

Henry Schein Reports Record First Quarter EPS of \$0.55; Strong Sales Growth Drives 20% Increase in EPS

May 6, 2003

MELVILLE, N.Y.--(BUSINESS WIRE)--May 6, 2003--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 record first quarter financial results.

Net sales for the first quarter ended March 29, 2003 were \$738.0 million, an increase of 14.0% from the first quarter of 2002 (13.8% on a comparable basis - See Exhibit A for details of comparable basis sales growth comparisons). In local currencies, net sales increased 10.8% (10.5% on a comparable basis). All sales growth for the quarter was internally generated. Dental sales increased by 6.3% (6.1% on a comparable basis), Medical sales increased by 19.8%, Technology and Value-Added Services sales grew by 18.9% (12.4% on a comparable basis), and International sales improved by 22.5% (3.4% in local currencies).

Net income for the first quarter of 2003 was \$24.8 million, or \$0.55 per diluted share, representing increases of 25.5% and 22.2% compared with the first quarter of 2002, respectively. On a comparable basis, net income grew by 23.2% and diluted EPS increased by 20.0% (See Exhibit B for details of comparable basis income statement growth comparisons).

For the quarter, Dental consumable merchandise sales increased 4.8% and Dental equipment sales were up 13.2% (11.9% on a comparable basis). European Dental sales increased by 5.2% in local currencies.

"We are delighted to report record first quarter sales and earnings, highlighted by net sales growth in local currencies 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. "We achieved these excellent financial results despite severe winter weather during the quarter in the mid-Atlantic and Northeast U.S., which we estimate negatively impacted sales growth by 50 to 100 basis points," he added.

"The solid growth in dental equipment sales and service revenue is due to our investment in this segment of our business, coupled with a continuing trend by dentists to increase capacity and improve productivity by adding new operatories and investing in new technologies," stated Mr. Bergman. "Enrollment of dental practices in our Privileges customer-loyalty program continues to rise, and at the end of the first quarter more than 12,000 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, "We are extremely pleased with the Medical Group's sales growth, which includes strong performance in all segments of our Medical business."

The Company also announced that under a stock repurchase program of up to 2 million shares of common stock announced on March 12, 2003, 152,500 shares were repurchased during the first quarter at an average purchase price of \$42.51 per share.

The Company now expects full year earnings per diluted share to be \$2.97 to \$3.00, including a \$0.01 one-time gain in the first quarter of 2003. This represents a growth rate of 14% to 15% compared with 2002 results. This growth rate excludes the \$0.01 one-time gain during the first quarter of 2003 and \$0.04 in one-time gains during 2002. The Company noted that this 2003 EPS guidance is for current operations, and does not include the impact of potential acquisitions.

First Quarter Conference Call Webcast

The Company will hold a conference call to discuss first 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 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 90,000 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 49,000 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.

(unaudited)

	Three Months Ended	
	March 29, 2003	March 30, 2002
Net sales	\$737,997	\$647,093
Cost of sales	536,580	468,703
Gross profit	201,417	178,390
Operating expenses:		
Selling, general and administrative	159,212	143,192
Operating income	42,205	35,198
Other income (expense):		
Interest income	2,392	2,439
Interest expense	(4,733)	(4,828)
Other - net	685	(566)
Income before taxes on income, minority interest and equity in earnings of affiliates	40,549	32,243
Taxes on income	15,206	12,064
Minority interest in net income of subsidiaries	737	569
Equity in earnings of affiliates	160	120
Net income	\$ 24,766	\$ 19,730
Net income per common share:		
Basic	\$ 0.56	\$ 0.46
Diluted	\$ 0.55	\$ 0.45
Weighted average common shares outstanding:		
Basic	44,008	42,791
Diluted	45,069	44,069

HENRY SCHEIN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 29, 2003	December 28, 2002
	(unaudited)	(audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 186,995	\$ 200,651
Marketable securities	14,442	31,209
Accounts receivable, less reserves of \$37,762 and \$36,200, respectively	381,128	368,263
Inventories	334,910	323,080
Deferred income taxes	28,725	29,919
Prepaid expenses and other	67,846	74,407
Total current assets	1,014,046	1,027,529

