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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Stanley Bergman *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Bradford Connett *Henry Schein Inc - President*

Ronald South *Henry Schein Inc - Chief Financial Officer, Senior Vice President*

Andrea Albertini *Henry Schein Inc - President - International Distribution Group*

CONFERENCE CALL PARTICIPANTS

Jason Bednar *Piper Sandler & Co. - Analyst*

PRESENTATION

Jason Bednar - *Piper Sandler & Co. - Analyst*

All right. Good morning, everyone. Thanks for being here with us today. I'm Jason Bednar, I cover med tech here at Piper. Next fireside chat is with Henry Schein, and they brought like half the team with them.

So we got CEO, Stanley Bergman, to my immediate left; next to him, CFO, Ron South; next to Ron, we have the CEO of International Distribution, Andrea Albertini; and on the end, we have CEO of North America distribution, Brad Connett. I think you did this so I like didn't ask Ron as many questions about '25.

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

No questions on '25.

QUESTIONS AND ANSWERS

Jason Bednar - *Piper Sandler & Co. - Analyst*

I'll get to them. I've got four pages of questions. We'll get to it. Why don't we start with just some of the latest developments, maybe get those out of the way, Stan. You have an activist presence here. They're publicly advocating for a few things, separating dental for medical, some board representation, cost cuts, the CEO succession plan.

I don't want to spend a whole lot of time here. There's a lot of other good things to talk about with the business, but maybe tell us, do you frequently evaluate strategic alternatives for medical or other business units you have? And then remind us how integrated dental and medical are together today?

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

So Jason, I'm glad you're asking the question. Bottom, bottom, bottom line is we have an outstanding Board. I think you've known us for 29 years we've been public, great Board. A couple of our graduates from our Board: one became President of Harvard, one became FDA Commissioner, another one, HHS leader. So, these are quality people. They sit with us. They assess, they come from all aspects of business and from health care, in particular. As it relates to the medical. So, first of all, that's one.

Two, we will take any advice from anyone that helps us drive shareholder value. We've done that all along. We have separated and spun off businesses and sold businesses. We exited the hospital business. We do not like that as a business, not for us.

We sold that a decade ago or so. We spun off our veterinary business. It didn't fit in with our strategy of alternate care sites in health care and medical, dental, health care. I think we created some good value. What happened after we spun it off was not -- we didn't get involved.

We were not running the business, but we think we did create a lot of good value there. As it relates to the medical business, we'll listen, but it has great value. It's a great business. Brad can tell you about it. He actually created much of that business.

And it uses exactly the same infrastructure for those that have -- and any -- for those that have visited us, our facilities, any serious investor, please feel free, we'll give you a tour. These are totally integrated 30% or so in the same products, 28%, I think. And the sunken costs will be massive. Sunken costs were \$25 million. When we spun off the vet business, we started absorbing that, and it's now fully absorbed, but there's no real value in that.

As it relates to succession, we have, of course, a succession plan with our Board, an emergency program, a longer-term program. I think if you were to follow Henry Schein, you will see that practically, our entire senior management team turned over retirements over the last five, six years. Succession was internal. So I think we've got that covered. And yes, we always want to buy stock.

We always want to cut expenses, be more efficient.

Jason Bednar - Piper Sandler & Co. - Analyst

Sure. Maybe yes.

Stanley Bergman - Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director

I don't know if you expected such a long the answer.

Jason Bednar - Piper Sandler & Co. - Analyst

From you? Oh, sure. Brad, I'll bring you in.

Stanley Bergman - Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director

The last question I'll get.

Jason Bednar - Piper Sandler & Co. - Analyst

Talk about how integrated, how like the shared facilities, shared personnel. You oversee both those businesses, how integrated are these two assets?

Bradford Connett - Henry Schein Inc - President

Yes. No, I appreciate the question, and you cut me off because I've got a pretty big passion for our medical business. It was a \$2 billion business pre-COVID. And like many of our peers we had some tailwinds during COVID, of course, but it's a \$4 billion distribution business, and very healthy and growing.

