Henry Schein, Inc. Announces Second Quarter Results

August 2, 1999

MELVILLE, N.Y.--(BUSINESS WIRE)--Aug. 2, 1999--Henry Schein, Inc. (Nasdaq: HSIC) today announced that continued strong operating margin expansion contributed to solid financial results for the second quarter ended June 26, 1999, compared to restated results for the same period of 1998.

For the three months ended June 26, 1999, net sales increased 18%, to $559 million, from $476 million for the second quarter last year. Excluding merger and integration costs and including pro forma adjustments, adjusted net income rose 19%, to $16.4 million, as compared to $13.8 million for the same quarter last year. Diluted earnings per share, after adjustments, grew 21%, to $.40 versus $.33 in the 1998 second quarter.

Year-to-date, net sales of $1.1 billion represents 18% growth compared to the first half of 1998. Adjusted net income, excluding merger and integration costs and including pro forma adjustments, grew by 22% to $27.7 million compared to $22.7 million for the same period in 1998. Diluted earnings per share, after adjustments, improved by 22% to $.67 from $.55 in the prior year.

Stanley M. Bergman, Chairman, Chief Executive Officer, and President of Henry Schein, Inc. stated, ``We are pleased once again to report significant improvements in our adjusted operating margin. The second quarter margin of 5.7% is an expansion of 90 basis points from the second quarter of 1998. Year-to-date, our operating margin has expanded by 100 basis points.

``This margin expansion is primarily a result of our basic corporate growth strategy of leveraging our core infrastructure, which was accomplished through the acquisitions of Sullivan Dental Products, Micro Bio-Medics and H. Meer Dental Supply," said Mr. Bergman.

Mr. Bergman added, ``The integration of Meer was completed on schedule by the end of the second quarter, concluding the enormous task of combining the number two, three and four competitors in the U.S dental market to create a clear market leader."

The Company also stated that this nearly two-year integration process resulted in lower than anticipated Dental sales for the quarter, which were $261 million, 8% below prior year. The majority of this shortfall is a result of sales erosion related to the Meer acquisition. In addition, Henry Schein said it expects Dental sales in the third quarter to be in the range of flat to 5% below prior year, and flat to 5% above prior year in the fourth quarter of 1999. The Company anticipates that this Dental sales performance will likely have a disproportionate negative impact on its earnings per share for the balance of the year. Despite this, Henry Schein expects earnings per share growth of between 15% and 20% for the second half of 1999, compared to the prior year.

``It has now become clear that the process of fully implementing our sales and marketing strategy of combining direct marketing and telesales in support of our field sales consultants will take longer than we expected." said Mr. Bergman. ``With the closing of eight distribution centers, opening of two new state-of-the-art distribution centers, and the migration to a single computer system now behind us, we believe that the platform is in place to regain our Dental sales growth momentum. We recognize, however, that the results of our efforts may not be fully realized in the near term. Therefore, the improvement in Dental sales will be more gradual than we originally anticipated.

``To increase our focus on improving sales growth, we have realigned our senior Dental management team," said Mr. Bergman. ``In addition, we have also implemented a comprehensive customer reactivation program to recapture sales that eroded during the integration process, and we are actively recruiting additional experienced sales representatives."

Henry Schein's Medical, International, and Technology Groups continued to exhibit strong sales performance and market share growth during the quarter. Medical sales grew by 36% in the quarter and International sales by 95%, largely due to strategic acquisitions. Sales for its Veterinary Group increased 10%, all internally generated. Technology and Value-Added Services sales grew by 97%, all of which were substantially internally generated, and sales processed through Henry Schein's ArubA® E-Commerce suite of systems grew by 170% compared to the second quarter of last year, continuing on a run rate of over $150 million.

The Company also reported that Novocol Pharmaceutical of Canada, Inc., (Novocol), an affiliated company in which it owns a non-controlling interest, has informed the Company that the U.S. Food and Drug Administration (FDA) has completed an inspection of Novocol's manufacturing facility. While Novocol believes that the inspection report will conclude that Novocol has adequately addressed the issues previously raised, they are still awaiting final authorization from the FDA to begin shipping product to the United States. Assuming the final report on the inspection is favorable, Novocol will then resume full production.

