

## Henry Schein Reports Record Quarterly Results; Diluted EPS of \$0.87 includes \$0.11 related to earlier shipments of influenza vaccine

November 5, 2002

MELVILLE, N.Y., Nov 5, 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 September 28, 2002.

Net sales for the third quarter of 2002 were \$759.1 million, an increase of 15.1% from the third quarter of 2001 (13.8% in local currencies). Net income for the third quarter of 2002 was \$39.2 million, a 55.7% increase over the prior-year quarter. Earnings per diluted share were \$0.87 in the third quarter of 2002, up 50%. Compared to the prior year third quarter, Dental sales grew by 7.6% (5.5% merchandise, 16.9% equipment), Medical sales improved by 23.4%, Technology and Value-Added Services sales grew by 25.0%, and International sales improved by 11.4% (2.1% in local currencies).

In order to effectively analyze third quarter 2002 results, the Company indicated that several factors should be taken into consideration;

- Influenza vaccine sales occurred earlier this year than last year. This timing shift, between the third and fourth quarters of 2002, equated to approximately \$44 million of sales which, net of related costs and expenses, accounted for approximately \$0.11 of the third quarter earnings per diluted share.
- As part of our new Dental marketing initiative, MarketOne, certain technology and equipment products are now being sold directly to end-user customers rather than through resellers resulting in a higher growth rate for the Technology and Value-Added Service category. Without this change that category grew by 19.6%. Worldwide and Dental sales were immaterially affected, and the other categories were not affected.
- Third quarter Other Income included a net \$1.4 million pre-tax (\$890,000 after-tax) gain, or approximately \$0.02 per diluted share, primarily related to settlement of a real estate transaction.
- 2002 results are reported in compliance with SFAS 142, which eliminated amortization of goodwill. Growth in net income and earnings per diluted share are 45.2% and 40.3%, respectively, if goodwill amortization were removed from 2001 results.

"Our overall third quarter financial performance was excellent by any measure, and we are proud to report another quarter of strong growth in net sales, operating income, net income and EPS," said Stanley M. Bergman, Chairman, Chief Executive Officer and President of Henry Schein. "Our Dental, Medical, and Technology and Value-Added Services business Groups reported market share gains during the third quarter. Dental sales were up nearly 8% including equipment up nearly 17%, Medical sales to our core physician and alternate-care customers without the positive timing impact of influenza vaccine sales were up 9%, and Technology and Value-Added Services sales were up about 20%."

"We are particularly happy with continued gains in our Dental equipment sales and service revenues, which is a direct result of investments made in this segment of our business, and is a positive indicator for future Dental sales growth," stated Mr. Bergman. "At the end of the third quarter, approximately 8,000 dental customers were enrolled in our Privileges customer-loyalty program, and results indicate that these customers are purchasing at a rate significantly above our average customer."

Commenting on the Company's Medical Group, Mr. Bergman said, "We are pleased to report that our Medical Group's sales growth of approximately 9% to physician and alternate care customers, without the positive timing impact of influenza vaccine sales, is three to four percentage points above estimated market growth rates."

For the first nine months of 2002, net sales were \$2.08 billion, an increase of 11.7% compared with the first nine months of 2001 (11.3% in local currencies). Net income for the first nine months of 2002 was \$87.0 million, a 44.5% increase over the prior year. Earnings per diluted share for the first nine months of 2002 were \$1.94, up 39.6% compared with the prior-year period. The Company noted that for analysis purposes, the third quarter factors listed above should also be taken into consideration when viewing year-to-date results.

Regarding the outlook for the remainder of 2002, based on the strength of year-to-date financial results the Company now expects full-year 2002 earnings per diluted share to increase to \$2.58-\$2.60.

Mr. Bergman noted that the Company looks forward to an Analyst/Investor Day on November 21, 2002, starting at 8 a.m. Eastern Time. "We will introduce 2003 financial guidance at this event, as well as provide an in-depth look at our Company and our plans," he added.

The Company welcomes professional money managers and securities analysts to attend its Analyst/Investor Day in person, and registration can be completed at [www.henryschein.com](http://www.henryschein.com). For those not attending in person, a live and 30-day archived Webcast of the entire event will be available on the Company's Website.

