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EDITED TRANSCRIPT

HSIC.OQ - Henry Schein Inc at Jefferies Global Healthcare Conference

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OVERVIEW:

Company Summary

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CORPORATE PARTICIPANTS

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

Andrea Albertini *Henry Schein Inc - CEO, Global Distribution and Technology*

Graham Stanley *Henry Schein Inc - VP, Investor Relations and Strategic Financial Project Officer*

CONFERENCE CALL PARTICIPANTS

Michael Sarcone *Jefferies LLC - Analyst*

PRESENTATION

Michael Sarcone - *Jefferies LLC - Analyst*

Hi, everyone. My name is Mike Sarcone. I'm an analyst on the US Medical Supplies and Devices team. This is the session for Henry Schein.

And with us from the company, we've got Stan Bergman, Chairman and CEO; we've got Andrea Albertini, who's the CEO of Global Distribution and Technology; and we've also got Graham Stanley, who's IR and Strategic Financial Project Officer. So gentlemen, thank you for joining us today.

I guess just to kick it off, Stan, you announced your intention to step down from the CEO role towards the end of this year. It's been a long-storied career. You've built up Henry Schein. Just wanted to get your take on how you view Schein's strategic positioning today.

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

Thank you, Mike, it is great to be with you. I think I have been to many of these meetings -- conferences of yours, Jefferies's conference and I have to say you guys do a lot of due diligence on our space. So, Henry Schein is in a pretty good position today.

I announced my retirement in July of this year. I wanted to ensure that there would be no rumors while we were going through the succession process. It's a succession process conducted by the nominating and governance committee of Henry Schein, looking at internal candidates, external candidates as you would expect in a public company.

We're using a national firm to do that and we expect to -- it's actually a global firm, and we expect to announce my successor before the year end. The successor will be in place January and there will be an orderly transition and from a business point of view, we did have a cyber incident in October of 2023 that destabilized us for a period of time.

But that's behind us and the business is back to gaining market share, growing each of our businesses. I think our distribution business globally that Andrea leads is the leader in general consumable distribution in equipment sales and service.

Probably very few dentists in the developed world that don't do business with us in one way or another in that area and the business is doing quite well, and the markets are relatively stable, leaning positively in the developed world and that's where we operate.

The business is doing well on the distribution side, on the high growth, high margin side. We have two major business areas. One is in the software area, dental software. Andrea leads that too. We're the leading provider of dental software, of course, moving from on-prem to SaaS models is big opportunity for us, but the big area of opportunity is providing various apps, various value-added services, electronic medical records, claims processing, revenue cycle management, credit card processing, patient financing, all of that tied into the portal.

That business is doing quite well and of course AI is very important. We're selling various AI applications, the integration into the electronic medical record of scanning, digital scanning, imaging, et cetera. That's a great business, doing well.

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And then we have our specialty products business, which today focuses on dental implants and bone regeneration products, we're number three in the world. In Endodontics, we're number two in the world. These are owned brands, innovative products, self-made.

We also -- and so that all accounts for the practice management software and related systems, the specialty products each account for about 25% of our operating income. And then if you add on top of that the own brands, private brand, you may call it that, but today it's really, it's a private brand, a Henry Schein brand.

It's the largest brand in dentistry, highly regarded in dentistry. That's another 10% of our profits or so. So you have close to 60% of our profits that are coming from brands that we control. And different Henry Schein brand or other kinds of brands and overall our business is in pretty good shape. Each one of our businesses headed up on the business side of Andrea, distribution and tech.

And then Tom Popeck who leads the owned brands businesses. Each one of our businesses today has very good in-depth management. All of our functions have very good management. Lots of succession has occurred over the last few years and I would say I'm leaving the business in good shape.

QUESTIONS AND ANSWERS

Michael Sarcone - *Jefferies LLC - Analyst*

Great. I appreciate the walkthrough and, you, I did want to ask about the state of the dental market. You mentioned stable.

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

To leaning positive. And I've said that consistently. 35 years, 30 years as a public company. There's all sorts of dynamics going in the dental business. Some companies are having problems here, others are stocks were too highly valued. Stocks went down.

