

OWENS & MINOR INC/VA/  
Form 10-Q  
May 01, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended March 31, 2014  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-9810

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

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|                                                                   |                                         |
|-------------------------------------------------------------------|-----------------------------------------|
| Virginia                                                          | 54-1701843                              |
| (State or other jurisdiction of<br>incorporation or organization) | (I.R.S. Employer<br>Identification No.) |

|                                                      |            |
|------------------------------------------------------|------------|
| 9120 Lockwood Boulevard,<br>Mechanicsville, Virginia | 23116      |
| (Address of principal executive offices)             | (Zip Code) |

|                                                  |            |
|--------------------------------------------------|------------|
| Post Office Box 27626,<br>Richmond, Virginia     | 23261-7626 |
| (Mailing address of principal executive offices) | (Zip Code) |

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

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

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

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

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Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange

Act). Yes ☐ No ☒

The number of shares of Owens & Minor, Inc.'s common stock outstanding as of April 25, 2014, was 63,091,091 shares.

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## Part I. Financial Information

## Item 1. Financial Statements

## Owens &amp; Minor, Inc. and Subsidiaries

## Consolidated Statements of Income

(unaudited)

|                                                      | Three Months Ended |             |
|------------------------------------------------------|--------------------|-------------|
|                                                      | March 31,          |             |
| (in thousands, except per share data)                | 2014               | 2013        |
| Net revenue                                          | \$2,256,380        | \$2,246,384 |
| Cost of goods sold                                   | 1,975,185          | 1,967,332   |
| Gross margin                                         | 281,195            | 279,052     |
| Selling, general and administrative expenses         | 225,610            | 217,721     |
| Acquisition-related and exit and realignment charges | 3,262              | 2,010       |
| Depreciation and amortization                        | 13,864             | 12,629      |
| Other operating income, net                          | (7,825)            | ) (1,192 )  |
| Operating earnings                                   | 46,284             | 47,884      |
| Interest expense, net                                | 3,246              | 3,199       |
| Income before income taxes                           | 43,038             | 44,685      |
| Income tax provision                                 | 17,553             | 18,587      |
| Net income                                           | \$25,485           | \$26,098    |
| Net income per common share:                         |                    |             |
| Basic                                                | \$0.41             | \$0.41      |
| Diluted                                              | \$0.41             | \$0.41      |
| Cash dividends per common share                      | \$0.25             | \$0.24      |

See accompanying notes to consolidated financial statements.

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

| (in thousands)                                                                                                  | Three Months Ended<br>March 31, |          |
|-----------------------------------------------------------------------------------------------------------------|---------------------------------|----------|
|                                                                                                                 | 2014                            | 2013     |
| Net income                                                                                                      | \$25,485                        | \$26,098 |
| Other comprehensive income (loss), net of tax:                                                                  |                                 |          |
| Currency translation adjustments (net of income tax benefit of \$0 in 2014 and of \$385 in 2013)                | 467                             | (7,827 ) |
| Change in unrecognized net periodic pension costs (net of income tax expense of \$97 in 2014 and \$134 in 2013) | 107                             | 208      |
| Other (net of income tax benefit of \$8 in 2014 and 2013)                                                       | (9 )                            | (13 )    |
| Total other comprehensive income (loss), net of tax                                                             | 565                             | (7,632 ) |
| Comprehensive income                                                                                            | \$26,050                        | \$18,466 |

See accompanying notes to consolidated financial statements.

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

| (in thousands, except per share data)                                                                                        | March 31,<br>2014 | December 31,<br>2013 |
|------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| Assets                                                                                                                       |                   |                      |
| Current assets                                                                                                               |                   |                      |
| Cash and cash equivalents                                                                                                    | \$182,373         | \$101,905            |
| Accounts and notes receivable, net of allowances of \$15,330 and \$15,030                                                    | 543,214           | 572,854              |
| Merchandise inventories                                                                                                      | 768,148           | 771,663              |
| Other current assets                                                                                                         | 275,179           | 279,510              |
| Total current assets                                                                                                         | 1,768,914         | 1,725,932            |
| Property and equipment, net of accumulated depreciation of \$136,782 and \$137,526                                           | 192,245           | 191,961              |
| Goodwill, net                                                                                                                | 275,562           | 275,439              |
| Intangible assets, net                                                                                                       | 39,437            | 40,406               |
| Other assets, net                                                                                                            | 93,042            | 90,304               |
| Total assets                                                                                                                 | \$2,369,200       | \$2,324,042          |
| Liabilities and equity                                                                                                       |                   |                      |
| Current liabilities                                                                                                          |                   |                      |
| Accounts payable                                                                                                             | \$659,550         | \$643,872            |
| Accrued payroll and related liabilities                                                                                      | 21,741            | 23,296               |
| Deferred income taxes                                                                                                        | 41,975            | 41,613               |
| Other accrued liabilities                                                                                                    | 302,244           | 280,398              |
| Total current liabilities                                                                                                    | 1,025,510         | 989,179              |
| Long-term debt, excluding current portion                                                                                    | 214,826           | 213,815              |
| Deferred income taxes                                                                                                        | 42,779            | 43,727               |
| Other liabilities                                                                                                            | 52,918            | 52,278               |
| Total liabilities                                                                                                            | 1,336,033         | 1,298,999            |
| Commitments and contingencies                                                                                                |                   |                      |
| Equity                                                                                                                       |                   |                      |
| Owens & Minor, Inc. shareholders' equity:                                                                                    |                   |                      |
| Preferred stock, par value \$100 per share, authorized - 10,000 shares, Series A                                             |                   |                      |
| Participating Cumulative Preferred Stock; none issued                                                                        |                   |                      |
| Common stock, par value \$2 per share; authorized - 200,000 shares; issued and outstanding - 63,091 shares and 63,096 shares | 126,182           | 126,193              |
| Paid-in capital                                                                                                              | 199,148           | 196,605              |
| Retained earnings                                                                                                            | 696,574           | 691,547              |
| Accumulated other comprehensive income                                                                                       | 10,133            | 9,568                |
| Total Owens & Minor, Inc. shareholders' equity                                                                               | 1,032,037         | 1,023,913            |
| Noncontrolling interest                                                                                                      | 1,130             | 1,130                |
| Total equity                                                                                                                 | 1,033,167         | 1,025,043            |
| Total liabilities and equity                                                                                                 | \$2,369,200       | \$2,324,042          |

See accompanying notes to consolidated financial statements.

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

|                                                                               | Three Months Ended March 31, |           |
|-------------------------------------------------------------------------------|------------------------------|-----------|
| (in thousands)                                                                | 2014                         | 2013      |
| Operating activities:                                                         |                              |           |
| Net income                                                                    | \$25,485                     | \$26,098  |
| Adjustments to reconcile net income to cash provided by operating activities: |                              |           |
| Depreciation and amortization                                                 | 13,864                       | 12,629    |
| Share-based compensation expense                                              | 2,642                        | 1,910     |
| Provision for losses on accounts and notes receivable                         | 54                           | 107       |
| Deferred income tax benefit                                                   | (822                         | ) (56     |
| Changes in operating assets and liabilities:                                  |                              |           |
| Accounts and notes receivable                                                 | 29,828                       | (34,575   |
| Merchandise inventories                                                       | 3,707                        | 21,784    |
| Accounts payable                                                              | 15,815                       | 98,198    |
| Net change in other assets and liabilities                                    | 3,921                        | 28,981    |
| Other, net                                                                    | (1,292                       | ) (465    |
| Cash provided by operating activities                                         | 93,202                       | 154,611   |
| Investing activities:                                                         |                              |           |
| Additions to property and equipment                                           | (7,299                       | ) (7,513  |
| Additions to computer software and intangible assets                          | (6,930                       | ) (7,264  |
| Proceeds from sale of investment                                              | 1,937                        | —         |
| Proceeds from sale of property and equipment                                  | 105                          | 44        |
| Cash used for investing activities                                            | (12,187                      | ) (14,733 |
| Financing activities:                                                         |                              |           |
| Change in bank overdraft                                                      | 20,578                       | —         |
| Cash dividends paid                                                           | (15,785                      | ) (15,199 |
| Repurchases of common stock                                                   | (5,000                       | ) (2,282  |
| Excess tax benefits related to share-based compensation                       | 346                          | 207       |
| Proceeds from exercise of stock options                                       | 937                          | 1,792     |
| Other, net                                                                    | (1,868                       | ) (1,958  |
| Cash used for financing activities                                            | (792                         | ) (17,440 |
| Effect of exchange rate changes on cash and cash equivalents                  | 245                          | (1,763    |
| Net increase in cash and cash equivalents                                     | 80,468                       | 120,675   |
| Cash and cash equivalents at beginning of period                              | 101,905                      | 97,888    |
| Cash and cash equivalents at end of period                                    | \$182,373                    | \$218,563 |
| Supplemental disclosure of cash flow information:                             |                              |           |
| Income taxes paid, net                                                        | \$15,161                     | \$1,540   |
| Interest paid                                                                 | \$539                        | \$698     |

See accompanying notes to consolidated financial statements.

