

# Third Quarter 2021 Supplemental Financial Information

October 28, 2021

**labcorp**

# Cautionary Statement Regarding Forward-Looking Statements

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This presentation of Laboratory Corporation of America Holdings contains forward-looking statements, statements with respect to (i) the estimated 2021 guidance and the related assumptions, (ii) the impact of various factors on operating and financial results, including the projected impact of the COVID-19 pandemic on the company's businesses, operating results, cash flows and/or financial condition, as well as general economic and market conditions, (iii) our responses to the COVID-19 pandemic, (iv) future business strategies, (v) expected savings and synergies (including from the LaunchPad initiative and from acquisitions), and (vi) opportunities for future growth.

Each of the forward-looking statements is subject to change based on various important factors, many of which are beyond the company's control, including without limitation, the impact of the COVID-19 pandemic and its impact on our business and financial condition and on general economic, business, and market conditions, our ability (or inability) to execute on our plans to respond to the COVID-19 pandemic, competitive actions and other unforeseen changes and general uncertainties in the marketplace, changes in government regulations, including healthcare reform, customer purchasing decisions, including changes in payer regulations or policies, other adverse actions of governmental and third-party payers, changes in testing guidelines or recommendations, federal, state, and local government responses to the COVID-19 pandemic, the effect of public opinion on the company's reputation, the outcome of our review of our structure and changes in capital allocation strategy, adverse results in material litigation matters, the impact of changes in tax laws and regulations, failure to maintain or develop customer relationships, our ability to develop or acquire new products and adapt to technological changes, failure in information technology, systems or data security, adverse weather conditions, the number of revenue days in a financial period, employee relations, personnel costs, and the effect of exchange rate fluctuations. These factors, in some cases, have affected and in the future (together with other factors) could affect the company's ability to implement the company's business strategy and actual results could differ materially from those suggested by these forward-looking statements. As a result, readers are cautioned not to place undue reliance on any of our forward-looking statements.

The company has no obligation to provide any updates to these forward-looking statements even if our expectations change. All forward-looking statements are expressly qualified in their entirety by this cautionary statement. Further information on potential factors, risks and uncertainties that could affect operating and financial results is included in the company's most recent Annual Report on Form 10-K and subsequent Forms 10-Q, including in each case under the heading RISK FACTORS, and in the company's other filings with the SEC. The information in this presentation should be read in conjunction with a review of the company's filings with the SEC including the information in the company's most recent Annual Report on Form 10-K, and subsequent Forms 10-Q, under the heading MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

# Use of Adjusted Measures

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The company has provided in this presentation and accompanying tables “adjusted” financial information that has not been prepared in accordance with GAAP, including adjusted net income, adjusted EBITDA, adjusted EPS (or adjusted net income per share), adjusted operating income, adjusted operating margin, free cash flow, and certain segment information. The company believes these adjusted measures are useful to investors as a supplement to, but not as a substitute for, GAAP measures, in evaluating the company’s operational performance. The company further believes that the use of these non-GAAP financial measures provides an additional tool for investors in evaluating operating results and trends, and growth and shareholder returns, as well as in comparing the company’s financial results with the financial results of other companies. However, the company notes that these adjusted measures may be different from and not directly comparable to the measures presented by other companies. Reconciliations of these non-GAAP measures to the most comparable GAAP measures and an identification of the components that comprise “special items” used for certain adjusted financial information are included in the tables accompanying this presentation.

# Third Quarter Consolidated Results

## (Dollars in Millions, Except Per Share Data)

	<u>3Q21</u>	<u>3Q20</u>	% Change
Revenues	\$4,062.6	\$3,896.1	4.3% <sup>(2)</sup>
Adjusted Operating Income <sup>(1)</sup>	\$907.1	\$1,155.7	(21.5%)
<i>Adjusted Operating Margin</i>	22.3 %	29.7 %	(730) bps
Adjusted EPS <sup>(1)</sup>	\$6.82	\$8.41	(18.9%)
Operating Cash Flow	\$767.3	\$786.2	(2.4%)
Less: Capital Expenditures	<u>(\$117.8)</u>	<u>(\$77.2)</u>	52.6%
Free Cash Flow	\$649.5	\$709.0	(8.4%)

(1) Adjusted operating income and Adjusted EPS exclude amortization, restructuring charges, and special items. See reconciliation of non-GAAP Financial Measures on slides 16 – 19.

