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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Henry Schein's first-quarter 2026 earnings conference call. (Operator Instructions)

As a reminder, this call is being recorded.

I would now like to introduce 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 my thanks to each of you for joining us to discuss Henry Schein's financial results for the first quarter of 2026. With me on today's call are Fred Lowery, Chief Executive Officer 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 is 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 analysis 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 Filings section of our Investor Relations website under the Supplemental Information heading and they're also in our quarterly earnings presentation posted on the 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, May 5, 2026. And 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 of you as possible.

And with that, I'd like to turn the call over to Fred Lowery.

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Thank you, Graham, and good morning, everyone, and thank you for joining us today. I'm honored to lead Henry Schein as a CEO, and I look forward to building on the strong foundation and proud heritage that define this company, while at the same time, taking a fresh look at people, processes, and technology to advance the culture of continuous improvement.

I'm also pleased to report our strong financial results for the first quarter. But before we turn to these, I want to highlight some key observations that I've had as I progress through my 100-day plan. First, I am impressed by the strong competitive advantages Henry Schein has built over the years. Globally, we successfully serve hundreds of thousands of independent private practices with responsive, consistent overnight delivery.

In the US, we are the primary distributor for most national DSOs, a position that reflects years of being a trusted and reliable partner. Our reach provides us with supply chain flexibility and sourcing advantages as well as access to a broad global customer base for our suppliers.

Second, pursuant to our BOLD+1 strategy, we deliver an extensive integrated offering, which includes a broad portfolio of quality corporate brands and specialty products, software, equipment products, technical services, and business solutions. This differentiated offering makes us the platform of choice for office-based practitioners.

And third, our ability to deliver an excellent customer experience really sets us apart. Our field sales consultants they really know their customers deeply and are genuinely and invested in their success and they're supported by our equipment service technicians. And when you put that together, we provide a service that is difficult to replicate. When you put all these things together, our technology, our products, our value-added services, and our people, we create a significant competitive advantage, which we will continue to enhance over time.

So, over the last two months, I've immersed myself in the business, and I've spoken with lots of customers and suppliers and employees and there are a few things that I've heard. One thing is clear from customers: the dental market remains healthy, with demand continuing to outpace supply. Therefore, efficiency and workflow optimization are important for our customers to be able to see more patients.

What's encouraging is how well our strategy aligns with our customers' needs through the development of open architecture integrated solutions that create a platform allowing our customers to deliver better care while running more productive and more profitable practices.

Turning to the medical market. procedures continue to shift to nonacute care settings, which also aligns well with our unique capabilities to supply the right quantities to all nonacute settings, including ambulatory surgical centers, community health centers, private practices, and home solutions.

I also received feedback that our dental and medical supplier partnerships remain another source of competitive differentiation. And I'm committed to providing a broad product offering to our customers, supported by strong national brands as well as through our own value-added owned brand products.

Suppliers recognize that our deep customer access and trusted relationships make us the partner of choice for driving growth in their businesses. Through exclusive and targeted promotional programs, we create value for suppliers and customers alike.

Now while it's still pretty early days for me, I intend to sharpen our operational execution, build a stronger performance culture and create a leaner, more agile Henry Schein, allowing us to respond faster to customer needs and translate our market strength into accelerated growth and improve financial results. As I continue to dive deeper into the business, I expect to identify opportunities to drive growth, to streamline processes and to enhance execution.

I'd like to highlight a couple of examples for you today. The first is to enhance the cadence of new products and service offerings. This includes AI solutions, which are transforming the industry rapidly. And Henry Schein has a tremendous opportunity to develop further value-enhancing solutions. I think you're starting to see this with some of the recent product launches from Henry Schein One. The second is to align our commercial efforts to accelerate overall growth across each of our businesses. This is contemplated in accelerating the leverage priority of our BOLD+1 strategy, and we've already started.

It's clear that Henry Schein has great assets with a differentiated platform to serve as a trusted partner to health care practitioners worldwide. As we look ahead, I'm excited by the significant opportunities to accelerate growth through the use of technology, improved operational excellence and becoming a more agile company.

