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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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

Frederick Lowery *Henry Schein Inc - Chief Executive Officer*

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

CONFERENCE CALL PARTICIPANTS

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

Jason Bednar *Piper Jaffray Inc - Senior Research Analyst*

Elizabeth Anderson *Evercore Inc - Analyst*

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

Joseph Federico *Stifel, Nicolaus & Company - Analyst*

John Stansel *JPMorgan Chase & Co - Analyst*

Kevin Caliendo *UBS AG - Analyst*

Glen Santangelo *Barclays Services Corp - Equity Analyst*

Brandon Vazquez *William Blair Capital Partners - Analyst*

David Larsen *BTIG LLC - Analyst*

Michael Sarcone *Jefferies LLC - Analyst*

Steven Valiquette *Mizuho Securities USA Inc. - Analyst*

Michael Cherny *Leerink Partners LLC - Analyst*

Vik Chopra *BMO Capital Markets - Analyst*

Daniel Grosslight *Citi Infrastructure Investments LLC - Analyst*

Michael Petusky *Barrington Research Associates Inc - Analyst*

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Henry Schein's second-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 second quarter of 2026. With me on today's call are Fred Lowry, Chief Executive Officer; 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 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 also 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, August 4, 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 for as many of you as possible.

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

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

Thank you, Graham. Good morning, everyone, and thank you for joining us. I'm very excited to share our results with you today, so let's dive right in.

We delivered strong sales performance and margin improvement in the second quarter driven by sustained momentum across our businesses and solid operational execution by the team. Internal local currency sales growth accelerated compared to the first quarter. This acceleration, combined with the strong gross margins and the early benefits from value creation initiatives drove strong earnings growth. Our first half performance and the sustained momentum have positioned us to raise our full-year 2026 guidance. Ron will provide more details later in the call.

Before we get into more detail on the quarter, I want to share some feedback from various stakeholders I've met in my first months here at Henry Schein and also some of my thoughts on why I'm confident in our opportunities ahead to accelerate growth.

Our customers value the range of products and the integrated technology solutions we offer to support the growing complexity of operating a healthcare practice and they see Henry Schein as a reliable business partner due to our consistent execution, our product quality, and our responsiveness. Our supplier partners also recognize our deep customer relationships and they want to do more business with us and our growth helps ensure we remain their partner of choice.

In addition to customers and suppliers, I spent a lot of time talking with employees and shareholders who are optimistic about our plans to improve, including making decisions faster, simplifying how we operate, and executing more consistently for the benefit of our customers.

Henry Schein has great assets and capabilities and our customer reach is really unmatched. What's exciting is that after my first few months at the company, I have an increased conviction that there's significant opportunity to improve our revenue growth and improve our profitability and ultimately become the platform to help healthcare practitioners operate a better practice.

So as we sharpen our focus, our priorities ahead are accelerating growth, simplifying our business, driving operational rigor, and further deepening our customer relationships, all of which we believe will create sustainable shareholder value.

With respect to accelerating growth, we're already pursuing several key initiatives to do more for our customers and these initiatives are beginning to pay off. For example, we're advancing our Henry Schein One technology platforms, including AI-enabled solutions to improve workflows and collections, enhance practice performance, and strengthen patient engagement. This functionality is embedded in our Dentrix Ascend and our data shows that customers who convert to Dentrix Ascend are seeing a clear improvement in their profitability.

June was a record month for the number of new Dentrix Ascend customers, growing both our customer base and capturing share of wallet. While our average monthly revenue per customer for Henry Schein One is approximately $500, our average monthly revenue for Dentrix Ascend customers is approximately $800 and is growing as customers recognize the value of the new integrated capabilities and upgrade to higher levels of functionality.

We're also accelerating our sales in our own brand products, including our corporate brands, by leveraging our One Schein approach and aligning our go-to-market strategies across the business. For example, in endodontics, our Edge brand, which we started distributing through our US Dental Distribution business last year, has very strong sales growth.

We also have a leading position in the fast-growing DSO segment of the market, which is driven especially by the middle market segment. As these DSOs continue to consolidate the dental market, this structural advantage should allow us to outgrow the broader dental market. And finally, we've expanded our medical business to attractive high-growth areas, including our home solutions business, which grew sales in the high single digits last quarter.

To simplify our business, we're taking an integrated versus a decentralized approach across several areas. For example, we are implementing shared service back-office functions globally and centralizing our indirect procurement. We also need to make it easier for us to work with each other as well as for our customers to work with us. So, we're eliminating internal silos and aligning individual incentives with broader company-wide goals. We're also evaluating our portfolio with a focus on businesses that drive higher growth and higher returns.

Finally, we're driving operational rigor by delivering what we expect to be at least $200 million in operating income improvements from value creation initiatives over the next few years. But this is not just about the $200 million. It's about creating a high-performance culture of accountability and continuous improvement while also increasing customer satisfaction. Complementing these efforts is a deliberate approach to capital deployment to ensure that resources are allocated to maximize long-term value.

