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EDITED TRANSCRIPT

HSIC.OQ - Henry Schein, Inc. at Robert W Baird Global Healthcare Conference

EVENT DATE/TIME: SEPTEMBER 15, 2026 / 4:15PM GMT

OVERVIEW:

Company Summary

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Jeffrey Johnson *Robert W. Baird & Co Inc - Senior Research Analyst*

PRESENTATION

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

All right, good afternoon. Why don't we get started? My name is Jeff Johnson. I'm one of the Senior Medical Technology Analysts at Baird, and our next presentation this afternoon is from Henry Schein, the largest distributor of healthcare products and services to office-based practitioners in North America and Europe.

With us today from Schein, we're happy to have CEO, Fred Lowery; and Chief Financial Officer, Ron South. Fred, I'm going to give you opening remarks here if there's anything you want to say, or we can move right into Q and A.

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Well, let me just start by saying thank you. Thanks for having us. We're excited to be here. I am six months into the role now, and I guess the good news is that I'm more excited about it six months in than I was coming in the door, and I'm more excited because I see more opportunity than I did coming in the door. So I feel really great about that. I'm excited to talk to you about what's driving that. Very excited about where we are with value creation. I feel very committed and confident that we're going to deliver on our commitment there and excited about areas that we can grow the business faster. I want to talk a little bit about that today. And then the three priorities that I have, accelerating growth, simplifying the business, and driving more operating rigor in the business so looking forward to the conversation.

QUESTIONS AND ANSWERS

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

All right, great. Well, let's jump right in. So I was thinking about it. I think this is my 23rd year at Baird, and so that would mean about 22 conferences with your predecessor, with Stanley. Obviously a big change at the company. Stanley had been there for many, many years, has been well-loved throughout the entire industry. How have employees responded to the change and just what's going on inside the company at this point, a change for the first time in 30-some odd years?

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Well, let me just say, nobody is Stanley. That's an impossible thing to be. No, I would tell you that the feedback from our Team Schein members, which is what we call our employees, has been very positive. People have really leaned in. I hear people say things like, hey, this has been really a refreshing change. I hear people say, hey, we know that we need to change in order to be better, and we're excited about the opportunities ahead of us.

As you know, we have an amazing culture inside Henry Schein, where our Team Schein members are very focused on supporting our customers. They're mission-driven, and they're focused on supporting each other. And they're excited for us to continue to improve in the future. So I feel good about so far how people have really leaned into the focus areas.

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Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

All right, great. And I saw one of your channel partners in the room. I don't know if he stuck around or not, but there's also been a change, obviously, or you've had to go out and meet all of your customers and your channel partners and manufacturing partners. Again, a change for the first time in a long time. How have those relationships begun to grow? We've always heard dental is kind of a special area, and it takes time to build relationships there. Where are we in that relationship building?

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Yeah, I've certainly been out with lots of customers and lots of our suppliers and other partners and working on building those relationships. But the good news is, that's one of the things that really makes Henry Schein special is the deep trust that we've earned over the years with our customers. They really do trust us, and they absolutely want us to help them make their businesses better.

And I'd say the same for our suppliers. I think we have deep trust with our suppliers, and as I think about it, people are excited about the access that we provide to customers. And as we continue to grow and take share in the market, our suppliers want to be a big part of that. So, so far so good. I feel good about those relationships, and I'll continue to personally work on those relationships. But it's really our 26,000 team members who have developed those relationships over the years that matters.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

All right, great. I think when you came on board, Schein was in the early stages, and you've kind of moved those efforts nicely along on an operating income improvement plan. $200 million of operating improvement expected, operating income improvement expected over the next two to three years. One, your thought process on how you let some of that drop through to the bottom line versus how much you reinvest in the business. Obviously in the past, there's a lot of discussion that through some of these plans, it didn't really drop through the bottom line, but your commitment to letting it drop through, number one.

Number two, how does that help you, though, on the core side of the business, reinvest and really drive this continual process improvement?

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Yeah, so I think it's really important. I love the way you phrased it. It's operating income improvement of a couple of hundred million dollars over a few years. We see that as net improvement, so dropping to the bottom line. But what's important as you look at it, is it's not a one and done thing for us. These are areas where we're building new capabilities into the company that we're going to benefit from beyond just the $200 million. And I'll give you a couple examples.

