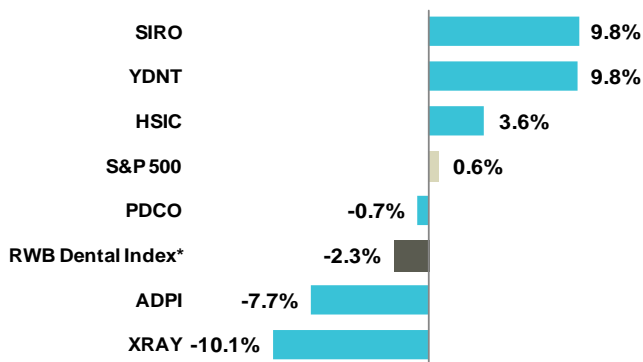




Industry Overview

- **Dental YTD Scorecard:** RWB Dental Index down 2.3% vs. S&P up 0.6%. YTD leaders include YDNT (+9.8%), SIRO (+9.8%), and HSIC (+3.6%), while laggards are XRAY (-10.1%), ADPI (-7.7%), and PDCO (-0.7%).
- **Week ending August 6:** RWB Dental Index up 3.7% vs. S&P up 1.8%, with SIRO (+13.3%), XRAY (+5.1%), and HSIC (+3.8%) the top performers.
- **Valuation – vs. historical.** All six of our dental names under coverage currently trade at an NTM P/E multiple below their respective five-year averages.
- **Valuation – relative.** Relative to the S&P 500, the entire dental group trades at a 1.17x multiple vs. five-year average of 1.31x.

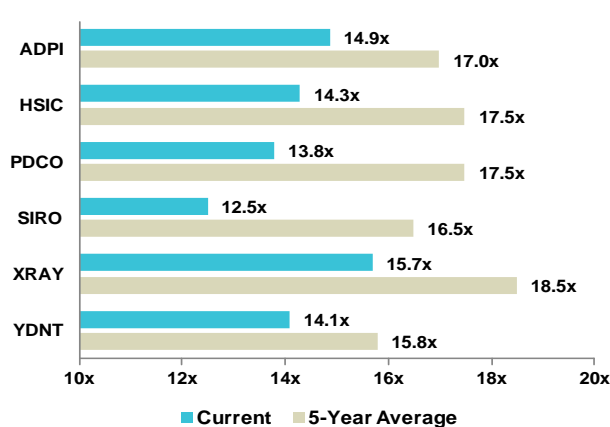
Dental YTD Performance



*RWB Dental Index includes ADPI, ALGN, BLTI, BDMS, HSIC, PDCO, SIRO, XRAY, & YDNT

Source: FactSet

Dental Valuation – NTM P/E



Source: FactSet

Dental Billings

Key Practice Metrics

- **Number of Patients Seen (2,500+ offices):** Week ending July 31 +11.5% y/y, trailing four weeks +7.4% y/y.
- **Clinical Oral Evaluations (2,500+ offices):** Week ending July 31 +15.3%/y/y, trailing four weeks +13.6% y/y.

Procedure-Specific Trends

- **Preventative Procedures (2,500+ offices):** Week ending July 31 +16.7% y/y, trailing four weeks +13.7% y/y.
- **Endodontics (1,000+ offices):** Week ending July 31 -15.2% y/y, trailing four weeks -2.4y/y.
- **Crowns (2,500+ offices):** Week ending July 31 +4.7% y/y, trailing four weeks +3.9% y/y.
- **Dental Implants (300+ offices):** Week ending July 31 +12.1% y/y, trailing four weeks -2.6% y/y.

