

Henry Schein Reports First Quarter Diluted EPS of \$0.63, up 17% on a Comparable Basis; Net Sales Increase 20% to \$886.6 Million

April 27, 2004

MELVILLE, N.Y.--(BUSINESS WIRE)--April 27, 2004--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 financial results for the quarter ended March 27, 2004.

Net sales for the first quarter of 2004 were \$886.6 million, an increase of 20.1% from the first quarter of 2003. In local currencies, net sales increased 16.5% including 9.6% internal growth.

Dental sales increased 14.0%, or 13.2% in local currencies (8.1% internal growth). In local currencies, Dental consumable merchandise sales increased 13.1% (7.8% internal growth) and Dental equipment sales and service revenues were up 13.6% (9.5% internal growth).

Medical sales increased 22.5% (12.3% internal growth), International sales improved 30.8% or 12.2% in local currencies (7.4% internal growth), and Technology and Value-Added Services sales grew 12.4% (8.6% internal growth).

Net income for the first quarter of 2004 was \$28.4 million or \$0.63 per diluted share. Both net income and diluted EPS were up 15%, while on a comparable basis both increased by 17%. (See Exhibit A for details.)

"With 20% growth in net sales and 17% growth in diluted EPS on a comparable basis, our first quarter financial results were solid across the board. We continued to gain market share in each of our business groups, with excellent internal growth bolstered by contributions from several strategic acquisitions," said Stanley M. Bergman, Chairman, Chief Executive Officer and President of Henry Schein.

"The quarterly performance of our Dental Group reflects continued market share gains in both dental consumable merchandise and equipment sales and service. In part, these results are reflective of our innovative Privileges and MarketOne customer-loyalty programs, which helped drive internal dental sales growth at a rate well above our estimate of market growth," explained Mr. Bergman. "International Group internal sales gains in local currencies were also ahead of our growth estimate for that market and were complemented by last year's acquisition of Hager Dental. We look forward to further International success, particularly in Europe, as we continue to execute our full service strategy."

With regard to the recently announced acquisition of the demedis/EDH Group, the Company reported that the review by the German and the Austrian governmental agencies has entered the second phase, and the transaction remains subject to their approvals.

First quarter operating margin reflects a continued change in product sales mix, particularly in our Technology and Value-Added Services Group and in the injectable pharmaceutical component of our Medical Group, where we continue adding new product lines and value added services while growing existing ones. "Our strategy to expand Medical Group product offerings further establishes Henry Schein as a full-service partner with our physician customers, grows our customer base and was a source of great enthusiasm among our field sales consultants at our recently completed annual Medical National Sales Meeting," Mr. Bergman added.

The Company reported that under a repurchase program of up to two million shares of common stock announced last year, 258,400 shares were repurchased during the first quarter of 2004 at an average price of \$69.74 per share. The impact of this share repurchase on first quarter diluted EPS was insignificant. Through the close of the first quarter, the Company has repurchased 1,593,400 shares under this initiative.

2004 EPS Guidance

Henry Schein confirmed financial guidance for 2004. Assuming the acquisition of the demedis/EDH Group closes by the end of the second quarter of 2004, Henry Schein expects full-year 2004 earnings per diluted share of \$3.57 to \$3.63. This represents growth of 15% to 17% compared with 2003 results from continuing operations. The Company noted that this 2004 EPS guidance is for current operations and the acquisition of the demedis/EDH Group, and does not include the impact of other potential future 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 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, Inc., a Fortune 500(R) company, 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 highly competitive prices, the Company's four business groups--Dental, Medical, International and Technology--serve more than 425,000 customers worldwide, including dental practices and laboratories, physician practices and veterinary clinics, as well as government and other institutions. The Company's sales reached a record \$3.4 billion in 2003.

The Company operates through a centralized and automated distribution network that serves customers in more than 125 countries. The Company offers 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 have been installed in over 50,000 practices; and ArubA(R), Henry Schein's electronic catalog and ordering system.

Headquartered in Melville, N.Y., Henry Schein employs nearly 8,000 people in 16 countries. For more information, visit the Henry Schein Web site 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.

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

	Three Months Ended	
	March 27, 2004	March 29, 2003
Net sales	\$ 886,631	\$ 737,997
Cost of sales	655,804	536,580
Gross profit	230,827	201,417
Operating expenses:		
Selling, general and administrative	184,527	159,212
Operating income	46,300	42,205
Other income (expense):		
Interest income	2,216	2,392
Interest expense	(3,002)	(4,733)
Other, net	151	685
Income before taxes, minority interest and equity in earnings of affiliates	45,665	40,549
Taxes on income	(17,032)	(15,206)
Minority interest in net income of subsidiaries	(525)	(737)
Equity in earnings of affiliates	285	160
Net income	\$ 28,393	\$ 24,766
Net income per common share:		
Basic	\$ 0.65	\$ 0.56
Diluted	\$ 0.63	\$ 0.55
Weighted-average common shares outstanding:		
Basic	43,786	44,008
Diluted	45,110	45,069

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

	March 27, 2004	December 27, 2003
(unaudited)		

