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EDITED TRANSCRIPT

HSIC.OQ - Henry Schein Inc at Piper Sandler Healthcare Conference

EVENT DATE/TIME: DECEMBER 02, 2025 / 2:00PM GMT

OVERVIEW:

Company Summary

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CORPORATE PARTICIPANTS

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

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

Tom Popeck *Henry Schein Inc - Chief Executive Officer - Henry Schein Products Group*

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

CONFERENCE CALL PARTICIPANTS

Jason Bednar *Piper Jaffray Inc - Senior Research Analyst*

PRESENTATION

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

Why don't we get started here? I'm Jason Bednar. I cover med tech here at Piper. Next fireside chat is with Henry Schein. Very happy to have with us today, a pretty large group. We've got Schein's Chairman and CEO, Stanley Bergman; CFO, Ron South [at the end] as well as CEO of Global Distribution and Technology Andrea Albertini, and then also CEO of Henry Schein Products Group, Tom Popeck. So thanks a lot for being here, all of you. Always, it feels spoiled just having the four of you here with me.

But why don't we get straight into Q&A. Stan, I've got to start with you. You're one of a kind. It's really uncommon to have such consistent leadership of a public company with a commitment to a long-term strategy like we've seen from your time at Henry Schein. It doesn't seem real that this might be your last investor conference. It's maybe not a fair question, but as you look back on your career or even the last 5 to 10 years, what can you say you're most proud of that you and the organization have accomplished?

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

First of all, Jason, it's good to be here. The unusual part is that related to the fact that I take a lot of words to respond to a question.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

You have thirty seconds. I kid, go ahead.

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

I would say, if you ask them the five years, because I think that's important. The five years began with COVID, right? In February of 2020. So that was really a roller coaster. First, the dental business was down, shut, then it opened up and we had huge amounts of PPE sales and test sales then that stabilized.

People stopped going to the dentist and they came back and there was a backlog. And then we had about three normal quarters in '22 -- '23, sorry. And then on October '23 we had the cyber incident. The good news is we had all of our backups. We did everything right. We didn't have to pay to get data back or any ransom stuff, but it took a while to get everything working.

And we have competitors that of course, you would expect went into our accounts and [City Camp Trust] and blah blah blah. And it took us a period of time to recover from that. So maybe the last three quarters or so when things are stabilized now and our sales organization [re], Tom can talk about that, went out and started being aggressive and getting business back. So that was the five-year story.

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But in that five-year story, we advanced our BOLD+1 initiative with significant success in diversifying the income of the business towards what we call high growth, high margin products and services, which is now about 50% of the profits of the business, and there's another 10% or so which is our own brands, OEM products. So now, we've gone from about [30%-ish] to almost double that in terms of profits.

Our products and services and (inaudible) Henry Schein control with our own brand. In that period of time, we reorganized the business such that Andrea took responsibility for global distribution and our software businesses and value-added services and Tom for Henry Schein owned products, which are our products that we manufacture ourselves and sell under our own brands, plus our Henry Schein OEM branded products. This is quite significant. And in this period of time, of course, we've taken up our EBITDA very nicely.

QUESTIONS AND ANSWERS

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

All right. It's been a great run to watch from the sidelines, but also being involved and knowing you. Yeah, kind of a nice segue here too as we think about who's going to be the next CEO of Henry Schein. I know the Board's conducting a very deliberate search. You're part of that search process, the interview process. One thing I feel like I've picked up just in all of our conversations is that it seems very likely a new leader is going to be announced before year end. Is it safe to say then that, we're down to the last few candidates for that position?

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

I can't really comment on the succession process. That's something that as a public company, we have to, of course, we have to respect that. But I think the Board is taking this very seriously. Internal candidates, external candidates.

I will say that if it's internal, we've got greats candidates. Our succession plan has been a good one, I think. And then if it's external, we have a great management team that is committed to advancing the strategic plan and the business.

So I think we've got the company is in good shape financially, strategically, and from a management point of view.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

Alright, fair enough. Other recent topic here from the most recent quarter and stand around, feel free to respond. KKR, they started with 12% stake, I think they took it to 15%. They now can go to 20% ownership. Maybe can you tell -- talk to us about the most recent development, how this came about, who approached who, why is 20% the right new ownership level for KKR?