Calendar of Events

- August 12: BLTI reports Q2 results
- August 26: PDCO reports FQ1 results
- August 26-28: CEREC 25th Anniversary (Las Vegas)
- September 17: PDCO's Institutional Investor's Day (NYC)
- October 9-12: 2010 ADA annual session (Orlando)

Recent News

- 8/5 – **SIRO** introduced biogeneric software version 3.8 for its inLab CAD/CAM systems. As with the biogeneric software for CEREC, inLab V3.8 automatically creates restorations based on the unique characteristics of each patient's tooth characteristics.
- 8/3 – **Midmark** launched "C.S.I." (Customer Solution Investigation), which runs from August 1 through November 15. Dentists who purchase qualifying pieces of equipment (inclusive of select pieces of basic equipment) and take delivery by December 15 are eligible to receive product incentives or additional discounts.
- 8/3 – **SIRO** reported FQ3 results with revenue of \$182.4 million (+1% reported, +6% constant currency) and adjusted EPS of \$0.66. Strength in imaging (+22% ww cc) and still healthy CAD/CAM results (+4% ww cc despite +13% comp) drove results, particularly in the U.S. where spending on equipment has improved nicely in recent quarters (SIRO's U.S. revenues +34% against an IDS-depressed -17% comp).
- 8/2 – **HSIC** reported Q2 results with company-wide revenue growing 16% y/y to \$1,849 million and adj. EPS of \$0.90. NA Dental consumables (+1.3% organic vs. +1.2% last quarter) were flat to slightly improved, while end-market demand for dental equipment improved nicely (+8% organic) given strength in imaging and basic equipment.

Jeffrey D. Johnson, O.D., CFA
414.298.6027
jdjohnson@rwbaird.com

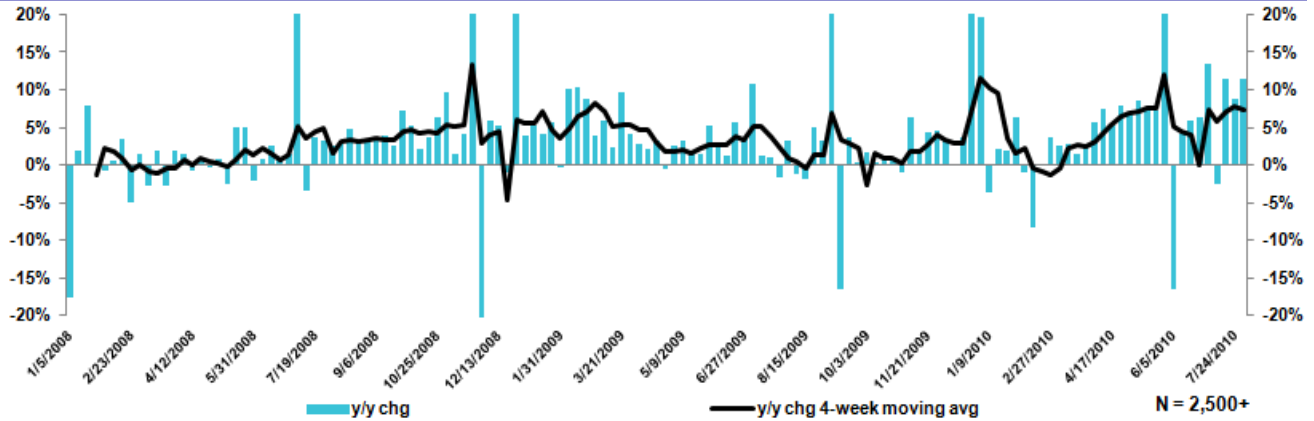
Jason Bednar
414.298.6057
jbednar@rwbaird.com

