



Owens & Minor's 1st Quarter 2007 Revenue Improves 33.6% to \$1.69 Billion from Acquired Business & Continued Strong Organic Growth

The Company Completed the Transition of Acquired Acute-Care Business During First Quarter

RICHMOND, Va.--(BUSINESS WIRE)--April 18, 2007--Owens & Minor (NYSE:OMI) today reported first quarter 2007 revenue of \$1.69 billion for the quarter ended March 31, 2007, an increase of 33.6% compared to revenue of \$1.26 billion in the same period last year. The exceptionally strong revenue growth in the first quarter included the contribution of \$282.5 million in revenue from the acquired McKesson acute-care distribution business, as well as robust organic revenue growth. Excluding the contribution from the acquisition, revenue grew 11.2% compared to the first quarter of 2006.

Net income for the quarter was \$10.8 million compared to net income of \$16.5 million in the first quarter of 2006. Diluted earnings per share (EPS) were \$0.27 for the first quarter 2007, compared to \$0.41 in the same period last year. Pre-tax earnings for the first quarter included \$8.1 million, or \$0.12 per share, of identifiable dilution associated with the transition of the acquired business. On September 30, 2006, Owens & Minor acquired certain assets of the acute-care distribution business of McKesson Medical-Surgical Inc. (McKesson); Owens & Minor and McKesson subsequently launched a phased, six-month conversion of the customer accounts, facilities and inventory associated with the acquisition, which was completed in the first quarter.

"In just five-and-a-half months, we completed the transition of the acquired McKesson business to Owens & Minor, three-quarters of which was converted in the final three months of the project," said Craig R. Smith, president & chief executive officer of Owens & Minor. "I want to thank all of our teammates for not only finishing the conversion early, but also absorbing 11% organic sales growth in the quarter. Bringing on more than 30% revenue growth in one quarter is a history-making event for Owens & Minor. Looking ahead, our task is to fine-tune the combined business by improving pricing quality, leveraging our operating capabilities, improving working capital, and introducing our value-added services to the new customer base."

Other First Quarter 2007 Results

For the first quarter of 2007, operating earnings were \$24.8 million, or 1.5% of revenue, compared to \$30.4 million, or 2.4% of revenue, in the first quarter last year. Gross margin was 10.4% of revenue in the first quarter of 2007, compared to gross margin of 10.8% in the prior year quarter. Gross margin results reflect the short-term impact of the conversion of the acquired business, as well as the effect of new agreements with group purchasing organizations (GPOs). Selling, general & administrative expense (SG&A) for the quarter was 8.5% of revenue compared to 8.0% in the first quarter of 2006. SG&A results reflect the impact of expenses related to the McKesson transition, including: service fees paid to McKesson, increased personnel costs, increased accounts receivable reserves, higher travel expenses, as well as the overall impact of inefficiencies resulting from the influx of the large volume of new business.

Asset Management

The company reported negative operating cash flow of \$3.3 million in the first quarter of 2007. Days sales outstanding (DSO) as of March 31, 2007 were 29.7 compared to 25.5 days in the prior year quarter. Inventory turns for the quarter were 9.2 compared to 10.3 in the first quarter last year. Asset management results were affected by the acquisition, as well as strong organic growth.

2007 Outlook

The company's guidance for 2007 remains unchanged. Owens & Minor anticipates that it will report revenue growth in the 15% to 20% range and diluted EPS in a range of \$1.85 to \$1.95, including the impact of the acquired McKesson business. Due to the timing of the McKesson acquisition, revenue growth will be stronger in the first three quarters of 2007, while earnings growth will accelerate in the second half of the year.

"I'm very proud of what our team has accomplished with this acquisition and our continued outstanding revenue growth," said Smith. "Now that this new business is fully under our control, it's up to us to focus on the daily blocking and tackling that we do so well."

First Quarter 2007 Highlights

- A new five-year distribution agreement with Broadlane took effect on February 1, 2007; Broadlane, a national GPO that provides contracting services for hospitals nationwide, began its relationship with Owens & Minor in 1999.
- The transition of the acquired McKesson business was completed in March 2007; the total identifiable, pre-tax dilutive impact of the transition, which began in 2006, was approximately \$24 million, or \$0.36 per share.
- Owens & Minor was ranked #418 in the 2007 FORTUNE 500, moving up in the rankings from a previous ranking of #443 in the 2006 list.

Safe Harbor Statement

Except for the historical information contained herein, the matters discussed in this press release, and particularly in the above "outlook" section, may constitute forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected. These include the rate at which new business can be converted to the company, intense competitive pressures within the industry, the success of the company's strategic initiatives, changes in customer order patterns, pricing pressures, changes in government funding to hospitals and other healthcare providers, loss of major customers, Medicare reimbursement rates and other factors discussed from time to time in the reports filed by the company with the Securities and Exchange Commission. The company assumes no obligation to update information contained in this release.

Owens & Minor, Inc., (NYSE: OMI) a FORTUNE 500 company headquartered in Richmond, Virginia, is the leading distributor of national name-brand medical and surgical supplies and a healthcare supply-chain management company. With a diverse product and service offering and distribution centers throughout the United States, the company serves hospitals, integrated healthcare systems, alternate care locations, group purchasing organizations, the federal government and consumers. Owens & Minor provides technology and consulting programs that enable healthcare providers to maximize efficiency and cost-effectiveness in materials purchasing, improve inventory management and streamline logistics across the entire medical supply chain--from origin of product to patient bedside. The company also has established itself as a leader in the development and use of technology. For news releases, or for more information about Owens & Minor, visit the company Web site at www.owens-minor.com.

Conference Call Details

Owens & Minor will conduct a conference call on Thursday, April 19, 2007 at 8:30 a.m. Eastern Time to discuss first quarter 2007 financial results. The phone number for the Owens & Minor conference call is 800-901-5241 with passcode "Owens & Minor." The call will also be available by replay for five days by calling 888-286-8010, with access code: 29735579. The call will also be webcast for 21 days through www.owens-minor.com under the Investor Relations section.