(2) The increase was primarily due to organic growth of [3.4%], acquisitions of [0.4%], and foreign currency translation of [0.5%]. The [3.4%] increase in organic revenue is driven by a [10.2%] increase in the company's organic Base Business, partially offset by a [(6.8%)] decrease in COVID-19 PCR and antibody testing (COVID-19 Testing). Base Business includes Labcorp's operations except for COVID-19 Testing.

# Year-To-Date Consolidated Results

## (Dollars in Millions, Except Per Share Data)

	<u>Nine Months Ended 9/30/21</u>	<u>Nine Months Ended 9/30/20</u>	<u>% Change</u>
Revenues	\$12,064.8	\$9,488.7	27.1% <sup>(2)</sup>
Adjusted Operating Income <sup>(1)</sup>	\$2,928.9	\$1,902.4	54.0%
<i>Adjusted Operating Margin</i>	24.3 %	20.0 %	430 bps
Adjusted EPS <sup>(1)</sup>	\$21.75	\$13.36	62.8%
Operating Cash Flow	\$2,412.1	\$1,360.7	77.3%
Less: Capital Expenditures	<u>(\$310.4)</u>	<u>(\$282.3)</u>	10.0%
Free Cash Flow	\$2,101.7	\$1,078.4	94.9%

(1) Adjusted operating income and Adjusted EPS exclude amortization, restructuring charges, and special items. See reconciliation of non-GAAP Financial Measures on slides 16 – 19.

(2) The increase was due to organic growth of [25.2%], acquisitions of [0.8%], and favorable foreign currency translation of [1.2%]. The organic revenue increase includes a [18.2%] contribution from the company's organic Base Business and a [7.0%] increase in COVID-19 Testing.

# Third Quarter Adjusted Segment Results

## (Dollars in Millions)

	<u>3Q21</u>	<u>3Q20</u>	<u>% Change</u>
<b>Revenue</b>			
Diagnostics	\$2,617.5	\$2,704.2	(3.2%)
Drug Development	\$1,459.5	\$1,241.9	17.5%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$4,062.6</b>	<b>\$3,896.1</b>	<b>4.3%</b>
<b>Adjusted Operating Income <sup>(2)</sup></b>			
Diagnostics	\$774.9	\$1,003.9	(22.8%)
<i>Adjusted Operating Margin</i>	29.6%	37.1%	(750) bps
Drug Development	\$226.1 *	\$209.7	7.8%
<i>Adjusted Operating Margin</i>	15.5%	16.9%	(140) bps
Unallocated Corporate Expense	(\$93.9) *	(\$57.8)	62.3%
<b>Total Adjusted Operating Income</b>	<b>\$907.1</b>	<b>\$1,155.8</b>	<b>(21.5%)</b>
<i>Total Adjusted Operating Margin</i>	22.3%	29.7%	(730) bps

\* Drug Development excludes \$36.0 million of expense related to the Enterprise component of its management incentive bonus, which is included in unallocated corporate expense.

(1) Consolidated revenues and segment adjusted operating income are presented net of intersegment transaction eliminations and other amounts not used in determining segment performance.

(2) Adjusted operating income excludes amortization, restructuring charges, and special items. See Reconciliation of Non-GAAP Financial Measures on slides 16 – 19.

