

LABORATORY CORP OF AMERICA HOLDINGS  
Form 8-K  
October 20, 2005

**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 20, 2005

(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 20, 2005.

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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 20, 2005

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

8-K Filed October 20, 2005

*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, 2004, and subsequent filings.*

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

**Source: Company estimates, industry reports and 2004 revenue for LabCorp.**

3

Independent clinical lab share

is \$16 billion

Represents 2% to 3% of all

health care spending

Influences /directs

approximately 80% of health

care spending

Rapidly evolving technology,

emphasis on preventative

medicine and aging of

population are all driving

growth

Has grown at a CAGR of

between 5% and 6%

**Profile of LabCorp**

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

Offers a broad range of routine and esoteric/genomic tests

Conducts testing on more than 360,000 specimens daily

Provides lab services to physicians and other health care providers

Approximately 24,500 employees nationwide

**Primary Testing Locations**

Primary LabCorp Testing Locations

**PR**

**AK**

Corporate Headquarters

Burlington, NC

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**LabCorp's Investment and  
Performance Fundamentals**

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History of Strong Financial

Performance

Significant Cash Generator

Industry leading EBITDA margins

Strong Balance Sheet

Investment Grade Credit Ratings

**Net Sales (in millions)**

7



**EBITDA Margin**

8

**EPS**

9

**Operating Cash Flow (in millions)**

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

*(1)*

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To **lead** the industry in achieving long-term **growth and profitability** by strengthening our **nationwide core testing** business and expanding our **higher-growth, higher-value esoteric and genomic businesses**.

**LabCorp's Strategy**

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**Strategic Focus Areas**

**Scientific**

**Leadership**

**Managed**

**Care**

**Customer**

**Retention**

-Licensing/partnerships

-Cancer

-Specimen tracking

-Call center consolidation

-Report improvement

-Acquisitions

-Appropriate prices

-Reduce leakage

-Value of new lab tests

-Customer connectivity

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**Third Quarter Results (in millions, except per share data)**

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(1) For definition of EBITDA and a reconciliation to the most comparable measure under Generally Accepted Accounting Principles, see Company's 3rd quarter 2005 earnings release furnished on Form 8-K on October 20, 2005.

(2) Excluding \$0.04 per diluted share impact of restructuring and other special charges in third quarter of 2005.

9/30/04

9/30/05

+ / (-)

Revenue

\$781.5

\$852.9

9.1%

EBITDA

(1)

\$200.8

\$213.6

6.4%

EBITDA Margin

25.7%

25.0%

(70

bp)

Diluted EPS

(2)

\$0.63

\$0.70

11.1%

**Nine-Month Results (in millions, except per share data)**

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(1) For definition of EBITDA and a reconciliation to the most comparable measure under Generally Accepted Accounting

Principles, see Company's 3rd quarter 2005 earnings release furnished on Form 8-K on October 20, 2005.

(2) Excluding the \$0.07 per diluted share impact in 2005 of restructuring and other special charges, and a non-recurring investment loss.

9/30/04

9/30/05

+ / (-)

Revenue

\$2,318.3

\$2,505.3

8.1%

EBITDA

(1)

\$602.8

\$646.3

7.2%

EBITDA Margin

26.0%

25.8%

(20

bp)

Diluted EPS

(2)

\$1.87



\$2.14

14.4%

**2005 Nine-Month Financial  
Achievements**

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Diluted EPS of \$2.14 (1)

EBITDA margin of 25.8% of sales

Operating cash flow of \$413.0 million

Increased revenues 8.1% (1.2% volume; 6.9%

price)

Repurchased approximately \$201 million of

LabCorp stock

Completed US LABS and Esoterix acquisitions

(1) Excluding the \$0.07 per diluted share impact of restructuring and other special charges, and a non-recurring investment loss.