Across all of these efforts, a relentless focus on customer success will guide how we prioritize and how we execute. By helping customers operate more efficiently, make better decisions, and deliver better care, we can strengthen our relationships and further enhance our competitive position.

As a result, we expect to accelerate growth and expand our market share, deliver stronger financial performance, and create durable shareholder value. With disciplined execution and working smarter as one team, we expect to deliver a better customer experience and a more profitable business.

Now let's turn to the second-quarter results. Our markets remain stable and durable and have good underlying fundamentals and a long runway for growth. We're not seeing a significant impact on patient volumes resulting from higher oil prices and we believe the markets that we serve are resilient to economic pressure.

Our Dental Merchandise business was strong globally and we made further gains in market share in the quarter. Our US Dental Merchandise sales performance continued to outpace the market led by our corporate brands and by our exclusive products such as Curodont.

With our unique product offering along with new sales reps, we are expanding our share of wallet and converting occasional buyers to actively engaged customers. Merchandise sales growth also accelerated internationally with markets like Canada standing out.

In Canada, we continue to take market share. Our advantage in Canada goes well beyond our portfolio breadth, though. It's also our best-in-class technology service, our ability to attract top talent, and the depth of our customer relationships that really differentiates us there.

The US Dental Equipment sales remain on pace for the quarter given the tough comparable from US dental school orders in the second quarter of last year. We continue to drive sales growth from our exclusive supplier-sponsored promotions, and our backlog remains healthy and we expect US Equipment growth for the rest of the year. International Equipment growth was broad-based and continues to be good.

The non-acute care US medical market remains solid and our government-related and home solutions businesses continue to grow well. Despite lower demand for point-of-care diagnostic tests, our medical business saw good underlying growth.

Our Specialty Product sales were also solid in the quarter. Overall, implant growth in Europe was high single digits with premium implants led by our Camlog brand, which is the market leader in Central Europe, and value implants led by our BioTech Dental and Medentis brands. We achieved more modest growth in the US where our Tapered Pro Conical implant drove positive results as well as our S.I.N. 360, which was recently launched in the US.

Finally, sales growth at endodontic products was also good in aggregate across all of our businesses. Our Global Technology business, Henry Schein One, delivered another quarter of strong growth with sustained momentum in cloud-based software and technology solutions. Almost 13,000 customers now subscribe to our Dentrix Ascend and Dentally cloud-based platforms and we're seeing more customers move toward our higher featured packages which is increasing our monthly revenue per customer.

Additionally, approximately 90% of Henry Schein One's revenue is recurring. This creates a highly predictable business model. By leveraging the data from our market-leading practice management system, we are now broadly embedding AI tools in our software from which our customers are recognizing meaningful benefits. The recent launch of our next-generation AI clinical workflow has been met with strong market reception, reinforcing Henry Schein's position at the forefront of the industry's AI transformation.

Some examples include our voice-enabled clinical note documentation, our patient insurance eligibility analysis, claims and collection management, as well as clinical diagnosis and treatment analysis. These new capabilities help to drive productivity for private practice, for group practices, and for DSOs. As dental practice labor costs continue to rise, our customers are looking to Henry Schein to help them operate more efficiently. These technology solutions uniquely position us to address this growing need.

A few weeks ago I spent some time with our Henry Schein One team in Utah and while I'm excited about the capabilities that we've recently launched, I'm even more confident in the opportunities that are ahead. Henry Schein One's vision includes expanding AI deeper into the clinical and operational workflows through additional capabilities.

So I'll make one quick announcement. Coming soon is the launch of an MCP layer that enables practices to query their own data with AI applications and agents. This allows them to identify revenue opportunities as well as to drive further operational efficiencies in a targeted manner.

Now I'll highlight the progress that we've made advancing our strategic plan during the quarter. Our overall margins expanded, partially driven by our high-growth, high-margin businesses, which now represent almost 50% of total operating income. We remain on track to exceed our goal of over 50% by the end of our strategic planning cycle in 2027.

Additionally, our own brands, including our corporate brands, continue to grow well at almost twice the rate of other merchandise sales. Our value creation plans remain a top focus for our team, and we are on track to achieve our goals.

I'd like to go a click deeper and share some of the key initiatives supporting these value creation plans. First, we've selected our global outsourcing provider to support finance and customer service and have begun implementing Phase 1 within our US businesses. We expect to see initial benefits from labor cost efficiencies starting in the third quarter and we expect this project alone to deliver more than half of the G&A savings in our $200 million goal.

Second, we've set up a procurement office to identify preferred suppliers and consolidate indirect spend across our businesses. This is already yielding results for us. And third, we've started to use our sales data to identify margin opportunities, enabling more dynamic and disciplined pricing, which is helping us expand our gross profits.

