

LABORATORY CORP OF AMERICA HOLDINGS

Form 8-K

March 16, 2011

---

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

March 16, 2011  
(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 7.01 Regulation FD Disclosure

Summary information of the Company in connection with the presentation at the Barclays Capital 2011 Global Healthcare Conference in Miami Beach, FL on March 16, 2011.

---

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

March 16, 2011

---

March 16, 2011  
Miami Beach, FL

Barclays Capital 2011  
Global 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, 2010, 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
- Less efficient, higher cost competitors

Source: Washington G-2 Reports and Company estimates  
\$55 Billion US Lab Market

---

Attractive Market

Diversified Payor Mix

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

8

---

Attractive Market  
Diversified Test Mix  
With Genzyme GeneticsSM\*  
acquisition, esoteric testing  
comprises approximately  
40% of revenue

9

\*GENZYME GENETICSSM and its logo are trademarks of Genzyme Corporation and used by Esoterix Genetic Laboratories, LLC, a wholly-owned subsidiary of LabCorp, under license. Esoterix Genetic Laboratories and LabCorp are operated independently from Genzyme Corporation.

---

Pillar One  
10  
Deploy Cash to Enhance  
Footprint and Test Menu and  
to Buy Shares

---

Strong Cash Generation

11

Cash Flow

- 6-year FCF CAGR of 9.4%
  - Strategic acquisitions
- \$2.0 B+ share repurchase over last three years

Note: \$ in millions and Free Cash Flow is a non-GAAP metric

---

Impressive FCF Trend

12

Free Cash Flow Per Share

- 6-year FCF Per Share CAGR of 16.1%
- FCF Yield ranged from approximately 8% to 10% 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

---

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\*

---

2010 Key Uses of Cash

14

2010 Key Uses of Cash

- Acquisitions
  - Genzyme Genetics
    - Westcliff
    - DCL
  - Share Repurchase
    - \$337.4 million in 2010
    - \$234.2 million in January of 2011
-



Genzyme Genetics Acquisition

15

Acquisition Rationale

- Creates the premier genetics and oncology business in the industry
  - Builds on our strategy of leadership in personalized medicine
    - Generates revenue opportunities
      - Selling LabCorp's test menu to Genzyme Genetics accounts
  - Selling Genzyme Genetics' test menu to LabCorp accounts
  - Genzyme Genetics customer access to LabCorp's convenient PSC network
  - Expanded use of genetic counselors
    - Creates cost synergies
      - Logistics
    - Specimen collection
      - G&A
    - Facility overlap
-

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)

Importance of Oncology

- More sophisticated methods of cancer testing complement traditional biopsies
- Value of diagnostics for disease prognosis, and monitoring of progression and recurrence
- Critical role of testing in therapy selection

17

---

Pillar Two  
18  
Enhance IT Capabilities To  
Improve Physician and  
Patient Experience

---

LabCorp Beacon - Physician Experience

19

Intuitive Order Entry

- Streamlined Ordering

Provider, Diagnosis, Test and  
Collection information are all displayed  
in a single screen

- Requisition and Account Logic

Automatically generates requisitions  
with appropriate account numbers

- Key Time-saving Features

- Send to PSC

- Standing orders

- Electronic add-on testing

- User-defined pick lists
-

LabCorp Beacon - Physician Experience

20

Unified Results

- Centralizes Lab Connectivity

View lab reports from DIANON  
Systems, Esoterix, LabCorp,  
Litholink, USLabs, and CMBP

- Share Results

Email, fax, print and annotations  
make it easy to share critical  
information

- Visual Cues

Supports physician decision making,  
enhances the timeliness of patient  
care and facilitates follow-up with  
abnormal results in red and unread  
reports in bold

---

LabCorp Beacon - Physician Experience

21

Results on the Go

- Clear, Concise Reports

Physicians and staff can quickly access results via iPhone® or iPad™ including alerts for abnormal or critical lab results

- Connect to Patients

Access patient demographics directly from results for phone or email follow up

---

LabCorp Beacon - Physician Experience

22

Trends & Analytics

- One-Click Trending

Physicians and staff can quickly view a single test or analyte for one patient and the trended history for that patient