# Year-To-Date Adjusted Segment Results

## (Dollars in Millions)

	<u>Nine Months Ended 9/30/21</u>	<u>Nine Months Ended 9/30/20</u>	<u>% Change</u>
<b>Revenue</b>			
Diagnostics	\$7,740.8	\$6,098.8	26.9%
Drug Development	\$4,392.9	\$3,479.4	26.3%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$12,064.8</b>	<b>\$9,488.7</b>	<b>27.1%</b>
<b>Adjusted Operating Income <sup>(2)</sup></b>			
Diagnostics	\$2,429.7	\$1,566.9	55.1%
<i>Adjusted Operating Margin</i>	31.4%	25.7%	570 bps
Drug Development	\$681.4 *	\$473.2	44.0%
<i>Adjusted Operating Margin</i>	15.5%	13.6%	190 bps
Unallocated Corporate Expense	(\$182.2) *	(\$137.7)	32.3%
<b>Total Adjusted Operating Income</b>	<b>\$2,928.9</b>	<b>\$1,902.4</b>	<b>54.0%</b>
<i>Total Adjusted Operating Margin</i>	24.3%	20.0%	430 bps

\* Drug Development excludes \$36.0 million of expense related to the Enterprise component of its management incentive bonus, which is included in unallocated corporate expense.

(1) Consolidated revenues and segment adjusted operating income are presented net of intersegment transaction eliminations and other amounts not used in determining segment performance.

(2) Adjusted operating income excludes amortization, restructuring charges, and special items. See Reconciliation of Non-GAAP Financial Measures on slides 16 – 19.

# Third Quarter Adjusted Segment Results vs. 2019

## (Dollars in Millions)

	<u>3Q21</u>	<u>3Q19</u>	<u>CAGR</u>
<b>Revenue</b>			
Diagnostics Total	\$2,617.5	\$1,759.2	22.0%
Base Business - Revenue	\$1,926.9	\$1,759.2	4.7%
Base Business - Volume			0.2%
Base Business - Price/Mix			4.5%
Drug Development Total	\$1,459.5	\$1,175.4	11.4%
Base Business - Revenue	\$1,458.3	\$1,175.4	11.4%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$4,062.6</b>	<b>\$2,928.5</b>	<b>17.8%</b>

(1) Consolidated revenue is presented net of intersegment transaction eliminations and other amounts not used in determining segment performance. Base Business includes Labcorp's operations except for COVID-19 Testing.

# Year-To-Date Adjusted Segment Results vs. 2019

## (Dollars in Millions)

	<u>Nine Months Ended 9/30/21</u>	<u>Nine Months Ended 9/30/19</u>	<u>CAGR</u>
<b>Revenue</b>			
Diagnostics Total	\$7,740.8	\$5,242.1	21.5%
Base Business - Revenue	\$5,664.5	\$5,242.1	4.0%
Base Business - Volume			(1.2%)
Base Business - Price/Mix			5.1%
Drug Development Total	\$4,392.9	\$3,376.4	14.1%
Base Business - Revenue	\$4,357.6	\$3,376.4	13.6%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$12,064.8</b>	<b>\$8,601.4</b>	<b>18.4%</b>

(1) Consolidated revenue is presented net of intersegment transaction eliminations and other amounts not used in determining segment performance. Base Business includes Labcorp's operations except for COVID-19 Testing.

# Select Financial Metrics

## (Dollars in Millions)

	<u>3Q20</u>	<u>4Q20</u>	<u>1Q21</u>	<u>2Q21</u>	<u>3Q21</u>
Total Depreciation	\$90.1	\$93.1	\$91.8	\$94.6	\$93.9
Total Amortization <sup>(1)</sup>	\$62.2	\$90.8	\$92.1	\$92.4	\$92.2
Total Adjusted EBITDA <sup>(2)</sup>	\$1,249.8	\$1,528.2	\$1,279.3	\$943.4	\$1,010.0
Total Debt to Last Twelve Months Adjusted EBITDA <sup>(2)</sup>	2.2x	1.6x	1.2x	1.1x	1.2x
Total Net Debt to Last Twelve Months Adjusted EBITDA <sup>(2)(3)</sup>	2.0x	1.2x	0.8x	0.7x	0.7x

(1) Excludes amortization of deferred financing fees.