As we look towards next year, we're planning to implement several new initiatives, including broadening the scope of our outsourcing initiative, expanding our AI capabilities to drive productivity, and implementing new supply chain software to improve efficiencies, reduce inventory, and streamline our purchasing processes. Each of these projects should contribute to additional savings and help us progress toward our goal of double-digit earnings growth next year.

I'm encouraged that our momentum continued in the second quarter and I'm incredibly excited as we transform into the value creation platform for our customers.

With that, I'll now turn to Ron to review in more detail our second-quarter results and our full-year 2026 guidance. Ron?

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

Thank you, Fred, and good morning, everyone. Today I will review the financial highlights for the second quarter. We were encouraged by the underlying strength across the business as demonstrated by some key financial metrics for the quarter, including strong internal local currency sales growth of 4.6%, non-GAAP operating income growth of 10.5%, and non-GAAP earnings per share growth of 15.5%.

Starting with our second quarter sales results, global sales were $3.5 billion with sales growth of 6.7% compared with the second quarter of 2025. This reflects internal local currency sales growth of 4.6%, a 1.4% increase resulting from foreign currency exchange, and 0.7% sales growth from acquisitions.

Our GAAP operating margin for the second quarter of 2026 was 4.94%, an increase of 27 basis points compared with the prior-year GAAP operating margin. On a non-GAAP basis, the operating margin for the second quarter was 7.21%, up 25 basis points compared to the prior year, driven by gross margin expansion in all segments.

Second-quarter 2026 GAAP net income was $94 million, or $0.82 per diluted share. This compares with prior-year GAAP net income of $86 million, or $0.70 per diluted share. Our second-quarter 2026 non-GAAP net income was $145 million, or $1.27 per diluted share. This compares with prior year non-GAAP net income of $135 million, or $1.10 per diluted share. Foreign currency exchange favorably impacted our second-quarter diluted EPS by approximately $0.01 versus the prior year.

We did not record any remeasurement gains in the second quarter of 2026. This compares with a remeasurement gain of $3.6 million in the second quarter of 2025. Finally, adjusted EBITDA for the second quarter of 2026 was $288 million, compared with second quarter 2025 adjusted EBITDA of $256 million, or 12.7% growth.

Turning to our sales results, the components of sales growth for the second quarter are included in exhibit A in this morning's earnings release. I will now provide the primary highlights of the main sales drivers for each reporting segment.

Global Distribution and Value-Added Services Group sales grew by 6.6%, reflecting good sales momentum across most regions. Looking at the components of that growth, US Dental Merchandise sales grew 8.3%, with 6.5% internal local currency sales growth resulting from a combination of pricing and increased volume. Our US Dental Merchandise sales growth continues to accelerate. We believe patient traffic remained stable throughout the quarter and that we achieved market share gains.

US Dental Equipment sales declined 1.1%, primarily due to lower traditional equipment sales growth, which was negatively impacted by a few large dental school orders last year. We did experience modest growth in our digital equipment category and expect US Dental Equipment growth for the rest of this year.

US Medical Distribution sales grew 3.8% despite continued headwinds in point-of-care diagnostic product sales. We were especially pleased with the growth in our government-related businesses and our home solutions business. International dental merchandise sales grew 11.1%, with 5.4% internal local currency sales growth driven by sales growth in Canada, France, Brazil, and Australia.

International Dental Equipment sales grew 8.7%, with internal local currency sales growth of 5.4%. We achieved good sales growth in traditional equipment with modest growth in the digital equipment category. Equipment sales growth was especially good in Canada, Germany, Spain, and the UK.

Finally, global value-added services sales grew 5.1%, with 3.7% internal local currency sales growth driven by our business solutions services in both the US and internationally, partially offset by lower financial service revenues in the US.

Turning to the Global Specialty Products Group, sales grew 8.7% with 3.2% internal local currency sales growth. Sales growth was driven by implants and biomaterials in both our premium and value products. Premium implant sales growth continues to be strong in Europe and grew modestly in the US. Value implant sales growth was driven by S.I.N. 360 in the US and by our European brands.

Our Global Technology Group also posted good results, with total sales growth of 8.2% and 9.1% internal local currency sales growth. In the US, we continue to have strong revenue growth in our Dentrix Ascend practice management business. Internationally, sales growth was driven by our Dentally cloud-based practice management software product.

Regarding restructuring costs, the company recorded restructuring expenses of $29 million, or $0.18 per diluted share, during the second quarter of 2026 as we continue to advance our value creation initiatives. We continue to expect to achieve our goal of achieving greater than $200 million of operating income improvement resulting from our value creation initiatives, with a $125 million run rate by the end of 2026, and for these projects to continue into the early part of 2028, providing us confidence as we progress toward our goal of double-digit earnings growth.