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

| (in thousands, except<br>per share data)                        | Owens & Minor, Inc. Shareholders' Equity |                                         |                    |                      |                                                 |                            | Total<br>Equity |
|-----------------------------------------------------------------|------------------------------------------|-----------------------------------------|--------------------|----------------------|-------------------------------------------------|----------------------------|-----------------|
|                                                                 | Common<br>Shares<br>Outstanding          | Common<br>Stock<br>(\$ 2 par<br>value ) | Paid-In<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>(Loss) | Noncontrolling<br>Interest |                 |
| Balance December 31,<br>2012                                    | 63,271                                   | \$ 126,544                              | \$ 187,394         | \$ 658,994           | \$ (406 )                                       | \$ 1,130                   | \$ 973,656      |
| Net income                                                      |                                          |                                         |                    | 26,098               |                                                 |                            | 26,098          |
| Other comprehensive<br>income                                   |                                          |                                         |                    |                      | (7,632 )                                        |                            | (7,632 )        |
| Dividends declared<br>(\$0.24 per share)                        |                                          |                                         |                    | (15,176 )            |                                                 |                            | (15,176 )       |
| Shares repurchased and<br>retired                               | (74 )                                    | (148 )                                  |                    | (2,134 )             |                                                 |                            | (2,282 )        |
| Share-based<br>compensation expense, 138<br>exercises and other |                                          | 276                                     | 2,610              |                      |                                                 |                            | 2,886           |
| Balance March 31,<br>2013                                       | \$ 63,335                                | \$ 126,672                              | \$ 190,004         | \$ 667,782           | \$ (8,038 )                                     | \$ 1,130                   | \$ 977,550      |
| Balance December 31,<br>2013                                    | 63,096                                   | \$ 126,193                              | \$ 196,605         | \$ 691,547           | \$ 9,568                                        | \$ 1,130                   | \$ 1,025,043    |
| Net income                                                      |                                          |                                         |                    | 25,485               |                                                 |                            | 25,485          |
| Other comprehensive<br>income                                   |                                          |                                         |                    |                      | 565                                             |                            | 565             |
| Dividends declared<br>(\$0.25 per share)                        |                                          |                                         |                    | (15,744 )            |                                                 |                            | (15,744 )       |
| Shares repurchased and<br>retired                               | (143 )                                   | (286 )                                  |                    | (4,714 )             |                                                 |                            | (5,000 )        |
| Share-based<br>compensation expense, 138<br>exercises and other |                                          | 275                                     | 2,543              |                      |                                                 |                            | 2,818           |
| Balance March 31,<br>2014                                       | 63,091                                   | \$ 126,182                              | \$ 199,148         | \$ 696,574           | \$ 10,133                                       | \$ 1,130                   | \$ 1,033,167    |

See accompanying notes to consolidated financial statements.



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Owens &amp; Minor, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(unaudited)

(in thousands, unless otherwise indicated)

Note 1—Basis of Presentation and Use of Estimates

Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Owens & Minor, Inc. and the subsidiaries it controls (we, us, or our) and contain all adjustments (which are comprised only of normal recurring accruals and use of estimates) necessary to conform with U.S. generally accepted accounting principles (GAAP). For the consolidated subsidiary in which our ownership is less than 100%, the outside stockholder's interest is presented as a noncontrolling interest. 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.

Reclassification and Correction

Certain prior year amounts have been reclassified to conform to current year presentation. In addition, after completing a review of customer contracts in the International segment in the fourth quarter of 2013, we determined a net presentation of revenues for certain contracts is more representative of the customer arrangement. Certain amounts in the prior period statement of income were revised to reflect this net presentation of revenues. As a result, net revenue and cost of goods sold each decreased by \$29.3 million. The change did not affect cash flows, gross margin, operating earnings or net income in 2013.

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.

Note 2—Fair Value

The carrying amounts of cash and cash equivalents, accounts receivable, financing receivables, accounts payable and financing payables included in the consolidated balance sheets approximate fair value due to the short-term nature of these instruments. The fair value of long-term debt is estimated based on quoted market prices or dealer quotes for the identical liability when traded as an asset in an active market (Level 1) or, if quoted market prices or dealer quotes are not available, on the borrowing rates currently available for loans with similar terms, credit ratings and average remaining maturities (Level 2). See Note 7 for the fair value of long-term debt.

Note 3—Financing Receivables and Payables

At March 31, 2014 and December 31, 2013, we had financing receivables of \$179.5 million and \$198.5 million and related payables of \$146.2 million and \$165.3 million outstanding under our order-to-cash program and product financing arrangements, which were included in other current assets and other current liabilities, respectively, in the consolidated balance sheets.

Note 4—Goodwill and Intangible Assets

The following table summarizes the changes in the carrying amount of goodwill through March 31, 2014:

|                                                | Domestic<br>Segment | International<br>Segment | Total     |
|------------------------------------------------|---------------------|--------------------------|-----------|
| Carrying amount of goodwill, December 31, 2013 | \$248,498           | \$26,941                 | \$275,439 |
| Currency translation adjustments               | —                   | 123                      | 123       |
| Carrying amount of goodwill, March 31, 2014    | \$248,498           | \$27,064                 | \$275,562 |

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Intangible assets at March 31, 2014, and December 31, 2013, were as follows:

|                          | March 31, 2014         |                   | December 31, 2013      |                   |
|--------------------------|------------------------|-------------------|------------------------|-------------------|
|                          | Customer Relationships | Other Intangibles | Customer Relationships | Other Intangibles |
| Gross intangible assets  | \$51,686               | \$3,957           | \$51,544               | \$3,933           |
| Accumulated amortization | (15,461                | ) (745            | ) (14,281              | ) (790            |
| Net intangible assets    | \$36,225               | \$3,212           | \$37,263               | \$3,143           |

At March 31, 2014, \$17.3 million in net intangible assets were held in the Domestic segment and \$22.1 million were held in the International segment. Amortization expense for intangible assets was \$1.1 million and \$0.9 million for the three months ended March 31, 2014 and 2013.

Based on the current carrying value of intangible assets subject to amortization, estimated amortization expense is \$3.4 million for the remainder of 2014, \$5.1 million for 2015, \$5.1 million for 2016, \$5.0 million for 2017 and \$4.1 million for 2018.

#### Note 5—Exit and Realignment Costs

We periodically incur exit and realignment and other charges associated with optimizing our operations, which includes the consolidation of distribution centers, the realignment of our distribution network, and the closure of offsite warehouses.

In the current quarter, we recognized total charges of \$2.6 million associated with exit and realignment activities, of which \$1.3 million was in the Domestic segment and \$1.3 million was in the International segment. These charges include \$1.3 million in loss accruals associated with our operating leases and estimated severance. The remaining charges of \$1.3 million are comprised of costs that were expensed as incurred in the quarter and not reflected in the table below, including \$0.5 million in relocation costs, \$0.5 million in property related costs, and \$0.3 million in labor and other costs. We expect additional exit and realignment charges of approximately \$2.2 million over the remainder of 2014 for activities initiated in the Domestic segment through March 31, 2014.

During the first three months of 2013, we recognized total charges of \$0.9 million in the Domestic segment and \$0.5 million in the International segment associated with these activities. These charges include \$0.5 million in loss accruals for operating leases. The remaining charges of \$0.9 million are comprised of costs that are expensed as incurred and not reflected in the table below, including losses on property and equipment and other expenses.

The following table summarizes the activity related to exit and realignment cost accruals through March 31, 2014 and 2013:

|                                                       | Lease Obligations | Severance and Other | Total    |
|-------------------------------------------------------|-------------------|---------------------|----------|
| Accrued exit and realignment costs, December 31, 2013 | \$2,434           | \$475               | \$2,909  |
| Provision for exit and realignment activities         | 532               | 807                 | 1,339    |
| Cash payments, net of sublease income                 | (411              | ) (327              | ) (738   |
| Accrued exit and realignment costs, March 31, 2014    | \$2,555           | \$955               | \$3,510  |
| Accrued exit and realignment costs, December 31, 2012 | \$5,098           | \$1,116             | \$6,214  |
| Provision for exit and realignment activities         | 538               | 3                   | 541      |
| Cash payments, net of sublease income                 | (4,844            | ) (147              | ) (4,991 |
| Accrued exit and realignment costs, March 31, 2013    | \$792             | \$972               | \$1,764  |

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## Note 6—Retirement Plan

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

The components of net periodic benefit cost, which are included in selling, general and administrative expenses, for the three months ended March 31, 2014 and 2013, were as follows:

|                               | Three Months Ended<br>March 31, |       |
|-------------------------------|---------------------------------|-------|
|                               | 2014                            | 2013  |
| Service cost                  | \$36                            | \$33  |
| Interest cost                 | 482                             | 414   |
| Recognized net actuarial loss | 204                             | 342   |
| Net periodic benefit cost     | \$722                           | \$789 |

Certain of our foreign subsidiaries have health and welfare plans covering substantially all of their respective employees. Our expense for these plans totaled \$0.4 million and \$0.2 million for the three months ended March 31, 2014 and 2013.

