501
Net income	-	-	-	22,389	-	22,389
Other comprehensive income	-	-	-	-	4,736	4,736
Share-based compensation expense, exercises and other	846	1,692	(21,714)	-	-	(20,022)
Balance, December 31, 2022	76,279	152,557	418,894	410,008	(35,855)	945,604
Net loss	-	-	-	(41,301)	-	(41,301)
Other comprehensive income	-	-	-	-	4,037	4,037
Share-based compensation expense, exercises and other	267	535	15,291	-	-	15,826
Balance, December 31, 2023	**76,546**	**$ 153,092**	**$434,185**	**$368,707**	**$ (31,818)**	**$924,166**

See accompanying notes to consolidated financial statements.

OWENS & MINOR, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(in thousands, except per share data, unless otherwise indicated)

Note 1-Summary of Significant Accounting Policies

Owens & Minor, Inc. and subsidiaries (we, us, our or the Company), a Fortune 500 company headquartered in Richmond, Virginia, is a global healthcare solutions company that incorporates product manufacturing, distribution support and innovative technology services to deliver significant and sustained value across the breadth of the industry - from acute care to patients in their home. Our teammates serve healthcare industry customers in approximately

80 countries by producing quality products and helping to reduce total costs across the healthcare supply chain by optimizing point-of care performance, freeing up capital and clinical resources and managing contracts to optimize financial performance.

Basis of Presentation and Consolidation. The consolidated financial statements include the accounts of Owens & Minor, Inc. and the subsidiaries it controls and contain all adjustments necessary to conform with U.S. generally accepted accounting principles (GAAP). All significant intercompany accounts and transactions have been eliminated. The results of operations of businesses acquired by the Company are included as of the respective acquisition date.

We report our business under two distinct segments: Products & Healthcare Services and Patient Direct. The Products & Healthcare Services segment includes our United States (U.S.) distribution division (Medical Distribution), including outsourced logistics and value-added services, and Global Products division which manufactures and sources medical surgical products through our production and kitting operations. The Patient Direct segment includes our home healthcare divisions (Byram and Apria).

Reclassifications. Certain prior year amounts have been reclassified to conform to the 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. Significant estimates are used for, but are not limited to, the allowances for losses on accounts receivable, inventory valuation allowances, variable consideration, depreciation and amortization, goodwill valuation, valuation of intangible assets and other long-lived assets, estimated fair values of the net assets acquired in business combinations, self-insurance liabilities, tax liabilities, defined benefit obligations, share-based compensation and other contingencies. Actual results may differ from these estimates.

Cash, Cash Equivalents and Restricted Cash. Cash, cash equivalents and restricted cash includes cash and marketable securities with an original maturity or maturity at acquisition of three months or less. Cash, cash equivalents and restricted cash are stated at cost. Nearly all of our cash, cash equivalents and restricted cash are held in cash depository accounts in major banks in North America, Europe, and Asia. Cash that is held by a major bank and has restrictions on its availability to us is classified as restricted cash. Restricted cash as of December 31, 2023 and 2022 includes cash held in an escrow account as required by the Centers for Medicare & Medicaid Services in conjunction with the Bundled Payments for Care Improvement initiatives related to wind-down costs of Fusion5. Restricted cash as of December 31, 2023 also includes $13.5 million of cash deposits received subject to limitations on use until remitted to a third-party financial institution (the Purchaser), pursuant to the Master Receivables Purchase Agreement (RPA).

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the accompanying consolidated balance sheets that sum to the total of those same amounts presented in the accompanying consolidated statements of cash flows.

	December 31, 2023	December 31, 2022
Cash and cash equivalents	$ 243,037	$ 69,467
Restricted cash included in Other current assets	29,887	-
Restricted cash included in Other assets, net	-	16,718
Total cash, cash equivalents, and restricted cash	$ 272,924	$ 86,185

Book overdrafts represent the amount of outstanding checks issued in excess of related bank balances and are included in accounts payable in our consolidated balance sheets, as they are similar to trade payables and are not subject to finance charges or interest. Changes in book overdrafts are classified as operating activities in our consolidated statements of cash flows.

Accounts Receivable, Net. Accounts receivable, net are recorded at net realizable value. In the Products & Healthcare Services segment, accounts receivable from customers are recorded at net realizable value of the invoiced amount and are reduced by any rebates due to the customer, which are estimated based on contractual terms or historical experience. We assess finance charges on overdue accounts receivable that are recognized as other operating income based on their estimated ultimate collectability. We have arrangements with certain customers under which they make deposits on account. Customer deposits in excess of outstanding receivable balances are classified as other current liabilities.

Due to the nature of our industry and the reimbursement environment in which we operate in the Patient Direct segment, certain estimates are required to record total net revenues and accounts receivable at their net realizable values, including estimating variable consideration. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. Specifically, the complexity of many third-party billing arrangements, contractual terms, and the uncertainty of reimbursement amounts for certain services may result in adjustments to amounts originally recorded. Such adjustments are typically identified and recorded at the point of cash application, claim denial or account review.

We maintain valuation allowances based upon the expected collectability of accounts receivable. Our allowances include specific amounts for accounts that are likely to be uncollectible, such as customer bankruptcies and disputed amounts and general allowances for accounts that may become uncollectible. Allowances are estimated based on a number of factors, including industry trends, current economic conditions, creditworthiness of customers, age of the receivables, changes in customer payment patterns, and historical experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Allowances for losses on accounts receivable of $7.9 million and $9.1 million have been applied as reductions of accounts receivable at December 31, 2023 and 2022.

On March 14, 2023, we entered into the RPA, pursuant to which accounts receivable with an aggregate outstanding amount not to exceed $200 million are sold, on a limited-recourse basis, to the Purchaser in exchange for cash. As of December 31, 2023, there were a total of $124 million of uncollected accounts receivable that had been sold or removed from our consolidated balance sheet. We account for these transactions as sales with the sold receivables removed from our consolidated balance sheets. Under the RPA, we provide certain servicing and collection actions on behalf of the Purchaser; however, we do not maintain any beneficial interest in the accounts receivable sold. The RPA is separate and distinct from the accounts receivable securitization program (the Receivables Financing Agreement).

Proceeds from the sales of accounts receivable are recorded as an increase to cash and cash equivalents and a reduction to accounts receivable, net of allowances in the consolidated balance sheets. Cash received from the sales of accounts receivable, net of payments made to the Purchaser, is reflected in the change in accounts receivable within cash provided by operating activities in the consolidated statements of cash flows. Total accounts receivable sold under the RPA and net cash proceeds were $1.4 billion during the year ended December 31, 2023. We collected $1.3 billion of the sold accounts receivable for the year ended December 31, 2023. The losses on sales of accounts receivable are recorded in other operating expense (income), net in the consolidated statements of operations and were $10.6 million for the year ended December 31, 2023.

Merchandise Inventories. Merchandise inventories are valued at the lower of cost or market, with the approximate cost determined by the last-in, first-out (LIFO) method for distribution inventories in the U.S. within our Products & Healthcare Services segment. Cost of remaining inventories are determined using the first-in, first out (FIFO) or weighted-average cost method at the lower of cost or net realizable value.

We periodically evaluate whether inventory valuation allowance adjustments are required, which includes consideration of recent sales trends. In our evaluation, we review for expired or obsolete inventory and slow-moving inventory. We write down inventories which are considered excess and obsolete as a result of these assessments. Shifts in market trends and conditions, as well as changes in customer preferences and behavior could affect the value of our inventories.

Property and Equipment, net. Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation expense for financial reporting purposes is computed on a straight-line method over the estimated useful lives of the assets or, for capital leases and leasehold improvements, over the term of the lease, if shorter. In general, the estimated useful lives for computing depreciation are three to 15 years for machinery and equipment, five to 40 years for buildings, one to 10 years for patient service equipment, and up to 15 years for leasehold and land improvements. Straight-line and accelerated methods of depreciation are used for income tax purposes. Normal maintenance and repairs are expensed as incurred, and renovations and betterments are capitalized. We suspend depreciation and amortization on assets that are held for sale. In addition, we record capital-related government grants earned as reductions to the cost of property and equipment; and associated unpaid liabilities and grant proceeds receivable are considered non-cash changes in such balances for purposes of preparation of our consolidated statements of cash flows. Patient service equipment consists of medical equipment rented to patients, primarily on a month-to-month basis. Patient service equipment depreciation is classified in our consolidated statements of operations within cost of goods sold as the equipment is rented to patients as part of our primary operations within the Patient Direct segment.

Leases. We enter into non-cancelable agreements to lease most of our office and warehouse facilities with remaining terms generally ranging from one to nine years. Certain leases include renewal options, generally for one to five-year increments. The exercise of lease renewal options is at our sole discretion. We include options to renew (or terminate) in our lease term, and as part of our right-of-use assets and lease liabilities, when it is reasonably certain that we will exercise that option. We also lease some of our transportation and material handling equipment for terms generally ranging from three to 10 years. Leases with a term of 12 months or less are not recorded on the consolidated balance sheets; we recognize lease expense for these leases on a straight-line basis over the lease term. The depreciable life of right-of-use assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. We elected the practical expedient to not separate lease and non-lease components for our leases. Operating lease assets and liabilities are recognized at commencement date based on the present value of unpaid lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments. We use the implicit rate when readily determinable. The right-of-use assets also include adjustments for any lease payments made and lease incentives received.

Goodwill. We account for acquired businesses using the acquisition method of accounting, which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

We evaluate goodwill for impairment annually, as of October 1, and if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Qualitative factors are first assessed to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is determined that it is more likely than not that the fair value does not exceed the carrying amount, then a quantitative test is performed. The quantitative goodwill impairment test involves a comparison of the estimated fair value of the reporting unit to the respective carrying amount. As of October 1, 2023, due to changes in our long-term financial plan assumptions, we elected to bypass the qualitative test and performed a quantitative goodwill impairment test for all reporting units with goodwill.

We determine the estimated fair value of our reporting units by using an equally weighted combination of the income-based approach and the market-based approach. The income-based approach is dependent upon several significant assumptions and estimates regarding future period cash flows, including assumptions with respect to future sales growth and a terminal growth rate. In addition, a weighted average cost of capital (WACC) is used to discount future estimated cash flows to their present values. The WACC is based on externally observable data considering market participants' cost of equity and debt, optimal capital structure and interest rates, as well as the risk and uncertainty with respect to the reporting unit and internally developed financial projections. Under the market-based approach, significant estimates and assumptions also include the selection of appropriate guideline public companies whose stock is actively traded in public markets and the determination of appropriate valuation multiples to apply to the reporting unit. Although we believe our assumptions and estimates are reasonable and appropriate, any significant adverse changes in one or a combination of key assumptions, including, but not limited to, a failure to meet our business plans or expected earnings and cash flows, unanticipated events and circumstances such as changes in assumptions about the duration and magnitude of increased supply chain expense, commodities costs or inflationary pressures and our planned efforts to mitigate such impacts, disruptions in the supply chain, estimated demand and selling prices for PPE or other products, an increase in the discount rate, a decrease in the terminal growth rate, increases in tax rates (including potential tax reform) or a significant change in industry or economic trends, may affect the accuracy or validity of such estimates and may result in goodwill impairment. We may be required to record a material charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill is determined, which could adversely affect our results of operations. No impairment of goodwill was recorded for the years ended December 31, 2023, 2022, and 2021.

Intangible Assets, net. Intangible assets acquired through purchases or business combinations are stated at fair value at the acquisition date and net of accumulated amortization in the consolidated balance sheets. Intangible assets, consisting primarily of customer relationships, customer contracts, trademarks, and tradenames are amortized over their estimated useful lives. In determining the useful life of an intangible asset, we consider our historical experience in renewing or extending similar arrangements. Intangible assets are generally amortized over one to 15 years based on their pattern of economic benefit or on a straight-line basis. We suspend amortization on assets that are held for sale.

Computer Software. We develop and purchase software for internal use. Software development costs incurred during the application development stage are capitalized. Once the software has been installed and tested, and is ready for use, additional costs incurred in connection with the software are expensed as incurred. We also develop software for external use. Capitalized computer software costs are amortized over the estimated useful life of the software, usually between three and 10 years. Capitalized computer software costs are included in other assets, net, in the consolidated balance sheets. Unamortized software at December 31, 2023 and 2022 was $47.5 million and $38.7 million. Depreciation and amortization expense includes $16.1 million, $14.0 million, and $10.3 million of software amortization for the years ended December 31, 2023, 2022, and 2021.

Long-Lived Assets. Long-lived assets, which include property and equipment, finite-lived intangible assets, right-of-use assets, and unamortized software costs, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable. We assess long-lived assets for potential impairment by comparing the carrying value of an asset, or group of related assets, to their estimated undiscounted future cash flows. No material impairments of long-lived assets were recorded for the years ended December 31, 2023, 2022, and 2021. We suspend depreciation and amortization on assets that are held for sale.

Self-Insurance Liabilities. We are self-insured for certain teammate healthcare, workers' compensation and automobile liability costs; however, we maintain insurance for individual losses exceeding certain limits. Liabilities are estimated for healthcare costs using current and historical claims data. Liabilities for workers' compensation and automobile liability claims are estimated using historical claims data and loss development factors. If the underlying facts and circumstances of existing claims change or historical trends are not indicative of future trends, then we may be required to adjust the liability and related expense accordingly. Self-insurance liabilities are included in other current liabilities and other liabilities in the consolidated balance sheets and were $26.0 million and $25.6 million in total at December 31, 2023 and 2022.

Revenue Recognition. Our revenue is primarily generated from sales contracts with customers. Revenue for sales of products, including equipment and supplies, is recorded when control of the promised goods is transferred. 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.

In our Products & Healthcare Services segment, under most of our distribution and product sales 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.

Our contracts sometime allow for forms of variable consideration including rebates, discounts, performance guarantees, and implicit price concessions. We estimate the amount of consideration to which we will be entitled in exchange for transferring the product or service to the customer under the expected value method as part of determining the sales transaction price using contractual terms, historical experience, and other operating trends. The amounts accrued for rebates due to customers, which are recorded in accounts receivable, net, were $81.3 million and $86.9 million at December 31, 2023 and 2022.

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

Within our Patient Direct segment, revenues are recognized under fee-for-service arrangements for equipment we rent to patients and sales of equipment, supplies and other items we sell to patients. Revenue that is generated from equipment that we rent to patients is primarily recognized over the noncancelable rental period, typically one month, and commences on delivery of the equipment to the patients. Revenues are recorded at amounts estimated to be received under reimbursement arrangements with third-party payors, including private insurers, prepaid health plans, Medicare, Medicaid and patients. Rental revenue, less estimated adjustments, is recognized as earned on a straight-line basis over the noncancellable lease term. We recorded $617 million and $447 million in revenue related to equipment we rent to patients for the years ended December 31, 2023 and 2022. Equipment rental revenue was not material in 2021.

See Note 17 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.

Cost of Goods Sold. 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, bear the risk of general and physical inventory loss and carry all credit risk associated with sales. Cost of goods sold also includes direct and certain indirect labor, material and overhead costs, including depreciation expense, associated with our Global Products division. We have contractual arrangements with certain suppliers that provide incentives, including cash discounts for prompt payment, operational efficiency and performance-based incentives. These incentives are recognized as a reduction in cost of goods sold as targets become probable of achievement.

In situations where we act as an agent in a sales arrangement and do not bear a significant portion of these risks, primarily for our outsourced logistics business, there is no cost of goods sold and all costs to provide the service to the customer are recorded in distribution, selling and administrative expenses.

