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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to Henry Schein's fourth-quarter 2025 earnings conference call.

(Operator Instructions)

As a reminder, this call is being recorded.

I would now like to introduce you to your host for today's call, Graham Stanley, Henry Schein's Vice President of Investor Relations and Strategic Financial Project Officer. Please go ahead, Graham.

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

Thank you, operator, and thanks to each of you for joining us today to discuss Henry Schein's financial results for the fourth quarter of 2025.

With me on today's call is Stanley Bergman, Chairman of the Board and Chief Executive Officer of Henry Schein; Fred Lowery, Chief Executive Officer Designate of Henry Schein; and Ron South, Senior Vice President and Chief Financial Officer.

Before we begin, I'd like to state that certain comments made during this call will include information that's forward-looking. Risks and uncertainties involved in the company's business may affect the matters referred to in forward-looking statements, and the company's performance may materially differ from those expressed in or indicated by such statements.

These forward-looking statements are qualified in their entirety by the cautionary statements contained in Henry Schein's filings with the Securities and Exchange Commission and included in the risk factors section of those filings. In addition, all comments about the markets we serve, including end market growth rates and market share, are based upon the company's internal analyses and estimates.

Today's remarks will include both GAAP and non-GAAP financial results. We believe the non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable the comparison of financial results between periods where certain items may vary independently of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business.

These non-GAAP financial measures are presented solely for informational and comparative purposes and should not be regarded as a replacement for corresponding GAAP measures.

Reconciliations between GAAP and non-GAAP measures are included in exhibit B of today's press release and can be found in the financials and filing section of our investor relations website under the supplemental information heading, and in our quarterly earnings presentation also posted on our Investor Relations website.

The content of this conference call contains time-sensitive information that is accurate only as of the date of the live broadcast, February 24, 2026. Henry Schein undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances after the date of this call.

Lastly, during today's Q&A session, please limit yourself to a single question so that we can accommodate questions from as many as you as possible.

And with that, I'd like to turn the call over to Stanley Bergman.

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

Thank you, Graham. Good morning, everyone, and thank you for joining us.

I want to particularly welcome Fred Lowery to our call today. Fred will officially join Henry Schein next week as our new CEO. I will continue to serve as the Chairman of the Board. We're very pleased Fred will be leading the company and believe he's exceptionally well suited for the role. He is joining us from Thermo Fisher Scientific where he spent 20 years scaling large businesses to acquisitions and organic growth, managing both national and owned brand products sold through Thermo Fisher's distribution channels and advancing value-added services.

Fred also brings a strong customer focus. Beyond Fred's extensive leadership experience, Fred has a philosophy that aligns with the principles that have long defined Henry Schein. He understands the critical role we have in supporting dental and medical practitioners, and he is very well equipped to lead Henry Schein into its next phase of growth. Fred has already connected with many of our leaders, leadership -- with many in our leadership team and I'm highly confident that the transition to Fred's leadership will be smooth and that he will drive Henry Schein to even greater success.

Fred, could you please make a few remarks? Thank you.

Fred Lowery - *Henry Schein Inc - Chief Executive Officer Designate*

Thank you, Stan. I'm excited to be here today and I'm looking forward to getting started next week and working with this high-performance team and leading this exceptional company into its next phase of growth. I also look forward to engaging with our five constituents; our Team Schein members, our customers, suppliers. Investors, and the communities which we serve.

I have an enormous amount of respect for what Stan and Team Schein have built, and I'm committed to building upon these achievements going forward.

As I've gotten to know the Henry Schein Team and the company over the past couple of months, I've been impressed with the values, the culture, and the significant growth opportunities for the future. The fourth-quarter results demonstrate that I'm joining a company that is successfully managing through transformation, which is exactly the kind of experience I've led effectively in prior roles.

So to you, Stan, thank you and to the entire leadership team, thank you for warmly welcoming me over the past few months. It's yet another indication of the company's unique culture. Henry Schein is a great company, and I look forward to leading the team as we accelerate the implementation of our strategies.

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

Thank you, Fred, for your thoughtful comments, which, in my mind, reiterates why we have great confidence that you will lead Henry Schein to even greater success.

Now to the fourth-quarter results.

Our fourth-quarter sales reflect continuing momentum resulting in the highest sales growth in 15 quarters. We are pleased with the sales results across all our businesses, particularly our global equipment, specialty products, and technology businesses. This drove our strong fourth-quarter earnings, which exceeded the increased 2025 financial guidance we provided in our third-quarter earnings release. The growth we have achieved, especially over the second half of 2025, demonstrates the effective execution of our 2025 to 2027 BOLD+1 strategic plan and positions us well for the future.

Let me highlight some of the initiatives that have advanced our BOLD+1 strategic plan in this particular quarter.

First, 2025 non-GAAP operating income from high-growth, high-margin businesses is approaching 50% of our total operating income. We are on track to exceed our goal of over 50% by the end of our strategic planning cycle in 2027. This does not include income from our corporate brands, which we estimate to be more than 10% of our total operating income.