## Note 7—Debt

We have \$200 million of senior notes outstanding, which mature on April 15, 2016 and bear interest at 6.35% payable semi-annually (Senior Notes). We may redeem the Senior Notes, in whole or in part, at a redemption price of the greater of 100% of the principal amount of the Senior Notes or the present value of remaining scheduled payments of principal and interest discounted at the applicable Treasury Rate plus 0.25%. As of March 31, 2014 and December 31, 2013, the estimated fair value of the Senior Notes was \$217 million and \$219 million, and the related carrying amount was \$204 million for both periods. The observed yield of the Senior Notes at March 31, 2014 and December 31, 2013 was 2.00% and 2.12%.

We have a five-year \$350 million Credit Agreement with Wells Fargo Bank, N.A., JPMorgan Chase Bank, N.A. and a syndicate of financial institutions (the Credit Agreement) expiring June 5, 2017. Under the Credit Agreement, we have the ability to request two one-year extensions and to request an increase in aggregate commitments by up to \$150 million. The interest rate on the Credit Agreement, which is subject to adjustment quarterly, is based on the London Interbank Offered Rate (LIBOR), the Federal Funds Rate or the Prime Rate, plus an adjustment based on the better of our debt ratings or leverage ratio (Credit Spread) as defined by the Credit Agreement. We are charged a commitment fee of between 17.5 and 42.5 basis points on the unused portion of the facility. The terms of the Credit Agreement limit the amount of indebtedness that we may incur and require us to maintain ratios for leverage and interest coverage, including on a pro forma basis in the event of an acquisition. At March 31, 2014, we had no borrowings and letters of credit of approximately \$5.0 million outstanding under the Credit Agreement, leaving \$345.0 million available for borrowing. We also have a \$1.5 million letter of credit outstanding as of March 31, 2014 and December 31, 2013, which supports our facilities leased in Europe.

## Note 8—Income Taxes

The effective tax rate was 40.8% for the three months ended March 31, 2014, compared to 41.6% in the same quarter of 2013. The change in rate is due to the impact of foreign taxes. The liability for unrecognized tax benefits was \$5.0 million at March 31, 2014, and \$4.6 million at December 31, 2013. Included in the liability at March 31, 2014 were \$3.7 million of tax positions for which ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

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## Note 9—Net Income per Common Share

The following summarizes the calculation of net income per common share attributable to common shareholders for the three months ended March 31, 2014 and 2013.

| (in thousands, except per share data)                                           | Three Months Ended<br>March 31, |          |
|---------------------------------------------------------------------------------|---------------------------------|----------|
|                                                                                 | 2014                            | 2013     |
| Numerator:                                                                      |                                 |          |
| Net income                                                                      | \$25,485                        | \$26,098 |
| Less: income allocated to unvested restricted shares                            | (188)                           | (195)    |
| Net income attributable to common shareholders - basic                          | 25,297                          | 25,903   |
| Add: undistributed income attributable to unvested restricted shares - basic    | 51                              | 58       |
| Less: undistributed income attributable to unvested restricted shares - diluted | (51)                            | (58)     |
| Net income attributable to common shareholders - diluted                        | \$25,297                        | \$25,903 |
| Denominator:                                                                    |                                 |          |
| Weighted average shares outstanding - basic                                     | 62,304                          | 62,687   |
| Dilutive shares - stock options                                                 | 13                              | 58       |
| Weighted average shares outstanding - diluted                                   | 62,317                          | 62,745   |
| Net income per share attributable to common shareholders:                       |                                 |          |
| Basic                                                                           | \$0.41                          | \$0.41   |
| Diluted                                                                         | \$0.41                          | \$0.41   |

## Note 10—Shareholders' Equity

In February 2014, our Board of Directors authorized a share repurchase program of up to \$100 million of our outstanding common stock to be executed at the discretion of management over a three-year period, expiring in February 2017. The program is intended, in part, to offset shares issued in conjunction with our stock incentive plans and return capital to shareholders. The program may be suspended or discontinued at any time. During the three months ended March 31, 2014, we repurchased in open-market transactions and retired approximately 143 thousand shares of our common stock for an aggregate of \$5.0 million, or an average price per share of \$34.99. As of March 31, 2014, we have approximately \$95.0 million remaining under the repurchase program. We have elected to allocate any excess of share repurchase price over par value to retained earnings.

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## Note 11—Accumulated Other Comprehensive Income

The following table shows the changes in accumulated other comprehensive income (loss) by component for the three months ended March 31, 2014 and 2013:

|                                                                                        | Defined Benefit<br>Pension<br>Plans | Currency<br>Translation<br>Adjustments | Other  | Total       |
|----------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------|--------|-------------|
| Accumulated other comprehensive income (loss),<br>December 31, 2013                    | \$ (6,479 )                         | \$ 15,892                              | \$ 155 | \$ 9,568    |
| Other comprehensive income (loss) before<br>reclassifications                          | —                                   | 467                                    | —      | 467         |
| Income tax                                                                             | —                                   | —                                      | —      | —           |
| Other comprehensive income (loss) before<br>reclassifications, net of tax              | —                                   | 467                                    | —      | 467         |
| Amounts reclassified from accumulated other<br>comprehensive income (loss)             | 204                                 | —                                      | (17 )  | 187         |
| Income tax                                                                             | (97 )                               | —                                      | 8      | (89 )       |
| Amounts reclassified from accumulated other<br>comprehensive income (loss), net of tax | 107                                 | —                                      | (9 )   | 98          |
| Other comprehensive income (loss)                                                      | 107                                 | 467                                    | (9 )   | 565         |
| Accumulated other comprehensive income (loss),<br>March 31, 2014                       | \$ (6,372 )                         | \$ 16,359                              | \$ 146 | \$ 10,133   |
|                                                                                        | Defined Benefit<br>Pension<br>Plans | Currency<br>Translation<br>Adjustments | Other  | Total       |
| Accumulated other comprehensive income (loss),<br>December 31, 2012                    | \$ (10,318 )                        | \$ 9,749                               | \$ 163 | \$ (406 )   |
| Other comprehensive income (loss) before<br>reclassifications                          | —                                   | (8,212 )                               |        | (8,212 )    |
| Income tax                                                                             | —                                   | 385                                    | —      | 385         |
| Other comprehensive income (loss) before<br>reclassifications, net of tax              | —                                   | (7,827 )                               | —      | (7,827 )    |
| Amounts reclassified from accumulated other<br>comprehensive income (loss)             | 342                                 | —                                      | (21 )  | 321         |
| Income tax                                                                             | (134 )                              | —                                      | 8      | (126 )      |
| Amounts reclassified from accumulated other<br>comprehensive income (loss), net of tax | 208                                 | —                                      | (13 )  | 195         |
| Other comprehensive income (loss)                                                      | 208                                 | (7,827 )                               | (13 )  | (7,632 )    |
| Accumulated other comprehensive income (loss),<br>March 31, 2013                       | \$ (10,110 )                        | \$ 1,922                               | \$ 150 | \$ (8,038 ) |

We include amounts reclassified out of accumulated other comprehensive income related to defined benefit pension plans as a component of net periodic pension cost recorded in selling, general & administrative expenses. For the three months ended March 31, 2014 and 2013, we reclassified \$0.2 million and \$0.3 million of actuarial net losses.

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## Note 12—Commitments and Contingencies

We have contractual obligations that are required to be paid to customers in the event that certain contractual performance targets are not achieved as of specified dates, generally within 36 months from inception of the contract. These contingent obligations totaled \$1.0 million as of March 31, 2014. If none of the performance targets are met as of the specified dates, and customers have met their contractual commitments, payment will be due as follows: 2015 - \$0.2 million; 2016 - \$0.8 million. None of these contingent obligations were accrued at March 31, 2014, as we do not consider any of them probable. We deferred the recognition of fees that are contingent upon our future performance under the terms of these contracts. As of March 31, 2014, \$0.9 million of deferred revenue related to outstanding contractual performance targets was included in other current liabilities.

Prior to exiting the direct-to-consumer business in January 2009, we received reimbursements from Medicare, Medicaid, and private healthcare insurers for certain customer billings. We are subject to audits of these reimbursements for up to seven years from the date of the service.

Various issues and potential claims related to the acquisition and transition of Movianto remain outstanding and under review and discussion with the former owner. The ultimate outcomes of these issues and potential claims, including their impact on future financial results, cannot be ascertained or estimated at this time.

