



**FOURTH QUARTER 2019
SUPPLEMENTAL FINANCIAL INFORMATION**

February 13, 2020

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This presentation of Laboratory Corporation of America Holdings (the “Company”) contains forward-looking statements, including but not limited to statements with respect to estimated 2020 guidance and the related assumptions, the impact of various factors on operating and financial results, expected savings and synergies (including from the LaunchPad initiative and as a result of acquisitions), and the 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, competitive actions and other unforeseen changes and general uncertainties in the marketplace, changes in government regulations, including health care 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, the effect of public opinion on the Company’s reputation, 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, failures 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 on international operations.

Actual results could differ materially from those suggested by these forward-looking statements. The Company has no obligation to provide any updates to these forward-looking statements even if its 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 the operating and financial results of the Company is included in the Company’s most recent Annual Report on Form 10-K, and subsequent Quarterly Reports on Form 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 information in the Company’s most recent Annual Report on Form 10-K, and subsequent Quarterly Reports on Form 10-Q, under the heading MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

USE OF ADJUSTED MEASURES

The Company has provided in this presentation “adjusted” financial information that has not been prepared in accordance with GAAP, including adjusted net income, adjusted EPS (or adjusted net income per share), adjusted operating income, adjusted operating margin, adjusted EBITDA, 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 provide 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.

FOURTH QUARTER CONSOLIDATED RESULTS

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	<u>4Q19</u>	<u>4Q18</u>	<u>% Change</u>
Revenues	\$2,953.4	\$2,787.5	6.0% ⁽³⁾
Adjusted Operating Income ⁽¹⁾	\$422.0	\$394.9	6.9%
<i>Adjusted Operating Margin</i>	<i>14.3%</i>	<i>14.2%</i>	<i>10 bps</i>
Adjusted EPS ⁽¹⁾	\$2.86	\$2.52	13.5%
Operating Cash Flow ⁽²⁾	\$569.8	\$486.4	17.1%
Less: Capital Expenditures	<u>(\$128.2)</u>	<u>(\$122.2)</u>	(4.9%)
Free Cash Flow	\$441.6	\$364.2	21.3%

(1) Adjusted operating income and Adjusted EPS exclude amortization, restructuring charges, and special items. See Reconciliation of non-GAAP Financial Measures on slides 14 – 17.

(2) Operating cash flow decreased by approximately \$105 million for the three months ended December 31, 2018 due to the net tax payment for the disposition of businesses (the Company realized gross proceeds from the disposition of businesses of \$658.2 million in cash reflected in Cash Flows from Investing Activities).

(3) The increase in revenue was due to acquisitions of 4.5% and organic growth of 2.3% (which includes the negative impact from PAMA of 0.9%), partially offset by the disposition of businesses of 0.6% and negative foreign currency translation of 0.2%.

FULL YEAR CONSOLIDATED RESULTS

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	<u>Year Ended 12/31/19</u>	<u>Year Ended 12/31/18</u>	<u>% Change</u>
Revenues	\$11,554.8	\$11,333.4	2.0% ⁽³⁾
Adjusted Operating Income ⁽¹⁾	\$1,710.8	\$1,723.3	(0.7%)
<i>Adjusted Operating Margin</i>	<i>14.8%</i>	<i>15.2%</i>	<i>(40 bps)</i>
Adjusted EPS ⁽¹⁾	\$11.32	\$11.02	2.7%
Operating Cash Flow ⁽²⁾	\$1,444.7	\$1,305.4	10.7%
Less: Capital Expenditures	<u>(\$400.2)</u>	<u>(\$379.8)</u>	(5.4%)
Free Cash Flow	\$1,044.5	\$925.6	12.8%

(1) Adjusted operating income and Adjusted EPS exclude amortization, restructuring charges, and special items. See Reconciliation of non-GAAP Financial Measures on slides 14 – 17.

(2) Operating cash flow in 2018 decreased by approximately \$105 million for the three and twelve months ended December 31, 2018 due to the net tax payment for the disposition of businesses (the Company realized gross proceeds from the disposition of businesses of \$658.2 million in cash reflected in Cash Flows from Investing Activities).

(3) The increase in revenue was due to growth from acquisitions of 2.3% and organic growth of 1.6% (which includes the negative impact from PAMA of 0.9%), partially offset by the disposition of businesses of 1.4% and negative foreign currency translation of 0.5%.