### Third Quarter Conference Call Webcast

The Company will hold a conference call to discuss third quarter financial results today, beginning at 10 a.m. Eastern Time. Individual investors are invited to listen to the conference call over the Internet through Henry Schein's Website at [www.henryschein.com](http://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 Website at [www.henryschein.com](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		Nine Months Ended	
	Sept. 28, 2002	Sept. 29, 2001	Sept. 28, 2002	Sept. 29, 2001
Net sales	\$ 759,073	\$ 659,774	\$2,077,598	\$1,859,954
Cost of sales	542,601	480,918	1,490,340	1,354,849
Gross profit	216,472	178,856	587,258	505,105
Operating expenses:				
Selling, general and administrative	152,187	136,981	440,786	400,375
Operating income	64,285	41,875	146,472	104,730
Other income (expense):				
Interest income	2,536	2,266	7,456	6,684
Interest expense	(4,787)	(3,843)	(13,982)	(14,107)
Other - net	877	87	1,017	384
Income before taxes on income, minority interest and equity in earnings of affiliates	62,911	40,385	140,963	97,691
Taxes on income	23,468	14,942	52,528	36,146
Minority interest in net income of subsidiaries	337	322	1,838	1,647
Equity in earnings of affiliates	122	74	427	339
Net income	\$ 39,228	\$ 25,195	\$ 87,024	\$ 60,237
Net income per common share:				
Basic	\$ 0.90	\$ 0.59	\$ 2.01	\$ 1.42
Diluted	\$ 0.87	\$ 0.58	\$ 1.94	\$ 1.39
Weighted average common shares outstanding:				
Basic	43,808	42,488	43,329	42,276
Diluted	45,000	43,517	44,779	43,188

HENRY SCHEIN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)

	Sept. 28, 2002	Dec. 29, 2001
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	(unaudited)	(audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 149,299	\$ 193,367
Marketable securities	35,285	0
Accounts receivable, less reserves of \$33,088 and \$31,929, respectively	415,585	363,700
Inventories	314,499	291,231
Deferred income taxes	29,168	25,751
Prepaid expenses and other	63,123	52,922
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Total current assets	1,006,959	926,971
Property and equipment, net of accumulated depreciation and amortization of \$101,060 and \$90,823, respectively	137,163	117,980
Goodwill, net	294,439	279,981
Other intangibles, net of accumulated amortization of \$4,160 and \$3,348, respectively	8,919	8,023
Investments and other	69,652	52,473
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	\$1,517,132	\$1,385,428
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<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 260,197	\$ 263,190
Bank credit lines	6,081	4,025
Accruals:		
Salaries and related expenses	42,920	41,602
Merger and integration, and restructuring costs	4,308	5,867
Acquisition earnout payments	0	26,800
Taxes and other expenses	110,470	80,355
Current maturities of long-term debt	2,665	15,223
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Total current liabilities	426,641	437,062
Long-term debt	242,140	242,169
Other liabilities	21,077	18,954
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Total liabilities	689,858	698,185
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Minority interest	7,067	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: 43,999,524 and 42,745,204, respectively	440	427
Additional paid-in capital	435,021	393,047
Retained earnings	399,426	312,402
Treasury stock, at cost, 62,479 shares	(1,156)	(1,156)
Accumulated comprehensive loss	(13,277)	(23,922)
Deferred compensation	(247)	(341)
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Total stockholders' equity	820,207	680,457
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	\$1,517,132	\$1,385,428
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HENRY SCHEIN, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2002	Sept. 29, 2001	Sept. 28, 2002	Sept. 29, 2001
Cash flows from				
operating activities:				
Net income	\$ 39,228	\$ 25,195	\$ 87,024	\$ 60,237
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	7,077	9,193	20,086	26,249
Other	(267)	9,463	1,732	9,975
Changes in assets and liabilities (net of purchase acquisitions):				
Increase in accounts receivable	(53,074)	(47,067)	(49,003)	(47,442)
(Increase) decrease in inventories	(376)	11,691	(18,136)	24,723
(Increase) decrease in other current assets	(3,955)	927	(8,662)	14,701
Increase (decrease) in accounts payable and accruals	63,636	40,442	32,609	(9,320)
Net cash provided by operating activities	52,269	49,844	65,650	79,123
Cash flows from				
investing activities:				
Capital expenditures	(8,140)	(17,024)	(36,260)	(30,010)
Business acquisitions, net of cash acquired	0	(336)	(34,887)	(336)
Purchase of marketable securities with maturities of more than three months	(29,654)	0	(50,293)	0
Other	(2,473)	(1,556)	(3,047)	(2,587)
Net cash used in investing activities	(40,267)	(18,916)	(124,487)	(32,933)
Cash flows from				
financing activities:				
Proceeds from issuance of long-term debt	0	10,166	0	10,166
Principal payments				

on long-term debt	(784)	(8,083)	(14,388)	(11,972)
Proceeds from issuance of stock upon exercise of stock options by employees	6,263	1,993	32,753	12,374
Proceeds from borrowings from banks	2,178	853	2,659	6,193
Payments on borrowings from banks	0	(1,149)	(916)	(12,017)
Other	(2,331)	(221)	(2,757)	(396)
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Net cash provided by financing activities	5,326	3,559	17,351	4,348
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Net increase (decrease) in cash and cash equivalents	17,328	34,487	(41,486)	50,538
Effect of exchange rate changes on cash	(537)	(2,480)	(2,582)	(1,046)
Cash and cash equivalents, beginning of period	132,508	75,847	193,367	58,362
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Cash and cash equivalents, end of period	\$ 149,299	\$ 107,854	\$ 149,299	\$ 107,854
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