Now let's turn to the first quarter results. I'm pleased with our strong first-quarter results that reflect continuing momentum from the second half of last year as we grow market share and expand gross margins. Sales strengthened in the US dental and global technology businesses overcame softness in the medical business. The dental markets remain stable and healthy, and we are gaining market share.

While merchandise prices have increased, particularly in the US, procedure volumes are holding steady. We anticipate further merchandise price increases in the second quarter as a consequence of higher oil prices. Dental practices and, in particular DSOs, are continuing to invest in equipment, and we are seeing DSOs gaining market share in the overall dental market.

The non-acute care US medical market remains strong, and our Home Solutions business continues to grow well. Our Medical business had good underlying growth. However, the quarter was impacted by a decline in demand for point-of-care diagnostic test products related to respiratory illness, resulting from a light flu season.

Our specialty products underlying markets remain healthy, with European volumes ahead of the US. Demand for premium implants is being driven by strong clinical engagement, most recently demonstrated at our BioHorizons Global Symposium last month where over 40 internationally recognized speakers presented the latest innovations in tissue regeneration, digital workflows and implant-based tooth replacement therapies to more than 1,100 clinicians from around the world. Growth in value implants driven by our S.I.N. and Biotech dental businesses continues to outpace premium implants.

Our Global Technology business again posted really good growth, reflecting continued demand for our cloud-based software technology solutions. The development pipeline of AI solutions has increased, and these are mostly integrated into our global suite of practice management software solutions.

Last week, I had the opportunity to attend our Thrive Live event in Las Vegas which brings together dental professionals to get really hands-on training and education and to showcase our range of equipment and software solutions.

This year, we had over 1,000 attendees and we launched our next-generation AI clinical workflow at the event, which generated significant excitement. The broad level of interest in our AI solutions was a clear signal that our customers are ready to embrace these tools and that Henry Schein is well positioned to lead that transition.

Now let me give you a few highlights into the initiatives that advanced our strategic plan during the quarter. As I mentioned, our overall operating margin expanded, and we stabilized margins compared to a year ago. Our high-growth, high-margin businesses are now approaching 50% of our total operating income, and we remain on track to exceed our goal of 50% by the end of our strategic planning cycle in 2027.

We are just beginning to unlock value from our value creation initiatives. These not only provide a clear path to both cost efficiencies and margin expansion, but I expect them to fuel our growth and further support an enhanced customer experience.

Execution is really well underway. Let me give you a couple of examples. We've appointed an outsource partner to centralize, select back-office functions and we expect to see benefits beginning later this year. We continue to strategically buy out minority partners to unlock integration opportunities across the specialty products business. We are starting to generate additional savings from our indirect procurement processes by leveraging our scale advantage.

And finally, we are implementing gross profit initiatives, including value pricing and enhanced growth of our corporate brands. Therefore, I am committing to the company's goal of achieving greater than $200 million of annual operating income improvement within the next few years with a $125 million run rate by the end of 2026. These initiatives, along with continued execution of our strategic plan will contribute to us achieving high single-digit to low double-digit earnings growth in the coming years.

We have also successfully rolled out our global e-commerce platform, henryschein.com to our Canadian and US laboratory customers. We are well advanced in implementation across the US with over 80% of our US dental e-commerce sales now transacted over henryschein.com. We expect to complete the US rollout by the end of August and to extend the platform to new customers after we plan to shift our focus to the broader international deployment.

Over the past several weeks, I have worked through the details of our financial plan. Our growth outlook, combined with the progress made on value creation initiatives and a strong start to the year reinforces my confidence and my commitment that we will deliver on our 2026 financial guidance. Looking ahead, I plan to continue learning more about the business and identify opportunities to accelerate our momentum. I look forward to sharing updates in our next calls.

Now with that, I'll turn the call over to Ron to review in more detail our first quarter results. Ron?

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

Thank you, Fred, and good morning, everyone. Today, I will review the financial highlights for the quarter. Starting with our first-quarter sales results. Global sales were $3.4 billion, with sales growth of 6.3% compared to the first quarter of 2025. This reflects local currency internal sales growth of 2.5%, a 3.1% increase resulting from foreign currency exchange and 0.7% sales growth from acquisitions.