(2) Adjusted EBITDA excludes restructuring charges and special items. See reconciliation on slide 16.

(3) Net debt equals total debt less cash and cash equivalents.

# Drug Development: Select Financial Metrics <sup>(1)</sup>

Trailing Twelve Month (TTM) Results		
	Net Orders	Net Book-to-Bill
TTM Ending September 30, 2021	\$7.8 billion	1.34x
TTM Ending June 30, 2021	\$7.9 billion	1.41x
TTM Ending March 31, 2021	\$7.6 billion	1.47x
TTM Ending December 31, 2020	\$7.0 billion	1.43x
TTM Ending September 30, 2020	\$6.1 billion	1.31x

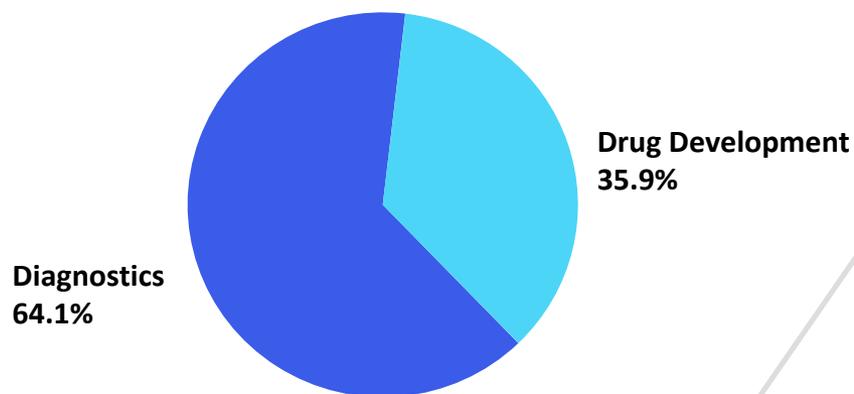
	Backlog	Estimated revenue expected to convert from backlog in the next twelve months
As of September 30, 2021	\$14.4 billion	\$4.9 billion
As of June 30, 2021	\$14.3 billion	\$4.9 billion
As of March 31, 2021	\$14.0 billion	\$4.6 billion
As of December 31, 2020	\$13.8 billion	\$4.5 billion
As of September 30, 2020	\$12.5 billion	\$4.2 billion

(1) Results shown include the impact from cancellations and foreign currency translation.

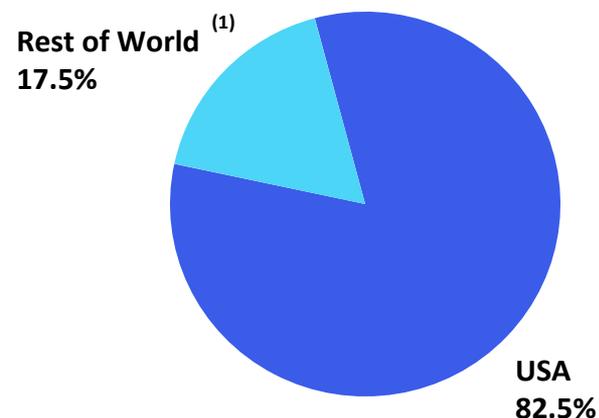
# Third Quarter 2021 Revenue Distribution

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## Segment Distribution



## Geographic Distribution



*(1) Revenues recognized in over 30 currencies; the largest foreign currency accounts for less than 10% of total revenue.*

# Third Quarter 2021 Foreign Exchange Impact to Revenue<sup>(1)</sup> (Dollars in Millions)

	<u>Dollars</u>	<u>Year over Year % Growth</u>
<b><u>Consolidated</u></b>		
Revenue, as Reported	\$4,063	4.3%
Foreign Exchange Impact	(\$20)	(0.5%)
Revenue, Constant Currency	\$4,043	3.8%
<b><u>Diagnostics</u></b>		
Revenue, as Reported	\$2,617	(3.2%)
Foreign Exchange Impact	(\$7)	(0.3%)
Revenue, Constant Currency	\$2,611	(3.5%)
<b><u>Drug Development</u></b>		
Revenue, as Reported	\$1,459	17.5%
Foreign Exchange Impact	(\$13)	(1.0%)
Revenue, Constant Currency	\$1,447	16.5%

(1) Does not foot due to rounding.

