

Henry Schein Reports Record First Quarter EPS of \$0.45 and Net Sales of \$647.1 Million; Dental Net Sales Increase 10% Over Prior Year

May 7, 2002

MELVILLE, N.Y., May 7, 2002 (BUSINESS WIRE) -- Henry Schein, Inc. (Nasdaq: HSIC), the largest provider of healthcare products and services to office-based practitioners in the combined North American and European markets, today reported financial results for the three months ended March 30, 2002.

As previously announced, beginning in 2002 and in compliance with Statement of Financial Accounting Standard 142, the Company is not amortizing goodwill. Prior-year comparisons adjusted to exclude the favorable impact of this change are referred to as "excluding goodwill amortization."

First quarter 2002 financial highlights include:

- Net sales of \$647.1 million, up 9.0% over the prior year or 9.6% in local currencies
- Dental net sales of \$295.3 million, up 9.7% over the prior year or 10.0% in local currencies
- Medical net sales to physicians and alternate care sites up 15.3% over the prior year
- European dental net sales up by 11.6% over the prior year in local currencies
- Operating income of \$35.2 million, up 15.5% over the prior year excluding goodwill amortization
- Net income of \$19.7 million, up 23.6% over the prior year excluding goodwill amortization
- Diluted EPS of \$0.45, up 21.6% over the prior year excluding goodwill amortization

Net sales for the first quarter of 2002 increased 9.0% to \$647.1 million, from \$593.9 million in the first quarter of 2001. Excluding the impact of foreign exchange, first quarter 2002 net sales were up 9.6%. Net income for the first quarter of 2002 of \$19.7 million represents a 39.6% increase over the prior year quarter, or a 23.6% increase excluding goodwill amortization net of taxes. Earnings per diluted share were \$0.45 in the first quarter of 2002, up 36.4% compared with the prior year first quarter or up 21.6% excluding goodwill amortization net of taxes.

"Among many financial highlights for the quarter is the performance of our Dental Group, which posted a 10% increase in net sales over the prior year," said Stanley M. Bergman, Chairman, Chief Executive Officer and President of Henry Schein. Mr. Bergman noted that recent Dental Group financial results are directly attributable to several factors, including:

- Stabilization of the Company's field sales force, with voluntary departures for reasons other than retirement now at insignificant levels
- Success in adding high-quality new field sales consultants, with a net increase of more than 60 sales professionals joining the Company since January 2001 including many seasoned dental sales consultants
- An expanded and strengthened field sales management team and an ongoing commitment to field sales consultant training
- The new, innovative Privileges(TM) customer loyalty program, designed to attract, retain and reward dental customers for life

The Company reported first quarter 2002 Dental net sales of \$295.3 million, an increase of 9.7% compared with the first quarter of 2001 or an increase of 10.0% in local currencies. Dental merchandise net sales increased 8.3%, and Dental equipment sales and service net revenues increased 16.6%. Beginning in 2002, the Company is including certain dental digital camera, x-ray and office supply revenues in the Dental Group's performance, which previously had been reported in Technology and Value-Added Services. This change was made in both current and prior-year periods, and is designed to more accurately represent the Company's consumable and equipment sales to this customer group. The reclassification of sales had no meaningful impact on the year-over-year Dental growth rate.

"I am particularly pleased with our success in stabilizing and expanding our Dental field sales force," added Mr. Bergman. "For Dental sales professionals, we believe that Henry Schein is the most attractive alternative in the industry. Our period of integration is behind us, and our strategy of

leveraging our field sales presence, equipment sales and service capabilities, industry leading practice management software systems, and unmatched array of products and value - added services is in full swing. Supported by our world class marketing programs and distribution network, this synergistic approach to the customer is the industry standard."

Henry Schein's Medical Group, which serves primarily the physician office and alternate care markets, and now includes sales previously reported as Veterinary net sales, reported first quarter 2002 net sales of \$231.4 million, an increase of 10.9% compared with combined Medical and Veterinary net sales in the prior-year first quarter. Sales to the Medical Group's core physician and alternate care business during the first quarter of 2002 increased 15.3%, and sales to the Group's Veterinary customers increased 7.8%.

