

Henry Schein Reports Record Second Quarter EPS of \$0.63; Net Income up 23.5%, Diluted EPS up 21.2%, Both On a Comparable Basis, On 10.7% Sales Growth

August 6, 2002

MELVILLE, N.Y., Aug 6, 2002 (BUSINESS WIRE) -- Henry Schein, Inc. (Nasdaq NM: 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 June 29, 2002.

Second quarter 2002 financial highlights include:

- Dental net sales up 9.3% over the prior year
- Medical net sales to physician offices and alternate care sites up 15.4% over the prior year
- European dental net sales up 16.5% over the prior year or 12.7% in local currencies
- Operating cash flow of \$52.2 million, up 26.1% over the prior year
- Operating margin expansion of 70 basis points on a comparable basis

Net sales for the second quarter of 2002 were \$671.4 million, an increase of 10.7% from the second quarter of 2001. Excluding the impact of foreign exchange, second quarter 2002 net sales were up 10.1%. Net income for the second quarter of 2002 of \$28.1 million represents a 34.2% increase over the prior year quarter or a 23.5% increase excluding goodwill amortization net of taxes in 2001 in compliance with the Statement of Financial Accounting Standard 142. Earnings per diluted share were \$0.63 in the second quarter of 2002, up 31.3% compared with the prior year second quarter or up 21.2% excluding goodwill amortization net of taxes.

For the first half of 2002, net sales were \$1.32 billion, an increase of 9.9% from the first half of 2001. Excluding the impact of foreign exchange, first half 2002 net sales were up 9.9%, as well. Year-to-date 2002 net income of \$47.8 million represents a 36.4% increase over the prior year or a 23.5% increase excluding goodwill amortization net of taxes. Earnings per diluted share for the first six months of 2002 were \$1.07, up 32.1% compared with the prior-year period or up 18.9% excluding goodwill amortization net of taxes.

"Our financial performance for the first half of 2002 has been excellent, with consolidated sales growth at approximately twice the rate of growth for the markets we serve. We are particularly pleased with the strong gains posted in the first half by our Dental Group, where dental merchandise sales were up 9.0% and dental equipment sales were up 12.0% over the prior year," said Stanley M. Bergman, Chairman, Chief Executive Officer and President of Henry Schein.

"Among the highlights of the second quarter was the opening of our new 135,000-square-foot Southeast Distribution Center in Jacksonville, Florida, which began shipping orders on July 1st. This new, state-of-the-art facility will greatly enhance the reliable, dependable service we offer, with service to approximately 62,000 Southeast customers improving from two-day to next-day delivery. This accomplishment is due to the facility's strategic location and operating efficiency," added Mr. Bergman. "Our next-day delivery rate on more than 26,000 SKU's for all our dental, dental laboratory, medical and veterinary customers in the Southeast region of the United States is expected to increase to more than 90%, up from 26% currently. The importance of this new facility is clear, in that the Southeast is among the largest growth areas in the U.S., and represents approximately 15% of our current domestic volume."

The Company reported second quarter 2002 Dental net sales of \$306.3 million, an increase of 9.3% compared with the second quarter of 2001 or an increase of 9.4% in local currencies. Dental merchandise net sales increased 9.6% (9.7% in local currencies), and Dental equipment sales and service net revenues increased 8.0% (8.0% in local currencies).

"In May, we introduced a new program intended to further increase our sales to current Dental customers, and gain additional Dental customers. This program, called MarketOne, became effective on July 1st," stated Mr. Bergman. "In summary, MarketOne is designed to provide tools and incentives for Sullivan-Schein Dental's field sales consultants to sell Dentrix software products to their more than 75,000 customers. This program also enables Dentrix technology sales representatives to sell other high-technology Henry Schein products to Dentrix customers, and facilitates additional consumable merchandise sales to this customer base, as well.

"This new program of leveraging our software, consumable merchandise, and equipment sales and service offerings represents a powerful sales strategy to increase our penetration of current customers as well as reach dentists who currently are not Henry Schein customers. We recently held an extremely successful Dental national sales meeting," continued Mr. Bergman, "and the MarketOne program was one of the major focuses of the event, which was attended by more than 600 dental field sales consultants."

Henry Schein's Medical Group, which serves primarily the physician office and alternate care markets, reported second quarter 2002 net sales of \$242.7 million, an increase of 12.5% compared with the Group's net sales in the prior-year second quarter. Sales to the Medical Group's core physician and alternate care business during the second quarter of 2002 increased 15.4% compared with the second quarter of 2001.

"During June we held our annual Medical national sales meeting. The meeting was attended by more than 400 Henry Schein Medical sales representatives including approximately 250 field sales consultants representing the Eastern and Midwestern segments of the U.S. as well as Texas and California", said Mr. Bergman. "Our major vendor partners were also in attendance, providing valuable product information and education to enable our sales consultants to more effectively serve their customers. Of course, a major theme of the event was to celebrate the success of our Medical Group, which has enjoyed sales growth far in excess of market growth over an extended period."

International net sales for the second quarter of 2002 were \$106.8 million, an increase of 11.5% in U.S. dollars and an increase of 7.5% in local currencies, compared with the second quarter of 2001. European dental sales, which account for more than 60% of International sales, continued to gain market share and increased by 16.5% in U.S. dollars or by 12.7% in local currencies.

Technology and Value-Added Services net sales were \$15.7 million for the second quarter of 2002, an increase of 7.1% compared with the second quarter of 2001. Technology net sales, comprised of software, electronic claims processing and related items and representing the vast majority of the Group's sales, were up 16.2% compared with the prior year.