# Year-To-Date 2021 Foreign Exchange Impact to Revenue<sup>(1)</sup> (Dollars in Millions)

	<u>Dollars</u>	<u>Year over Year % Growth</u>
<b><u>Consolidated</u></b>		
Revenue, as Reported	\$12,065	27.1%
Foreign Exchange Impact	(\$114)	(1.2%)
Revenue, Constant Currency	\$11,950	25.9%
<b><u>Diagnostics</u></b>		
Revenue, as Reported	\$7,741	26.9%
Foreign Exchange Impact	(\$29)	(0.5%)
Revenue, Constant Currency	\$7,712	26.5%
<b><u>Drug Development</u></b>		
Revenue, as Reported	\$4,393	26.3%
Foreign Exchange Impact	(\$86)	(2.5%)
Revenue, Constant Currency	\$4,307	23.8%

(1) Does not foot due to rounding.

# Supplemental Information on Price / Mix & Days

<b>Price / Mix Versus Revenue Per Requisition <sup>(1)</sup></b>							
Year over Year % Change	Q1 2020 <sup>(7)</sup>	Q2 2020	Q3 2020	Q4 2020 <sup>(7)</sup>	Q1 2021	Q2 2021	Q3 2021
Revenue <sup>(2)</sup>	(1.2%)	(3.9%)	53.7%	79.5%	62.0%	39.7%	(3.2%)
Volume (in requisitions) <sup>(3)</sup>	(4.4%)	(19.5%)	21.8%	33.9%	27.3%	39.6%	0.2%
Price / mix <sup>(4)</sup>	3.3%	15.6%	31.9%	45.5%	34.7%	0.1%	(3.4%)
<b>Price / Mix Reconciliation</b>							
Revenue per requisition <sup>(5)</sup>	3.5%	19.4%	26.2%	34.0%	27.3%	0.1%	(3.4%)
Other mix <sup>(6)</sup>	(0.2%)	(3.8%)	5.7%	11.5%	7.4%	0.0%	0.0%
Price / mix <sup>(4)</sup>	3.3%	15.6%	31.9%	45.5%	34.7%	0.1%	(3.4%)

<b>Days in 2021 Versus 2020 <sup>(8)(9)</sup></b>					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year <sup>(7)</sup>
Revenue Day Variance	- 0.75 Day	—	+ 0.25 Day	+ 0.25 Day	- 0.50 Day
Payroll Day Variance	- 1.00 Day	—	—	—	- 1.00 Day

(1) Price / mix and revenue per requisition are only applicable to the Diagnostics segment.

(2) Revenue variance percent: YOY change in revenue divided by prior year revenue.

(3) Volume (in requisitions) variance percent: YOY change in volume divided by prior year volume.

(4) Price / mix percent: Calculated as revenue variance percent, less volume (in requisitions) variance percent.

(5) Revenue per requisition variance percent: Current year revenue divided by current year requisition volume with result divided by the same calculation for the prior year, minus one.

(6) Other mix percent: YOY variance percentage in revenue per requisition multiplied by the YOY variance percentage in volume.

(7) Does not foot due to rounding.

(8) Year-over-year variances in Revenue Days and Payroll Days predominantly only impact the Diagnostics Segment.

(9) Day variances are rounded to the nearest quarter day.