Our GAAP operating margin for the first quarter of 2026 was 5.41%, a decrease of 12 basis points compared to the prior year GAAP operating margin. On a non-GAAP basis, the operating margin for the first quarter was 7.53%, up 28 basis points compared to the prior year, driven by gross margin expansion within the global distribution and global technology products groups as well as business mix.

First quarter 2026 GAAP net income was $107 million or $0.92 per diluted share. This compares with prior year GAAP net income of $110 million or $0.88 per diluted share. Our first-quarter 2026 non-GAAP net income was $153 million or $1.32 per diluted share. This compares to prior year non-GAAP net income of $143 million or $1.15 per diluted share. Foreign currency exchange favorably impacted our first quarter diluted EPS by approximately $0.03 versus the prior year.

Adjusted EBITDA for the first quarter of 2026 was $289 million compared to first quarter 2025 adjusted EBITDA of $259 million or 11.6% growth. During the first quarter, we successfully completed a transaction that provides us a controlling interest in S.I.N. 360’s US distributor of S.I.N. Brazil's value implant systems. We are excited about this transaction as it provides us with greater control over our US implant product portfolio, especially in the faster-growing value implant market and allows us to unlock growth and back-office integration efficiencies across these businesses.

As we had previously held a non-controlling interest at S.I.N. 360, the transaction did result in a remeasurement gain of $11 million this quarter or approximately $0.07 of diluted earnings per share. We will continue to evaluate strategic opportunities to further integrate some of our joint ventures to unlock growth and efficiencies. Some of these opportunities may result in additional remeasurement gains. However, further gains from such transactions, if any, are not expected to be recognized until the second half of 2026.

Turning to our sales results. The components of sales growth for the first quarter are included in Exhibit A in this morning's earnings release. We will now walk through key sales drivers for each reporting segment.

Starting with our global distribution and value-added services group, whose sales grew by 6.1%, reflecting continuing strong momentum in the US. Looking at the components of that growth, US Dental Merchandise sales grew 5.6% or 4.1% internal sales growth, reflecting ongoing acceleration of sales growth.

Data from our Henry Schein One eClaims activity indicated signs of modest procedure growth in the US, and we believe that in general, patient traffic remained stable to leaning positively in the quarter. Our sales volume growth resulted in market share gains and prices increased further with the introduction of some additional price increases in January.

US Dental Equipment sales growth of 3.4% was driven by sales of traditional equipment as practitioners, particularly DSOs, remain confident in investing in their dental practices, and we expect this solid growth to continue.

US Equipment growth was supported by some exclusive supplier initiated opportunities as our suppliers continue to view Henry Schein as their best opportunity to expand market share. This helped drive sales in the traditional and digital imaging categories. Overall, Digital Equipment sales were essentially flat due to continued softness in sales of intra-oral scanners and 3-D printers. This was driven by lower average selling prices from new market entrants despite higher sales volume.

US Medical Distribution sales grew 1.3% or 1.2% internal sales growth. with strong growth in home solutions and dialysis, partially offset by lower sales of point-of-care diagnostic test products related to respiratory illness as a result of the light flu season. This category represents roughly 15% to 20% of our Medical business. Excluding the impact of the diagnostic test products category, sales growth would have been in the mid-single-digit range.

International Dental Merchandise sales grew 12.5% or 1.8% LCI sales growth driven by sales growth in the UK, Italy, and Brazil. International Dental Equipment sales grew 13.4% or 3.6% LCI sales growth, with solid growth in traditional equipment. Equipment sales growth was especially good in Germany, UK, Canada, Australia and New Zealand. Finally, global value-added services sales grew 10.6% or 7.8% LCI sales growth.

Turning to the Global Specialty Products Group, sales grew 8.1% or 1.7% LCI sales growth. Our implant sales were driven by high single-digit growth in value implant systems. The sales mix of value to premium implants also resulted in a lower gross margin compared to the prior year. We expect to achieve improved growth in the Specialty Products Group going forward this year. Our Global Technology Group continued to post solid results, with total sales growth of 7.0% or 6.9% LCI sales growth.

In the US, we had strong revenue growth in our Dentrix Ascend practice management software business. Internationally, sales growth was driven by our Dentally cloud-based practice management software product. The number of cloud-based customers increased by roughly 25% year over year, primarily from new accounts, and we now have more than 13,000 Dentrix Ascend and Dentally subscribers.