Within our Patient Direct segment, patient service equipment depreciation and the net book value of dispositions are classified in the Company's consolidated statements of operations within cost of goods sold as the equipment is rented to patients as part of the Company's primary operations. Depreciation expense for patient service equipment was $138 million and $88.7 million for the years ended December 31, 2023 and 2022. Equipment depreciation was not material for the year ended 2021. The net book value of patient service equipment dispositions were $36.3 million and $22.1 million for the years ended December 31, 2023 and 2022. We did not incur material dispositions during the year ended December 31, 2021.

As a result of different practices of categorizing costs and different business models throughout our industry, our gross margins may not necessarily be comparable to other companies in our industry.

Inventory valuation allowance adjustments, including for excess and obsolete inventory, are recorded as a charge to cost of goods sold.

Distribution, Selling and Administrative (DS&A) Expenses. DS&A expenses include shipping and handling costs, labor, certain depreciation and amortization, certain research and development costs and other costs for selling and administrative functions. We incurred research and development costs, primarily included in DS&A expenses on the consolidated statement of operations, of $13.2 million, $11.8 million, and $12.1 million for the years ended 2023, 2022 and 2021.

Shipping and Handling. Shipping and handling costs are primarily included in DS&A expenses in the consolidated statements of operations and include costs to store, to move, and to prepare products for shipment, as well as costs to deliver products to customers. Shipping and handling costs totaled $641 million, $581 million, and $445 million for the years ended December 31, 2023, 2022, and 2021.

Share-Based Compensation. We account for share-based payments to teammates at fair value and recognize the related expense primarily in DS&A expenses over the service period for awards expected to vest. The fair value of nonvested performance shares is dependent upon our assessment of the probability of achievement of financial targets for the performance period.

Derivative Financial Instruments. We are directly and indirectly affected by changes in foreign currency, which may adversely impact our financial performance and are referred to as "market risks." When deemed appropriate, we use derivatives as a risk management tool to mitigate the potential impact of certain market risks. We use forward contracts, which are agreements to buy or sell a quantity at a predetermined future date and at a predetermined rate or price. We do not enter into derivative financial instruments for trading purposes.

All derivatives are carried at fair value in our consolidated balance sheets. The designation of a derivative instrument as a hedge and its ability to meet the hedge accounting criteria determine how we record the change in fair value of the derivative instrument in our consolidated financial statements. A derivative qualifies for hedge accounting if, at inception, we expect the derivative will be highly effective in offsetting the underlying hedged cash flows and we fulfill the hedge documentation standards at the time we enter into the derivative contract. We designate a hedge as a cash flow hedge, fair value hedge, or a net investment hedge based on the exposure we are hedging. For the effective portion of qualifying cash flow hedges, we record changes in fair value in other comprehensive income (OCI). We release the derivative's gain or loss from OCI to match the timing of the underlying hedged items' effect on earnings. We review the effectiveness of our hedging instruments quarterly, recognize current period hedge ineffectiveness immediately in earnings, and discontinue hedge accounting for any hedge that we no longer consider to be highly effective. We recognize changes in fair value for derivatives not designated as hedges or those not qualifying for hedge accounting in current period earnings. The cash flow impacts of the derivative instruments are included in our consolidated statements of cash flows as a component of operating or financing activities.

Income Taxes. We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are provided if it is more likely than not that a deferred tax asset will not be realized. When we have claimed tax benefits that may be challenged by a tax authority, an estimate of the effect of these uncertain tax positions is recorded. It is our policy to provide for uncertain tax positions and the related interest and penalties based upon an assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. To the extent that the tax outcome of these uncertain tax positions changes, based on our assessment, such changes in estimate may impact the income tax provision in the period in which such determination is made.

We earn a portion of our operating income in foreign jurisdictions outside the U.S. We are permanently reinvested in our foreign subsidiaries. Our policy election for global intangible low-taxed income is that we will record such taxes as a current period expense once incurred and will follow the tax law ordering approach.

Fair Value Measurements. Fair value is determined based on assumptions that a market participant would use in pricing an asset or liability. The assumptions used are in accordance with a three-tier hierarchy, defined by GAAP, that draws a distinction between market participant assumptions based on (i) observable inputs such as quoted prices in active markets (Level 1), (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2) and (iii) unobservable inputs that require the use of present value and other valuation techniques in the determination of fair value (Level 3).

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued payroll and related liabilities reported in the consolidated balance sheets approximate fair value due to the short-term nature of these instruments. The fair value of 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). See Note 9 for the fair value of debt. The fair value of our derivative contracts are determined based on the present value of expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Observable Level 2 inputs are used to determine the present value of expected future cash flows. See Note 12 for the fair value of derivatives.

Our acquisitions may include contingent consideration as part of the purchase price. The fair value of contingent consideration is estimated as of the acquisition date and at the end of each subsequent reporting period based on the present value of the contingent payments to be made using a weighted probability of possible payments (Level 3). Subsequent changes in fair value are recorded as adjustments to acquisition-related charges and intangible amortization within the consolidated statements of operations.

Acquisition-Related Charges and Intangible Amortization. Acquisition-related charges consist primarily of one-time costs related to the Apria Acquisition, including transaction costs necessary to consummate the acquisition, which consisted of investment banking advisory fees and legal fees, director and officer tail insurance expense, severance and retention bonuses, and professional fees. Acquisition-related charges and intangible amortization also includes transition expenses and costs to integrate personnel, systems and processes along with amortization of intangible assets established during acquisition method of accounting for business combinations. These amounts are highly dependent on the size and frequency of acquisitions and are excluded to allow for a more consistent comparison with forecasted, current and historical results.

Exit and Realignment Charges. Exit and realignment charges consist of costs associated with optimizing our operations which includes the consolidation of certain production facilities, distribution centers, warehouses, administrative offices and IT strategic initiatives, divestiture related costs and other strategic actions. These charges also include costs associated with our Operating Model Realignment Program, which includes professional fees, severance and other costs to streamline functions and processes. Costs associated with exit and realignment activities are recorded at their fair value when incurred. Liabilities are established at the cease-use date for remaining contractual obligations discounted using a credit-adjusted risk-free rate of interest. We evaluate these assumptions quarterly and adjust the liability accordingly. Severance benefits are generally recorded when payment is considered probable and reasonably estimable. These costs are not normal recurring, cash operating expenses necessary for the Company to operate its business on an ongoing basis.

Net (Loss) Income Per Share. Basic and diluted net (loss) income per share are calculated pursuant to the two-class method, under which unvested share-based payment awards containing non-forfeitable rights to dividends are participating securities. Diluted income per share reflects the potential dilution that could occur if restricted awards were exercised or converted into common stock.

Foreign Currency Translation. Our foreign subsidiaries generally consider their local currency to be their functional currency. Assets and liabilities of these foreign subsidiaries are translated into U.S. dollars at period-end exchange rates and revenues, cost of goods sold and expenses are translated at average exchange rates during the period. Cumulative currency translation adjustments are included in accumulated other comprehensive loss in shareholders' equity. Gains and losses on intercompany foreign currency transactions that are long-term in nature and which we do not intend to settle in the foreseeable future are also recognized in other comprehensive income (loss) in shareholders' equity. Realized gains and losses from foreign currency transactions are recorded in other operating expense (income), net in the consolidated statements of operations and were not material to our consolidated results of operations in 2023, 2022, and 2021.

Business Combinations. We account for acquired businesses using the acquisition method of accounting, which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. The results of operations of the businesses acquired by the Company are included as of the respective acquisition date.

Recently Adopted Accounting Pronouncements. In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13 Financial Instruments - Credit Losses, Measurement of Credit Losses on Financial Instruments, which changes the way entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net earnings. Subsequent to the issuance of ASU No. 2016-13, the FASB issued various ASUs related to Credit Losses, Measurement of Credit Losses on Financial Instruments. These ASUs do not change the core principle of the guidance in ASU No. 2016-13. Instead these amendments are intended to clarify and improve operability of certain topics included within the credit losses standard. We adopted ASU No. 2016-13 and subsequent amendments beginning January 1, 2023. The adoption did not have a material impact on our consolidated financial statements and related disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted. In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which will require disclosure of additional detailed information about a reportable segment's expenses, including significant segment expenses regularly provided to the Chief Operating Decision Maker (CODM), the title and position of the CODM, and how the CODM uses the reported measure(s) of a segment's profit or loss. This ASU will be effective for us in annual periods beginning after December 15, 2023 and interim periods within annual years beginning after December 15, 2024. The amendments in this ASU must be applied on a retrospective basis to all prior periods presented in the financial statements and early adoption is permitted. We expect this ASU to only impact our disclosures with no impacts to our results of operations, financial condition and cash flows.

In December 2023, the FASB Issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which will require additional annual income tax disclosures, including disclosure of reconciling items by jurisdiction and nature to the extent those items exceed a specified threshold. In addition, this ASU will require disclosure of income taxes paid, net of refunds received disaggregated by federal, state, and foreign and by jurisdiction if the amount is more than 5% of total income tax payments, net of refunds received. The amendments in this ASU are effective for us in annual periods beginning after December 15, 2024. The amendments in this ASU are required to be applied on a prospective basis and retrospective adoption is permitted. We expect this ASU to only impact our disclosures with no impacts to our results of operations, financial condition and cash flows.

Note 2-Significant Risks and Uncertainties

Many of our hospital customers in the U.S. are represented by group purchasing organizations (GPOs) that contract with us for services on behalf of the GPO members. GPOs representing a significant portion of our business are Vizient, Premier, Inc. (Premier) and Health Trust Purchasing Group (HPG). Members of these GPOs have incentives to purchase from their primary selected distributor; however, they operate independently and are free to negotiate directly with distributors and manufacturers. For 2023, net revenue from hospitals under contract with these GPOs represented the following approximate percentages of our consolidated net revenue: Vizient-

34%; Premier-19%; and HPG-11%.

In 2023, 2022 and 2021, no sales of products of any individual suppliers exceeded 10% of our consolidated net revenue.

Note 3-Acquisition

Acquisition. On March 29, 2022 (the Acquisition Date), we completed the acquisition (the Apria Acquisition) of 100% of Apria Inc. (Apria) pursuant to the Agreement and Plan of Merger dated January 7, 2022, in exchange for approximately $1.7 billion, net of $144 million of cash acquired. The purchase was funded with a combination of debt and cash on hand. Apria is a leading provider of integrated home healthcare equipment and related services in the U.S. This division is reported as part of the Patient Direct segment.

The following table presents the final fair value of the assets acquired and liabilities assumed recognized as of the Acquisition Date. The fair value and useful lives of tangible and intangible assets acquired were determine based on various valuation methods, including the income and cost approach, using several significant unobservable inputs including, but not limited to projected cash flows and a discount rate. These inputs are considered Level 3 inputs.

		Fair Value as of Acquisition Date
Assets acquired:		
Current assets	$	139,560
Goodwill		1,251,347
Intangible assets		315,300
Other non-current assets		354,237
Total assets	$	2,060,444
Liabilities assumed:		
Current liabilities	$	247,276
Noncurrent liabilities		128,561
Total liabilities		375,837
Fair value of net assets acquired, net of cash	$	1,684,607

Current assets acquired include $88.7 million in fair value of receivables, which reflects the approximate amount contractually owed. We are amortizing the fair value of acquired intangible assets, primarily customer relationships, including Payor and capitated relationships, and trade names over their estimated weighted average useful lives of one to 15 years.

Goodwill of $1.3 billion, which we assigned to our Patient Direct segment, consists largely of expected opportunities to expand into new markets and further develop a presence in the home healthcare business. Approximately $33 million of the goodwill is deductible for income tax purposes.

The following table provides pro forma results of net revenue and net loss for the year ended December 31, 2022 and 2021 as if Apria was acquired on January 1, 2021, based on the final purchase price allocation. The pro forma results below are not necessarily indicative of the results that would have been if the acquisition had occurred on the dates indicated, nor are the pro forma results indicative of results which may occur in the future.

	Years Ended December 31,	
	2022	2021
Net revenue	$ 10,232,588	$ 10,930,590
Net (loss) income	$ (97,687)	$ 286,466

Pro forma net loss of $97.7 million for the year ended December 31, 2022 includes pro forma adjustments for interest expense of $20.8 million and amortization of intangible assets of $10.5 million. The pro forma net loss for the year ended December 31, 2022 also includes $39.4 million in seller transaction expenses and stock compensation expense associated with $108 million owed to the holders of Apria stock awards in connection with the Apria Acquisition. Revenue and net loss of Apria since the Acquisition Date included in the consolidated statement of operations for the year ended December 31, 2022 were $937 million and $3.3 million, respectively.

Acquisition-related charges within acquisition-related charges and intangible amortization presented in our consolidated statements of operations were $17.5 million, $48.1 million, and $3.0 million for the years ended December 31, 2023, 2022, and 2021. These amounts are excluded from our segments' operating income.

Note 4-Merchandise Inventories

At December 31, 2023 and 2022 we had net inventory of $1.1 billion and $

1.3 billion, of which $718 million and $840 million were valued under LIFO, all of which relates to inventory in our Products & Healthcare Services segment. If LIFO inventories had been valued on a current cost or FIFO basis, they would have been greater by $233 million and $231 million as of December 31, 2023 and 2022. At December 31, 2023 and 2022, included in our inventory was $75.7 million and $84.4 million in raw materials, $61.5 million and $73.7 million in work in process and the remainder was finished goods. For the year ended December 31, 2022, primarily due to demand declines and builds in excess personal protective equipment (PPE), we increased our estimate of inventory valuation allowances. This change in estimate contributed to a $92.3 million (approximately $69.6 million, net of tax) valuation adjustment, or an approximate $0.93 and $0.91 impact per basic and diluted common share. For the year ended December 31, 2023, our inventory valuation allowances declined primarily due to inventory reductions, including excess PPE previously reserved. At December 31, 2023 and 2022 we had inventory valuation allowances of $78.2 million and $128 million.

Note 5-Property and Equipment, Net

Property and equipment, net, consists of the following:

December 31,	2023	2022
Land and land improvements	**$ 22,959**	$ 22,849
Buildings and leasehold improvements	**201,939**	197,228
Machinery and equipment	**492,551**	470,071
Patient service equipment	**362,192**	324,007
Construction in progress	**10,728**	14,400
Property and equipment, gross	**1,090,369**	1,028,555
Accumulated depreciation and amortization	**(546,397)**	(450,286)
Property and equipment, net	**$ 543,972**	$ 578,269

Depreciation and amortization expense for property and equipment and assets under finance leases was $

188 million, $136 million, and $40.5 million for the years ended December 31, 2023, 2022, and 2021.

Note 6-Goodwill and Intangible Assets, Net

The following table summarizes the changes in the carrying amount of goodwill through December 31, 2023:

	Patient Direct	Products & Healthcare Services	Consolidated
Net carrying amount of goodwill, December 31, 2021	$ 283,905	$ 106,280	$ 390,185
Currency translation adjustments	-	(2,713)	(2,713)
Acquisition	1,249,765	(532)	1,249,233
Carrying amount of goodwill, December 31, 2022	$ 1,533,670	$ 103,035	$ 1,636,705
Acquisition adjustment	1,582	-	1,582
Currency translation adjustments	-	559	559
Carrying amount of goodwill, December 31, 2023	**$1,535,252**	**$ 103,594**	**$ 1,638,846**

As of October 1, 2023, due to changes in our long-term financial plan assumptions, we elected to bypass the qualitative test and a quantitative goodwill impairment test was performed to compare the estimated fair value for all reporting units with goodwill to the respective carrying amount.