And that's even with the tailwinds of PPE, ASPs inflated, COVID tests that were obviously very prevalent a couple of years ago that aren't as prevalent today. But our integration to the specific question is that we've integrated these businesses. I mean, we have five major distribution centers, a very

effective and efficient distribution network across the United States, and they're totally integrated. Our SKUs, if you walk in, it's highly automated. So the SKUs for medical and dental, there's probably 25% to 30% overlap, probably a little higher, the 25% to 30% SKU overlap alone, but the products are immersed and sorted by the most frequently picked up front.

So they're highly integrated in our distribution centers. On the back end, I would share with you, I think sort of you maybe heard of our BOLD+1 strategy, but the O stands for operationalizing. We have consolidated back-end functions. So, we don't have two distribution businesses. We don't have a dental distribution business and a medical distribution in the United States.

We have one distribution business, and the back-end functions have been consolidated. They've been consolidated, whether they're contracts, sales support, our tele sales channel, our digital revenue channel. They're all -- it's an integrated function. So, all of our back-end functions have been consolidated and integrated. So, it's one distribution business.

And lastly, I would point to, it will happen. I don't know when, but the concept of integrated health care in this country, we need it. It is clear that overall oral health care and the quality of it is directly a correlation to overall care. Sophisticated IDNs, the Mayos of the world and the Kaisers are looking at that. DSOs that are forward thinking are acquiring medical practices and medical clinics and entering the medical space as well as oral health care.

So as our country moves to a more integrated health care delivery model, which it needs to do, because it will help our overall cost in health care, which we simply can't afford with where it is today in the GDP. That will put us in a real driver seat because no one else can do it.

Jason Bednar - Piper Sandler & Co. - Analyst

Great. Ron, on the topic of cost cuts, or it's kind of ironic. We have these discussions of like pressure maybe for even more cost cuts or more savings, more -- just keeping more efficient. And again, the irony here is I think we're going through the biggest restructuring in the company's history in the here and now. But I guess the question is, would there be a willingness from your side and the leadership team to evaluate even deeper cuts given some of the -- again, the conversation with this activist?

Ronald South - Henry Schein Inc - Chief Financial Officer, Senior Vice President

Well, I think conversation or no conversation, we're always looking for opportunities for deeper cuts, right? How can we run more efficiently? We really do have an environment of continuous improvement of always looking for kind of at a grassroots level, how do we continue to operate more efficiently. I think what's a little different about this restructuring plan that we announced this past summer is it's a little more targeted, right? It's -- a lot of it is being driven by opportunities that we see in the organization following the \$1 billion plus of acquisitions we did in '23.

If you look at some of the activities that are currently in place, we bought Biotech last year. They have a clear aligner business as part of that business that we are going to transition or we're in the process of transitioning our Reveal brand to the Smilers brand that we acquired through Biotech. We're reducing the amount of infrastructure we have in our orthodontic business and leveraging our existing distribution centers that we use for our US dental business. We're going to use a manufacturing facility in Savannah that we use for endodontics right now.

We have assets out there that we can better leverage. And that's really an example of where we're trying to find kind of a greater, more targeted cost-saving opportunities. We will -- we estimated \$75 million to \$100 million. If we can get greater than \$100 million, then we'll obviously--we'll do that. But we're continuing to look for those opportunities regardless of what suggestions we get from people.

We'll listen to those suggestions, and then we'll continue to pursue the cost saving opportunities.

Jason Bednar - Piper Sandler & Co. - Analyst

Okay. Maybe just another recent development. We're -- a couple of days ago, we were together at the Greater New York Dental Meeting, long has a reputation of being like an equipment selling show. I guess do you think that still holds? And if so, how was the reception at Greater New York? And Brad, feel free to weigh in.

Bradford Connett - Henry Schein Inc - President

Yes. I would tell you the traffic was a little bit lower than the past, but we're not surprised. These buying shows, there's more transparency in the marketplace. So the show isn't traditionally where a dentist would come to a show, and the deals would be there. The new products would be launched there.

Innovation would be launched there. We're in a world today where -- and sorry to go back to my medical background, but all those shows became irrelevant, whether it was the family practice show, the dermatology show, they all were buying shows. And physicians would come and they bring their spouse or whatever and significant other and they would buy. Those shows are diminishing in value. I'm not saying Greater New York is not a valuable show.

Please don't take away that. But it's less of a buying show. Now that being said, we got a \$1 million order for the first time ever on the floor yesterday. So, it is working. We do very well on the floor. We have a great team on the floor. But the show itself, I think, is just going to diminish from a buying perspective.