On the gross profit side, one of the areas we're focused on is improving our pricing process. So we've added capabilities from a pricing standpoint, both in people, in process, in tools and systems. And so we're going to benefit from that, and we are benefiting from that now. But we're going to benefit from that in the future, both so that we can raise price in a more targeted and proactive way, but also lower price where it makes sense, where we want to gain share. So that's an example of a capability that we've built.

And on the cost side, as I've mentioned earlier, we're outsourcing one of the activities. We're outsourcing some of our back-office functions, and we're in the middle of doing that now. We've started with two functions, finance and customer service, and we're working our way through that. Over time, we'll add other functions to it.

But we've started with a lift and shift where we are gaining the labor arbitrage. But over time, we're going to standardize those multiple processes. Then after we standardize, we'll build technology on top of that to streamline and lower the cost. So we're going to continue to

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see the benefit from that beyond this $200 million. So think of us as really building the company to be able to scale without adding a whole lot of extra cost. So that's really the opportunity set there.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

And I think on your last quarterly call, it might even have been the last two quarterly calls, you've kind of alluded to, it's not necessarily in guidance, and obviously you haven't guided to '27, but to double-digit EPS growth. Is that a commitment that you feel comfortable making to your investors and to the street over the next year or two, or am I overreading some of your comments?

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

No, I think you're reading it exactly right. I think what we said is that we're going to deliver this $200 million. We're going to accelerate the growth in our business, and we're going to grow double digits. That's EPS.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Yes.

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

That's exactly right.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

So you feel comfortable with that. Good. All right. Maybe if we can shift over to then markets. I think there's been maybe some mixed signals over the last few quarters. Maybe walk us through your view of the world on dental trends in the US versus Europe versus the rest of the world.

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Yeah, we think the dental market in the US is steady. There's no new news from our last discussion at our earnings call on the market. We're outpacing the market growth, of course. So we're taking share there. We think the dental market in Europe is growing nicely for us as well, and we don't see any significant changes to that market either. Early in the year, we saw the European market kind of outpace the US market.

And if we think about specialty in particular, and maybe even more specifically, the implant business, we see a faster-growing market in Europe versus the U.S. But we actually are participating well in the U.S. market, and we're excited about the value end of that market. We see more growth in the value end in the U.S. market coming. So that's how we think about the global market.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

You're building a value. Sorry, I didn't mean to interrupt you.

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Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

No, go ahead.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

No, I was just going to say, you're building a little bit more or putting a little more effort behind the value business here in the US, following the [S.I.N. acquisition](corrected by company after the call).

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

We are. We became the majority owner of the S.I.N. value implant business back in Q1, and so that is going well. A small base, but it allowed us to really orchestrate our strategy between our premium brand in the US and our value brand. So that's on track and doing well.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Okay. On the other specialty side of the business, on the orthodontics business, I haven't heard you talk a whole lot about that. I think I saw on LinkedIn you were over at the Smilers plant maybe recently or something like that. I might be wrong on that.

I guess my question is, what is your commitment to the clear aligner space? It's a more and more competitive space. It hasn't necessarily grown a ton. Outside of the top two or three there, it's pretty hard to make a profit or turn a profit in the clear aligner business, at least sub-scale, it is. How are you thinking about the clear aligner business going forward?

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Yeah. Just specifically on clear aligners and orthodontics in general, it's a small part of our business, so it's not something that we spend a lot of time talking about.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Yep.

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

However, the business is performing pretty well. But it's a very small base, and I would say it's not material to the overall business. And specifically on the aligners piece, we have a really strong regional position in our business in France, and we're happy with the growth of that business.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

All right. Ron, I'm going to ask you a couple questions. Just on the consumables side of the business, I think you've grown a little over 4% in the first half of the year on the North American dental consumables side. You put up a 6.5% number in the second quarter. I think it was at least a couple of points above what I thought was even aspirationally possible. What's going right in that consumables business in a market that every way I dissect it, I feel like consumable volumes are probably flattish. How do you get to 6.5% growth, and what's the sustainability of at least, a good, solid above-market growth rate?