ASSETS

Current assets:		
Cash and cash equivalents	\$ 73,086	\$ 157,351
Accounts receivable, net of reserves of \$43,005 and \$43,203	472,927	467,085
Inventories	408,073	385,846
Deferred income taxes	30,754	30,559
Prepaid expenses and other	101,190	115,643
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Total current assets	1,086,030	1,156,484
Property and equipment, net	151,496	154,205
Goodwill	401,318	398,888
Other intangibles, net	38,883	37,551
Investments and other	154,861	72,242
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Total assets	\$ 1,832,588	\$1,819,370
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LIABILITIES AND STOCKHOLDERS'

EQUITY

Current liabilities:

Accounts payable	\$ 258,704	\$ 278,163
Bank credit lines	10,542	6,059
Current maturities of long-term debt	3,259	3,253
Accrued expenses:		
Payroll and related	51,778	68,214
Taxes	48,385	45,969
Other	106,530	117,530
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Total current liabilities	479,198	519,188
Long-term debt	273,327	247,100
Other liabilities	38,582	37,432
Minority interest	11,999	11,532
Commitments and contingencies		

Stockholders' equity:

Preferred stock, \$.01 par value, 1,000,000 authorized, none outstanding	-	-
Common stock, \$.01 par value, 120,000,000 authorized, 43,957,099 and 43,761,973 outstanding	440	438
Additional paid-in capital	457,078	445,118
Retained earnings	552,191	533,654
Accumulated other comprehensive income	19,833	24,999
Deferred compensation	(60)	(91)
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Total stockholders' equity	1,029,482	1,004,118
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Total liabilities and stockholders' equity	\$ 1,832,588	\$1,819,370
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NOTE: Certain prior period amounts have been reclassified to conform with the current period presentation.

(in thousands)
(unaudited)

	Three Months Ended	
	March 27, 2004	March 29, 2003
Cash flows from operating activities:		
Net income	\$ 28,393	\$ 24,766
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	9,642	8,544
Provision for losses and allowances on trade receivables	409	2,160
Provision for deferred income taxes	565	2,068
Undistributed earnings of affiliates	(285)	(160)
Minority interest in net income of subsidiaries	525	737
Other	144	(85)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	(6,815)	(13,162)
Inventories	(23,109)	(8,824)
Other current assets	18,338	10,837
Accounts payable and accruals	(48,109)	(40,966)
Net cash used in operating activities	(20,302)	(14,085)
Cash flows from investing activities:		
Purchases of capital expenditures	(5,654)	(13,508)
Payments for business acquisitions, net of cash acquired	(4,401)	(2,281)
Payments related to pending purchase acquisitions	(86,031)	-
Purchases of marketable securities	-	(4,101)
Proceeds from sales of marketable securities	14,472	-
Proceeds from maturities of marketable securities	-	26,430
Other	(6,257)	(1,487)
Net cash (used in) provided by investing activities	(87,871)	5,053
Cash flows from financing activities:		
Principal payments on long-term debt	(262)	(254)
Proceeds from issuance of stock upon exercise of stock options	12,683	4,600
Net proceeds from (payments on) bank borrowings	24,417	(1,675)
Payments for repurchases of common stock	(11,054)	(6,483)
Other	(346)	65
Net cash provided by (used in) financing activities	25,438	(3,747)
Net change in cash and cash equivalents	(82,735)	(12,779)
Effect of exchange rate changes on cash and cash equivalents	(1,530)	(877)
Cash and cash equivalents, beginning of period	157,351	200,651

Cash and cash equivalents, end of period	\$ 73,086	\$186,995
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NOTE: Certain prior period amounts have been reclassified to conform with the current period presentation.

Exhibit A

HENRY SCHEIN, INC.
2004 First Quarter
Details of "Comparable Basis" Growth Comparison
Income Statement Summary
(in thousands, except per share data)
(unaudited)

	First Quarter		%
	2004	2003	Growth
As Reported			

Net Sales	\$886,631	\$737,997	20.1%
Operating Income	46,300	42,205	9.7%
Margin	5.2%	5.7%	-50 bp
Net Income	\$ 28,393	\$ 24,766	14.6%
Diluted EPS	0.63	0.55	14.5%

Subtract: Gain on Real Estate Transaction (1)			
Net Sales	-	-	
Operating Income	-	-	
Net Income	-	(454)	
Diluted EPS	-	(0.01)	
Comparable Basis			

Net Sales	\$886,631	\$737,997	20.1%
Operating Income	46,300	42,205	9.7%
Margin	5.2%	5.7%	-50 bp
Net Income	\$ 28,393	\$ 24,312	16.8%
Diluted EPS	0.63	0.54	16.7%

(1) In the first quarter of 2003, there was a \$726 thousand pre-tax (\$454 thousand after-tax) gain related to a real estate transaction. This gain was included in the "Other, net" line on the consolidated income statement.

CONTACT: Henry Schein, Inc.
Steven Paladino, 631/843-5500
stepal@henryschein.com
or
Susan Vassallo, 631/843-5562
svassa@henryschein.com

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