HENRY SCHEIN
SOLUTIONS FOR HEALTH CARE PROFESSIONALS

# Henry Schein Reports Second Quarter Results; Net Income of $17.0 Million, Operating Cash Flow of $56.5 Million; Announces Restructuring Plan to Increase Profitability

August 1, 2000

MELVILLE, N.Y.--(BUSINESS WIRE)--August 1, 2000--Henry Schein, Inc. (Nasdaq: HSIC), the world's largest provider of healthcare supplies to office-based practitioners in the combined North American and European markets, today announced financial results for the second quarter of 2000.

For the three months ended June 24, 2000, net sales increased to $568 million, from $559 million in the second quarter of last year. Excluding merger and integration costs related to the recently announced acquisition of Integra Medical, Inc., adjusted net income rose to $17.0 million, or $0.41 per diluted share, compared with adjusted net income of $16.4 million, or $0.40 per diluted share, in the second quarter of 1999.

Cash flow from operations was $56.5 million for the second quarter of 2000, compared with $18.5 million in the second quarter of last year. Operating cash flow for the first half of 2000 was $65.3 million, compared to $5.3 million in the first half of 1999. As a result of its improved cash flow, the Company paid down approximately $26.5 million in debt during the second quarter of 2000.

"We are especially pleased with this dramatic increase in operating cash flow, which is largely a result of our ongoing focus on improving working capital and asset management," said Stanley M. Bergman, Chairman, Chief Executive Officer and President of Henry Schein.

Year-to-date adjusted net income was $28.4 million, or $0.69 per diluted share, compared to $27.7 million, or $0.67 per diluted share, in the prior year.

The Company reported second quarter Dental sales of $265 million, approximately 2% above the same period in the prior year. Net sales in the Company's Dental equipment sales and services business were approximately equal to the prior year's second quarter, following three consecutive quarters of declining sales in this category. Dental merchandise sales were up 2% for the second quarter of 2000, compared to the second quarter of 1999.

Henry Schein's Medical and Veterinary businesses continued to outpace market growth rates, rising 7% and 6%, respectively. Medical sales to the Company's core physician office and alternate care markets grew by 12%. International sales for the second quarter were approximately 6% below the second quarter of 1999, while in local currencies sales grew by 3%. International results were impacted by sales erosion from combining similar businesses in the United Kingdom; however, the consolidation of these businesses has resulted in operating expense efficiencies.

Technology and Value-Added Services sales in the second quarter of 2000 were 5% below the same period in the prior year. This decline was due to lower sales of non-software related value-added services. Excluding value-added services, sales in the 2000 second quarter from the Company's practice management software and related technologies business were 7% above last year.

Restructuring Program Underway to Reduce Costs by $15 Million

Henry Schein also announced the implementation of a comprehensive restructuring plan designed to improve customer service and increase profitability by maximizing the Company's infrastructure. This worldwide initiative includes the elimination of approximately 300 positions, or about 5% of the total workforce, throughout the organization and at all levels.

Estimated annual cost savings from the restructuring are expected to be approximately $15 million on a pre-tax basis ($9 million after taxes), equating to about $0.22 per diluted share. These savings are in addition to those expected from the previously announced Dental rightsizing plan, now estimated at $5 million pre-tax annually ($3 million after tax), equating to about $0.07 per diluted share. Total pre-tax cost savings from both initiatives are estimated at $20 million annually ($12 million after taxes), or $0.29 per diluted share.

The restructuring plan will be implemented over the balance of 2000 and, like the Dental rightsizing plan, will be completed by year-end. The Company expects to record a one-time restructuring charge of approximately $14 million pre-tax ($8.4 million after tax), or $0.20 per diluted share, during the second half of 2000. This restructuring charge primarily includes severance pay, facility closing costs, and outside professional and consulting fees directly related to the restructuring plan.

Mr. Bergman stated, "The restructuring plan will result in a worldwide organization that is aligned with our current level of sales, and enables us to leverage our infrastructure to springboard future improvements in profitability. The resulting organizational structure will be significantly streamlined and flattened to ensure maximum efficiency and improved customer support. This restructuring plan will allow us to better serve our customers with the highest quality service in the most cost efficient manner.

"A reduction in our workforce is not undertaken lightly, especially by a Company such as Henry Schein which considers Team Schein to be its greatest asset. We will offer full severance packages and outplacement assistance to the affected individuals."

Mr. Bergman concluded, "We are committed to delivering superior financial returns to our shareholders, and this restructuring plan is consistent with that goal. I remain confident in our future success."

The Company will hold a conference call to discuss these results today, beginning at 10:00 a.m. Eastern Time. Individual investors are invited to listen to the conference call over the Internet through Vcall, a service of the Investor Broadcast Network, at www.vcall.com. To listen to the live call, please go to the website at least 15 minutes prior to the start of the call to register, download and install any necessary audio software. In addition, a replay will be available 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. Customers include dental practices and laboratories, physician practices and veterinary clinics, as well as government and other institutions. The Company, recognized for its excellent customer service and low prices, serves more than 400,000 customers worldwide.