Regarding our restructuring program, the company recorded restructuring expenses of $12 million or $0.07 per diluted share during the first quarter of 2026 as we advance our value creation initiatives. With reference to capital deployment, during the first quarter of 2026, the company repurchased approximately 1.6 million shares of common stock at an average price of $77.64 per share for a total of $125 million. At the end of the quarter, we had approximately $655 million authorized and available for future stock repurchases.

Turning to cash flow. Operating cash flow was negative $97 million in the first quarter of 2026 due to a normal seasonal decrease in accounts payable and accrued expenses from the year-end. Cash flow is typically lower in the first quarter than the rest of the year, and we still expect operating cash flow to exceed net income for the full year.

Turning to our 2026 financial guidance. At this time, we are not able to provide without unreasonable effort and 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 that foreign currency exchange rates will remain generally consistent with current levels and that the effects of changes in tariffs and higher oil prices can be mitigated. We have implemented a number of measures designed to offset the potential financial impact of rising oil prices at this time, which affect both freight costs and cost pricing.

Our 2026 full-year guidance remains unchanged. Total sales growth is expected to be approximately 3% to 5% over 2025. We expect non-GAAP diluted EPS attributable to Henry Schein, Inc. to be in the range of $5.23 to $5.37. We are assuming an estimated non-GAAP effective tax rate of approximately 24%. We expect benefits from value creation programs to be weighted towards the second half of the year.

Adjusted EBITDA is expected to grow in the mid-single digits versus 2025 adjusted EBITDA of $1.1 billion and we continue to expect remeasurement gains recognized in 2026 to be less than recognized in 2025.

So with that overview of our business and recent financial results, we're ready to take questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Jason Bednar, Piper Sandler.

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

I've got a couple, and I'll just ask them both upfront or somewhat connected. When I look across first quarter performance, I guess, what really stood out to me was that gross margin results, a really nice start to the year. Can you unpack maybe a bit, some of the drivers there? Is that a function of value creation benefits that we can expect to persist through the year? You're already seeing some of that? And then how do we think about this result in the context of these rising shipping costs that are just better obviously happening just with where oil has moved.

And Ron, just if you could maybe unpack some of those comments you made near the end of your prepared remarks on mitigation actions, any rules of thumb we should have in mind on what oil above $100 a barrel or a one kind of barrel means for your margin profile, just so we can have a little bit of an idea on sensitivity to this metric just in, I guess, last thing here, too. Just what's -- if you can help us what's included in guidance around what you're assuming for oil.

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

Sure, Jason. I think on the -- with reference to the gross margin, yes, we are pleased with the improvements that we were able to get in gross margin. The year over year is about 25 basis points and then the gross -- the total gross margin improvement versus the fourth quarter is about 86 basis points.

So you are seeing a little bit -- some of the early benefits perhaps of the gross profit initiative from value creation to more -- we have, I would say, a slightly more dynamic pricing environment that's allowing us to react in a more timely basis. But it also reflects, I believe, the fact that our own brand products continue to -- the growth of those products continues to outpace the rest of the portfolio. where we do get better margins with those products as well.

So we're seeing some mix benefit. We're seeing some strategic benefit and just, I think, a greater consciousness of how well we can work with our suppliers to assure that we get competitive costs and improve our margins accordingly.

With reference to the price of crude oil and what's happening in terms of some of the disruption in the energy industry, I mean, it's an area where we're watching closely. It does impact a little bit some of the freight costs coming in. We are working closely with our customers. We're not just defaulting to increasing prices or looking at fuel surcharges but there are some things that -- some measures we're trying to take to try to protect the margins a little bit as our -- as we see those costs go up.

Nothing that we're seeing out there yet that we believe is creating a significant issue. We have some plans in place that we could initiate if we think we need to. But right now, like we're seeing in our guidance, we feel like based on the current situation, we are able to mitigate any related cost increases.

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

Okay. And sorry, just to clarify, your guidance assumes oil stays where it is or you have some error bars around where oil currently is?

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

It assumes that we can mitigate rising. Obviously, there's a tipping point out there, right? But it assumes that we can mitigate the changes in the cost of oil.