No impairment of goodwill was recorded for the years ended December 31, 2023, 2022, and 2021.

Intangible assets at December 31, 2023 and 2022 were as follows:

	2023			2022		
	Customer Relationships	Tradenames	Other Intangibles	Customer Relationships	Tradenames	Other Intangibles
Gross intangible assets	**$ 433,750**	**$ 202,000**	**$ 73,958**	$ 447,107	$ 202,000	$ 73,181
Accumulated amortization	**(236,791)**	**(69,655)**	**(41,427)**	(197,540)	(50,094)	(29,612)
Net intangible assets	**$ 196,959**	**$ 132,345**	**$ 32,531**	$ 249,567	$ 151,906	$ 43,569
Weighted average useful life	**13 years**	**10 years**	**6 years**	13 years	10 years	6 years

At December 31, 2023 and 2022, $250 million and $308 million in net intangible assets were held in the Patient Direct segment and $112 million and $137 million were held in the Products & Healthcare Services segment. Amortization expense for intangible assets was $83.5 million for 2023, $78.8 million for 2022 and $39.8 million for 2021.

As of December 31, 2023, based on the carrying value of intangible assets subject to amortization, estimated future amortization expense is as follows:

Year	
2024	$ 64,594
2025	54,608
2026	50,255
2027	41,906
2028	32,081
Thereafter	118,391
Total future amortization	**$ 361,835**

Note 7-Leases

The components of lease expense were as follows:

	Classification	Years Ended December 31, 2023	2022	2021
Operating lease cost	DS&A Expenses	**$109,942**	$ 81,520	$ 59,397
Finance lease cost:				
Amortization of lease assets	DS&A Expenses	**2,151**	2,755	1,098
Interest on lease liabilities	Interest expense, net	**1,232**	1,516	1,255
Total finance lease cost		**3,383**	4,271	2,353
Short-term lease cost	DS&A Expenses, Cost of goods sold	**8,271**	4,129	871
Variable lease cost	DS&A Expenses, Cost of goods sold	**45,158**	35,431	17,491
Total lease cost		**$166,754**	$ 125,351	$ 80,112

Variable lease cost consists primarily of taxes, insurance, and common area or other maintenance costs for our leased facilities and patient service equipment which are paid as incurred.

Supplemental balance sheet information is as follows:

	Classification	As of December 31, 2023	2022
Assets:			
Operating lease assets	Operating lease assets	**$296,533**	$ 280,665
Finance lease assets	Property and equipment, net	**8,477**	10,194
Total lease assets		**$305,010**	$ 290,859
Liabilities:			
Current			
Operating	Other current liabilities	**$ 85,665**	$ 76,805
Finance	Current portion of long-term debt	**2,822**	2,531
Noncurrent			
Operating	Operating lease liabilities, excluding current portion	**222,429**	215,469
Finance	Long-term debt, excluding current portion	**9,557**	11,877
Total lease liabilities		**$320,473**	$ 306,682

The gross value recorded under finance leases was $

22.2 million and $21.5 million with associated accumulated depreciation of $13.7 million and $11.3 million as of December 31, 2023 and 2022.

Other information related to leases was as follows:

	Years Ended December 31,		
	2023	**2022**	**2021**
Supplemental cash flow information			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating and finance leases	**$109,726**	$ 81,821	$ 59,192
Financing cash flows from finance leases	**$ 2,523**	$ 2,850	$ 1,199
Right-of-use assets obtained in exchange for new operating and finance lease liabilities	**$116,230**	$ 75,188	$ 96,988
Weighted average remaining lease term (years)			
Operating leases	**3.9**	4.3	4.9
Finance leases	**4.3**	5.2	6.4
Weighted average discount rate			
Operating leases	**7.3 %**	6.9 %	8.8 %
Finance leases	**10.3 %**	9.9 %	10.8 %

Maturities of lease liabilities as of December 31, 2023 were as follows:

	Operating Leases	Finance Leases	Total
2024	$ 112,868	$ 3,753	$ 116,621
2025	92,510	3,657	96,167
2026	70,946	2,758	73,704
2027	46,597	2,302	48,899
2028	28,720	2,033	30,753
Thereafter	17,650	511	18,161
Total lease payments	369,291	15,014	384,305
Less: Interest	(61,197)	(2,635)	(63,832)
Present value of lease liabilities	$ 308,094	$ 12,379	$ 320,473

Note 8-Exit and Realignment Costs

We periodically incur exit and realignment and other charges associated with optimizing our operations which includes the consolidation of certain facilities, IT strategic initiatives, and other strategic actions. These charges also include costs associated with our Operating Model Realignment Program, which includes professional fees, severance and other costs to streamline functions and processes.

Exit and realignment charges were $

99.1 million, $6.9 million and $31.1 million for the years ended December 31, 2023, 2022 and 2021. These amounts are excluded from our segments' operating income.

We have incurred $92.2 million in charges under our Operating Model Realignment Program and IT strategic initiatives for the year ended December 31, 2023, which are included in the total exit and realignment charges above. We expect to incur material future costs relating to our Operating Model Realignment Program and IT strategic initiatives, which we are not able to reasonably estimate.

The following table summarizes the activity related to exit and realignment cost accruals through December 31, 2023:

		Total
Accrued exit and realignment charges, December 31, 2020	$	3,146
Provision for exit and realignment activities:		
Severance		9,191
Information system restructuring costs		4,752
Lease obligations		440
Other		5,564
Cash payments		(14,787)
Accrued exit and realignment charges, December 31, 2021		8,306
Provision for exit and realignment activities:		
Severance		2,018
Other		4,147
Cash payments		(13,502)
Accrued exit and realignment charges, December 31, 2022		969
Provision for exit and realignment activities:		
Severance		**11,556**
Professional fees		**63,699**
Vendor contract and lease termination costs		**6,198**
IT strategic initiatives		**8,649**
Other		**5,619**
Cash payments		**(76,643)**
Accrued exit and realignment charges, December 31, 2023	**$**	**20,047**

In addition to the exit and realignment accruals in the preceding table, we also incurred $3.4 million of costs that were expensed as incurred for the year ended December 31, 2023, which primarily related to charges associated with a lease termination and wind-down costs related to Fusion5. We also incurred $

0.7 million and $11.2 million of costs that were expensed as incurred for the years ended December 31, 2022 and 2021, which primarily included wind-down costs related to Fusion5.

Note 9-Debt

Debt consists of the following:

	2023		2022	
December 31,	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
4.375% Senior Notes, due December 2024	**$ 171,232**	**$ 168,754**	$ 245,510	$ 237,772
Receivables Securitization Program	**-**	**-**	93,142	96,000
Term Loan A	**387,591**	**390,668**	490,816	485,000
4.500% Senior Notes, due March 2029	**472,869**	**422,647**	492,762	396,625
Term Loan B	**503,212**	**518,293**	576,587	597,733
6.625% Senior Notes, due April 2030	**540,445**	**529,472**	585,180	516,060
Finance leases and other	**22,153**	**22,153**	16,877	16,877
Total debt	**2,097,502**	**2,051,987**	2,500,874	2,346,067
Less current maturities	**(206,904)**	**(206,904)**	(17,906)	(17,906)
Long-term debt	**$1,890,598**	**$1,845,083**	$ 2,482,968	$ 2,328,161

We have $171 million of 4.375% senior notes due in December 2024 (the 2024 Notes), with interest payable semi-annually. The 2024 Notes were sold at 99.6% of the principal amount with an effective yield of 4.422%. We have the option to redeem the 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 applicable Benchmark Treasury Rate (as defined) plus 30 basis points. We used $73.5 million of cash to repurchase $74.7 million aggregate principal of the 2024 Notes during 2023.

On March 29, 2022, we entered into a Security Agreement supplement pursuant to which the Security and Pledge Agreement (the Security Agreement), dated March 10, 2021 was supplemented to grant collateral on behalf of the holders of the 2024 Notes, and the parties secured under the credit agreements (the Secured Parties) including first priority liens and security interests in (a) all present and future shares of capital stock owned by the Grantors (as defined in the Security Agreement) in the Grantors' present and future subsidiaries, subject to certain customary exceptions, and (b) all present and future personal property and assets of the Grantors, subject to certain exceptions.

On March 29, 2022, we entered into an amendment to our Receivables Financing Agreement. The amended Receivables Financing Agreement has a maximum borrowing capacity of $450 million. The interest rate under the Receivables Financing Agreement is based on a spread over a benchmark SOFR rate (as described in the Fourth Amendment to the Receivables Financing Agreement, as further amended by the Fifth Amendment to the Receivables Financing Agreement). Under the Receivables Financing Agreement, certain of our accounts receivable balances are sold to our wholly owned special purpose entity, O&M Funding LLC. The Receivables Financing Agreement matures in March 2025.

We had no borrowings at December 31, 2023 and $96.0 million outstanding at December 31, 2022 under our Receivables Financing Agreement. At December 31, 2023 and 2022, we had maximum revolving borrowing capacity of $450 million and $354 million available under our Receivables Financing Agreement.

On March 29, 2022, we entered into a term loan credit agreement with an administrative agent and collateral agent and a syndicate of financial institutions, as lenders (the Credit Agreement) that provides for two new credit facilities (i) a $500 million Term Loan A facility (the Term Loan A), and (ii) a $600 million Term Loan B facility (the Term Loan B). The interest rate on the Term Loan A is based on the sum of either Term SOFR or the Base Rate and an Applicable Rate which varies depending on the current Debt Ratings or Total Leverage Ratio, determined as to whichever shall result in more favorable pricing to the Borrowers (each as defined in the Credit Agreement). The interest rate on the Term Loan B is based on either the Term SOFR or the Base Rate plus an Applicable Rate. The Term Loan A will mature in March 2027 and the Term Loan B will mature in March 2029. In addition to our scheduled principal payments of $9.4 million on the Term Loan A and $6.0 million on the Term Loan B, we made unscheduled principal payments of $97.5 million on Term Loan A and $72.5 million on Term Loan B during 2023.

On March 10, 2021, we issued $500 million of 4.500% senior unsecured notes due in March 2029 (the 2029 Unsecured Notes), with interest payable semi-annually (the Notes Offering). The 2029 Unsecured Notes were sold at 100% of the principal amount with an effective yield of 4.500%. We may redeem all or part of the 2029 Unsecured Notes prior to March 31, 2024, at a price equal to 100% of the principal amount of the 2029 Unsecured Notes redeemed, plus accrued and unpaid interest, if any, to, but not including, the redemption date, plus a "make-whole" premium, as described in the Indenture dated March 10, 2021 (the Indenture). On or after March 31, 2024, we may redeem all or part of the 2029 Unsecured Notes at the applicable redemption prices described in the Indenture, plus accrued and unpaid interest, if any, to, but not including, the redemption date. We may also redeem up to 40% of the aggregate principal amount of the 2029 Unsecured Notes at any time prior to March 31, 2024, at a redemption price equal to 104.5% with an amount equal to or less than the net cash proceeds from certain equity offerings, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. We used $18.2 million of cash to repurchase $21.3 million aggregate principal of the 2029 Unsecured Notes during 2023.

On March 29, 2022, we issued $600 million of 6.625% senior unsecured notes due in April 2030 (the 2030 Unsecured Notes), with interest payable semi-annually. The 2030 Unsecured Notes were sold at 100% of the principal amount with an effective yield of 6.625%. We may redeem all or part of the 2030 Unsecured Notes, prior to April 1, 2025, at a price equal to 100% of the principal amount of the 2030 Unsecured Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, plus a "make-whole" premium, as described in the Indenture dated March 29, 2022 (the New Indenture). From and after April 1, 2025, we may redeem all or part of the 2030 Unsecured Notes at the applicable redemption prices described in the New Indenture, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. We may also redeem up to 40% of the aggregate principal amount of the 2030 Unsecured Notes at any time prior to April 1, 2025, at a redemption price equal to 106.625% with an amount equal to or less than the net cash proceeds from certain equity offerings, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. We used $43.5 million of cash to repurchase $47.8 million aggregate principal of the 2030 Unsecured Notes during 2023.

The 2029 Unsecured Notes and the 2030 Unsecured Notes are subordinated to any of our secured indebtedness, including indebtedness under our credit agreements.

On March 29, 2022, we entered into an amendment to our revolving credit agreement, dated as of March 10, 2021 with an administrative agent and collateral agent and a syndicate of financial institutions, as lenders (Revolving Credit Agreement). The amendment (i) increased the aggregate revolving credit commitments under the Revolving Credit Agreement by $150 million, to an aggregate amount of $450 million and (ii) replaced the Eurocurrency Rate with the Adjusted Term SOFR Rate (each as defined in the Revolving Credit Agreement). The Revolving Credit Agreement matures in March 2027.

At December 31, 2023 and 2022, our Revolving Credit Agreement was undrawn, and we had letters of credit, which reduce revolver availability, totaling $27.4 million and $27.9 million, leaving $423 million and $422 million available for borrowing. We also had letters of credit and bank guarantees, which support certain leased facilities as well as other normal business activities in the U.S. and Europe that were issued outside of the Revolving Credit Agreement for $3.0 million and $2.3 million as of December 31, 2023 and 2022.

The Revolving Credit Agreement, the Credit Agreement, the Receivables Financing Agreement, the 2024 Notes, the 2029 Unsecured Notes, and the 2030 Unsecured Notes contain cross-default provisions which could result in the acceleration of payments due in the event of default of any of the related agreements. The terms of the applicable credit agreements also require us to maintain ratios for leverage and interest coverage, including on a pro forma basis in the event of an acquisition or divestiture. We were in compliance with our debt covenants at December 31, 2023.

As of December 31, 2023, scheduled future principal payments of debt, excluding finance leases and other, were as follows:

Year		
2024	$	199,197
2025		40,375
2026		43,500
2027		305,375
2028		6,000
2029		965,654
2030		552,189

Of the $199 million due in 2024, $179 million is due in December 2024. Current maturities at December 31, 2023 include $171 million in principal payments on our 2024 Notes, $21.9 million in principal payments on our Term Loan A, $6.0 million in principal payments on our Term Loan B, and $7.7 million in current portion of finance leases and other.

Note 10-Share-Based Compensation

We maintain a share-based compensation plan (the Plan) that is administered by the Our People & Culture Committee of the Board of Directors. The Plan allows us to award or grant to officers, directors and teammates incentive, non-qualified and deferred compensation stock options, stock appreciation rights (SARs), performance stock units and performance shares (collectively Performance Stock Awards (PSAs)), restricted stock units and restricted stock (collectively Restricted Stock Awards (RSAs)) and unrestricted stock. We use authorized and unissued common shares for grants of RSAs, SARs, PSAs or for stock option exercises. At December 31, 2023, approximately

3.6 million common shares were available for issuance under the Plan.

RSAs under the Plan generally vest over one, three or five years. PSAs under the Plan are issuable as restricted stock or common shares upon meeting performance goals and generally have a total performance and vesting period of three years.

We recognize the fair value of stock-based compensation awards, which is based upon the market price of the underlying common stock at the grant date, on a straight-line basis over the estimated requisite service period. RSAs are earned based on service conditions and PSAs are earned based on service conditions, performance conditions, market conditions, or any combination of these. The fair value of PSAs as of the date of grant is estimated assuming that performance goals will be achieved at target levels. If such goals are not probable of being met, or are probable of being met at different levels, recognized compensation cost is adjusted to reflect the change in estimated fair value.