But generally, the dental market is a stable market and the part of the healthcare market that we focus on, the office-based practitioner moving from procedures from the hospital, acute care area to the office, dental office, to the ambulatory surgical center to the home. These are all growing areas of the medical market and it's not sexy. It's no cure for cancer, but it's all stable markets growing a little bit each year.

Michael Sarcone - *Jefferies LLC - Analyst*

All right, sexy's in the eye of the beholder, though. All right.

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

It's boring.

Michael Sarcone - *Jefferies LLC - Analyst*

But I did want to ask you to dig deeper because, I've sat in on one of your meetings before we, and we had some lunch and you talked about some of the moving pieces that Schein has experienced. So I guess can you kind of go through the spiel again and talk about Schein's growth when you exclude some of the more volatile components, since 2019.

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

Andrea, that's you.

Andrea Albertini - *Henry Schein Inc - CEO, Global Distribution and Technology*

You heard that in Q3 we announced a stable margin, and this is a change mainly driven by the improvement of two headwinds we had in earlier quarters. One is the [global prices] for quarters we saw after the roller coaster of post COVID. We saw [global] pricing, average selling price declining, and in Q3, finally, we believe we went to a stable place and that improved, of course, our margin.

The other point is yeah, the -- I would say not only the gloveprices, but in general the prices were stable and we believe it will stay like this. We have opportunities to grow prices. We are working on a value creation initiative, GP optimization. So we see opportunities to increase our average selling price and our margin, so without giving any future guidance, but we believe stable and with opportunities to improve for the future.

Michael Sarcone - *Jefferies LLC - Analyst*

Got it. And without, asking for guidance, I guess, what are -- can you delve into a little bit more some of the moving pieces on the distribution side around the margin drivers?

Andrea Albertini - *Henry Schein Inc - CEO, Global Distribution and Technology*

I mean there are always short-term fluctuations. You can go from currency exchange to tariff, of course. It has been some -- we had some turbulence in the last few months, but these are short-term topics. I mentioned already, the commodities like PPE in general, prices that are now more stable.

But in general, we believe that we will see a little bit of price gain going forward. But it is also true that when you have commodities and you do not have any innovation, prices tend to go down, and we use this as an opportunity to shift customers to our own products.

Yes, maybe the price is a little bit lower, but we have much better margins. You shouldn't only look at the price trend, but also the margin because the shift that we are doing on commodities to our own brands may determine a small decline in average selling price, but definitely at a better margin.

On equipment, it's similar. Technology when there is no innovation, technology tends to have a lower average selling price, and we are seeing this on digital technology. While the adoption of this technology becomes wider and wider, the price - the average selling price tends to go down.

Michael Sarcone - *Jefferies LLC - Analyst*

Okay. Yeah, and I did want to ask just you, you've talked about 2025 being a foundational year for achieving your long-term goal of high single, low double EPS growth and you've made progress on some of the restructuring initiatives.

And I guess when you think about your ability to achieve that EPS growth goal, how important is a normalization in the dental market? I know you've said it's stable, but it is subdued versus kind of growth we've seen in the past.

So do you think you can achieve that target just on restructuring and value creation initiatives alone, or do we need some normalization and dental market growth?

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Graham Stanley - *Henry Schein Inc - VP, Investor Relations and Strategic Financial Project Officer*

So I think Michael, we'll be planning to provide 2026 guidance on our fourth quarter conference call in February. The markets are maybe a little bit lower at the moment, the dental market than the long-term sort of trends in that market, but we are gaining market share as you saw in our Q3 results.

We have strong momentum in most of our businesses which we expect to continue, so that's a positive for us. To the extent that market growth is a little bit lower, we announced a $200 million net benefit through value creation projects, so that should help fill the gap.

And you're offsetting that to some extent next year, we haven't -- we're still doing the work, but we had a remeasurement gain in the third quarter. Yeah, we're assessing whether there will be a remeasurement gain next year as well. So again, when we issue our guidance, we'll make it clear what the assumptions are around that.