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

Who approached whom? I have to go back to three or four years. Three years ago, when KKR visited us, they are very interested in the dental space. They have assets in the dental space. They know the dental space. And they're very optimistic about the future of the dental space.

So they realized that the stock price was pretty good and they invested up to 10%, I think, the first time around. And then they came and they said to us, we'd like to invest more. And we reached an understanding that they would be able to purchase about 2.5% in the open market and we would sell them 2.5% at the price on the day we close the arrangement with him, which was January of (inaudible) last this year -- I can't [believe], January of this year.

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It's been a great arrangement. They've added two people to our Board. One, Max, is somebody that understands healthcare. He's been with KKR understands their culture. He's committed to our culture. He's been with them for a long time and runs the healthcare practice and in North America. And Dan, who was with, Danaher during a period when Danaher's dental business was a bit rocky.

We had some tension at that time, and he came in and resolved it. We became great partners to the point that, when Larry [Kravitz] left, Dan took over the dental portfolio, did a great job with us. They spun the business off. He understands the dental business, he understands distribution and manufacturing. So that's been a great -- that's added a lot to our Board.

Our Board is quite good in any event, quite a lot of experienced people from different walks of life. And they've added, as I said, a lot to the Henry Schein story and they're very committed. Obviously, they must think the price of the stock is pretty good, otherwise (inaudible). And I'm not telling you anything that is an [FD issue], but they don't buy -- I don't think they buy assets that are overvalued.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

Sure. Andrea, I want to maybe pivot over to kind of the current state of the dental market. We also talk about the medical market too, but I know a lot of investors focus on your dental business. So if we look at the current state of the market, we were all walking around the Greater New York Dental Meeting yesterday. It felt like the general vibe and feel was markets still fairly stable, not really inflecting higher or lower. Is that a fair characterization? And the follow-up that would be what's it going -- if it is stable, I think it's stable, what's it going to take to be stable plus or beyond that positive trajectory higher?

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

I think that's saying that the market is stable is a fair assessment. We call it stable plus. But yeah, the [patient part] is stable and this is one of the characteristics of our market. We see some pockets of growth in specialties in other areas, but in general we see an opportunity for Henry Schein to grow and grab market share.

We did it in Q3, we show it a good growth. The (inaudible) in many quarters. And we believe this is something we will continue to sustain because one of the main topic is that after the cyber incident we had to focus on recovering and discussing with our customers what happened and asking them to come back that we were okay.

And this is behind us now. All the focus of our team now is supporting our customers, developing a better business, being more efficient, finding a solution to the problem they have. And this is what brought us development in the past and this is what is bringing [our development now]. We had a good quarter and we are in a good trajectory, we believe, we can sustain.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

That's fair. Andrea and Tom, I'd love to hear your thoughts as well. We look across the dental industry here just from the most recent third quarter, and it sure seems like there's some benefit that's materializing from better pricing and it seems largely tied to pass through from tariffs.

It seems also like that right now that's going to be durable. So feel free to disagree with me on that. But is that where do you think we stand on pricing within the industry? How are you seeing your business evolve, both with respect to branded and private label products?

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

Want me to stop? (inaudible) So tariffs are there, we believe are there to stay. Finally, we don't talk anymore about tariff that is good. We don't believe they had a crazy impact on the pricing, but yeah, there was some price inflation for that. What does it mean? Is it stable? Yes, we believe it is stable, and it clearly generated also some dynamic of shift from products that became too expensive to alternative products.

We have the opportunity to support our customers because we have a broad portfolio of branded but also of private brands that quite often represents [the good alternative] at the same quality at a lower price. So it helps to mitigate the tariff impact on our side. So we see this dynamic, nothing exaggerate, but we see this dynamic is going to stay.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

What do you think, Tom?

Tom Popeck - *Henry Schein Inc - Chief Executive Officer - Henry Schein Products Group*

Yeah, I mean, we -- tariffs have been a challenge obviously, for our own products, but, we've been doing a lot of different things to mitigate the risks, right? Moving manufacturing, changing suppliers, going to different countries, working with consultants on how to best mitigate all of that, and some of them include price increases.

Like Andrea said, we don't see it going away. As long as the government is stable and not changing them too often, I think our plan is in place and going to continue.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

All right, Ron, I've got to bring you in, and even though you tried to sit as far away from me as possible, yes. Take us through some of the moving parts. I know we're not getting guidance here. It's not what I'm asking, but how are you thinking about just the structure of like what what influences your view on 2026?