Regarding the operating income improvements in 2026 from our value creation initiatives, we expect approximately 40% of the in-year operating income improvement to originate from the gross profit initiatives and 60% from G&A expense savings. Beyond 2026, the benefits are expected to be more heavily weighted to G&A savings.

Regarding share repurchases, during the second quarter of 2026, the company repurchased approximately 2.6 million shares of common stock at an average price of $76.69 per share for a total of $200 million. At the end of the quarter, we had approximately $455 million authorized and available for future stock repurchases.

Turning to our cash flow, we generated strong operating cash flow of $242 million in the second quarter of 2026, driven by higher net income and working capital management. Operating cash flow remains on track 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, an estimate of restructuring costs, including those 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 does not include any remeasurement gains for the remainder of 2026 or any future benefits from tariff refunds. Note that total remeasurement gains in fiscal year 2025 were $38 million. And in 2026, we expect total remeasurement gains of $11 million, which was already recorded in the first quarter.

Our guidance also assumes that foreign currency exchange rates will remain generally consistent with current levels. Our 2026 total sales growth is now expected to be in the range of 4.5% to 5.5% over 2025, compared to our previous guidance of 3% to 5%. This reflects approximately 3.5% to 4.5% of expected internal local currency sales growth in the second half of the year, versus actual internal local currency sales growth of 3.6% in the first half of the year.

Despite a higher prior-year comparison in the second half of the year for 2026, we now expect non-GAAP diluted EPS attributable to Henry Schein to be in the range of $5.29 to $5.39, reflecting growth of 6% to 8% compared to 2025 non-GAAP diluted EPS of $4.97. Our prior guidance was a range of $5.23 to $5.37. This raise in guidance reflects stronger underlying expected sales performance, partially offset by lower remeasurement gains than originally anticipated.

Our value creation projects remain on track, and the benefits for the year are unchanged from prior guidance. We expect earnings growth in the fourth quarter to exceed that in the third quarter, reflecting continuing sales momentum and increasing benefits from value creation projects.

In addition, as a reminder, we recorded a $28 million remeasurement gain in the third quarter of 2025, which will not recur in 2026. Regarding taxes, we are assuming an estimated non-GAAP effective tax rate of approximately 24% for the full year. And our 2026 adjusted EBITDA is expected to grow in the mid to high-single digits off a base of 2025 adjusted EBITDA of $1.1 billion.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Jeff Johnson, Baird.

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

Thank you. Good morning, guys, and congratulations on a very solid quarter here. So, Fred, I wanted to talk just on the US dental consumables market and kind of your performance expectations going forward. I think through the first half of the year you're just over 4%. Maybe help us understand how much of that do you believe is underlying volume growth versus maybe a combination of price, and if you're seeing any increased mix here from some of your manufacturers.

So one, just the components of that growth, maybe from a high level. I'm sure you don't want to break it down in great detail, but then as you do comp into tougher comps in the second half, on the US consumable side, how should we think conceptually about that 4% or just north of 4% you put up in the first half? Can we stay around that number against those tougher comps or just, again, conceptually, how would you help us set up our models as we go into the back half of the year?

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

Yeah, Jeff, thanks for the question. So as I think about the consumable growth and merch growth, I would say that first off, we're excited about the growth that we're seeing. Secondly, we're seeing a little more price than volume. We expect to continue to see a similar range of growth in the second half that we saw in the first half. The comps get a little more difficult, but we do expect to see that.

And what's really driving is really the point here. Last year, we did some promotions, starting in the second half of the year. We really went after some of our episodic customers, our customers who were not consistently buying from us. And that promotion and those promotions seem to really work and where we really converted many of those customers into actively engaged customers that are continuing to buy from us.

So we expect to continue to see that in the second half of the year and see that growth rate remain in the same range with the exception of the higher comps that we're seeing.

Operator

Jason Bednar, Piper Sandler.

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

Congrats. Another good quarter here, everyone. Ron, I wanted to come to you on the value creation map. Appreciate the additional color today around, some of the mix of the contributions. Bigger picture, you're standing behind the commentary of the $125 million run rate contribution to EBIT exiting this year. Easy math has something like $35 million or better in year-over-year EBIT dollar growth before we even consider organic, which is obviously very strong.

So consensus is only modeling something like $10 million in EBIT growth in the second half of the year. I don't know, I mean maybe an odd question for you. What do you think is being mismodeled or misunderstood by consensus, by all of u, when, again, you're putting up good results and you're standing behind that value creation commitment?

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

Thanks for the question, Jason. And as we look at the value creation initiatives, our guidance takes into account a range of potential outcomes. But we still believe that we have a good track to achieve that run rate of $125 million of operating income improvements as we exit 2026. A lot of those improvements are going to be realized -- the end-year improvements will be realized towards the end of the year, Q3, Q4.

And as Fred mentioned in the prepared remarks, we've now engaged a third party to help us with what we're kind of internally calling global business services. We have other initiatives that are now gaining great traction as we get into the second half of the year.