Jason Bednar - Piper Sandler & Co. - Analyst

A lot of -- a lot of scanners you sold.

Bradford Connett - Henry Schein Inc - President

A few other pieces.

Jason Bednar - Piper Sandler & Co. - Analyst

All right. The -- where I want to go with that. The -- maybe on the scanner piece and basic equipment piece. I guess, was there anything that stood out as being maybe slower than usual? Or do you attribute it to be maybe a lack of innovation that's out there in the market?

Or is it just simply it's the show is not the venue it once was? Yes.

Andrea Albertini - Henry Schein Inc - President - International Distribution Group

Specifically referring to the show?

Jason Bednar - Piper Sandler & Co. - Analyst

Yes, for Greater New York or anything.

Andrea Albertini - Henry Schein Inc - President - International Distribution Group

I mean, equipment deals are still made quite often at the show. Now if you ask me is because it's the way to sell or because people use the opportunity to do the final negotiation there. So quite often, this deal starts before and then we invite the customer to close. I don't believe we saw big innovation at the Greater New York, we will see more probably at IDS next year. But still, these shows are good for equipment, and this is what our team did, and especially Sunday was a big day for that, and it will be also tomorrow.

Jason Bednar - Piper Sandler & Co. - Analyst

Andrea, I know one of the talking points to from the show was three-click dentistry from Henry Schein. I know that it's kind of a favorite project of yours right now. So, can you maybe talk a little bit more about that? Why is it -- why should that matter for Henry Schein investors?

Andrea Albertini - Henry Schein Inc - President - International Distribution Group

I love this topic. Of course, it matters because it positions Henry Schein really in a unique place. We deliver to our customers the possibility to seamlessly go through the different steps of a typical clinical workflow and patient journey without the complication of the technology out today. To think about technology, not your life, but in the life of the dentist, you quite often have to use different systems with different login, different information that you have to input.

What we want to do is to make it all integrated. Even if we are not trying to be closed at all. We want to be open, an open platform, but we want to integrate the different technology to make it easy for the dentist. So, a typical journey could be a dentist start from the practice management software with a patient chart, taking a digital impression and then this goes directly into the patient chart. And from there, they can start the clinical workflow that could be then to a lab, the images for a restoration done from the lab or do it by chairside.

And with all the diagnosis done before through AI and through the support that the technology offers. This is our vision. And we call it three-click dentistry because we mean it. We want to do it in three clicks.

Jason Bednar - Piper Sandler & Co. - Analyst

And when does that become a reality for?

Andrea Albertini - Henry Schein Inc - President - International Distribution Group

We start to have workflows. Of course, we start with one workflow, and then we will add the second one. And then we have a nightguard workflow. We are doing in collaboration, of course, starting from our software, but integrate technology like 3D printer from 3Shape. But we will continuously are.

It's not a big bang, but is continuous innovation and new workflows that we add.

Jason Bednar - Piper Sandler & Co. - Analyst

Yes. Okay. Stan, you've been out there on the road quite a bit over the past -- it seems like over the past couple of months, maybe even longer than that, but just talking more about this conversion to private label. This isn't a new conversion, right? Private label has been growing in importance at least for the past decade, DSO has been driving a lot of that.

But it seems like the rhetoric has picked up, at least that's what I at least gathered. So, is that true that it's picked up, you're seeing more conversion and if so, what's driving that? Is it private practices? Or where is that shift or that inflection coming from?

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

So Jason, I'll be as short as is practical, but it may not be.

Jason Bednar - *Piper Sandler & Co. - Analyst*

Yes, I expect that.

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

So here's the story. Pre-COVID, all of us were buying based on brand, and we're looking to see we've got the best price for a brand. What happened during COVID, people became more comfortable searching online. And now, specifically, in the last couple of years, you can get a huge amount of information on every product. So people, because of inflation, our customers, like all of us, we look for value.

Value means can we get functionally the right product, maybe not from a big brand, but from a secondary brand or, in our case, from our own brands. So there's been a shift. Units in dentistry, particularly in the US, have not been bad, of course, they're growing. But the price per item has come down because there are alternatives to national brands that took their prices up very high in '22 and '23 to cover the cost of labor and raw materials. But in my view, those brand prices can't stick because there are alternatives.