Total share-based compensation expense for December 31, 2023, 2022 and 2021 was $23.2 million, $21.0 million and $25.0 million with recognized tax benefits of $6.0 million, $5.5 million and $6.5 million. Unrecognized compensation cost related to nonvested RSAs, net of estimated forfeitures, was $28.4 million at December 31, 2023. This amount is expected to be recognized over a weighted-average period of 2.0 years, based on the maximum remaining vesting period required under the awards. Unrecognized compensation cost related to nonvested PSAs as of December 31, 2023 was $0.9 million and will be recognized primarily in 2024 and 2025 if the related performance targets are met at the current level expected.

The following table summarizes the activity and value of nonvested RSAs and PSAs for the years ended December 31, 2023, 2022 and 2021:

	2023		2022		2021	
	Number of Shares	Weighted Average Grant-date Fair Value Per Share	Number of Shares	Weighted Average Grant-date Fair Value Per Share	Number of Shares	Weighted Average Grant-date Fair Value Per Share
Nonvested awards at beginning of year	**2,777**	**$ 22.52**	4,325	$ 11.57	4,816	$ 7.64
Granted	**3,137**	**18.34**	2,745	19.10	2,758	14.10
Vested	**(1,736)**	**14.04**	(2,667)	8.11	(1,801)	9.33
Forfeited	**(977)**	**26.82**	(1,626)	11.25	(1,448)	6.10
Nonvested awards at end of year	**3,201**	**21.70**	2,777	22.52	4,325	11.57

The total fair value of RSAs and PSAs vesting during the years ended December 31, 2023, 2022 and 2021 was $24.4 million, $21.6 million and $16.8 million.

Note 11-Retirement Plans

Savings and Retirement Plans. We maintain a voluntary 401(k) savings and retirement plans covering substantially all full-time and certain part-time teammates in the U.S. who have met eligibility requirements. We match a certain percentage of each teammates' contribution. These plans also provide for discretionary contributions by us for all eligible teammates, subject to certain limits, and discretionary profit-sharing contributions. We may increase or decrease our contributions at our discretion, on a prospective basis. We incurred $15.0 million, $14.0 million and $23.2 million of expense related to these plans in 2023, 2022 and 2021. We also maintain defined contribution plans in some countries outside of the U.S. in which we operate. Expenses related to these plans were not material in 2023, 2022 and 2021.

U.S. Retirement Plans. We have a frozen noncontributory, unfunded retirement plan for certain retirees in the U.S. (U.S. Retirement Plan).

The following table sets forth the U.S. Retirement Plan's financial status and the amounts recognized in our consolidated balance sheets:

December 31,	2023	2022
Change in benefit obligation		
Benefit obligation, beginning of year	$ 39,341	$ 50,244
Interest cost	1,827	1,176
Actuarial gain	(3,787)	(8,359)
Benefits paid	(3,322)	(3,720)
Benefit obligation, end of year	$ 34,059	$ 39,341
Change in plan assets		
Fair value of plan assets, beginning of year	$ -	$ -
Employer contribution	3,322	3,720
Benefits paid	(3,322)	(3,720)
Fair value of plan assets, end of year	$ -	$ -
Funded status, end of year	$ (34,059)	$ (39,341)
Amounts recognized in the consolidated balance sheets		
Other current liabilities	$ (2,975)	$ (3,604)
Other liabilities	(31,084)	(35,737)
Accumulated other comprehensive loss	6,331	10,550
Net amount recognized	$ (27,728)	$ (28,791)
Accumulated benefit obligation	$ 34,059	$ 39,341
Weighted average assumptions used to determine benefit obligation		
Discount rate	4.68 %	4.87 %
Rate of increase in compensation levels	N/A	N/A

Plan benefit obligations of the U.S. Retirement Plan were measured as of December 31, 2023 and 2022. Plan benefit obligations are determined using assumptions developed at the measurement date. The weighted average discount rate, which is used to calculate the present value of plan liabilities, is an estimate of the interest rate at which the plan liabilities could be effectively settled at the measurement date. When estimating the discount rate, we review yields available on high-quality, fixed-income debt instruments and use a yield curve model from which the discount rate is derived by applying the projected benefit payments under the plan to points on a published yield curve.

The components of net periodic benefit cost for the U.S. Retirement Plan were as follows:

Years Ended December 31,	2023	2022	2021
Interest cost	$ 1,827	$ 1,176	$ 1,080
Recognized net actuarial loss	431	923	1,199
Net periodic benefit cost	$ 2,258	$ 2,099	$ 2,279
Weighted average assumptions used to determine net periodic benefit cost			
Discount rate	4.87 %	2.43 %	1.95 %
Rate of increase in future compensation levels	N/A	N/A	N/A

Amounts recognized for the U.S. Retirement Plan as a component of accumulated other comprehensive loss as of the end of the year that have not been recognized as a component of the net periodic benefit cost are presented in the following table. We expect to recognize approximately $

0.2 million of the net actuarial loss reported in the following table as of December 31, 2023, as a component of net periodic benefit cost during 2024.

Years Ended December 31,	2023	2022
Net actuarial loss	$ (6,331)	$ (10,550)
Deferred tax benefit	3,867	4,964
Amounts included in accumulated other comprehensive loss, net of tax	$ (2,464)	$ (5,586)

As of December 31, 2023, the expected benefit payments required, based on the same assumptions used to measure our year-end benefit obligation, for each of the next five years and the five-year period thereafter for the U.S. Retirement Plan were as follows:

Year	
2024	$ 2,942
2025	2,790
2026	2,627
2027	2,479
2028	2,333
2029-2033	9,234

International Retirement Plans. Certain of our foreign subsidiaries have defined benefit pension plans covering substantially all of their respective teammates. As of December 31, 2023 and 2022, the accumulated benefit obligation under these plans was $15.5 million and $11.8 million. We recorded $4.3 million, $3.6 million and $3.6 million in net periodic benefit cost for the years ended December 31, 2023, 2022 and 2021.

Note 12-Derivatives

We are directly and indirectly affected by changes in foreign currency, which may adversely impact our financial performance and are referred to as "market risks." When deemed appropriate, we use derivatives as a risk management tool to mitigate the potential impact of certain market risks. We do not enter into derivative financial instruments for trading purposes.

We enter into foreign currency contracts to manage our foreign exchange exposure related to certain balance sheet items that do not meet the requirements for hedge accounting. These derivative instruments are adjusted to fair value at the end of each period through earnings. The gain or loss recorded on these instruments is substantially offset by the remeasurement adjustment on the foreign currency denominated asset or liability.

We pay interest on our Credit Agreement which fluctuates based on changes in our benchmark interest rates. In order to mitigate the risk of increases in benchmark rates on our term loans, we entered into an interest rate swap agreement whereby we agree to exchange with the counterparty, at specified intervals, the difference between fixed and variable amounts calculated by reference to the notional amount. The interest rate swap was designated as a cash flow hedge. Cash flows related to the interest rate swap agreement are included in interest expense, net.

We determine the fair value of our foreign currency derivatives and interest rate swaps based on observable market-based inputs or unobservable inputs that are corroborated by market data. We do not view the fair value of our derivatives in isolation, but rather in relation to the fair values or cash flows of the underlying exposure. All derivatives are carried at fair value in our consolidated balance sheets. We consider the risk of counterparty default to be minimal. We report cash flows from our hedging instruments in the same cash flow statement category as the hedged items.

The following table summarizes the terms and fair value of our outstanding derivative financial instruments as of December 31, 2023:

	Notional	Maturity	Derivative Assets		Derivative Liabilities	
	Amount	Date	Classification	Fair Value	Classification	Fair Value
Cash flow hedge						
Interest rate swap	$ 350,000	March 2027	Other assets, net	$ 8,447	Other liabilities	$ -
Economic (non-designated) hedges						
Foreign currency contracts	$ 78,436	January 2024	Other current assets	$ 1,043	Other current liabilities	$ -

The following table summarizes the terms and fair value of our outstanding derivative financial instruments as of December 31, 2022:

	Notional	Maturity	Derivative Assets		Derivative Liabilities	
	Amount	Date	Classification	Fair Value	Classification	Fair Value
Cash flow hedge						
Interest rate swap	$ 400,000	March 2027	Other assets, net	$ 15,461	Other liabilities	$ -
Economic (non-designated) hedges						
Foreign currency contracts	$ 58,321	January 2023	Other current assets	$ 440	Other current liabilities	$ 42

The notional amount of the interest rate swap represents the amount in effect at the end of the period. Based on contractual terms, the notional amount will decrease in increments of $

50.0 million on the last business day of March of each year until the maturity date.

In March 2021, we terminated $300 million in notional value of interest rate swaps concurrent with the debt financing transaction. The balance of the fair value adjustments of $25.1 million, which related to these terminated interest rate swaps, within accumulated other comprehensive loss was reclassified to (gain) loss on extinguishment of debt within our consolidated statements of operations for the year ended December 31, 2021.

The following table summarizes the effect of cash flow hedge accounting on our consolidated statements of operations for the year ended December 31, 2023:

	Amount of Gain Recognized in Other Comprehensive (Loss) Income	Location of Gain Reclassified from Accumulated Other Comprehensive Loss into Income	Total Amount of Expense Line Items Presented in the Consolidated Statement of Operations in Which the Effects are Recorded	Amount of Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Income
Interest rate swaps	$ 2,707	Interest expense, net	$ (157,915)	$ 9,720

The amount of ineffectiveness associated with these contracts was immaterial for the periods presented.

The following table summarizes the effect of cash flow hedge accounting on our consolidated statements of operations for the year ended December 31, 2022:

	Amount of Gain Recognized in Other Comprehensive Income	Location of Gain Reclassified from Accumulated Other Comprehensive Loss into Income	Total Amount of Expense Line Items Presented in the Consolidated Statement of Operations in Which the Effects are Recorded	Amount of Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Income
Interest rate swaps	$ 14,814	Interest expense, net	$ (128,891)	$ (647)

The amount of ineffectiveness associated with these contracts was immaterial for the periods presented.

The following table summarizes the effect of cash flow hedge accounting on our consolidated statements of operations for the year ended December 31, 2021:

	Amount of Gain Recognized in Other Comprehensive Income	Location of Gain Reclassified from Accumulated Other Comprehensive Loss into Income	Total Amount of Expense Line Items Presented in the Consolidated Statement of Operations in Which the Effects are Recorded	Amount of Gain/(Loss) Reclassified from Accumulated Other Comprehensive Loss into Income
Interest rate swaps	$ 2,426	(Gain) loss on extinguishment of debt	$ (40,433)	$ (25,518)

The amount of ineffectiveness associated with these contracts was immaterial for the periods presented.

For the years ended December 31, 2023, 2022 and 2021 we recognized a loss of $0.3 million, $0.9 million and $2.3 million, associated with our economic (non-designated) foreign currency contracts.

We recorded the change in fair value of derivative instruments and the remeasurement adjustment of the foreign currency denominated asset or liability in other operating expense (income), net for our foreign exchange contracts.

Note 13-Income Taxes

The components of net (loss) income before income taxes consist of the following:

Years Ended December 31,	2023	2022	2021
Net (loss) income before income taxes:			
U.S.	**$ (65,432)**	$ (17,650)	$ 231,424
Foreign	**10,706**	28,541	45,330
Net (loss) income before income taxes	**$ (54,726)**	$ 10,891	$ 276,754

The income tax provision (benefit) consists of the following:

Years Ended December 31,	2023	2022	2021
Current tax provision:			
Federal	**$ 3,887**	$ 1,090	$ 54,087
State	**1,535**	5,125	15,961
Foreign	**4,886**	8,648	14,853
Total current tax provision	**10,308**	14,863	84,901
Deferred tax benefit:			
Federal	**(18,081)**	(8,671)	(22,046)
State	**(4,823)**	(5,395)	(4,175)
Foreign	**(829)**	(12,295)	(3,515)
Total deferred tax benefit	**(23,733)**	(26,361)	(29,736)
Total income tax benefit	**$ (13,425)**	$ (11,498)	$ 55,165

A reconciliation of the federal statutory rate to our effective income tax rate is shown below:

Years Ended December 31,	2023	2022	2021
Federal statutory rate	**21.0 %**	21.0 %	21.0 %
Increases (decreases) in the rate resulting from:			
Net capital loss on divestiture	**- %**	- %	(1.0)%
Tax reform	**- %**	- %	(1.2)%
Unrecognized tax benefits	**(2.6)%**	10.2 %	0.1 %
State income taxes, net of federal income tax impact	**6.4 %**	(7.1)%	3.1 %
Research and development credit	**4.4 %**	(29.9)%	(0.8)%
Foreign income taxes	**(0.9)%**	0.5 %	0.3 %
Valuation allowance	**(0.5)%**	- %	1.1 %
Restricted stock vestings	**(1.0)%**	(57.3)%	(2.1)%
Nondeductible Interest	**(1.5)%**	6.6 %	0.3 %
Nondeductible compensation	**(3.6)%**	28.9 %	1.0 %
Foreign repatriation change (Thailand)	**- %**	(96.3)%	- %
Non-deductible transaction costs	**- %**	19.5 %	- %
Foreign derived intangible income (FDII)	**4.0 %**	- %	(3.2)%
Global intangible low-taxed income	**0.7 %**	5.0 %	- %
Other	**(1.9)%**	(6.7)%	1.3 %
Effective income tax rate	**24.5 %**	(105.6)%	19.9 %

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

December 31,	2023	2022
Deferred tax assets:		
Employee benefit plans	$ 28,763	$ 27,923
Accrued liabilities not currently deductible	15,997	15,640
Finance charges	2,173	2,143
Lease liabilities	83,895	80,300
Allowance for losses on accounts receivable	7,335	6,703
Net operating loss carryforwards	41,165	55,992
Capital loss carryover	30,034	30,034
Interest limitation	13,082	19,890
Insurance	1,323	20
R&D capitalized costs	21,974	14,017
Other	8,462	7,982
Total deferred tax assets	254,203	260,644
Less: valuation allowances	(35,520)	(35,253)
Net deferred tax assets	218,683	225,391
Deferred tax liabilities:		
Merchandise inventories	25,866	18,904
Goodwill	5,426	4,151
Property, equipment and computer software	69,411	91,983
Right-of-use assets	79,303	75,623
Derivatives	2,196	4,020
Intangible assets	62,301	81,068
Other	859	826
Total deferred tax liabilities	245,362	276,575
Net deferred tax liability	$ (26,679)	$ (51,184)

The valuation allowances relate to deferred tax assets for U.S. federal and state capital loss carryforwards and net operating loss carryforwards in various state jurisdictions. The U.S. capital loss carryforward, which has a full valuation allowance, has an expiration date of five years. As of December 31, 2023, federal net operating losses of approximately $

116 million are available to offset future federal taxable income. The entire $116 million of net operating losses have an unlimited carryforward period and will not expire. The capital loss and net operating loss carryforwards in various state jurisdictions have various expiration dates ranging from five years to an unlimited carryforward period. Based on management's judgment using available evidence about historical and expected future taxable earnings, management believes it is more likely than not that we will realize the benefit of the existing deferred tax assets, net of valuation allowances, at December 31, 2023.

Cash payments for income taxes, including interest, for 2023, 2022 and 2021 were $13.4 million, $38.1 million and $102 million. Cash tax refunds received for 2023, 2022 and 2021 were $19.7 million, $4.2 million and $2.5 million.