So all that is contemplated as we provide the guidance and we'll be able to provide more details in terms of our actual achievements there as we get into say the Q3 results as well. Keep in mind also that if you're looking purely at year-over-year results, last year we did have some fairly significant remeasurement gains in the second half of the year, specifically a $28 million gain in the third quarter that -- it's necessary to normalize for. As we mentioned, our assumption on guidance for the balance of the year is no further remeasurement gains this year.

Operator

Elizabeth Anderson, Evercore ISI.

Elizabeth Anderson - *Evercore Inc - Analyst*

Congrats on the quarter and thanks for the question. I was wondering if you could give us a little bit more color on the 40% of cost savings that you said were coming from the gross margin line. Is that sort of split between the pricing initiatives and sort of better growth in sort of higher margin areas? Anything else to consider there? And sort of maybe Fred, one for you more broadly is like if we think about these specialty categories, what are some places where you see further opportunities to accelerate growth as we get into maybe '26 and beyond that?

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

Yeah, so just on the first one, the 40%, you're exactly right. It includes our initiatives around improving our gross profit, leveraging data better to have a more dynamic view of our pricing. Not dynamic pricing, but our pricing is more dynamic and finding opportunities to both raise price where it makes sense and opportunities to lower price in order to drive more volume.

And then also, as I mentioned earlier, we're seeing really good growth from our corporate brands and our own brands and that continues to drive our gross profit as well. So those are the two main drivers there.

And then the second question around Specialty. We're excited about the Specialty business and one of the things we didn't talk a lot about, but our new products in specialty are really exciting. So we expect to see greater growth in specialty, particularly in our implant business. As we completed the majority or took a majority stake in S.I.N. 360 in Q1, we're working to align that strategy. And where we're seeing growth in the US in particular is in the value brand, in the value segment. And so we believe we have a very good offering there and we'll see further growth in that value segment.

And frankly, we have very leading brands in Europe and we saw really good strong growth in the implant business in Europe. So we're excited about our implant business and excited about the future growth of that from a Specialty standpoint.

Operator

Allen Lutz, Bank of America.

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

I want to follow up on Elizabeth's question. Question around the gross margin. Really nice expansion across all three segments and you talked about 40% of the benefits you're seeing this year coming from gross profit. As we think about the second-quarter results, how much of the gross margin expansion benefits are embedded in 2Q? And then should we expect more in 3Q, 4Q or is this the right run rate for the rest of 2026?

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

Hi, Allen. I think that we did see some margin benefit in the second quarter as we mentioned in the prepared remarks. We're also seeing, for example, better growth in some of our own brands versus third-party brands and those do carry better gross margins. And that starts to show itself there. I think as we continue to get some growth in Specialty and the ongoing growth in the Technology segment as well, those obviously are accretive to that overall margin.

So within distribution we're beginning to see some of the early benefits of the value creation initiative. I think we can build on that as we get into the second half of the year. There's always other factors that come into play in terms of mix. We will expect, for example, better equipment sales in the second half of the year. Equipment sales are typically at a lower margin than merchandise.

But I think that as we progress in the year, we will continue to see some -- and I'll refer to more as gross profit -- improvements and gross profit benefits. Sometimes it doesn't always show up in margin percentage, but if it grows our gross profit dollars, we consider that to be what the primary goal is there.

Operator

Jonathan Block, Stifel.

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

Hey guys, Joe Federico on for John. Thanks for taking the question. Maybe just to clarify, on the US dental equipment, I know you had tough comps in the quarter due to the one-time dynamics last year, but you expect year-over-year growth throughout the remainder of the year on a quarterly basis, right?

And then maybe just quickly, how are the trends between traditional and digital? We've obviously seen broadly some pressure on digital equipment. So if you can just rehash those dynamics in this quarter and then how you're seeing them play out to date in the second half, that would be great.

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

Yeah. So I'll take the first part and I'll let Ron talk about the digital piece. But yeah, you're exactly right, we did have some tougher comps in Q2. We expect to see growth in the next two quarters in equipment and our bookings look strong and we feel good about seeing that business grow in the second half of the year.

So just on the split between digital and non-digital, I'll let Ron take that.

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

Yeah, certainly. So Joe, as you're -- I think as you're aware, our equipment business tends to be -- about two thirds of it is the traditional equipment, about a third of it is digital. We did see -- in the US, we did see low single-digit growth in digital in the quarter. And that's despite some ongoing lower average selling prices. For example, with scanners, we're seeing good volume growth on the scanner. So we did get some scanner growth even though the demand for scanners tends to be more towards the lower price entries in the market as opposed to some of the higher-price scanners that are available.

So digital, we got modest growth. I think we can continue with that modest growth going forward. And as Fred said, on the traditional side, the backlog gives us really good visibility into what we think we can accomplish in the balance of the year, hence the statement that we do expect equipment growth for the rest of the year.

