

# Second Quarter 2023 Supplemental Financial Information

July 27, 2023

**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 2023 guidance and related assumptions, (ii) the recently completed spin-off of the company's Clinical Development and Commercialization Services business, now Fortrea Holdings Inc., including statements regarding the expected benefits from the spin-off and the company's ability to realize such benefits, the tax treatment of the spin-off, and opportunities for future growth resulting from the spin-off; (iii) 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, (iv) the company's responses to the COVID-19 pandemic, (v) future business strategies, (vi) expected savings and synergies (including from the LaunchPad initiative and from acquisitions and other transactions), and (vii) 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, (i) the failure to receive tax-free treatment with respect to the spin-off for U.S. federal income purposes; (ii) potential difficulties with employee retention; (iii) the trading price of the company's stock, competitive actions and other unforeseen changes and general uncertainties in the marketplace; (iv) changes in government regulations, including healthcare reform; (v) customer purchasing decisions, including changes in payer regulations or policies; (vi) other adverse actions of governmental and third-party payers; (vii) changes in testing guidelines or recommendations; (viii) federal, state, and local government responses to the COVID-19 pandemic; (ix) the impact of global geopolitical events; (x) the effect of public opinion on the company's reputation; (xi) adverse results in material litigation matters; (xii) the impact of changes in tax laws and regulations; (xiii) failure to maintain or develop customer relationships; (xiv) the company's ability to develop or acquire new products and adapt to technological changes; (xv) failure in information technology, systems, or data security; (xvi) the impact of potential losses under repurchase agreements; (xvii) adverse weather conditions; (xviii) the number of revenue days in a financial period; (xix) employee relations; (xx) personnel costs; (xxi) inflation; (xxii) increased competition; and (xxiii) 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.

# Second Quarter Consolidated Results

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

	<u>2Q23</u>	<u>2Q22</u>	<u>% Change</u>
Revenue	\$3,033.7	\$2,923.0	3.8% <sup>(2)</sup>
Adjusted Operating Income <sup>(1)</sup>	\$448.3	\$547.8	(18.2%)
<i>Adjusted Operating Margin</i>	<i>14.8%</i>	<i>18.7%</i>	<i>(400 bps)</i>
Adjusted EPS <sup>(1)</sup>	\$3.42	\$4.04	(15.5%)
Operating Cash Flow	\$280.0	\$548.4	(48.9%)
Less: Capital Expenditures	<u>(\$102.6)</u>	<u>(\$140.2)</u>	(26.8%)
Free Cash Flow	\$177.4	\$408.2	(56.5%)

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

(2) The increase was due to organic revenue of 2.0%, acquisitions, net of divestitures, of 1.6%, and foreign currency translation of 0.2%. The 2.0% increase in organic revenue was driven by a 9.8% increase in the company's organic Base Business, partially offset by a (7.8%) 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>Six Months Ended June 30, 2023</u>	<u>Six Months Ended June 30, 2022</u>	<u>% Change</u>
Revenue	\$6,071.5	\$6,067.5	0.1% <sup>(2)</sup>
Adjusted Operating Income <sup>(1)</sup>	\$896.1	\$1,269.3	(29.4%)
<i>Adjusted Operating Margin</i>	<i>14.8%</i>	<i>20.9%</i>	<i>(610 bps)</i>
Adjusted EPS <sup>(1)</sup>	\$6.88	\$9.54	(27.9%)
Operating Cash Flow	\$410.2	\$904.6	(54.7%)
Less: Capital Expenditures	<u>(\$181.5)</u>	<u>(\$247.4)</u>	26.6%
Free Cash Flow	\$228.7	\$657.2	(65.2%)

(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 acquisitions, net of divestitures, of 1.6%, partially offset by lower organic revenue of (1.3%) and unfavorable foreign currency translation of (0.2%). The (1.3%) decrease in organic revenue was driven by an (11.2%) decrease in COVID-19 Testing, partially offset by a 9.9% increase in the Company's organic Base Business.