## Note 13—Segment Information

We evaluate the performance of our segments based on the operating earnings of the segments, excluding acquisition-related and exit and realignment charges.

The following tables present financial information by segment:

|                                                      | Three Months Ended<br>March 31, |             |
|------------------------------------------------------|---------------------------------|-------------|
|                                                      | 2014                            | 2013        |
| Net revenue:                                         |                                 |             |
| Domestic                                             | \$2,148,915                     | \$2,154,715 |
| International                                        | 107,465                         | 91,669      |
| Consolidated net revenue                             | \$2,256,380                     | \$2,246,384 |
| Operating earnings (loss):                           |                                 |             |
| Domestic                                             | \$52,734                        | \$52,907    |
| International                                        | (3,188)                         | (3,013)     |
| Acquisition-related and exit and realignment charges | (3,262)                         | (2,010)     |
| Consolidated operating earnings                      | \$46,284                        | \$47,884    |
| Depreciation and amortization:                       |                                 |             |
| Domestic                                             | \$8,975                         | \$9,082     |
| International                                        | 4,889                           | 3,547       |
| Consolidated depreciation and amortization           | \$13,864                        | \$12,629    |
| Capital expenditures:                                |                                 |             |
| Domestic                                             | \$10,175                        | \$11,602    |
| International                                        | 4,054                           | 3,175       |
| Consolidated capital expenditures                    | \$14,229                        | \$14,777    |

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|                           | March 31, 2014 | December 31, 2013 |
|---------------------------|----------------|-------------------|
| Total assets:             |                |                   |
| Domestic                  | \$1,712,214    | \$1,747,572       |
| International             | 474,613        | 474,565           |
| Segment assets            | 2,186,827      | 2,222,137         |
| Cash and cash equivalents | 182,373        | 101,905           |
| Consolidated total assets | \$2,369,200    | \$2,324,042       |

## Note 14—Condensed Consolidating Financial Information

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

| Three Months Ended March 31, 2014                    | Owens & Minor, Inc. | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------|---------------------|------------------------|----------------------------|--------------|--------------|
| Statements of Income                                 |                     |                        |                            |              |              |
| Net revenue                                          | \$—                 | \$2,148,365            | \$119,873                  | \$(11,858 )  | \$2,256,380  |
| Cost of goods sold                                   | —                   | 1,939,464              | 47,599                     | (11,878 )    | 1,975,185    |
| Gross margin                                         | —                   | 208,901                | 72,274                     | 20           | 281,195      |
| Selling, general and administrative expenses         | 47                  | 154,156                | 71,407                     | —            | 225,610      |
| Acquisition-related and exit and realignment charges | —                   | 1,294                  | 1,968                      | —            | 3,262        |
| Depreciation and amortization                        | 2                   | 8,952                  | 4,910                      | —            | 13,864       |
| Other operating income, net                          | —                   | (7,062 )               | (763 )                     | —            | (7,825 )     |
| Operating earnings (loss)                            | (49 )               | 51,561                 | (5,248 )                   | 20           | 46,284       |
| Interest expense (income), net                       | 2,472               | 1,243                  | (469 )                     | —            | 3,246        |
| Income (loss) before income taxes                    | (2,521 )            | 50,318                 | (4,779 )                   | 20           | 43,038       |
| Income tax (benefit) provision                       | (952 )              | 20,160                 | (1,655 )                   | —            | 17,553       |
| Equity in earnings of subsidiaries                   | 27,054              | —                      | —                          | (27,054 )    | —            |
| Net income (loss)                                    | 25,485              | 30,158                 | (3,124 )                   | (27,034 )    | 25,485       |
| Other comprehensive income (loss)                    | 565                 | 106                    | 467                        | (573 )       | 565          |
| Comprehensive income (loss)                          | \$26,050            | \$30,264               | \$(2,657 )                 | \$(27,607 )  | \$26,050     |

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| Three Months Ended March 31, 2013                    | Owens &<br>Minor, Inc. | Guarantor<br>Subsidiaries | Non-guarantor<br>Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------|------------------------|---------------------------|-------------------------------|--------------|--------------|
| Statements of Income                                 |                        |                           |                               |              |              |
| Net revenue                                          | \$—                    | \$2,154,716               | \$ 101,980                    | \$(10,312 )  | \$2,246,384  |
| Cost of goods sold                                   | —                      | 1,936,091                 | 41,282                        | (10,041 )    | 1,967,332    |
| Gross margin                                         | —                      | 218,625                   | 60,698                        | (271 )       | 279,052      |
| Selling, general and administrative expenses         | 654                    | 156,347                   | 60,720                        | —            | 217,721      |
| Acquisition-related and exit and realignment charges | —                      | 862                       | 1,148                         | —            | 2,010        |
| Depreciation and amortization                        | 3                      | 9,060                     | 3,566                         | —            | 12,629       |
| Other operating income, net                          | —                      | (643 )                    | (549 )                        | —            | (1,192 )     |
| Operating earnings (loss)                            | (657 )                 | 52,999                    | (4,187 )                      | (271 )       | 47,884       |
| Interest expense (income), net                       | 4,395                  | (911 )                    | (285 )                        | —            | 3,199        |
| Income (loss) before income taxes                    | (5,052 )               | 53,910                    | (3,902 )                      | (271 )       | 44,685       |
| Income tax (benefit) provision                       | (1,962 )               | 21,455                    | (906 )                        | —            | 18,587       |
| Equity in earnings of subsidiaries                   | 29,188                 | —                         | —                             | (29,188 )    | —            |
| Net income (loss)                                    | 26,098                 | 32,455                    | (2,996 )                      | (29,459 )    | 26,098       |
| Other comprehensive income (loss)                    | (7,632 )               | 208                       | (7,828 )                      | 7,620        | (7,632 )     |
| Comprehensive income (loss)                          | \$18,466               | \$32,663                  | \$(10,824 )                   | \$(21,839 )  | \$18,466     |



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| March 31, 2014                                          | Owens &<br>Minor, Inc. | Guarantor<br>Subsidiaries | Non-<br>guarantor<br>Subsidiaries | Eliminations    | Consolidated |
|---------------------------------------------------------|------------------------|---------------------------|-----------------------------------|-----------------|--------------|
| Balance Sheets                                          |                        |                           |                                   |                 |              |
| Assets                                                  |                        |                           |                                   |                 |              |
| Current assets                                          |                        |                           |                                   |                 |              |
| Cash and cash equivalents                               | \$ 133,300             | \$ 25,569                 | \$ 23,504                         | \$ —            | \$ 182,373   |
| Accounts and notes receivable, net                      | —                      | 469,335                   | 77,475                            | (3,596 )        | 543,214      |
| Merchandise inventories                                 | —                      | 744,219                   | 25,373                            | (1,444 )        | 768,148      |
| Other current assets                                    | —                      | 71,141                    | 203,846                           | 192             | 275,179      |
| Total current assets                                    | 133,300                | 1,310,264                 | 330,198                           | (4,848 )        | 1,768,914    |
| Property and equipment, net                             | —                      | 95,814                    | 96,431                            | —               | 192,245      |
| Goodwill, net                                           | —                      | 247,271                   | 28,291                            | —               | 275,562      |
| Intangible assets, net                                  | —                      | 17,360                    | 22,077                            | —               | 39,437       |
| Due from O&M and subsidiaries                           | —                      | 453,120                   | —                                 | (453,120 )      | —            |
| Advances to and investment in consolidated subsidiaries | 1,561,013              | —                         | —                                 | (1,561,013 )    | —            |
| Other assets, net                                       | 363                    | 66,071                    | 26,608                            | —               | 93,042       |
| Total assets                                            | \$ 1,694,676           | \$ 2,189,900              | \$ 503,605                        | \$ (2,018,981 ) | \$ 2,369,200 |
| Liabilities and equity                                  |                        |                           |                                   |                 |              |
| Current liabilities                                     |                        |                           |                                   |                 |              |
| Accounts payable                                        | \$ —                   | \$ 619,240                | \$ 43,906                         | \$ (3,596 )     | \$ 659,550   |
| Accrued payroll and related liabilities                 | —                      | 10,781                    | 10,960                            | —               | 21,741       |
| Deferred income taxes                                   | —                      | 41,855                    | 120                               | —               | 41,975       |
| Other accrued liabilities                               | 9,747                  | 101,643                   | 190,854                           | —               | 302,244      |
| Total current liabilities                               | 9,747                  | 773,519                   | 245,840                           | (3,596 )        | 1,025,510    |
| Long-term debt, excluding current portion               | 203,596                | 7,252                     | 3,978                             | —               | 214,826      |
| Due to O&M and subsidiaries                             | 449,296                | —                         | 2,671                             | (451,967 )      | —            |
| Intercompany debt                                       | —                      | 138,890                   | —                                 | (138,890 )      | —            |
| Deferred income taxes                                   | —                      | 31,285                    | 11,494                            | —               | 42,779       |
| Other liabilities                                       | —                      | 48,021                    | 4,897                             | —               | 52,918       |
| Total liabilities                                       | 662,639                | 998,967                   | 268,880                           | (594,453 )      | 1,336,033    |
| Equity                                                  |                        |                           |                                   |                 |              |
| Common stock                                            | 126,182                | —                         | 1,500                             | (1,500 )        | 126,182      |
| Paid-in capital                                         | 199,148                | 242,024                   | 259,864                           | (501,888 )      | 199,148      |
| Retained earnings (deficit)                             | 696,574                | 955,374                   | (44,267 )                         | (911,107 )      | 696,574      |
| Accumulated other comprehensive income (loss)           | 10,133                 | (6,465 )                  | 16,498                            | (10,033 )       | 10,133       |
| Total O&M shareholders' equity                          | 1,032,037              | 1,190,933                 | 233,595                           | (1,424,528 )    | 1,032,037    |
| Noncontrolling Interest                                 | —                      | —                         | 1,130                             | —               | 1,130        |
| Total equity                                            | 1,032,037              | 1,190,933                 | 234,725                           | (1,424,528 )    | 1,033,167    |
| Total liabilities and equity                            | \$ 1,694,676           | \$ 2,189,900              | \$ 503,605                        | \$ (2,018,981 ) | \$ 2,369,200 |