So it's not as if Henry Schein has said, we are just going to push private brand. It's, we are going to push products that provide value. And that could be a national brand. It could be a secondary brand or our own products. In our own products, of course, the part that is growing the most rapid is the specialty products, implants, bone regeneration, endodontics, in particular.

Jason Bednar - *Piper Sandler & Co. - Analyst*

That's pretty short. That was good.

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

I was practicing that.

Jason Bednar - *Piper Sandler & Co. - Analyst*

You've been practicing. I want to pick up on the value prop point, I mean, we've all kind of long referred to Henry Schein and some of your direct peers as value-added distributors. Maybe Brad and Andrea, Brad, you can start first. What's -- has the value prop at Henry Schein brings to the table, has that changed at all over the last, pick your time period, three to five years? Is it becoming more transactional rather than relationship driven? Or is there -- I guess how do you feel about that topic?

Bradford Connett - *Henry Schein Inc - President*

Yes. Number one, the value prop has changed. Of course, the market has changed, buying patterns have changed, just consumer behavior has changed. Now I think our value proposition has just increased in value. Running a dentistry practice or a medical practice today is far more complex than it ever was.

We often hear a dentist tell us that they had more visits. They were busier than they ever were. Then they go to their account at the end of the year and go, we don't know what happened. We made less money than we made the year before. So they're not running their practice efficiently.

They're not running it effectively to generate enough revenue and more profits. It's just a complex environment. So we do have those services and solutions, and we'll get into all of them, many of you follow us know what they are, to help a dentist and a private practice physician run a better, more profitable practice. But we have to be realistic, too, and we have been investing heavily in a digital channel. We've been investing in digital revenue teams, and these are digital selling teams because we have five generations in the workforce today.

Now have generations. And the new generations, I just look around here. I'm sure we all know. I mean, my daughter is a dermatologist, and she's looking at her phone and doing things all the time via technology. Her value prop may not have any rep knock on the door every other week.

Does she need to see a rep? Yes, does a dentist need to see a rep? 100%, they need to see an FSC, the relationship matters. That bonding to a company matters tremendously. But at the same time, it can be very transactional.

And we have the means to also transact with dentists or physicians that want to do it online, do it through a digital channel. We have a new global e-commerce platform that was launched in Europe just a couple of months ago. There will be in the United States in the next three months, a very sophisticated e-commerce platform. So the value proposition has changed quite a bit, and it's truly an omnichannel approach to the marketplace because we have customers buying and behaving in very different ways.

Jason Bednar - Piper Sandler & Co. - Analyst

What do you think Andrea?

Andrea Albertini - Henry Schein Inc - President - International Distribution Group

I mean, there is little to add. We strongly believe in our full-service approach because we believe we provide value to our customers. But the value is probably different from the past. We talk about helping the customers to become more digital, become more efficient in the way they manage the practice. That said, there are different customers.

And we have the solution also for a customer that wants to be more transactional through an online web. As Brad said, we launched the new, I would call it, innovative e-commerce platform and digital marketing platform for Schein. We started in the UK very recently. We are very pleased with it, this is developing, and we will roll it out throughout the world because we have also customers that like to transact online.

Jason Bednar - Piper Sandler & Co. - Analyst

Okay. Ron, I'm not going to let you off the hook here. So when we look at 2025.

Ronald South - Henry Schein Inc - Chief Financial Officer, Senior Vice President

That will happen one day.

Jason Bednar - Piper Sandler & Co. - Analyst

That will happen one day. So look, Street numbers came down coming out of the fourth -- sorry, the third quarter. Did they move low enough? I think the Street is at now like 4% revenue, 9% EPS growth. Do you feel more comfortable on either one of those? And I understand you've got also the restructuring savings that should also be hitting on the bottom line as well.

Ronald South - *Henry Schein Inc - Chief Financial Officer, Senior Vice President*

Yes. I mean there's a number of variables that we're still assessing that we'll have to take into consideration when communicating our 2025 guidance. Right now, we plan to provide that guidance as part of our Q4 earnings release in February, and we'll provide some of those variables in terms of what's influencing that guidance. But we're looking at what's the momentum of the business in the fourth quarter? What's the ongoing kind of sequential market share gains that we're recovering on the distribution side?

