Owens & Minor 2nd Quarter 2009 Revenue Tops $2 Billion with Strong Operating Earnings & Cash Flow

Owens & Minor Completes Transition of Acquired Business During the Quarter

RICHMOND, Va.--(BUSINESS WIRE)--Jul. 27, 2009-- Owens & Minor (NYSE: OMI) today reported financial results for the second quarter ended June 30, 2009, including record quarterly revenue of $2.01 billion, improved 13.7% when compared to revenue of $1.77 billion in the second quarter of 2008. Income from continuing operations for the quarter was $27.8 million, or $0.67 per diluted share, increased 13.6% when compared to income from continuing operations of $24.5 million, or $0.59 per diluted share, in the comparable period of 2008. Net income for the second quarter was $23.6 million, or $0.57 per diluted share, unchanged from last year's second quarter.

Results for the second quarter and first six months of 2009 reflect the impact of transitioning the business acquired from The Burrows Company, as well as the January 2009 sale of certain assets of its direct-to-consumer diabetes supply (DTC) business, which is shown as discontinued operations for all periods presented. For the second quarter, the company recorded a loss from discontinued operations of $4.1 million, or $0.10 per diluted share, resulting primarily from pre-tax charges associated with exiting this business.

"Despite a tough economic climate this year, we have grown our business, improved operating profitability, and generated great cash flow," said Craig R. Smith, president & chief executive officer of Owens & Minor. "We are very pleased that our team turned in a very strong second quarter performance, even while transitioning the Burrows business and pursuing our strategic initiatives. With the completion of the Burrows transition, we are intent on improving margins as we focus these new customers on the advantages of our valued-added programs and services."

In the second quarter of 2009, the company reported gross margin of $197.7 million, or 9.82% of revenues, compared to $175.3 million, or 9.90% of revenues, in the second quarter last year. The increase in gross margin resulted from strong quarterly revenue growth and recognition of revenue related to customer contracts with performance targets. In the second quarter, after achieving contractual performance targets, the company recognized $2.7 million of previously deferred revenue, net of revenues deferred during the second quarter.

Year-to-Date Results

For the six months ended June 30, 2009, revenue was $3.96 billion, improved 13.3% from revenue of $3.50 billion in the same period last year. Income from continuing operations for the year-to-date was $50.1 million, or $1.20 per diluted share, increased 3.4% when compared to income from continuing operations of $48.5 million, or $1.17 per diluted share, in the comparable period of 2008. For the first six months of 2009, the company recorded a loss from discontinued operations of $12.5 million, or $0.30 per diluted share, resulting primarily from pre-tax charges associated with exiting the DTC business. As a result, net income for the first half of 2009 was $37.6 million, decreased 21.4% when compared to net income of $47.8 million in the same period last year, while net income per diluted share for the first six months of 2009 was $0.90, decreased 21.7% when compared to $1.15 per diluted share for the same period last year.

Asset Management

For the first six months of the year, operating cash flow from continuing operations was $123 million, compared to the prior year's $76 million. Cash provided by discontinued operations was $75 million, including $63 million received from the sale of certain assets of the DTC business to Liberty Healthcare Group, Inc., a subsidiary of Medco Health Solutions, Inc. The company used cash to reduce long-term debt by $151 million to $208 million as of June 30, 2009. Days sales outstanding (DSO) was strong at 22.6 days compared to 23.2 at the end of the prior year's quarter; inventory turns were 10.1 compared to turns of 10.4 in the second quarter last year.

2009 Outlook

"Our year-to-date results are consistent with where we thought we would be at this point in the year, and we are comfortable with our guidance for 2009, which remains unchanged," said Smith. "When looking at the full year 2009, we are targeting revenue growth for the year in the upper end of a range of 8% to 12%, and income per diluted share from continuing operations in the upper end of a range of $2.55 to $2.70."

The 2009 outlook is based on certain assumptions that are subject to the risk factors discussed in the company's filings with the Securities & Exchange Commission.

Recent Highlights

- Owens & Minor won top honors in three award categories from Premier Inc., at Premier's annual membership conference in June, including: the Premier 2009 Polaris Award for high supplier quality and customer service; the 2009 Premier Diversity Award for efforts to increase the diversity of suppliers; and the Premier 2009 Supplier Pinnacle Award for contract management excellence.
- Effective June 29, 2009, Owens & Minor launched a newly designed Web site at www.owens-minor.com. The redesigned Web site features an expanded variety of features and functionality including information on products, services & solutions, Owens & Minor University, career opportunities, and investor relations. Owens & Minor uses its Web site as a channel of distribution for material company information, including news releases, investor presentations and financial information. This information is routinely posted and accessible under the Investor Relations section.

Safe Harbor Statement

Except for historical information, the matters discussed in this press release may constitute forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected. These risk factors are discussed in reports filed by the company with the Securities & Exchange Commission. All of this information is available at www.owens-minor.com. The company assumes no obligation, and expressly disclaims any such obligation, to update or alter information, whether as a result of new information, future events, or otherwise.

Owens & Minor, Inc., (NYSE: OMI) a *FORTUNE* 500 company headquartered in Richmond, Virginia, is a leading distributor of national name-brand medical and surgical supplies and a healthcare supply-chain management company. Owens & Minor is also a member of the Russell 2000® Index, which measures the performance of the small-cap segment of the U.S. equity universe, as well as the S&P MidCap 400, which includes companies with a market capitalization of $750 million to $3.3 billion that meet certain financial standards. 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, and the federal government. Owens & Minor provides technology and consulting programs that improve inventory management and streamline logistics across the entire medical supply chain--from origin of product to patient bedside. For news releases, or for more information about Owens & Minor, visit the company Web site at www.owens-minor.com.

Investors Conference Call & Supplemental Material

Conference Call: Owens & Minor will conduct a conference call for investors on Tuesday, July 28, 2009, at 9:00 a.m. Eastern Daylight Time. **Participants may access the call** at 877-748-0043 with access code #19295196. The international dial-in number is 706-758-5871 with access code #19295196. **Webcast:** A webcast of the call, along with supplemental information, will be available on www.owens-minor.com under "Investor Relations." **Replay:** A replay of the call will be available for three weeks by dialing 800-642-1687, using access code #19295196.

Source: Owens & Minor, Inc.

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