Second, implementation is underway across multiple value creation projects, and we are pleased with the progress made to date.

Third, we have made substantial progress rolling out our global e-commerce platform, now known as henryschein.com, and expect to complete the rollout to the US dental and Canadian customers in the first quarter of this year and to US medical customers shortly thereafter. We will then continue with global implementation of henryschein.com.

We have also launched a number of innovative solutions that provide our customers with the tools to enhance patient care and to operate a more efficient practice, including exclusive distribution in the US and the UK of Vvardis' Curodont product, a unique solution for detection and treatment of early-stage caries, and we also have now a very strong partnership with Amazon Web Services for both generative and agentic AI integration with Henry Schein One. These are both key achievements and indicative of the marketplace's view of Henry Schein, our ability to help practitioners, and of course, drive in the end shareholder value.

We recently completed a survey, this is very important, of the US dental market to assess customers' financial and operational needs and opportunities for us to add value in this arena. The survey indicated that practices focus includes driving revenue growth and improving operational efficiency by adding new customers and reducing appointment cancellations, rescheduling, or delayed treatments. These findings reinforce our confidence in our strategies, which are contained in the BOLD+1 strategy to support our customers, elevating clinical care, and of course improve patient outcome, generating higher practice performance, and integrating efficient proprietary workflows.

So this survey is very clear. Of course, patient outcomes are critical to our customers, but generating high-practice performance and integrating efficient propriety workflows that we offer are also critical to the future of the practice as viewed by dentists and as I said, contained in our BOLD+1 strategic plan. We believe that customers recognize the value we bring and that these benefits are reflected in our sales results as we continue with the momentum on the sales side.

So turning now to review of our businesses. Let me start with the global distribution and value-added services group where we delivered solid fourth-quarter sales results and good growth driven by continued momentum from the prior few quarters.

We estimate approximately half of the US and medical distribution merchandise sales growth was driven by higher volume. Data derived from our Henry Schein One e-claims activity also indicates signs of modest procedure growth in the US. We believe that in general, patient traffic remains stable and probably leaning positively in the quarter. And I think that is really the direction of where dentistry is heading in the US for the short-term, maybe medium-term.

US dental merchandise sales growth reflected continued market share gains versus last year. Our January US dental merchandise sales this January reflected the good momentum going into the first quarter of '26, and we continue to see benefits from increased sales performance throughout data-driven marketing programs. We've invested heavily in this data-driven marketing arena for the last couple of years, and I think of course this is gaining momentum, but I think you will gain even further momentum as Henry Schein One is adopted in the marketplace as the key digital ordering and engagement platform for those interested in dental merchandise.

Our global dental equipment sales hit a record this quarter and sales growth was the highest since the post-COVID recovery of 2021. We believe we are gaining market share in equipment resulting from outstanding execution of our long-term strategy of investing in this area, both on the sales side with our suppliers of course in that connection but also on the equipment installation and server side through our global distribution network.

On the equipment side, we believe that we provide our customers with the broadest product offering of equipment and the largest and best trained technical support capabilities in the industry on a global basis as well. US dental equipment sales were excellent, delivering double-digit growth. Traditional equipment sales drove much of this growth bolstered by some exclusive supplier sponsored promotions and we are pleased that we are able to provide above-market growth for those suppliers that are on our platform and work closely with us. We had good order intake, which continues by the way into the first quarter, as our customers remain confident in investing in their practices and investing in their practices through Henry Schein.

Digital equipment sales increased in the low single-digits. We saw good unit growth across 2D, 3D imaging, mills, 3D printers, and intraoral scanners. Intraoral scanners average selling prices continue to modestly decrease due to lower prices of new market entrants, but I hasten to add that these new market entrants are also attracting new customers into the space advancing the interest in the practitioner community to advance from manual impressions to digital impressions. This movement continues, although I might also add that there's still lots of room for converting dentists from manual impressions to digital impressions.

Parts and technical service sales remained solid contributors with mid-single-digit sales growth during the quarter. We are encouraged by the underlying demand trends in the US dental equipment market and in particular as it relates to customers viewing us as the supplier, and we expect to growth in 2026.

Turning to our US medical business, sales growth reflected steady demand for medical products and pharmaceuticals, along with continued strong performance in the home solutions portion of our medical business. This was partially offset by lower comparative demand for respiratory products – in the respiratory product category, which we see continuing into the first quarter. The demand for tests and general respiratory visits has gone down, but the rest of the business has great momentum.

During the fourth quarter, our US medical business signed and launched an exclusive agreement with CytoChip Inc. to distribute its flagship, CitoCBC. The flagship system, CitoCBC, is a unique cartridge-based complete blood count analyzer providing lab quality results in approximately 8 minutes. We expect the system to expand access to lab quality hematology testing at the point of care. While revenue from

this product is not expected to be material to the overall medical distribution business, this agreement reflects our strategy of bringing innovative products to our costs in partnership with suppliers that value the effectiveness of our distribution system.