# Second Quarter Adjusted Segment Results

## (Dollars in Millions)

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
<b>Revenue</b>						
Diagnostics Laboratories	\$2,454.1	\$2,255.4	\$2,207.6	\$2,286.4	\$2,382.8	\$2,340.8
Biopharma Laboratory Services	\$704.2	\$677.9	\$666.4	\$648.8	\$661.3	\$699.0
<b>Total Revenue <sup>(1)</sup></b>	<b>\$3,144.5</b>	<b>\$2,923.0</b>	<b>\$2,866.8</b>	<b>\$2,929.8</b>	<b>\$3,037.8</b>	<b>\$3,033.7</b>
<b>Adjusted Operating Income <sup>(2)</sup></b>						
Diagnostics Laboratories	\$683.1	\$515.6	\$439.8	\$387.0	\$441.5	\$409.7
<i>Adjusted Operating Margin</i>	<i>27.8%</i>	<i>22.9%</i>	<i>19.9%</i>	<i>16.9%</i>	<i>18.5%</i>	<i>17.5%</i>
Biopharma Laboratory Services	\$95.9	\$93.0	\$105.0	\$95.2	\$73.6	\$104.6
<i>Adjusted Operating Margin</i>	<i>13.6%</i>	<i>13.7%</i>	<i>15.8%</i>	<i>14.7%</i>	<i>11.1%</i>	<i>15.0%</i>
Unallocated Corporate Expense	(\$57.5)	(\$60.8)	(\$54.2)	(\$69.6)	(\$67.3)	(\$66.0)
<b>Total Adjusted Operating Income</b>	<b>\$721.5</b>	<b>\$547.8</b>	<b>\$490.6</b>	<b>\$412.6</b>	<b>\$447.8</b>	<b>\$448.3</b>
<i>Total Adjusted Operating Margin</i>	<i>22.9%</i>	<i>18.7%</i>	<i>17.1%</i>	<i>14.1%</i>	<i>14.7%</i>	<i>14.8%</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.

# Year to Date Adjusted Segment Results

## (Dollars in Millions)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	% Change
<b>Revenue</b>			
Diagnostics Laboratories	\$4,723.6	\$4,709.5	0.3%
Biopharma Laboratory Services	\$1,360.3	\$1,382.1	(1.6%)
<b>Total Revenue <sup>(1)</sup></b>	<b>\$6,071.5</b>	<b>\$6,067.5</b>	<b>0.1%</b>
<b>Adjusted Operating Income <sup>(2)</sup></b>			
Diagnostics Laboratories	\$851.2	\$1,198.7	(29.0%)
<i>Adjusted Operating Margin</i>	<i>18.0%</i>	<i>25.5%</i>	<i>(740 bps)</i>
Biopharma Laboratory Services	\$178.2	\$188.9	(5.7%)
<i>Adjusted Operating Margin</i>	<i>13.1%</i>	<i>13.7%</i>	<i>(60 bps)</i>
Unallocated Corporate Expense	(\$133.3)	(\$118.3)	12.7%
<b>Total Adjusted Operating Income</b>	<b>\$896.1</b>	<b>\$1,269.3</b>	<b>(29.4%)</b>
<i>Total Adjusted Operating Margin</i>	<i>14.8%</i>	<i>20.9%</i>	<i>(610 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 and Adjusted EPS exclude amortization, restructuring charges, special items and impairments. See reconciliation of non-GAAP Financial Measures on slides 17-21.