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| December 31, 2013                                        | Owens &<br>Minor, Inc. | Guarantor<br>Subsidiaries | Non-guarantor<br>Subsidiaries | Eliminations | Consolidated  |
|----------------------------------------------------------|------------------------|---------------------------|-------------------------------|--------------|---------------|
| Balance Sheets                                           |                        |                           |                               |              |               |
| Assets                                                   |                        |                           |                               |              |               |
| Current assets                                           |                        |                           |                               |              |               |
| Cash and cash equivalents                                | \$74,391               | \$2,012                   | \$25,502                      | \$—          | \$101,905     |
| Accounts and notes receivable, net                       | —                      | 496,310                   | 79,722                        | (3,178       | ) 572,854     |
| Merchandise inventories                                  | —                      | 750,999                   | 22,128                        | (1,464       | ) 771,663     |
| Other current assets                                     | 201                    | 72,049                    | 207,058                       | 202          | 279,510       |
| Total current assets                                     | 74,592                 | 1,321,370                 | 334,410                       | (4,440       | ) 1,725,932   |
| Property and equipment, net                              | 2                      | 96,500                    | 95,459                        | —            | 191,961       |
| Goodwill, net                                            | —                      | 247,271                   | 28,168                        | —            | 275,439       |
| Intangible assets, net                                   | —                      | 17,881                    | 22,525                        | —            | 40,406        |
| Due from O&M and subsidiaries                            | —                      | 377,786                   | —                             | (377,786     | ) —           |
| Advances to and investments in consolidated subsidiaries | 1,533,294              | —                         | —                             | (1,533,294   | ) —           |
| Other assets, net                                        | 408                    | 63,848                    | 26,048                        | —            | 90,304        |
| Total assets                                             | \$1,608,296            | \$2,124,656               | \$506,610                     | \$(1,915,520 | ) \$2,324,042 |
| Liabilities and equity                                   |                        |                           |                               |              |               |
| Current liabilities                                      |                        |                           |                               |              |               |
| Accounts payable                                         | \$—                    | \$595,865                 | \$51,185                      | \$(3,178     | ) \$643,872   |
| Accrued payroll and related liabilities                  | —                      | 12,792                    | 10,504                        | —            | 23,296        |
| Deferred income taxes                                    | —                      | 41,464                    | 149                           | —            | 41,613        |
| Other current liabilities                                | 6,811                  | 87,795                    | 185,792                       | —            | 280,398       |
| Total current liabilities                                | 6,811                  | 737,916                   | 247,630                       | (3,178       | ) 989,179     |
| Long-term debt, excluding current portion                | 204,028                | 7,228                     | 2,559                         | —            | 213,815       |
| Due to O&M and subsidiaries                              | 373,544                | —                         | 2,910                         | (376,454     | ) —           |
| Intercompany debt                                        | —                      | 138,890                   | —                             | (138,890     | ) —           |
| Deferred income taxes                                    | —                      | 32,173                    | 11,554                        | —            | 43,727        |
| Other liabilities                                        | —                      | 47,816                    | 4,462                         | —            | 52,278        |
| Total liabilities                                        | 584,383                | 964,023                   | 269,115                       | (518,522     | ) 1,298,999   |
| Equity                                                   |                        |                           |                               |              |               |
| Common stock                                             | 126,193                | —                         | 1,500                         | (1,500       | ) 126,193     |
| Paid-in capital                                          | 196,605                | 242,024                   | 259,864                       | (501,888     | ) 196,605     |
| Retained earnings (deficit)                              | 691,547                | 925,184                   | (41,029                       | ) (884,155   | ) 691,547     |
| Accumulated other comprehensive income (loss)            | 9,568                  | (6,575                    | ) 16,030                      | (9,455       | ) 9,568       |
| Total Owens & Minor, Inc. shareholders' equity           | 1,023,913              | 1,160,633                 | 236,365                       | (1,396,998   | ) 1,023,913   |
| Noncontrolling interest                                  | —                      | —                         | 1,130                         | —            | 1,130         |
| Total equity                                             | 1,023,913              | 1,160,633                 | 237,495                       | (1,396,998   | ) 1,025,043   |
| Total liabilities and equity                             | \$1,608,296            | \$2,124,656               | \$506,610                     | \$(1,915,520 | ) \$2,324,042 |

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| Three Months Ended March 31, 2014                                                        | Owens &<br>Minor, Inc. | Guarantor<br>Subsidiaries | Non-guarantor<br>Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------------------------------------------|------------------------|---------------------------|-------------------------------|--------------|--------------|
| Statements of Cash Flows                                                                 |                        |                           |                               |              |              |
| Operating activities:                                                                    |                        |                           |                               |              |              |
| Net income (loss)                                                                        | \$25,485               | \$30,158                  | \$(3,124)                     | ) \$(27,034) | ) \$25,485   |
| Adjustments to reconcile net income to cash provided by (used for) operating activities: |                        |                           |                               |              |              |
| Equity in earnings of subsidiaries                                                       | (27,054)               | ) —                       | —                             | 27,054       | —            |
| Depreciation and amortization                                                            | 2                      | 8,952                     | 4,910                         | —            | 13,864       |
| Share-based compensation expense                                                         | —                      | 2,570                     | 72                            | —            | 2,642        |
| Provision for losses on accounts and notes receivable                                    | —                      | 96                        | (42)                          | ) —          | 54           |
| Deferred income tax expense (benefit)                                                    | —                      | (588)                     | ) (234)                       | ) —          | (822)        |
| Changes in operating assets and liabilities:                                             |                        |                           |                               |              |              |
| Accounts and notes receivable                                                            | —                      | 26,879                    | 2,530                         | 419          | 29,828       |
| Merchandise inventories                                                                  | —                      | 7,563                     | (3,835)                       | ) (21)       | ) 3,707      |
| Accounts payable                                                                         | —                      | 23,375                    | (7,142)                       | ) (418)      | ) 15,815     |
| Net change in other assets and liabilities                                               | 3,138                  | 12,734                    | (11,951)                      | ) —          | 3,921        |
| Other, net                                                                               | (388)                  | ) (745)                   | ) (159)                       | ) —          | (1,292)      |
| Cash provided by (used for) operating activities                                         | 1,183                  | 110,994                   | (18,975)                      | ) —          | 93,202       |
| Investing activities:                                                                    |                        |                           |                               |              |              |
| Proceeds from the sale of investment                                                     | —                      | 1,937                     | —                             | —            | 1,937        |
| Additions to property and equipment                                                      | —                      | (4,036)                   | ) (3,263)                     | ) —          | (7,299)      |
| Additions to computer software and intangible assets                                     | —                      | (6,139)                   | ) (791)                       | ) —          | (6,930)      |
| Proceeds from the sale of property and equipment                                         | —                      | 11                        | 94                            | —            | 105          |
| Cash used for investing activities                                                       | —                      | (8,227)                   | ) (3,960)                     | ) —          | (12,187)     |
| Financing activities:                                                                    |                        |                           |                               |              |              |
| Change in bank overdraft                                                                 | —                      | —                         | 20,578                        | —            | 20,578       |
| Change in intercompany advances                                                          | 78,263                 | (78,631)                  | ) 368                         | —            | —            |
| Cash dividends paid                                                                      | (15,785)               | ) —                       | —                             | —            | (15,785)     |
| Repurchases of common stock                                                              | (5,000)                | ) —                       | —                             | —            | (5,000)      |
| Excess tax benefits related to share-based compensation                                  | 346                    | —                         | —                             | —            | 346          |
| Proceeds from exercise of stock options                                                  | 937                    | —                         | —                             | —            | 937          |
| Other, net                                                                               | (1,035)                | ) (579)                   | ) (254)                       | ) —          | (1,868)      |
| Cash provided by (used for) financing activities                                         | 57,726                 | (79,210)                  | ) 20,692                      | —            | (792)        |
| Effect of exchange rate changes on cash and cash equivalents                             | —                      | —                         | 245                           | —            | 245          |
| Net increase (decrease) in cash and cash equivalents                                     | 58,909                 | 23,557                    | (1,998)                       | ) —          | 80,468       |
| Cash and cash equivalents at beginning of period                                         | 74,391                 | 2,012                     | 25,502                        | —            | 101,905      |
|                                                                                          | \$133,300              | \$25,569                  | \$23,504                      | \$—          | \$182,373    |