# 2021 Financial Guidance

(Dollars in billions, except per share data)

	Full Year Results (in Dollars)		2021 Guidance (in Dollars)		2021 Guidance (% Versus 2020 Results)		2021 Guidance (CAGR <sup>(7)</sup> to 2019 Results)	
	<u>2019</u>	<u>2020</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
<b>Revenue</b>								
Total Labcorp Enterprise <sup>(1)(2)</sup>	\$11.55	\$13.98	\$15.80	\$15.94	13.0%	14.0%	17.0%	17.5%
Base Business <sup>(2)(3)</sup>	\$11.55	\$11.19	\$13.26	\$13.37	18.5%	19.5%	7.1%	7.6%
COVID-19 Testing <sup>(2)</sup>	\$0.00	\$2.78	\$2.47	\$2.61	(11.0%)	(6.0%)		
Total Diagnostics <sup>(4)</sup>	\$7.00	\$9.25	\$9.99	\$10.18	8.0%	10.0%	19.5%	20.6%
Base Business	\$7.00	\$6.47	\$7.51	\$7.57	16.0%	17.0%	3.6%	4.0%
COVID-19 Testing	\$0.00	\$2.78	\$2.47	\$2.61	(11.0%)	(6.0%)		
Total Drug Development <sup>(5)</sup>	\$4.58	\$4.88	\$5.83	\$5.88	19.5%	20.5%	12.8%	13.3%
Base Business	\$4.58	\$4.76	\$5.78	\$5.83	21.5%	22.5%	12.3%	12.8%
<b>Adjusted EPS</b>	\$11.32	\$23.94	\$26.00	\$28.00	8.6%	17.0%	51.6%	57.3%
<b>Free Cash Flow <sup>(6)</sup></b>	\$1.04	\$1.75	\$2.45	\$2.60	40.0%	48.6%	53.5%	58.1%

(1) 2021 Guidance percent changes as compared to 2020 results includes a benefit from foreign currency translation of 0.9%.

(2) Enterprise level revenue is presented net of intersegment transaction eliminations, including Drug Development COVID-19 Testing revenue.

(3) Base Business includes Labcorp's operations except for COVID-19 Testing.

(4) 2021 Guidance percent changes as compared to 2020 results includes a benefit from foreign currency translation of 0.4%.

(5) 2021 Guidance percent changes as compared to 2020 results includes a benefit from foreign currency translation of 1.7%.

(6) Free Cash Flow consists of operating cash flow less capital expenditures.

(7) Compound annual growth rate from 2019 results to 2021 Guidance.

# Reconciliation of Non-GAAP Financial Measures – Adjusted EBITDA (Dollars in Millions)

	<u>3Q20</u>	<u>4Q20</u>	<u>1Q21</u>	<u>2Q21</u>	<u>3Q21</u>
Operating Income	\$1,047.1	\$1,293.2	\$1,057.9	\$704.1	\$766.9
Add:					
Restructuring and special charges	7.1	1.7	19.2	9.6	6.5
Goodwill and other asset impairments	23.5	1.2	—	—	—
Other special charges <sup>(1)</sup>	15.9	42.6	12.7	33.8	41.5
Depreciation	90.1	93.1	91.8	94.6	93.9
Amortization of intangibles and other assets	62.2	90.8	92.1	92.4	92.2
Equity method income, net	3.0	4.7	4.5	8.0	8.4
EBITDA adjustments to equity method income, net	0.9	0.9	1.1	0.9	0.6
Adjusted EBITDA	<u>1,249.8</u>	<u>1,528.2</u>	<u>1,279.3</u>	<u>943.4</u>	<u>1,010.0</u>

(1) Other special charges as disclosed by the company in its quarterly earnings releases.