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

Yeah. Something we talked about in the Q2 earnings release was that 6.5% growth rate was really, probably about half of it was the contribution from volume, about half was contribution from price. But on the volume side, that means we're taking market share. There's a number of things, I think, that are contributing to that. We see better growth in our private label merchandise. I think we said that we had about 2x growth rate in private label versus our third-party brands.

Also, as DSOs continue to slightly outpace the growth of the overall market and our position with our DSO customers, we get the benefit of some market share gains there as well. And on the pricing side, I think there's a number of things. You're seeing a little bit of dynamics, perhaps with PPE, with some stabilization on the pricing there. But also, I think some early benefits from the value creation initiative we have around gross profit, that where we're getting a little smarter on the pricing, a little more scientific approach on the pricing is giving us some help, some early dividends from that initiative.

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Out of that, if I could jump in. I think there are two other things where we are seeing some momentum. One, if you go back to the second half of last year where we did some promotions and we really engaged some of our, what I would call more episodic customers who are not buying from us regularly. We actually have retained a lot of that business, and that is helping us from a share gain standpoint. I think the last one is just we have been successful, just kind of a net positive in having more reps join us from other companies, and we are seeing that help us from a growth standpoint also.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Yeah. There are some competitors of yours out there that continue to struggle, continue to lose some reps, maybe a business that is in play right now. How much is that helping you? As I think about, let us say you settle in at 4%-ish consumables growth. Can price stay a point or two, and then these other exogenous factors help you by a point or two, and then the market is one or two? Is that a way to think about a sustainability of three to four or something like that? I do not even know if my numbers add up as I say that, but it seems like all three of those factors are helping.

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Yeah. I do not want to give any future guidance.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Yeah. No.

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Here today.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Just talk to me conceptually about it?

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Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

But I do think you got the right levers. The only other lever that I would add is that our exclusive products are actually doing really well also.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Yeah.

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

We've mentioned Curodont before, and we have that product exclusively, and we think that is also a lever for growth in the future.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Yeah, for sure. Some of the Curodont numbers I have heard, it absolutely seems to be adding to your growth. I hope it can continue to build. That is an exclusive. Is there any chance that could go away from being an exclusive?

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

I do not want to disclose any contractual things, but we feel really good about our relationship, and we think that is going to be an exclusive relationship for some period of time.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Okay. I made a comment about one smaller distributor that might be in play. I am sure you will not confirm or deny. We have heard maybe that Schein has passed on that business. I guess the way I would phrase the question is, in the past, it seemed like Stanley would buy a lot of things, including smaller distributors, just to capture more customers or for whatever reason. It sounds like you guys have maybe passed on that deal. What is your strategy or how do you view your M&A strategy that may be different than past management?

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Yeah. Let me just be clear. You are right. I am not going to comment on any specific M&A. But as I think about it, M&A definitely will be a part of our growth algorithm in the future. But relative to the past, I think you will see us be more disciplined in our M&A approach. What I mean by that is that we are going to focus on things that are highly strategic. By highly strategic, I mean assets that will help us continue to be the value creation platform for our customers. So things that are additive in that regard. Secondly, things that are going to help us from an organic growth standpoint. Finally, we absolutely are going to focus on things that drive really good returns for our shareholders as we are measured by ROIC. I think that is the way to think about our strategy in the future.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

All right. Fair enough. Ron, just going back to your comments on the consumables, the 2Q number there at 6.5%, almost half of that price, so call it just north of three. How much of that was pass-through of your manufacturing partners raising price versus some of this, whether it is dynamic pricing you are doing, some of the other smarter pricing you have referred to, just your own internal efforts on pricing that does not have necessarily to do with your acquisition price from your partners?

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

There is a lot of overlap there within all those concepts that you mentioned, so it is really hard to kind of pinpoint specific numbers to that. All those things contribute to the pricing increase, whether it be an increase in cost that we are seeing from suppliers or just situations where we see the opportunity to get a little better price based on what we see in the market. So I think there is a number of factors that is really kind of hard to pinpoint any, to assign a number to those concepts because of the overlap there.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Are some of those internal efforts on pricing, again, that are part of the $200 million operating income improvement plan, those are not just sustainable, but can they be additive to your growth rate over the next several years? One thing we have started to wrestle with is, I think some of the manufacturers pushed price last year post Liberation Day from a tariff perspective. This year pushed a little more price based on oil prices and potential for input costs to go up later this year. But it is going to be hard to sustain probably the level of pricing, I think anyway, in dentistry that we have seen over the last two years much beyond this year.