- Sort and Filter Results

Providers can filter their entire patient population on demographics and test results to identify trends and patients at risk

- View Lab History

---



LabCorp Beacon - Patient Experience

23

AccuDraw Integration

- Reduce Errors
- Reduce Training Time
- Proven Results

Success in LabCorp Patient Service

Centers will be extended to  
customers

Online Appointment  
Scheduling

- Patient Convenience
  - Improved Service Experience
  - 2011 Enhancements Will Improve  
Collections at Point of Service
-

Pillar Three

24

Continue to Improve Efficiency  
To Offer the Most Compelling  
Value in Laboratory Services

---

Most Efficient Provider

25

- Standardized lab and billing IT systems
    - Automation of pre-analytics
    - Supply chain optimization
  - Sysmex fully automated hematology operations
  - Consistent gross margin improvement (net of acquisitions)
  - Full year bad debt reduction of 50bp in 2010
-

Pillar Four  
26  
Scientific Innovation At  
Appropriate Pricing

---

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

Scientific Leadership

27

Partner	Clinical Area
ARCA biopharma	Companion Diagnostics (Cardiovascular Disease)
BG Medicine	Cardiovascular Disease
Celera Diagnostics	Breast Cancer
Duke University	Joint Venture in biomarker development
Duke University	Lung Cancer
Exact Sciences	Colon Cancer
Intema Ltd.	Prenatal Testing
Johns Hopkins	Melanoma
MDxHealth	Companion Diagnostics (Oncology)
Medco Health Solutions	Companion Diagnostics (Research)
Merck	Companion Diagnostics (Infectious Disease)
On-Q-ity	Circulating tumor cells
University of Minnesota	Lupus
Veridex	Prostate Cancer
Yale University	Ovarian Cancer (exclusive)

---

Scientific Leadership

28

“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

- Recent 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 Tropism)
- PhenoSense®, PhenoSense GT®
  - HERmark®
- Outcome Improvement Programs
  - CKD program
- Litholink kidney stone program
  - Clearstone collaboration
- Global clinical trials capability
  - Presence in China

Pillar Five  
29  
Alternative Delivery Models

---

Excellent Performance

30

Revenue and  
EPS Growth

- 6-year revenue CAGR of approximately 8.4%
- 6-year Adjusted EPS CAGR of approximately 14.6%

Revenue and Adjusted EPS Growth: 2004 - 2010 (1) (2)

(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 \$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; excluding the (\$0.17) per diluted share impact in 2010 of restructuring and other special charges.

(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; \$4.26 in 2008; \$4.98 in 2009; and \$5.29 in 2010

---



2010 Accomplishments

31

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 2010 results
-

## Fourth Quarter and Full Year 2010 Results

32

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

	Three Months Ended Dec 31,			Twelve Months Ended Dec 31,		
	2010	2009	+ / (-)	2010	2009	+ / (-)
Revenue	\$1,295.40	\$1,165.10	11.2%	\$5,003.90	\$4,694.70	6.6%
Adjusted Operating Income (1)	\$252.40	\$221.90	13.7%	\$1,016.50	\$954.90	6.5%
Adjusted Operating Income Margin (1)	19.5%	19.0%	50 bp	20.3%	20.3%	- bp
Adjusted EPS (1)	\$1.34	\$1.16	15.5%	\$5.55	\$4.89	13.5%
Operating Cash Flow	\$259.20	\$224.70	15.4%	\$883.60	\$862.40	2.5%
Less: Capital Expenditures	(\$32.80)	(\$37.60)	-12.8%	(\$126.10)	(\$114.70)	9.9%
Free Cash Flow	\$226.40	\$187.10	21.0%	\$757.50	\$747.70	1.3%

---

Key Points

- Critical position in health care delivery system
  - Attractive market
  - Consistent strategy
- Excellent cash flow deployed to enhance strong competitive position
- IT innovation to improve physician and patient experience
- Most efficient provider delivering greatest value
  - Scientific leadership
  - Alternative delivery models
- Track record of execution and success

Conclusion

33

---

34

Reconciliation of non-GAAP  
Financial Measures

Reconciliation of non-GAAP Financial Measures  
(In millions, except per share data)

