

# Fourth Quarter 2021 Supplemental Financial Information

February 10, 2022

**labcorp**

# Cautionary Statement Regarding Forward-Looking Statements

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This presentation contains forward-looking statements, including, but not limited to, statements with respect to (i) the estimated 2022 guidance and the longer-term outlook and the related assumptions of each, (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) the company's 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 trading price of the Company's stock, competitive actions and other unforeseen changes and general uncertainties in the marketplace, and the company's ability (or inability) to execute on the actions it announced in response to its review of the company's structure and changes in capital allocation strategy, 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, adverse results in material litigation matters, the impact of changes in tax laws and regulations, failure to maintain or develop customer relationships, the company's 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, inflation, 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 the 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 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.

# Fourth Quarter Consolidated Results

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

	<u>4Q21</u>	<u>4Q20</u>	<u>% Change</u>
Revenue	\$4,056.1	\$4,489.8	(9.7%) <sup>(2)</sup>
Adjusted Operating Income <sup>(1)</sup>	\$902.2	\$1,429.5	(36.9%)
<i>Adjusted Operating Margin</i>	22.2%	31.8%	(960 bps)
Adjusted EPS <sup>(1)</sup>	\$6.77	\$10.56	(36.0%)
Operating Cash Flow	\$697.5	\$774.6	(10.0%)
Less: Capital Expenditures	<u>(\$150.0)</u>	<u>(\$99.4)</u>	(50.9%)
Free Cash Flow	\$547.5	\$675.2	(18.9%)

(1) Adjusted operating income and Adjusted EPS exclude amortization, restructuring charges, special items and impairments. See reconciliation of non-GAAP Financial Measures on slides 17-21.

(2) The decrease was due to organic revenue of (10.3%) and divestitures of (0.1%), partially offset by acquisitions of 0.6% and foreign currency translation of 0.1%. The (10.3%) decline in organic revenue was driven by a (15.3%) decrease in COVID-19 PCR and antibody testing (COVID-19 Testing), partially offset by a 5.0% increase in the company's organic Base Business. Base Business includes Labcorp's operations except for COVID-19 Testing.

# Full Year Consolidated Results

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

	<u>Year Ended 12/31/21</u>	<u>Year Ended 12/31/20</u>	<u>% Change</u>
Revenue	\$16,120.9	\$13,978.5	15.3% <sup>(2)</sup>
Adjusted Operating Income <sup>(1)</sup>	\$3,831.1	\$3,331.9	15.0%
<i>Adjusted Operating Margin</i>	23.8%	23.8%	—
Adjusted EPS <sup>(1)</sup>	\$28.52	\$23.94	19.1%
Operating Cash Flow	\$3,109.6	\$2,135.3	45.6%
Less: Capital Expenditures	<u>(\$460.4)</u>	<u>(\$381.7)</u>	(20.6%)
Free Cash Flow	\$2,649.2	\$1,753.6	51.1%

(1) Adjusted operating income and Adjusted EPS exclude amortization, restructuring charges, special items and impairments. See reconciliation of non-GAAP Financial Measures on slides 17-21.

(2) The increase was due to organic growth of 13.8%, acquisitions of 0.7%, and foreign currency translation of 0.9%, partially offset by divestitures of (0.1%). The organic revenue increase includes a 14.0% contribution from the company's organic Base Business and a (0.2%) decrease in COVID-19 Testing.

# Fourth Quarter Adjusted Segment Results

## (Dollars in Millions)

	<u>4Q21</u>	<u>4Q20</u>	<u>% Change</u>
<b>Revenue</b>			
Diagnostics	\$2,622.8	\$3,154.6	(16.9%)
Drug Development	\$1,452.6	\$1,398.3	3.9%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$4,056.1</b>	<b>\$4,489.8</b>	<b>(9.7%)</b>
<b>Adjusted Operating Income <sup>(2)</sup></b>			
Diagnostics	\$775.9	\$1,234.4	(37.1%)
<i>Adjusted Operating Margin</i>	<i>29.6%</i>	<i>39.1%</i>	<i>(950 bps)</i>
Drug Development	\$205.7	\$248.4	(17.2%)
<i>Adjusted Operating Margin</i>	<i>14.2%</i>	<i>17.8%</i>	<i>(360 bps)</i>
Unallocated Corporate Expense	(\$79.4)	(\$53.3)	(49.0%)
<b>Total Adjusted Operating Income</b>	<b>\$902.2</b>	<b>\$1,429.5</b>	<b>(36.9%)</b>
<i>Total Adjusted Operating Margin</i>	<i>22.2%</i>	<i>31.8%</i>	<i>(960 bps)</i>