General/Preventative Weekly Trends

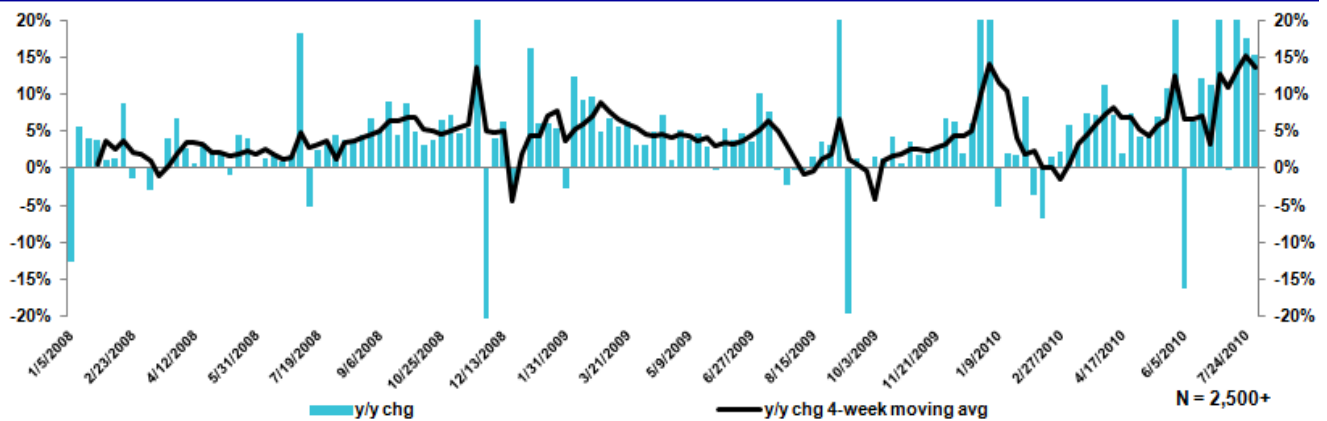
BAIRD

- **Number of Patients Seen:** +11.5% y/y for the week, trailing four-week average +7.4 y/y and up ~280bp on sequential basis.
- **Clinical Oral Evaluations:** +15.3% y/y for the week, trailing four-week average +13.6% y/y and down ~220bp on sequential basis.
- **Preventative Care:** Primarily includes cleanings, other general dental care; +16.7% y/y for the week, trailing four-week average +13.7% y/y and up ~160bp on sequential basis.