Operator

Elizabeth Anderson, Evercore ISI.

Elizabeth Anderson - *Evercore Inc - Analyst*

I was wondering about how to think about the cadence of specialty growth over the course of the year? Just in terms of anything to call out seasonality-wise, or some of those pricing changes, Ron, that you mentioned?

And then, Fred, one for you. Maybe can you talk about some of the biggest sort of positives that confirmed your sort of expectations coming into Henry Schein and then maybe some of your biggest surprises?

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

Certainly. Elizabeth, I'll start, and then I'll have Fred answer your second question. I think that -- on the specialty side, the results in the quarter were in line with our expectations. There was some timing of some buys from customers that we knew would impact Q1 somewhat. But we do expect improved growth in specialty going forward in terms of what the -- what we saw in the first quarter.

I think that the products there, like we still remain very positive on what we're seeing on the value implant side and the high single-digit growth we're seeing in the sales of value implants. I think gives us the confidence that we can continue to improve that growth going forward.

Fred, I'll let you answer the second one.

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Yeah. Elizabeth, great to hear you. Thanks for the question. When I just take a step back and think about the positives, the biggest positive to me, and I sort of said it in the script, has been the confirmation that the set of assets that Henry Schein owns, that we own, are incredibly important to customers. And the ecosystem that we've built here through these assets really do help customers improve their practices. And that has been confirmed from the many customer calls that I've been on. And I think that's incredibly exciting.

I would say it's also an opportunity because I don't think it has been exploited to the extent that we can. I think we can do a better job of improving our customer value proposition so that our customers really understand what we can do for them. And that it's not just about us helping them save costs but about helping them have more profitable practices by driving productivity and helping them with their own pricing and seeing more patients. So that's quite exciting.

I would say surprises, I don't know that I would characterize anything as a major surprise, but maybe things that I was quite encouraged by would be as it relates to our team Schein members, it's been very consistent feedback, as I've talked to many, many different employees.

The feedback has been three things. One, we love the company. We love the culture, the strong culture in the company; two, we love Stan, and we hate to see Stan go. But three, we know that we need to change in order to be better. And that has been like a really great starting point to see people leaning in and excited about the future of the company.

I would say from a customer standpoint, without a doubt, every customer visit I've been on, customers enjoy doing business with Henry Schein, and they want to do more business with Henry Schein. And they think that we can help them more and they're depending on us to help them more, which really plays into our opportunity set as we develop new products and services that support them managing and running more profitable and higher growth practices. And then the third will be with our suppliers. Without a doubt, I talk to all of our top suppliers and they all see Henry Schein as a great place for them to grow their business.

So those will be the things that I would say I was -- I've been most encouraged by and excited. It gives me some confidence in the future. I'm excited about a bright future for the company.

Operator

Jeff Johnson, Baird.

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

Welcome, Fred. So I know it's only been a couple of months in the job now, and I'm sure you're going to get a lot of focus today on the three-year profitability improvement plan, good to see that you're reiterating that $125 million run rate by the end of this year. But I'd love to hear your thoughts on how Schein gets back maybe to delivering stronger earnings growth in the absence of these one-off kind of restructurings we've been seeing every couple of few years out of the company.

How do you think about building and investing in the muscle memory of this company so we can get back to kind of that upper single, low double-digit EPS growth longer term without having to go through kind of these bigger programs every couple few years.

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Jeff, thank you for the question. And I'd first start with just characterizing the value creation not as just a one-off. We're building real capability that will stay with us over a long period of time. For example, our gross profit programs are -- will be ongoing. So we will be better at value pricing in the future than we are today. We have new techniques and new capabilities there that will stay with us.

So I think you'll see that continue over time. We'll continue to benefit from that. The same with the programs that we're focused on driving our own brand products or our corporate brand products. So those things will continue over time. So I would start with that.

Secondly, my focus is on developing a continuous improvement process here where we don't have an episodic approach to taking cost out, but where we continue to streamline our processes really for the benefit of our customers, streamlining our process so we become easier to do business with, so we support our customers better, so we grow our business faster. And as we do that, we will actually take some costs out and become more productive.