Headquartered in Melville, New York, the Company employs over 6,500 people in 15 countries. Sales in 1999 were $2.3 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. -0-

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

| | Three Months Ended June 24, 2000 | Three Months Ended June 26, 1999 |
|---|---|---|
| Net sales | $ 568,174 | $ 559,310 |
| Cost of sales | 385,443 | 385,260 |
| Gross profit | 182,731 | 174,050 |
| Operating expenses: | | |
| Selling, general and administrative | 151,164 | 142,001 |
| Merger and integration costs | 585 | 5,271 |
| Operating income | 30,982 | 26,778 |
| Other income (expense): | | |
| Interest income | 924 | 1,488 |
| Interest expense | (4,847) | (5,316) |
| Other - net | (495) | 297 |
| Income before taxes on income, minority interest and equity in earnings (losses) of affiliates | 26,564 | 23,247 |
| Taxes on income | 9,774 | 8,958 |
| Minority interest in net income of subsidiaries | 549 | 322 |
| Equity in earnings (losses) of affiliates | 140 | (630) |
| Net income | $ 16,381 | $ 13,337 |
| Adjusted net income: | | |
| Net income | $ 16,381 | $ 13,337 |
| Adjustments: | | |
| Merger and integration costs | 585 | 5,271 |
| Tax effect on merger and integration costs | 0 | (2,163) |
| Adjusted net income | $ 16,966 | $ 16,445 |
| Adjusted net income per common share: | | |
| Basic | $ 0.41 | $ 0.41 |
| Diluted | $ 0.41 | $ 0.40 |
| Weighted average shares: | | |

| | | |
|---|---|---|
| Basic | 41,204 | 40,491 |
| Diluted | 41,702 | 41,547 |

| | Six Months Ended | |
|---|---|---|
| | June 24, 2000 | June 26, 1999 |
| Net sales | $ 1,121,984 | $ 1,095,645 |
| Cost of sales | 770,049 | 758,178 |
| Gross profit | 351,935 | 337,467 |
| Operating expenses: | | |
| Selling, general and administrative | 296,891 | 281,770 |
| Merger and integration costs | 585 | 7,474 |
| Operating income | 54,459 | 48,223 |
| Other income (expense): | | |
| Interest income | 2,020 | 3,821 |
| Interest expense | (10,699) | (11,040) |
| Other - net | (646) | 108 |
| Income before taxes on income, minority interest and equity in earnings (losses) of affiliates | 45,134 | 41,112 |
| Taxes on income | 16,552 | 16,085 |
| Minority interest in net income of subsidiaries | 1,037 | 919 |
| Equity in earnings (losses) of affiliates | 234 | (858) |
| Net income | $ 27,779 | $ 23,250 |
| Adjusted net income: | | |
| Net income | $ 27,779 | $ 23,250 |
| Adjustments: | | |
| Merger and integration costs | 585 | 7,474 |
| Tax effect on merger and integration costs | 0 | (3,022) |
| Adjusted net income | $ 28,364 | $ 27,702 |
| Adjusted net income per common share: | | |
| Basic | $ 0.69 | $ 0.68 |
| Diluted | $ 0.69 | $ 0.67 |
| Weighted average shares: | | |
| Basic | 40,959 | 40,456 |
| Diluted | 41,401 | 41,621 |

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

| | June 24, 2000 (unaudited) | Dec. 25, 1999 (audited) |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 45,900 | $ 26,019 |
| Accounts receivable, less reserves of $21,685 and $20,391, respectively | 357,215 | 388,063 |
| Inventories | 274,668 | 285,590 |
| Deferred income taxes | 18,435 | 15,520 |
| Prepaid expenses and other | 62,109 | 63,617 |
| Total current assets | 758,327 | 778,809 |
| Property and equipment, net of accumulated depreciation and amortization of $67,196 and $60,702, respectively | 87,489 | 86,627 |
| Goodwill and other intangibles, net of accumulated amortization of $37,937 and $31,356, respectively | 283,389 | 295,113 |
| Investments and other | 41,702 | 43,553 |
| | $ 1,170,907 | $ 1,204,102 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $ 183,586 | $ 198,983 |
| Bank credit lines | 37,730 | 41,527 |
| Accruals: | | |
| Salaries and related expenses | 32,650 | 31,188 |
| Merger and integration costs | 6,729 | 10,093 |
| Other | 64,136 | 64,710 |
| Current maturities of long-term debt | 5,484 | 3,879 |
| Total current liabilities | 330,315 | 350,380 |
| Long-term debt | 280,128 | 318,218 |
| Other liabilities | 11,855 | 9,782 |
| Total liabilities | 622,298 | 678,380 |
| Minority interest | 8,324 | 7,855 |
| Stockholders' equity: | | |
| Common stock, $.01 par value, authorized 120,000,000; issued and outstanding 41,276,794 and 40,768,306, respectively | 413 | 407 |
| Additional paid-in capital | 362,529 | 361,757 |
| Retained earnings | 196,060 | 167,809 |
| Treasury stock, at cost (62,479 shares) | (1,156) | (1,156) |
| Accumulated comprehensive income | (17,032) | (10,359) |
| Deferred compensation | (529) | (591) |
| Total stockholders' equity | 540,285 | 517,867 |

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|---|---|---|
| | $ 1,170,907 | $ 1,204,102 |
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