# Second Quarter Adjusted Segment Results vs. 2019 (Dollars in Millions)

	<u>2Q23</u>	<u>2Q19</u>	<u>CAGR</u>
<b>Revenue</b>			
Diagnostics Laboratories Total	\$2,340.8	\$1,760.9	7.4%
Base Business - Revenue	\$2,308.5	\$1,760.9	7.0%
Base Business - Volume			2.4%
Base Business - Price/Mix			4.6%
Biopharma Laboratory Services	\$699.0	\$511.6	8.1%
Base Business - Revenue	\$699.0	\$511.6	8.1%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$3,033.7</b>	<b>\$2,266.9</b>	<b>7.6%</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>Six Months Ended June 30, 2023</u>	<u>Six Months Ended June 30, 2019</u>	<u>CAGR</u>
<b>Revenue</b>			
Diagnostics Laboratories Total	\$4,723.6	\$3,482.9	7.9%
Base Business - Revenue	\$4,606.8	\$3,482.9	7.2%
Base Business - Volume			2.3%
Base Business - Price/Mix			4.9%
Biopharma Laboratory Services	\$1,360.3	\$998.4	8.0%
Base Business - Revenue	\$1,360.3	\$998.4	8.0%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$6,071.5</b>	<b>\$4,470.4</b>	<b>8.0%</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>2Q22</u>	<u>3Q22</u>	<u>4Q22</u>	<u>1Q23</u>	<u>2Q23</u>
Total Depreciation	\$88.3	\$87.7	\$91.2	\$92.2	\$94.0
Total Amortization <sup>(1)</sup>	\$49.8	\$49.0	\$44.7	\$53.4	\$51.5
Total Adjusted EBITDA <sup>(2)</sup>	\$638.1	\$581.7	\$503.6	\$542.7	\$546.2
Total Debt to Last Twelve Months Adjusted EBITDA <sup>(2)</sup>	1.5x	1.7x	1.9x	2.4x	2.6x
Total Net Debt to Last Twelve Months Adjusted EBITDA <sup>(2)(3)</sup>	1.2x	1.5x	1.8x	2.3x	1.7x

(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.

# Biopharma Laboratory Services: Select Financial Metrics<sup>(1)</sup>

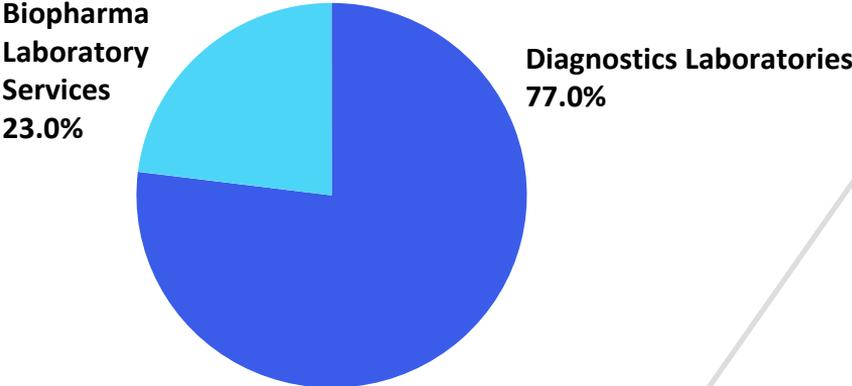
Trailing Twelve Month (TTM) Results		
	Net Orders	Net Book-to-Bill
TTM Ending June 30, 2023	\$3.3 billion	1.23x
TTM Ending March 31, 2023	\$3.4 billion	1.28x
TTM Ending December 31, 2022	\$3.6 billion	1.35x
TTM Ending September 30, 2022	\$3.7 billion	1.33x
TTM Ending June 30, 2022	\$3.8 billion	1.35x

	Backlog	Estimated revenue expected to convert from backlog in the next twelve months
As of June 30, 2023	\$8.0 billion	\$2.5 billion
As of March 31, 2023	\$7.9 billion	\$2.4 billion
As of December 31, 2022	\$7.9 billion	\$2.4 billion
As of September 30, 2022	\$7.2 billion	\$2.3 billion
As of June 30, 2022	\$7.2 billion	\$2.5 billion

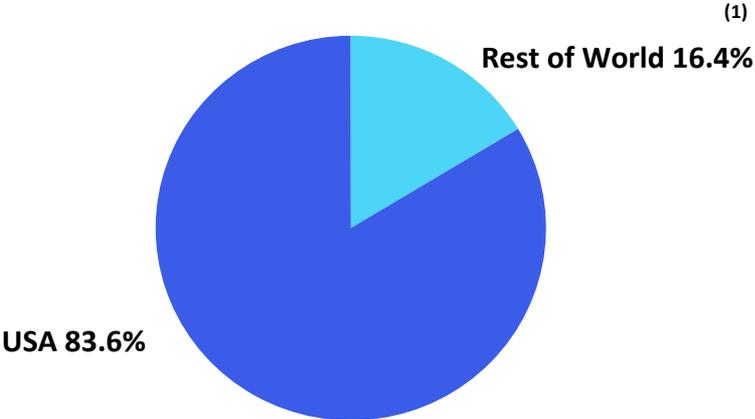
(1) Results shown include the impact from cancellations and foreign currency translation.