But let's say overall markets, continuing the way they are, steady but erring to positive, and what's most important for us is us gaining market share within those markets across our portfolio.

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

But high level, as Graham and Andrea have spoken now. The distribution business, it's stable to somewhat leaning positive. We'll continue to gain market share. We'll move more and more to our own brands and that'll drive up operating income.

The software businesses are doing extremely well. The value-added services businesses are doing well. That's going to be a big contributor to profits going forward. And then our own brands in the implants, bone regeneration, endo-area, plus our OEM products are all growing nicely with high profits.

Michael Sarcone - *Jefferies LLC - Analyst*

I did want to dig into some of the specialty products, and I guess we could start with implants. You did have a nice quarter there, and I think you've talked about being the number one share player in Germany. So I guess how do you think about where the implant portfolio sits today and your right to gain share in that market?

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

Yes. So, we have two levels of implants. Firstly, the premium section, which is, The Camlog BioHorizons lines, very active in Germany and in the US, Japan. We're not really in China, so the volatility of China, which is today a very rapidly growing implant market that's when -- we're there but very small. So on the -- and then then we have the lower end of the pricing. All of these are good implants.

We did not have the lower priced implants available in the US. We acquired a company by the name of SIN, about 18 months ago, 15 months ago, and now that product offering is available in the US. We were at a significant disadvantage working with DSOs in particular. They were looking for a low priced product.

Our major competitors all had low priced products. And so now we have the complete line in the US and can go into our DSO customers that are doing implants, providing implant services, and offer them the high end and then the low priced product. They're all good by the way.

And so that's been key. And in the lower price implants, we've not only made the investment in Brazil, but also in France, we're also number one today. And so we have a complete offering, the premium, the lower price, and that provides real growth opportunity.

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Also, we rounded out our line in the US, on the implant side and now can provide a very competitive offering on the premium side to service all needs of implant dentists in the United States. The implant business has a great sales organization, great education. But also leans on the Henry Schein sales force that has a relationship with dentists, especially those that want to think about doing oral surgery in their practice.

Michael Sarcone - *Jefferies LLC - Analyst*

Well, now, that is -- it sounds like from a product portfolio standpoint, you are where you need to be to compete effectively. Are there any particular geographic markets where you feel like you're better positioned for share gain versus not?

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

I think we're well positioned throughout the world. There's really no geographic gap per se other than in the developing world. I mean, we're not really in India in any main way. We're a very small business in China. But in the developed countries, I think we're well positioned.

Are there geographies? There's always, I mean, like in the US we invested in a Midwest Distributor, 2.5 years ago, we where -- our market share was not as good, but they're all filling opportunities throughout. Having said that, I think we can gain the market share we need in all these markets through advancing our sales force. Organically.

Michael Sarcone - *Jefferies LLC - Analyst*

You also talked about the software business. I do want to touch on that, but I do want to ask first, the global e-commerce platform you've started to roll that out and select markets in Europe, maybe you can talk about how that initial rollout has progressed and your key learnings and what we should be looking for, for kind of roll out beyond that.

Andrea Albertini - *Henry Schein Inc - CEO, Global Distribution and Technology*

Sure. The new henryschein.com is a state of the art e-commerce platform. Maybe a little bit more than an e-commerce platform because it's what we use to deliver content also to our customers and generate in general a better customer experience when the customer interacts with Henry Schein online.

As you correctly said, we rolled it out in the UK and Ireland at the beginning of this year. This is a global project, but we wanted to start in a smaller market than the US to have a controlled, first launch, and we are now 10 months into the rollout in the UK and Ireland.

And it started to really show great potential. We see improvement both on the revenue side because we are able to generate better revenue, more revenue. But also on the efficiency side, because you deal with the customer online, generate a good customer experience, and provide all the information the customer needs to make the right choice. So we see more efficiency in our internal processes including lower returns on products. That is, of course, a source of efficiency for us.

So yeah, we are very positive on the results we are seeing. We started the roll out in the summer in the US and Canada. We are doing it intentionally slow because we want to make sure we have enough resources to support our customers during the roll out.

