

## Henry Schein Achieves Record Financial Performance; Company Reports Q4 Sales of \$698 Million, EPS of \$0.62, Operating Cash Flow of \$112 Million

March 5, 2002

MELVILLE, N.Y.--(BUSINESS WIRE)--March 5, 2002--Henry Schein, Inc. (Nasdaq: HSIC), the largest provider of healthcare supplies to office-based practitioners in the combined North American and European markets, today announced financial results for the 2001 fourth quarter and full year.

For both the quarter and year ended December 29, 2001, the Company reported all-time record financial performance, including:

- Record quarterly net sales of \$698.3 million and \$2.56 billion for the year
- Record quarterly operating income of \$43.0 million and \$147.8 million for the year
- Record quarterly net income of \$27.1 million and \$87.4 million for the year
- Record quarterly diluted EPS of \$0.62 and \$2.01 for the year
- Record quarterly operating cash flow of \$111.8 million and \$190.9 million for the year

Net sales for the fourth quarter of 2001 increased 6.5% to \$698.3 million, from \$655.6 million in the fourth quarter of last year. The Company reports financial results on a 52-53 week basis and, as such, the fourth quarter of 2000 included an additional week. Excluding the additional week of sales during the 2000 period, fourth quarter 2001 net sales were up 11.2%, and were up 11.1% in local currencies. Net income for the fourth quarter of 2001 was \$27.1 million, or \$0.62 per diluted share, compared with adjusted net income of \$22.2 million, or \$0.52 per diluted share, in the fourth quarter of 2000. Fourth quarter 2001 net income increased 22.3% and earnings per diluted share were up

- 19.2%, both compared with the adjusted figures from the fourth quarter of 2000.

"By any number of financial measurements - including sales, operating income, net income, EPS, operating cash flow, and working capital metrics - our fourth quarter results were exceptional, and brought to a close an outstanding year at Henry Schein. These results are indicative of our success in offering products and services that help our customers operate more efficient and profitable practices while providing a high level of quality care. Net sales growth for the fourth quarter continued to run at nearly twice the rate of our estimated consolidated growth rate of the markets we serve," said Stanley M. Bergman, Chairman, Chief Executive Officer and President of Henry Schein.

"Gross margin improved by 60 basis points compared with last year as we sharpened our focus on gross margin management, leading to further expansion of operating margin. Our operating cash flow continues to be exceptionally strong, reaching \$112 million for the fourth quarter of 2001."

For the year 2001, net sales increased 7.4% to \$2.56 billion, from \$2.38 billion in 2000. Excluding the additional week of sales during 2000, full-year 2001 net sales were up 8.7%, and were up 9.4% in local currencies. Net income for 2001 increased 24.6% to \$87.4 million, from adjusted net income of \$70.1 million in 2000. Earnings per diluted share for 2001 increased 20.4% to \$2.01, compared with adjusted earnings per diluted share of \$1.67 in 2000.

"We enter 2002, our 70th anniversary year, on a solid foundation for success. We remain committed to our objectives of continuing sales growth, further improving operating margin and generating strong cash flow," said Mr. Bergman. "We expect full-year 2002 earnings per diluted share to be \$2.46-\$2.50. This reflects a 14%-16% increase in earnings per share compared to 2001, as well as a \$0.17 per diluted share benefit due to accounting changes in the amortization of goodwill under the Statement of Financial Accounting Standards No. 142. We expect growth in the first half of 2002 to be at the low end of that range, and the second half at the high end."

The Company reported fourth quarter 2001 Dental net sales of \$288.5 million, a decrease of 0.6% compared with the fourth quarter of 2000. Excluding the additional week of sales during the 2000 fourth quarter and adjusting for currency exchange, fourth quarter 2001 Dental net sales increased 3.3%. Dental merchandise net sales increased 4.1% and Dental equipment sales and service net revenues increased 0.5%. "We continue to make progress on the various initiatives we have undertaken to drive the performance of our Dental Group," said Mr. Bergman. "We are particularly pleased with the initial success of three key initiatives: the gross profit-based compensation plan for our field sales consultants which continues to be well-received, and has effectively aligned the interests of the sales force and the Company; Privileges(TM), our new comprehensive sales program designed to expand our relationship with current customers which has generated positive initial feedback; and our expanded field sales management team which is beginning to reap the benefits of a more focused span of control. We also expect to see the positive impact of the significant investments we have made in sales force training and education."

