It is a pleasure to join you today for the Dental Group Practice Association meeting.

Let me begin by saying, on behalf of everyone at Henry Schein,

- how very much we appreciate dental service organizations as a segment of increasing importance in the profession,
- and reiterating our commitment to supporting the dental service organization segment as solidly as we have supported private dental practices for decades.

In fact, Henry Schein was the first in our industry to recognize the importance of the emerging dental service organization segment 16 years ago,

- when we established our Special Markets group under the leadership of Hal Muller in 1995 to serve the unique needs of this growing sector.

As part of this long-term commitment, we will continue to build our product and service offerings tailored to meeting your needs,

- and hope to forge strong partnerships with everyone here today in operating more efficient and profitable practices.

Today, I want to share my perspective on some of the larger global forces influencing the dental community we serve,

- on trends within the dental category specifically,
  - and on partnership and the importance of working together.

But first, it seems like we all have become very dependent on technology and our Blackberries,

- and if it ever goes down it causes us great anxiety.
• Henry Schein has become the largest distributor of health care products and services to office-based dental, medical and animal health practitioners.

A. 14,000 Team Schein Members, including more than 3,100 field sales consultants and specialists and 1,600 telesales representatives.

B. More than 700,000 customers worldwide –
   • 1 million practitioners.

C. Exclusive, innovative technology offerings
   • Computers, networking, practice management software and electronic health record solutions

D. Operations or affiliates in 25 countries around the world

E. 190,000 national and Henry Schein brand products in stock or available as special-order items.

F. Member of the Nasdaq 100 Index (based on market capitalization)

G. Number 317 on Fortune 500 ranking

H. Number 14 on the Barron’s 500

I. Included in Fortune’s list of the World’s Most Admired Companies.
• Our financial growth since becoming a publicly listed company on NASDAQ in 1995 has been steadily growing stronger.

• During that time,
  • Sales have soared from $616 million to $7.5 billion in 2010, a CAGR of 18%,
  • and our Earnings Per Share have seen a CAGR of 17%.

• We have expanded Internationally.
  • Our International sales now account for 33% of our total.

• Globally for 2011, we project that our estimated Dental business will account for 58% of our sales,
  • followed by Animal Health at 24%,
  • and Medical at 18%.

• Our market cap has grown from $400 million in 1995 to approximately $6 billion,
  • a CAGR of nearly 20%.

• And we have available financial resources of over $835 million,
  • including over $150 million in cash and our $685 million credit line.
• Henry Schein remains committed to our five constituencies.

• Our supplier partners,
  • who rely on us to develop the closest possible relationship with our customers, and offer our suppliers’ products as solutions to practice needs.

• Our customers,
  • who rely on Henry Schein to help improve practice efficiency and success, so they can focus on what they do best, which is deliver quality care to their patients.

• The more than 14,000 members of Team Schein,
  • whose contributions are crucial for us to take advantage of emerging challenges and opportunities.

• Our investors,
  • who expect us to improve our organizational efficiency, build market share, continue to grow, be profitable and provide a good return on their investment.

• And society,
  • which we serve through Henry Schein Cares.
• Once again, for 2011 we were ranked first in our industry for corporate social responsibility in Fortune’s list of the World’s Most Admired Companies.

• We also led our competitors in the “Wholesalers: Health Care” industry in the category of Global Competitiveness.
• Corporate social responsibility has become a requisite for companies around the world.
  • However, Henry Schein has been a leader in this area for years.
• Our corporate social responsibility initiatives through Henry Schein Cares have been successful because we adhere to a philosophy of enlightened self-interest –
  • the concept of “doing well by doing good” that Benjamin Franklin proposed centuries ago.
• This means that we are committed to creating “shared value” that benefits society as well as our company and the partners who join with us.
• Through Henry Schein Cares, we contribute our Company’s core competencies
  • to expand access to care for underserved communities around the world by
    • advancing wellness,
    • building capacity in the delivery of health care services
    • and assisting in emergency preparedness and relief.
• We would love to work with the members of the Dental Group Practice Association on programs that expand access to oral health care across this country and internationally.
Let’s quickly look at some of the most important global influences that are affecting the worldwide dental market.

1. A sluggish and uncertain world economy
2. Demographic shifts
3. Increasing government prevalence in health care
4. Consolidation of health care
5. Health care specialization and shifting settings
6. Social media revolution
In January at the World Economic Forum there was more optimism about the global economy than in 2010 or 2009, but still concerns about

- commodity price inflation,
- an unstable currency order
- and very slow recovery in the developed world, especially in the United States.

There was not much mention of Europe.