Cash and cash equivalents at end of  
period

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| Three months ended March 31, 2013                                                        | Owens &<br>Minor, Inc. | Guarantor<br>Subsidiaries | Non-guarantor<br>Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------------------------------------------|------------------------|---------------------------|-------------------------------|--------------|--------------|
| Statements of Cash Flows                                                                 |                        |                           |                               |              |              |
| Operating activities:                                                                    |                        |                           |                               |              |              |
| Net income (loss)                                                                        | \$26,098               | \$32,455                  | \$(2,996)                     | \$(29,459)   | \$26,098     |
| Adjustments to reconcile net income to cash provided by (used for) operating activities: |                        |                           |                               |              | —            |
| Equity in earnings of subsidiaries                                                       | (29,188)               | —                         | —                             | 29,188       | —            |
| Depreciation and amortization                                                            | 3                      | 9,060                     | 3,566                         | —            | 12,629       |
| Share-based compensation expense                                                         | —                      | 1,910                     | —                             | —            | 1,910        |
| Deferred income tax expense                                                              | —                      | 626                       | (682)                         | —            | (56)         |
| Provision for losses on accounts and notes receivable                                    | —                      | 53                        | 54                            | —            | 107          |
| Changes in operating assets and liabilities:                                             |                        |                           |                               |              | —            |
| Accounts and notes receivable                                                            | —                      | (11,755)                  | (22,344)                      | (476)        | (34,575)     |
| Merchandise inventories                                                                  | —                      | 24,300                    | (2,786)                       | 270          | 21,784       |
| Accounts payable                                                                         | —                      | 60,533                    | 37,188                        | 477          | 98,198       |
| Net change in other assets and liabilities                                               | 3,720                  | 2,813                     | 22,448                        | —            | 28,981       |
| Other, net                                                                               | (406)                  | (39)                      | (20)                          | —            | (465)        |
| Cash provided by (used for) operating activities                                         | 227                    | 119,956                   | 34,428                        | —            | 154,611      |
| Investing activities:                                                                    |                        |                           |                               |              |              |
| Additions to computer software and intangible assets                                     | —                      | (5,786)                   | (1,478)                       | —            | (7,264)      |
| Additions to property and equipment                                                      | —                      | (5,816)                   | (1,697)                       | —            | (7,513)      |
| Proceeds from the sale of property and equipment                                         | —                      | 45                        | (1)                           | —            | 44           |
| Cash used for investing activities                                                       | —                      | (11,557)                  | (3,176)                       | —            | (14,733)     |
| Financing activities:                                                                    |                        |                           |                               |              |              |
| Change in intercompany advances                                                          | 106,661                | (106,529)                 | (132)                         | —            | —            |
| Cash dividends paid                                                                      | (15,199)               | —                         | —                             | —            | (15,199)     |
| Repurchases of common stock                                                              | (2,282)                | —                         | —                             | —            | (2,282)      |
| Excess tax benefits related to share-based compensation                                  | 207                    | —                         | —                             | —            | 207          |
| Proceeds from exercise of stock options                                                  | 1,792                  | —                         | —                             | —            | 1,792        |
| Other, net                                                                               | (985)                  | (725)                     | (248)                         | —            | (1,958)      |
| Cash provided by (used for) financing activities                                         | 90,194                 | (107,254)                 | (380)                         | —            | (17,440)     |
| Effect of exchange rate changes on cash and cash equivalents                             | —                      | —                         | (1,763)                       | —            | (1,763)      |
| Net (decrease) increase in cash and cash equivalents                                     | 90,421                 | 1,145                     | 29,109                        | —            | 120,675      |
| Cash and cash equivalents at beginning of period                                         | 58,190                 | 13,641                    | 26,057                        | —            | 97,888       |
| Cash and cash equivalents at end of period                                               | \$148,611              | \$14,786                  | \$55,166                      | \$—          | \$218,563    |



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## Note 15—Recent Accounting Pronouncements

There has been no change in our significant accounting policies from those contained in our Annual Report on Form 10-K for the year ended December 31, 2013.

We adopted an Accounting Standard Update (ASU) issued by the Financial Accounting Standards Board (FASB) for presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The adoption of this guidance did not have an impact on our financial position or results of operations.

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

The following discussion and analysis describes results of operations and material changes in the financial condition of Owens & Minor, Inc. and its subsidiaries since December 31, 2013. Trends of a material nature are discussed to the extent known and considered relevant. This discussion should be read in conjunction with the consolidated financial statements, related notes thereto, and management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2013.

## Overview

Owens & Minor, Inc., along with its subsidiaries, (we, us, or our) is a leading national distributor of name-brand medical and surgical supplies and a healthcare logistics company. We report our business under two segments: Domestic and International. The Domestic segment includes all services in the United States relating to our role as a medical supply logistics company serving healthcare providers and manufacturers. The International segment provides third-party logistics for the pharmaceutical and medical device industries in the European market. Segment financial information is provided in Note 13 of Notes to Consolidated Financial Statements included in this quarterly report. Financial highlights. The following table provides a reconciliation of reported operating earnings, net income and net income per diluted common share to non-GAAP measures used by management. GAAP and non-GAAP results discussed below for the three months ended March 31, 2014 include a recovery of \$5.3 million recorded in other operating income, net related to the settlement of a direct purchaser anti-trust class action lawsuit.

| (Dollars in thousands except per share data)                                   | Three Months Ended March 31, |          |
|--------------------------------------------------------------------------------|------------------------------|----------|
|                                                                                | 2014                         | 2013     |
| Operating earnings, as reported (GAAP)                                         | \$46,284                     | \$47,884 |
| Acquisition-related and exit and realignment charges                           | 3,262                        | 2,010    |
| Operating earnings, adjusted (non-GAAP) (Adjusted Operated Earnings)           | \$49,546                     | \$49,894 |
| Adjusted Operating Earnings as a percent of revenue (non-GAAP)                 | 2.20                         | % 2.22 % |
| Net income, as reported (GAAP)                                                 | \$25,485                     | \$26,098 |
| Acquisition-related and exit and realignment charges, net of tax               | 2,222                        | 1,521    |
| Net income, adjusted (non-GAAP) (Adjusted Net Income)                          | \$27,707                     | \$27,619 |
| Net income per diluted common share, as reported (GAAP)                        | \$0.41                       | \$0.41   |
| Acquisition-related and exit and realignment charges, per diluted common share | 0.03                         | 0.03     |
| Net income per diluted common share, adjusted (non-GAAP)(Adjusted EPS)         | \$0.44                       | \$0.44   |

Adjusted EPS (non-GAAP) was \$0.44 in the first quarter of 2014, unchanged when compared with prior year.

Domestic segment operating earnings (including the recovery of \$5.3 million noted above) decreased \$0.2 million to \$52.7 million for the first quarter of 2014. The International segment had an operating loss of \$3.2 million for the three months ended March 31, 2014 compared to a loss of \$3.0 million for the comparable prior year period.

## Use of Non-GAAP Measures

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

Management provides these non-GAAP financial measures to investors as supplemental metrics to assist readers in assessing the effects of items and events on our financial and operating results and in comparing our performance to that of our

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competitors. However, the non-GAAP financial measures used by us may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

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

Acquisition-related charges, pre-tax, were \$0.7 million and \$0.6 million in the first quarter of 2014 and 2013. Current quarter charges consist primarily of costs to resolve certain contingencies with the former owner as well as remaining costs to transition Movianto's information technology and administrative functions. Exit and realignment charges, pre-tax, of \$2.6 million and \$1.4 million in the first quarter of 2014 and 2013 are associated with optimizing our operations and include the consolidation of distribution and logistics centers and closure of offsite warehouses in the United States and Europe, as well as other costs associated with our strategic organizational realignment. These charges have been tax effected in the preceding table using a blended income tax rate depending on the amount of charges incurred in different tax jurisdictions. Unless otherwise stated, our analysis hereinafter excludes acquisition-related and exit and realignment charges. More information about these charges is provided in Notes 5 of Notes to Consolidated Financial Statements included in this quarterly report.