(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 17-21.

# Full Year Adjusted Segment Results

## (Dollars in Millions)

	<u>Year Ended 12/31/21</u>	<u>Year Ended 12/31/20</u>	<u>% Change</u>
<b>Revenue</b>			
Diagnostics	\$10,363.6	\$9,253.4	12.0%
Drug Development	\$5,845.5	\$4,877.7	19.8%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$16,120.9</b>	<b>\$13,978.5</b>	<b>15.3%</b>
<b>Adjusted Operating Income <sup>(2)</sup></b>			
Diagnostics	\$3,205.6	\$2,801.3	14.4%
<i>Adjusted Operating Margin</i>	<i>30.9%</i>	<i>30.3%</i>	<i>70 bps</i>
Drug Development	\$887.1	\$721.6	22.9%
<i>Adjusted Operating Margin</i>	<i>15.2%</i>	<i>14.8%</i>	<i>40 bps</i>
Unallocated Corporate Expense	(\$261.6)	(\$191.0)	(37.0%)
<b>Total Adjusted Operating Income</b>	<b>\$3,831.1</b>	<b>\$3,331.9</b>	<b>15.0%</b>
<i>Total Adjusted Operating Margin</i>	<i>23.8%</i>	<i>23.8%</i>	<i>—</i>

(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 17-21.

# Fourth Quarter Adjusted Segment Results vs. 2019

## (Dollars in Millions)

	<u>4Q21</u>	<u>4Q19</u>	<u>CAGR</u>
<b>Revenue</b>			
Diagnostics Total	\$2,622.8	\$1,757.8	22.2%
Base Business - Revenue	\$1,939.7	\$1,757.8	5.0%
Base Business - Volume			0.4%
Base Business - Price/Mix			4.6%
Drug Development Total	\$1,452.6	\$1,201.7	9.9%
Base Business - Revenue	\$1,451.9	\$1,201.7	9.9%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$4,056.1</b>	<b>\$2,953.5</b>	<b>17.2%</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.



# Full Year Adjusted Segment Results vs. 2019

## (Dollars in Millions)

	<u>Year Ended 12/31/21</u>	<u>Year Ended 12/31/19</u>	<u>CAGR</u>
<b>Revenue</b>			
Diagnostics Total	\$10,363.6	\$6,999.9	21.7%
Base Business - Revenue	\$7,604.2	\$6,999.9	4.2%
Base Business - Volume			(0.8%)
Base Business - Price/Mix			5.0%
Drug Development Total	\$5,845.5	\$4,578.1	13.0%
Base Business - Revenue	\$5,809.5	\$4,578.1	12.6%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$16,120.9</b>	<b>\$11,554.9</b>	<b>18.1%</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>4Q20</u>	<u>1Q21</u>	<u>2Q21</u>	<u>3Q21</u>	<u>4Q21</u>
Total Depreciation	\$93.1	\$91.8	\$94.6	\$93.9	\$95.2
Total Amortization <sup>(1)</sup>	\$90.8	\$92.1	\$92.4	\$92.2	\$92.9
Total Adjusted EBITDA <sup>(2)</sup>	\$1,528.2	\$1,279.3	\$943.4	\$1,010.0	\$1,003.8
Total Debt to Last Twelve Months Adjusted EBITDA <sup>(2)</sup>	1.6x	1.2x	1.1x	1.2x	1.3x
Total Net Debt to Last Twelve Months Adjusted EBITDA <sup>(2)(3)</sup>	1.2x	0.8x	0.7x	0.7x	1.0x

(1) Excludes amortization of deferred financing fees.