Property and equipment, net of accumulated depreciation and amortization of \$108,397 and \$101,519, respectively	148,728	142,532
Goodwill	305,638	302,687
Other intangibles, net of accumulated amortization of \$4,505 and \$4,151, respectively	8,787	7,661
Investments and other	74,083	77,643
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	\$1,551,282	\$1,558,052
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 213,868	\$ 243,166
Bank credit lines	3,213	4,790
Accruals:		
Salaries and related expenses	44,708	53,954
Merger and integration, and restructuring costs	2,779	3,044
Acquisition earnout payments	0	1,460
Taxes and other expenses	115,753	114,254
Current maturities of long-term debt	2,600	2,662
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Total current liabilities	382,921	423,330
Long-term debt	242,868	242,561
Other liabilities	25,109	24,196
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Total liabilities	650,898	690,087
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Minority interest	9,070	6,748
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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, outstanding: 44,144,423 and 44,041,591 respectively	441	440
Additional paid-in capital	440,369	436,554
Retained earnings	451,286	430,389
Treasury stock, at cost, 0, and 62,479 shares, respectively	0	(1,156)
Accumulated comprehensive loss	(597)	(4,794)
Deferred compensation	(185)	(216)
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Total stockholders' equity	891,314	861,217
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	\$1,551,282	\$1,558,052
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HENRY SCHEIN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

Three Months Ended

March 29, 2003 March 30, 2002

Cash flows from operating activities:

Net income	\$ 24,766	\$ 19,730
Adjustments to reconcile net income to net cash used in operating activities:		

Depreciation and amortization	8,544	5,798
Provision for allowances on trade receivables	1,535	1,234
Other	2,560	(1,237)
Changes in assets and liabilities (net of purchase acquisitions):		
(Increase) decrease in accounts receivable	(12,537)	4,613
Increase in inventories	(8,824)	(3,796)
Decrease (increase) in other current assets	10,837	(195)
Decrease in accounts payable and accruals	(40,966)	(64,933)
Net cash used in operating activities	(14,085)	(38,786)
Cash flows from investing activities:		
Capital expenditures	(13,508)	(17,590)
Business acquisitions, net of cash acquired	(2,281)	(28,150)
Purchase of marketable securities with maturities of more than three months	(4,101)	(10,455)
Maturities of marketable securities with maturities of more than three months	26,430	0
Other	(1,487)	(302)
Net cash provided by (used in) investing activities	5,053	(56,497)
Cash flows from financing activities:		
Principal payments on long-term debt	(254)	(12,013)
Proceeds from issuance of stock upon exercise of stock options by employees	4,600	7,183
Payments for repurchases of common stock	(6,483)	0
Proceeds from borrowings from banks	935	481
Payments on borrowings from banks	(2,610)	(394)
Other	65	(423)
Net cash used in financing activities	(3,747)	(5,166)
Net decrease in cash and cash equivalents	(12,779)	(100,449)
Effect of exchange rate changes on cash and cash equivalents	(877)	503
Cash and cash equivalents, beginning of period	200,651	193,367
Cash and cash equivalents, end of period	\$186,995	\$ 93,421

Exhibit A

Henry Schein, Inc.
2003 First Quarter
Details of "Comparable Basis" Growth Comparison
Net Sales by Category
(in thousands)
(unaudited)

	First Quarter 2003	2002	% Growth
Net Sales As Reported			
Dental	313,956	295,281	6.3%
Medical	277,140	231,422	19.8%
International	129,600	105,838	22.5%

Technology	17,301	14,552	18.9%
Total	737,997	647,093	14.0%

Add: Technology Sales Methodology (1)

Dental	-	626	
Medical	-	-	
International	-	-	
Technology	-	836	
Total	-	1,462	

Net Sales Comparable Basis

Dental	313,956	295,907	6.1%
Medical	277,140	231,422	19.8%
International	129,600	105,838	22.5%
Technology	17,301	15,388	12.4%
Total	737,997	648,555	13.8%

(1) As part of the Company's 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.
2003 First Quarter
Details of "Comparable Basis" Growth Comparison
Income Statement Summary
(in thousands, except per share data)
(unaudited)

	First Quarter 2003	2002	%
			Growth
As Reported			

Net Sales	737,997	647,093	14.0%
Operating Income	42,205	35,198	19.9%
Margin	5.7%	5.4%	28 bp
Net Income	24,766	19,730	25.5%
EPS	0.55	0.45	22.2%

Add: Technology Sales Methodology (1)

Net Sales	-	1,462	
Operating Income	-	-	
Net Income	-	-	
EPS	-	-	

Subtract: Gain on Sale of Building (2)			
Net Sales	-	-	
Operating Income	-	-	
Net Income	(454)	-	
EPS	(0.01)	-	

Comparable Basis

Net Sales	737,997	648,555	13.8%
Operating Income	42,205	35,198	19.9%
Margin	5.7%	5.4%	29 bp
Net Income	24,312	19,730	23.2%
EPS	0.54	0.45	20.0%

(1) As part of the Company's 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.

(2) In the first quarter of 2003, the Company recorded a net non-recurring gain related to the sale of a building. The pretax gain was \$726 thousand, and was reflected on the "Other-net" line of the income statement.

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