

Henry Schein Reports Fourth Quarter EPS up 18%; Dental Sales Increase 11%, Operating Cash Flow Exceeds \$69 Million

March 4, 2003

MELVILLE, N.Y., Mar 4, 2003 (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 fourth quarter and full year ended December 28, 2002.

Net sales for the fourth quarter of 2002 were \$747.4 million, an increase of 7.0% from the fourth quarter of 2001 (12.8 % on a comparable basis -- See Exhibit A for details of comparable basis sales growth comparisons). In local currencies, net sales increased 5.4% (11.2% on a comparable basis). Sales growth for the quarter was essentially all internal. Dental sales increased by 11.1% (10.7% on a comparable basis), Medical sales declined by 0.8% (increased 14.5% on a comparable basis), Technology and Value-Added Services sales grew by 33.0% (17.2% on a comparable basis), and International sales improved by 13.3% (2.8% in local currencies).

Net income for the fourth quarter of 2002 was \$31.0 million, or \$0.69 per diluted share, representing increases of 14.1% and 11.3% compared with the fourth quarter of 2001, respectively. On a comparable basis, net income grew by 21.5% and diluted EPS increased by 18.2%. (See Exhibit B for details of comparable basis income statement growth comparisons.)

For the year 2002, net sales were a record \$2.83 billion, an increase of 10.4% compared with 2001 (10.3% on a comparable basis). In local currencies, net sales increased 9.7% (9.5% on a comparable basis). Sales growth for the full year was essentially all internal. Net income for the year was a record \$118.0 million, or \$2.63 per diluted share, representing increases of 35.0% and 30.8% compared with 2001, respectively. On a comparable basis, net income grew by 22.9% and diluted EPS increased by 19.4%. Operating cash flow for 2002 was \$134.7 million.

"Net sales growth for the quarter exceeding 11% in local currencies on a comparable basis is approximately twice our estimated consolidated growth rate of the markets we serve," said Stanley M. Bergman, Chairman, Chief Executive Officer and President of Henry Schein. "Our fourth quarter financial results cap off a year of strong market share gains, essentially all of which was internal. For the quarter, Dental sales were up 11% on a comparable basis, including merchandise sales up 6% and equipment sales up 28%. Medical sales to our core physician and alternate-care customers were up 14%, and Technology and Value-Added Services sales were up 17%, both on a comparable basis. European Dental sales increased by 6% in local currencies, slightly ahead of our estimated market growth rate. We are proud to report continued healthy growth in net sales, net income and earnings per share, as well as operating cash flow of over \$69 million for the quarter."

"While Dental merchandise sales growth continues to outpace market growth rate, we again posted very strong 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 growth in our Dental business," stated Mr. Bergman. "Enrollment of dental practices in our Privileges customer-loyalty program continues to increase, and at the end of 2002 over 10,000 dental customers were participating in this innovative program. Results continue to indicate that these customers are increasing their business with us at a rate significantly above our average customer."

Commenting on the Company's Medical Group, Mr. Bergman remarked, "With quarterly net sales up approximately 15% on a comparable basis, sales growth in our core physician and alternate care business is two to three times greater than our estimated market growth rate."

"Our financial results for 2002 reflect the power of our business model," commented Mr. Bergman. "For the year, we posted internal net sales growth of over 9%, a rate that is 80% above the estimated 5% consolidated growth rate of the markets we serve. And in turn, we grew operating income, net income and diluted EPS each by around 20%, a rate double our top-line growth, while generating operating cash flow in excess of net income."

Regarding financial guidance for 2003, the Company expects full year earnings per diluted share to be \$2.95 to \$2.98, reflecting fourth quarter 2002 performance and representing a growth rate of 14% to 15% compared with 2002 results, excluding a \$0.02 one-time gain in each of the third and fourth quarters. The Company noted that this 2003 EPS guidance is for current operations, and does not include the impact of potential acquisitions.

Fourth Quarter Conference Call Webcast

The Company will hold a conference call to discuss fourth 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. 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 48,000 practices; and ArubA(R), Henry Schein's electronic catalog and ordering system. Headquartered in Melville, New York, Henry Schein employs over 6,900 people in 16 countries. The Company's 2002 sales reached a record \$2.8 billion. For more information, visit the Henry Schein Website 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		Twelve Months Ended	
	(unaudited)		(audited)	
	Dec. 28, 2002	Dec. 29, 2001	Dec. 28, 2002	Dec. 29, 2001
Net sales	\$ 747,403	\$ 698,289	\$2,825,001	\$2,558,243
Cost of sales	539,757	504,070	2,030,097	1,858,919
Gross profit	207,646	194,219	794,904	699,324
Operating expenses:				
Selling, general and administrative	157,849	151,199	598,635	551,574
Merger, integration and restructuring costs	(734)	0	(734)	0
Operating income	50,531	43,020	197,003	147,750
Other income (expense):				
Interest income	2,990	3,394	10,446	10,078
Interest expense	(3,978)	(3,217)	(17,960)	(17,324)
Other - net	(77)	(537)	940	(153)
Income before taxes on income, minority interest and equity in earnings of affiliates	49,466	42,660	190,429	140,351
Taxes on income	17,982	15,784	70,510	51,930
Minority interest in net income (loss) of subsidiaries	753	(185)	2,591	1,462
Equity in earnings of affiliates	232	75	659	414
Net income	\$ 30,963	\$ 27,136	\$ 117,987	\$ 87,373
Net income per common share:				
Basic	\$ 0.70	\$ 0.64	\$ 2.71	\$ 2.06
Diluted	\$ 0.69	\$ 0.62	\$ 2.63	\$ 2.01
Weighted average common shares outstanding:				
Basic	43,956	42,637	43,489	42,366
Diluted	45,101	43,729	44,872	43,545
Adjusted net income:				
Net income	\$ 30,963	\$ 27,136	\$ 117,987	\$ 87,373
Merger, integration and restructuring costs	(734)	0	(734)	0
Tax effect	0	0	0	0
Adjusted net income	\$ 30,229	\$ 27,136	\$ 117,253	\$ 87,373
Adjusted net income per common share:				
Basic	\$ 0.69	\$ 0.64	\$ 2.70	\$ 2.06

