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OVERVIEW:

Company Summary

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PRESENTATION

Glen Santangelo - *Barclays Capital Inc. - Analyst*

For our next presentation, we're excited to be hosting Henry Schein and the CFO from the company, Ron South. For those of you who don't know me, I'm Glen Santangelo. I'm the analyst at Barclays that covers Henry Schein. A lot of transition, a lot of things going on at Henry Schein, so we're excited to be hosting the presentation today. So with that, Ron, welcome.

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

Thank you, Glen.

QUESTIONS AND ANSWERS

Glen Santangelo - *Barclays Capital Inc. - Analyst*

Thank you. Why don't we get started. Obviously, you're fresh off your 4Q results and providing sort of 2026 guidance, so maybe just to level set the conversation, that might be a good place to start, just sort of giving everybody a quick overview of some of the highlights from 4Q in 2025 and maybe set the stage for 2026, as you did with your guidance, and some of the bigger-picture items.

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

Certainly. So thank you, Glen, and good morning, everybody. Yeah, we released earnings, I think it was two weeks ago today, and we were quite pleased with the results that we were able to deliver for the fourth quarter.

Several highlights, quite frankly. I think that starting with the dental business, we saw improving growth in the distribution, dental distribution both in the US and outside the US. That is clearly an indicator that we're taking some market share. We did see some -- if you look at how distribution grew over the course of the year, we actually had negative growth in the second quarter, but as we successfully executed on some promotion programs and really aggressively pursued some new customers, we were able to get growth in both the third quarter and the fourth quarter that exceeded market growth.

And then the real highlight on the dental side was in equipment in the fourth quarter. Our equipment sales in the fourth quarter in the US exceeded 10%, and we know that is much greater than what's happening in the market. And it's clearly an indicator -- probably the best news out of that is it's an indicator of the confidence that our customers have in their practices going forward.

A significant amount of that growth was generated through what we refer to as standard equipment. That's the chair that you are being treated in. That's the unit that you're being treated in. The lights and all the auxiliary equipment around you. And that is an indicator that practices are willing to invest. They have confidence to the extent that those are new chairs, or expanding out their practices, or in the case of some of our DSO customers, building new practices and installing these chairs as an indication of, I think, a greater expansion of that

end supply of dentistry, which is a good long-term proposition for us. It means more patients getting access to care. It means a greater churn of dental merchandise going forward. These are all things that we think are clearly positive indicators for us going forward.

Outside of dental -- as you look at dental -- I'll go on the dental specialty, I should say, the specialty segment had a very good quarter. We saw very steady implant growth in Europe, where we think we're also taking share. And then within the US, we think we're holding share and really positioning ourselves well with the launch of a value implant that we are excited about that really kind of rounds out the portfolio in the US and will help us with, I think, greater implant growth in 2026 versus 2025.

And then on the technology side, Henry Schein One continues to be a very strong player. We've got about a 50% market share with practice management systems in dental. They launched a couple of new products that are really exciting, that really address some administrative headaches that our customers have, and will make things much more efficient for them, allow them to run a more efficient practice. We saw good growth there, and we continue to have high expectations for that segment in 2026.

You mentioned the guide, Glen. We did guide to EPS growth of \$5.23 to \$5.37 next year. That's about 5% to 8% growth on EPS. We are expecting some benefits from some value creation initiatives we have in place, but we're going to be incurring a little bit of costs associated with those in the first half of the year, so we do expect the earnings growth to be a little more heavily weighted to the second half of the year versus the first half of the year. But we feel very good about how we've positioned the company going into '26.

Glen Santangelo - *Barclays Capital Inc. - Analyst*

That's great. Thank you for that overview. And before we dive into the individual segments, maybe just one more quick follow-up question on 4Q. When we look at that quarter being much stronger than expected, like how do you break that down between what you saw in terms of on the improving volumes versus maybe some of a price benefit?

