

LABORATORY CORP OF AMERICA HOLDINGS

Form 8-K

September 14, 2011

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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

September 14, 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 Bank of America Merrill Lynch Global Healthcare Conference in London, United Kingdom on September 14, 2011.

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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

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

September 14, 2011

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September 14, 2011  
London

Bank of America Merrill Lynch  
Global Healthcare Conference

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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

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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
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4  
Introduction

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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

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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

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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

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Attractive Market

Diversified Payor Mix

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

8

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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.

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Mission Statement

10

We Will Offer The Highest Quality  
Laboratory Testing and Most  
Compelling Value to Our  
Customers

We Will Execute This Mission  
Through Our Five Pillar Strategy

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Five Pillar Strategy

Pillar One

11

Deploy Cash to Enhance  
Footprint and Test Menu  
and to Buy Shares

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Five Pillar Strategy—Pillar One

Strong Cash Generation

Strong Cash Generation

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

12

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Five Pillar Strategy—Pillar One

Impressive FCF Trend

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

13

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Five Pillar Strategy—Pillar One

Competitive Position

Scale and Scope

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

14

Primary LabCorp Testing Locations\*

Esoteric Lab Locations

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

Patient Service Centers\*

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Five Pillar Strategy—Pillar One

Key Uses of Cash

15

Key Uses of Cash

- Acquisitions
  - Genzyme Genetics
  - Westcliff (LabWest, Inc)
    - DCL
    - Share Repurchase
      - \$337.4 million in 2010
      - \$325.5 million in first half of 2011
-

Five Pillar Strategy—Pillar One  
Genzyme Genetics Acquisition

16

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
-

Five Pillar Strategy—Pillar One  
Importance of Genetics

- Preconception
- Pre- and post-natal
- Identification of disease carriers
- Identification of disease predisposition
- Diagnosis of genetically caused or influenced conditions  
(eg, developmental delay)
- Disease prognosis and treatment  
(especially cancer)

17

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- 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

18

Five Pillar Strategy—Pillar One  
Importance of Oncology

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19  
Five Pillar Strategy  
Pillar Two  
Enhance IT Capabilities  
To Improve Physician  
and Patient Experience

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Five Pillar Strategy—Pillar Two  
LabCorp Beacon™ | Physician  
Experience

20

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
-

21

Unified Results

•Centralizes Lab Connectivity

View lab reports from DIANON  
Systems, Esoterix, LabCorp,  
Litholink, US Labs, 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

Five Pillar Strategy—Pillar Two

LabCorp Beacon™ | Physician  
Experience

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22

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

Five Pillar Strategy—Pillar Two

LabCorp Beacon™ | Physician  
Experience

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23

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

Five Pillar Strategy—Pillar Two  
LabCorp Beacon™ | Physician  
Experience

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24

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 the Time of  
Scheduling

Five Pillar Strategy—Pillar Two

LabCorp Beacon™ | Patient Experience

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25

Five Pillar Strategy  
Pillar Three  
Continue to Improve  
Efficiency to Offer the  
Most Compelling Value  
in Laboratory Services

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26

- 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

Five Pillar Strategy—Pillar Three  
Most Efficient Provider

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27

Five Pillar Strategy  
Pillar Four  
Scientific Innovation At  
Appropriate Pricing

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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)
	Five Pillar Strategy—Pillar Four
	Scientific Innovation
	<ul style="list-style-type: none"> <li>• Introduction of new tests</li> <li>• Acquisitions and licensing</li> <li>• Collaborations with leading companies and academic institutions</li> </ul>

“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

29

Five Pillar Strategy—Pillar Four  
Scientific Innovation

- 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 acquisition
  - Global clinical trials capability
    - Presence in China
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30  
Five Pillar Strategy  
Pillar Five  
Alternative Delivery  
Models

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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

31

Excellent Performance

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32

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 acquisition
    - IL-28B
  - New Monogram assays
    - Maintained price
  - Managed care stability
    - Strong results

2010 Accomplishments

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Note: During both the first quarter of 2010 and the first quarter of 2011, inclement weather reduced Adjusted EPS Excluding Amortization by approximately eight cents

	33					
	Second Quarter and First Half					
	2011 Results					
	Three Months			Six Months Ended		
	Ended Jun 30,			Jun 30,		
	2011	2010	+ / (-)	2011	2010	+ / (-)
Revenue	\$ 1,403.3	\$ 1,238.4	13.3%	\$2,771.7	\$2,432.0	14.0%
Adjusted Operating Income (1)	\$ 279.6	\$ 270.5	3.4%	\$543.3	\$514.0	5.7%
Adjusted Operating Income Margin (1)	19.9%	21.8%	-190 bp	19.6%	21.1%	-150 bp
Adjusted EPS Excluding Amortization(1)	\$ 1.64	\$ 1.56	5.1%	\$3.18	\$2.96	7.4%
Operating Cash Flow	\$ 184.9	\$ 216.2	-14.5%	\$ 400.2	\$ 448.2	-10.7%
Less: Capital Expenditures	\$ (45.8)	\$ (34.5)	32.8%	\$ (75.2)	\$ (59.0)	27.5%
Free Cash Flow	\$ 139.1	\$ 181.7	-23.4%	\$ 325.0	\$ 389.2	-16.5%

(1) See Reconciliation of non-GAAP Financial Measures (included herein)