Diluted	\$ 0.67	\$ 0.62	\$ 2.61	\$ 2.01
Comparable basis information (Exhibit B):				
Comparable basis net income	\$ 35,183	\$ 28,960	\$ 116,363	\$ 94,669
Comparable basis net income per diluted share	\$ 0.78	\$ 0.66	\$ 2.59	\$ 2.17

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

	Dec. 28, 2002	Dec. 29, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 200,651	\$ 193,367
Marketable securities	31,209	0
Accounts receivable, less reserves of \$36,200 and \$31,929, respectively	368,263	363,700
Inventories	323,080	291,231
Deferred income taxes	29,919	25,751
Prepaid expenses and other	74,407	52,922
Total current assets	1,027,529	926,971
Property and equipment, net of accumulated depreciation and amortization of \$101,519 and \$90,823, respectively	142,532	117,980
Goodwill, net	302,687	279,981
Other intangibles, net of accumulated amortization of \$4,151 and \$3,348, respectively	7,661	8,023
Investments and other	77,643	52,473
	\$1,558,052	\$1,385,428
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 243,166	\$ 263,190
Bank credit lines	4,790	4,025
Accruals:		
Salaries and related expenses	53,954	41,602
Merger and integration, and restructuring costs	3,044	5,867
Acquisition earnout payments	1,460	26,800
Taxes and other expenses	114,254	80,355
Current maturities of long-term debt	2,662	15,223
Total current liabilities	423,330	437,062
Long-term debt	242,561	242,169
Other liabilities	24,196	18,954
Total liabilities	690,087	698,185
Minority interest	6,748	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: 44,041,591 and 42,745,204, respectively	440	427
Additional paid-in capital	436,554	393,047
Retained earnings	430,389	312,402
Treasury stock, at cost, 62,479 shares	(1,156)	(1,156)
Accumulated comprehensive loss	(4,794)	(23,922)
Deferred compensation	(216)	(341)
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Total stockholders' equity	861,217	680,457
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	\$1,558,052	\$1,385,428
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HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended (unaudited)		Twelve Months Ended (audited)	
	Dec. 28, 2002	Dec. 29, 2001	Dec. 28, 2002	Dec. 29, 2001
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Cash flows from operating activities:				
Net income	\$ 30,963	\$ 27,136	\$ 117,987	\$ 87,373
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	8,186	9,393	28,272	35,642
Other	6,182	8,645	7,914	18,620
Changes in assets and liabilities (net of purchase acquisitions):				
Decrease (increase) in accounts receivable	46,980	50,636	(2,023)	3,194
Increase in inventories	(4,939)	(42,573)	(23,075)	(17,850)
(Increase) decrease in other current assets	(9,783)	(5,893)	(18,445)	8,808
(Decrease) increase in accounts payable and accruals	(8,570)	64,444	24,039	55,124
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Net cash provided by operating activities	69,019	111,788	134,669	190,911
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Cash flows from investing activities:				
Capital expenditures	(11,283)	(16,117)	(47,543)	(46,127)
Business acquisitions, net of cash acquired	(1,337)	(8,252)	(36,224)	(8,588)
Purchase of marketable securities with maturities of more than three months	(4,918)	0	(55,211)	0
Other	(733)	2,232	(3,780)	(355)
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Net cash used in investing activities	(18,271)	(22,137)	(142,758)	(55,070)

Cash flows from financing activities:				
Proceeds from issuance of long-term debt	0	0	0	10,166
Principal payments on long-term debt	(553)	(1,070)	(14,941)	(13,042)
Proceeds from issuance of stock upon exercise of stock options by employees	1,369	1,781	34,122	14,155
Net (payments on) proceeds from borrowings from banks	(1,349)	(4,928)	394	(10,752)
Other	1,865	240	(892)	(156)

