

LABORATORY CORP OF AMERICA HOLDINGS
Form 8-K
November 12, 2010

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

November 11, 2010
(Date of earliest event reported)

LABORATORY CORPORATION OF
AMERICA HOLDINGS
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
Incorporation)

1-11353
(Commission File Number)

13-3757370
(I.R.S. Employer Identification No.)

358 South Main Street,
Burlington, North Carolina
(Address of principal executive offices)

27215
(Zip Code)

336-229-1127
(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 communication 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 Regulation FD Disclosure
7.01

Summary information of the Company in connection with the presentation at the Credit Suisse 2010 Healthcare Conference on November 11, 2010.

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

By: /s/ F. SAMUEL EBERTS III
F. Samuel Eberts III
Chief Legal Officer and Secretary

November 12, 2010

November 11, 2010
Phoenix, AZ

Credit Suisse 2010
Healthcare Conference

2

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, 2009, and subsequent SEC filings.

Forward Looking Statement

Introduction

3

Leading National
Lab Provider

- Fastest growing national lab
 - \$55 billion market
 - Clinical, Anatomic and Genomic Testing
 - Serving clients in all 50 states and Canada
 - Foremost clinical trials testing business
-

Introduction

4

Valuable Service

- Small component of total cost influences large percentage of clinical decisions
- Screening, early detection, and monitoring reduce downstream costs
- Companion diagnostics improve drug efficacy and reduce adverse drug effects

Attractive Market

5

Attractive Market

6

Growth Drivers

- Aging population
- Industry consolidation
- Advances in genomics
- Pharmacogenomics /
companion diagnostics
- Cost pressures

Source: CDC National Ambulatory Medical Care Survey and Company Estimates

Attractive Market

7

Opportunity to
Take Share

- Approximately 5,000 independent labs
- High cost competitors

Source: Washington G-2 Reports and company estimates

\$55 Billion US Lab Market

55%

14%

9%

4%

19%

Hospital Affiliated

Quest

LabCorp

Physician Office

Other Independent

Attractive Market

Diversified Payor Mix

- No customer > 9% of revenue
- Limited government exposure

8

- Attractive Market
Diversified Test Mix
- Esoteric 40% of revenue with Genzyme Genetics acquisition
 - Higher priced business

9

Genzyme Genetics Acquisition

10

Acquisition Rationale

- Creates the premier genetics and Hematology-Oncology business in the world
 - Builds on our strategy of leadership in personalized medicine
 - Revenue opportunities
 - Selling LabCorp's test menu to Genzyme accounts
 - Selling Genzyme's test menu to LabCorp accounts
 - Genzyme customer access to LabCorp's convenient PSC network
 - Expanded use of genetic counselors
 - Cost synergies
 - Logistics
 - Specimen collection
 - G&A
-

- Genzyme Genetics Acquisition
Increasing Importance
of Genetics
- Preconception
 - Pre - and post - natal
 - Identification of disease carriers
 - Identification of disease predisposition
 - Diagnosis of genetically caused or influenced conditions (e.g., developmental delay)
 - Disease prognosis and treatment (especially cancer)

Genzyme Genetics Acquisition
Increasing Importance
of Oncology

- More sophisticated methods of cancer testing complement traditional biopsies
- Evolution of some types of cancer from fatal to chronic disease
- Value of diagnostics for disease prognosis, and monitoring of progression and recurrence
- Critical role of testing in therapy selection

12

Competitive Position
Scale and Scope

- National infrastructure
 - Broad test offering
- Managed care contracts
 - Economies of scale

13

Primary LabCorp Testing Locations*

Esoteric Lab Locations

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

Patient Service Centers*

Competitive Position

14

Managed Care Relationships

- Exclusive national laboratory for UnitedHealthcare
 - Sole national strategic partner for WellPoint
 - Significant national plans recently renewed or extended on a multi-year basis, including WellPoint, Cigna and Humana
 - Contracted with numerous local and regional anchor plans
-

Scientific
Leadership

- Introduction of new tests
- Acquisitions and licensing
- Collaborations with leading companies and academic institutions

Competitive Position

15

Competitive Position

16

Standardized and
Efficient Processes

- Standardized lab and billing
IT systems
 - Automation of pre-analytics
 - Capacity rationalization
 - Logistics optimization
-

2010 Priorities

17

Our Focus

- Profitable revenue growth
 - IT and client connectivity
 - Continue scientific leadership
 - Maintain price
 - Control costs
-

2010 Accomplishments

18

Our Results

- Profitable revenue growth
 - Empire contract
 - Esoteric growth
 - Acquisitions
 - Improved IT and client connectivity
 - LabCorp Beacon
 - Enhanced experience for physicians and patients
 - Continued scientific leadership
 - Clearstone collaboration
 - IL-28B
 - New Monogram assays
 - Maintained price
 - Managed care stability
 - Strong YTD 2010 results
 - Controlled costs
 - Gross margin expansion
 - Sysmex project
-