International general merchandise sales grew well in constant currencies and experienced solid growth across most markets. Overall sales growth benefited from a weaker US dollar. International dental equipment sales growth was the strongest in many years and also grew well in constant currencies. Growth was broad-based and across many countries and across equipment categories. So this was pretty broad based globally and in the general equipment categories, the major ones all doing quite well on an international basis. International equipment sales growth benefited from currency exchange rates too.

On the value-added services side, sales growth was driven by our international business and by acquisitions to some extent. Also the general consulting part of the business is doing well.

Now to the Global Specialty Products group. Fourth-quarter sales continue to benefit from strong performance in implants and biomaterials, and we believe we continue to gain share across most markets. Growth was driven primarily by BioHorizons' Camlog in Germany, S.I.N. in Brazil, and Biotech Dental in France, which each delivered double-digit growth. Overall international implant sales reflect solid underlying patient demand, reliable brands, and excellent product support and education programs.

In the US, BioHorizons Camlog implant and biomaterials also grew at a rate consistent with prior quarters. S.I.N. value implant, the system from our Brazilian subsidiary, was introduced into the US market in the fourth quarter, and we expect this implant system to contribute to US growth this year in 2026.

Endodontics continues to benefit from expanded commercial reach. We're distributing more of the endodontic products through our US distribution team. Also to some of the distribution channels outside of the US, so that is helping advance our endodontics business. Orthodontics, of course, which remains a small part of our specialty products business, also started to recently sell through our US dental distribution channel and has stabilized. The orthopedic business also performed well. Overall, we remain encouraged by the sales results across our specialty portfolio.

Now, let's turn to the Global Technology sales performance and that group in general. The performance was driven by core practice management solutions. We also had growth in our revenue cycle management solutions resulting from enhanced functionality, including electronic claims and electronic billing. These were all quite good in the quarter.

This quarter our cloud-based customers increased by more than 20% year on year over year, primarily from new accounts and now we have more than 11,000 Dentrix Ascend and Dentally subscribers, and of course, the largest installed base in the world. We have also aligned our subscription offerings to provide more comprehensive integrated solutions. The standard Dentrix Ascend subscription now covers basic practice management, revenue cycle management, imaging, and patient experience solutions.

As a result of both the expanding customer base and product integration, we are driving growth in annual recurring SaaS subscription revenue, as well as growing our transactional services business. This ecosystem is doing well for our smaller customers, our mid-size customers, and the very large DSOs, and in turn driving profitability, for the business, for the Henry Schein One business and therefore profitability for the company in general.

We made meaningful progress on AI initiatives through our new partnership with Amazon Web Services, as I noted, integrating its generative AI technology into Dentrix Ascend, Dentrix, and Dentally. This includes our real-time documentation assistant; Voice Notes, which uses AI to capture and summarize patient interactions; as well as voice activated charting, scheduling, and communications tools. These are projects that have been worked on over the last year or so and actually are now functioning very well in our customers' offices.

In addition, we launched Image Verify at last week's Chicago Midwinter show. This is an AI powered quality assessment tool that evaluates clinical images at the moment of capture, thereby helping reduce claims denials. Claims denials, as those that are familiar with the dental professional, is a real issue in the dental practice. This alone will attract customers to our system.

During the quarter, we launched a new Forms workflow that captured insurance information from a simple photograph of a patient's card, making patient's record entry faster and more accurate.

In addition, we continue to enhance Eligibility Pro through faster response times and standard payer connections. We expect these ongoing developments to help customers drive incremental revenue, increase productivity across their practice, and therefore allow the practitioner to focus on quality of care rather than administrative functions which our system is increasingly taking care of in a very, very user friendly way.

With that, I will now turn the call over to Ron to review our fourth-quarter financial results and discuss our 2026 financial guidance.

Thank you, everyone, for calling in and listening and Ron, now over to you.

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

Thank you, Stanley. Good morning, everyone.

Today I will review the financial highlights for the quarter and would like to remind investors that on our Investor Relations website, we have also included a financial presentation containing additional detailed financial information, including certain reportable segment information.

Starting with our fourth-quarter sales results, global sales were \$3.4 billion with sales growth of 7.7% compared with the fourth quarter of 2024, reflecting constant currency sales growth of 5.8% and a 1.9% increase resulting from foreign currency exchange. Acquisitions contributed 0.9% sales growth to the quarter.

Our GAAP operating margin for the fourth quarter of 2025 was 4.76%, a decrease of 10 basis points compared to the prior year GAAP operating margin.

On a non-GAAP basis, the operating margin for the fourth quarter was 7.42%, relatively flat compared to the prior year, despite slightly lower gross margins, primarily a result of product mix within the Global Distribution and Global Specialty Products groups.

Turning to taxes, our effective tax rate for the fourth quarter of 2025 on a non-GAAP basis was 22.7%. This compares with an effective tax rate of 22.0% for the fourth quarter of 2024. For the full year, our non-GAAP effective tax rate was 23.7%.