- Overall there was a great sense of optimism on the rapid growth of the developing world economies, especially in the BRICS countries.
- Acknowledgement that while the United States is still a powerhouse, we no longer live in a world with a single economic pole.

There was a sense that governments generally did the right things with economic stimulation.
• Our market continues to be reshaped by demographic shifts.
• There is a growing world population.
  • Every day the world’s population grows by more than 200,000.
• There is a greater percentage of younger people overall.
  • Today, almost half of the world's population of 6.5 billion is under age 25.
• Yet in developed countries we are seeing an aging population.
  • Overall, the World Health Organization projects that people 60 years and older will rise from 600 million in 2000 to 2 billion in 2050.
    • This aging population will devote substantial discretionary income to staying well.
• We are seeing increased diversity in the developed countries.
  • Diversity and cultural competency remain extremely important to the dental profession.
• And the percentage of the population in the developing world is growing.
  • With more than 80% of the world's population living in the developing world, we have to focus more of our future on the developing world and emerging markets.
• One global influence that is felt most acutely in the United States is health care reform –
  • government participation and regulation in health care markets, with a focus on cost control.

• Health care reform impacts cost control; increase in technology; access to care; outcome-based reimbursement; and prevention and wellness.
  • It can have dramatic implications on increasing access to care.

• Governments are funding technology investments to increase access to care, improve outcomes, lower costs and reduce administrative burdens.
  • It also may drive generics, private brand, and vertical integration

• In the dental segment specifically, we see the private sector working to influence public policy.

• The National Association of Dental Plans is now spending more than $1 million to lobby the Obama administration
  • to change a provision in the health care law that its members feel will require some people to buy duplicate dental insurance coverage.

• They are concerned that beginning in 2014, the almost 44 million people who receive pediatric dental coverage through small business employers
  • will also have to buy coverage through new health care insurance exchanges.
• We are seeing consolidation of health care at all levels: manufacturers, distributors and customers.
  • Driven by governmental requirements, economic uncertainty, financial pressure and lifestyle factors.
  • Manufacturers are expanding distribution, distributors are increasing manufacturing and customers are attempting self distribution.
• Dental service organizations are one example of this consolidation in the dental segment,
  • as more and more dentists are choosing to become part of dental service organizations rather than open new private practices.
• In this environment of consolidation, we recognize that we must demonstrate our value to our supplier partners and to our customers.
• The delivery of health care is specializing and the settings are shifting, driven by clinical advances.
  • Providers are specializing and adding new procedures to drive income.
    • At Henry Schein, we have recognized this shift with the creation of our Dental Specialties Group.
  • New care settings emerging to reduce costs and meet convenience needs:
    • community health centers, ambulatory surgery centers, accountable care organizations and retail health sites.
• We know that we must successfully serve specialists as the need to compete with direct manufacturers increases.
• Accelerating technology advances and the increase use of social media is a revolution, and we all must be part of it.

• At Henry Schein, we are committed to enhancing our marketing, selling and communications capabilities over the Internet and through mobile devices.

• Dental practitioners and patients now want to access information anytime and anywhere.

• This is the challenging new field on which all of us must play.
• In addition to these global influences, there are several important dental segment trends that are affecting our company and the members of the Dental Group Practice Association.

• Among these are:
  1. The impact of economy on DSOs
  2. The outlook for DSOs and traditional practices
  3. Demographic trends in dentistry
  4. Dental innovation
  5. The outlook on dental schools
  6. And the role of private equity firms in the dental segment
• First, let’s look at the economy, which has been very challenging for dentists in most of the developed countries.

• From a short-term perspective, the economics of dentistry generally mirror that of the larger economy.
  
  • Dentists typically do not see a downturn in their productivity until well after a general economic downturn
    • and do not see a return to the norm until well after other segments have recovered.
  
  • Patients delay recall and check-up visits, as well as substantive care that is not essential.
  
  • The time gap for dental economic recovery after general recovery is due to the need to rebuild consumer confidence.

• However, the long-term economic outlook for the dental community is excellent.
  
  • Dental treatment costs will continue to be a relatively affordable facet of one’s overall health.
  
  • The dental profession also has been making progress to secure better benefits from the government and state programs that will provide dental care to more individuals,
    • which should lead to increased dental demand and dental economic growth.
• Compared to traditional dental practices, the future growth of DSOs is very optimistic for a number of reasons:

1. Cost of investment for a graduating dentist.
   • In 2008, only 9% of the graduating students were debt-free at graduation.
     • 79% of the students owed $100,000 or more and 51% owed $175,000 or more.
     • The average debt per student was $187,000,
       • so there is enormous pressure to see a high volume of patients to service student loans.
   • Rather than assume ownership of a private practice, young dentists are happy to be paid well for their work and have other parties be responsible for the operation and costs of the office.

