

Henry Schein, Inc. Announces Record Second Quarter Results

August 3, 1998

- EPS Reaches \$0.35 on 31% Net Income Growth -

MELVILLE, N.Y., Aug. 3 /PRNewswire/ -- Henry Schein, Inc. (Nasdaq: HSIC) today announced financial results for the second quarter and year-to-date ended June 27, 1998, compared to restated results for 1997.

For the second quarter of 1998, net sales increased 15% to \$428 million from \$373 million for the second quarter last year. Excluding merger and integration costs and including pro forma adjustments, net income rose 31% to \$13.5 million as compared to \$10.3 million for last year's second quarter. The Company reported diluted earnings per share, after adjustments, of \$0.35 versus \$0.28 in the 1997 second quarter, a 25% increase. Average shares outstanding were 38,736,000 for the quarter -- 7% greater than the prior year.

Year-to-date, net sales of \$831 million represents a 17% increase over the prior year. Excluding merger and integration costs and including pro forma adjustments, net income of \$22.2 million reflects 38% growth compared to 1997. Diluted earnings per share, after adjustments, increased by 29% to \$0.58 compared to \$0.45 for the prior year. Average shares outstanding were 38,221,000 -- 8% higher than in 1997.

In a separate release, the Company announced earlier today that it has entered into a definitive agreement to acquire Meer Dental Supply Company, a leading full-service dental distributor serving over 40,000 dentists, dental laboratories and institutions in the United States. Meer Dental, with over \$180 million in 1997 sales, will merge its operations with Sullivan-Schein Dental(TM), a division of Henry Schein.

Commenting on the financial results, Stanley M. Bergman, Chairman, Chief Executive Officer, and President of Henry Schein, stated, "We continue to be pleased with our financial results, reporting yet another quarter of exceptional performance. Adjusted net income and earnings per share grew by 31% and 25% respectively for the quarter, both impressive figures indeed."

Mr. Bergman added, "The second quarter results also clearly reflect the success of our growth strategies. Excluding merger and integration costs, our operating margin for the quarter reached 5.1% of net sales, a 100 basis point improvement over the second quarter of 1997. For the year-to-date, adjusted operating margin grew by 80 basis points. This performance is a result of the synergies derived from the continuing integrations of the Sullivan Dental and Micro Bio-Medics acquisitions, as well as our continuing strategy of leveraging our core infrastructure.

"In addition, during the quarter we announced acquisitions adding approximately \$77 million in annual revenue, strengthening our market reach in three key regions -- Arcona Health in Canada, Bedsole Medical in the southern region of the United States, and Regional Health Care in Australia and New Zealand," continued Mr. Bergman. "These transactions are consistent with the Company's growth strategies of increasing market penetration, both domestically and internationally."

Mr. Bergman concluded, "I am also proud to report that on June 15th we began shipping orders out of our new 400,000 square foot, state-of-the art, Northeast distribution center in Denver, Pennsylvania. As we proceed with our distribution center consolidation strategy, the anticipated improvements in reductions in processing costs and customer service will be major factors in our continued growth. I remain as excited as ever about the future prospects of Henry Schein."

Henry Schein, Inc. is the largest distributor of healthcare products to office-based healthcare practitioners, including dental practices and laboratories, physician practices and veterinary clinics. The Company, recognized for its excellent customer service and low prices, serves more than 250,000 customers worldwide. For more information, visit the Henry Schein website at <http://www.henryschein.com>.

Certain information contained herein includes information that is forward-looking. The matters referred to in forward-looking statements may be affected by the risks and uncertainties involved in the company's business. These forward-looking statements are qualified in their entirety by the cautionary statements contained in the Company's Securities and Exchange Commission filings.

HENRY SCHEIN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (in thousands, except per share data) (unaudited)

	Three Months Ended		Six Months Ended	
	June 27, 1998	June 28, 1997 (restated)	June 27, 1998	June 28, 1997 (restated)
Net sales	\$427,873	\$373,434	\$830,905	\$712,483
Cost of sales	293,754	262,502	575,295	501,514
Gross profit	134,119	110,932	255,610	210,969
Operating expenses:				
Selling, general and administrative	112,300	95,537	219,525	185,939

Merger and integration costs	8,536	1,826	12,400	4,353
Operating income	13,283	13,569	23,685	20,677
Other income (expense):				
Interest income	1,419	1,444	3,131	2,981
Interest expense	(2,505)	(1,012)	(4,662)	(2,032)
Other - net	(35)	69	45	(6)
Income before taxes on income, minority interest and equity in earnings of affiliates	12,162	14,070	22,199	21,620
Taxes on income	5,567	6,021	9,820	10,029
Minority interest in net loss of subsidiaries	(144)	(112)	(143)	(126)
Equity in earnings of affiliates	474	380	655	330
Net income	\$7,213	\$8,541	\$13,177	\$12,047
Adjusted net income:				
Net income	\$7,213	\$8,541	\$13,177	\$12,047
Adjustments:				
Merger and integration costs	8,536	1,826	12,400	4,353
Tax effect on merger and integration costs	(2,294)	(320)	(3,331)	(320)
Proforma tax adjustment - Dentrix	--	252	--	--
Adjusted net income	\$13,455	\$10,299	\$22,246	\$16,080
Adjusted net income per common share:				
Basic	\$0.37	\$0.30	\$0.61	\$0.47
Diluted	\$0.35	\$0.28	\$0.58	\$0.45
Weighted average shares:				
Basic	36,764	34,606	36,325	34,172
Diluted	38,736	36,332	38,221	35,549

Restated to reflect results of Sullivan Dental Products, Inc. and Micro Bio-Medics, Inc. which were accounted for under the pooling of interests method of accounting.

HENRY SCHEIN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (in thousands, except per share data)

	June 27, 1998 (unaudited)	December 27, 1997 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$15,513	\$7,824
Accounts receivable, less reserves of \$12,901 and \$13,048, respectively	291,230	261,665
Inventories	234,813	212,848
Deferred income taxes	13,451	13,323
Other	45,968	39,396
Total current assets	600,975	535,056
Property and equipment, net of accumulated depreciation of \$62,685 and \$57,997		

respectively	59,185	54,449
Goodwill and other intangibles, net of accumulated amortization of \$14,338 and \$10,395, respectively	131,134	122,217
Investments and other	44,990	29,472
	\$836,284	\$741,194

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$163,614	\$129,806
Bank credit lines	17,611	11,973
Accruals:		
Salaries and related expenses	21,954	20,729
Merger and integration costs	12,980	17,056
Other	42,653	39,095
Current maturities of long-term debt	4,340	9,370
Total current liabilities	263,152	228,029
Long-term debt	124,154	93,192
Other liabilities	8,264	6,550
Total liabilities	395,570	327,771
Minority interest	2,085	2,225

Stockholders' equity:

Common stock, \$.01 par value, authorized 60,000,000; issued and outstanding 36,114,367 and 35,146,892, respectively	361	352
Preferred stock - Class A - 558,000 shares and Class B - 45,500 shares	6	0
Additional paid-in capital	337,311	322,998
Deferred compensation	(1,625)	(1,625)
Retained earnings	105,415	92,238
Treasury stock, at cost (62,479 shares)	(1,156)	(1,156)
Foreign currency translation adjustment	(1,683)	(1,609)
Total stockholders' equity	438,629	411,198
	\$836,284	\$741,194

SOURCE Henry Schein, Inc.