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

Well, our goal is really optimizing gross profit growth there. That is going to come through a number of different ways. It might be increasing prices where we have the opportunity to do so. It might be decreasing prices where we see that we are potentially an outlier and we can increase market share in a particular product category by bringing down prices. But the goal is to actually increase gross profit dollar growth. If we can achieve that, then that is really what the systemic approach that we are taking as part of this value creation initiative would be to achieve that going forward as well.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Okay.

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

The other thing to consider, especially in an inflationary environment, in cases where either we do not have the ability to push price or where we are pushing price and customers would prefer not to receive that [higher price](added by company after the call), we do have alternatives. Oftentimes, those alternatives are our owned brands or our private label products. Again, that creates the situation where we get to see gross profit dollars go up because typically we have better margins on those products. So that is another opportunity that we have to make our gross profit dollars grow.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Yep. All right. Maybe walk us through your view of the dental equipment market at this point. Maybe throw in a couple geographic comments, but also just generally speaking, is there demand for spending on $20,000 IOS systems all the way up to $120,000 digital CBCTs?

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Yeah. When I think about equipment, I'd maybe segment it out to more traditional equipment and then maybe digital. On the more traditional side, we expect to see growth in equipment this year. Our backlog looks fine, and we expect to see growth this year

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Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Yeah

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

and in Q3 and Q4. As it relates to more digital equipment, we're seeing good volume growth. What you're also seeing is new entrants in the market at a much lower price point. The volume growth is great, but because of the new entrants, you're seeing a lower ASP for those products. We see the volume growing well, and we think we're participating at the right level in that space.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

But you feel comfortable that your overall North American and global dental equipment business can grow in the back half of this year?

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Yes.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Okay. Any reason to think that that pattern changes as we move into '27 and beyond? Is this still a growth market over time?

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Well, I'm not going to give any '27 guidance today.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

I'm trying.

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

The second half, we certainly see that that will grow in the next few quarters.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Ron, '27? Give you the chance. All right. Medical. That business went through a couple quarters period where it felt like, whether it was point-of-care diagnostics, some other pressures, it just wasn't growing much. There was some chatter out there that one of your competitors, even though they've been around forever, but after they went public, all of a sudden, they were much better. For whatever reason, they were putting more pressure on you and the whole industry. But just the business did get back to growth this past quarter. How to think about the medical business growth over the next couple of few years and over the back half of this year?

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Listen, let me talk a little about medical, and Ron, you can talk about the specific growth rates if you like. We are really excited about our medical business. There are places in that business where we see really great growth at a good margin and let me give you a couple

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examples. Our Home Solutions business is becoming a sizable business, a $400 million business. It is growing high single digits, and we are very excited about that business. There is more to do there. It grows at a higher margin and it comes through at a higher margin than the overall medical business. That is quite exciting.

We have another business that we call government or specialty, and that business actually has good growth as well, and margins that are above the overall medical business margin. The part of the business that you were describing before, the med-surg piece of the business, listen, we have been competing with the same competitors for a very long time. What makes us a very special company is that we have a supply chain that is tuned to supply small quantities to many, many different locations incredibly reliably overnight.

We do that really well. We do that by working with non-acute operational people in those customer locations, and they very much appreciate our flexibility, and we think we are competing well there. Now where we are seeing some challenges is in our respiratory business, and we called that out earlier in the year, that is about 15% of that business. The softness that we have seen in that testing environment is what you are seeing in that business. But otherwise, I feel like we are competing incredibly well with some very competent and capable competitors.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Are there additional things to plug into the Home Solutions business through acquisition or just new products you could begin to layer into that business?

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Yeah. We continue to scale the business and so there are opportunities for both inorganic growth and more organic growth in that business through product lines.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

All right. Maybe in the last few minutes here, I want to talk about your tech and value add business. I think you have close to 100,000 practice management software users across the globe, 15%± cloud-based. Where does that move over the next two to three years? Can you get that up to 50%? I think you monetize the cloud-based customers at a higher monthly fee relative to some of your on-prem customers. Just walk me through the importance of getting these guys cloud-based and locked in longer term.

