

LABORATORY CORP OF AMERICA HOLDINGS  
Form 8-K  
October 25, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

October 25, 2007

(Date of earliest event reported)

**LABORATORY CORPORATION OF  
AMERICA HOLDINGS**

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(Exact Name of Registrant as Specified in its Charter)

**DELAWARE**

**1-11353**

**13-3757370**

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(State or other jurisdiction  
of Incorporation)

(Commission  
File Number)

(I.R.S.  
Employer  
Identification  
No.)

**358 SOUTH MAIN STREET,  
BURLINGTON, NORTH CAROLINA**

**27215**

**336-229-1127**

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(Address of principal executive offices)

(Zip  
Code)

(Registrant's telephone number including area  
code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 7.01. Regulation FD Disclosure

Summary information of the Company dated October 25, 2007.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Laboratory Corporation of America Holdings

(Registrant)

Date: October 25, 2007

By: /s/Bradford T. Smith  
Bradford T. Smith, Executive Vice  
President  
and Secretary

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**8-K Filed October 25, 2007**

1

This slide presentation contains forward-looking statements which are subject to change based on various important factors, including without limitation, competitive actions in the marketplace and adverse actions of governmental and other third-party payors.

Actual results could differ materially from those suggested by these forward-looking statements. Further information on potential factors that could affect the Company's financial results is included in the Company's Form 10-K for the year ended December 31, 2006, and subsequent SEC filings.

2

**The Clinical Laboratory Testing  
Market >\$40-\$50 billion Annually**

**Industry CAGR of 5% - 7%**

**Market segments:**

**Routine \$30-\$35 billion**

**Esoteric \$4-\$5 billion**

**Anatomic pathology  
\$6-\$10 billion**

**Growth opportunities:**

**Consolidation**

**Esoteric and anatomic  
pathology testing**

**Hospital outpatient and  
outreach**

**Source: Company estimates, industry reports and 2006 revenue for LabCorp.**

3

**Integral to quality healthcare**

Screening for and early diagnosis of disease leads to improved outcomes

Monitoring of treatment effectiveness and disease recurrence

Correct therapy decisions based on known genetic markers

**Cost effectiveness**

**Cutting-edge technologies**

**Influences 70% - 80% of healthcare decisions**

**Rigorous quality standards**

**Industry Profile**

4

**A leader in the esoteric and genomic testing market and second-largest clinical laboratory company in North America**

**Offers the broadest range of clinical and anatomic pathology services to aid clinicians in diagnosis, monitoring, prediction and prevention of disease**

**Conducts > 270 million tests annually**

**Connectivity with physicians offices**

90% of results delivered electronically

70% of tests ordered electronically

**Profile of LabCorp**

5

**More than 25,000 people nationwide**

6,200 phlebotomists

2,600 couriers

**700 MDs and PhDs**

**1,600+ conveniently located patient service centers**

**Rigorously monitored, industry-leading quality and service metrics**

**Highest quality, CAP inspected and CLIA certified laboratories**

**Profile of LabCorp**

6



**Primary Testing  
Locations**

Primary LabCorp Testing Locations\*

Esoteric Lab Locations

(CET, CMBP, Dianon, Esoterix, NGI, OTS, US Labs, Viromed)

7

**What is LabCorp?**

**Clinical**

**Pathology**

**Anatomic**

**Pathology**

**Genomics**

**Esoteric**

**Testing**

8

**Cancer diagnostics and monitoring**

**Advanced cardiovascular disease testing**

**Advancement through acquisitions and licensing**

**Strategic Focus Areas**

**Lab data enables better treatment and outcomes**

**Partner to control high cost leakage**

**Recognize value of lab services through appropriate pricing**

**Quality and service driven culture**

**First-time problem resolution**

**Continuous enhancements in customer connectivity**

**Scientific Leadership**

**Managed Care**

**Customer Focus**

9

### **Managed Care**

Partner of choice for major managed care organizations

Recognition of value from standardized lab data

Breadth of test menu, quality, convenience

### **Hospital market**

Over 50% of market of which approximately 2/3 available to clinical labs

Pricing pressures from managed care

DSI acquisition: win-win for hospital, community and commercial lab

### **Companion diagnostics/Personalized medicine**

ARCA

Warfarin

Clinical trials link

### **Cancer diagnostics**

Anatomic pathology - \$6 - \$10 billion fragmented market

Treatment decisions/monitoring

Recurrence testing

### **Cardiovascular disease**

Lab testing is foundation for determining need for imaging, invasive procedures, pharmaceutical treatments