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

Within the US, the US distribution business had growth, again, about 3.6%, I think, was the number. I'm not -- I can't recall exactly, but it's about 50/50 benefit from price versus volume. So the follow-on question, typically, on that is, well, how much of that is tariff-related? Very difficult to assess that. Some of those price increases are in the ordinary course of business, some are in reaction to tariffs. But not every product that we deal with that was subject to tariff were we able to take a price increase on, so you do have puts and takes on that. But at the end of the day, it was about 50/50 price and volume.

Glen Santangelo - *Barclays Capital Inc. - Analyst*

Okay. All right, let's jump into dental equipment. I mean, you started with dental equipment. I think it stole the show relative to expectations maybe in 4Q. And when you think about -- when you look at the improvements sequentially throughout 2025 from where you started the first half of the year versus kind of how you finished very strongly, how much of that, do you think, is really coming from maybe just overall market acceleration versus maybe Henry Schein taking some share?

And I think in your opening comments, you talked about some of the promotional programs you might have been running. Break that down for us a little bit more and help us understand what drove that strength so we can maybe try to assess the durability of that trend.

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

Yeah, I think that as I said earlier, clearly, the equipment market is not growing at 10%, so we're very confident we took some meaningful market share with those equipment sales we had in the fourth quarter. The promotions I'm referring to is we did a lot of co-promotions with our manufacturing partners where we will share in some of those promotion costs.

And -- but our manufacturing partners, they want to increase market share as well. They see us as the best avenue, the most efficient avenue for them to go through, given the reach that we have into the dental practices versus our competitors. And so these were exclusive promotions they did with us. And we feel like we both came away with a win-win on this, right? And it's not -- it was more than one partner as well, more than one supplier partner. And in all cases, we felt like it was a very, very effective promotion. So that really helped drive this.

I think what's important on the equipment is there's always going to be a backlog of equipment orders, the timing of when the customer is placing the order and we have the equipment versus when we actually install the equipment. We don't recognize that revenue until we install the equipment. That backlog stayed very steady, very healthy going into 2026. We didn't accomplish this growth by working down backlog. It was really demand-driven growth.

Glen Santangelo - *Barclays Capital Inc. - Analyst*

Were there any special sort of tax incentives that played a role in this 4Q that we should think about maybe this year versus last year versus '26 coming up?

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

To a certain extent, but I wouldn't say they were any different than what would have been in place last year. So it is an apples-to-apples number versus the prior year. Different jurisdictions will have different tax incentives. Tax incentives used to be more common in the past. I think what we're seeing now is just that you do have this habit of practices making their purchases in the fourth quarter. Fourth quarter is -- has always historically been the strongest quarter for us for equipment sales.

Glen Santangelo - *Barclays Capital Inc. - Analyst*

Just one more on equipment. One of the concerns that I think investors have is that the pace of innovation in terms of dental equipment has, I'll recall it slowed in the past kind of couple of years versus maybe what we saw in the 2010 to sort of 2020 timeframe. I mean, could you maybe comment on where you think we are in that innovation cycle, just sort of given that most dentist offices in the United States have made a lot of these purchases, and I don't know if you would say it's a similar situation internationally versus the US. But talk about that innovation cycle and sort of where we are today, maybe versus in the US and international.

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

No, it is a fair point, but I think that while you do see a lot of digital innovation -- digital products coming out, there's still a lot of practices out there who have not yet kind of embraced that digital environment, so there's still a long runway. A lot of practices still have not purchased an intraoral scanner, and so there's still a long runway in terms of what I say converting these offices from being an analog office to a digital office, right?

And so -- but what we have seen with intraoral scanners is that the price points really come down. On one hand, that puts a little bit of revenue pressure on us and others who sell scanners, but we do see really good demand at the volume level for scanners. And I've always said, once a practice buys their first scanner, they've now crossed that threshold from being an analog office to a digital office. And now, you can sell them additional digital equipment, whether it be a chairside mill or a 3D printer, or it's just you can -- now you can start working with them to teach them that there is an ROI on this investment, that they can run a more efficient practice with this type of digital equipment.