Fourth quarter 2025 GAAP net income was \$101 million, or \$0.85 per diluted share. This compares with prior-year GAAP net income of \$94 million or \$0.74 per diluted share. Our fourth quarter 2025 non-GAAP net income was \$160 million or \$1.34 per diluted share. This compares with prior year non-GAAP net income of \$149 million or \$1.19 per diluted share. Foreign currency exchange favorably impacted our fourth quarter diluted EPS by approximately \$0.02 versus the prior year.

Adjusted EBITDA for the fourth quarter of 2025 was \$291 million compared with fourth quarter 2024 adjusted EBITDA of \$270 million or 8.4% growth.

Turning to our sales results, the components of sales growth for the fourth quarter are included in Exhibit A in this morning's earnings release. I'll now provide the primary highlights of the main sales drivers for each reporting segment, starting with Global Distribution and Value-Added Services.

The Global Distribution and Value-Added Services group sales grew by 7.0%. Looking at the drivers of that growth, US Dental Merchandise sales grew 3.6%, including good volume growth driven by the sales initiatives we introduced earlier in the year. US Dental equipment sales grew 10.6%, led by double-digit growth in traditional equipment. Overall demand for equipment remains strong.

US Medical Distribution sales grew 4.9%, reflecting good underlying growth in the business with strong growth in Home Solutions. International Dental Merchandise sales grew 9.2% or 3.8% in constant currencies, driven by sales growth across Southern and Eastern Europe, Germany, Brazil, and Canada.

International dental equipment sales grew 13.9% with constant currency growth of 7.5%, with solid growth in both traditional and digital equipment. Equipment sales growth was especially good in Germany, Brazil, Canada, and Australia. Finally, Global Value-Added services sales grew 9.6% or 8.5% in constant currency, driven by international business solutions.

Turning to the Global Specialty Products group, sales grew 14.6% or 11.1% in constant currency. Our implant and biomaterial business experienced solid growth in the fourth quarter, including double-digit growth in our value implants and mid-single-digit growth in our premium implants. That sales mix of premium and value implants resulted in a lower gross margin compared to the prior year.

We also had strong results in the Global Technology Group with total sales growth of 8.4% or 7.6% in constant currency. In the US, sales growth was driven by practice management software with double-digit growth in Dentrix Ascend. Internationally, sales growth was driven by our Dentally, cloud-based practice management software product.

From the restructuring program announced in August of 2024, the company recorded restructuring expenses of \$23 million or \$0.12 per diluted share during the fourth quarter of 2025. For the full year, restructuring expenses were approximately \$105 million or \$0.59 per diluted share.

Regarding the value creation initiatives announced last quarter, we continue to expect to deliver over \$200 million of operating income improvement over the next few years through both cost savings and capturing incremental gross margin opportunities. These projects include gross profit optimization such as pricing and accelerating corporate brand sales as well as initiatives to lower our cost to serve while further enhancing customer satisfaction.

We plan to centralize certain support services, implement process automation and AI tools, and further leverage our scale to reduce indirect procurement costs. We expect these initiatives to achieve annual run rate operating income improvement of over \$125 million by the end of 2026.

During the fourth quarter of 2025, the company repurchased approximately 2.8 million shares of common stock at an average price of \$71.10 per share for a total of \$200 million. At fiscal year end, we had approximately \$780 million authorized and available for future stock repurchases.

Turning to our cash flow.

We generated operating cash flow of \$381 million in the fourth quarter of 2025. This compares with operating cash flow of \$204 million in the fourth quarter of 2024 and was driven by working capital management.

Turning to our 2026 financial guidance. At this time, we are not able to provide without unreasonable effort, an estimate of restructuring costs related to ongoing value creation initiatives. Therefore, we are not providing GAAP guidance. Our 2026 guidance is for current continuing operations and does not include the impact of restructuring expenses and related costs and other items described in our press release.

Guidance assumes stable dental and medical end markets during the year and is supported by initiatives outlined in our strategic plan. We expect these initiatives will support our long-term financial goals. Our guidance also assumes that foreign currency exchange rates will remain generally consistent with current levels and that the effects of tariffs can be mitigated. Our 2026 sales growth is expected to be 3% to 5% over 2025.

For 2026, we expect non-GAAP diluted EPS attributable to Henry Schein Inc. to be in the range of \$5.23 to \$5.37 reflecting growth of 5% to 8% compared to 2025 non-GAAP diluted EPS of \$4.97. Guidance assumes lower remeasurement gains in 2026 than in 2025. We are assuming an estimated non-GAAP effective tax rate of approximately 24%. Given the implementation schedule for the value creation initiatives, we expect earnings growth to be more heavily weighted towards the second half of the year. Our 2026 adjusted EBITDA is expected to grow in the mid-single-digits versus 2025 adjusted EBITDA of \$1.1 billion.

With that, I'll now turn the call back to Stanley.

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

Thank you, Ron. We are, of course, ready, operator, to answer questions from investors, so please go ahead, operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jeff Johnson, Baird.

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

Stan, I'm sure you're growing tired of the accolades, so I will just say, congratulations on a fantastic career and, we'll miss hearing you on the calls every quarter.