So those are the two ways that I think about the question. And then as we do take costs out of the business, over time, we'll be able to reinvest into areas that are going to drive greater growth and thinking about the Henry Schein One portfolio where we're investing in AI capabilities that will help us grow over time.

And then finally, our high growth, high-margin products are growing faster. As I said during the prepared remarks, we're approaching the 50% mark for operating income from those products, and we expect to reach that as expected by 2027 at the end of our strategic plan period. So I think those things will support us getting back to continuing to deliver margin expansion over a period of time.

Operator

Michael Cherny, Leerink Partners.

Michael Cherny - *Leerink Partners LLC - Equity Analyst*

Maybe if I can just go into the mitigation efforts a little bit more. You've obviously had situations in the past on a macro basis, I'm thinking back to COVID, where price increases were a component to offset your business. I know you said -- I think it was Ron that you don't want to just do price increases, but how much do you preview some of those dynamics?

I can't imagine your customers would be surprised if there are price increases, short-term price increases, surcharges put in place. But how do you think about going through those conversations, the engagement to make sure that if and when you do have to push price increases as an offset, that it's taken in a way that's not necessarily deleterious to the customer relationship?

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Listen, I'll take that one, and thank you for the question. So just to clarify, listen, we're taking the appropriate pricing actions based on what's happening in the macro, whether that's fuel surcharges, whether it's increasing the price of a particular product that may be oil-based like gloves, for example. And so we'll have those conversations with customers where it makes sense and give customers visibility as to what's driving the change.

We also will offer customers alternatives. That's part of what makes us a really great partner and to say, hey, listen, there's some other alternatives that can help you without receiving such a high price increase by looking at the entire portfolio that we have. So we'll take the appropriate actions with our customers and have those direct conversations as we see things materialize in the market.

Operator

Jonathan Block, Stifel.

Joseph Federico - *Stifel, Nicolaus & Company, Inc. - Analyst*

Joe Federico on for John. Maybe just to look at implants a little bit closer. I think that the specialties internal growth was low single digits and implants is the majority of that. I think you mentioned high single-digit value implant growth to an earlier question. So does that mean that premium was more flat to down? And is that possibly a function of the consumer? I think premium is heavier weighted to the international business. So any color on some of those dynamics would be great.

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

Yeah, Joe. So I think that -- yes, like we said, the value implants did experience higher growth, keeping in mind that the mix within implants is about a 2:1 mix premium to value for us, right? We did see some flatness in the premium implants. And I would say more so in the US versus Europe, but both were in the, say, lower single digits to flat.

And so I do think that there is a -- there is some -- whether it be a little consumer pressure there or whatever it might be. But like I said, there was also some timing on some transactions that where the quarter itself came in, in line with our expectations within that segment. And we do believe that we'll see improved growth within that segment as the year progresses.

Operator

Daniel Grosslight, Citi.

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Daniel, you may be muted. We can't hear you.

Daniel Grosslight - *Citi Infrastructure Investments LLC - Analyst*

Sorry about that. Global Dental growth was relatively strong across both merchandise and equipment. You mentioned a couple of times that you're taking share here, but also the underlying market seems to have recovered somewhat. So I'm curious how much of the dental strength is due to share gains versus just the overall market improving? And what your visibility is into the sustainability of that momentum through the remainder of the year?

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

Certainly. I think that most of our market commentary is really fairly US-centric because it's difficult to kind of talk to the international markets as a whole. Within the US, we think there was -- we said a slightly more positive tone to the market, still relatively low market growth. But what we're seeing is that we -- our data indicates that we are taking market share there.

So we got a little bit of volume growth. We got a little bit of pricing favorability within the quarter within merchandise. And in the end, in the US, with a local internal growth of greater than 4% is a number we're pretty happy with.

Outside the US, you do get a little bit of some pressure that has occurred in some countries, but we had I would say, especially outside of Europe, when you look at the growth we had in Brazil and in Canada, we had very good merchandise growth there.

So there's a lot of pockets of positive whether it be from the market or from us taking market share, and I think it's probably more from us taking market share in those countries where we're getting this, seeing the growth in dental.

Operator

Allen Lutz, Bank of America.

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

I want to follow up on that last question around the sources of share gains in dental. The US merchandise sales were a little bit better than we expected and specialty was a little bit softer. Can you talk about where you're gaining share.