FOURTH QUARTER PRO FORMA SEGMENT RESULTS

(DOLLARS IN MILLIONS)

	<u>4Q19</u>	<u>4Q18</u>	<u>% Change</u>
Revenues			
LabCorp Diagnostics	\$1,757.8	\$1,694.4	3.7%
Covance Drug Development	\$1,201.7	\$1,099.0	9.3%
Total Revenues⁽¹⁾	\$2,953.4	\$2,787.5	6.0%
Adjusted Operating Income⁽²⁾			
LabCorp Diagnostics	\$277.1	\$279.3	(0.8%)
<i>Adjusted Operating Margin</i>	<i>15.8%</i>	<i>16.5%</i>	<i>(70 bps)</i>
Covance Drug Development	\$183.2	\$153.5	19.3%
<i>Adjusted Operating Margin</i>	<i>15.2%</i>	<i>14.0%</i>	<i>130 bps</i>
Unallocated Corporate Expense	(\$38.3)	(\$37.9)	(1.1%)
Total Adjusted Operating Income	\$422.0	\$394.9	6.9%
<i>Total Adjusted Operating Margin</i>	<i>14.3%</i>	<i>14.2%</i>	<i>10 bps</i>

(1) The consolidated revenues are presented net of inter-segment transaction eliminations.

(2) Adjusted operating income excludes amortization, restructuring charges, and special items. See Reconciliation of Non-GAAP Financial Measures on slides 14 – 17.

FULL YEAR PRO FORMA SEGMENT RESULTS

(DOLLARS IN MILLIONS)

	<u>Year Ended 12/31/19</u>	<u>Year Ended 12/31/18</u>	<u>% Change</u>
Revenues			
LabCorp Diagnostics	\$6,999.9	\$7,030.8	(0.4%)
Covance Drug Development	\$4,578.1	\$4,313.1	6.1%
Total Revenues⁽¹⁾	\$11,554.8	\$11,333.4	2.0%
Adjusted Operating Income⁽²⁾			
LabCorp Diagnostics	\$1,229.1	\$1,350.9	(9.0%)
<i>Adjusted Operating Margin</i>	<i>17.6%</i>	<i>19.2%</i>	<i>(170 bps)</i>
Covance Drug Development	\$637.9	\$516.2	23.6%
<i>Adjusted Operating Margin</i>	<i>13.9%</i>	<i>12.0%</i>	<i>200 bps</i>
Unallocated Corporate Expense	(\$156.2)	(\$143.8)	(8.6%)
Total Adjusted Operating Income	\$1,710.8	\$1,723.3	(0.7%)
<i>Total Adjusted Operating Margin</i>	<i>14.8%</i>	<i>15.2%</i>	<i>(40 bps)</i>

(1) The consolidated revenues are presented net of inter-segment transaction eliminations.

(2) Adjusted operating income excludes amortization, restructuring charges, and special items. See Reconciliation of Non-GAAP Financial Measures on slides 14 – 17.

SELECT FINANCIAL METRICS

(DOLLARS IN MILLIONS)

	<u>4Q18</u>	<u>1Q19</u>	<u>2Q19</u>	<u>3Q19</u>	<u>4Q19</u>
Total Depreciation	\$79.5	\$78.3	\$77.5	\$80.6	\$85.1
Total Amortization ⁽¹⁾	\$56.2	\$57.1	\$60.2	\$61.7	\$64.2
Total Adjusted EBITDA ⁽²⁾	\$477.9	\$493.1	\$527.6	\$513.6	\$509.5
Total Debt to Last Twelve Months Adjusted EBITDA ⁽²⁾	3.0x	3.0x	3.4x	3.3x	3.1x
Total Net Debt to Last Twelve Months Adjusted EBITDA ^{(2) (3)}	2.8x	2.9x	3.2x	3.2x	2.9x

(1) Excludes amortization of deferred financing fees.

(2) Adjusted EBITDA excludes restructuring charges and special items. See reconciliation on slide 13.

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

COVANCE DRUG DEVELOPMENT: SELECT FINANCIAL METRICS⁽¹⁾

Trailing Twelve Month (TTM) Results

	Net Orders	Net Book-to-Bill
TTM Ending December 31, 2019	\$5.9 billion	1.29x
TTM Ending September 30, 2019	\$5.7 billion	1.28x
TTM Ending June 30, 2019	\$5.5 billion	1.26x
TTM Ending March 31, 2019	\$5.3 billion	1.24x
TTM Ending December 31, 2018	\$5.4 billion	1.26x