I was hoping I could maybe start, Ron, on guidance if possible and sorry to start there, Stan, as opposed to throwing it to you for a high-level question, but a couple things just on the operating income improvement plan, the \$125 million run rate that you're talking about, Ron, exiting 2026. Should we gate that, kind of build that in a sequential basis kind of on a steady state growing it consistently throughout the year by quarter, and then from a year-over-year perspective, in '27, how much of that do you think, could flow through to the bottom line?

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

Sure Jeff, I think that the -- as you can appreciate, these initiatives are in their -- it's still somewhat in the early stages and that's why we're -- what I said on the guidance that we expect the earnings growth to be more heavily weighted to the back half of the year is a reflection as well of the benefits that we ultimately get from value creation.

So I think it's by no means linear. I do think that as we make investments in the first half of the year and continue to make some investments over the course of the year, that'll be reflected in our results, but we've take that into consideration with the guidance.

In terms of the \$125 million, and what we will -- how that impacts 2027, that remains to be seen at this point in time. We'll have to see just where we are on the initiatives, what else is happening with the business in terms of where we need to make investments and how much of that will fall through in 2027 we'll be able to address that.

Operator

Allen Lutz, Bank of America.

Allen Lutz - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

One for Ron here on the really strong growth in specialty value implants as you mentioned, up double-digits, but also premium implants were up mid-single-digits, which I think is an acceleration over the past couple of quarters.

Can you talk a little bit about what you're seeing there in terms of pricing both on the value and the premium side? Is that evolving at all? And then how to think about price growth as a contribution or lever within this business in 2026?

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

Certainly, the -- we're -- as we mentioned, we were especially pleased with the growth we saw in Europe. We had good growth at Biotech, we had good growth in Germany, and the value implants are becoming a bigger part of the portfolio for us.

From a pricing perspective, I don't think there's anything there that's unusual from a pricing perspective. I would say that we're very well priced within the market and I don't believe there was anything that would be -- I would consider to be unusual in terms of price increases or price benefit within the category.

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

I think that's correct. The issue is that there's been a movement, a mix within our portfolio towards the brands that Ron just identified. The Camlog brand in Germany, for example, which is our largest market for that product, has stable pricing yet we continue to gain market share, so I don't think there's particular pressure on our main premium brands which do sell a little bit less than some of the other major brands and this is all a mixed shift towards faster growth by these companies we've invested in the last couple of years that are all doing well.

Operator

Jason Bednar, Piper Sandler.

Jason Bednar - *Piper Sandler - Analyst*

Congrats on the close here to '25. I'm going to ask a multi-part question here just big picture in the dental market, Stan.

It just really seems like the market took a step forward in the fourth quarter. I think we're all seeing that results are looking better across the board for you and your partners. Can you speak to the durability of that performance? Sounds like it's continued into January, but you're often a step closer to the customer. You're interacting with them on a more frequent, regular basis than even your manufacturing partners are.

Just, do you sense the market's getting its foot back or footing back in terms of the patient traffic through offices, consumer spending on the higher end categories, dentists spending on equipment, I guess what are you seeing with your backlog? Just it was -- I guess the genesis of the question, is there anything unique in the fourth quarter that would suggest that better revenue growth wouldn't persist throughout 2026 here?

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

So thanks for that question, Jason. It's a very important question.

I would say the markets are stable, certainly in the US, we have data from our Henry Schein One claims processing. So essentially it is a stable market leaning, I would say positively. There is good feeling amongst dentists that investing in newer technology, whether it's scanners or AI or simply upgrading their practice management systems and connecting those practice management systems to hardware, chairs, units, lights, imaging, et cetera. That whole trend is there. And I think it's good. The market is good in the US and international is mixed.

But I think a lot of this has to do with Henry Schein as well. We were hunkered down a little bit, a lot actually on the cyber recovery. Our people were internally focused on keeping current customers and not going out aggressively. In the second quarter, we felt very good that we dealt with the past, and we started being aggressive going out, adding resources to our sales organization, bringing online for digital offerings, so I think it's a combination of dentists feeling good about their practices, patient traffic being okay, meaning slightly positively in the US, and our sales organization having the ability to go and explain to dentists why investing in these various newer technologies is good for their practice.

So to some extent we are expanding the market within our own customer base, but generally it's a positive feeling for those that were in Chicago. If you walked on the floor, people were smiling and went to the Schein booth, particularly smiling. So I think that things are stabilized. I hope not to use the word cybersecurity. I hope our team doesn't use that again because that way behind us and the team is very positive, very excited.

We are winning in the marketplace, in a marketplace that is stable to leaning positively and many of the markets abroad are also similar. Look at Brazil, for example, the German market is a lot more positive on the equipment side, so it's a positive environment from a market point of view, but I think most of our success is from our team's excitement in winning in the marketplace and being back to where we were before October of '23 when we had the cyber incident.

Operator

John Stansel, JP Morgan.