Mr. Bergman continued, "Our Dental growth strategy calls for increasing penetration of our existing customer base, primarily through cross-selling key product lines between our Dental and Technology Groups. While we currently serve 75% of the dental practices in the U.S., on average we only receive approximately one-third of our customers' annual expenditures on merchandise and equipment, clearly indicating the scope of the opportunity for continued sales growth."

Serving primarily the physician office and alternate care markets, Henry Schein's Medical Group continues to exhibit exceptional growth rates and reported net sales of \$271.6 million for the fourth quarter of 2001, an increase of 17.3% over the prior year's fourth quarter. Excluding the additional week of sales during the 2000 fourth quarter, Medical net sales for the fourth quarter of 2001 increased 23.0%.

"While recent growth rates in our Medical business have been excellent, we have considerable opportunity to grow Medical sales even further as we increase the number of customers served and increase sales to current accounts. Our potential in this market is significant, as currently our customers include only 35% of U.S. medical practices, and we account for just one-third of their annual expenditures," noted Mr. Bergman.

International net sales for the fourth quarter of 2001 were \$106.8 million, an increase of 3.6% in U.S. dollars, compared with the fourth quarter of 2000. Excluding the additional week of sales last year, and the impact of currency fluctuations, fourth quarter 2001 International net sales were up 7.6% in local currencies.

Technology and Value-Added Services net sales were \$18.3 million for the fourth quarter of 2001, an increase of 11.9% over last year. These sales are largely to our dental customers. Excluding the additional week of sales last year, Technology and Value-Added Services net sales increased 16.1%. Veterinary net sales declined 8.9% to \$13.1 million during the 2001 fourth quarter, and declined 3.7% excluding an additional week of sales last year.

#### Live Webcast

The Company will hold a conference call to discuss these results today, beginning at 10:00 a.m. Eastern Standard Time. Individual investors are invited to listen to the conference call over the Internet through Henry Schein's Web site at [www.henryschein.com](http://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 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 five business groups - Dental, Medical, Veterinary, 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 44,000 practices; and ArubA(R), Henry Schein's electronic catalog and ordering system. Headquartered in Melville, New York, Henry Schein employs over 6,500 people in 16 countries. The Company's 2001 sales reached a record \$2.6 billion. For more information, visit the Henry Schein Web site at [www.henryschein.com](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.

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

	Quarter ended		Year ended	
	Dec. 29, 2001 (13 weeks)	Dec. 30, 2000 (14 weeks)	Dec. 29, 2001 (52 weeks)	Dec. 30, 2000 (53 weeks)
	(unaudited)	(unaudited)	(audited)	(audited)
Net sales	\$ 698,289	\$ 655,632	\$2,558,243	\$2,381,721
Cost of sales	504,070	477,613	1,858,919	1,733,820
Gross profit	194,219	178,019	699,324	647,901
Operating expenses:				
Selling, general and administrative	151,199	139,781	551,574	520,288
Merger and integration costs	0	0	0	585
Restructuring costs	0	9,052	0	14,439
Operating income	43,020	29,186	147,750	112,589
Other income (expense):				
Interest income	3,394	1,937	10,078	6,279
Interest expense	(3,217)	(4,869)	(17,324)	(20,409)
Other - net	(537)	(1,387)	(153)	(1,925)
Income before taxes on income, minority interest and equity in earnings (losses) of affiliates	42,660	24,867	140,351	96,534
Taxes on income	15,784	9,975	51,930	36,150
Minority interest in net (loss) income of subsidiaries	(185)	382	1,462	1,757
Equity in earnings				

(losses) of affiliates	75	(1,778)	414	(1,878)
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Net income	\$ 27,136	\$ 12,732	\$ 87,373	\$ 56,749
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Adjusted net income:				
Net income	\$ 27,136	\$ 12,732	\$ 87,373	\$ 56,749
Adjustments:				
Merger and integration costs	0	0	0	585
Restructuring costs	0	9,052	0	14,439
Tax effect on restructuring costs	0	(3,139)	0	(5,169)
Loss on Sale of Novocol Pharmaceutical	0	1,925	0	1,925
Loss on Sale of U.K. Technology Unit	0	1,618	0	1,618
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Adjusted net income	\$ 27,136	\$ 22,188	\$ 87,373	\$ 70,147
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Adjusted net income per common share:				
Basic	\$ 0.64	\$ 0.53	\$ 2.06	\$ 1.70
	=====	=====	=====	=====
Diluted	\$ 0.62	\$ 0.52	\$ 2.01	\$ 1.67
	=====	=====	=====	=====
Weighted average shares:				
Basic	42,637	41,750	42,366	41,244
	=====	=====	=====	=====
Diluted	43,729	42,609	43,545	42,007
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HENRY SCHEIN, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)  
(audited)