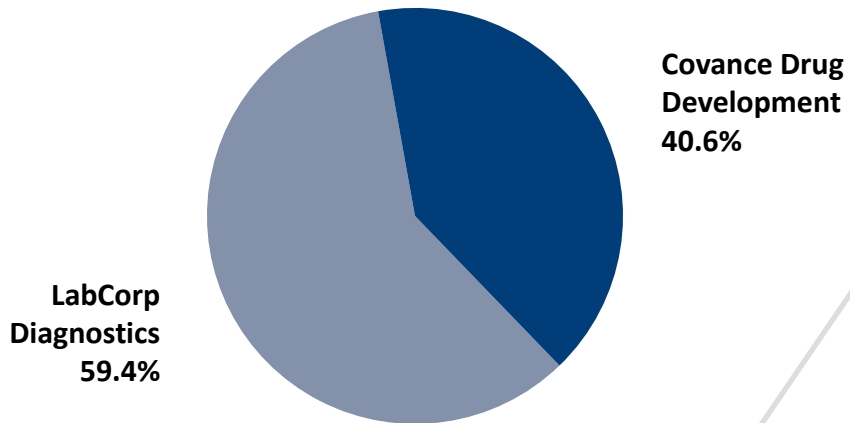
	Backlog	Estimated revenue expected to convert from backlog in the next twelve months
As of December 31, 2019	\$11.3 billion	\$4.2 billion
As of September 30, 2019	\$10.7 billion	\$4.2 billion
As of June 30, 2019 ⁽²⁾	\$10.3 billion	\$4.1 billion
As of March 31, 2019	\$9.9 billion	\$3.9 billion
As of December 31, 2018	\$9.8 billion	\$3.9 billion

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

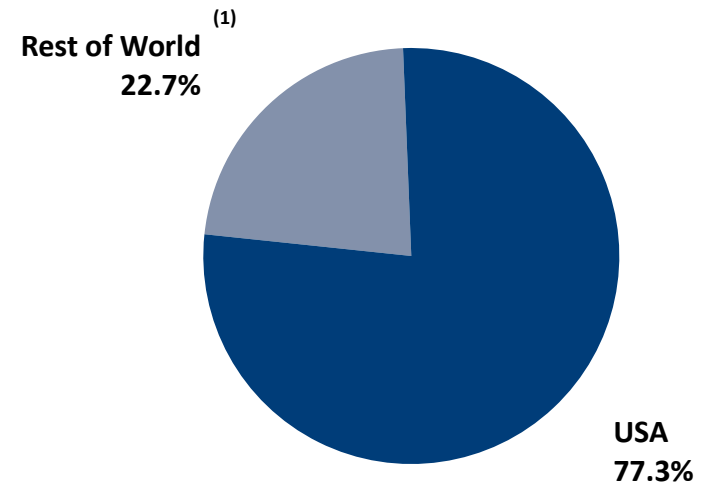
(2) Included backlog from the Envigo transaction of approximately \$190 million.

FOURTH QUARTER 2019 REVENUE DISTRIBUTION

Segment Distribution



Geographic Distribution



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

FOURTH QUARTER 2019 FOREIGN EXCHANGE IMPACT TO REVENUE⁽¹⁾

(DOLLARS IN MILLIONS)

	<u>Dollars</u>	<u>Year over Year % Growth</u>
<u>Consolidated</u>		
Revenues, as Reported	\$2,953	6.0%
Foreign Exchange Impact	\$5	0.2%
Revenues, Constant Currency	\$2,958	6.1%
<u>LabCorp Diagnostics</u>		
Revenues, as Reported	\$1,758	3.7%
Foreign Exchange Impact	\$1	0.0%
Revenues, Constant Currency	\$1,758	3.8%
<u>Covance Drug Development</u>		
Revenues, as Reported	\$1,202	9.3%
Foreign Exchange Impact	\$4	0.4%
Revenues, Constant Currency	\$1,206	9.7%

(1) Does not foot due to rounding.

FULL YEAR 2019 FOREIGN EXCHANGE IMPACT TO REVENUE⁽¹⁾

(DOLLARS IN MILLIONS)

	<u>Dollars</u>	<u>Year over Year % Growth</u>
<u>Consolidated</u>		
Revenues, as Reported	\$11,555	2.0%
Foreign Exchange Impact	\$61	0.5%
Revenues, Constant Currency	\$11,616	2.5%
<u>LabCorp Diagnostics</u>		
Revenues, as Reported	\$7,000	(0.4%)
Foreign Exchange Impact	\$9	0.1%
Revenues, Constant Currency	\$7,009	(0.3%)
<u>Covance Drug Development</u>		
Revenues, as Reported	\$4,578	6.1%
Foreign Exchange Impact	\$52	1.2%
Revenues, Constant Currency	\$4,630	7.3%