Every time you change something for the customer it's somehow traumatic, you need to help them to understand the new platform, but as soon as they learn how to use it, they are very happy, so the feedback we get is positive.

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Michael Sarcone - *Jefferies LLC - Analyst*

Are there opportunities as those customers are interacting online, incorporate like recommendations for additional products. Are you seeing benefits from increased sales that way?

Andrea Albertini - *Henry Schein Inc - CEO, Global Distribution and Technology*

Absolutely. You're touching a very good point because one of the more sophisticated tools that we have available with this platform is the ability I mean, as a consumer, you are all used to get, when you buy something to get the suggestion, oh, customers that buy this also buy those, or you may want to consider this as an alternative. These are tools that will help us in the dialogue with our customer, but digitally. So it's very helpful.

Michael Sarcone - *Jefferies LLC - Analyst*

And you talked about efficiency from a Schein standpoint as well. Is this something that over time could be pretty meaningful in terms of a margin driver?

Andrea Albertini - *Henry Schein Inc - CEO, Global Distribution and Technology*

It definitely helps margin twofold. One is when you interact with the -- in online commerce, you do not ask for a discount. When you have a field partner that you know since 20 years, it is easier to ask for an additional discount. This can help.

But it is also what we were saying before, the ability to suggest alternative products and maybe replacing or suggesting the customer to buy another product that has better quality, maybe a better margin profile for us. So yes, it will impact margin.

Michael Sarcone - *Jefferies LLC - Analyst*

Okay, great. And I did want to ask about global technology. I think you saw some nice growth acceleration there, 9% in 3Q. I guess what are the what are the drivers of the acceleration and how should we be thinking about, what a sustainable or normalized growth rate is for that business?

Andrea Albertini - *Henry Schein Inc - CEO, Global Distribution and Technology*

I love our technology business because it's -- first of all, it is part of our high growth, high margin profile businesses that we are building more and more, but it also delivers a lot of solutions for our customers. So these are sticker solutions, our solutions that create loyalty because they help the practitioners to run a more efficient practice.

So we have a core part of the business that is our practice management software. This is growing very well. We are shifting from on prem to cloud. So a more SaaS kind of business. In the last quarter, we grew very fast on practice management software sales in general and of course driven mainly by cloud.

But we are also growing on value-added solutions around the practice management, so we can call it an additional app that you put on your platform, and these are really creating value both for the customer and for us.

Just to mention some -- Detect AI that help make the diagnosis better when you get an image is immediately, when you get an image with a sensor or with a camera, immediately you have AI telling, suggesting some of the findings.

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[Form]. We recently launched a form to digitally do all the processes of taking patient information. We have revenue cycle management solutions, including Eligibility Pro, means having the possibility chair side to inform the patient about what is covered and what is not covered on the treatment plan.

We have Reserve with Google, that is a service that allows practitioners to find customers, and customers to book online through Google, the dental appointment. And we announced recently, an interesting partnership with AWS, the Amazon Web Services, to leverage their agentic AI capabilities.

They have a very powerful engine on Agentic AI that we want to integrate in our practice management software to deliver solutions to our customers, voice solutions like transcribing the dialogue between the practitioner and the patient to create immediately notes, but also a treatment plan and so on.

I mean -- so there are a lot of opportunities. A lot of sustainable opportunity to grow this business high single digit. --

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Michael Sarcone - *Jefferies LLC - Analyst*

Great. And I think with that, we are basically at time. But Stan, I wanted to let you close with any kind of comments you'd like, what's underappreciated about the business.

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

I thank you all. Thanks for being here. Thanks for all the years of interviewing. It's been great. I will say, I leave one thing. The business is very stable. The dental markets are stable. The business has huge opportunity to grow on the distribution side, the value-added side, adding margin, and our BOLD+1 plan, which you can see on the website is working extremely well. So, I'm very optimistic about the business which has a great management team and the morale is great.

Michael Sarcone - *Jefferies LLC - Analyst*

Great. Well, with that, thank you everybody for joining. And gentlemen, thanks for participating today.

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

Thank you.

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