A summary of the changes in the liability for unrecognized tax benefits from the beginning to the end of the reporting period is as follows:

	2023	2022
Unrecognized tax benefits at January 1,	$ 22,499	$ 21,385
Increases for positions taken during current period	410	1,016
Increases for positions taken during prior periods	13	325
Lapse of statute of limitations	(181)	(227)
Unrecognized tax benefits at December 31,	$ 22,741	$ 22,499

Included in the liability for unrecognized tax benefits at December 31, 2023 and 2022, were $2.7 million of tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. These tax positions are temporary differences which do not impact the annual effective tax rate under deferred tax accounting. Any change in the deductibility period of these tax positions would impact the timing of cash payments to taxing jurisdictions. Unrecognized tax benefits of $20.0 million and $19.8 million at December 31, 2023 and 2022 would impact our effective tax rate if recognized and the remaining would not impact our effective tax rate.

We recognize accrued interest and penalties related to unrecognized tax benefits. Accrued interest at December 31, 2023 and 2022 was $5.7 million and $3.9 million. The amounts recognized in interest expense for the years ended December 31, 2023, 2022 and 2021 were $1.7 million, $1.0 million and $0.3 million. There were no penalties accrued at December 31, 2023, 2022 and 2021 or recognized in 2023, 2022 and 2021.

On August 26, 2020, we received a Notice of Proposed Adjustment (NOPA) from the Internal Revenue Service (IRS) regarding our 2015 and 2016 consolidated income tax returns. On June 30, 2021, we received a NOPA from the IRS regarding our 2017 and 2018 consolidated income tax returns. Within the NOPAs, the IRS has asserted that our taxable income for the aforementioned years should be higher based on their assessment of the appropriate amount of taxable income that we should report in the U.S. in connection with our sourcing of products by our foreign subsidiaries for sale in the U.S. by our domestic subsidiaries. Our amount of taxable income in the U.S. is based on our transfer pricing methodology, which has been consistently applied for all years subject to the NOPAs. We strongly disagree with the IRS position and will pursue all available administrative and judicial remedies, including those available under the U.S. - Ireland Income Tax Treaty to alleviate double taxation. We regularly assess the likelihood of adverse outcomes resulting from examinations such as this to determine the adequacy of our tax reserves. We believe that we have adequately reserved for this matter and that the final adjudication of this matter will not have a material impact on our consolidated financial position, results of operations or cash flows. However, the ultimate outcome of disputes of this nature is uncertain, and if the IRS were to prevail on its assertions, the additional tax, interest, and any potential penalties could have a material adverse impact on our financial position, results of operations or cash flows.

We file income tax returns in the U.S. federal and various state and foreign jurisdictions. Our U.S. federal income tax returns for the years 2015 through 2022 are subject to examination. Our income tax returns for U.S. state and local jurisdictions are generally open for the years 2019 through 2022; however, certain returns may be subject to examination for differing periods. The former owners are contractually obligated to indemnify us for all income tax liabilities incurred by Byram entities prior to its acquisition on August 1, 2017, and for all income tax liabilities incurred by the Halyard foreign entities located in Thailand, Mexico, and Honduras prior to its acquisition on April 30, 2018.

Note 14-Net (Loss) Income per Common Share

The following summarizes the calculation of net (loss) income per common share attributable to common shareholders for the years ended December 31, 2023, 2022 and 2021:

(in thousands, except per share data) **Years Ended December 31,**	**2023**	**2022**	**2021**
Net (loss) income	**$ (41,301)**	$ 22,389	$ 221,589
Weighted average shares outstanding - basic	**75,785**	74,496	72,744
Dilutive shares	**-**	1,721	2,742
Weighted average shares outstanding - diluted	**75,785**	76,217	75,486
Net (loss) income per common share:			
Basic	**$ (0.54)**	$ 0.30	$ 3.05
Diluted	**$ (0.54)**	$ 0.29	$ 2.94

Share-based awards for the year ended December 31, 2023, of approximately 1.6 million shares were excluded from the calculation of net loss per diluted common share as the effect would be anti-dilutive.

Note 15-Accumulated Other Comprehensive (Loss) Income

The following tables show the changes in accumulated other comprehensive (loss) income by component for the years ended December 31, 2023, 2022 and 2021:

	Retirement Plans	Currency Translation Adjustments	Derivatives	Total
Accumulated other comprehensive (loss) income, December 31, 2022	$ (7,201)	$ (40,095)	$ 11,441	$ (35,855)
Other comprehensive income before reclassifications	2,405	7,141	2,707	12,253
Income tax	(639)	-	(704)	(1,343)
Other comprehensive income before reclassifications, net of tax	1,766	7,141	2,003	10,910
Amounts reclassified from accumulated other comprehensive income (loss)	431	-	(9,720)	(9,289)
Income tax	(111)	-	2,527	2,416
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	320	-	(7,193)	(6,873)
Other comprehensive income (loss)	2,086	7,141	(5,190)	4,037
Accumulated other comprehensive (loss) income, December 31, 2023	**$ (5,115)**	**$ (32,954)**	**$ 6,251**	**$(31,818)**

	Retirement Plans	Currency Translation Adjustments	Derivatives	Total
Accumulated other comprehensive loss, December 31, 2021	$ (14,597)	$ (25,994)	$ -	$ (40,591)
Other comprehensive income (loss) before reclassifications	8,359	(14,101)	14,814	9,072
Income tax	(1,646)	-	(3,851)	(5,497)
Other comprehensive income (loss) before reclassifications, net of tax	6,713	(14,101)	10,963	3,575
Amounts reclassified from accumulated other comprehensive loss	923	-	647	1,570
Income tax	(240)	-	(169)	(409)
Amounts reclassified from accumulated other comprehensive loss, net of tax	683	-	478	1,161
Other comprehensive income (loss)	7,396	(14,101)	11,441	4,736
Accumulated other comprehensive income (loss), December 31, 2022	$ (7,201)	$ (40,095)	$ 11,441	$ (35,855)

	Retirement Plans	Currency Translation Adjustments	Derivatives	Total
Accumulated other comprehensive loss, December 31, 2020	$ (18,447)	$ (18)	$ (20,044)	$ (38,509)
Other comprehensive income (loss) before reclassifications	4,462	(25,976)	2,426	(19,088)
Income tax	(1,428)	-	(611)	(2,039)
Other comprehensive income (loss) before reclassifications, net of tax	3,034	(25,976)	1,815	(21,127)
Amounts reclassified from accumulated other comprehensive loss	1,199	-	25,518	26,717
Income tax	(383)	-	(7,289)	(7,672)
Amounts reclassified from accumulated other comprehensive loss, net of tax	816	-	18,229	19,045
Other comprehensive income (loss)	3,850	(25,976)	20,044	(2,082)
Accumulated other comprehensive loss, December 31, 2021	$ (14,597)	$ (25,994)	$ -	$ (40,591)

We include amounts reclassified out of accumulated other comprehensive (loss) income related to defined benefit pension plans as a component of net periodic benefit cost recorded in Other expense, net.

Note 16- Commitments, Contingent Liabilities, and Legal Proceedings

O&M Halyard N95 Mask FDA Release

On April 5, 2023, we received a communication from the National Institute for Occupational Safety & Health (NIOSH) that products from one lot of a model (No. 46827) of surgical N95 respirator manufactured by O&M Halyard did not pass laboratory tests for fluid resistance and for filtration efficiency, and that products from one lot of another model (No. 46727) did not pass fluid resistance testing, but did pass filtration efficiency testing. Our investigation determined that a limited number of lots were potentially implicated by the results of the NIOSH particulate filtration testing on model No. 46827, and that the vast majority of the products in those lots remained in our possession and under our control. Those lots have been segregated for disposal. We also determined that a limited quantity of products from one lot did reach the market. Although products from that lot passed internal and external follow-up testing for filtration efficiency, we initiated a voluntary recall of the lot on August 9, 2023 out of an abundance of caution. O&M Halyard has confirmed to NIOSH that the particle filtration issue was isolated to the identified lots.

On April 12, 2023, the U.S. Food and Drug Administration (FDA) recommended that consumers, health care providers, and facilities not use the two models (model numbers 46827 and 46727) of O&M Halyard surgical N95 respirators due to concerns about fluid resistance performance. In addition, the FDA also recommended against using certain of our surgical, procedure and pediatric face masks when fluid resistance is required. On or about that date, we voluntarily stopped the sale in the U.S. of the above-referenced surgical N95 respirators and similar models pending our investigation of the performance issues identified by the FDA and NIOSH. Regulatory bodies in other non-U.S. markets where we sell our facial protection products have inquired about the relevance of the FDA notification to products sold in their countries. The FDA updated its recommendation on April 21, 2023, to permit use of the model No. 46727 of Halyard N95 respirators when fluid resistance is not required. These items are included in our Products & Healthcare Services segment.

On September 29, 2023, the FDA updated its previous recommendation to consumers, health care providers and facilities regarding the above-referenced models of O&M Halyard surgical N95 respirators based on extensive testing and performance data provided by O&M Halyard. Specifically, the FDA stated that both O&M Halyard respirator models could be used according to the product labeling for respiratory and fluid barrier protection to the wearer (excluding the one lot of products that O&M Halyard voluntarily recalled on August 9, 2023). Following the FDA's update, we published a user notice on our website announcing the resumption of sales and shipments of O&M Halyard surgical N95 respirators, noting that the data provided to the FDA and NIOSH demonstrated that our products provide the levels of particle filtration and fluid resistance for which they are rated. NIOSH reviewed and concurred with the facts set forth in our user notice published on September 29, 2023.

While the FDA recommendation did not materially affect our results of operations for 2023, there is a risk that these matters and any other safety concerns could have a material adverse effect on our results of operations, financial condition, or cash flows, including as a result of a significant volume of customer product returns and/or recall of products, implementation of corrective action plans, and/or other costly remedial actions in the U.S. and elsewhere. In addition, these matters could potentially have other negative impacts including: government investigations and enforcement actions by the FDA or other U.S. or international regulators or governmental entities; the suspension or revocation of the authority to produce, distribute or sell products, and other sanctions; losses due to patient claims, including product liability claims and lawsuits; and customer claims related to their direct costs arising from supply disruption.

Other Litigation

We are party to various legal claims that are ordinary and incidental to our business, including ones related to commercial disputes, employment, workers' compensation, product liability, regulatory, cybersecurity and other matters. We maintain insurance coverage for cybersecurity, employment, product liability, workers' compensation and other personal injury litigation matters, subject to policy limits, applicable deductibles and insurer solvency. From time to time, we establish estimated liabilities based upon periodic assessment of the potential outcomes of pending matters.

Based on current knowledge and the advice of counsel, we believe that the liability recorded on the consolidated balance sheet as of December 31, 2023 for currently pending matters considered probable of loss, is sufficient. In addition, we believe that other currently pending matters are not reasonably possible to result in a material loss, as payment of the amounts claimed is remote, the claims are immaterial, individually and in the aggregate, or the claims are expected to be adequately covered by insurance, subject to policy limits, applicable deductibles, exclusions, and insurer solvency.

Note 17-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: Products & Healthcare Services and Patient Direct. The Products & Healthcare Services segment includes our U.S. distribution division (Medical Distribution), including outsourced logistics and value-added services business, and our Global Products division which manufactures and sources medical surgical products through our production and kitting operations. The Patient Direct segment includes our home healthcare divisions (Byram and Apria).

We evaluate the performance of our segments based on their operating income excluding acquisition-related charges and intangible amortization and exit and realignment charges, along with other adjustments, 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 and not meaningful.

The following tables present financial information by segment:

Years Ended December 31,	2023	2022	2021
Net revenue:			
Products & Healthcare Services	**$ 7,781,395**	$ 7,898,397	$ 8,825,646
Patient Direct	**2,552,572**	2,057,078	959,669
Consolidated net revenue	**$10,333,967**	$ 9,955,475	$ 9,785,315
Operating income:			
Products & Healthcare Services	**$ 57,809**	$ 175,309	$ 384,390
Patient Direct	**246,863**	193,748	57,966
Acquisition-related charges and intangible amortization	**(101,037)**	(126,972)	(42,774)
Exit and realignment charges	**(99,127)**	(6,897)	(31,109)
Inventory valuation adjustment[1]	**-**	(92,275)	-
Consolidated operating income	**$ 104,508**	$ 142,913	$ 368,473
Depreciation and amortization:			
Products & Healthcare Services	**$ 77,006**	$ 77,539	$ 75,548
Patient Direct	**210,371**	151,128	15,073
Consolidated depreciation and amortization	**$ 287,377**	$ 228,667	$ 90,621
Share-based compensation:			
Products & Healthcare Services	**$ 15,078**	$ 19,681	$ 22,476
Patient Direct	**5,864**	820	937
Other[2]	**2,276**	492	1,603
Consolidated share-based compensation	**$ 23,218**	$ 20,993	$ 25,016
Capital expenditures:			
Products & Healthcare Services	**$ 29,361**	$ 49,824	$ 48,282
Patient Direct	**178,531**	116,758	1,408
Consolidated capital expenditures	**$ 207,892**	$ 166,582	$ 49,690

(1) *Relates to an inventory valuation adjustment in our Products & Healthcare Services segment, primarily associated with PPE inventory built up and a subsequent decline in demand as a result of the COVID-19 pandemic.*

(2) *Other share-based compensation expense is captured within exit and realignment charges or acquisition-related charges for the years ended December 31 2023, 2022 and 2021.*

December 31,	2023	2022
Total assets:		
Products & Healthcare Services	**$2,359,825**	$ 2,809,600
Patient Direct	**2,490,460**	2,507,216
Segment assets	**4,850,285**	5,316,816
Cash and cash equivalents	**243,037**	69,467
Consolidated total assets	**$5,093,322**	$ 5,386,283

The following tables present information by geographic area. Net revenues were attributed to geographic areas based on the locations from which we ship products or provide services.

Years Ended December 31,	**2023**	**2022**	**2021**
Net revenue:			
United States	**$10,058,675**	$ 9,526,037	$ 9,250,331
International	**275,292**	429,438	534,984
Consolidated net revenue	**$10,333,967**	$ 9,955,475	$ 9,785,315

December 31,	**2023**	**2022**
Long-lived assets:		
United States	**$1,140,303**	$ 1,226,108
International	**109,504**	116,524
Consolidated long-lived assets	**$1,249,807**	$ 1,342,632

Supplemental Materials
Owens & Minor Inc. Consolidated Financial Statements Quarterly Report on Form 10-Q for the Three Months Ending September 30, 2024 as Filed with the SEC

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

(in thousands, except per share data)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Net revenue	**$2,721,125**	$ 2,591,742	**$8,004,810**	$ 7,677,817
Cost of goods sold	**2,161,419**	2,053,244	**6,365,421**	6,122,579
Gross profit	**559,706**	538,498	**1,639,389**	1,555,238
Distribution, selling and administrative expenses	**469,798**	452,583	**1,416,724**	1,356,334
Acquisition-related charges and intangible amortization	**21,097**	30,217	**61,395**	74,609
Exit and realignment charges, net	**28,880**	30,180	**85,530**	74,817
Other operating expense, net	**15,727**	1,677	**21,542**	4,991
Operating income	**24,204**	23,841	**54,198**	44,487
Interest expense, net	**36,554**	38,127	**108,108**	121,053
Other expense (income), net	**1,438**	(3,302)	**3,796**	(843)
Loss before income taxes	**(13,788)**	(10,984)	**(57,706)**	(75,723)
Income tax (benefit) provision	**(1,018)**	(4,558)	**8,864**	(16,638)
Net loss	**$ (12,770)**	$ (6,426)	**$ (66,570)**	$ (59,085)
Net loss per common share				
Basic	**$ (0.17)**	$ (0.08)	**$ (0.87)**	$ (0.78)
Diluted	**$ (0.17)**	$ (0.08)	**$ (0.87)**	$ (0.78)

See accompanying notes to consolidated financial statements.