"Our Medical Group has a long history of above-market growth, and we are delighted with our continued gains in market share. Adding Veterinary sales to the Medical Group is a logical step, as our Medical and Veterinary businesses share common management and operational structures," added Mr. Bergman.

International net sales for the first quarter of 2002 were \$105.8 million, an increase of 3.0% in U.S. dollars and an increase of 6.2% in local currencies, compared with the first quarter of 2001. European dental sales, which account for more than 60% of International sales, increased by 11.6% in local currencies, double the overall growth rate in that market.

"During 2001 we committed considerable executive resources to our European operations. The opportunities in Western Europe are similar to those we have capitalized on in the U.S., and the ease of conducting business in multiple European nations has increased considerably since the introduction of the Euro. We are very optimistic about future growth in our International business," commented Mr. Bergman.

Technology and Value-Added Services net sales were \$14.6 million for the first quarter of 2002, an increase of 9.5% over last year, excluding revenues now included in Dental net sales for both periods as described above. Reclassified 2001 sales for all four Groups is attached.

"At the end of the quarter, we opened our new 290,000-square-foot distribution facility in Indianapolis, which replaces our previous facilities in that location with state-of-the-art technology and enhanced efficiency. Our new Southeast distribution center in Jacksonville, Florida is set to begin operations this summer, significantly improving our service levels in that key area of the country," noted Mr. Bergman. "Our commitment to helping our customers build profitable businesses through exceptional service and operating efficiencies remains the cornerstone of Henry Schein."

Commenting on the outlook for the remainder of 2002, based on the strength of first quarter financial results the Company now expects full-year 2002 earnings per diluted share to be \$2.49-\$2.53.

Live Webcast

The Company will hold a conference call to discuss these results today, beginning at 10:00 a.m. Eastern Time. Individual investors are invited to listen to the conference call over the Internet through Henry Schein's Web site at www.henryschein.com. In addition, a replay will be available for 30 days beginning shortly after the call has ended.

Henry Schein, Inc. is the largest distributor of healthcare products and services to office-based healthcare practitioners in the combined North American and European markets. Recognized for its excellent customer service and low prices, the Company serves more than 400,000 customers worldwide, including dental practices and laboratories, physician practices and veterinary clinics, as well as government and other institutions.

The Company operates its four business groups - Dental, Medical, International and Technology - through a centralized and automated distribution network, which provides customers in more than 125 countries with a comprehensive selection of over 80,000 national and Henry Schein private-brand products. Henry Schein also offers a wide range of innovative value-added practice solutions, including such leading practice management software systems as DENTRIX(R) and Easy Dental(R), for dental practices, and AVImark(R) for veterinary clinics, which are installed in over 44,000 practices; and Aruba(R), Henry Schein's electronic catalog and ordering system. Headquartered in Melville, New York, Henry Schein employs over 6,500 people in 16 countries. The Company's 2001 sales reached a record \$2.6 billion. For more information, visit the Henry Schein Web site at 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)

	Quarter Ended	
	March 30, 2002	March 31, 2001
Net sales	\$ 647,093	\$ 593,895
Cost of sales	468,703	434,538

Gross profit	178,390	159,357
Operating expenses:		
Selling, general and administrative	143,192	131,774

Operating income	35,198	27,583
Other income (expense):		

Interest income	2,439	1,241
Interest expense	(4,828)	(5,368)
Other - net	(566)	(354)
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Income before taxes on income, minority interest and equity in earnings of affiliates	32,243	23,102
Taxes on income	12,064	8,548
Minority interest in net income of subsidiaries	569	531
Equity in earnings of affiliates	120	109
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Net income	\$ 19,730	\$ 14,132
	=====	=====
Net income per common share:		
Basic	\$ 0.46	\$ 0.34
	=====	=====
Diluted	\$ 0.45	\$ 0.33
	=====	=====
Weighted average common shares outstanding:		
Basic	42,791	41,975
	=====	=====
Diluted	44,069	43,146
	=====	=====