Operator

John Stansel, JPMorgan.

John Stansel - *JPMorgan Chase & Co - Analyst*

Great. Just want to drill in on Specialty margins, they expanded nicely year over year. I think in previous quarters we've discussed the idea that value implants outgrowing premium implants creates a bit of a margin headwind. Is it fair to say that reversed this quarter? Or how are we thinking about the mix contribution from premium versus value in this quarter and then the durability of that going forward?

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

Hi, John. Yeah, I'll take that one. I think that the margin expansion is an indication of the strength of the premium implants business in Europe right now. We get very good margins on our revenues there and we did see very good growth. And the premium implant growth in the US was a little more modest, but in Europe it was quite good.

Having said that, we're pleased with the value implant growth in the US as we continue to get some traction and introduce the S.I.N. 360 value implant within the US. But I would say the mix had a bit of a shift given the strength of the premium implant business in Europe. We also saw, kind of across the board, good margins on endodontics and a few other products within that segment as well.

Operator

Kevin Caliendo, UBS.

Kevin Caliendo - *UBS AG - Analyst*

Congrats on a really good, really good quarter. I'm interested. You're talking about Specialty in Europe, there's been some questions on it. But the dynamics there, we also saw this from another Specialty player where EMEA was strong and international was strong and the US wasn't.

Is this a reflection of Henry Schein's products specifically or is there something going on in the US market? Is it more just consumer driven versus EU? I'm just trying to understand why the strength exists in EU and not in the Americas right now for Specialty.

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

Yeah, I think it's a market difference in the US versus in EMEA. And so I think the market in the US is more consumer light as it relates to implants relative to what you see in EMEA. So we believe we took share in the US market in the quarter -- that is for our premium implants and, frankly, for implants in general. But the market is just not growing as fast in the US as it is in EMEA.

Operator

Glenn Santangelo, Barclays.

Glen Santangelo - *Barclays Services Corp - Equity Analyst*

I just wanted to come back to this faster-than-expected sort of consumable number. In your prepared remarks, I think you sort of suggested that patient volumes continue to be stable but the better growth was really coming from market share gains. And I was wondering if you could elaborate on that a little bit and give us maybe a better sense for where the market share is coming from.

And then Ron, as you sort of look at the quarterly results, is there any story to tell intra-quarter between like April, May, and June or was the growth pretty ratable throughout the quarter?

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

Yeah, I think the share -- thanks for the question. The share gain is coming from a couple places. One, our own brands continue to grow faster than our third-party brands. So we're growing there. Secondly, we continue to -- we have a strong position with DSOs and structurally we see DSOs growing faster than the rest of the market. So that obviously plays into our growth rate. And then the third thing is we continue to, as I mentioned earlier, convert customers from being episodic buyers to being actively, actively buying from us consistently. And so we're seeing growth there.

And then the final thing is as we -- as I think about some of our exclusive products that we have and others don't, Curodont would be an example, we're seeing good growth from our exclusive products. So those things together allowed us in the quarter to outpace the market and we expect for that to continue.

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

Yeah. And Glenn, regarding the second half of your question, I would say the second quarter, we saw what I would consider to be a fairly steady, consistent pattern over the course of the quarter. And second quarter tends to be, at least within the quarter, a little more predictable than perhaps what you might see in the first quarter where you might have weather disruptions or illness disruptions within the market.

But the second quarter was pretty steady, I would say. We felt like we had a good strong finish to the quarter, which is always encouraging. But for the most part, it was a fairly steady quarter, April, May to June.

Operator

Brandon Vazquez, William Blair.

Brandon Vazquez - *William Blair Capital Partners - Analyst*

Congrats on a nice quarter and thanks for the question. Maybe I'll focus on two kind of broader high-level questions because a lot of near-term things have been asked.

Fred, you had mentioned portfolio -- I'm not sure if portfolio rationalization or optimization was the exact phrase you used, but maybe spend a second talking to us about what exactly that means. What are you looking for within the portfolio that should or should not be there?

And then the higher-level question to follow up on that is just, Fred, as you look at this organization not in one year but like three years out, what do you think the biggest differences investors should expect given a lot of the changes that are going now, both from an operational and a commercial perspective?

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

Yeah, thanks for the question. As it relates to the portfolio, we're obviously taking a look at the portfolio. I mean, I don't expect major changes to the portfolio, but as we've laid out, our priorities are really focused around accelerating growth and driving better returns. We're looking for places in the portfolio that don't line up with that. And will there be some pruning to the portfolio? We'll see. And obviously, we'll let you know what we find going forward.

And I think, secondly, I'll just extend that to what's our thinking on M&A. I think you'll see us be very disciplined from an M&A perspective and focusing on things that are highly strategic, meaning things that help us continue to build this platform for value creation for our customers.