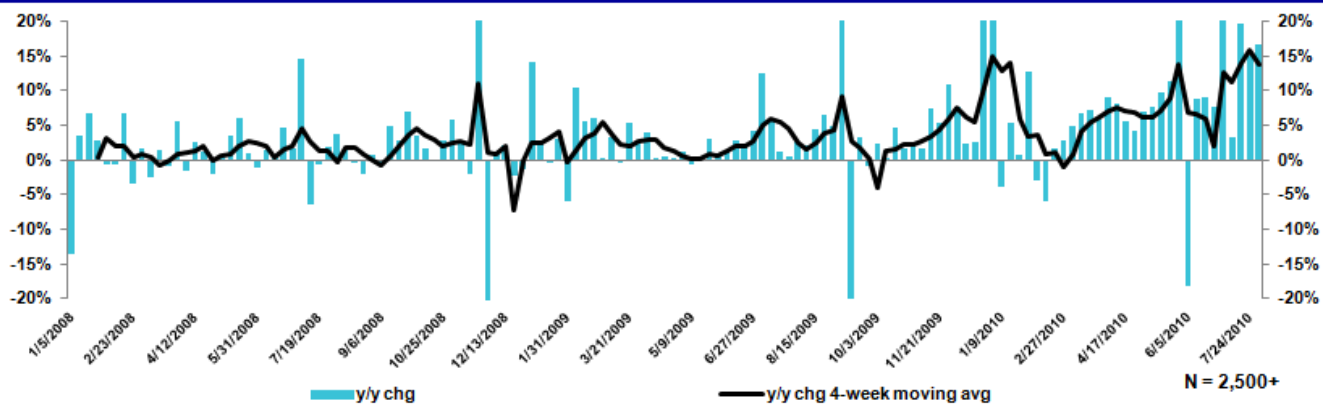
OF PATIENTS SEEN



CLINICAL ORAL EVALUATIONS



PREVENTATIVE

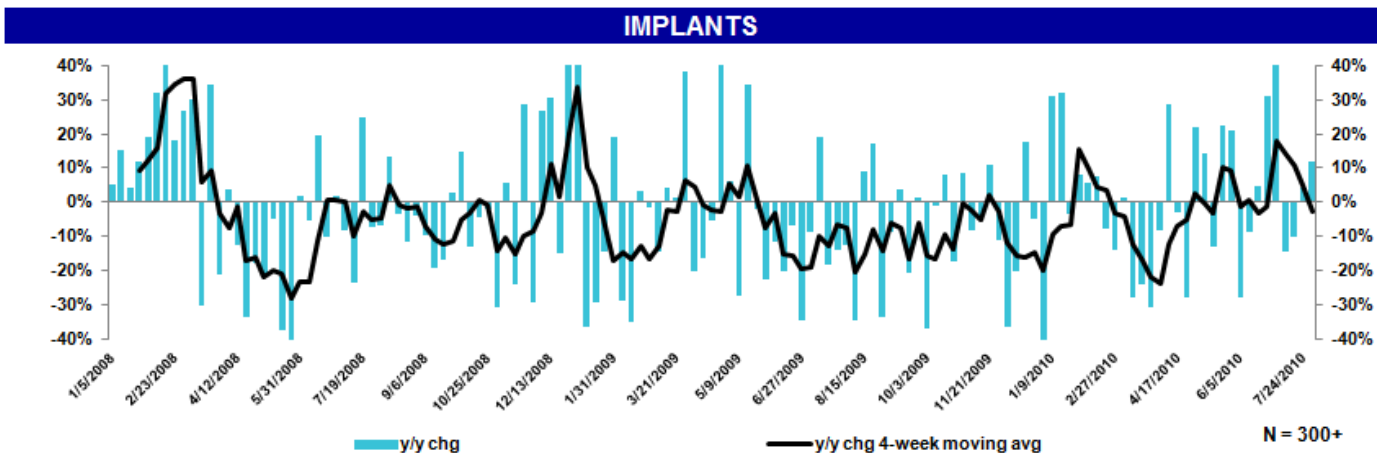
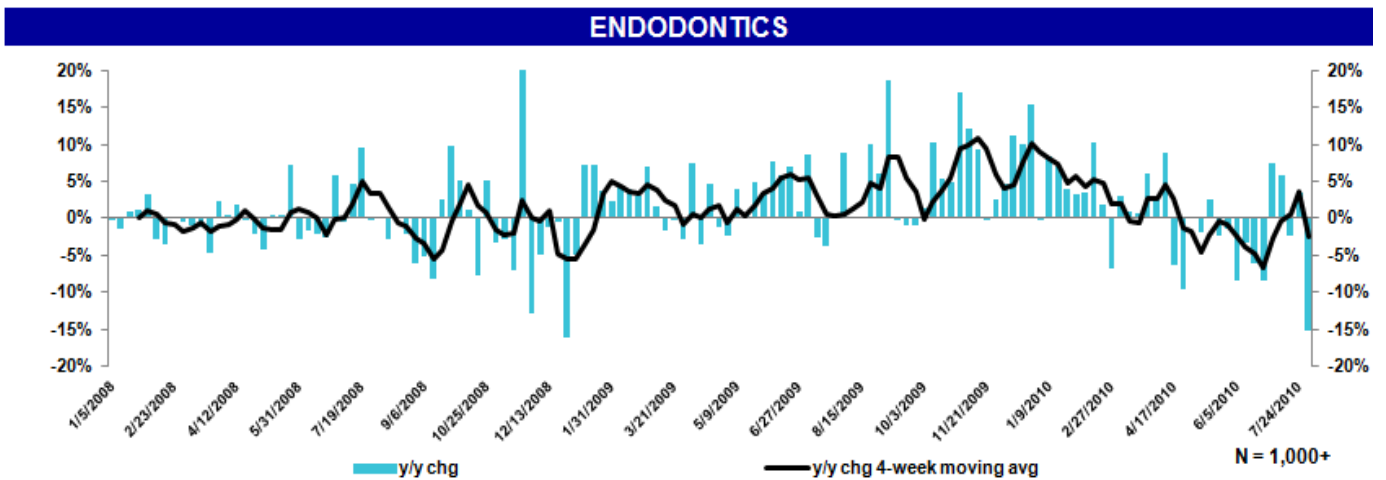
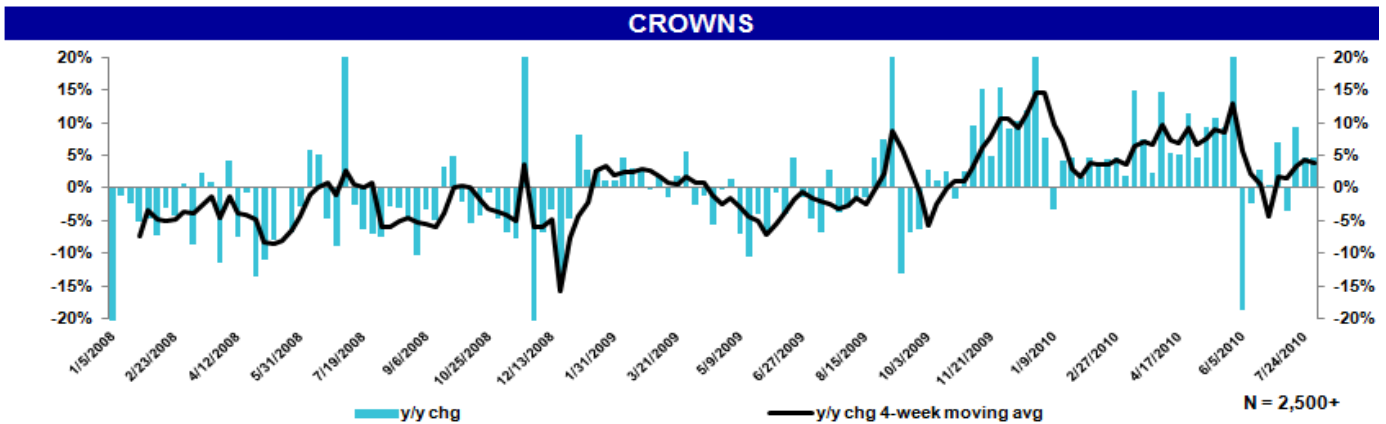


