

Henry Schein Reports Second Quarter Results

August 4, 2009

EPS from continuing operations increases 14% to a record \$0.81

MELVILLE, N.Y.--(BUSINESS WIRE)--Aug. 4, 2009-- Henry Schein, Inc. (NASDAQ: HSI), the largest provider of healthcare products and services to office-based practitioners, today reported financial results for the quarter ended June 27, 2009.

Net sales for the second quarter of 2009 were \$1.6 billion, a decrease of 1.8% compared with the second quarter of 2008. This consists of a 7.1% decline related to foreign currency exchange, offset by a 5.3% growth in local currencies (see Exhibit A for details of sales growth).

Income from continuing operations attributable to Henry Schein, Inc. for the second quarter of 2009 was \$73.5 million, or \$0.81 per diluted share, an increase of 13.1% and 14.1%, respectively, compared with the second quarter of 2008. Income from continuing operations for the second quarter of 2008 has been restated for the adoption of FASB Staff Position APB 14-1, which decreased diluted EPS by approximately \$0.01.

"We are pleased to report growth in diluted EPS from continuing operations of 14% and operating margin expansion of 65 basis points," said Stanley M. Bergman, Chairman and Chief Executive Officer of Henry Schein. "Our financial results for the quarter demonstrate a commitment to efficient operations and prudent cash management. The markets Henry Schein serves were largely as we expected them to be during the second quarter."

Dental Group sales of \$626 million declined 5.1%, consisting of a 1.5% decline related to foreign currency exchange and a 3.6% decline in local currencies. The 3.6% decline in local currencies included 1.3% growth in Dental consumable merchandise sales and a 17.5% decline in Dental equipment sales and service revenues.

"Dental consumable merchandise sales figures suggest stabilization in the market and dentists continue to be cautious when committing to purchasing equipment," commented Mr. Bergman.

Medical Group sales of \$351 million increased 8.0%, and were positively impacted by strong sales of consumable products, as well as by sales of products related to the H1N1 virus.

International Group sales of \$592 million declined 3.8%, consisting of a 17.2% decline related to foreign currency exchange and 13.4% growth in local currencies. International sales growth in local currencies included particular strength in the Company's dental equipment and veterinary businesses.

Technology and Value-Added Services Group sales of \$43 million increased 3.5% during the quarter, consisting of a 3.8% decline related to foreign currency exchange and a 7.3% growth in local currencies.

Year-to-Date Results

For the first half of 2009, net sales of \$3.1 billion represent a decrease of 2.0% compared with the first half of 2008. This decrease includes a 7.4% decline related to foreign currency exchange offset by 5.4% growth in local currencies.

Income from continuing operations attributable to Henry Schein, Inc. for the first half of 2009 was \$128.3 million, or \$1.43 per diluted share. These results include first quarter 2009 restructuring costs of \$4.0 million (or \$0.03 per diluted share, after-tax) related to the completion of the expense reduction program announced in November 2008. Excluding the impact of these restructuring costs, income from continuing operations attributable to Henry Schein, Inc. for the first half of 2009 was \$131.1 million, or \$1.46 per diluted share, an increase of 12.5% and 15.9%, respectively, compared with the first half of 2008 (see Exhibit B for reconciliation of GAAP net income and EPS to non-GAAP adjusted net income and EPS). Income from continuing operations for the first half of 2008 has been restated for the adoption of FASB Staff Position APB 14-1, which decreased diluted EPS by approximately \$0.02.

2009 EPS Guidance

Henry Schein today affirmed 2009 financial guidance, as follows:

- 2009 diluted EPS attributable to Henry Schein, Inc. is expected to be \$3.11 to \$3.26, representing growth of 7% to 12% compared with restated 2008 results of \$2.92, excluding charges related to the Lehman Brothers bankruptcy as well as restructuring costs. The 2009 guidance also excludes restructuring costs.
- Guidance for 2009 diluted EPS attributable to Henry Schein, Inc. is for current continuing operations including completed or previously announced acquisitions, and does not include the impact of potential future acquisitions, if any.

Second Quarter Conference Call Webcast

The Company will hold a conference call to discuss second quarter financial 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 beginning shortly after the call has ended.

About Henry Schein

Henry Schein, a Fortune 500® company and a member of the NASDAQ 100® Index, is recognized for its excellent customer service and highly competitive prices. The Company's four business groups – Dental, Medical, International and Technology – serve more than 575,000 customers worldwide, including dental practitioners and laboratories, physician practices and animal health clinics, as well as government and other institutions. The Company operates through a centralized and automated distribution network, which provides customers in more than 200 countries with a

comprehensive selection of more than 90,000 national and Henry Schein private-brand products in stock, as well as more than 100,000 additional products available as special-order items. Henry Schein also provides exclusive, innovative technology offerings for dental, medical and veterinary professionals, including value-added practice management software and electronic health record solutions.