Net cash provided by (used in) financing activities	1,332	(3,977)	18,683	371

Net increase in cash and cash equivalents	52,080	85,674	10,594	136,212
Effect of exchange rate changes on cash and cash equivalents	(728)	(161)	(3,310)	(1,207)
Cash and cash equivalents, beginning of period	149,299	107,854	193,367	58,362

Cash and cash equivalents, end of period	\$ 200,651	\$ 193,367	\$ 200,651	\$ 193,367
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Exhibit A

Henry Schein Inc.
2002 Fourth Quarter and Full Year
Details of "Comparable Basis" Growth Comparison
Net Sales by Category
(unaudited)

	Fourth Quarter			Full Year		
			%			%
	2002	2001	Growth	2002	2001	Growth

Net Sales as reported						
Dental	324,991	292,485	11.1%	1,227,273	1,121,394	9.4%
Medical	282,322	284,700	-0.8%	1,093,956	982,569	11.3%
International	121,043	106,787	13.3%	437,046	398,071	9.8%
Technology	19,047	14,317	33.0%	66,726	56,209	18.7%
Total	747,403	698,289	7.0%	2,825,001	2,558,243	10.4%

Add: Influenza sales timing (1)						
Dental	-	-		-	-	
Medical	43,748	-		-	-	
International	-	-		-	-	
Technology	-	-		-	-	
Total	43,748	-		-	-	
Add: Technology Sales Methodology (2)						
Dental	-	965		-	1,337	
Medical	-	-		-	-	
International	-	-		-	-	
Technology	-	1,930		-	2,682	
Total	-	2,895		-	4,019	

Net Sales on a Comparable basis

Dental	324,991	293,450	10.7%	1,227,273	1,122,731	9.3%
Medical	326,070	284,700	14.5%	1,093,956	982,569	11.3%
International	121,043	106,787	13.3%	437,046	398,071	9.8%
Technology	19,047	16,247	17.2%	66,726	58,891	13.3%
Total	791,151	701,184	12.8%	2,825,001	2,562,262	10.3%

(1) Influenza vaccine sales occurred earlier this year than last year, as discussed in detail when reporting third quarter 2002 financial results. This timing shift, into the third quarter from the fourth quarter of 2002, had no impact on full year 2002 results.

(2) As part of the Company's new Dental marketing initiative, MarketOne, certain technology and equipment products are now being sold directly to end-user customers rather than through resellers. This had no impact on net income since the increase in net sales was directly offset by an increase in commission expense.

Exhibit B

Henry Schein Inc.
2002 Fourth Quarter and Full Year
Details of "Comparable Basis" Growth Comparison
Income Statement Summary
(unaudited)

	Fourth Quarter		%	Full Year		%
	2002	2001	Growth	2002	2001	Growth
As Reported						
Net Sales	747,403	698,289	7.0%	2,825,001	2,558,243	10.4%
Operating Income	50,531	43,020	17.5%	197,003	147,750	33.3%
Operating Margin	6.8%	6.2%	60 bp	7.0%	5.8%	120 bp
Net Income	30,963	27,136	14.1%	117,987	87,373	35.0%
Diluted EPS	0.69	0.62	11.3%	2.63	2.01	30.8%
Add: Influenza Sales Timing						
Net Sales	43,748	-	-	-	-	-
Operating Income	7,944	-	-	-	-	-
Net Income	4,954	-	-	-	-	-
Diluted EPS	0.11	-	-	-	-	-
Add: Technology Sales Methodology						
Net Sales	-	2,895	-	-	4,019	-
Operating Income	-	-	-	-	-	-
Net Income	-	-	-	-	-	-
Diluted EPS	-	-	-	-	-	-
Add: Goodwill Amortization (1)						
Net Sales	-	-	-	-	-	-
Operating Income	-	2,894	-	-	11,579	-
Net Income	-	1,824	-	-	7,296	-
Diluted EPS	-	0.04	-	-	0.16	-
Subtract: Restructuring Accrual Reversal (2)						
Net Sales	-	-	-	-	-	-
Operating Income	(734)	-	-	(734)	-	-
Net Income	(734)	-	-	(734)	-	-
Diluted EPS	(0.02)	-	-	(0.02)	-	-
Subtract: Gain on Real Estate Transaction (3)						
Net Sales	-	-	-	-	-	-
Operating Income	-	-	-	-	-	-
Net Income	-	-	-	(890)	-	-
Diluted EPS	-	-	-	(0.02)	-	-
Comparable Basis						
Net Sales	791,151	701,184	12.8%	2,825,001	2,562,262	10.3%

Operating Income	57,741	45,914	25.8%	196,269	159,329	23.2%
Operating Margin	7.3%	6.5%	75 bp	6.9%	6.2%	73 bp
Net Income	35,183	28,960	21.5%	116,363	94,669	22.9%
Diluted EPS	0.78	0.66	18.2%	2.59	2.17	19.4%

(1) 2002 results are reported in compliance with SFAS 142, which eliminates amortization of goodwill.

(2) In the fourth quarter of 2002, the Company recorded a net credit related to a reversal of previously accrued merger, integration, and restructuring costs.

(3) In the third quarter of 2002, the Company recorded a net non-recurring gain primarily related to a real estate transaction.

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