Ron, I think you mentioned that you're gaining share in the merchandise sales. But have the pockets where you've been gaining market share in general? Have they -- in the US market, have they changed or evolved over the past year or the past couple of quarters between merchandise and specialty? And then how do we think about what you expect for share gains or the sources of share gains for the remainder of 2026?

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

Well, I mean, I don't know if there's any one -- when you say pockets, I don't know if you mean product categories, but I don't think there's anything like any specific product category I would point to. I think it's broader than that. I would say if you're looking for something specific, we are seeing better growth of our own brands than we are with the -- versus the balance of the portfolio. So that is an area that has I think, given us some opportunity to provide some growth that exceeds that of the market.

We're also kind of continuing with I think some of the success of the promotional activity we did last year, and that has provided us with some momentum, and we've been able to retain a lot of those customers that we picked up and that increased share of wallet that we picked up with some existing customers that -- so some of that growth you saw in Q3 and Q4 has continued into Q1.

Operator

John Stansel, JPMorgan.

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John Stansel - *JPMorgan Chase & Co - Analyst*

Just following up on that point around maybe DSOs in particular. I think you've said over the last couple of months that they're gaining share or growing faster than the market. Is there anything particularly driving their growth above market growth rates?

And then maybe just for Fred, as you've had discussions with them, particularly, what are they looking for that you see as opportunities for Schein to provide to the DSOs.

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Yeah. I'll take maybe -- I'll start, and Ron, you can add to this. But one thing to consider about even the last question on market share is that we're growing with DSOs. We have a strong position with all the national DSOs, the most of the national DSOs, almost all of them and they're growing faster. And so we're seeing the benefit of that growth.

But when I've spoken with the DSO leaders and I've spent quite a bit of time with them. They appreciate the fact that we're able to support them nationally. They appreciate the fact that we're able to help them improve their efficiency. They appreciate the fact in many cases that they're leveraging our technology to improve their profitability. And we've got access to some of the best exclusives in the market that are helping to drive their growth.

So I think that total platform that we've built to support, particularly in this case, dental, that DSOs are benefiting from that. And so those are the kind of the feedback points that I've received from DSOs.

Operator

Glen Santangelo, Barclays.

Glen Santangelo - *Barclays Services Corp - Equity Analyst*

Fred, I want to talk a little bit about the organic sales growth at a high level. I mean, as you sort of highlighted in your prepared remarks, the second half of the year was particularly strong. And looking at the fourth quarter, we exited at a pretty robust rate. Now you obviously moderated a little bit from that trend and you spoke about medical.

And I'm just kind of curious, can you give us some color about how the quarter maybe played out sequentially kind of thinking about the fact that other companies have sort of commented that weather may have impacted January we have the war now in March. And I'm kind of of curious if you could give us any early view on sort of April and how things have played out.

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Yeah. Thanks for the question, Glenn. Looking at the quarter sequentially, we saw better performance sequentially through the quarter. So March was stronger than February. Part of what you're seeing in Q1 is the softness related to our respiratory business or because of the light and flu season. And maybe there's a little bit of weather, I would say it's more of the flu season than weather for us. But sequentially, we saw that get better and even that continued in April. So April continues to be strong.

Operator

Kevin Caliendo, UBS.

Kevin Caliendo - *UBS AG - Analyst*

The remeasurement -- excuse me, not the remeasurement, the cost savings program, what -- can you just give us a little bit of a cadence? I understand the exiting of the year at $125 million is great. Can you size what the costs were in 1Q? When do you think it's going to be breakeven within the P&L? Just trying to understand the cadence. I know you don't like to give quarterly guidance, but just this part of the of the business would be really helpful to understand.

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

Yeah, Kevin, I think that the financial impact, at least with reference to the G&A portion of this was, I would say, was relatively nominal in the first quarter because we incurred some costs associated with the programs. We saved some costs associated with the program. we're going to start seeing that savings begin to accelerate as we get into the second quarter and then even more so in the third and the fourth quarter.

So that's the root of our of our comment when we say we expect to see better earnings in the back half of the year than the first half of the year because it will be largely driven by some of those G&A cost reductions. I think equally, but it's -- I don't want to forget about the gross profit optimization as well because we do think that there were some benefits in Q1 from it.