2. Greater flexibility and mobility afforded by a DSO.
   • Many young dentists are interested in part-time employment.
   • Female dentists, who also juggle their family role as mothers, prefer this freedom to work on their own time schedules.
Recent demographic trends in dentistry are continuing, and bode well for the DSO side of dentistry.

1. Gender distribution in the profession continues to become more balanced.
   - Women are becoming dentists in far larger numbers than in the 1970s and 1980s.
   - According to the ADA, 44.5% of 2008 dental school graduates were women, and by 2020 it is projected that 30% of the practicing dentists will be women.
   - Women entering the profession may be more attracted by the flexibility and production-based compensation offered by DSOs.
• We see two important innovations that will affect the dental profession in the future.

1. Expanded use of implants by general dentists for simple and moderate procedures.
   - The use of implants will be easier for general dentists to understand with clinically targeted education.
   - Implant systems will be smaller and simpler to install.
   - Guidance and alignment systems will help dentists identify exactly where an implant should be placed and which implant size to use.
   - There also will be an expanded use of digital CAD-CAM for the prosthetic,
     - either by the dentist in the office or through their relationship with a dental laboratory.
       - This is part of the continued adoption of clinical technology, such as digital imaging, in the dental practice.
   - Adoption of implants should increase as the economy recovers and patient demand is restored, combined with the growing education of dentists in the use of implants.
Dental demand by an aging population means that the future of dentistry is bright, and so is the future of dental schools.

In the past decade, eight new dental schools have opened, and 10 new schools are under serious consideration.

- New dental schools are mostly privately-owned by osteopathic health center institutions, as opposed to academic, research-driven medical centers and state schools.

Prospective dental students see the profession as prestigious and a path to income, independent organized work, and possibly entrepreneurship.

- Demand for dentists continues to grow, so there is security.
- Dentistry is highly transferrable from one location to another.
- While the cost of a dental education is very high, it is still reasonable when viewed as a percentage of future earnings.
- Historically, dentistry also has been a great investment in a child’s career by many first generation immigrants to the United States, which now includes Asian, South American and Middle Eastern families.
• As we all know, there also has been the entry of private equity firms into the dental segment in the past few years.
  • This infusion of capital in DSOs is an important way to expand access to oral health care in more locations across the country.
• However, the role of private equity firms in dentistry is a sensitive subject among many in traditional dental practitioners.
  • They see their role in the doctor-patient relationship as one driven solely by providing the best possible oral health care.
  • Their fear is that this will be compromised by private equity firms, which are very attune to bottom-line results.
• There should be a balance that preserves this commitment that dentists feel to provide their patients with high-quality care,
  • while addressing the financial expectations of private equity firms that have invested in DSOs.
• This is an area where Henry Schein can play a critical role.
  • The products, services and counsel that we offer our dental customers are tailored to help them strike the right balance between
    • increasing practice efficiency and continuing to deliver high quality patient care.
• This leads me to my final topic today –
  • partnership and the importance of choosing a partner:
    • Who shares your long-term commitment to practice building;
    • Who understands the market and has the strength to weather challenging economic conditions;
    • Who gives back to the dental profession and society in general;
    • And who recognizes that partnership with you, our valued customers, is a privilege that is earned,
      • and who appreciates the trust you have placed in our Company.
• It also is important to choose a partner who recognizes the importance of technology.

• We are committed to being the technology leader in the markets we serve,
  • providing our customers with software, hardware and networking support and playing a consultative role in building their practices.

• Our leadership in technology is a reflection of our commitment to enable you, our customers, to operate efficient practices and focus on providing quality clinical care for patients.

• The digital dental highway runs directly through Henry Schein,
  • and ConnectDental is how we are navigating that highway.

• As restorative dentistry quickly transitions from clinical and laboratory methodologies to all-digital ones, we are
  • collaborating between our key business divisions—Henry Schein Dental, Zahn and Henry Schein Practice Solutions;
  • weaving together the products and services, with our partners, that result in comprehensive, affordable and usable systems, which doctors and labs will adopt in large numbers;
  • and educating and assisting our customers in understanding the change, helping them make the right choices and transition to this digital technology.
• In conclusion, we should all remember that even during challenging times,
  • Henry Schein and the many members of the Dental Group Practice Association who we serve represent the very best that the dental community has to offer.
• By remaining committed to each other,
  • and by working together to help dentists enhance the quality of care they provide to patients while increasing practice efficiency,
    • we will remain in a strong strategic position together,
      • and ensure that our best years are yet to come.