2010 Accomplishments

19

Profitable Revenue Growth

- Empire contract
 - In network status as of Aug 1, 2010
 - New York's largest insurer by membership
 - Esoteric revenue growth
 - 6.8% y/y growth YTD 9/30
 - Expansion of Monogram offerings
 - Acquisitions
 - Genzyme Genetics
 - Westcliff
 - DCL
 - 5.1% y/y total revenue growth YTD 9/30
 - Challenging economic environment
 - Positive volume growth in Q3 2010
 - Positive volume growth in Q1 and Q2 2010, after adjusting for lost contracts
-

2010 Accomplishments

20

Improved IT and Client
Connectivity

- LabCorp Beacon: A superior physician experience
 - Intuitive Orders and Results
 - Unread reports in bold while abnormal values are displayed in red
 - Share results via Email, Fax and Print
 - Group patients according to a client's needs
 - Add notes to any report to share critical insights
-

2010 Accomplishments

21

- Powerful Analytics
 - Graphical views of a patient over time
 - Generate trends and averages for large populations
-

2010 Accomplishments

22

“K-RAS testing should be routinely conducted in all colorectal cancer patients immediately after diagnosis to ensure the best treatment strategies for the individual Patient”

- Dr. Eric Van Cutsem, presenter at the June 2008 American Society of Clinical Oncology meeting
FDA recommends genetic screening prior to treatment with Abacavir

ROCKVILLE, Md -- July 24, 2008 -- The US Food and Drug Administration (FDA) has issued an alert regarding serious, and sometimes fatal, hypersensitivity reactions (HSRs) caused by abacavir (Ziagen) therapy in patients with a particular human leukocyte antigen (HLA) allele, HLA-B* 5701.

Genetic tests for HLA-B*5701 are already available, and all patients should be screened for the HLA-B*5701 allele before starting or restarting treatment with abacavir or abacavir-containing medications.

“FDA has approved the expanded use of Selzentry... to include adult patients with CCR5-tropic HIV-1 virus who are starting treatment for the first time.”

- ViiV Healthcare Press Release, November 20th, 2009

Continued Scientific
Leadership

- Clearstone collaboration
 - Global clinical trials capability
 - Presence in China
 - Enhanced offerings in companion diagnostics and personalized medicine
 - IL-28B
 - K-RAS
 - HLA-B* 5701
 - BRAF Gene Mutation Detection
 - EGFR Mutation Analysis
 - CYP 450 2C19
 - Trofile (CCR5 Trophism)
 - PhenoSense, PhenoSense GT
 - HerMark
 - Grew Outcome Improvement Programs
 - Relaunch of CKD program
 - Litholink kidney stone program
-

2010 Accomplishments

Maintained Price

- Managed care stability
- Contracted pricing has offset 1.9% Medicare rate decrease
- Promoted high-value tests
 - Other recent benefits
 - Monogram
 - Canadian exchange rate
- Impact from lost government contracts

23

Controlled Costs

- Y/Y gross margin improvement
 - Sysmex contract
 - Fully automated hematology operations
 - One of largest lab automation projects ever undertaken
 - Bad debt reduction of 50bp in the first half of 2010
- Continued to optimize supply chain
- Used efficiency gains to improve physician and patient experiences

2010 Accomplishments

24

\$3,085
\$3,328
\$3,591
\$4,068
\$4,513
\$4,695
\$2.45
\$2.80
\$3.30
\$4.18
\$4.60
\$4.89
2004
2005
2006
2007
2008
2009

Revenue (\$mil)

EPS

Excellent Performance

25

Revenue and

EPS Growth

• 5-year revenue CAGR of 9%

• 5-year EPS CAGR of 15%

- (1) Excluding the \$0.09 per diluted share impact in 2005 of restructuring and other special charges, and a non-recurring investment loss; excluding the \$0.06 per diluted share impact in 2006 of restructuring and other special charges; excluding the \$0.25 per diluted share impact in 2007 of restructuring and other special charges; excluding the
- (2) EPS, as presented, represents adjusted, non-GAAP financial measures. Diluted EPS, as reported in the Company's Annual Report were: \$2.45 in 2004; \$2.71 in 2005; \$3.24 in 2006; \$3.93 in 2007; \$4.16 in 2008; and \$4.98 in 2009.

\$0.44 per diluted share impact in 2008 of restructuring and other special charges; excluding the (\$0.09) per diluted share impact in 2009 of restructuring and other special charges.