Headquartered in Melville, N.Y., Henry Schein employs over 12,500 people and has operations or affiliates in 23 countries. The Company's net sales reached a record \$6.4 billion in 2008. For more information, visit the Henry Schein Web site at www.henryschein.com.

In accordance with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, we provide the following cautionary remarks regarding important factors that, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. All forward-looking statements made by us are subject to risks and uncertainties and are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are identified by the use of such terms as "may," "could," "expect," "intend," "believe," "plan," "estimate," "forecast," "project," "anticipate" or other comparable terms. A full discussion of our operations and financial condition, including factors that may affect our business and future prospects, is contained in documents we have filed with the SEC and will be contained in all subsequent periodic filings we make with the SEC. These documents identify in detail important risk factors that could cause our actual performance to differ materially from current expectations.

Risk factors and uncertainties that could cause actual results to differ materially from current and historical results include, but are not limited to: decreased customer demand and changes in vendor credit terms; disruptions in financial markets; general economic conditions; competitive factors; changes in the healthcare industry; changes in regulatory requirements that affect us; risks associated with our international operations; fluctuations in quarterly earnings; our dependence on third parties for the manufacture and supply of our products; transitional challenges associated with acquisitions, including the failure to achieve anticipated synergies; financial risks associated with acquisitions; regulatory and litigation risks; the dependence on our continued product development, technical support and successful marketing in the technology segment; our dependence upon sales personnel and key customers; our dependence on our senior management; possible increases in the cost of shipping our products or other service issues with our third-party shippers; risks from rapid technological change; risks from potential increases in variable interest rates; possible volatility of the market price of our common stock; certain provisions in our governing documents that may discourage third-party acquisitions of us; and changes in tax legislation that affect us. The order in which these factors appear should not be construed to indicate their relative importance or priority.

We caution that these factors may not be exhaustive and that many of these factors are beyond our ability to control or predict. Accordingly, any forward-looking statements contained herein should not be relied upon as a prediction of actual results. We undertake no duty and have no obligation to update forward-looking statements.

HENRY SCHEIN, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 27,	June 28,	June 27,	June 28,
	2009	2008	2009	2008
Net sales	\$ 1,611,006	\$ 1,640,851	\$ 3,099,611	\$ 3,162,628
Cost of sales	1,132,494	1,152,741	2,180,089	2,223,887
Gross profit	478,512	488,110	919,522	938,741
Operating expenses:				
Selling, general and administrative	356,202	374,118	702,282	739,474
Restructuring costs	-	-	4,043	-
Operating income	122,310	113,992	213,197	199,267
Other income (expense):				
Interest income	2,486	3,974	5,287	7,957
Interest expense	(6,467)	(9,593)	(13,281)	(17,760)
Other, net	(272)	(291)	(289)	(674)
Income from continuing operations before taxes, noncontrolling interest and equity in earnings of affiliates	118,057	108,082	204,914	188,790
Income taxes	(38,841)	(36,874)	(67,763)	(64,320)
Equity in earnings of affiliates	1,212	908	2,577	2,418
Income from continuing operations	80,428	72,116	139,728	126,888
Loss from discontinued operations, net of tax	-	(415)	-	(497)
Net income	80,428	71,701	139,728	126,391
Less: Net income attributable to noncontrolling interests	(6,955)	(7,131)	(11,404)	(10,381)
Net income attributable to Henry Schein, Inc.	\$ 73,473	\$ 64,570	\$ 128,324	\$ 116,010
Amounts attributable to Henry Schein, Inc.:				
Income from continuing operations	\$ 73,473	\$ 64,985	\$ 128,324	\$ 116,507

Loss from discontinued operations, net of tax	-	(415)) -	(497))
Net income	\$ 73,473	\$ 64,570	\$ 128,324	\$ 116,010	

Earnings per share attributable to Henry Schein, Inc.:

From continuing operations:

Basic	\$ 0.83	\$ 0.73	\$ 1.44	\$ 1.30
Diluted	\$ 0.81	\$ 0.71	\$ 1.43	\$ 1.26

From discontinued operations:

Basic	\$ 0.00	\$ (0.01)) \$ 0.00	\$ 0.00
Diluted	\$ 0.00	\$ (0.01)) \$ 0.00	\$ 0.00

From net income:

Basic	\$ 0.83	\$ 0.72	\$ 1.44	\$ 1.30
Diluted	\$ 0.81	\$ 0.70	\$ 1.43	\$ 1.26

Weighted-average common shares outstanding:

Basic	88,815	89,587	88,838	89,417
Diluted	90,534	92,012	90,021	92,212

Note: The above prior period amounts have been restated to reflect the effects of discontinued operations, the adoption of FASB Staff Position APB 14-1 related to convertible debt and FAS 160 related to the presentation of noncontrolling interests.