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

(in thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Net loss	**$(12,770)**	$ (6,426)	**$(66,570)**	$ (59,085)
Other comprehensive income (loss), net of tax:				
Currency translation adjustments	**25,966**	(9,891)	**7,398**	(9,940)
Change in unrecognized net periodic pension costs	**265**	152	**699**	141
Change in gains and losses on derivative instruments	**(4,905)**	777	**(3,697)**	699
Total other comprehensive income (loss), net of tax	**21,326**	(8,962)	**4,400**	(9,100)
Comprehensive income (loss)	**$ 8,556**	$ (15,388)	**$(62,170)**	$ (68,185)

See accompanying notes to consolidated financial statements.

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

(in thousands, except per share data)	September 30, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 45,454	$ 243,037
Accounts receivable, net of allowances of $5,515 and $7,861	661,664	598,257
Merchandise inventories	1,242,453	1,110,606
Other current assets	166,967	150,890
Total current assets	2,116,538	2,102,790
Property and equipment, net of accumulated depreciation and amortization of $570,033 and $546,397	498,746	543,972
Operating lease assets	357,264	296,533
Goodwill	1,642,196	1,638,846
Intangible assets, net	313,284	361,835
Other assets, net	153,254	149,346
Total assets	$ 5,081,282	$ 5,093,322
Liabilities and equity		
Current liabilities		
Accounts payable	$ 1,338,021	$ 1,171,882
Accrued payroll and related liabilities	100,002	116,398
Current portion of long-term debt	42,626	206,904
Other current liabilities	453,517	396,701
Total current liabilities	1,934,166	1,891,885
Long-term debt, excluding current portion	1,842,348	1,890,598
Operating lease liabilities, excluding current portion	288,043	222,429
Deferred income taxes, net	25,650	41,652
Other liabilities	116,483	122,592
Total liabilities	4,206,690	4,169,156
Commitments and contingencies		
Equity		
Common stock, par value $2 per share; authorized - 200,000 shares; issued and outstanding - 77,062 shares and 76,546 shares as of September 30, 2024 and December 31, 2023	154,123	153,092
Paid-in capital	445,749	434,185
Retained earnings	302,138	368,707
Accumulated other comprehensive loss	(27,418)	(31,818)
Total equity	874,592	924,166
Total liabilities and equity	$ 5,081,282	$ 5,093,322

See accompanying notes to consolidated financial statements.

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

(in thousands)	Nine Months Ended September 30, 2024	2023
Operating activities:		
Net loss	$ **(66,570)**	$ (59,085)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	**199,588**	216,640
Share-based compensation expense	**19,281**	17,417
Benefit for losses on accounts receivable	**(1,538)**	(487)
Loss (gain) on extinguishment of debt	**311**	(4,379)
Deferred income tax benefit	**(15,119)**	(16,315)
Changes in operating lease right-of-use assets and lease liabilities	**7,156**	(1,517)
Gain from sales and dispositions of property and equipment	**(37,682)**	(26,462)
Changes in operating assets and liabilities:		
Accounts receivable	**(59,349)**	77,197
Merchandise inventories	**(132,433)**	247,057
Accounts payable	**164,261**	46,338
Net change in other assets and liabilities	**4,719**	122,867
Other, net	**7,869**	9,674
Cash provided by operating activities	**90,494**	628,945
Investing activities:		
Additions to property and equipment	**(148,031)**	(140,478)
Additions to computer software	**(8,695)**	(11,089)
Proceeds from sales of property and equipment	**84,759**	53,645
Other, net	**7,738**	(418)
Cash used for investing activities	**(64,229)**	(98,340)
Financing activities:		
Borrowings under amended Receivables Financing Agreement	**1,286,400**	476,000
Repayments under amended Receivables Financing Agreement	**(1,286,400)**	(572,000)
Repayments of debt	**(211,447)**	(270,189)
Other, net	**(13,060)**	74
Cash used for financing activities	**(224,507)**	(366,115)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**408**	(515)
Net (decrease) increase in cash, cash equivalents and restricted cash	**(197,834)**	163,975
Cash, cash equivalents and restricted cash at beginning of period	**272,924**	86,185
Cash, cash equivalents and restricted cash at end of period	$ **75,090**	$ 250,160
Supplemental disclosure of cash flow information:		
Income taxes paid (received), net	$ **7,610**	$ (6,798)
Interest paid	$ **104,278**	$ 101,079
Noncash investing activity:		
Unpaid purchases of property and equipment and computer software at end of period	$ **75,176**	$ 60,870

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 Loss	Total Equity
Balance, December 31, 2023	76,546	$ 153,092	$ 434,185	$ 368,707	$ (31,818)	$ 924,166
Net loss	-	-	-	(21,886)	-	(21,886)
Other comprehensive loss	-	-	-	-	(11,619)	(11,619)
Share-based compensation expense, exercises and other	(97)	(195)	4,402	-	-	4,207
Balance, March 31, 2024	76,449	152,897	438,587	346,821	(43,437)	894,868
Net loss	-	-	-	(31,913)	-	(31,913)
Other comprehensive loss	-	-	-	-	(5,307)	(5,307)
Share-based compensation expense, exercises and other	599	1,199	1,855	-	-	3,054
Balance, June 30, 2024	77,048	154,096	440,442	314,908	(48,744)	860,702
Net loss	-	-	-	(12,770)	-	(12,770)
Other comprehensive income	-	-	-	-	21,326	21,326
Share-based compensation expense, exercises and other	14	27	5,307	-	-	5,334
Balance, September 30, 2024	**77,062**	**$154,123**	**$445,749**	**$302,138**	**$ (27,418)**	**$874,592**
Balance, December 31, 2022	76,279	$ 152,557	$ 418,894	$ 410,008	$ (35,855)	$ 945,604
Net loss	-	-	-	(24,418)	-	(24,418)
Other comprehensive income	-	-	-	-	1,594	1,594
Share-based compensation expense, exercises and other	(83)	(166)	1,786	-	-	1,620
Balance, March 31, 2023	76,196	152,391	420,680	385,590	(34,261)	924,400
Net loss	-	-	-	(28,241)	-	(28,241)
Other comprehensive loss	-	-	-	-	(1,732)	(1,732)
Share-based compensation expense, exercises and other	244	489	1,313	-	-	1,802
Balance, June 30, 2023	76,440	152,880	421,993	357,349	(35,993)	896,229
Net loss	-	-	-	(6,426)	-	(6,426)
Other comprehensive loss	-	-	-	-	(8,962)	(8,962)
Share-based compensation expense, exercises and other	59	117	5,902	-	-	6,019
Balance, September 30, 2023	76,499	$ 152,997	$ 427,895	$ 350,923	$ (44,955)	$ 886,860

See accompanying notes to consolidated financial statements.

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

Note 1-Summary of Significant Accounting Policies

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 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.

We report our business under

two segments: Products & Healthcare Services and Patient Direct. The Products & Healthcare Services segment includes our Medical Distribution division, which includes our U.S. distribution business, along with our outsourced logistics and value-added services businesses, and our Global Products division which manufactures and sources medical surgical products through our production and kitting operations. The Patient Direct segment includes our home healthcare divisions (Byram and Apria).

Reclassifications

Certain prior year amounts have been reclassified to conform to the 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.

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash includes cash and marketable securities with an original maturity or maturity at acquisition of three months or less. Cash, cash equivalents and restricted cash are stated at cost. Nearly all of our cash, cash equivalents and restricted cash are held in cash depository accounts in major banks in North America, Europe, and Asia. Cash that is held by a major bank and has restrictions on its availability to us is classified as restricted cash. Restricted cash as of September 30, 2024 and December 31, 2023 includes cash held in an escrow account as required by the Centers for Medicare & Medicaid Services in conjunction with the Bundled Payments for Care Improvement initiatives related to wind-down costs of Fusion5, as well as $13.2 million and $13.5 million of cash deposits received subject to limitations on use until remitted to a third-party financial institution (the Purchaser), pursuant to the Master Receivables Purchase Agreement (RPA).

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the accompanying consolidated balance sheets that sum to the total of those same amounts presented in the accompanying consolidated statements of cash flows.

	September 30, 2024	December 31, 2023
Cash and cash equivalents	$ 45,454	$ 243,037
Restricted cash included in Other current assets	13,230	29,887
Restricted cash included in Other assets, net	16,406	-
Total cash, cash equivalents, and restricted cash	$ 75,090	$ 272,924

Rental Revenue

Within our Patient Direct segment, revenues are recognized under fee-for-service arrangements for equipment we rent to patients and sales of equipment, supplies and other items we sell to patients. Revenue that is generated from equipment that we rent to patients is primarily recognized over the noncancelable rental period, typically one month, and commences on delivery of the equipment to the patients. Revenues are recorded at amounts estimated to be received under reimbursement arrangements with third-party payors, including private insurers, prepaid health plans, Medicare, Medicaid and patients. Rental revenue, less estimated adjustments, is recognized as earned on a straight-line basis over the noncancelable lease term. Net revenue related to equipment that we rent to patients was $148 million and $158 million for the three months ended September 30, 2024 and 2023 and $442 million and $458 million for the nine months ended September 30, 2024 and 2023.

Sales of Accounts Receivable

On March 14, 2023, we entered into the RPA, pursuant to which accounts receivable with an aggregate outstanding amount not to exceed $200 million are sold, on a limited-recourse basis, to the Purchaser in exchange for cash. As of September 30, 2024 and December 31, 2023, there were a total of $121 million and $124 million of uncollected accounts receivable, that were accounted for as sales and removed from our consolidated balance sheets. Under the RPA, we provide certain servicing and collection actions on behalf of the Purchaser; however, we do not maintain any beneficial interest in the accounts receivable sold.

Proceeds from the sale of accounts receivable are recorded as an increase to cash and cash equivalents and a reduction to accounts receivable, net of allowances, in the consolidated balance sheets. Cash received from the sale of accounts receivable, net of payments made to the Purchaser, is reflected as cash provided by operating activities in the consolidated statements of cash flows. Total accounts receivable sold under the RPA were $542 million and $1.6 billion for the three and nine months ended September 30, 2024. During the three and nine months ended September 30, 2024, we received net cash proceeds of $538 million and $1.6 billion from the sale of accounts receivable under the RPA and collected $550 million and $1.6 billion of the sold accounts receivable. Total accounts receivable sold under the RPA were $482 million and $894 million for the three and nine months ended September 30, 2023. During the three and nine months ended September 30, 2023, we received net cash proceeds of $478 million and $888 million from the sale of accounts receivable under the RPA and collected $508 million and $805 million of the sold accounts receivable. The losses on sale of accounts receivable, inclusive of professional fees incurred to establish the agreement, recorded in other operating expense, net in the consolidated statements of operations were $3.6 million and $3.5 million for the three months ended September 30, 2024 and 2023 and $10.8 million and $7.1 million for the nine months ended September 30, 2024 and 2023. The RPA is separate and distinct from the accounts receivable securitization program (the Receivables Financing Agreement).

Acquisition-Related Charges

Acquisition-related charges, included in the 'acquisition-related charges and intangible amortization' line item of our consolidated statements of operations, consist primarily of one-time costs related to acquisitions, including transaction costs necessary to consummate acquisitions, which consist of investment banking advisory fees and legal fees, director and officer tail insurance expense, severance and retention bonuses, and professional fees. Acquisition-related charges also include transition expenses and costs to integrate personnel, systems and processes. For the three and nine months ended September 30, 2024, we incurred $6.5 million and $10.2 million of acquisition-related costs related to the expected acquisition of Rotech Healthcare Holdings Inc. (Rotech), which consisted primarily of legal and professional fees. For the three and nine months ended September 30, 2023, we incurred $9.4 million and $11.9 million of acquisition-related costs, consisting of costs primarily related to the acquisition of Apria, Inc. (Apria).

Note 2-Fair Value

Fair value is determined based on assumptions that a market participant would use in pricing an asset or liability. The assumptions used are in accordance with a three-tier hierarchy, defined by GAAP, that draws a distinction between market participant assumptions based on (i) observable inputs such as quoted prices in active markets (Level 1), (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2) and (iii) unobservable inputs that require the use of present value and other valuation techniques in the determination of fair value (Level 3).

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued payroll and related liabilities reported in the consolidated balance sheets approximate fair value due to the short-term nature of these instruments. The fair value of 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). See Note 5 for the fair value of debt. The fair value of our derivative contracts is determined based on the present value of expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Observable Level 2 inputs are used to determine the present value of expected future cash flows. See Note 7 for the fair value of derivatives.

Our acquisitions may include contingent consideration as part of the purchase price. The fair value of contingent consideration is estimated as of the acquisition date and at the end of each subsequent reporting period based on the present value of the contingent payments to be made using a weighted probability of possible payments (Level 3). Subsequent changes in fair value are recorded as adjustments to acquisition-related charges and intangible amortization within the consolidated statements of operations.

Note 3-Goodwill and Intangible Assets

The following table summarizes the goodwill balances by segment and the changes in the carrying amount of goodwill at September 30, 2024:

	Patient Direct	Products & Healthcare Services	Consolidated
Carrying amount of goodwill, December 31, 2023	$ 1,535,252	$ 103,594	$ 1,638,846
Currency translation adjustments	-	3,350	3,350
Carrying amount of goodwill, September 30, 2024	**$ 1,535,252**	**$106,944**	**$1,642,196**

Intangible assets subject to amortization, which exclude indefinite-lived intangible assets at September 30, 2024 and December 31, 2023 were as follows:

	September 30, 2024			December 31, 2023		
	Customer Relationships	Tradenames	Other Intangibles	Customer Relationships	Tradenames	Other Intangibles
Gross intangible assets	**$ 332,811**	**$ 202,000**	**$ 73,055**	$ 433,750	$ 202,000	$ 73,958
Accumulated amortization	**(163,350)**	**(84,324)**	**(48,908)**	(236,791)	(69,655)	(41,427)
Net intangible assets	**$ 169,461**	**$ 117,676**	**$ 24,147**	$ 196,959	$ 132,345	$ 32,531
Weighted average useful life	**14 years**	**10 years**	**6 years**	13 years	10 years	6 years

At September 30, 2024 and December 31, 2023, $218 million and $250 million in net intangible assets were held in the Patient Direct segment and $96 million and $112 million were held in the Products & Healthcare Services segment. Amortization expense for intangible assets was $14.6 million and $20.8 million for the three months ended September 30, 2024 and 2023 and $51.2 million and $62.7 million for the nine months ended September 30, 2024 and 2023.

As of September 30, 2024, based on the current carrying value of intangible assets subject to amortization, estimated amortization expense were as follows:

Year		
2024 (remainder)	$	13,680
2025		54,716
2026		50,364
2027		42,015
2028		32,117
Thereafter		118,392
Total future amortization	**$**	**311,284**

Note 4-Exit and Realignment Costs

We incur exit and realignment and other charges associated with optimizing our operations which includes the consolidation of certain facilities, information technology (IT) strategic initiatives and other strategic actions. These charges also include costs associated with our Operating Model Realignment Program, which include professional fees, severance and other costs to streamline functions and processes. These amounts are excluded from our segments' operating income.