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

34

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35

Reconciliation of  
non-GAAP Financial Measures

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

	Three Months Ended Jun 30,	
	2011	2010
Adjusted Operating Income		
Operating income	\$ 225.7	\$ 270.5
Restructuring and other special charges (1) (2)	53.9	-
Adjusted operating income	\$ 279.6	\$ 270.5
 Adjusted EPS Excluding Amortization		
Diluted earnings per common share	\$ 1.20	\$ 1.46
Impact of restructuring and other special charges (1) (2)	0.32	-
Amortization expense	0.12	0.10
Adjusted EPS Excluding Amortization (3)	\$ 1.64	\$ 1.56

1) During the second quarter of 2011, the Company recorded restructuring and other special charges of \$53.9 million. The restructuring charges include \$7.5 million in net severance and other personnel costs along with \$10.8 million in net facility-related costs primarily associated with the ongoing integration of the Genzyme Genetics and Westcliff acquisitions. The special charges also include \$34.5 million (\$49.5 million, net of previously recorded reserves of \$15.0 million) relating to the settlement of the Hunter Labs litigation, along with \$1.1 million for legal costs associated with the planned acquisition of Orchid Cellmark incurred during the quarter, both of which were recorded in Selling, General and Administrative Expenses in the Company's Statement of Operations. The after tax impact of these charges decreased net earnings for the quarter ended June 30, 2011, by \$32.6 million and diluted earnings per share by \$0.32 (\$32.6 million divided by 102.8 million shares).

During the first quarter of 2011, the Company recorded restructuring and other special charges of \$27.9 million. The charges included \$4.0 million in severance and other personnel costs along with \$9.8 million in facility-related costs associated with the integration of Genzyme Genetics. The charges also included a \$14.8 million write-off of an investment made in a prior year. For the six months ended June 30, 2011, the after tax impact of these combined charges decreased net earnings by \$49.4 million and diluted earnings per share by \$0.48 (\$49.4 million divided by 102.6 million shares).

2) 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 charges decreased net earnings for the six months ended June 30, 2010, by \$5.7 million and diluted earnings per share by \$0.06 (\$5.7 million divided by 105.9 million shares).

3) The Company continues to grow its business through acquisitions and uses Adjusted EPS Excluding Amortization as a measure of operational performance, growth and shareholder returns. The Company believes adjusting EPS for amortization will provide investors with better insight into the operating performance of the business. For the quarters ended June 30, 2011 and 2010, intangible amortization was \$21.5 million and \$17.7 million, respectively (\$13.0 million and \$10.8 million net of tax, respectively) and decreased EPS by \$0.12 (\$13.0 million divided by 102.8 million shares) and \$0.10 (\$10.8 million divided by 105.9 million shares), respectively. For the six months ended June 30, 2011 and 2010, intangible amortization was \$43.4 million and \$35.1 million, respectively (\$26.5 million and \$21.5 million net of tax, respectively) and decreased EPS by \$0.26 (\$26.5 million divided by 102.6 million shares) and \$0.20 (\$21.5 million divided by 105.9 million shares), respectively.

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36

Reconciliation of  
non-GAAP Financial Measures

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

	Six Months Ended Jun 30,	
	2011	2010
Adjusted Operating Income		
Operating income	\$ 461.5	\$ 504.7
Restructuring and other special charges (1) (2)	81.8	9.3
Adjusted operating income	\$ 543.3	\$ 514.0
 Adjusted EPS Excluding Amortization		
Diluted earnings per common share	\$ 2.44	\$ 2.70
Impact of restructuring and other special charges (1) (2)	0.48	0.06
Amortization expense	0.26	0.20
Adjusted EPS Excluding Amortization (3)	\$ 3.18	\$ 2.96

1) During the second quarter of 2011, the Company recorded restructuring and other special charges of \$53.9 million. The restructuring charges include \$7.5 million in net severance and other personnel costs along with \$10.8 million in net facility-related costs primarily associated with the ongoing integration of the Genzyme Genetics and Westcliff acquisitions. The special charges also include \$34.5 million (\$49.5 million, net of previously recorded reserves of \$15.0 million) relating to the settlement of the Hunter Labs litigation, along with \$1.1 million for legal costs associated with the planned acquisition of Orchid Cellmark incurred during the quarter, both of which were recorded in Selling, General and Administrative Expenses in the Company's Statement of Operations. The after tax impact of these charges decreased net earnings for the quarter ended June 30, 2011, by \$32.6 million and diluted earnings per share by \$0.32 (\$32.6 million divided by 102.8 million shares).

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## Supplemental Financial Information

Laboratory Corporation of America  
 Other Financial Information  
 FY 2009, FY 2010 and Q1-Q2 2011

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11
Bad debt as a percentage of sales	5.3%	5.3%	5.3%	5.3%	5.0%	4.8%	4.8%	4.7%	4.7%	4.7%
Days sales outstanding <sup>1</sup>	52	50	48	44	46	45	44	46	47	46
A/R coverage (Allow. for Doubtful Accts. / A/R) <sup>2</sup>	19.5%	20.6%	21.9%	23.2%	21.7%	20.7%	20.4%	18.5%	19.4%	20.6%

(1) Excluding the impact from Genzyme Genetics, DSO was 43 days in Q4 of 2010, 45 days in Q1 of 2011 and 43 days in Q2 of 2011

(2) Excluding the impact from Genzyme Genetics, A/R Coverage was 19.9% in Q4 of 2010, 20.4% in Q1 of 2011 and 21.1% in Q2 of 2011

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