So while the innovation -- and that has kind of brought down the price on the scanners. The scanners used to sell \$25,000 to \$30,000, you've got a lot of entries coming into the market now that are selling for around \$15,000. But that's a very attractive price point and starting to draw more of these practices in that previously were not investing in scanners, and that then gives you the opportunity to sell more equipment going forward.

Glen Santangelo - *Barclays Capital Inc. - Analyst*

Could we segue over to merchandise again? Another great quarter in the 3% to 4% range. I think you would probably also say that the market's not growing at 3% to 4%, so maybe there's a -- maybe you can unpack that just so we can think about that in terms of price and volumes and maybe the share gains that maybe Henry Schein experienced in that fourth quarter.

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

Yeah. We really think this is a direct result of some of the promotional activity we did in the second quarter this year. We did some discounting in the second quarter. We identified some customers who were low-volume customers from us. We offered them promotions that would -- that will commit them to purchasing from us over a period of time, offering them a rebate on the tail end of that. But it also gives us an opportunity during that period to work with those customers in terms of understanding their practices, educating them on some of the other services we can provide them so that they can run a more profitable practice.

And during that time, to the extent we're successful with them, that then becomes really a Henry Schein customer, as opposed to a practice that occasionally buys products from Henry Schein, which I think there's a big difference there. And we began seeing the benefits of that immediately in the third quarter and the fourth quarter. So the second half of the year had much better growth on merchandise than we saw in the first half of the year.

I think we've also benefited from successfully recruiting some experienced sales reps that have been able to come over and immediately provide some benefit to us, and then they can continue to grow their book as well. And so that has been. An area of focus for us in this environment and one that we think, can continue to help us grow that market share even greater.

Glen Santangelo - *Barclays Capital Inc. - Analyst*

All right, maybe let's shift over to specialty. When we look at implants, I mean, it's a really strong quarter in terms of implants on growth globally, with maybe a little bit of a different story, international versus US, maybe a little bit of a different story in in value versus premium implants, maybe you can just give us an assessment of that market and how we should think about the trends within specialty -- within implants.

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

Yeah. I think the best strength we saw in implants was in Europe, and specifically, both in the DACH region, Germany, Austria, Switzerland, as well as in France. So the German market is primarily a premium market for us, while the French market is more of a value market. Both did well, both saw growth in the high single-digits, and we were very pleased with that, and that we think that's an indication of taking market share.

In the US, we saw a more positive trend with our value implants than we did with our premium, and we -- and like I mentioned earlier, we have a value implant that is now available to us through the acquisition we did in Brazil a couple of years ago. We've been able to get some traction with that, and we think that we can get better growth on value going forward in the US than what we're seeing in premium. But that's really coming off a lower base, right? That's going to contribute to that.

But we do see that a lot of the expansion of the implant market is in value. The established premium brands that you are selling to oral surgeons, that's a very solid market, very steady. Those customers tend to not convert, though. This is not a situation where you've got a lot of oral surgeons trading down to a value implant. This is really a case of the expansion in the market, which includes general practitioners, who are doing more and more implants, working with the value implant as opposed to a premium implant in the US.

Glen Santangelo - *Barclays Capital Inc. - Analyst*

And the endodontic side of the business, stable?

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

Endodontics, a nice steady business, because it's not necessarily elective and it's not something that you defer if you require an endodontic procedure. So that has been a steady grower. It's typically in the mid single-digits for us, and I think that we benefit a little bit from the changing demographic. The aging of America typically means that there's a few more endodontic procedures happening each year, so that has been a steady grower for us.

Glen Santangelo - *Barclays Capital Inc. - Analyst*

Okay. And in your prepared remarks, you talked about the Henry Schein One initiative. And maybe it's worth just spending 20 seconds and reminding people about your initiative there and some of the benefits that you're seeing there.

And I think you have a partnership with AWS for generative and agentic AI integration. I mean if you could just sort of talk about sort of some of those strategic benefits you have of that integration effort with your clients and how that's driving value for you and your customers, I think that'd be nice.