Commenting on the outlook for the remainder of 2002, based on the strength of second quarter financial results the Company now expects full-year 2002 earnings per diluted share to approximate \$2.53-\$2.57.

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 6,700 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)

	Three Months Ended		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Net sales	\$ 671,432	\$ 606,285	\$1,318,525	\$1,200,180
Cost of sales	479,036	439,393	947,739	873,931
Gross profit	192,396	166,892	370,786	326,249
Operating expenses:				
Selling, general and administrative	145,407	131,620	288,599	263,394
Operating income	46,989	35,272	82,187	62,855
Other income (expense):				
Interest income	2,481	3,177	4,920	4,418
Interest expense	(4,367)	(4,896)	(9,195)	(10,264)
Other - net	706	651	140	297
Income before taxes on income, minority interest and equity in earnings of affiliates	45,809	34,204	78,052	57,306
Taxes on income	16,996	12,656	29,060	21,204
Minority interest in net income of subsidiaries	932	794	1,501	1,325
Equity in earnings of affiliates	185	156	305	265
Net income	\$ 28,066	\$ 20,910	\$ 47,796	\$ 35,042
Net income per common share:				
Basic	\$ 0.65	\$ 0.49	\$ 1.11	\$ 0.83
Diluted	\$ 0.63	\$ 0.48	\$ 1.07	\$ 0.81
Weighted average common shares outstanding:				

Basic	43,389	42,363	43,090	42,168
	=====	=====	=====	=====
Diluted	44,747	43,543	44,559	43,125
	=====	=====	=====	=====

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	June 29, 2002	December 29, 2001
	----- (unaudited)	----- (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 132,508	\$ 193,367
Marketable securities	14,640	0
Accounts receivable, less reserves of \$33,147 and \$31,929, respectively	362,744	363,700
Inventories	314,512	291,231
Deferred income taxes	26,227	25,751
Prepaid expenses and other	59,518	52,922
	-----	-----
Total current assets	910,149	926,971
Property and equipment, net of accumulated depreciation and amortization of \$94,739 and \$90,823, respectively	135,409	117,980
Goodwill, net	295,319	279,981
Other intangibles, net of accumulated amortization of \$3,881 and \$3,348, respectively	8,834	8,023
Investments and other	60,446	52,473
	-----	-----
	\$ 1,410,157	\$ 1,385,428
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 204,959	\$ 263,190
Bank credit lines	3,914	4,025
Accruals:		
Salaries and related expenses	42,155	41,602
Merger and integration, and restructuring costs	4,706	5,867
Acquisition earnout payments	0	26,800
Other	104,446	80,355
Current maturities of long-term debt	2,548	15,223
	-----	-----
Total current liabilities	362,728	437,062
Long-term debt	242,990	242,169
Other liabilities	19,622	18,954
	-----	-----
Total liabilities	625,340	698,185
	-----	-----
Minority interest	7,882	6,786
	-----	-----
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: 43,773,451 and 42,745,204, respectively	437	427
Additional paid-in capital	428,218	393,047
Retained earnings	360,198	312,402
Treasury stock, at cost, 62,479 shares	(1,156)	(1,156)
Accumulated comprehensive loss	(10,483)	(23,922)

Deferred compensation	(279)	(341)
	-----	-----
Total stockholders' equity	776,935	680,457
	-----	-----
	\$1,410,157	\$ 1,385,428
	=====	=====

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

Three Months Ended Six Months Ended

June 29, June 30, June 29, June 30,
2002 2001 2002 2001

Cash flows from operating activities:

Net income	\$ 28,066	\$ 20,910	\$ 47,796	\$ 35,042
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	7,211	7,590	13,009	17,056
Other	2,002	157	1,999	512
Changes in assets and liabilities (net of purchase acquisitions):				
(Increase) decrease in accounts receivable	(542)	(9,117)	4,071	(375)
(Increase) decrease in inventories	(13,964)	13,363	(17,760)	13,032
(Increase) decrease in other current assets	(4,512)	6,584	(4,707)	13,774
Increase (decrease) in accounts payable and accruals	33,906	1,883	(31,027)	(49,762)
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Net cash provided by operating activities

52,167 41,370 13,381 29,279

Cash flows from investing activities:

Capital expenditures	(10,530)	(6,829)	(28,120)	(12,986)
Business acquisitions, net of cash acquired	(6,737)	0	(34,887)	0
Purchase of marketable securities with maturities of more than three months	(10,184)	0	(20,639)	0
Other	(272)	(9)	(574)	(1,031)
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Net cash used in investing activities

(27,723) (6,838) (84,220) (14,017)

Cash flows from financing activities:

Principal payments on long-term debt	(1,591)	(2,001)	(13,604)	(3,889)
Proceeds from issuance of stock upon exercise of stock options by employees	19,307	3,539	26,490	10,381
Proceeds from borrowings from banks	0	1,337	481	5,340
Payments on borrowings from banks	(522)	0	(916)	(10,868)
Other	(3)	158	(426)	(175)

Net cash provided by financing activities	----- 17,191 -----	----- 3,033 -----	----- 12,025 -----	----- 789 -----
Net increase (decrease) in cash and cash equivalents	41,635	37,565	(58,814)	16,051
Effect of exchange rate changes on cash	(2,548)	170	(2,045)	1,434
Cash and cash equivalents, beginning of period	93,421 -----	38,112 -----	193,367 -----	58,362 -----
Cash and cash equivalents, end of period	\$ 132,508 =====	\$ 75,847 =====	\$ 132,508 =====	\$ 75,847 =====

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