(2) Adjusted EBITDA excludes restructuring charges and special items. See reconciliation on slide 17.

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

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

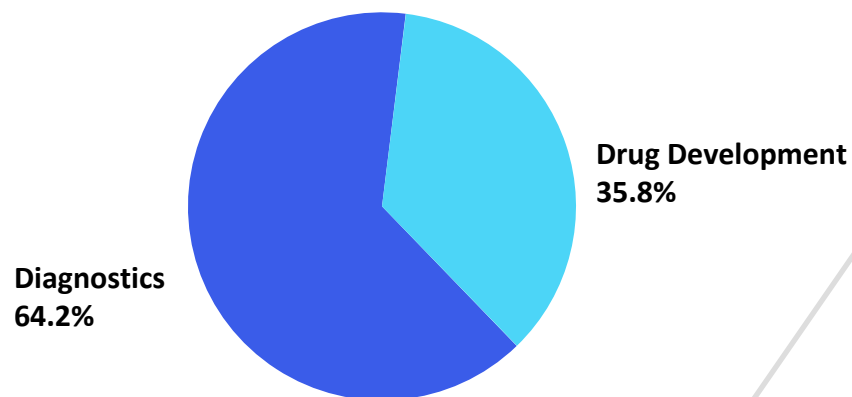
Trailing Twelve Month (TTM) Results		
	Net Orders	Net Book-to-Bill
TTM Ending December 31, 2021	\$7.3 billion	1.25x
TTM Ending September 30, 2021	\$7.8 billion	1.34x
TTM Ending June 30, 2021	\$7.9 billion	1.41x
TTM Ending March 31, 2021	\$7.6 billion	1.47x
TTM Ending December 31, 2020	\$7.0 billion	1.43x

	Backlog	Estimated revenue expected to convert from backlog in the next twelve months
As of December 31, 2021	\$15.0 billion	\$5.0 billion
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

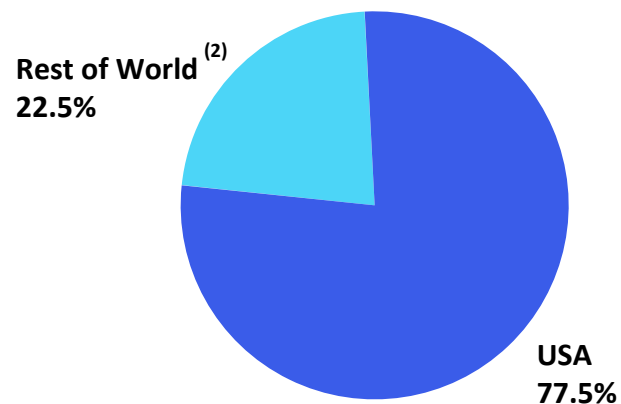
(1) Results shown include the impact from cancellations and foreign currency translation.

# Fourth Quarter 2021 Revenue Distribution

## Segment Distribution



## Geographic Distribution <sup>(1)</sup>



(1) Revised third quarter geographic distribution percentages are as follows: 78.1% USA, 21.9% Rest of World.

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

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

	Dollars	Year over Year % Growth
<b><u>Consolidated</u></b>		
Revenues, as Reported	\$4,056	(9.7%)
Foreign Exchange Impact	(\$6)	(0.1%)
Revenues, Constant Currency	\$4,050	(9.8%)
<b><u>Diagnostics</u></b>		
Revenues, as Reported	\$2,623	(16.9%)
Foreign Exchange Impact	(\$6)	(0.2%)
Revenues, Constant Currency	\$2,617	(17.0%)
<b><u>Drug Development</u></b>		
Revenues, as Reported	\$1,453	3.9%
Foreign Exchange Impact	\$0	0.0%
Revenues, Constant Currency	\$1,453	3.9%

(1) Does not foot due to rounding.