2020 FINANCIAL GUIDANCE & SUPPLEMENTAL INFORMATION ON DAYS

	Current Guidance (assumes foreign exchange rates effective as of December 31, 2019)
Total revenue growth: ⁽¹⁾	4.0% – 6.0%
LabCorp Diagnostics revenue growth: ⁽²⁾	0.5% – 2.5%
Covance Drug Development revenue growth: ⁽³⁾	7.0% – 9.5%
Adjusted EPS: ⁽⁴⁾	\$11.75 – \$12.15
Free cash flow:	\$950 million – \$1.05 billion

Days in 2020 Versus 2019⁽⁵⁾⁽⁶⁾					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenue Day Variance	+ 0.5 Day	—	+ 0.5 Day	—	+ 1.0 Day
Payroll Day Variance	+ 1.0 Day	—	—	—	+ 1.0 Day

(1) Includes the negative impact from the disposition of business of approximately 0.2% as well as the benefit from foreign currency translation of 0.4%.

(2) Includes the negative impact from PAMA of approximately 1.3% as well as the benefit from one additional revenue day of 0.4% and foreign currency translation of 0.1%.

(3) Includes the negative impact from the disposition of business of approximately 0.5% as well as the benefit from foreign currency translation of 0.7%.

(4) Excludes the impact from amortization, restructuring charges, and special items.

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

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

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES – ADJUSTED EBITDA

(DOLLARS IN MILLIONS)

	<u>4Q18</u>	<u>1Q19</u>	<u>2Q19</u>	<u>3Q19</u>	<u>4Q19</u>
Operating Income	\$307.7	\$318.2	\$335.7	\$339.9	\$336.4
Add:					
Restructuring and special charges	11.6	20.6	13.6	14.2	6.2
Other special charges ⁽¹⁾	19.4	15.5	37.4	14.7	15.2
Depreciation	79.5	78.3	77.5	80.6	85.1
Amortization	56.2	57.1	60.2	61.7	64.2
Equity method income, net	3.1	3.0	2.5	2.4	1.9
EBITDA adjustments to equity method income, net	0.4	0.4	0.7	0.1	0.5
Adjusted EBITDA	<u>\$477.9</u>	<u>\$493.1</u>	<u>\$527.6</u>	<u>\$513.6</u>	<u>\$509.5</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 December 31,		Three Months Ended December 31,	
	2019	2018	2019	2018
Revenues	\$ 2,953.4	\$ 2,787.5	\$ 2,953.4	\$ 2,787.5
Cost of revenues	2,132.7	2,015.1	2,132.8	2,013.8
Gross profit	820.7	772.4	820.6	773.7
Selling, general and administrative expenses	413.9	396.9	398.6	378.8
Amortization of intangibles and other assets	64.2	56.2		
Restructuring and other charges	6.2	11.6		
Operating income	336.4	307.7	422.0	394.9
Other income (expense):				
Interest expense	(64.4)	(58.2)	(59.2)	(58.2)
Equity method income, net	1.9	3.1	1.9	3.1
Investment income	4.0	3.3	4.0	3.3
Other, net	15.0	(41.4)	(4.7)	(4.1)
Earnings before income taxes	292.9	214.5	364.0	339.0
Provision for income taxes	65.6	56.3	83.2	83.8
Net earnings	227.3	158.2	280.8	255.2
Less: Net earnings (loss) attributable to the noncontrolling interest	(0.2)	(0.3)	(0.2)	(0.3)
Net earnings attributable to LCAH	\$ 227.1	\$ 157.9	\$ 280.6	\$ 254.9
Diluted earnings per common share	\$ 2.32	\$ 1.56	\$ 2.86	\$ 2.52
Weighted average diluted shares outstanding	98.0	101.2	98.0	101.2

RECONCILIATION OF NON-GAAP INCOME STATEMENT

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	GAAP		Non-GAAP	
	Twelve Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Revenues	\$ 11,554.8	\$ 11,333.4	\$ 11,554.8	\$ 11,333.4
Cost of revenues	8,302.3	8,157.0	8,302.4	8,123.4
Gross profit	3,252.5	3,176.4	3,252.4	3,210.0
Selling, general and administrative expenses	1,624.5	1,570.9	1,541.6	1,486.7
Amortization of intangibles and other assets	243.2	231.7		
Restructuring and other charges	54.6	48.1		
Operating income	1,330.2	1,325.7	1,710.8	1,723.3
Other income (expense):				
Interest expense	(240.7)	(244.2)	(235.5)	(244.2)
Equity method income, net	9.8	11.6	9.8	11.6
Investment income	8.8	7.5	8.8	7.5
Other, net	(3.2)	167.7	(12.9)	(4.4)
Earnings before income taxes	1,104.9	1,268.3	1,481.0	1,493.8
Provision for income taxes	280.0	384.4	363.4	362.8
Net earnings	824.9	883.9	1,117.6	1,131.0
Less: Net earnings (loss) attributable to the noncontrolling interest	(1.1)	(0.2)	(1.1)	(0.2)
Net earnings attributable to LCAH	\$ 823.8	\$ 883.7	\$ 1,116.5	\$ 1,130.8
Diluted earnings per common share	\$ 8.35	\$ 8.61	\$ 11.32	\$ 11.02
Weighted average diluted shares outstanding	98.6	102.6	98.6	102.6