	Dec. 29, 2001	Dec. 30, 2000
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ASSETS		
Current assets:		
Cash and cash equivalents	\$ 193,367	\$ 58,362
Accounts receivable, less reserves of \$31,929 and \$27,556, respectively	363,700	371,668
Inventories	291,231	276,473
Deferred income taxes	25,751	21,001
Prepaid expenses and other	52,922	60,900
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Total current assets	926,971	788,404
Property and equipment, net of accumulated depreciation and amortization of \$90,823 and \$73,134, respectively	117,980	94,663
Goodwill and other intangibles, net of accumulated amortization of \$55,942 and \$44,419, respectively	288,004	292,018
Investments and other	52,473	55,983
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	\$1,385,428	\$1,231,068
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 263,190	\$ 216,535
Bank credit lines	4,025	4,390
Accruals:		
Salaries and related expenses	41,602	39,830
Merger, integration and restructuring costs	5,867	13,735
Acquisition earnout payments	26,800	15,500
Other	80,355	68,788
Current maturities of long-term debt	15,223	6,079
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Total current liabilities	437,062	364,857
Long-term debt	242,169	266,224
Other liabilities	18,954	12,931
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Total liabilities	698,185	644,012
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Minority interest	6,786	7,996
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Stockholders' equity:		
Common stock, \$.01 par value, authorized		
120,000,000; issued and outstanding		
42,745,204 and 41,946,284, respectively	427	419
Preferred Stock, \$.01 par value, authorized		
1,000,000; issued and outstanding 0 and 0,		
respectively	0	0
Additional paid-in capital	393,047	373,413
Retained earnings	312,402	225,029
Treasury stock, at cost, 62,479 shares	(1,156)	(1,156)
Accumulated comprehensive loss	(23,922)	(18,179)
Deferred compensation	(341)	(466)
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Total stockholders' equity	680,457	579,060
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	\$1,385,428	\$1,231,068
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HENRY SCHEIN, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	Quarter Ended		Year Ended	
	Dec. 29,	Dec. 30,	Dec. 29,	Dec. 30,
	2001	2000	2001	2000
	(13 weeks)	(14 weeks)	(52 weeks)	(53 weeks)
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	(unaudited)	(unaudited)	(audited)	(audited)

Cash flows from operating activities:				
Net income	\$ 27,136	\$ 12,732	\$ 87,373	\$ 56,749
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	9,393	9,760	35,642	33,762
Provision for losses and allowances on trade and other receivables	3,067	3,450	7,988	7,165
Other	5,578	3,581	10,632	5,194
Changes in assets and liabilities (net of purchase acquisitions):				
Decrease in accounts				

receivable	50,636	14,358	3,194	5,186
(Increase) decrease in inventories	(42,573)	(13,277)	(17,850)	4,630
(Increase) decrease in other current assets	(5,893)	1,963	8,808	(4,628)
Increase in accounts payable and accruals	64,444	35,322	55,124	44,936
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Net cash provided by operating activities	111,788	67,889	190,911	152,994
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Cash flows from investing activities:				
Capital expenditures	(16,117)	(10,227)	(46,127)	(29,743)
Business acquisitions, net of cash acquired	(8,252)	0	(8,588)	(6,838)
Other	2,232	(7,255)	(355)	(9,645)
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Net cash used in investing activities	(22,137)	(17,482)	(55,070)	(46,226)
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Cash flows from financing activities:				
Proceeds from issuance of long-term debt	0	0	10,166	0
Principal payments on long-term debt	(1,070)	(1,238)	(13,042)	(5,147)
Proceeds from issuance of stock upon exercise of stock options by employees	1,781	5,444	14,155	6,283
Payments on borrowings from banks	(4,928)	(32,491)	(10,752)	(79,333)
Other	240	(703)	(156)	346
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Net cash (used in) provided by financing activities	(3,977)	(28,988)	371	(77,851)
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Net increase in cash and cash equivalents	85,674	21,419	136,212	28,917
Effect of exchange rate changes on cash	(161)	(299)	(1,207)	3,426
Cash and cash equivalents, beginning of period	107,854	37,242	58,362	26,019
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Cash and cash equivalents, end of period	\$193,367	\$ 58,362	\$193,367	\$ 58,362
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