I think you've been clear there are again a lot of moving parts to consider. You've got a commitment to getting the business back to high single low double-digit earnings growth in the future. The street isn't fully there for next year. So what do you think people are missing or are they not missing anything right now?

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

Well, I think, when -- as we look at '26 and as we begin to prepare guidance for '26, there's the what I'll call the external issues or the macro issues that we're analyzing, whether it be market growth in the dental industry. What's happening in the pocket of medical in which we operate, what kind of momentum are we seeing both in the market as well as in our own businesses as get to Q3 and Q4.

In Q3 we felt like we had a lot of success taking some market share, how well are we making that stick, how much momentum are we getting as a business with those market share gains. So that's kind of -- that's going to be a key part obviously of our '26 guidance.

You layer in some of the other company specific things, for example, what kind of net benefits do we think we can get in 2026 from the value creation initiatives. There's going to be -- we've talked about this in the prepared remarks last month that over the next few years we expect about $200 million plus in operating income improvements coming from these initiatives.

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But in 2026 it's going to require perhaps some investment as we work towards that. But we do think we'll have a net benefit in '26. So how much would that net benefit be or what will be the right range for us to consider in our guidance? And that's something that between now and the end of February when we provide that guidance, when we'll be trying to determine.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

Okay, one follow-up on that just in the last thing you said. So net benefit -- we should all be thinking of net benefit from that $200 million in value creation, $200 million is not from 2026, but still net benefit for the year and that that comes on top of net benefit that you're also picking up a little bit from the restructuring activities taking place in this calendar year.

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

That's right. So we initiated a restructuring plan in the summer of '24. We've largely executed on a lot of the original thoughts coming from that plan, but there's some overlap with what we're seeing with the value creation initiative.

So what we disclosed in the -- in our filings for the third quarter was that of our intent to extend these restructuring plans so that we can capture some of the restructuring costs and report those out accordingly that come from these value creation initiatives.

So yeah, it is incremental to the savings that we have achieved through the restructuring plan that we initiated in the summer of '24.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

Perfect. Tom and Andrea, I'll come back to you as we think about some of Henry Schein's specialty franchises, the higher margin categories. I think the goal is now to get over half of EBIT from these categories, or we think maybe now we're even pushing like 60% if we push them both together, the own brand and also the specialty in technology.

So is this something that you think you can do organically? Is that the intent? Do you have to do anything inorganically to get there?

Tom Popeck - *Henry Schein Inc - Chief Executive Officer - Henry Schein Products Group*

Yeah. We're doing a lot. So between new products and sales initiatives and growing the business [in mid single] digits in Q3, we're also have value creation and there's a lot going on there. We've been doing this before we start officially started the project so as you know, our business is made up of a lot of smaller acquisitions and you know we've been consolidating and integrating and making those businesses more efficient, making them run more like one business versus all you know multiple businesses all over the place.

I think overall with technology we're somewhere around 45%. There's no reason in the next couple of years that that even could be approaching [50%].

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

Okay, is your response that we started with the value creation initiatives that should we interpret that as you have a disproportionate amount of those value creation initiatives targeted at?

Tom Popeck - *Henry Schein Inc - Chief Executive Officer - Henry Schein Products Group*

I wouldn't say that. I would say because we've already done a lot of them ahead of time, so I think it's pretty equal across the board.

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Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

Okay, fair enough. All right, shifting gears, another item that's been pretty relevant here of late. And Stan, I know you probably have some opinions. You have relationships both with manufacturers and then also DSOs, a lot of discussion. You -- might be a leading question, but are things healthy and constructive right now in the industry?

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

I would say with the manufacturers, it seems to be quite stable right now but there's one that's just going through significant leadership change. But I would say our relationships generally are very good with the large manufacturers.

The smaller ones have always been good, but the larger ones have had a lot of change. I think they've settled down. We met a whole bunch of them together with [Stephanie], who heads up our relationships with our suppliers. And it really seemed pretty good.

I mean, everybody's anxious to get business. They all understand that Henry Schein is the way to bring their products to market because they're not just buying products and selling, but their products are part of a general solution to helping practitioners operate a business more efficiently so that they can provide better clinical care, so they understand all of that.