# Full Year 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>		
Revenues, as Reported	\$16,121	15.3%
Foreign Exchange Impact	(\$120)	(0.9%)
Revenues, Constant Currency	\$16,001	14.5%
<b><u>Diagnostics</u></b>		
Revenues, as Reported	\$10,364	12.0%
Foreign Exchange Impact	(\$34)	(0.4%)
Revenues, Constant Currency	\$10,329	11.6%
<b><u>Drug Development</u></b>		
Revenues, as Reported	\$5,846	19.8%
Foreign Exchange Impact	(\$86)	(1.8%)
Revenues, Constant Currency	\$5,760	18.1%

(1) Does not foot due to rounding.

# Diagnostics Price / Mix & Days

Price / Mix Versus Revenue Per Requisition							
Year over Year % Change	Q2 2020	Q3 2020	Q4 2020 <sup>(6)</sup>	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Revenue <sup>(1)</sup>	(3.9%)	53.7%	79.5%	62.0%	39.7%	(3.2%)	(16.9%)
Volume (in requisitions) <sup>(2)</sup>	(19.5%)	21.8%	33.9%	27.3%	39.6%	0.2%	(8.7%)
Price / mix <sup>(3)</sup>	15.6%	31.9%	45.5%	34.7%	0.1%	(3.4%)	(8.2%)
<b>Price / Mix Reconciliation</b>							
Revenue per requisition <sup>(4)</sup>	19.4%	26.2%	34.0%	27.3%	0.1%	(3.4%)	(9.0%)
Other mix <sup>(5)</sup>	(3.8%)	5.7%	11.5%	7.4%	0.0%	0.0%	0.8%
Price / mix <sup>(3)</sup>	15.6%	31.9%	45.5%	34.7%	0.1%	(3.4%)	(8.2%)

Days in 2021 Versus 2020 <sup>(7)(8)</sup>					
	First Quarter	Second	Third Quarter	Fourth	Full Year <sup>(6)</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) Revenue variance percent: YOY change in revenue divided by prior year revenue.

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

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

(4) 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.

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

(6) Does not foot due to rounding.

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

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

# 2022 Financial Guidance

(Dollars in billions, except per share data)

	Full Year Results (in Dollars)			2022 Guidance (in Dollars)		2022 Guidance (% Versus 2021 Results)		2022 Guidance (CAGR <sup>(7)</sup> to 2019 Results)	
	2019	2020	2021	Low	High	Low	High	Low	High
<b>Revenue</b>									
Total Labcorp Enterprise <sup>(1)(2)</sup>	\$11.55	\$13.98	\$16.12	\$15.07	\$15.88	(6.5%)	(1.5%)	9.3%	11.2%
Base Business <sup>(2)(3)</sup>	\$11.55	\$11.19	\$13.36	\$14.36	\$14.70	7.5%	10.0%	7.5%	8.4%
COVID-19 Testing <sup>(2)</sup>	\$0.00	\$2.78	\$2.76	\$0.69	\$1.10	(75.0%)	(60.0%)		
Total Diagnostics <sup>(4)</sup>	\$7.00	\$9.25	\$10.36	\$8.55	\$9.17	(17.5%)	(11.5%)	6.9%	9.4%
Base Business	\$7.00	\$6.47	\$7.60	\$7.87	\$8.06	3.5%	6.0%	4.0%	4.8%
COVID-19 Testing	\$0.00	\$2.78	\$2.76	\$0.69	\$1.10	(75.0%)	(60.0%)		
Total Drug Development <sup>(5)</sup>	\$4.58	\$4.88	\$5.85	\$6.26	\$6.41	7.0%	9.5%	11.0%	11.9%
Base Business	\$4.58	\$4.76	\$5.81	\$6.25	\$6.39	7.5%	10.0%	10.9%	11.7%
<b>Adjusted EPS</b>	\$11.32	\$23.94	\$28.52	\$17.25	\$21.25	(39.5%)	(25.5%)	15.1%	23.4%
<b>Free Cash Flow <sup>(6)</sup></b>	\$1.04	\$1.75	\$2.65	\$1.70	\$1.90	(35.8%)	(28.3%)	17.8%	22.2%

(1) 2022 Guidance percent changes as compared to 2021 results includes an impact from foreign currency translation of (0.2%).