# Reconciliation of Non-GAAP Income Statement (Dollars in Millions, Except Per Share Data)

	GAAP		Non-GAAP	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 4,062.6	\$ 3,896.1	\$ 4,062.6	\$ 3,896.1
Cost of revenues	2,677.1	2,336.7	2,660.9	2,327.8
Adjustments impacting revenues	—	—	—	—
Gross profit	1,385.5	1,559.4	1,401.7	1,568.3
Selling, general and administrative expenses	519.9	419.5	494.6	412.5
Amortization of intangibles and other assets	92.2	62.2	—	—
Goodwill and other asset impairments	—	23.5	—	—
Restructuring and other charges	6.5	7.1	—	—
Operating income	766.9	1,047.1	907.1	1,155.8
Other income (expense):				
Interest expense	(42.2)	(51.4)	(42.2)	(51.4)
Equity method income, net	8.4	3.0	8.4	3.0
Investment income	3.2	2.6	3.2	2.6
Other, net	31.9	(54.2)	(0.4)	0.2
Earnings before income taxes	768.2	947.1	876.1	1,110.2
Provision for income taxes	180.4	243.4	213.7	285.6
Net earnings	587.8	703.7	662.4	824.6
Less: Net earnings attributable to the noncontrolling interest	(0.5)	(0.3)	(0.5)	(0.3)
Net earnings attributable to Laboratory Corporation of America Holdings	\$ 587.3	\$ 703.4	\$ 661.9	\$ 824.3
Diluted earnings per common share	\$ 6.05	\$ 7.17	\$ 6.82	\$ 8.41
Weighted average diluted shares outstanding	97.1	98.1	97.1	98.1

# Reconciliation of Non-GAAP Income Statement (Dollars in Millions, Except Per Share Data)

	GAAP		Non-GAAP	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 12,064.8	\$ 9,488.7	\$ 12,064.8	\$ 9,488.7
Cost of revenues	7,815.5	6,440.8	7,789.6	6,418.6
Adjustments impacting revenues			—	(17.0)
Gross profit	4,249.3	3,047.9	4,275.2	3,087.1
Selling, general and administrative expenses	1,408.4	1,211.3	1,346.3	1,184.7
Amortization of intangibles and other assets	276.7	184.6	—	—
Goodwill and other asset impairments	—	460.9	—	—
Restructuring and other charges	35.3	38.9	—	—
Operating income	2,528.9	1,152.2	2,928.9	1,902.4
Other income (expense):				
Interest expense	(169.0)	(159.1)	(135.6)	(159.1)
Equity method income, net	20.9	(1.8)	20.9	5.3
Investment income	8.3	7.7	8.3	7.7
Other, net	51.5	(22.6)	4.5	(5.3)
Earnings before income taxes	2,440.6	976.4	2,827.0	1,751.0
Provision for income taxes	614.7	358.0	696.0	443.0
Net earnings	1,825.9	618.4	2,131.0	1,308.0
Less: Net earnings attributable to the noncontrolling interest	(1.6)	(0.6)	(1.6)	(0.6)
Net earnings attributable to Laboratory Corporation of America Holdings	\$ 1,824.3	\$ 617.8	\$ 2,129.4	\$ 1,307.4
Diluted earnings per common share	\$ 18.63	\$ 6.31	\$ 21.75	\$ 13.36
Weighted average diluted shares outstanding	97.9	97.9	97.9	97.9