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

Yeah, and I was just -- thank you for the question because this is, I think, a real exciting part of the business right now, and one that is really getting a lot of kind of positive energy with our customers.

So in November, we reached an agreement with Amazon that through AWS, we would be able to utilize their AI capabilities and build some of this within Dentrax Ascend and Dentrax, and since then, we've been able to launch -- we've completed the launch of a couple of different products that we can build into our practice management system so they become part of the practice management system, as opposed to just clearly a separate module that we have to try to sell separately. We can build into the practice management system and increase the price accordingly, if necessary.

So it includes, for example, a product called Voice Notes, and it's as simple as a product that allows the practitioner to talk out loud while they are treating the patient, and it will pick up the practitioner's voice and update the patient's records accordingly. And it's not just dictation. It is taking the information and sorting it within the patient records. It's also highlighting for the practitioner areas that they may have not covered that they'd want to make sure they put in.

A typical dentist might be spending two to three hours a day at the end of the day updating all their patient records, and this takes that burden away from them and allows them to see more patients as a result. So it's very, very well received in the early returns that we're seeing from our customers.

We've also moved to a product called Image Verify. Image Verify uses AI to monitor the quality of X-rays that a practitioner is taking, and it will immediately alert the practitioner that if an X-ray they've taken is of poor quality and is of a quality that an insurance payer will reject.

So that way, they know -- because right now, they issue that X-ray in with the claim, if it gets rejected and comes back, now they've got to try to get the patient back into the practice. They've got to take the X-ray again. With Image Verify, they're getting immediate notification. They see it, they're like, wait a second, we've got to take that X-ray again. You've still got the patient in the chair, you take care of it. Your claim goes through, you get paid, everybody's happy. These are very, very significant pain points for a lot of our customers.

Just today, we put a press release out from Henry Schein One announcing that within Dentrax Ascend, these modules are now kind of built into that. We have three different levels. We have an Essentials level, we have a Pro level, and we have an Accelerate level within Dentrax Ascend now that people can subscribe to. And each level will have varying different modules available to them, so we're bundling these in. And it's -- like I said, as opposed to trying to have a basic package with all these 20 alternatives that you can add in, by creating these bundles, a customer can look at which one they think meets their needs. They can subscribe to it, and it's a cloud-based system, and we get on with serving the customer.

Glen Santangelo - *Barclays Capital Inc. - Analyst*

We only got four or five minutes left, and I've got a number that I want to get through, so we're going to do some rapid fire.

I want to talk about the leadership changes at the company, right? I mean, end of an era, Stan retiring over 30 years, and now you have a new CEO in Fred Lowery. But also, the KKR investment in the company, now there's new board members at the company. So for the 30 years at this -- I've been hanging around this company, it's been Stan and Steve Paladino, and now there's new leadership.

So talk to me about these changes and what the KKR influence is having within the company. And talk to me about why Fred Lowery is the right guy to sort of succeed Stan, given his entrenched dominance within the dental industry?

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

Yeah, I think that you're right. This is -- there's not a single person who works at Henry Schein today who worked for a CEO who wasn't named Stanley Bergman until last week, right? Fred came on last Monday, so he's on day 7 right now. He came on last Monday, and that made him the -- in the 94-year history of Henry Schein, made him our fourth CEO, right, which is a pretty fascinating statistic.

I think that the experience Fred brings from Thermo Fisher oddly runs very parallel to how we run the business. And I think that was very attractive to the Board for him. I think that he's got a solid track record. He spent 20 years at Thermo Fisher, growing a significant part of their business.

And I got to say, we don't lose Stanley completely. Stanley's still Chairman of the Board. We still have his legacy knowledge we're privileged to tap into. But Fred brings a fresh perspective, and I think that we're all excited to kind of hear his view, what is it that he's expecting of us. What's -- it's a new voice that we're going to be listening to.

He's going to be going through his -- he's literally going through a 100-day plan right now. He's in the early stages of that. I think as he comes out of that plan, we'll kind of see if we're going to pivot on a few things. But I think for the most part, our strategy is in place. We're driving forward. We're going to -- we plan to execute on the numbers that we provided with our guidance. And I think that it's -- Fred will play a big part in that, and we're looking forward to his leadership.