VAP, NMR, high-sensitivity CRP

### **Revenue Growth Drivers**

10

**Increased volumes through fixed-cost infrastructure**

**Larger number of esoteric tests offered, more esoteric tests ordered**

**Further operational efficiencies**

Increase automation in pre-analytic processes

Logistics / route structure optimization

Supply chain management

Facility consolidation/cost optimization

**Improvement in collections / bad debt**

**EBITDA Margin**

**Growth Drivers**

11

**Industry-leading EBITDA margins**

**Significant free cash flow**

**Focus on returning value to shareholders**

Strategic acquisitions

Organic growth opportunities

Share repurchase additional \$500 million authorization  
announced 3/13/07

\$329 Million available as of 9/30/07

**Flexibility for future growth opportunities**

**LabCorp's Investment and  
Performance Fundamentals**

12

**Revenue CAGR of 9% Diluted EPS CAGR of 19%**

**1.**

**Excluding the \$0.09 per diluted share impact in 2005 of restructuring and other special charges, and a non-recurring investment loss.**

**2.**

**Excluding the \$0.07 per diluted share impact in 2006 of restructuring and other special charges, and the \$0.10 per diluted share impact in 2006 of adoption of SFAS 123(R).**

**Five-Year Revenue and EPS Trend**

13

1.

**Includes approximately \$50 million of benefit from one-time tax credits recorded in 2003.**

2.

**Excluding the impact in 2005 of restructuring and other special charges and a non-recurring investment loss.**

3.

**Excluding the impact in 2006 of restructuring and other special charges and of the adoption of SFAS 123(R).**

**Five-Year OCF and  
EBIDTA Margin Trend**

**OCF CAGR of 9% EBITDA Margin Growth of 420 bps**

14



**Third Quarter Results**

**(In millions, except per share data)**

**9/30/2006**

**9/30/2007**

**+ / (-)**

**Revenue**

**909.9**

**\$**

**1,020.6**

**\$**

**12.2%**

**EBITDA**

**(1)**

**237.1**

**\$**

**272.5**

**\$**

**14.9%**

**EBITDA Margin**

**26.1%**

**26.7%**

**60**

**bp**

**Diluted EPS**

**(2)**

**0.84**

**\$**

**1.07**

**\$**

**27.4%**

15

(1) Excludes restructuring and other special charges of \$5.6 and \$31.3 million recorded by the Company in the third quarter of 2006 and 2007, respectively.

(2) Excludes the \$0.03 and \$0.15 per diluted share impact of the restructuring and other special charges recorded in the third quarter of 2006 and 2007, respectively.

**Nine-Month Results**

**(In millions, except per share data)**

16

**9/30/2006**

**9/30/2007**

+ / (-)

**Revenue**

**2,692.2**

**\$**

**3,062.5**

**\$**

**13.8%**

**EBITDA**

**(1)**

**708.0**

**\$**

**812.6**

**\$**

**14.8%**

**EBITDA Margin**

**26.3%**

**26.5%**

**20**

**bp**

**Diluted EPS**

**(2)**

**2.46**

**\$**

**3.13**

**\$**

**27.2%**

**2007 Third Quarter  
Financial Achievements**

**Diluted EPS of \$1.07 <sup>(1)</sup>**

**EBITDA margin of 26.7% of net sales<sup>(2)</sup>**

**Operating cash flow of \$130.4 million**

**Increased revenues 12.2% (11.9% volume; 0.3% price)**

**Repurchased approximately \$111.3 million of  
LabCorp stock**

17

(1) Excludes the \$0.15 per diluted share impact of the restructuring and other special charges recorded in the third quarter of 2007.

(2) Based on EBITDA of \$272.5 million, excluding the \$31.3 million impact of restructuring and other special charges recorded

in the third quarter of 2007.

**Diluted EPS of \$3.13** <sup>(1)</sup>

**EBITDA margin of 26.5% of net sales** <sup>(2)</sup>

**Operating cash flow of \$469.3 million**

**Increased revenues 13.8% (12.8% volume; 1.0% price)**

**Repurchased approximately \$520.8 million of  
LabCorp stock**

**2007 First Nine Months  
Financial Achievements**

(1) Excludes the \$0.18 per diluted share impact of the restructuring and other special charges recorded through the third quarter of 2007.

(2) Based on EBITDA of \$812.6 million, excluding the \$38.3 million impact of restructuring and other special charges recorded

through the third quarter of 2007.