**Financial Performance**

*Price & Volumes: Trends by Payor Type*

**Client (Physicians)**

**Patient**

**Third Party**

**(MC/MD/Insurance)**

**Managed Care**

**Capitated**

**Fee for service**

**Total**

**LabCorp Total**

**2003**

**PPA**

**\$**

**Accessions**

**millions**

**\$27.07**

**118.48**

**34.25**

**9.95**

**45.68**

**32.74**

**\$33.43**

**31.7**

**2.5**

**18.1**

**12.9**

**22.7**

**35.6**

**87.9**

**2004**

**PPA**

**\$**

**millions**

**\$26.61**

**123.59**

**34.84**

**10.36**

**46.01**

**33.67**

**\$33.86**

**32.7**

**2.5**

**18.9**

**12.8**

**24.2**

**37.0**

**91.1**

**Accessions**

**YTD 2005**

**PPA**

**\$**

**millions**

**\$29.03**

**134.08**

**38.52**

**10.42**

**47.10**

**34.64**

**\$35.99**

**24.2**

**1.7**

**14.8**

**9.8**

**19.1**

**28.9**

**69.6**

**Accessions**

**16**

*Financial Performance*

**Revenue Analysis by Business Area**

**YTD SEP 2004**

**Revenue**

*% Accns*

**Accns**

**PPA**

**\$Million**

**to total**

**000**

**\$**

**Genomic**

**Identity/Gene  
Probes**

**All Genomic**

**Other Esoteric**

**Histology**

**All Genomic/  
Esoteric**

**Core**

**Total**

**\$219.2**

**1,868.9**

**2.7%**

**\$117.30**

**125.3**

**344.5**

**221.8**

**152.7**

**719.0**

**1,599.3**

**\$2,318.3**

**2,843.3**

**4,712.2**

**5,360.1**

**1,690.0**

**11,762.3**

**57,059.0**

**68,821.3**

**4.1%**

**6.8%**

**7.8%**

**2.5%**

**17.1%**

**82.9%**

**100.0%**

**44.06**

**73.11**

**41.38**

**90.34**

**61.12**

**28.03**

**\$33.69**

**YTD SEP 2005**

**Revenue**

*% Accns*

**Accns**

**\$Million**

**to total**

**000**

**\$247.9**

**2,124.5**

**3.1%**

**\$116.70**

**131.9**

**379.8**

**251.3**

**210.7**

**841.8**

**1,663.5**

**\$2,505.3**

**2,933.8**

**5,058.3**

**6,046.9**

**1,807.2**

**12,912.4**

**56,694.6**

**69,607.0**

**4.2%**



**7.3%**

**8.7%**

**2.6%**

**18.6%**

**81.4%**

**100.0%**

**44.95**

**75.09**

**41.55**

**116.61**

**65.19**

**29.34**

**\$35.99**

**PPA**

**\$**

**(0.5%)**

**2.0%**

**2.7%**

**0.4%**

**29.1%**

**6.7%**

**4.7%**

**6.8%**

**05 vs 04**

**PPA**

**Incr/(Decr)**



**Free Cash Flow Investment  
Strategy**

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Acquisitions

Stock repurchase program

Retain flexibility in utilizing remaining cash

**Updated 2005 Financial Guidance**

Revenue growth of approximately 7.5% to 8% compared to 2004.

EBITDA margins of 25.5% of revenues.

Diluted EPS in the range of \$2.73 to \$2.77, excluding the third quarter restructuring and other special charges.

Capital expenditures of between \$90 and \$100 million.

Free cash flow of between \$440 and \$465 million.

Net interest expense of approximately \$32 million.

Bad debt rate of approximately 5.3% of sales for the remainder of the year.

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**Financial Guidance for 2005**  
**(cont d.)**

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We expect the fourth quarter to be impacted by the continued effects of third quarter hurricanes. We estimate the following negative impacts:

Revenue - approximately \$7.5 million

Volume - approximately 1%

EPS - approximately \$0.02

As a reminder, there is one less revenue day in the fourth quarter of 2005 versus the fourth quarter of 2004

Guidance does not include:

Any potential restructuring charges at LabCorp associated with the continued integration of US LABS and Esoterix into

LabCorp, or

Future share repurchases beyond the third quarter.

**Preliminary Financial Guidance  
for 2006**

Revenue growth of approximately 6.5% to 7.5% percent.

Diluted earnings per share growth of 12% to 14%,  
compared to LabCorp's 2005 guidance.

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*Other Financial Information*

*For the Quarter Ended September 30, 2005*

**Depreciation**

**Amortization**

**Capital expenditures**

**Bad debt as a percentage of sales**

**Q1**

**Q2**

**23.2**

**Q3**

**Zero coupon-subordinated notes**

**Revolving credit facility  
(weighted average)**

**Cash flows from operations**

**Effective interest rate on debt:**

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

**Days sales outstanding**

**YTD  
2005**

**\$**

**24.1**

**\$**

**24.2**

**\$**

**71.5**

**\$**

**12.1**

**13.1**

**13.1**

**38.3**

**25.5**

**20.2**

**25.7**

**71.4**

**154.5**

**86.5**

**172.0**

**413.0**

**5.5%**

**5.3%**

**5.3%**

**5.4%**

**2.00%**

**2.00%**

**2.00%**

**2.00%**

**5.38%**

**5.38%**

**5.38%**

**5.38%**

**3.31%**

**3.62%**



4.34%

4.34%

55

55

55

55

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

(\$ in millions)

22