So things that we would be the natural owner of or the rightful owner of in order to support our customers better. And things that are going to help us grow faster and deliver really great returns to our shareholders.

So that's how I'm thinking about the portfolio. And as we make decisions around that, we'll obviously get back to you.

As you think about a few years out, I mean, we're going to obviously deliver on our commitments short term. But longer term, we expect to see this business accelerate growth and do it more profitably. But ultimately, be positioned less as a distributor, even though we'll be a great distributor for our customers and really be positioned as the practice improvement platform for our customers, where we're able to help our customers really optimize their businesses, help them grow faster, and help them do it more productively.

So that's what we're focused on. It's really improving -- helping our customers improve their situation. If we do that well, we should be able to reach our goals of accelerating growth and doing it more profitably.

Operator

David Larsen, BTIG.

David Larsen - *BTIG LLC - Analyst*

Congratulations on the really good growth you delivered. Can you talk a little bit more about the AI efforts, Dentrix, the software, the technology? You mentioned you're going to be creating like an analyzer solution. How many of your Dentrix customers buy the merch through you as like -- and you're like their core distributor? What is the growth potential there? All that sounds really important to me because your dentists can basically accelerate their volume growth, which obviously benefits you and them. Just any more color there will be very helpful.

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

Yeah, thanks for the question. I appreciate your excitement about it because I'm super excited about our technology business as well. Let me start with the AI piece. I mean, the thing that's really exciting is not just the capabilities that we're launching, the AI capabilities that we're launching into our PMS platforms. But it's also the fact that we're using AI to develop those capabilities. And so we're able to bring new capabilities to market faster, and that I think will continue to help us accelerate our growth.

As we add capabilities to the PMS systems, our customers are recognizing the utility and the benefit and they're moving up to higher-order packages. So we're getting share-of-wallet gains, but we're also getting share-of-market gains by adding more customers to our cloud-based PMS. So that's quite exciting.

The second part that you mentioned is what's the connection between customers that are buying merchandise from us. They're buying products from us and using our PMS system. And we haven't really connected those dots publicly. But what I would say to you is that is a real opportunity for us to make sure that it's easier for customers to do business with us. And if you have our PMS system, it makes a lot of sense for you to buy all of your merchandise from us. And that is part of the customer value proposition of us being the practice improvement platform for our customers.

So we're excited about continuing to see that happen and helping to allow that 90% of recurring revenue from our PMS system to help drive the rest of our business as well.

Operator

Michael Sarcone, Jefferies.

Michael Sarcone - *Jefferies LLC - Analyst*

I guess the company just put out a press release on some changes to the executive management committee and the new Henry Schein leadership team. I was wondering if you could kind of unpack that a little bit and elaborate on some of the changes you're making and what you hope to accomplish there.

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

Yeah, thanks for the question. We announced some changes to the leadership team really with a goal of doing a couple of things. One is just getting closer to customers and being able to increase the speed at which we make decisions and to increase our pace and frankly, improve our execution consistency.

So what that really looks like is that we removed a layer, which puts me a little closer to the business. We integrated our supply chain more deeply into our distribution business, which puts us closer to the customer, and I think you'll see that continue to increase our executional capability.

I do want to just take a moment and thank Michael and Mark and Jim, three long-serving executives here, over 100 years of experience and I am incredibly grateful for their contributions to the business. And I'm even more grateful that they've decided to stay on as senior advisors to me and to the leadership team in supporting the company going forward.

So I feel like we're in a really great place from a leadership team standpoint, and we'll continue to add the right capabilities to deliver on the opportunity set that's in front of us.

Operator

Steven Valiquette, Mizuho.

Steven Valiquette - *Mizuho Securities USA Inc. - Analyst*

Just for the Specialty Products Group, you mentioned, the profit growth in the segment was 19.9% and some of that was organic versus inorganic. Apologies if I missed it but just wanted to get the approximate breakdown within that specialty area. How much of that profit growth was organic versus inorganic? Thanks.

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

Thanks for the question. I think that a significant majority of that is going to be organic. We did have an acquisition within the Specialty Group in the back half of 2025 that is contributing to some of that operating income growth, but a significant majority of that is organic.

And I think that, equally important, we had some improvements in the operating margins within that business as well. So some good efficiencies. We continue to make some operating changes within the Specialty Group, consolidating some operations. Again, going to market more as a singular business as opposed to a portfolio approach, and we're beginning to see some of the benefits of those changes start to emerge in the financial results.

Operator

Michael Cherny, Leerink Partners.

Michael Cherny - *Leerink Partners LLC - Analyst*

Maybe circling back to the value creation program. Encouraging to hear that you're sticking on the opportunity cost-cut side. How are you thinking about the flip side, though, and the potential to reinvest some of those savings? Obviously, I know you're targeting double-digit growth, but given we've heard so much about share gain opportunities here, what does it look like on the far side once you get to that $200 million run rate?