Revenue and EPS Growth: 2004 - 2009 (1) (2)

Excellent Performance

26

Leading Returns

- Leading returns
- Leading EBIT margin

18.2%

20.5%

21.8%

27.6%

27.5%

25.8%

0.0%

5.0%

10.0%

15.0%

20.0%

25.0%

30.0%

2004

2005

2006

2007

2008

2009

LabCorp ROE 2004

-

2009

Excellent Performance

27

Cash Flow

- 5-year FCF CAGR of 11%
 - Strategic acquisitions
- \$2.0 B+ share repurchase over last three years

Note: \$ in Millions

Note: Free Cash Flow is a non-GAAP metric

Excellent Performance

28

Free Cash Flow Per Share

- 5-year FCF Per Share CAGR of 18%
- FCF Yield has ranged from 8.4% to 10.4% in 2010

Note: Free Cash Flow Per Share and Free Cash Flow Yield are non-GAAP metrics

FCF Yield range noted above was calculated using trailing twelve month Free Cash Flow, weighted average diluted share counts and closing stock prices during 2010

Third Quarter and YTD 2010 Results

29

	Three Months Ended Sep			Nine Months Ended Sep		
	30, 2010	2009	+/(-) %	30, 2010	2009	+/(-) %
Revenue (1)	\$1,276.5	\$1,185.1	7.7%	\$3,708.5	\$3,529.7	5.1%
Adjusted Operating Income	\$250.1	\$237.6	5.3%	\$764.2	\$733.0	4.3%
Adjusted Operating Income Margin	19.6%	20.0%	-40 bp	20.6%	20.8%	-20 bp
Adjusted EPS (1)	\$1.47	\$1.22	20.5%	\$2.76	\$2.51	10.0%
Operating Cash Flow	\$176.2	\$246.4	-28.5%	\$624.4	\$637.7	-2.1%
Less: Capital Expenditures	(\$34.3)	(\$22.7)	51.1%	(\$93.3)	(\$77.1)	21.0%
Free Cash Flow	\$141.9	\$223.7	-36.6%	\$531.1	\$560.6	-5.3%

(1) During the first quarter of 2010 inclement weather reduced revenue by an estimated \$23 million and EPS by approximately eight cents

Key Points

- Critical position in health care delivery system
 - Attractive market
- Strong competitive position - well positioned to gain share
 - Leadership in personalized medicine
 - Excellent cash flow
 - Strong balance sheet

Conclusion

30

Reconciliation of Non-GAAP Financial Measures

31

Reconciliation of non-GAAP Financial Measures

(In millions, except per share data)

	Three Months		Nine Months	
	Ended Sep 30,		Ended Sep 30,	
	2010	2009	2010	2009
Adjusted Operating Income				
Operating income	\$235.3	\$234.9	\$740.0	\$720.1
Restructuring and other special charges (1) (2)	\$14.8	\$2.7	\$24.2	\$12.9
Adjusted operating income	\$250.1	\$237.6	\$764.2	\$733.0
Adjusted EPS				
Diluted earnings per common share	\$1.34	\$1.21	\$4.05	\$3.67
Impact of restructuring and other special charges (1) (2)	\$0.13	\$0.01	\$0.18	\$0.07
Adjusted EPS	\$1.47	\$1.22	\$4.23	\$3.74

1) During the third quarter of 2010, the Company recorded restructuring and other special charges of \$21.8 million, consisting of \$10.9 million in professional fees and expenses associated with recent acquisitions; \$7.0 million in bridge financing fees associated with the signing of

an asset purchase agreement for Genzyme Genetics; and \$3.9 million in severance related liabilities associated with workforce reduction initiatives. The after tax impact of these charges decreased net earnings for the three months ended September 30, 2010, by \$13.4 million and

diluted earnings per share by \$0.13 (\$13.4 million divided by 104.1 million shares).

During the first quarter of 2010, the Company recorded net charges of \$9.3 million relating to severance payments and the closing of redundant and underutilized facilities as well as the write-off of development costs incurred on systems abandoned during the quarter.

The after tax impact of these combined charges decreased net earnings for the nine months ended September 30, 2010, by \$19.1 million and diluted earnings per share by \$0.18 (\$19.1 million divided by 105.4 million shares).

2) During the third quarter of 2009, the Company recorded a charge of approximately \$2.7 million representing fees and expenses associated with its acquisition of Monogram Biosciences. The after tax impact of this charge reduced net earnings for the three months ended

September 30, 2009, by \$1.6 million and diluted earnings per share by \$0.01 (\$1.6 million divided by 108.8 million shares).

During the second quarter of 2009, the Company recorded net charges of approximately \$10.2 million (\$6.1 million after tax) related to actions directed at reducing the Company's redundant and underutilized facilities along with the related work force.

The after tax impact of these combined charges reduced net earnings for the nine months ended September 30, 2009, by \$7.7 million and diluted earnings per share by \$0.07 for the nine months ended September 30, 2009 (\$7.7 million divided by 109.1).

Supplemental Financial Information

32

Laboratory Corporation of America
 Other Financial Information
 FY 2009 and Q1/Q2 2010
 (\$ in millions)

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Bad debt as a percentage of sales	5.30%	5.30%	5.30%	5.30%	5.05%	4.80%	4.80%
Days sales outstanding	52	50	48	44	46	45	44
A/R coverage (Allow. for Doubtful Accts. / A/R)	19.5%	20.6%	21.9%	23.2%	21.7%	20.7%	20.4%

©2010 LabCorp. All rights reserved. 8026-0210