Source: Independent Data Source, Robert W. Baird & Co. Estimates

Restorative/Specialty Dental Trends

BAIRD

- **Crowns:** An indicator of higher-end, more expensive restorative dental work being performed; +4.7% y/y for the week, trailing four-week average +3.9% y/y and flat on sequential basis.
- **Endodontics (root canal procedures):** -15.2% y/y for the week, trailing four-week average -2.4% y/y and down ~1870bp on sequential basis.
- **Dental Implants:** Smaller sample size may limit reliability (n=300 offices; mostly GP office tracked in dataset); +12.1% y/y for the week, trailing four-week average -2.6% y/y.



Source: Independent Data Source, Robert W. Baird & Co. Estimates

RWB Dental Coverage

Company Name	Ticker	Current Price	Rating
Dentsply Int'l.	XRAY	\$31.56	Outperform
Henry Schein	HSIC	\$54.49	Outperform
Patterson Dental	PDCO	\$27.69	Outperform
Sirona Dental Systems	SIRO	\$34.86	Outperform
American Dental Partners	ADPI	\$11.90	Outperform
Young Innovations	YDNT	\$27.16	Neutral

Source: Company Reports, Robert W. Baird & Co. Estimates

Appendix – Important Disclosures and Analyst Certification



Robert W. Baird & Co. and/or its affiliates expect to receive or intend to seek investment-banking related compensation from the company or companies mentioned in this report within the next three months.

Investment Ratings: Outperform (O) - Expected to outperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months. **Neutral (N)** - Expected to perform in line with the broader U.S. equity market over the next 12 months. **Underperform (U)** - Expected to underperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months.

Risk Ratings: L - Lower Risk - Higher-quality companies for investors seeking capital appreciation or income with an emphasis on safety. Company characteristics may include: stable earnings, conservative balance sheets, and an established history of revenue and earnings. **A - Average Risk** - Growth situations for investors seeking capital appreciation with an emphasis on safety. Company characteristics may include: moderate volatility, modest balance-sheet leverage, and stable patterns of revenue and earnings. **H - Higher Risk** - Higher-growth situations appropriate for investors seeking capital appreciation with the acceptance of risk. Company characteristics may include: higher balance-sheet leverage, dynamic business environments, and higher levels of earnings and price volatility. **S - Speculative Risk** - High-growth situations appropriate only for investors willing to accept a high degree of volatility and risk. Company characteristics may include: unpredictable earnings, small capitalization, aggressive growth strategies, rapidly changing market dynamics, high leverage, extreme price volatility and unknown competitive challenges.