# Reconciliation of Non-GAAP Financial Measures<sup>(1)</sup>

## (Dollars in Millions, Except Per Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Adjusted Operating Income</b>				
Operating Income	\$ 766.9	\$ 1,047.1	\$ 2,528.9	\$ 1,152.2
Amortization of intangibles and other assets <sup>(a)</sup>	92.2	62.2	276.7	184.6
Restructuring and other charges <sup>(b)</sup>	6.5	7.1	35.3	38.9
Acquisition and disposition-related costs <sup>(c)</sup>	4.4	4.2	19.1	17.2
LaunchPad system implementation costs <sup>(d)</sup>	2.7	0.2	5.5	1.3
Executive transition expenses <sup>(e)</sup>	2.8	1.8	5.6	12.4
COVID-19 related costs <sup>(f)</sup>	18.1	8.7	31.0	42.7
Goodwill and other asset impairments <sup>(g)</sup>	—	23.5	—	460.9
Retention bonuses <sup>(h)</sup>	9.6	—	9.6	—
Other <sup>(i)</sup>	3.9	1.0	17.2	(7.8)
Adjusted operating income	<u>\$ 907.1</u>	<u>\$ 1,155.8</u>	<u>\$ 2,928.9</u>	<u>\$ 1,902.4</u>
Adjustments impacting revenues <sup>(f)</sup>	\$ —	\$ —	\$ —	\$ 17.0
Adjusted operating margin	22.3 %	29.7 %	24.3 %	20.0 %
<b>Adjusted Net Income</b>				
Net Income	\$ 587.3	\$ 703.4	\$ 1,824.3	\$ 617.8
Impact of adjustments to operating income	140.2	108.7	400.0	750.2
CARES Act Provider Relief Funds <sup>(j)</sup>	—	55.9	—	—
(Gains) and losses on venture fund investments, net <sup>(k)</sup>	(33.5)	—	(53.1)	25.4
Loss on sale of business <sup>(l)</sup>	1.1	—	6.1	0.5
Debt refinancing costs <sup>(m)</sup>	—	—	33.4	—
Gain on exit of swap	—	(1.6)	—	(1.6)
Change in U.K. tax rates <sup>(n)</sup>	—	—	17.1	—
Income tax impact of adjustments <sup>(o)</sup>	(33.2)	(42.1)	(98.4)	(84.9)
Adjusted net income	<u>\$ 661.9</u>	<u>\$ 824.3</u>	<u>\$ 2,129.4</u>	<u>\$ 1,307.4</u>
Weighted average diluted shares outstanding	97.1	98.1	97.9	97.9
Adjusted net income per share	\$ 6.82	\$ 8.41	\$ 21.75	\$ 13.36

(1) Footnotes associated with Reconciliation of Non-GAAP Financial Measures are presented on slide 20.

# Reconciliation of Non-GAAP Financial Measures — Footnotes

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- (a) Amortization of intangible assets acquired as part of business acquisitions. In the fourth quarter of 2020, the Company announced a rebranding resulting in an acceleration of the amortization of acquired trade names reflected in the three and nine months ended September 30, 2021.
- (b) Restructuring and other charges represent amounts incurred in connection with the elimination of redundant positions within the organization in connection with our LaunchPad initiatives and acquisitions or dispositions of businesses by the company.
- (c) Acquisition and disposition-related costs include due-diligence legal and advisory fees, retention bonuses and other integration or disposition related activities.
- (d) LaunchPad system implementation costs include non-capitalized costs associated with the implementation of systems as part of the LaunchPad business process improvement initiative.
- (e) Represents executive transition expenses related to various management reorganizations.
- (f) Costs related to incremental operating expenses and receivables reserves incurred as a result of the COVID-19 pandemic.
- (g) During the first quarter of 2020, the company determined that certain goodwill and long-lived assets were impaired. These charges were triggered by the economic conditions resulting from the COVID-19 pandemic.
- (h) Due to the current tight labor markets the company implemented a targeted retention program within the Drug Development segment for a select group of positions experiencing higher than normal turnover.
- (i) Represents various non-operational items including rebranding, strategic review, litigation, data breach costs, insurance reimbursements, and acquisition contingent purchase price adjustments.
- (j) The company recorded \$55.9 million in funding from the Public Health and Social Services Emergency Fund for provider relief that was appropriated by Congress to the Department of Health and Human Services (HHS) in the Coronavirus Aid, Relief, and Economic Security Act. The company made a decision to return these funds during the third quarter of 2020.
- (k) The company makes venture fund investments in companies or investment funds developing promising technology related to its operations. The company recorded net gains and losses related to several distributions from venture funds, increases in the market value of investments, and impairments of other investments due to the underlying performance of the investments.
- (l) Represent the loss on sale of certain assets by the Drug Development business.
- (m) During the second quarter of 2021, the company refinanced \$1,000.0 million in senior notes due in February and August 2022 and incurred costs related to the make-whole provisions and the acceleration of deferred financing costs.
- (n) During the second quarter of 2021, the UK tax authorities announced increased future tax rates resulting in the revaluation of the UK tax assets and liabilities.
- (o) Income tax impact of adjustments calculated based on the tax rate applicable to each item.