John Stansel - JPMorgan Chase & Co - Analyst

Just wanted to hone in on the cadence through the year, particularly around the \$125 million run rate contribution from the value creation initiatives on. What I think I heard from you, Ron, was that there would be implementation costs in the first half of the year or early in the year. Is there a way to think about this? This is actually potentially a bit of a headwind early on. And if that's right, is it still fair to say that it's a net benefit, you don't -- you get some improvement in the back half, netting all that out to still be kind of a benefit for the full year.

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

Yeah, John, I mean, the expectation for the full year is clearly there will be a net benefit from the initiatives. Within the quarters, you could get -- some lumpiness depending on the timing of some of the investment, but there will be -- we're confident and we'd be disappointed if we didn't have a net benefit over the course of the year from these but that benefit will be more heavily weighted to the second half of the year.

Operator

Kevin Caliendo, UBS.

Kevin Caliendo - UBS AG - Analyst

Just two quick ones.

The lower remeasurement '26, you described it as lower. Is it materially lower? Like, just from a modeling perspective, how should we think about versus the \$0.23?

And then the second one is more about the equipment you called out that there was a benefit from promotions. Obviously traditional equipment was up double-digit in 4Q. Is that an assumed run rate now or was that sort of a one-time benefit? Can you just talk about what happened, how meaningful it was, and how we should think about traditional equipment growth in '26? Thanks, guys.

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

Yeah, I'll start with some commentary on the remeasurement gain, Kevin, and then Stanley can talk a little more about equipment, but as you're aware that the portfolio approach to growth has included taking a minority stake in certain companies and in some cases extending that investment to a controlling interest when we believe there's a strategic reason to do so and there are a couple of situations where we are contemplating transactions that could result in a range of remeasurement gain outcomes in 2026 and we've taken this range into consideration when setting our guidance.

But what we said is the EPS guidance assumes remeasurement gains will be lower in '26 than it was in '25. As you can appreciate, it's difficult to gauge sometimes what the benefit of these will be, but we do expect -- we're pretty confident it will be less than what we had in 2025.

Stanley, if you want to address the equipment question.

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

Thank you, Ron. I think that's great.

On the equipment side, I just want to be careful not to indicate that we had massive promotions. We did not. It was a normal year end and of course the fourth quarter is a quarter where dentists are investing in the practice for tax reasons so that the whole year they've been thinking about buying a piece of equipment or maybe addressing an expanded room or something operator and you know of course our salespeople encourage them to close on that and have it installed before the year end because it's tax beneficial.

I will say that there are a few manufacturers of equipment that excited our organization. A couple of them maybe had high priced products per unit. And was, of course, had extra features maybe viewed by dentists as better products, better to invest in those products, and I would say we have promotions of that kind where manufacturers, their field organization, and our organization worked very well together on promotions specific to a product or category or to a manufacturer.

But these were not -- these are not promotions that pulled from one quarter to the other going into the first quarter. I think we mentioned in our last call that our backlog was good going out, it remains good. The momentum is good, and again it goes back to our sales people. Both the generalists, the specialists, the equipment people just feeling good. They were back in the market, attacking the market, gaining market share in an environment where dentists are feeling pretty good. And so I think it's just the dynamics, and we're very pleased with the dynamics and view this as an ongoing opportunity for Henry Schein.

Operator

Jonathan Block, Stifel.

Joseph Federico - Stifel - Analyst

Joe Federico on for John. Thanks for taking the questions.

Maybe just to move back to the impressive Specialties growth in the quarter. Seemingly driven by global double-digit percent implant sales. How do you view the sustainability of that implant performance? I know it's likely not double-digit every quarter, but should we just view that segment, the specialty segment as kind of a high single-digit growth profile going forward for the near future, and also any specific color on US implant performance would be helpful as well.

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

Ron can address the implant market because we have -- we gave a range and I think the market is not growing as well as we thought -- as it was in a few years ago, but Ron will address the market.

Yeah, we had a very good quarter. Our European, particularly our German business is doing well. It's been doing well for a long time. I think we're now the number one provider of dental implants certainly by units in Germany and that market has very good momentum. No one can say that we have great particular quarters. But I think it's a solid business. We've got a great product offering, new introductions of products and a great team. The various discount lines if you will or value lines depending on how you want to view it of S.I.N. of our Biotech German product and the dentist and even within BioHorizons, the value line are all doing very well.

I think the implant market is stable. Leaning positively, more stable in the US than it's been in a while. Henry Schein does not really operate in a very expensive implant category in the US. Of course, BioHorizons has a product offering, but we're more focused on the practice that is dealing with middle income DSOs and so we didn't have the significant decrease that maybe some others did. But generally it's a pretty stable market. The US is not as robust as other parts of the world. We were focused on a new product introduction this year. And I think we'll be more aggressive next year, but I don't think we can give you specific thoughts on the high end of growth in '26, but Ron will give you specifics on the range that we're talking about.