What kind of momentum do we have with the Tapered Pro Conical implant launch that we had in the back half of 2024? How are some of the new products doing that we launched at Henry Schein One, the eligibility Pro product as well as the Reserve with Google product, where we'll get a full year of revenue from them as opposed to one quarter. These are all things that we have to assess. You mentioned the restructuring. To what extent and what level of confidence do we have in terms of the execution of our -- some of our restructuring activities, many of which we've already been able to carry out before the end of this year, but some of which we have to continue to execute on over the course of 2025. Those will all be the variables that we'll take into consideration when providing our 2025 guidance.

Jason Bednar - *Piper Sandler & Co. - Analyst*

And you're going to let a good amount of those restructuring savings flow through? I know there's some offsets, but the intent is to?

Ronald South - *Henry Schein Inc - Chief Financial Officer, Senior Vice President*

Yes. I mean, ordinary course of business, you're always going to have something that you need to invest in, whether it be cybersecurity, whether it be changes in the regulatory environment. But yes, I mean it's our intent for a significant piece of the restructuring savings to benefit us. Yes.

Jason Bednar - *Piper Sandler & Co. - Analyst*

Yes. Okay. All right. And then Stan and Ron, if we zoom out and look at -- and I know we're talking about next year, so bear with me, Stan. What macro assumptions do you think are appropriate for next year as investors start calibrating themselves for a new 2025?

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

So listen, the two things that go in parallel. One is inflation on the selling price of products leading to gross profit growth. That's got to be looked. And then, of course, inflation at the bottom line relative to expenses that are going to be mitigated by, in our case, the restructuring. So there's an inflation factor here.

Interest rates are important. Right now, we're doing okay with the equipment. I think we're gaining market share in all the categories here and in Europe, but a lower interest rate could be very, very helpful for equipment. And I think for the upper end of dentistry, particularly implants, maybe some laboratory work. So it's not as if the units are bad, but you've got to take into account, as we discussed a little bit the inflation.

But also if interest rates are low, it is a relatively elastic market. It's not totally elastic.

Jason Bednar - *Piper Sandler & Co. - Analyst*

Okay. All right. Maybe in the last 30 seconds here, and maybe anybody feel free to weigh in. But we're going into a new three-year plan. That's going to be a focus, I would assume, in February. I think part of the plan is to really emphasize the L of that BOLD+1, the leverage piece. Maybe talk about how you think about leverage within that BOLD+1 because it can take on multiple interpretations?

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

So the L that Jason was referring to, we had a strategy of B-O-L-D. B is to build a high growth, high margin businesses, the O is to operationalize, optimize our distribution business, the L is the leveraging and the D is digitalization, which is key in Andrea's world. On the L, they're probably very, very few dentists in the developed world, maybe even in the developing world that don't buy something from Henry Schein, but they may buy from one part, the distribution.

They may buy equipment and they get the equipment service. They may buy an implant, an endo product software, they may have bought their practice through our brokerage business, they have had their practice financed through us.

The dentists know us, they're buying from one part to the other. Even today, there are many dentists that don't know. And last night, I was with one of the top DSOs, and we're still going through a list. I mean they've been our customer for 20 years of companies that we're involved with and better now. And when Henry Schein's name is on a product, that brings comfort.

Our brand is good. So we want to leverage the one side or the other with all these businesses that we're in. Multiple businesses, all focused on office-based dental practices and medical practices. So that's a big concept that we want to advance in the start plan. I think we've done very, very well with DSOs.

Now we want to -- the national, the big ones, the 27 big ones, of which 25 buy the majority of products from us. Now we want to go to the regionals, the midsize and the smaller customers. And that's the focus of, going to be the focus of the next three years.

Jason Bednar - *Piper Sandler & Co. - Analyst*

All right. Excellent. That's great. Great preview into that. And with that, we are out of time. But I really appreciate all of you joining us today. Thanks so much. Thanks for everyone in the room for joining us as well. Appreciate it.

Stanley Bergman - *Henry Schein Inc - Chairman of the Board, Chief Executive Officer, Director*

Jason, I do want to say how terrible the assassination that occurred a few streets over here. And I think all of us in health care are completely shocked. Our sympathy goes, of course, to the family and the company. But these are challenging times, guys. Be careful. Thank you.

Jason Bednar - *Piper Sandler & Co. - Analyst*

Thanks, Stan.

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