(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) 2022 Guidance percent changes as compared to 2021 results includes an impact from foreign currency translation of (0.1%).

(5) 2022 Guidance percent changes as compared to 2021 results includes an impact from foreign currency translation of (0.4%).

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

(7) Compound annual growth rate from 2019 results to 2022 guidance.



# Longer-Term Outlook (2022 - 2024)

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The following outlook assumes foreign exchange rates effective as of Dec. 31, 2021. Enterprise level outlook includes the estimated impact from currently anticipated capital allocation, including acquisitions, share repurchases and dividends.

## **Base Business Organic Revenue Growth (CAGR vs 2021)**

Labcorp Enterprise	4% to 7%
Diagnostics	2.5% to 4.5%
Drug Development	7% to 10%

## **Acquisition Revenue Growth (CAGR vs 2021)**

Labcorp Enterprise	2% to 3%
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## **Base Business Average Annual Margin Expansion (vs 2021)**

Labcorp Enterprise	30 bps to 50 bps
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## **Adjusted EPS Growth (CAGR vs 2019)**

11% to 14%

## **Targeted Gross Debt to EBITDA Leverage**

2.5x to 3.0x

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

	<u>4Q20</u>	<u>1Q21</u>	<u>2Q21</u>	<u>3Q21</u>	<u>4Q21</u>
Operating Income	\$1,293.2	\$1,057.9	\$704.1	\$766.9	\$730.6
Add:					
Restructuring and special charges	1.7	19.2	9.6	6.5	7.8
Goodwill and other asset impairments	1.2	—	—	—	—
Other special charges <sup>(1)</sup>	42.6	12.7	33.8	41.5	70.9
Depreciation	93.1	91.8	94.6	93.9	95.2
Amortization	90.8	92.1	92.4	92.2	92.9
Equity method income, net	4.7	4.5	8.0	8.4	5.6
EBITDA adjustments to equity method income, net	0.9	1.1	0.9	0.6	0.8
Adjusted EBITDA	<u>1,528.2</u>	<u>1,279.3</u>	<u>943.4</u>	<u>1,010.0</u>	<u>1,003.8</u>

(1) Other special charges represent the summation of the adjustments that impacted operating income excluding Restructuring and special charges, Goodwill and other asset impairments, and Amortization.

# 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,	
	2021	2020	2021	2020
Revenues	\$ 4,056.1	\$ 4,489.8	\$ 4,056.1	\$ 4,489.8
Cost of revenues	2,681.1	2,584.9	2,643.9	2,567.6
Gross profit	1,375.0	1,904.9	1,412.2	1,922.2
Selling, general and administrative expenses	543.7	518.0	510.0	492.7
Amortization of intangibles and other assets	92.9	90.8		
Restructuring and other charges	7.8	1.7		
Goodwill and other asset impairments	0.0	1.2		
Operating income	730.6	1,293.2	902.2	1,429.5
Other income (expense):				
Interest expense	(43.1)	(48.3)	(43.1)	(48.1)
Equity method income, net	5.6	4.7	5.6	4.7
Investment income	1.9	2.6	1.9	2.6
Other, net	(9.0)	(9.5)	(3.0)	(6.7)
Earnings before income taxes	686.0	1,242.7	863.6	1,382.0
Provision for income taxes	132.4	304.1	212.1	343.0
Net earnings	553.6	938.6	651.5	1,039.0
Less: Net earnings (loss) attributable to the noncontrolling interest	(0.6)	(0.3)	0.6	0.3
Net earnings attributable to LCAH	<u>\$ 553.0</u>	<u>\$ 938.3</u>	<u>\$ 650.9</u>	<u>\$ 1,038.7</u>
Diluted earnings per common share	\$ 5.75	\$ 9.54	\$ 6.77	\$ 10.56
Weighted average diluted shares outstanding	96.2	98.3	96.2	98.3