	Three Months Ended Dec 31,	
	2010	2009
Adjusted Operating Income		
Operating income	\$ 238.8	\$ 215.8
Restructuring and other special charges (1) (2)	13.6	6.1
Adjusted operating income	\$ 252.4	\$ 221.9
Adjusted EPS		
Diluted earnings per common share	\$ 1.26	\$ 1.33
Impact of restructuring and other special charges (1) (2)	0.08	(0.17)
Adjusted EPS	\$ 1.34	\$ 1.16

(1) During the fourth quarter of 2010, the Company recorded restructuring and other special charges of \$13.6 million, consisting of \$14.8 million in professional fees and expenses associated with recent acquisitions, which were offset by a net restructuring credit of \$1.2 million resulting from the reversal of unused severance and facility closure liabilities. The after tax impact of these charges decreased net earnings for the three months ended December 31, 2010, by \$8.3 million and diluted earnings per share by \$0.08 (\$8.3 million divided by 104.5 million shares).

(2) During the fourth quarter of 2009, the Company recorded net charges of \$3.3 million (\$2.0 million after tax) relating to severance payments for the reduction of certain management positions and the closing of redundant and underutilized facilities. The Company also adopted amendments to its employee pension plans, effective January 1, 2010, resulting in the recognition of a one-time net curtailment charge of \$2.8 million (\$1.7 million after tax). In addition, the Company recorded favorable adjustments of \$21.5 million to its fourth quarter tax provision relating to the resolution of certain state tax issues under audit, as well as the realization of foreign tax credits. Combined, these net after tax adjustments increased net earnings for the quarter ended December 31, 2009 by \$17.8 million and increased diluted earnings per share for the quarter by \$0.17 (\$17.8 million divided by 107.5 million shares).

35

Reconciliation of non-GAAP  
Financial Measures

Reconciliation of non-GAAP Financial Measures  
(In millions, except per share data)

	Year Ended Dec 31,	
	2010	2009
Adjusted Operating Income		
Operating income	\$ 978.8	\$ 935.9
Restructuring and other special charges (1) (2)	37.7	19.0
Adjusted operating income	\$ 1,016.5	\$ 954.9
Adjusted EPS		
Diluted earnings per common share	\$ 5.29	\$ 4.98
Impact of restructuring and other special charges (1) (2) (3) (4)	0.26	(0.09)
Adjusted EPS	\$ 5.55	\$ 4.89

(1) 2010 includes net restructuring and other special charges of \$44.7 million (\$27.4 million after tax), consisting of \$25.7 million in professional fees and expenses associated with recent acquisitions;

\$7.0 million in bridge financing fees; and \$12.0 million in severance related liabilities associated with workforce reduction initiatives.

(2) 2009 includes net restructuring charges of \$13.5 million (\$8.1 million after tax), a one-time charge of \$2.8 million (\$1.7 million after tax) for curtailment of employee pension plans, and \$2.7 million (\$1.6 million after tax) transaction fees and expenses associated with the acquisition of Monogram Biosciences.

(3) In 2009, the Company recorded favorable adjustments of \$21.5 million to its fourth quarter tax provision relating to the resolution of certain state tax issues under audit, as well as the realization of foreign tax credits. In 2008, the Company recorded a \$7.1 million reduction to its fourth quarter tax provision as a result of tax treaty amendments with Canada. These adjustments had no impact on operating income, but did increase net earnings by \$21.5 million and \$7.1 million, respectively.

(4) 2010: \$27.4 million divided by 105.4 million shares  
2009: \$10.1 million divided by 109.1 million shares

Supplemental Financial Information

36

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

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10
Bad debt as a percentage of sales	5.30%	5.30%	5.30%	5.30%	5.05%	4.80%	4.80%	4.70%
Days sales outstanding	52	50	48	44	46	45	44	43
A/R coverage (Allow. for Doubtful Accts. / A/R) <sup>1</sup>	19.5%	20.6%	21.9%	23.2%	21.7%	20.7%	20.4%	18.5%

(1) A/R Coverage in Q4 2010 was 19.9%, excluding the impact from Genzyme Genetics

©2010 LabCorp. All rights reserved. 8026-0210