We think that those benefits can continue to grow as we get into the year. and we'll continue to accumulate into the -- especially into the back half of the year. So in terms of the quarterly cadence, it's really more to what's the back half versus first half, and we still expect the back half of the year to have better earnings in the first half.

Kevin Caliendo - *UBS AG - Analyst*

Got it. If I can ask a quick follow-up just on the remeasurement stuff. So there's $11 million this quarter and your guidance assumes that from an operational perspective, it will be less than last year, right? So that would imply single digits the rest of the year. Is that -- am I thinking about that the right way?

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

Single digits in terms of EPS?

Kevin Caliendo - *UBS AG - Analyst*

No, in terms of dollars, in terms of EBIT impact or EPS, however you want to describe it. I'm just trying to understand what's sort of embedded for the rest of the year.

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

Yes. I mean we're -- like I said, we're contemplating a range. And I believe in the prepared remarks, we said any remeasurement gains, if any, I mean there's no guarantee we will have any more remeasurement gains this year, but that's the -- we look at the opportunities there. We look at the strategic initiatives we're taking and which of these joint ventures would it make sense for us to consolidate, and that is contemplated in the overall guidance that we've provided.

Operator

Brandon Vazquez, William Blair.

Unidentified Participant

It's [Max] on for Brandon. Just one quick one for me. On the medical supply side of the business, are you guys seeing any impacts from noise around ACA or Medicaid work requirements or do you have any concerns about this impacting procedural volumes going forward?

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

I would say that clearly, there's going to be -- I'm sure there's some impact, but we -- we're not seeing it as having a material impact at all really on the business. I mean, I think that at the end of the day, the more people who have access to care, the better off we are on the medical side. But this is really a, I think, a relatively small part of a lot of our customers' business, and we don't expect it to be that -- have a significant impact.

Operator

Michael Sarcone, Jefferies.

Michael Sarcone - *Jefferies LLC - Analyst*

I was hoping you can just elaborate a bit more on what you're seeing on the equipment demand side, particularly for the digital equipment?

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

Yeah. On the digital side, we're still seeing very good demand for intraoral scanners. That's really the -- to me, that's the key product in digital. But we continue to see lower-priced entrants to the market, which is actually helping drive demand of intraoral scanners.

And the beauty of intra-oral scanners, and I've said this before, is once a practice is investing in intraoral scanners, they become a digital practice, and then they are now they become a customer to buy other digital equipment. So while those prices have depressed a little bit and do hurt a little bit of that top line growth, it does give you an opportunity to sell additional digital equipment to those customers going forward.

Traditional equipment still had very good growth in the quarter, and that's a very good indicator of the confidence and practices who are investing in their practices, either adding a chair or renovating a chair. And we continue to feel like the backlog on our traditional side is healthy and will help gives us the confidence that we can continue to see growth in equipment as the equipment sales as the year goes on.

Frederick Lowery - *Henry Schein Inc - Chief Executive Officer*

Well, thank you, again, for joining us today. And I'd like to maybe just give a few concluding remarks. First, we delivered a strong first quarter. Sales momentum continues and the US Dental and Global Technology businesses delivered strong sales growth, more than offsetting the softness in medical. Margins are also expanding, driven by favorable business mix and some early impact from value creation.

Secondly, I'm encouraged by the progress we've made on our value creation initiatives. I do remain very realistic about the work that's ahead but we are committed to achieving the $200 million target and the $125 million run rate by the end of the year. The early progress gives me confidence that these initiatives will be a meaningful driver of operating margin expansion over the next several years and will contribute to achieving future high single-digit to low double-digit earnings growth.

And third, I believe the full year 2026 financial guidance is appropriate. It assumes stable end markets and takes into account potential macro uncertainty. While our fundamentals are strong, I see meaningful opportunities to enhance our operational execution and performance culture. This will take time, but the work is actively underway, and I'm confident it will drive sustained value creation.

I'm optimistic about what lies ahead, and I look forward to updating you on our progress throughout the year. Thank you for your interest in Henry Schein and enjoy the rest of your day.

Operator

Thank you. And this concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.