The one that's going through transition is not terrible, it's a good relationship, but they're feeling their way through. And I would say that's good with the DSOs, it's generally good, I would say, you know, don't remember since the [DFO DSO] movement started in the early 90s with any DSO saying, wow, thanks for the good pricing. They add us every single minute. They hear one guy got a box of gloves at a better price, they all come.

So that's the way it is. And then we have to go and explain to them the best solutions for them. More of our own brands and look at this anesthetic, look at that, look at this glove, look at that. And oh, by the way, isn't our software helping you? Aren't we helping you with all of our own brand products, that we manufacture, the specialty products. We have better training than anyone else that's focused on DSO.

So we have a team that works with [Merce constant wins]. Of course you're going to have occasional losses, but I think overall it's not worse than it's ever been, and we only do business with DSOs so we can make good profit.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

The one in particular that I know on a lot of investors' minds is Heartland just because it is the largest you've had a long relationship with Heartland. I want to ask you to prognosticate on how that RFP process is going to play out, but when do you think we hear a finalization of that process?

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

Well, you won't hear it from us. You may hear it from them. We don't announce renewals. We stopped doing that about 8, 9, 10 years ago. So if they want to issue a press release either way, that's fine. But we generally don't comment on our customers, particular renewals or where all part of business has been lost.

But I will say that we are comfortable with our -- the profitability that's key. We're not going to compromise our profitability. We have to make a living. And we've got better assets in this space than anyone else. There's no one, I believe that can come anywhere close to national equipment, sales, and service with the turnaround that we have. And I'm not talking about the US only. I'm talking about all the markets I mean.

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We just came back from Germany and yeah, there's dealers in every little part, distributors in Germany, but there's no one you can call and say, I have a DSO in Stuttgart and I have one in Frankfurt. The chairs just broke down this morning, we'll be there this afternoon.

Our service is incredible and we're doing very good work on driving the profitability of that. So Henry Schein is not consumable. It's not equipment. It's not software. It's a complete solution. The solutions are advancing, and I believe the DSOs generally understand a lot of that.

Andrea, you want to add to that? Because this is your will --

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

You cover it. I mean, it doesn't mean they don't beat us on prices [at the day] because that's their job, but they also recognize that we have a full portfolio of solutions and we are a reliable partner and this allowed us to [have their] the majority of the DSOs. The Fed, every single deal has its own story.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

Yeah, I want to touch on on dental equipment as well and talk about it here yet today. There was a lot of confidence I thought from the most recent conference call that equipment's going to grow in the fourth quarter, felt pretty good yesterday just the the overall commentary around the equipment market at the trade show, so I guess what's driving that? It's almost counterintuitive when the macro is still a little choppy, interest rates are fine, but I mean what's driving that better equipment or call it just overall equipment growth when we have the backdrop that we do.

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

So the overall economy, if there is an impact, it's more of the traditional equipment. I mean, similarly, to all of us, if you have to change your car, it's not a good moment, you postpone it one year. This can happen, but still, new practices are opening and they need equipment.

And then for the existing practices, the focus is more on what else to drive efficiency. And there are a lot of solutions today that help running a better practice. Think about digital work flow, digital imaging, scanning, 3D printing. And this is where we see the majority of the growth, and we expect this to continues because a lot of dentists still don't have this digital solution.

And they will need it because you cannot be efficient today without going into the digital world. So we expect the digital trend to continue. Yes, there will be some price, let's say price decline. (inaudible) decline as with all the technologies that tend to mature but the volume growth will compensate for it and give us growth.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

Perfect. Well, we have thirty seconds. Stan, Let me give you the last one. So we really only have thirty seconds this time. So when we think about, you're going to be in the Chairman's seat presumably for 2026 in the years ahead. What has you most excited? What should we keep people be focused on most for 2026?

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

I think it's the clinical solution to operating a more efficient practice. The practitioner could provide better clinical care. There are so many APIs and devices out there. We are the ones bringing them together with our Henry Schein One solutions at the center of that.

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It is every day, I mean, hey the [AWS] come to us -- we didn't go to them -- they came to us. Google came to us. We are the address in dentistry to bring all the stuff together. It is very exciting and it actually connects. (inaudible) and go everywhere else and you'll see people selling devices. But devices without connecting, it's like the railroad without the tracks working.

Jason Bednar - *Piper Jaffray Inc - Senior Research Analyst*

Great analogy. Well, with that, we are out of time. Gentlemen, thanks so much for joining us. I really appreciate having you here.

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