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Yeah. In the spirit of saving the best for last, you really have. This is probably one of my most exciting things to talk about is our technology business. But yeah, the way I think about it is, just to reiterate your point, for on-prem, the monthly income is around $500. For cloud-based, it's around $800. Our cloud-based software comes in three different packages.

You have a low-end package, the Ascend Essentials. You have the mid-range Ascend Pro and the high-end Ascend Accelerate. What we're seeing is that customers, as we launch new capabilities, customers are actually upgrading to other packages. So that $800 a month is actually growing because as we add capabilities, people are recognizing the value in those capabilities. So we're able to increase our share of wallet just by introducing new capabilities.

By the way, leveraging AI in our development process, we're introducing new capabilities much faster than we have in the past. So that's a pretty exciting part of that business. The second way we're growing is by increasing share of wallet. Most new installs are the cloud-based version. So that's where the biggest growth is coming and share of market gains there. Then we also have the transitions where people are going from on-prem to cloud-based, and that's been a little bit slower. But we're very excited about the growth rate in that business. We expect that business to grow. It's growing high single digits. We expect it to grow in the 8% to 12% range over time.

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Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Okay. If it is about 15% cloud today, would 50% be an aspirational number over the next three to five years?

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Yeah. We haven't really given that number out, and I don't want to make a commitment, but if you can think about most of the growth in that business coming from share of wallet and share of market, think about that growth kind of split 50/50 and 8% to 12%, and I'll let you try to figure out that math.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Yeah.

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

That conversion rate, you have a lot of customers who are quite happy with their on-prem Dentrix system.

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

Yeah.

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

The conversion rate may not be as fast as what people expect.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Okay. No, that's helpful. All right, maybe we'll just wrap up here on balance sheet and capital allocation. I think you guys are just under three times levered at this point, Ron. Buybacks and debt paydown, are those the biggest focus right now, or how do we think about the use of capital going forward?

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

Yeah. We did $325 million in the first half of the year in share repurchases, which is a little higher than what we would typically do. We were also a little lighter in M&A, so we had that available capital. We were also generating good cash over the first half of the year. So, we were able to do so without really putting much more pressure on that leverage. I think we went into the year at about 2.8, and we're still at about that 2.8. So we clearly saw that as optimal use of capital as a priority. We, quite frankly, believe that the share price is undervalued, and we see it as an opportunity for us to buy back shares.

We're going to -- As you're aware, it's a very tax-efficient way of providing some return to our shareholders. At the same time, we're conscious of that leverage. We want to be sure that we're managing the balance sheet responsibly and managing our cash responsibly. So you always want to leave something in case there's a good M&A opportunity out there. But in the meantime, it really clearly has been the priority and an area where we've been willing to invest.

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Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

All right. And generally, $500 million a year in free cash flow, is that a roundabout place to be for the next few years?

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

Yeah, I think if you look at the history, we've done operating cash flow in the neighborhood of, say, $700 million to $750 million, with CapEx being probably closer to $150 million. You could probably push that up to something closer to $600 million in terms of what we can accomplish in free cash flow.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Okay. As you look at some of the OpEx savings and maybe some integration of past acquisitions or other efficiencies, does CapEx go up or down over the next couple of years?

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

Well, CapEx has gone up some over the last several years because our investments in, say, that 2022, 2023, 2024 period were in more capital-intensive companies. We did the buy with Biotech, an implant manufacturer in France, with S.I.N. In Brazil, also an implant manufacturer. You begin to see inherently you're going to see more CapEx. I think it's probably leveled off at this point for a while, excluding whatever investments we want to make in the business along the way.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

Okay. All right. That's helpful. Well, Fred, we're down to 50 seconds. I will leave it to you if there's any final comments or parting thoughts you want to leave us with.

Frederick Lowery - *Henry Schein, Inc. - Chief Executive Officer, Director*

No, thank you for the time and the questions. We are incredibly excited about the opportunity to accelerate growth, and we will do that by being the value creation platform for our customers. And I think all of our Team Schein members are focused on doing that, and we are aligned around those goals of accelerating growth and simplifying our business and driving more operational rigor. I look forward to talking more about the business at the end of the quarter.

Jeffrey Johnson - *Robert W. Baird & Co Inc - Senior Research Analyst*

All right. Great. Please join me in thanking Fred and Ron for a great overview here of Henry Schein.

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