**HENRY SCHEIN, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)**

	June 27, 2009	December 27, 2008
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 393,873	\$ 369,570
Accounts receivable, net of reserves of \$46,419 and \$42,855	730,996	734,027
Inventories, net	737,956	731,654
Deferred income taxes	38,667	36,974
Prepaid expenses and other	187,798	193,841
Total current assets	2,089,290	2,066,066
Property and equipment, net	254,008	247,835
Goodwill	948,862	922,952
Other intangibles, net	206,429	214,093
Investments and other	146,901	148,264
Total assets	\$ 3,645,490	\$ 3,599,210
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 435,579	\$ 554,773
Bank credit lines	2,014	4,936
Current maturities of long-term debt	154,251	156,405
Accrued expenses:		
Payroll and related	123,182	135,523
Taxes	91,091	69,792
Other	251,495	262,236
Total current liabilities	1,057,612	1,183,665
Long-term debt	261,229	256,648
Deferred income taxes	96,542	95,399
Other liabilities	58,482	58,109

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$.01 par value, 1,000,000 shares authorized, none outstanding	-	-
Common stock, \$.01 par value, 240,000,000 shares authorized, 90,167,656 outstanding on June 27, 2009 and 89,351,849 outstanding on December 27, 2008	902	894
Additional paid-in capital	740,186	725,540
Retained earnings	1,309,778	1,181,454
Accumulated other comprehensive income	45,578	29,721
Total Henry Schein, Inc. stockholders' equity	2,096,444	1,937,609
Noncontrolling interest	75,181	67,780
Total stockholders' equity	2,171,625	2,005,389
Total liabilities and stockholders' equity	\$ 3,645,490	\$ 3,599,210

Note: The above prior period amounts have been restated to reflect the adoption of FASB Staff Position APB 14-1 related to convertible debt and FAS 160 related to the presentation of noncontrolling interests.

HENRY SCHEIN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Cash flows from operating activities:				
Net income	\$ 80,428	\$ 71,701	\$ 139,728	\$ 126,391
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	20,813	20,270	40,734	39,708
Amortization of bond discount	1,500	1,410	2,964	2,792
Stock-based compensation expense	6,236	6,956	12,303	16,216
Provision for losses on trade and other accounts receivable	526	1,467	1,712	2,604
Benefit from deferred income taxes	(436)	(33)	(5,921)	(3,842)
Undistributed earnings of affiliates	(1,212)	(908)	(2,577)	(2,418)
Other	(125)	(891)	1,491	(1,317)
Changes in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(28,954)	(23,256)	14,443	(6,752)
Inventories	34,287	16,023	13,248	(5,064)
Other current assets	(10,199)	8,464	2,470	10,978
Accounts payable and accrued expenses	3,839	24,108	(141,020)	(40,612)
Net cash provided by operating activities	106,703	125,311	79,575	138,684
Cash flows from investing activities:				
Purchases of fixed assets	(15,537)	(9,723)	(28,403)	(23,466)
Payments for equity investment and business acquisitions, net of cash acquired	(12,746)	(15,057)	(26,489)	(23,581)
Purchases of available-for-sale securities	-	-	-	(35,925)
Proceeds from sales of available-for-sale securities	1,300	-	4,040	847
Net proceeds from (payments for) foreign				

exchange forward contract settlements	(8)	(3,048)	275	(5,052)
Other	1,614	5,272	(2,680)	4,504
Net cash used in investing activities	(25,377)	(22,556)	(53,257)	(82,673)
Cash flows from financing activities:				
Repayments of bank borrowings	(204)	(2,589)	(3,393)	(6,508)
Principal payments for long-term debt	(900)	(4,976)	(2,612)	(5,949)
Proceeds from issuance of stock upon exercise of stock options	3,551	5,523	3,928	12,695
Payments for repurchases of common stock	-	(31,647)	-	(31,647)
Excess tax benefits related to stock-based compensation	503	1,244	683	4,673
Other	342	(977)	(1,748)	(1,401)
Net cash provided by (used in) financing activities	3,292	(33,422)	(3,142)	(28,137)
Net change in cash and cash equivalents	84,618	69,333	23,176	27,874
Effect of exchange rate changes on cash and cash equivalents	1,099	(937)	1,127	(4,032)
Cash and cash equivalents, beginning of period	308,156	203,036	369,570	247,590
Cash and cash equivalents, end of period	\$ 393,873	\$ 271,432	\$ 393,873	\$ 271,432

Note: The above prior period amounts have been restated to reflect the adoption of FASB Staff Position APB 14-1 related to convertible debt and FAS 160 related to the presentation of noncontrolling interests.