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

Yeah, listen, I think that we actually call value creation internally, value creation for growth. So we're absolutely committed to the $125 million run rate by the end of this year and the $200 million over a few years.

But we're not going to stop there. I mean, we're going to continue to create space in the P&L so that we can invest in the opportunities that help us to accelerate growth. So I think what we've committed to, those are hard commitments. But just believe that we're continuing to work to optimize our business, and we'll make the appropriate investments to take advantage of the opportunity set from a growth standpoint.

Operator

Vik Chopra, BMO.

Vik Chopra - *BMO Capital Markets - Analyst*

Congrats on a nice quarter. I'll just keep it to one. You raised your revenue guidance but only modestly increased the EPS guidance. Can you talk about the factors preventing the stronger earnings flow-through from the higher sales outlook, please?

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

Well, from a sales perspective we continue -- like we said, we expect internal growth to actually be slightly better than the internal growth we had in the first half of the year. I do think from a sales perspective, we will not get the foreign exchange benefits like we experienced in the first half of the year, and that's taken into consideration in the overall revenue growth.

From an EPS perspective, it reflects that improvement in sales, but it also reflects an adjustment to our expectations, for example, around remeasurement gains. We are not expecting any further remeasurement gains the balance of the year. That means the full-year remeasurement gain benefit will be $11 million. Our original expectations were within a range, but that $11 million was very much towards the low end of that range. So that is reflected within our revised EPS guide as well.

Operator

Daniel Grosslight, Citi.

Daniel Grosslight - *Citi Infrastructure Investments LLC - Analyst*

I'll focus a little bit on the Medical segment, the US Medical segment. Fairly good growth despite the headwinds in point-of-care diagnostics. I was hoping you can provide maybe a little bit more detail on the size of that headwind and when you guys think that this should start to abate.

And then on the strength you're seeing in the government-related and in-home solutions out of the business, I'm curious if you could parse out or double-click on some of the areas of strength within those two segments.

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

Sure, I'll address that. I think in terms of the core medical business, the impact on revenues from the diagnostic products is less significant in the middle of the year, meaning Q2, Q3, versus Q4, Q1 when there's a greater rate of respiratory illness. Having said that, we did see lower demand in Q2 for those products this year versus last year.

But we did get very good growth. You mentioned the home solutions business, and we did get very good growth there. That growth, as we mentioned in the prepared remarks, was approaching double digits, was high single digits.

And I think that's really just a function of continuing to make in ways in terms of as we expand available products, as we expand into different geographies from some of the acquisitions we've done in the home solutions side over the last couple of years, and we're starting to see some of the benefits of that.

So those have been good investments for us. We do see greater growth in Home Solutions than you do in overall medical markets, and we also do that at better margins than we get in core medical markets. So that has been an area of focus for us and will continue to be so.

Operator

Mike Petusky, Barrington Research.

Michael Petusky - *Barrington Research Associates Inc - Analyst*

Just one more time to go back to the value creation topic. I'm just wondering. I don't think I've heard you guys speak about this. Perhaps I'm wrong, but I don't think I have.

In terms of the sequencing by geography and some of these initiatives, whether it's pricing optimization, integrating, M&A, labor cost efficiencies, sort of enhancing your technology, can you just speak to if there is some meaningful sequencing of, hey, we need to go after this initiative in the US first and then OUS, et cetera. I was just wondering if you could speak to that. Thanks.

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

Yeah, thanks for the question. Yeah, I wouldn't. Obviously, we've sequenced our projects around what makes sense. I don't know that I would use the regional lens. It does just so happen that we did start with finance and customer service in the US. But in some of the other projects, as I look up and think about the ones affecting gross profit we're doing that globally and not just in the US.

So I think it just depends on the project itself. But we are taking a phased approach and we're seeing really good progress in Phase 1. We expect to start seeing more benefit in the second half of the year from that and we'll continue to methodically work our plan to deliver on the full $200 million over the next few years.

Operator

Thank you. There are no further questions at this time. I'd like to turn the floor back to Fred Lowry for closing comments.

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

Thank you and thank you for your questions. And to conclude, I'd just like to maybe just a quick recap. Our second-quarter results demonstrated really strong underlying double-digit earnings growth driven by internal local currency sales growth and strong margins combined with some initial value creation benefits. We expect this momentum to continue.

We are therefore raising our full-year 2026 guidance while maintaining a conservative and disciplined stance by excluding any additional remeasurement gains which had previously been in our projections, thereby providing clarity to the underlying business growth.

We're executing against a clear plan grounded in our strong foundation and we expect to continue to create shareholder value through accelerating growth, simplifying our business, and driving operational rigor. This includes our value creation for growth initiatives which are on track to plan.

To sum it up, we're energized by what lies ahead. And we look forward to updating you on our continued progress throughout the year. Thank you for your interest in Henry Schein and enjoy the rest of the day.

Operator

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