HENRY SCHEIN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	March 30, 2002	December 29, 2001
	----- (unaudited)	----- (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 93,421	\$ 193,367
Accounts receivable, less reserves of \$33,163 and \$31,929, respectively	356,453	363,700
Inventories	293,764	291,231
Deferred income taxes	26,626	25,751
Prepaid expenses and other	57,145	52,922
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Total current assets	827,409	926,971
Property and equipment, net of accumulated depreciation and amortization of \$93,354 and \$90,823, respectively	129,498	117,980
Goodwill, net	284,844	279,981
Other intangibles, net of accumulated amortization of \$3,513 and \$3,348, respectively	8,262	8,023
Investments and other	59,506	52,473
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	\$ 1,309,519	\$ 1,385,428
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 205,717	\$ 263,190
Bank credit lines	4,031	4,025
Accruals:		
Salaries and related expenses	32,353	41,602
Merger and integration, and restructuring costs	5,067	5,867

Acquisition earnout payments	4,680	26,800
Other	79,353	80,355
Current maturities of long-term debt	3,212	15,223
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Total current liabilities	334,413	437,062
Long-term debt	241,968	242,169
Other liabilities	18,174	18,954
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Total liabilities	594,555	698,185
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Minority interest	7,539	6,786
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Stockholders' equity:		
Preferred stock, \$.01 par value, authorized 1,000,000, issued and outstanding: 0 and 0, respectively	0	0
Common stock, \$.01 par value, authorized 120,000,000, issued: 43,020,590 and 42,745,204, respectively	430	427
Additional paid-in capital	401,629	393,047
Retained earnings	332,132	312,402
Treasury stock, at cost, 62,479 shares	(1,156)	(1,156)
Accumulated comprehensive loss	(25,300)	(23,922)
Deferred compensation	(310)	(341)
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Total stockholders' equity	707,425	680,457
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	\$ 1,309,519	\$ 1,385,428
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HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Quarter Ended	
	March 30, 2002	March 31, 2001
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Cash flows from operating activities:		
Net income	\$ 19,730	\$ 14,132
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	5,798	9,466
Provision for allowances on trade receivables	1,234	550
Other	(1,237)	(195)
Changes in assets and liabilities (net of purchase acquisitions):		
Decrease in accounts receivable	4,613	8,742
Increase in inventories	(3,796)	(331)
(Increase) decrease in other current assets	(195)	7,190
Decrease in accounts payable and accruals	(64,933)	(51,645)
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Net cash used in operating activities	(38,786)	(12,091)
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Cash flows from investing activities:		
Capital expenditures	(17,590)	(6,157)
Business acquisitions, net of cash acquired	(28,150)	0
Purchase of marketable		

securities with maturities of more than three months	(10,455)	0
Other	(302)	(1,022)
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Net cash used in investing activities	(56,497)	(7,179)
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Cash flows from financing activities:		
Principal payments on long-term debt	(12,013)	(1,888)
Proceeds from issuance of stock upon exercise of stock options by employees	7,183	6,842
Proceeds from borrowings from banks	481	4,798
Payments on borrowings from banks	(394)	(11,663)
Other	(423)	(333)
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Net cash used in financing activities	(5,166)	(2,244)
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Net decrease in cash and cash equivalents	(100,449)	(21,514)
Effect of exchange rate changes on cash	503	1,264
Cash and cash equivalents, beginning of period	193,367	58,362
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Cash and cash equivalents, end of period	\$ 93,421	\$ 38,112
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HENRY SCHEIN, INC. AND SUBSIDIARIES
RECLASSIFIED 2001 NET SALES BY QUARTER
(in thousands)
(unaudited)

	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Total 2001
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Dental	\$269,186	\$280,146	\$279,577	\$292,485	\$1,121,394
Medical	208,674	215,761	273,434	284,700	982,569
International	102,744	95,729	92,811	106,787	398,071
Technology	13,291	14,649	13,952	14,317	56,209
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Total	\$593,895	\$606,285	\$659,774	\$698,289	\$2,558,243
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CONTACT: Henry Schein, Inc., Melville
Steven Paladino, 631/843-5500
or Susan Vassallo, 631/843-5562
svassa@henryschein.com