Exhibit A

Henry Schein, Inc. 2009 Second Quarter Sales Growth Rate Summary (unaudited)

Q2 2009 over Q2 2008

	Consolidated	Dental	Medical	International	Technology
Internal Sales Growth	0.7 %	-6.0 %	6.7 %	4.1 %	7.3 %
Acquisitions	4.6 %	2.4 %	1.3 %	9.3 %	0.0 %
Local Currency Sales Growth	5.3 %	-3.6 %	8.0 %	13.4 %	7.3 %
Foreign Currency Exchange	-7.1 %	-1.5 %	0.0 %	-17.2 %	-3.8 %
Total Sales Growth	-1.8 %	-5.1 %	8.0 %	-3.8 %	3.5 %

Q2 YTD 2009 over Q2 YTD 2008

Consolidated Dental Medical International Technology

Internal Sales Growth	0.5	%	-4.3	%	2.1	%	4.5	%	8.0	%
Acquisitions	4.9	%	2.2	%	1.2	%	10.2	%	0.0	%
Local Currency Sales Growth	5.4	%	-2.1	%	3.3	%	14.7	%	8.0	%
Foreign Currency Exchange	-7.4	%	-1.7	%	0.0	%	-18.1	%	-4.3	%
Total Sales Growth	-2.0	%	-3.8	%	3.3	%	-3.4	%	3.7	%

Exhibit B

Henry Schein, Inc.

2009 Second Quarter and YTD

Reconciliation of GAAP results of continuing operations to non-GAAP results of continuing operations

(in thousands, except per share data)

(unaudited)

	Second Quarter		%	YTD		%	
	2009	2008	Growth	2009	2008	Growth	
From Continuing Operations							
Net Sales	\$ 1,611,006	\$ 1,640,851	-1.8 %	\$ 3,099,611	\$ 3,162,628	-2.0 %	
Operating Income	122,310	113,992	7.3 %	213,197	199,267	7.0 %	
Margin	7.6	6.9	% 65	6.9	6.3	% 58	bp
Income from Continuing Operations attributable to Henry Schein, Inc.	\$ 73,473	\$ 64,985	13.1 %	\$ 128,324	\$ 116,507	10.1 %	
Diluted EPS from Continuing Operations attributable to Henry Schein, Inc.	0.81	0.71	14.1 %	1.43	1.26	13.5 %	
Net Income attributable to Henry Schein, Inc.	73,473	64,570	13.8 %	128,324	116,010	10.6 %	
Diluted EPS	0.81	0.70	15.7 %	1.43	1.26	13.5 %	
Add: Non-GAAP Adjustments							
Net Sales	-	-		-	-		
Operating Income	-	-		\$ 4,043	-		
Income from Continuing Operations attributable to Henry Schein, Inc.	-	-		2,784	-		
Diluted EPS from Continuing Operations attributable to Henry Schein, Inc.	-	-		0.03	-		
Net Income attributable to Henry Schein, Inc.	-	-		2,784	-		
Diluted EPS	-	-		0.03	-		
Adjusted Results From Continuing Operations							
Net Sales	\$ 1,611,006	\$ 1,640,851	-1.8 %	\$ 3,099,611	\$ 3,162,628	-2.0 %	
Operating Income	122,310	113,992	7.3 %	217,240	199,267	9.0 %	

Margin	7.6	%	6.9	%	65	bp	7.0	%	6.3	%	71	bp
Income from Continuing Operations attributable to Henry Schein, Inc.	\$ 73,473		\$ 64,985		13.1	%	\$ 131,108		\$ 116,507		12.5	%
Diluted EPS from Continuing Operations attributable to Henry Schein, Inc.	0.81		0.71		14.1	%	1.46		1.26		15.9	%
Net Income attributable to Henry Schein, Inc.	73,473		64,570		13.8	%	131,108		116,010		13.0	%
Diluted EPS	0.81		0.70		15.7	%	1.46		1.26		15.9	%

Note:

Above reflects adjusted results from continuing operations excluding restructuring costs of \$4,043 (\$2,784 after tax and \$.03 per diluted share) recorded in the first quarter of 2009. This non-GAAP comparison is being presented in order to provide a more comparable basis for analysis.

Source: Henry Schein, Inc.

Henry Schein, Inc.

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