**Revenue by Payor**  
**Q3-YTD-2007**  
**(In millions)**

19

**Revenue by Business Area**  
**Q3-YTD-2007**  
**(In millions)**

20



**Revenue Mix by  
Business Area  
(In millions)**

21

**Revenue by Payer**  
**(In millions, except PPA)**

**YTD Q3-2005**

**YTD Q3-2006**

**YTD Q3-2007**

**Revenue**

**Revenue**

**Revenue**

**\$'s**

**%**

**Accns**

**PPA**

**\$'s**

**%**

**Accns**

**PPA**

**\$'s**

**%**

**Accns**

**PPA**

**Client**

701.9

\$

28%

24.181

29.03

\$

725.7

\$

27%

24.821

29.24

\$

800.8

\$

26%

25.701

31.16

\$

**Patient**

232.2

\$

9%

1.732

134.08

\$

256.5

10%

1.720

149.12

\$

283.8

9%

1.787

158.83

\$

**Third Party**

**(Medicare/Medicaid)**

570.4

\$

23%

14.808

38.52

\$

577.3

21%

14.369

40.17

\$

558.7

18%

13.816

40.44

\$

**Managed Care:**

**- Capitated**

102.2

\$

4%

9.809

10.42

\$

106.5

4%

10.031

10.61

\$

127.8

4%

11.463

11.15

\$

**- Fee for service**

898.6

36%  
19.077  
47.10  
\$  
1,026.3

38%  
20.841  
49.24  
\$  
1,291.3

42%  
28.169  
45.84  
\$

**Total Managed Care**

1,000.8  
  
40%  
28.886  
34.65  
\$  
1,132.7

42%  
30.872  
36.69  
\$  
1,419.1

46%  
39.632  
35.81  
\$

**LabCorp Total**

2,505.3  
\$

100%  
69.607  
35.99  
\$

2,692.2  
\$

100%  
71.782  
37.50  
\$

3,062.4  
\$

100%

80.936

37.84

\$

22



**Revenue Mix by Business Area**  
**(In millions, except PPA)**

**YTD Q3-2005**

**YTD Q3-2006**

**YTD Q3-2007**

**Revenue**

**Revenue**

**Revenue**

**\$'s**

**%**

**Accns**

**PPA**

**\$'s**

**%**

**Accns**

**PPA**

**\$'s**

**%**

**Accns**

**PPA**

**All Genomic**

379.8

\$

15%

5.058

75.09

\$

415.6

\$

15%

5.383

77.20

471.4

\$

15%

6.382

73.87

\$

**Other Esoteric**

251.3

10%

6.047

41.55

286.6

11%

6.866

41.75

332.7

11%

8.118

40.98

**Histology**

210.7

8%

1.807

116.61

223.4

8%

1.813

123.22

244.8

8%

2.013

121.64

**All Genomic / Esoteric**

841.8

34%

12.912

65.19

925.6

34%

14.062

65.82

1,049.0

34%

16.513

63.52

**Core**

1,663.5

66%

56.695

29.34

1,766.5

66%

57.720

30.61

2,013.5

66%

64.423

31.25

**LabCorp Total**

2,505.3

\$

100%

69.607

35.99

\$  
2,692.2  
\$  
100%  
71.782  
37.50  
\$  
3,062.4  
\$  
100%  
80.936  
37.84  
\$  
23

Excluding the impact of any share repurchase activity after September 30, 2007, and excluding restructuring and other special charges recorded in 2007, guidance for 2007 is as follows:

Net sales growth of approximately 12.7% to 13.2% compared to 2006

EBITDA margins of 26.0% to 26.5% of net sales

Diluted EPS in the range of \$4.11 to \$4.18

Operating cash flow of between \$690 and \$710 million, excluding any transition payments related to the Company's agreement with UnitedHealthcare

Capital expenditures of between \$100 and \$110 million, excluding any additional capital expenditures related to the Company's agreement with UnitedHealthcare

Net interest expense of approximately \$45 million

Bad debt rate of approximately 4.8% of net sales

**2007 Financial Guidance**

24

Excluding the impact of any share repurchase activity after September 30, 2007, guidance for 2008 is as follows:

Net sales growth of approximately 6.5% to 8.5% compared to 2007

EPS growth of approximately 11% to 14% compared to 2007

**2008 Preliminary Financial Guidance**

25



**Supplemental Financial Information**

**YTD**

**Q1 07**

**Q2 07**

**Q3 07**

**2007**

Depreciation

26.3

\$

26.1

\$

26.6

\$

79.0

\$

Amortization

13.3

\$

13.4

\$

13.9

\$

40.6

\$

Capital expenditures

40.8

\$

32.2

\$

35.5

\$

108.5

\$

Cash flows from operations

185.8

\$

153.1

\$

130.4

\$

469.3

\$

Bad debt as a percentage of sales

4.82%

4.82%

4.82%

4.82%

Effective interest rate on debt:

Zero coupon-subordinated notes

2.00%

2.00%

2.00%

2.00%

5 1/2% Senior Notes (including effect of interest rate swap)

5.38%

5.38%

5.38%

5.38%

5 5/8% Senior Notes

5.75%

5.75%

5.75%

5.75%

Revolving credit facility (weighted average)

5.80%

5.80%

6.19%

6.19%

Days sales outstanding

55

55

58

58

**Laboratory Corporation of America**

**Other Financial Information**

**(\$ in million's)**

**September 30, 2007**

26

**Reconciliation of Non-GAAP  
Financial Measures  
(In millions)**

27