# 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,	
	2021	2020	2021	2020
Revenues	\$ 16,120.9	\$ 13,978.5	\$ 16,120.9	\$ 13,978.5
Cost of revenues	10,496.6	9,025.7	10,433.5	8,986.2
Adjustments impacting revenues			0.0	17.0
Gross profit	5,624.3	4,952.8	5,687.4	5,009.3
Selling, general and administrative expenses	1,952.1	1,729.3	1,856.3	1,677.4
Amortization of intangibles and other assets	369.6	275.4		
Restructuring and other charges	43.1	40.6		
Goodwill and other asset impairments	0.0	462.1		
Operating income	3,259.5	2,445.4	3,831.1	3,331.9
Other income (expense):				
Interest expense	(212.1)	(207.4)	(178.7)	(207.2)
Equity method income, net	26.5	2.9	26.5	10.0
Investment income	10.2	10.3	10.2	10.3
Other, net	42.5	(32.1)	1.5	(12.0)
Earnings before income taxes	3,126.6	2,219.1	3,690.6	3,133.0
Provision for income taxes	747.1	662.1	908.1	786.0
Net earnings	2,379.5	1,557.0	2,782.5	2,347.0
Less: Net earnings (loss) attributable to the noncontrolling interest	(2.2)	(0.9)	2.2	0.9
Net earnings attributable to LCAH	<u>\$ 2,377.3</u>	<u>\$ 1,556.1</u>	<u>\$ 2,780.3</u>	<u>\$ 2,346.1</u>
Diluted earnings per common share	\$ 24.39	\$ 15.88	\$ 28.52	\$ 23.94
Weighted average diluted shares outstanding	97.5	98.0	97.5	98.0

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

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
<b><u>Adjusted Operating Income</u></b>				
Operating Income	\$ 730.6	\$ 1,293.2	\$ 3,259.5	\$ 2,445.4
Amortization of intangibles and other assets (a)	92.9	90.8	369.6	275.4
Restructuring and other charges (b)	7.8	1.7	43.1	40.6
Acquisition and disposition-related costs (c)	9.0	13.0	28.1	30.2
LaunchPad system implementation costs (d)	3.1	—	8.6	1.3
Executive transition expenses (e)	0.7	2.2	6.3	14.6
COVID-19 related costs (f)	40.9	21.2	71.9	63.9
Goodwill and other asset impairments (g)	—	1.2	—	462.1
Retention bonuses (h)	8.6	—	18.2	—
Other (i)	8.6	6.2	25.8	(1.6)
Adjusted operating income	<u>\$ 902.2</u>	<u>\$ 1,429.5</u>	<u>\$ 3,831.1</u>	<u>\$ 3,331.9</u>
<b><u>Adjusted Net Income</u></b>				
Net Income	\$ 553.0	\$ 938.3	\$ 2,377.3	\$ 1,556.1
Impact of adjustments to operating income	171.6	136.3	571.6	886.5
(Gains) / losses on venture fund investments, net (j)	3.0	2.4	(50.1)	27.8
(Gain) / loss on sale of business (k)	0.1	0.7	6.2	1.2
Debt refinancing costs (l)	—	—	33.4	—
Other	3.0	—	3.0	(1.6)
Tax reform adjustments (m)	—	—	17.1	—
Income tax impact of adjustments (n)	(79.8)	(39.0)	(178.2)	(123.9)
Adjusted net income	<u>\$ 650.9</u>	<u>\$ 1,038.7</u>	<u>\$ 2,780.3</u>	<u>\$ 2,346.1</u>
Weighted average diluted shares outstanding	96.2	98.3	97.5	98.0
Adjusted net income per share	\$ 6.77	\$ 10.56	\$ 28.52	\$ 23.94

# 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 impacting amortization for the three months ended December 31, 2020 and the twelve months ended December 31, 2021.
- (b) Restructuring and other charges represent amounts incurred in connection with the elimination of redundant positions within the organization in connection with the company's 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 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.
- (k) Represent the loss on sale of certain assets by the Drug Development business.
- (l) 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.
- (m) 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.
- (n) Income tax impact of adjustments calculated based on the tax rate applicable to each item.