Valuation, Ratings and Risks. The recommendation and price target contained within this report are based on a time horizon of 12 months but there is no guarantee the objective will be achieved within the specified time horizon. Price targets are determined by a subjective review of fundamental and/or quantitative factors of the issuer, its industry, and the security type. A variety of methods may be used to determine the value of a security including, but not limited to, discounted cash flow, earnings multiples, peer group comparisons, and sum of the parts. Overall market risk, interest rate risk, and general economic risks impact all securities. Specific information regarding the price target and recommendation is provided in the text of our most recent research report.

Distribution of Investment Ratings. As of July 30, 2010, Baird U.S. Equity Research covered 624 companies, with 51% rated Outperform/Buy, 48% rated Neutral/Hold and 1% rated Underperform/Sell. Within these rating categories, 13% of Outperform/Buy-rated, and 9% of Neutral/Hold-rated companies have compensated Baird for investment banking services in the past 12 months and/or Baird managed or co-managed a public offering of securities for these companies in the past 12 months.

Analyst Compensation. Analyst compensation is based on: 1) The correlation between the analyst's recommendations and stock price performance; 2) Ratings and direct feedback from our investing clients, our sales force and from independent rating services; and 3) The analyst's productivity, including the quality of the analyst's research and the analyst's contribution to the growth and development of our overall research effort. This compensation criteria and actual compensation is reviewed and approved on an annual basis by Baird's Research Oversight Committee.

Analyst compensation is derived from all revenue sources of the firm, including revenues from investment banking. Baird does not compensate research analysts based on specific investment banking transactions.

A complete listing of all companies covered by Baird U.S. Equity Research and applicable research disclosures can be accessed at <http://www.rwbaird.com/research-insights/research/coverage/research-disclosure.aspx>. You can also call 1-800-792-2473 or write: Robert W. Baird & Co., Equity Research, 24th Floor, 777 E. Wisconsin Avenue, Milwaukee, WI 53202.

Appendix – Important Disclosures and Analyst Certification



Analyst Certification

The senior research analyst(s) certifies that the views expressed in this research report and/or financial model accurately reflect such senior analyst's personal views about the subject securities or issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.

Disclaimers

Baird prohibits analysts from owning stock in companies they cover.

This is not a complete analysis of every material fact regarding any company, industry or security. The opinions expressed here reflect our judgment at this date and are subject to change. The information has been obtained from sources we consider to be reliable, but we cannot guarantee the accuracy.

ADDITIONAL INFORMATION ON COMPANIES MENTIONED HEREIN IS AVAILABLE UPON REQUEST

The Dow Jones Industrial Average, S&P 500, S&P 400 and Russell 2000 are unmanaged common stock indices used to measure and report performance of various sectors of the stock market; direct investment in indices is not available.

Baird is exempt from the requirement to hold an Australian financial services license. Baird is regulated by the United States Securities and Exchange Commission, FINRA, and various other self-regulatory organizations and those laws and regulations may differ from Australian laws. This report has been prepared in accordance with the laws and regulations governing United States broker-dealers and not Australian laws.

Copyright 2010 Robert W. Baird & Co. Incorporated

Other Disclosures

UK disclosure requirements for the purpose of distributing this research into the UK and other countries for which Robert W Baird Limited holds an ISD passport.

This report is for distribution into the United Kingdom only to persons who fall within Article 19 or Article 49(2) of the Financial Services and Markets Act 2000 (financial promotion) order 2001 being persons who are investment professionals and may not be distributed to private clients. Issued in the United Kingdom by Robert W Baird Limited, which has offices at Mint House 77 Mansell Street, London, E1 8AF, and is a company authorized and regulated by the Financial Services Authority. For the purposes of the Financial Services Authority requirements, this investment research report is classified as objective.

Robert W Baird Limited ("RWBL") is exempt from the requirement to hold an Australian financial services license. RWBL is regulated by the Financial Services Authority ("FSA") under UK laws and those laws may differ from Australian laws. This document has been prepared in accordance with FSA requirements and not Australian laws.