**Results of Operations****Net revenue.**

| (Dollars in thousands) | Three Months Ended March 31, |             | Change    |       |    |
|------------------------|------------------------------|-------------|-----------|-------|----|
|                        | 2014                         | 2013        | \$        | %     |    |
| Domestic               | \$2,148,915                  | \$2,154,715 | \$(5,800) | (0.3) | )% |
| International          | 107,465                      | 91,669      | 15,796    | 17.2  | %  |
| Net revenue            | \$2,256,380                  | \$2,246,384 | \$9,996   | 0.4   | %  |

Consolidated net revenue improved slightly over prior year fueled by growth in fee-for-service revenues. Domestic segment revenue was impacted by ongoing market trends including continued lower rates of healthcare utilization. In addition, our continued rationalization of smaller, less profitable healthcare provider customers and suppliers were not fully offset by growth in existing customers and new business. The increase in the International segment was largely a result of growth in fee-for-service business as well as positive impacts from foreign exchange. Fee-for-service business represents approximately two-thirds of net revenue in the International segment.

**Gross margin.**

| (Dollars in thousands) | Three Months Ended March 31, |           | Change  |     |   |
|------------------------|------------------------------|-----------|---------|-----|---|
|                        | 2014                         | 2013      | \$      | %   |   |
| Gross margin           | \$281,195                    | \$279,052 | \$2,143 | 0.8 | % |
| As a % of net revenue  | 12.46                        | % 12.42   | %       |     |   |

The growth in fee-for-service activity drove the overall improvement in gross margin as the International segment had an \$11.4 million increase over prior year. This was mostly offset by a decline in the Domestic segment gross margin mainly as a result of lower benefits from supplier price changes in the first quarter of 2014 when compared to the first quarter of 2013, as well as lower margins on new and renewed contracts.

**Operating expenses.**

| (Dollars in thousands)        | Three Months Ended March 31, |           | Change    |       |   |
|-------------------------------|------------------------------|-----------|-----------|-------|---|
|                               | 2014                         | 2013      | \$        | %     |   |
| SG&A expenses                 | \$225,610                    | \$217,721 | \$7,889   | 3.6   | % |
| As a % of net revenue         | 10.00                        | % 9.69    | %         |       |   |
| Depreciation and amortization | \$13,864                     | \$12,629  | \$1,235   | 9.8   | % |
| Other operating income, net   | \$(7,825)                    | \$(1,192) | \$(6,633) | 556.5 | % |

Selling, general and administrative (SG&A) expenses include labor, warehousing, handling and delivery costs associated with our distribution and logistics services and all costs associated with our fee-for-service arrangements.

**The costs**



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to convert new customers to our information systems are generally incurred prior to the recognition of revenues from the new customers.

International segment SG&A increased over the prior year period by \$10.6 million due mainly to increased salaries and delivery costs associated with higher fee-for-service activity as well as on-boarding costs in advance of a significant new customer in the United Kingdom. This increase was partially offset by a \$2.7 million decline in the Domestic segment driven by cost benefits realized from our strategic initiatives and improvement in workers' compensation claims experience.

Depreciation and amortization expense increased primarily in the International segment due to increases in computer software amortization for assets placed in service and amortization from purchase price accounting adjustments.

The increase in other operating income, net over the prior year period is attributed primarily to the recovery of \$5.3 million from the settlement of a direct purchaser anti-trust class action lawsuit relating to the recovery of costs from purchases of medical devices over a multi-year period, as well as a gain on the sale of an investment and an increase in finance charge income.

Interest expense, net.

|                         | Three Months Ended March 31, |         | Change |     |   |
|-------------------------|------------------------------|---------|--------|-----|---|
| (Dollars in thousands)  | 2014                         | 2013    | \$     | %   |   |
| Interest expense, net   | \$3,246                      | \$3,199 | \$47   | 1.5 | % |
| Effective interest rate | 6.08                         | % 5.99  | %      |     |   |

Interest expense is consistent with the prior year period.

Income taxes.

|                        | Three Months Ended March 31, |          | Change    |       |    |
|------------------------|------------------------------|----------|-----------|-------|----|
| (Dollars in thousands) | 2014                         | 2013     | \$        | %     |    |
| Income tax provision   | \$17,553                     | \$18,587 | \$(1,034) | (5.6) | )% |
| Effective tax rate     | 40.8                         | % 41.6   | %         |       |    |

The provision for income taxes, including income taxes on acquisition-related and exit and realignment charges, decreased from the prior year largely due to the impact of foreign taxes.

#### Financial Condition, Liquidity and Capital Resources

Financial condition. We monitor operating working capital through days sales outstanding (DSO) and merchandise inventory turnover. We estimate a hypothetical increase (decrease) in DSO of one day would result in a decrease (increase) in our cash balances, an increase (decrease) in borrowings against our revolving credit facility, or a combination thereof of approximately \$25 million.

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

|                                                  | March 31, | December 31, | Change     |       |    |
|--------------------------------------------------|-----------|--------------|------------|-------|----|
| (Dollars in thousands)                           | 2014      | 2013         | \$         | %     |    |
| Cash and cash equivalents                        | \$182,373 | \$101,905    | \$80,468   | 79.0  | %  |
| Accounts and notes receivable, net of allowances | \$543,214 | \$572,854    | \$(29,640) | (5.2) | )% |
| Consolidated DSO <sup>(1)</sup>                  | 20.5      | 22.1         |            |       |    |
| Merchandise inventories                          | \$768,148 | \$771,663    | \$(3,515)  | (0.5) | )% |
| Consolidated inventory turnover <sup>(2)</sup>   | 10.4      | 10.4         |            |       |    |
| Accounts payable                                 | \$659,550 | \$643,872    | \$15,678   | 2.4   | %  |

(1) Based on period end accounts receivable and net revenue for the quarter

(2) Based on average annual inventory and costs of goods sold for the quarter ended March 31, 2014 and December 31, 2013



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Liquidity and capital expenditures. The following table summarizes our consolidated statements of cash flows for the three months ended March 31, 2014 and 2013:

| (Dollars in thousands)                | 2014     | 2013      |
|---------------------------------------|----------|-----------|
| Net cash provided by (used for):      |          |           |
| Operating activities                  | \$93,202 | \$154,611 |
| Investing activities                  | (12,187) | (14,733)  |
| Financing activities                  | (792)    | (17,440)  |
| Effect of exchange rate changes       | 245      | (1,763)   |
| Increase in cash and cash equivalents | \$80,468 | \$120,675 |

Cash provided by operating activities was \$93.2 million in the first three months of 2014, compared to \$154.6 million in the same period of 2013. The decrease in cash from operating activities for the first three months of 2014 compared to the same period in 2013 was primarily due to routine changes in working capital including timing of payments.

Cash used for investing activities was \$12.2 million in the first three months of 2014, compared to \$14.7 million in the same period of 2013. Investing activities in 2014 and 2013 relate to capital expenditures for our strategic and operational efficiency initiatives, particularly initiatives relating to information technology enhancements and optimizing our distribution network.

Cash used for financing activities in the first three months of 2014 was \$0.8 million, compared to \$17.4 million used in the same period of 2013. During the first three months of 2014, we paid dividends of \$15.8 million, repurchased common stock under a share repurchase program for \$5.0 million of cash, and received proceeds of \$1.0 million from the exercise of stock options. Financing activities in the current quarter also include \$20.6 million in a bank overdraft related to timing of payments and collections in our order-to-cash business at March 31, 2014.

Capital resources. Our sources of liquidity include cash and cash equivalents and a revolving credit facility. We have a five-year \$350 million Credit Agreement with Wells Fargo Bank, N.A., JPMorgan Chase Bank, N.A. and a syndicate of financial institutions (the Credit Agreement). Under the Credit Agreement, we have the ability to request two one-year extensions and to request an increase in aggregate commitments by up to \$150 million. The interest rate, which is subject to adjustment quarterly, is based on the London Interbank Offered Rate (LIBOR), the Federal Funds Rate or the Prime Rate, plus an adjustment based on the better of our debt ratings or leverage ratio (Credit Spread) as defined by the Credit Agreement. We are charged a commitment fee of between 17.5 and 42.5 basis points on the unused portion of the facility. The terms of the Credit Agreement limit the amount of indebtedness that we may incur and require us to maintain ratios for leverage and interest coverage, including on a pro forma basis in the event of an acquisition. At March 31, 2014, we had no borrowings and letters of credit of approximately \$5.0 million outstanding on the revolving credit facility, leaving \$345.0 million available for borrowing.

We may utilize the revolving credit facility for long-term strategic growth, capital expenditures, working capital and general corporate purposes. If we were unable to access the revolving credit facility, it could impact our ability to fund these needs. During the first three months of 2014, we had no borrowings or repayments under the credit facility. Based on our leverage ratio at March 31, 2014, the interest rate under the credit facility is LIBOR plus 1.375%. We have \$200 million of senior notes outstanding, which mature in 2016 and bear interest at 6.35%, payable semi-annually on April 15 and October 15. The revolving credit facility and senior notes contain cross-default provisions which could result in the acceleration of payments due in the event of default of either agreement. We believe we were in compliance with the debt covenants at March 31, 2014.