During the three months ended September 30, 2024 and 2023, exit and realignment charges, net of $

28.9 million and $30.2 million included $27.1 million and $27.8 million in charges under our Operating Model Realignment Program and IT strategic initiatives. During the nine months ended September 30, 2024 and 2023, exit and realignment charges, net included $90.2 million and $70.6 million in charges under our Operating Model Realignment Program and IT strategic initiatives. Exit and realignment charges, net for the nine months ended September 30, 2024 also included a gain of $7.4 million associated with the sale of our corporate headquarters. During the nine months ended September 30, 2024 and 2023, exit and realignment charges, net were $85.5 million and $74.8 million. We may incur material future costs relating to certain exit and realignment actions, which remain underway and we are not able to reasonably estimate.

The following table summarizes the activity related to exit and realignment cost accruals, which are classified as other current liabilities in our consolidated balance sheets, through September 30, 2024 and 2023:

		Total
Accrued exit and realignment costs, December 31, 2023	$	20,047
Provision for exit and realignment activities:		
Severance		184
Professional fees		25,625
IT strategic initiatives - related costs		1,241
Other		1,252
Cash payments		(11,728)
Accrued exit and realignment costs, March 31, 2024		36,621
Provision for exit and realignment activities:		
Severance		(205)
Professional fees		19,182
IT strategic initiatives - related costs		4,809
Other		3,606
Cash payments		(33,908)
Accrued exit and realignment costs, June 30, 2024		30,105
Provision for exit and realignment activities:		
Severance		1,770
Professional fees		15,013
IT strategic initiatives - related costs		4,476
Vendor contract and lease termination costs		2,728
Other		3,481
Cash payments		(28,450)
Accrued exit and realignment costs, September 30, 2024	**$**	**29,123**
Accrued exit and realignment costs, December 31, 2022	$	969
Provision for exit and realignment activities:		
Severance		4,127
Professional fees		9,012
IT strategic initiatives - related costs		123
Vendor contract and lease termination costs		1,824
Other		588
Cash payments		(5,546)
Accrued exit and realignment costs, March 31, 2023		11,097
Provision for exit and realignment activities:		
Severance		505
Professional fees		22,953
IT strategic initiatives - related costs		3,374
Vendor contract and lease termination costs		1,707
Other		424
Cash payments		(20,196)
Accrued exit and realignment costs, June 30, 2023		19,864
Provision for exit and realignment activities:		
Severance		2,361
Professional fees		16,800
IT strategic initiatives - related costs		3,256
Vendor contract and lease termination costs		4,300
Other		2,164
Cash payments		(26,311)
Accrued exit and realignment costs, September 30, 2023	$	22,434

In addition to the exit and realignment accruals in the preceding table and the $7.4 million gain associated with the sale of our corporate headquarters, we also incurred $1.4 million and $9.8 million of costs that were expensed as incurred for the three and nine months ended September 30, 2024, which were primarily related to accelerated depreciation of certain assets held in our Products & Healthcare Services segment. We incurred $1.3 million of costs that were expensed as incurred for the three and nine months ended September 30, 2023, which primarily related to charges associated with a lease termination.

Note 5-Debt

Debt, net of unamortized deferred financing costs, consists of the following:

	September 30, 2024		December 31, 2023	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
4.375% Senior Notes, due December 2024	$ -	$ -	$ 171,232	$ 168,754
Term Loan A	353,511	356,606	387,591	390,668
4.500% Senior Notes, due March 2029	473,701	433,857	472,869	422,647
Term Loan B	500,716	513,141	503,212	518,293
6.625% Senior Notes, due April 2030	541,848	536,314	540,445	529,472
Finance leases and other	15,198	15,198	22,153	22,153
Total debt	1,884,974	1,855,116	2,097,502	2,051,987
Less current maturities	(42,626)	(42,626)	(206,904)	(206,904)
Long-term debt	$1,842,348	$1,812,490	$ 1,890,598	$ 1,845,083

On September 16, 2024 (the Redemption Date), we redeemed all of our outstanding 4.375% senior notes due in December 2024 (the 2024 Notes), which had an outstanding aggregate principal balance amount of $171.3 million, pursuant to the terms of the indenture governing the 2024 Notes, at a redemption price equal to 100% of the principal amount of the 2024 Notes, plus accrued and unpaid interest to, but excluding, the Redemption Date. As of the Redemption Date, the 2024 Notes were no longer deemed outstanding and interest on the 2024 Notes ceased to accrue.

On March 29, 2022, we entered into a Security Agreement Supplement pursuant to which the Security and Pledge Agreement (the Security Agreement), dated March 10, 2021 was supplemented to grant collateral on behalf of the holders of the 2024 Notes, and the parties secured under the credit agreements including first priority liens and security interests in (a) all present and future shares of capital stock owned by the Grantors (as defined in the Security Agreement) in the Grantors' present and future subsidiaries, subject to certain customary exceptions, and (b) all present and future personal property and assets of the Grantors, subject to certain exceptions.

The Receivables Financing Agreement has a maximum borrowing capacity of $450 million. The interest rate under the Receivables Financing Agreement is based on a spread over a benchmark SOFR rate (as described in the Fourth Amendment to the Receivables Financing Agreement, as further amended by the Fifth Amendment to the Receivables Financing Agreement). Under the Receivables Financing Agreement, certain of our accounts receivable balances are sold to our wholly owned special purpose entity, O&M Funding LLC (O&M Funding). The Receivables Financing Agreement was amended on October 18, 2024, as described in Note 14 - Subsequent Events.

We had no borrowings at September 30, 2024 and December 31, 2023 under our Receivables Financing Agreement. At September 30, 2024 and December 31, 2023, we had maximum revolving borrowing capacity of $450 million under our Receivables Financing Agreement.

On March 29, 2022, we entered into a term loan credit agreement with an administrative agent and collateral agent and a syndicate of financial institutions, as lenders (the Credit Agreement) that provides for two credit facilities (i) a $500 million Term Loan A facility (the Term Loan A), and (ii) a $600 million Term Loan B facility (the Term Loan B). The interest rate on the Term Loan A is based on the sum of either Term SOFR or the Base Rate and an Applicable Rate which varies depending on the current Debt Ratings or Total Leverage Ratio, determined as to whichever shall result in more favorable pricing to the Borrowers (each as defined in the Credit Agreement). The interest rate on the Term Loan B is based on either the Term SOFR or the Base Rate plus an Applicable Rate. The Term Loan A will mature in March 2027 and the Term Loan B will mature in March 2029. In addition to our scheduled principal payment of $6.3 million on the Term Loan A, we made an unscheduled principal payment of $20.0 million on the Term Loan A during the three months ended September 30, 2024.

On March 10, 2021, we issued $500 million of 4.500% senior unsecured notes due in March 2029 (the 2029 Unsecured Notes), with interest payable semi-annually. The 2029 Unsecured Notes were sold at 100% of the principal amount with an effective yield of 4.500%. We may redeem all or part of the 2029 Unsecured Notes at the applicable redemption prices described in the Indenture dated March 10, 2021 (the Indenture), plus accrued and unpaid interest, if any, to, but not including, the redemption date.

On March 29, 2022, we issued $600 million of 6.625% senior unsecured notes due in April 2030 (the 2030 Unsecured Notes), with interest payable semi-annually. The 2030 Unsecured Notes were sold at 100% of the principal amount with an effective yield of 6.625%. We may redeem all or part of the 2030 Unsecured Notes, prior to April 1, 2025, at a price equal to 100% of the principal amount of the 2030 Unsecured Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, plus a "make-whole" premium, as described in the Indenture dated March 29, 2022 (the New Indenture). From and after April 1, 2025, we may redeem all or part of the 2030 Unsecured Notes at the applicable redemption prices described in the New Indenture, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. We may also redeem up to 40% of the aggregate principal amount of the 2030 Unsecured Notes at any time prior to April 1, 2025, at a redemption price equal to 106.625% with an amount equal to or less than the net cash proceeds from certain equity offerings, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

The 2029 Unsecured Notes and the 2030 Unsecured Notes are subordinated to any of our secured indebtedness, including indebtedness under our credit agreements.

We have a revolving credit agreement with an administrative agent and collateral agent and a syndicate of financial institutions, as lenders (the Revolving Credit Agreement) with a maximum borrowing capacity of $450 million. The interest rate under our Revolving Credit Agreement is based on the Adjusted Term SOFR Rate (as defined in the Revolving Credit Agreement). The Revolving Credit Agreement matures in March 2027.

At September 30, 2024 and December 31, 2023, our Revolving Credit Agreement was undrawn, and we had letters of credit, which reduce Revolving Credit Agreement availability, totaling $31.5 million and $27.4 million, leaving $419 million and $423 million available for borrowing at the end of each period. We also had letters of credit and bank guarantees which support certain leased facilities as well as other normal business activities in the U.S. and Europe that were issued outside of the Revolving Credit Agreement for $3.0 million as of September 30, 2024 and December 31, 2023.

The Revolving Credit Agreement, the Credit Agreement, the Receivables Financing Agreement, the 2029 Unsecured Notes, and the 2030 Unsecured Notes contain cross-default provisions which could result in the acceleration of payments due in the event of default of any of the related agreements. The terms of the applicable credit agreements also require us to maintain ratios for leverage and interest coverage, including on a pro forma basis in the event of an acquisition or divestiture. We were in compliance with our debt covenants at September 30, 2024.

As of September 30, 2024, scheduled future principal payments of debt, excluding finance leases and other, were as follows:

Year		
2024 (remainder)	$	7,750
2025		40,375
2026		43,500
2027		285,375
2028		6,000
2029		965,654
2030		552,189

Current maturities at September 30, 2024 include $31.3 million in principal payments on our Term Loan A, $6.0 million in principal payments on our Term Loan B, and $5.4 million in current portion of finance leases and other.

Note 6-Retirement Plans

We have a frozen noncontributory, unfunded retirement plan for certain retirees in the U.S. (U.S. Retirement Plan). As of September 30, 2024 and December 31, 2023, the accumulated benefit obligation of the U.S. Retirement Plan was $

32.9 million and $34.1 million. Certain of our foreign subsidiaries also have defined benefit pension plans covering substantially all of their respective teammates.

The components of net periodic benefit cost for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Service cost	**$ 446**	$ 429	**$ 1,362**	$ 1,316
Interest cost	**635**	705	**1,925**	2,128
Recognized net actuarial loss	**79**	124	**241**	370
Net periodic benefit cost	**$ 1,160**	$ 1,258	**$ 3,528**	$ 3,814

Note 7-Derivatives

We are directly and indirectly affected by changes in foreign currency, which may adversely impact our financial performance and are referred to as "market risks." When deemed appropriate, we use derivatives as a risk management tool to mitigate the potential impact of certain market risks. We do not enter into derivative financial instruments for trading purposes.

We enter into foreign currency contracts to manage our foreign exchange exposure related to certain balance sheet items that do not meet the requirements for hedge accounting. These derivative instruments are adjusted to fair value at the end of each period through earnings. The gain or loss recorded on these instruments is substantially offset by the remeasurement adjustment on the foreign currency denominated asset or liability.

We pay interest on our Credit Agreement which fluctuates based on changes in our benchmark interest rates. In order to mitigate the risk of increases in benchmark rates on our term loans, we entered into an interest rate swap agreement whereby we agree to exchange with the counterparty, at specified intervals, the difference between fixed and variable amounts calculated by reference to the notional amount. The interest rate swaps were designated as cash flow hedges. Cash flows related to the interest rate swap agreement are included in interest expense, net.

We determine the fair value of our foreign currency derivatives and interest rate swaps based on observable market-based inputs or unobservable inputs that are corroborated by market data. We do not view the fair value of our derivatives in isolation, but rather in relation to the fair values or cash flows of the underlying exposure. All derivatives are carried at fair value in our consolidated balance sheets. We consider the risk of counterparty default to be minimal. We report cash flows from our hedging instruments in the same cash flow statement category as the hedged items.

The following table summarizes the terms and fair value of our outstanding derivative financial instruments as of September 30, 2024:

	Notional Amount	Maturity Date	Derivative Assets		Derivative Liabilities	
			Classification	Fair Value	Classification	Fair Value
Cash flow hedges						
Interest rate swaps	$ 300,000	March 2027	Other assets, net	$ 3,451	Other liabilities	$ -
Economic (non-designated) hedges						
Foreign currency contracts	$ 33,350	October 2024	Other current assets	$ 106	Other current liabilities	$ 8

The following table summarizes the terms and fair value of our outstanding derivative financial instruments as of December 31, 2023:

	Notional Amount	Maturity Date	Derivative Assets		Derivative Liabilities	
			Classification	Fair Value	Classification	Fair Value
Cash flow hedges						
Interest rate swaps	$ 350,000	March 2027	Other assets, net	$ 8,447	Other liabilities	$ -
Economic (non-designated) hedges						
Foreign currency contracts	$ 78,436	January 2024	Other current assets	$ 1,043	Other current liabilities	$ -

The notional amount of the interest rate swaps represents the amount in effect at the end of the period. Based on contractual terms, the notional amount will decrease in increments of $

50 million on the last business day of March of each year until the maturity date.

The following table summarizes the effect of cash flow hedge accounting on our consolidated statements of operations for the three and nine months ended September 30, 2024:

	Amount of (Loss) Gain Recognized in Other Comprehensive Income (Loss)		Location of Gain Reclassified from Accumulated Other Comprehensive Loss into Income	Total Amount of Expense Line Items Presented in the Consolidated Statement of Operations in Which the Effects are Recorded		Amount of Gain Reclassified from Accumulated Other Comprehensive Loss into Net Loss	
	Three months ended September 30, 2024	Nine months ended September 30, 2024		Three months ended September 30, 2024	Nine months ended September 30, 2024	Three months ended September 30, 2024	Nine months ended September 30, 2024
Interest rate swaps	$ (4,872)	$ 1,283	Interest expense, net	$ 36,554	$ 108,108	$ 1,757	$ 6,280

The amount of ineffectiveness associated with these contracts was immaterial for the periods presented.

The following table summarizes the effect of cash flow hedge accounting on our consolidated statements of operations for the three and nine months ended September 30, 2023:

	Amount of Gain Recognized in Other Comprehensive Income (Loss)		Location of Gain Reclassified from Accumulated Other Comprehensive Loss into Income	Total Amount of Expense Line Items Presented in the Consolidated Statement of Operations in Which the Effects are Recorded		Amount of Gain Reclassified from Accumulated Other Comprehensive Loss into Net Loss	
	Three months ended September 30, 2023	Nine months ended September 30, 2023		Three months ended September 30, 2023	Nine months ended September 30, 2023	Three months ended September 30, 2023	Nine months ended September 30, 2023
Interest rate swaps	$ 3,621	$ 8,026	Interest expense, net	$ 38,127	$ 121,053	$ 2,569	$ 7,080

The amount of ineffectiveness associated with these contracts was immaterial for the periods presented.

For the three and nine months ended September 30, 2024, we recognized a gain of $4.2 million and a loss of $1.0 million associated with our economic (non-designated) foreign currency contracts. For the three and nine months ended September 30, 2023, we recognized losses of $2.4 million and $3.3 million associated with our economic (non-designated) foreign currency contracts.

We recorded the change in fair value of derivative instruments and the remeasurement adjustment of the foreign currency denominated asset or liability in other operating expense, net for our foreign exchange contracts.