Glen Santangelo - *Barclays Capital Inc. - Analyst*

And what about KKR?

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

KKR, so KKR, our agreement with KKR provides them now with ownership up to 19.9% of the of the company. They have two Board members, Max Lin and Dan Daniel, who have been, I think, instrumental in providing us with a fresh perspective. Just as I talk about a fresh perspective of Fred coming on, when you get new Board members, you hear a fresh perspective, and that's been very healthy for us.

And we've been able to use KKR's Capstone arm to help us really function like almost like a general contractor as we work with different consultants to develop our value-creation initiatives that we have in place now. So we've been able to leverage their expertise. I will say KKR's culture is very collaborative, and they've been great to work with and very constructive as we work with them.

Glen Santangelo - *Barclays Capital Inc. - Analyst*

Do you anticipate any changes to the capital deployment initiatives of the company? Because when I look back and I think about Henry Schein, it was tons of acquisitions, right? Maybe the pace of that has slowed. And when you look at 2025, I mean, the company bought back \$850 million worth of stock, which is almost 10% of the company, which is very interesting, given -- I think the company did a great job taking advantage of the depressed stock price and accelerating that buyback. But how much of that is a KKR influence versus what Stan wanted to do? And should we think about the pace of acquisitions or share buyback changing from what we've seen historically from Henry Schein.

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

Yeah, the share repurchase activity was -- you mentioned \$850 million. You're right, we did buy back \$850 million. We also issued \$250 million as part of the KKR agreement early in the year, so that \$850 million included an accelerated share repurchase program that we had in place to bring it back. So net, I would say net it was \$600.

But at the same time, a much larger number than we typically have. And that's also an indication that we thought -- we really believed the stock was underpriced, undervalued, and we were taking advantage of that.

And our M&A activity was a little lower in the year, so we had the capital available to us to do that. And I think we'll continue to try to be relatively aggressive on share repurchases. We still believe that the stock price is undervalued. We generate a lot of positive cash. And as long as we have that cash available to us, we can continue to prioritize share repurchases as a use of capital.

Glen Santangelo - *Barclays Capital Inc. - Analyst*

Okay, well, listen, we're about out of time, and there's a couple of things I just wanted to wrap with. We got the tax code changes in the US. That maybe is benefiting the consumer a little bit. You have a cost savings program that's designed to achieve \$125 million in savings by the end of 2026. You're under new leadership. It feels like the market's sort of moving in your direction, and Henry Schein is taking share at the same time. The market's seeing a little bit of acceleration.

I want to give you a minute to sort of close out, tie everything together. If there's anything else you think is important that we have not talked about or anything that you want to leave the audience with, now is your chance, but it feels like to me that we kind of ended the year in an upswing, and you got some green shoots of optimism for 2026. But let me give you the last word.

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

No, I think Glen, you touched on a lot of important points, and I think you touched on a lot of things that give us a lot of optimism going into -- as we enter 2026. We have seen, I think, a slightly more positive tone coming from other dental companies. We've seen some of the others of our peers kind of turn the corner on some difficulties they've had. I think even like at Chicago mid-winter, this was just a couple of weeks ago, the vibe in there was a little more positive coming from people. So it's a good sign.

We feel very good about where we're positioned in this market, just to keep dwelling on those equipment results, really shows that we have a confident customer base that wants to make investments. And then finally, the value-creation initiatives that we think will make us function

much more efficiently, much more profitably, really positions us for good growth going forward. I think if anybody wants to be in the dental space in terms of an investment, we cover the spectrum of it, so we're the place to be to invest.

Glen Santangelo - *Barclays Capital Inc. - Analyst*

Okay, Ron South, CFO of Henry Schein, thank you very much. Really appreciate the time. Thank you.

Ronald South - *Citizens Financial Group Inc - Senior Vice President, Chief Financial Officer*

Thank you.

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