In the first quarter of 2014, we paid cash dividends on our outstanding common stock at the rate of \$0.25 per share, which represents a 4% increase over the rate of \$0.24 per share paid in the first quarter of 2013. We anticipate continuing to pay quarterly cash dividends in the future. However, the payment of future dividends remains within the discretion of the Board of Directors and will depend upon our results of operations, financial condition, capital requirements and other factors.

In February 2014, the Board of Directors authorized a share repurchase program of up to \$100 million of our outstanding common stock to be executed at the discretion of management over a three-year period, expiring in February 2017. The timing of purchases and the number of shares of common stock to be repurchased will be determined by management based upon market conditions and other factors. The program is intended to offset shares

issued in conjunction with our stock incentive plan and return capital to shareholders. The program may be suspended or discontinued at any time. During the first quarter of 2014, we repurchased approximately 143 thousand shares for \$5.0 million under this program. The remaining amount authorized for repurchases under this program is \$95.0 million at March 31, 2014.

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We earn a portion of our operating earnings in foreign jurisdictions outside the U.S., which we consider to be indefinitely reinvested. Accordingly, no U.S. federal and state income taxes and withholding taxes have been provided on these earnings. Our cash, cash-equivalents, short-term investments, and marketable securities held by our foreign subsidiaries totaled \$18.9 million and \$22.2 million as of March 31, 2014 and December 31, 2013. We do not intend, nor do we foresee a need, to repatriate these funds or other assets held outside the U.S. In the future, should we require more capital to fund discretionary activities in the U.S. than is generated by our domestic operations and is available through our borrowings, we could elect to repatriate cash or other assets from foreign jurisdictions that have previously been considered to be indefinitely reinvested. Upon distribution of these assets, we could be subject to additional U.S. federal and state income taxes and withholding taxes payable to foreign jurisdictions, where applicable.

The IRS on January 10, 2014 released final regulations relating to the adjustment of inventory costs for certain sales-based vendor charge-backs and the allowable treatment of these charge-backs in tax LIFO calculations. We are currently analyzing the impact of this regulatory change on our tax LIFO position, which could cause our related deferred tax liability to become due and payable, impacting future cash flow.

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

### Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 15 in the Notes to Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q for the quarterly period ended on March 31, 2014.

### Forward-looking Statements

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

- competitive pressures in the marketplace, including intense pricing pressure;
- our ability to retain existing and attract new customers in a market characterized by significant customer consolidation and intense cost-containment initiatives;
- our dependence on sales to certain customers or the loss or material reduction in purchases by key customers;
- our dependence on distribution of product of certain suppliers;
- our ability to successfully identify, manage or integrate acquisitions, including the management and integration of our acquisition of Movianto;
- our ability to successfully manage our international operations, including risks associated with changes in international trade regulations, foreign currency volatility, changes in regulatory conditions, deteriorating economic conditions, adverse tax consequences, and other risks of operating in international markets;
- uncertainties related to and our ability to adapt to changes in government regulations, including healthcare laws and regulations (including the Affordable Care Act);
- risks arising from possible violations of legal, regulatory or licensing requirements of the markets in which we operate;
- uncertainties related to general economic, regulatory and business conditions;
- our ability to successfully implement our strategic initiatives;
- the availability of and modifications to existing supplier funding programs and our ability to meet the terms to qualify for certain of these programs;

- our ability to adapt to changes in product pricing and other terms of purchase by suppliers of product;
- the ability of customers and suppliers to meet financial commitments due to us;



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- changes in manufacturer preferences between direct sales and wholesale distribution;
- changing trends in customer profiles and ordering patterns and our ability to meet customer demand for additional value-added services;
- our ability to manage operating expenses and improve operational efficiencies in response to changing customer profiles;
- our ability to meet performance targets specified by customer contracts under contractual commitments;
- availability of and our ability to access special inventory buying opportunities;
- the ability of business partners and financial institutions to perform their contractual responsibilities;
- the effect of price volatility in the commodities markets, including fuel price fluctuations, on our operating costs and supplier product prices;
- our ability to continue to obtain financing at reasonable rates and to manage financing costs and interest rate risk;
- the risk that information systems are interrupted or damaged or fail for any extended period of time or that there is a data security breach;
- the risk that a decline in business volume or profitability could result in an impairment of goodwill or other long-lived assets;
- our ability to timely or adequately respond to technological advances in the medical supply industry;
- the costs associated with and outcome of outstanding and any future litigation, including product and professional liability claims;
- adverse changes in U.S. and foreign tax laws and the outcome of outstanding tax contingencies and legislative and tax proposals; and
- other factors described in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2013.

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

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates related to our revolving credit facility. We had no outstanding borrowings and approximately \$5 million in letters of credit under the revolving credit facility at March 31, 2014. A hypothetical increase in interest rates of 100 basis points would result in a potential reduction in future pre-tax earnings of approximately \$0.1 million per year for every \$10 million of outstanding borrowings under the revolving credit facility.

Due to the nature and pricing of our Domestic segment distribution services, we are exposed to potential volatility in fuel prices. Our strategies for helping to mitigate our exposure to changing domestic fuel prices has included entering into leases for trucks with improved fuel efficiency and entering into fixed-price agreements for diesel fuel. We benchmark our domestic diesel fuel purchase prices against the U.S. Weekly Retail On-Highway Diesel Prices (benchmark) as quoted by the U.S. Energy Information Administration. The benchmark averaged \$3.96 per gallon in the first three months of 2014, a decrease from \$4.03 per gallon in the first three months of 2013. Based on our fuel consumption in the first three months of 2014, we estimate that every 10 cents per gallon increase in the benchmark would reduce our Domestic segment operating earnings by approximately \$450,000 on an annualized basis.

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

### Item 4. Controls and Procedures

We carried out an evaluation, with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2014. There has been no change in our internal control over financial reporting during the quarter ended March 31, 2014, that has materially affected, or is reasonably likely to

materially affect, our internal control over financial reporting.

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## Part II. Other Information

## Item 1. Legal Proceedings

Certain legal proceedings pending against us are described in our Annual Report on Form 10-K for the year ended December 31, 2013. Through March 31, 2014, there have been no material developments in any legal proceedings reported in such Annual Report.

## Item 1A. Risk Factors

Certain risk factors that we believe could affect our business and prospects are described in our Annual Report on Form 10-K for the year ended December 31, 2013. Through March 31, 2014, there have been no material changes in the risk factors described in such Annual Report.

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

In February 2014, our Board of Directors authorized a share repurchase program of up to \$100 million of our outstanding common stock to be executed at the discretion of management over a three-year period, expiring in February 2017. The program is intended to offset shares issued in conjunction with our stock incentive plan and return capital to shareholders. The program may be suspended or discontinued at any time. For the three months ended March 31, 2014, we repurchased in open-market transactions and retired 142,904 shares of our common stock for an aggregate of \$5.0 million, or an average price per share of \$34.99. The following table summarizes share repurchase activity by month during the three months ended March 31, 2014.

| Period        | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of a publicly announced program | Maximum dollar value of shares that may yet be purchased under the program |
|---------------|----------------------------------|------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------|
| January 2014  | —                                | \$—                          | —                                                                        | \$—                                                                        |
| February 2014 | 50,000                           | \$34.93                      | 50,000                                                                   | \$98,253,402                                                               |
| March 2014    | 92,904                           | \$35.02                      | 92,904                                                                   | \$95,000,018                                                               |
| Total         | 142,904                          |                              | 142,904                                                                  |                                                                            |

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SIGNATURES

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

Owens & Minor, Inc.  
(Registrant)

Date: May 1, 2014

/s/ Craig R. Smith  
Craig R. Smith  
Chairman & Chief Executive Officer

Date: May 1, 2014

/s/ Richard A. Meier  
Richard A. Meier  
Executive Vice President & Chief Financial Officer

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Item 6. Exhibits

(a) Exhibits

|         |                                                                                                                                                                                      |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1     | Amended and Restated Bylaws of Owens & Minor, Inc. (incorporated herein by reference to our Current Report on Form 8-K, Exhibit 3.1, dated November 5, 2013).                        |
| 10.1    | Form of Performance Share Award Agreement                                                                                                                                            |
| 10.2    | Form of Annual Executive Incentive Program                                                                                                                                           |
| 31.1    | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2    | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1    | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                   |
| 32.2    | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                   |
| 101.INS | XBRL Instance Document                                                                                                                                                               |
| 101.SCH | XBRL Taxonomy Extension Schema Document                                                                                                                                              |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                                |
| 101.DEF | XBRL Taxonomy Definition Linkbase Document                                                                                                                                           |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document                                                                                                                                      |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                               |