Note 8-Income Taxes

The effective tax rate was 7.4% and (15.4)% for the three and nine months ended September 30, 2024, compared to 41.5% and 22.0% in the same periods of 2023. The change in these rates for the three month periods resulted primarily from changes in results of operations in the jurisdictions in which we operate and the incremental tax benefit recorded for foreign derived intangible income in the third quarter of 2023. The change in these rates for the nine month periods resulted primarily from remeasurement of our uncertain tax positions, as described below, as well as the factors described for the three month periods.

On August 26, 2020, we received a Notice of Proposed Adjustment (NOPA) from the IRS regarding our 2015 and 2016 consolidated income tax returns. On June 30, 2021, we received a NOPA from the IRS regarding our 2017 and 2018 consolidated income tax returns. Within the NOPAs, the IRS has asserted that our taxable income for the aforementioned years should be higher based on their assessment of the appropriate amount of taxable income that we should report in the United States in connection with our sourcing of products by our foreign subsidiaries for sale in the United States by our domestic subsidiaries. The transfer pricing methodology was consistently applied for all years subject to the NOPAs and 2019 into 2022, but is no longer employed.

During the three months ended June 30, 2024, the IRS and the relevant foreign taxing authority mutually agreed to proposed adjustments to our 2015 through 2018 consolidated tax returns. This was communicated to us in late June 2024. As a result, we remeasured the uncertain tax position for the 2015 through 2018 tax years, as well as the affected 2019 through 2022 tax years, to the amount expected to be paid upon a final agreement with the IRS. This matter does not impact our 2023, 2024 or future tax years. The total change in estimate, net of an income tax benefit from the foreign taxing authority, is $17.9 million, or $(0.23) impact per basic and diluted common share, including $4.7 million of interest, for the nine months ended September 30, 2024 and is reflected within the income tax provision on our consolidated statements of operations. The total change in estimate reflects an increase in the liability for unrecognized tax benefits of $19.7 million recorded within other current liabilities, partially offset by a $1.9 million increase in the receivable from the foreign taxing authority recorded within other current assets, on our consolidated balance sheet at September 30, 2024. The balance sheet classification and amount owed may be subject to change depending on the timing of a final agreement with the IRS. Excluding the impact of $0.7 million of interest, there has been no change in estimate for the three months ended September 30, 2024.

The liability for unrecognized tax benefits was $38.2 million at September 30, 2024 and $22.7 million at December 31, 2023. Unrecognized tax benefits of $35.5 million and $20.0 million at September 30, 2024 and December 31, 2023 would impact our effective tax rate if recognized.

We regularly assess the likelihood of adverse outcomes resulting from examinations such as this to determine the adequacy of our tax reserves. We believe that we have adequately reserved for this matter and that the final adjudication of this matter will not have a material impact on our consolidated financial position, results of operations or cash flows beyond the amounts described herein.

Note 9-Net Loss per Common Share

The following summarizes the calculation of net loss per common share attributable to common shareholders for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share data)	**2024**	**2023**	**2024**	**2023**
Net loss	**$ (12,770)**	$ (6,426)	**$ (66,570)**	$ (59,085)
Weighted average shares outstanding - basic	**77,090**	76,203	**76,657**	75,691
Dilutive shares	**-**	-	**-**	-
Weighted average shares outstanding - diluted	**77,090**	76,203	**76,657**	75,691
Net loss per common share				
Basic	**$ (0.17)**	$ (0.08)	**$ (0.87)**	$ (0.78)
Diluted	**$ (0.17)**	$ (0.08)	**$ (0.87)**	$ (0.78)

Share-based awards of approximately 1.4 million and 1.5 million shares for the three and nine months ended September 30, 2024 and approximately 1.5 million and 1.6 million shares for the three and nine months ended September 30, 2023 were excluded from the calculation of net loss per diluted common share as the effect would be anti-dilutive.

Note 10-Accumulated Other Comprehensive (Loss) Income

The following table shows the changes in accumulated other comprehensive (loss) income by component for the three and nine months ended September 30, 2024 and 2023:

	Retirement Plans	Currency Translation Adjustments	Derivatives	Total
Accumulated other comprehensive (loss) income, June 30, 2024	$ (4,681)	$ (51,522)	$ 7,459	$ (48,744)
Other comprehensive income (loss) before reclassifications	275	25,966	(4,872)	21,369
Income tax	(68)	-	1,267	1,199
Other comprehensive income (loss) before reclassifications, net of tax	207	25,966	(3,605)	22,568
Amounts reclassified from accumulated other comprehensive income (loss)	79	-	(1,757)	(1,678)
Income tax	(21)	-	457	436
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	58	-	(1,300)	(1,242)
Other comprehensive income (loss)	265	25,966	(4,905)	21,326
Accumulated other comprehensive (loss) income, September 30, 2024	**$ (4,416)**	**$ (25,556)**	**$ 2,554**	**$(27,418)**

	Retirement Plans	Currency Translation Adjustments	Derivatives	Total
Accumulated other comprehensive (loss) income, June 30, 2023	$ (7,212)	$ (40,144)	$ 11,363	$ (35,993)
Other comprehensive (loss) income before reclassifications	-	(9,891)	3,621	(6,270)
Income tax	-	-	(941)	(941)
Other comprehensive (loss) income before reclassifications, net of tax	-	(9,891)	2,680	(7,211)
Amounts reclassified from accumulated other comprehensive income (loss)	124	-	(2,569)	(2,445)
Income tax	28	-	666	694
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	152	-	(1,903)	(1,751)
Other comprehensive income (loss)	152	(9,891)	777	(8,962)
Accumulated other comprehensive (loss) income, September 30, 2023	$ (7,060)	$ (50,035)	$ 12,140	$ (44,955)

	Retirement Plans	Currency Translation Adjustments	Derivatives	Total
Accumulated other comprehensive (loss) income, December 31, 2023	$ (5,115)	$ (32,954)	$ 6,251	$ (31,818)
Other comprehensive income before reclassifications	694	7,398	1,283	9,375
Income tax	(173)	-	(334)	(507)
Other comprehensive income before reclassifications, net of tax	521	7,398	949	8,868
Amounts reclassified from accumulated other comprehensive income (loss)	241	-	(6,280)	(6,039)
Income tax	(63)	-	1,634	1,571
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	178	-	(4,646)	(4,468)
Other comprehensive income (loss)	699	7,398	(3,697)	4,400
Accumulated other comprehensive (loss) income, September 30, 2024	**$ (4,416)**	**$ (25,556)**	**$ 2,554**	**$(27,418)**

	Retirement Plans	Currency Translation Adjustments	Derivatives	Total
Accumulated other comprehensive (loss) income, December 31, 2022	$ (7,201)	$ (40,095)	$ 11,441	$ (35,855)
Other comprehensive (loss) income before reclassifications	-	(9,940)	8,026	(1,914)
Income tax	-	-	(2,086)	(2,086)
Other comprehensive (loss) income before reclassifications, net of tax	-	(9,940)	5,940	(4,000)
Amounts reclassified from accumulated other comprehensive income (loss)	370	-	(7,080)	(6,710)
Income tax	(229)	-	1,839	1,610
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	141	-	(5,241)	(5,100)
Other comprehensive income (loss)	141	(9,940)	699	(9,100)
Accumulated other comprehensive (loss) income, September 30, 2023	$ (7,060)	$ (50,035)	$ 12,140	$ (44,955)

We include amounts reclassified out of accumulated other comprehensive (loss) income related to defined benefit pension plans as a component of net periodic pension cost recorded in Other expense, net.

Note 11-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: Products & Healthcare Services and Patient Direct. The Products & Healthcare Services segment includes our Medical Distribution division, which includes our U.S. distribution business, along with our outsourced logistics and value-added services businesses, and our Global Products division which manufactures and sources medical surgical products through our production and kitting operations. The Patient Direct segment includes our home healthcare divisions (Byram and Apria).

We evaluate the performance of our segments based on their operating income excluding acquisition-related charges and intangible amortization and exit and realignment charges, net, along with other adjustments, that, as a result of their nature, 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 and not meaningful.

The following tables present financial information by segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Net revenue:				
Products & Healthcare Services	**$2,034,279**	$ 1,943,467	**$6,019,721**	$ 5,789,679
Patient Direct	**686,846**	648,275	**1,985,089**	1,888,138
Consolidated net revenue	**$2,721,125**	$ 2,591,742	**$8,004,810**	$ 7,677,817
Operating income:				
Products & Healthcare Services	**$ 4,233**	$ 19,803	**$ 27,187**	$ 24,564
Patient Direct	**79,932**	64,435	**190,598**	169,349
Acquisition-related charges and intangible amortization	**(21,097)**	(30,217)	**(61,395)**	(74,609)
Exit and realignment charges, net	**(28,880)**	(30,180)	**(85,530)**	(74,817)
Litigation and related charges(1)	**(9,984)**	-	**(16,662)**	-
Consolidated operating income	**$ 24,204**	$ 23,841	**$ 54,198**	$ 44,487
Depreciation and amortization:				
Products & Healthcare Services	**$ 18,382**	$ 20,021	**$ 60,832**	$ 57,360
Patient Direct	**43,232**	53,631	**138,756**	159,280
Consolidated depreciation and amortization	**$ 61,614**	$ 73,652	**$ 199,588**	$ 216,640
Share-based compensation:				
Products & Healthcare Services	**$ 4,141**	$ 2,917	**$ 13,696**	$ 10,649
Patient Direct	**1,198**	1,699	**4,131**	5,113
Other(2)	**341**	1,126	**1,454**	1,655
Consolidated share-based compensation	**$ 5,680**	$ 5,742	**$ 19,281**	$ 17,417
Capital expenditures:				
Products & Healthcare Services	**$ 17,763**	$ 5,023	**$ 29,130**	$ 17,957
Patient Direct	**43,755**	45,565	**127,596**	133,610
Consolidated capital expenditures	**$ 61,518**	$ 50,588	**$ 156,726**	$ 151,567

(1) Litigation and related charges includes settlement costs and related fees of legal matters within our Apria division, which do not occur in the ordinary course of our business, are non-recurring/infrequent and are inherently

unpredictable in timing and amount. These charges are reported within Other operating expense, net in our Statements of Operations for the three and nine months ended September 30, 2024.

(2) Other share-based compensation expense is captured within Exit and realignment charges, net or Acquisition-related charges for the three and nine months ended September 30, 2024 and 2023.

	September 30, 2024	December 31, 2023
Total assets:		
Products & Healthcare Services	**$ 2,519,690**	$ 2,359,825
Patient Direct	**2,516,138**	2,490,460
Segment assets	**5,035,828**	4,850,285
Cash and cash equivalents	**45,454**	243,037
Consolidated total assets	**$ 5,081,282**	$ 5,093,322

Non-cash last-in, first-out (LIFO) charges (credits) to merchandise inventories valued at the lower of cost or market, with the approximate cost determined by the LIFO method for distribution inventories in the U.S. within our Products & Healthcare Services segment, were $ 6.7 million and $(3.7) million for the three months ended September 30, 2024 and 2023, and $11.0 million and $(3.3) million for the nine months ended September 30, 2024 and 2023. The net book value of patient service equipment sales and dispositions within the Patient Direct segment, net of the gain for returned equipment to Philips Respironics for previously recalled equipment, were $7.9 million and $10.0 million for the three months ended September 30, 2024 and 2023 and $22.7 million and $27.2 million for the nine months ended September 30, 2024 and 2023.

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 September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Net revenue:				
United States	**$2,661,469**	$ 2,518,952	**$7,821,088**	$ 7,470,424
International	**59,656**	72,790	**183,722**	207,393
Consolidated net revenue	**$2,721,125**	$ 2,591,742	**$8,004,810**	$ 7,677,817

Note 12-Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which will require disclosure of additional detailed information about a reportable segment's expenses, including significant segment expenses regularly provided to the Chief Operating Decision Maker (CODM), the title and position of the CODM, and how the CODM uses the reported measure(s) of a segment's profit or loss. This ASU is effective for us in annual periods beginning after December 15, 2023 and interim periods within annual years beginning after December 15, 2024. The amendments in this ASU must be applied on a retrospective basis to all prior periods presented in the financial statements and early adoption is permitted. We expect this ASU to only impact our disclosures with no impacts to our results of operations, financial condition and cash flows.

In December 2023, the FASB Issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which will require additional annual income tax disclosures, including disclosure of reconciling items by jurisdiction and nature to the extent those items exceed a specified threshold. In addition, this ASU will require disclosure of income taxes paid, net of refunds received disaggregated by federal, state, and foreign and by jurisdiction if the amount is more than 5% of total income tax payments, net of refunds received. The amendments in this ASU are effective for us in annual periods beginning after December 15, 2024. The amendments in this ASU are required to be applied on a prospective basis and retrospective adoption is permitted. We expect this ASU to only impact our disclosures with no impacts to our results of operations, financial condition and cash flows.

Note 13-Commitments, Contingent Liabilities, and Legal Proceedings

Commitments include $

48.4 million of legally binding lease payments for the Morgantown, West Virginia center of excellence for medical supplies and logistics lease signed, but not yet commenced. Refer to our Annual Report on Form 10-K for the year ended December 31, 2023 for disclosure of other material contractual obligations.

We are party to various legal claims that are ordinary and incidental to our business, including ones related to commercial disputes, employment, workers' compensation, product liability, regulatory and other matters. We maintain insurance coverage for employment, product liability, workers' compensation and other personal injury litigation matters, subject to policy limits, applicable deductibles and insurer solvency. We establish reserves from time to time based upon periodic assessment of the potential outcomes of pending matters.

Based on current knowledge and the advice of counsel, we believe that the accrual as of September 30, 2024 for currently pending matters considered probable of loss, which is not material, is sufficient. In addition, we believe that other currently pending matters are not reasonably possible to result in a material loss, as payment of the amounts claimed is remote, the claims are immaterial, individually and in the aggregate, or the claims are expected to be adequately covered by insurance, subject to policy limits, applicable deductibles, exclusions and insurer solvency.

On July 22, 2024, we entered into an Agreement and Plan of Merger to acquire Rotech for $1.36 billion in cash. Given anticipated tax benefits of approximately $40 million from the transaction, the net purchase price is approximately $1.32 billion. Rotech is a national leader in providing home medical equipment in the US. The definitive agreement contains certain termination rights for the Company and Rotech. In the event that we terminate the contract, we will be required to pay Rotech a termination fee of $70.0 million. The transaction is subject to customary closing conditions, including expiration or termination of the applicable waiting period under the Hart Scott Rodino Act, and is expected to close in the first half of 2025. We have fully committed financing in place and expect to use a combination of cash and incremental borrowings to fund the purchase price.

Note 14 - Subsequent Events

On October 18, 2024, O&M Funding and Owens & Minor Medical, LLC., each a wholly-owned subsidiary of the Company, entered into a Receivables Purchase Agreement (the Receivables Sale Program) with persons from time to time party hereto, as Purchasers, PNC Bank, National Association, as Administrative Agent, and PNC Capital Markets LLC, as Structuring Agent, pursuant to which accounts receivable with an aggregate outstanding amount not to exceed

$450 million are sold, on a limited-recourse basis, to the Purchasers in exchange for cash. The

Receivables Sale Program amends and restates in its entirety, the Receivables Financing Agreement, dated as of February 19, 2020. Transactions under this agreement will be accounted for as sales in accordance with ASC 860, Transfers and Servicing, with the sold receivables removed from our consolidated balance sheets. Under the Receivables Sale Program, we provide certain servicing and collection actions on behalf of the Purchasers; however, we do not maintain any beneficial interest in the accounts receivable sold.