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES⁽¹⁾

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
Adjusted Operating				
Operating Income	\$ 336.4	\$ 307.7	\$ 1,330.2	\$ 1,325.7
Amortization of intangibles and other assets ^(a)	64.2	56.2	243.2	231.7
Restructuring and other charges ^(b)	6.2	11.6	54.6	48.1
Acquisition and disposition-related costs ^(c)	15.3	11.6	69.2	54.7
LaunchPad system implementation costs ^(d)	2.7	2.5	10.1	9.8
Executive transition expenses ^(e)	7.0	5.3	15.2	9.6
Costs (reimbursements) related to ransomware attack ^(f)	(9.8)	—	(9.1)	12.6
Costs related to data breach ^(g)	0.2	—	11.5	—
Adjustment to acquisition contingent consideration ^(h)	(0.2)	—	(14.1)	—
Special tax reform bonus for employees ⁽ⁱ⁾	—	—	—	31.1
Adjusted operating income	<u>\$ 422.0</u>	<u>\$ 394.9</u>	<u>\$ 1,710.8</u>	<u>\$ 1,723.3</u>
Adjusted Net Income				
Net Income	\$ 227.1	\$ 157.9	\$ 823.8	\$ 883.7
Impact of adjustments to operating income	85.6	87.2	380.6	397.6
Gains and losses on venture fund investments, net ^(j)	(19.0)	5.2	(20.9)	5.2
(Gain) and loss on sale of business ^(k)	1.4	24.6	13.3	(184.8)
Debt refinancing costs ^(l)	3.1	—	3.1	—
Pension settlement charge ^(m)	—	7.5	—	7.5
Tax reform adjustments ⁽ⁿ⁾	—	0.9	—	45.0
Income tax impact of adjustments ^(o)	(17.6)	(28.4)	(83.4)	(23.4)
Adjusted net income	<u>\$ 280.6</u>	<u>\$ 254.9</u>	<u>\$ 1,116.5</u>	<u>\$ 1,130.8</u>
Weighted average diluted shares outstanding	98.0	101.2	98.6	102.6
Adjusted net income per share	\$ 2.86	\$ 2.52	\$ 11.32	\$ 11.02

(1) Footnotes associated with Reconciliation of Non-GAAP Financial Measures are presented on slide 17.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES – FOOTNOTES

- (a) Amortization of intangible assets acquired as part of business acquisitions.
- (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 and disposition related activities in connection with contemplated and completed transactions.
- (d) LaunchPad system implementation costs include non-capitalized costs associated with the implementation of a system as part of the LaunchPad business process improvement initiative.
- (e) Represents executive transition expenses related to various management reorganizations.
- (f) Costs related to ransomware attack including incremental consulting and employee costs incurred to remediate the impact of a ransomware attack, which occurred during the third quarter of 2018. In the fourth quarter of 2019, we received a partial payment of our insurance claim.
- (g) Costs related to the response and remediation of a previously announced vendor data breach, which occurred in the second quarter of 2019.
- (h) During the third quarter of 2019, the Company settled a contingent purchase price for an acquisition completed in 2016.
- (i) During 2018, the Company paid a special one-time bonus to its non-bonus eligible employees in recognition of the benefits the Company is receiving from the passage of the Tax Cuts and Jobs Act of 2017 (TCJA).
- (j) 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 for the quarter and year-to-date periods 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.
- (k) Represents the loss on sale of the CRP business as part of the Envigo transaction during the second quarter of 2019 and the gain on sale of the Food Solutions business, which occurred during the third quarter of 2018.
- (l) Represents the costs and accelerated amortization of deferred financing costs associated with the issuance and early repayment of debt.
- (m) Represents a settlement charge related to the Company's pension plans triggered by the election of participants to take lump-sum cash settlements.
- (n) During 2018, the Company recorded a net increase in its provision for income taxes primarily relating to the repatriation tax associated with the adoption of the TCJA.
- (o) Income tax impact of adjustments calculated based on the tax rate applicable to each item.