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

Certainly, so, Joe, I think you can kind of dissect the implant market a couple of different ways. If you look at the kind of outside US versus inside US market, we did see better growth outside the US, and then we mentioned that in the prepared remarks that our subsidiary in France Biotech and Camlog, both had very good growth and I really attribute that to good management and execution, good -- just they're doing a very good job of getting some additional market share there. Our assumption has always been that specialty markets should grow in that 5% to 8% market range. I don't think they are right now. Perhaps there are some pockets of the world where they are growing 5% to 8%. But inside the US, I don't think it's at 5% to 8%. We're seeing still something probably less than -- definitely less than 5% in terms of market growth in the US.

And then if you also dissect it by looking at premium versus value in the US, and we mentioned on the call that we did launch the S.I.N. US value implant in the US in the fourth quarter, and we have a lot of optimism in terms of what the contribution we could get from that product in terms of it improving our growth in the US going forward in '26, so, like Stanley said, it's difficult to determine where that high end is where this growth could be, but we do like the momentum we have coming out of '25 and '26 with the broader category.

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

Thank you, Ronald. So the end of business is quite stable, not yet the market per se is growing, but we are doing quite well. Gaining some market share, the orthopedic business has also got certain momentum that is very nice and orthodontics is very small. But we're moving that product through our distribution channel, not investing a huge amount in specialty salespeople, but offering an alternative of traditional orthodontic products at a reasonable price, a value product, and so we aren't losing money in that field.

We had a bit of a challenge with computers during the cyber incident and overall the specialty business is doing well and also that's on our own brands, specialty products but also on our private brand, our corporate brand products where we have products OEM manufactured for us, that business is growing at a more rapid rate to our -- the core national brand business. Of course we work very well with certain national brand manufacturers, but there are many products where the product line is really generic today and in those cases where we can provide value to our customers, we are, and that's growing at a much faster rate.

Operator

Elizabeth Anderson, Evercore ISI.

Elizabeth Anderson - Evercore Inc - Analyst

Congrats Stanley and I'm looking forward to working with Fred going forward.

Maybe a combo short-term, long-term question. Just to confirm as per usual, none of the future repo with the authorization is included in the guidance range you just gave.

And then secondarily, can you talk a little bit more on the gross margin? I think you guys called out pricing and private label as opportunities I'm assuming for '26 and going forward. So how do you think about what the sort of 2026 opportunities are there versus longer-term? Thank you very much.

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

Regarding the repurchases, Elizabeth, we -- our guidance assumes a relatively stable stock count during the year but as you can appreciate, we'll be assessing the stock repurchase opportunities as the year progresses and if it has a material impact, we'll be sure to communicate that.

In terms of the margin and the contribution from private label, private label continues to grow at a pace faster than our branded merchandise, so we are getting some contribution to -- favorable contribution to the margin from that. There's still some -- you get some pricing pressure in certain categories. We've talked about gloves in the past and other areas but so it -- but broadly speaking, the private label does provide us with some margin expansion and we do believe and part of our value creation initiative is how do we -- how can we expand those margins potentially even through accelerating the growth of some of those private label categories.

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

But to be clear, Elizabeth, we are working very well today with many of our national brand suppliers who understand the value Henry Schein brings, we did have some challenges because of the cyber incident, and we're back in the market, so they're working with us.

On the other hand, there are many items I wouldn't call them commodities because some of them are better than commodities -- the Henry Schein brand is simply another brand but it is a high-quality brand and attracts customers because of the quality but also because of the price, the whole value proposition, and that's doing very well. It's a stated goal of ours and we're doing quite well in that regard and of course that carries a higher margin, a lower price but a higher margin with absolute dollar addition to the bottom line.

Operator

Michael Cherny, Leerink Partners.

Michael Cherny - *Leerink Partners LLC - Analyst*

Maybe if we can dig in a little bit more on implied margins relative to what you recognized in the quarter. Fully understand there's a lot of moving pieces, fully understand the operational improvements you expect to ramp over the course of the year, but what are you seeing relative to your underlying business on the margin side? I know there's been some questions on price and there's obviously a dynamic on mix, but how are we thinking about the core underlying margins for the business before you layer on the remeasurement dynamics, the operational benefits, and other moving pieces to the P&L?

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

I think that a lot of moving parts when you talking about our margins because of the -- when you look at the business as a whole, we are experiencing some product mix dynamics, for example, within the specialty group. We mentioned earlier that value is growing faster. Value implants are growing faster than premium implants, for example. They do get a slightly lower gross margin. And that you know will put a little bit of pressure in terms of gross margin percentage, but it does create gross profit dollar growth for us which is very important for us.

I think within the broader distribution, there's always going to be customer mix. I mean, we have a very strong portfolio of DSO customers. DSO customers do get a slightly better margin, but we can deliver to them more efficiently. So that's an important part of the portfolio and an important part of the business and their growth -- the growth of those DSOs benefits us as well.

So while we were -- we want to stay focused on gross margin percentage improvements, and that's a very important value creation initiative for us. Growing gross profit dollars is equally important, and so to the extent that we can expand sales and grow gross profit dollars as well is always going to be a priority for us.