Henry Schein, Inc. is the largest distributor of healthcare products and services to office-based healthcare practitioners, including dental practices and laboratories, physician practices and veterinary clinics. The Company, recognized for its excellent customer service and low prices, serves more than 300,000 customers worldwide.

Headquartered in Melville, New York, the Company employs over 6,000 people in 16 countries. Sales in 1998 were $1.9 billion. For more information, visit the Henry Schein website at 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.

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                  HENRY SCHEIN, INC. AND SUBSIDIARIES
                 CONSOLIDATED STATEMENTS OF OPERATIONS
                 (in thousands, except per share data)
                              (unaudited)
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	Three Months Ended		Six Months Ended	
	June 26, 1999	June 27, 1998	June 26, 1999	June 27, 1998
		(restated)		(restated)
Net sales	$ 559,310	$ 475,992	$ 1,095,645	$ 926,334
Cost of sales	385,260	326,409	758,178	640,044
Gross profit	174,050	149,583	337,467	286,290
Operating expenses:				
Selling, general and administrative	142,001	126,735	281,770	248,641
Merger and integration costs	5,271	8,536	7,474	12,400
Operating income	26,778	14,312	48,223	25,249
Other income (expense):				
Interest income	1,488	1,448	3,821	3,188
Interest expense	(5,316)	(3,165)	(11,040)	(5,950)
Other - net	297	227	108	561
Income before taxes on income, minority interest and equity in earnings (losses) of affiliates	23,247	12,822	41,112	23,048
Taxes on income	8,958	5,618	16,085	9,911
Minority interest in net income (loss) of subsidiaries	322	(144)	919	(143)
Equity in earnings (losses) of affiliates	(630)	474	(858)	655
Net income	$ 13,337	$ 7,822	$ 23,250	$ 13,935
Adjusted net income:				
Net income	$ 13,337	$ 7,822	$ 23,250	$ 13,935
Adjustments:				
Merger and integration costs	5,271	8,536	7,474	12,400
Tax effect on merger and integration costs	(2,163)	(2,294)	(3,022)	(3,331)
Pro forma tax adjustment - Meer	--	(263)	--	(339)
Adjusted net income	$ 16,445	$ 13,801	$ 27,702	$ 22,665
Adjusted net income per common share:				
Basic	$ 0.41	$ 0.35	$ 0.68	$ 0.58
Diluted	$ 0.40	$ 0.33	$ 0.67	$ 0.55
Weighted average shares:				
Basic	40,491	39,738	40,456	39,299

Diluted	41,547	41,710	41,621	41,195

Restated to reflect results of the H. Meer Dental Supply Co., which was accounted for under the pooling of interests method of accounting.

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

	June 26, 1999	Dec. 26, 1998
	(unaudited)	(audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$25,075	$28,222
Accounts receivable, less reserves of $21,763 and $20,136, respectively	361,340	338,121
Inventories	278,774	270,008
Deferred income taxes	14,011	14,532
Prepaid expenses and other	64,447	53,646
Total current assets	743,647	704,529
Property and equipment, net of accumulated depreciation and amortization of $60,229 and $53,756, respectively	72,115	67,646
Goodwill and other intangibles, net of accumulated amortization of $24,685 and $18,123, respectively	286,565	148,428
Investments and other	43,382	41,437
	$1,145,709	$962,040
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$165,705	$169,860
Bank credit lines	40,458	19,372
Accruals:		
Salaries and related expenses	30,613	29,675
Merger and integration costs	13,901	21,992
Other	69,362	50,404
Current maturities of long-term debt	6,257	9,634
Total current liabilities	326,296	300,937
Long-term debt	318,157	180,445
Other liabilities	9,153	11,720
Total liabilities	653,606	493,102
Minority interest	6,900	5,904
Stockholders' equity:		
Common stock, $.01 par value, authorized 120,000,000; issued and outstanding 40,578,109 and 40,250,936,		

respectively	406	402
Additional paid-in capital	355,078	348,119
Retained earnings	140,746	119,064
Treasury stock, at cost		
(62,479 shares)	(1,156)	(1,156)
Accumulated comprehensive income	(8,533)	(2,057)
Deferred compensation	(1,338)	(1,338)
Total stockholders' equity	485,203	463,034
	$1,145,709	$962,040