In terms of what then falls out and for operating margin, hence the -- a lot of the G&A expense initiatives that we have in place to deliver product more efficiently to support the business more efficiently, and we believe that that'll show up in -- those benefits will begin to show up towards the back half of the year and ultimately, should see some acceleration and improvements in operating margin.

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

It's a matter of mix and at the end of the day, our BOLD+1 strategic plan is what drives us and the idea is to move towards high-growth, high-margin businesses, higher gross profit, higher operating income and we stated early on in the call that the direction of the business, the whole area of high growth, high margin businesses, the specialty areas, the value-added services are growing quite nicely as well as the private brands, so it's hard to get the exact number -- predict the exact number in a quarter, the direction the business is moving towards higher growth, higher margin mixed businesses.

Operator

Brandon Vazquez, William Blair.

Brandon Vazquez - *William Blair Capital Partners - Analyst*

I'll maybe ask two brief ones to close us out here, maybe a little macro. First, on the medical side, there's a lot of chatter in the MedTech world, especially about volumes of procedure volumes through the first quarter and then it through 2026 since you guys are kind of tied to the dental market volumes, I'd just be curious on how are things progressing so far in early 2026 in terms of volumes. People are a little worried about ACA subsidies going away and that might lower procedure volumes. There's some storms. There's flu season, things like that.

That's the first one, and I'll just ask the second one here as well. I think in the commentary or the prepared remarks you mentioned that you can mitigate tariffs. Just give us any incremental details that you guys, how you see the tariff world right now given the recent IEEPA ruling, what you're kind of baking in the guidance and how you can mitigate those tariffs. Thanks a lot.

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

On the medical side, we participate primarily in the alternate care side for delivery -- where delivery of care takes place. Of course, the weather will impact as it often does in the first quarter. We haven't analyzed exactly how the number of procedures will be down this year versus last year, but it's going to be down a little bit. I don't think our customers are really impacted in any material way by any of this legislation or any particular trend going on other than of course people are not being diagnosed, going for diagnosis as much as they did in the COVID period. First of all, COVID's not rampant.

And second, if people have colds, they're not worried about it or strep throat or whatever as much as they were during the COVID period. So there's a lot less on the respiratory side. Vaccinations are probably down, although it used to be material for Henry Schein at one point. It's not a material category, but it is a category that our medical people are active in. So I think you can see some challenges on the medical side. I don't think it's going to impact the \$13-billion Henry Schein enterprise in any material way. The home care business is doing well. I don't think that's impacted by any legislation or regulation at this particular time.

So I would say our medical business is quite stable and the decreasing price of gloves is not what it was. It's also stabilized. And we're back to 2019 levels there, maybe a little bit of higher price, but the medical business is relatively stable with as I said, some challenges from the respiratory side. On the tariffs. I think in the prepared remarks we said we anticipate passing on any tariff increases, if there are any, that we need to make to our customers. We have to pay more, but on the other side, we are doing a good job in alternative sourcing.

So from different countries now I don't know what this flat 15% means, but we should be able to deal with that at least in the short-term. If it's a long-term issue, we'll let you know but I think again within the context of Henry Schein as a \$13-billion company, we should be able to deal with this as we've dealt with the tariff generally one part of the business is paying more, another part of the business is mitigating it through other ways, but generally I think we'll be okay.

Okay, so thank you very much. I appreciate everyone calling in the questions.

I didn't anticipate doing 121 investor calls but I think the fact that (laughter) Fred is sitting here will be evidence that they will not be -- I will not be doing 122 of these calls. So, thank you for your support. Thank you for your interest Henry Schein as a company, I think, is in a great place. The momentum is good. The strategies are working. Of course in any businesses, there are challenges in one part of the business versus another. This team is well prepared, I think, to deal with the challenges that we know of today and that may even come our way in the future. The team is well organized. The morale, I think, in the company is quite good, and the markets are relatively stable.

So to conclude today's call, firstly, thank you again for all the support over the years. Thank you to the analysts that are covering the space. I know the space has been a bit rough over the last few years, but I think, it's a good place for investors to invest. The whole healthcare, dental space, and the healthcare, alternate care space are all good areas. And I appreciate those analysts that stuck with the ups and downs and those that have done the detailed work. So thank you very much. So in conclusion, the business is in good shape and maybe Fred will end the call.

Thank you.

Fred Lowery - *Henry Schein Inc - Chief Executive Officer Designate*

Stan, thank you very much and I'm looking forward to digging in next week. I've got a 100-day plan that includes a listening tour, so I'm going to get out and meet some Team Schein members, some customers, and suppliers, and of course, I'm looking forward to meeting all of you and spending some time with you and learning -- getting your perspectives on the business.

And then also I'm going to dig in on the initiatives that are in place and validate the assumptions and I'm looking forward to accelerating and driving more value creation for our shareholders. So thank you very much. Thank you for your interest in Henry Schein and I'm looking forward to working with all of you.

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

Thank you, Fred.

Graham?

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

So next call will be in May.

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

Okay. Thank you, everyone.

Operator

Thank you. This concludes today's teleconference. Please disconnect your lines at this time. Thank you for your participation. Have a wonderful day.

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