# Second Quarter 2023 Revenue Distribution

## Segment Distribution



## Geographic Distribution



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

# Second Quarter 2023 Foreign Exchange Impact to Revenue<sup>(1)</sup> (Dollars in Millions)

	Dollars	Year over Year % Growth
<b><u>Consolidated</u></b>		
Revenues, as Reported	\$3,034	3.8%
Foreign Exchange Impact	(\$4)	(0.2%)
Revenues, Constant Currency	\$3,029	3.6%
<b><u>Diagnostics Laboratories</u></b>		
Revenues, as Reported	\$2,341	3.8%
Foreign Exchange Impact	\$5	0.2%
Revenues, Constant Currency	\$2,346	4.0%
<b><u>Biopharma Laboratory Services</u></b>		
Revenues, as Reported	\$699	3.1%
Foreign Exchange Impact	(\$10)	(1.5%)
Revenues, Constant Currency	\$689	1.7%

(1) May not foot due to rounding.

# Year to Date 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	\$6,072	0.1%
Foreign Exchange Impact	\$13	0.2%
Revenues, Constant Currency	\$6,085	0.3%
<b><u>Diagnostics Laboratories</u></b>		
Revenues, as Reported	\$4,724	0.3%
Foreign Exchange Impact	\$12	0.2%
Revenues, Constant Currency	\$4,735	0.5%
<b><u>Biopharma Laboratory Services</u></b>		
Revenues, as Reported	\$1,360	(1.6%)
Foreign Exchange Impact	\$1	0.1%
Revenues, Constant Currency	\$1,362	(1.5%)

(1) May not foot due to rounding.

# Diagnostics Laboratories Price / Mix & Days

Revenue breakdown by Volume and Price / Mix							
Year over Year % Change	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Revenue <sup>(1)</sup>	(16.9%)	(11.0%)	(4.7%)	(15.7%)	(12.8%)	(2.9%)	3.8%
Volume (in requisitions) <sup>(2)</sup>	(8.7%)	(5.0%)	(2.7%)	(10.3%)	(11.8%)	(3.3%)	1.4%
Price / mix <sup>(3)</sup>	(8.2%)	(6.0%)	(2.0%)	(5.4%)	(1.0%)	0.4%	2.4%

Days in 2023 Versus 2022 <sup>(5)</sup>					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year <sup>(4)</sup>
Revenue Day Variance	+ 0.75 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) May not foot due to rounding.

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

# Outlook for 2023

(Dollars in billions, except per share data)

	Full Year Results	2023 Guidance		2023 Guidance		2023 Guidance	
	(in Dollars)	(in Dollars)		(% Versus 2022 Results)		(CAGR <sup>(7)</sup> to 2019 Results)	
	<u>2022</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>	\$11.86	\$12.04	\$12.22	1.5%	3.0%	7.3%	7.7%
Base Business <sup>(2)(3)</sup>	\$10.72	\$11.93	\$12.07	11.3%	12.6%	7.1%	7.4%
COVID-19 Testing <sup>(2)</sup>	\$1.15	\$0.13	\$0.16	(89.0%)	(85.0%)		
Total Diagnostics Laboratories <sup>(4)</sup>	\$9.20	\$9.25	\$9.34	0.5%	1.5%	7.2%	7.5%
Base Business	\$8.06	\$9.12	\$9.20	13.2%	14.2%	6.8%	7.1%
COVID-19 Testing	\$1.15	\$0.13	\$0.16	(89.0%)	(85.0%)		
Total Biopharma Laboratory Services <sup>(5)</sup>	\$2.70	\$2.78	\$2.82	3.0%	4.5%	7.3%	7.7%
Base Business	\$2.70	\$2.78	\$2.82	3.0%	4.5%	7.3%	7.7%
<b>Adjusted EPS</b>	\$16.66	\$13.00	\$14.00	(22.0%)	(16.0%)		
<b>Free Cash Flow from Continuing Operations<sup>(6)</sup></b>	\$1.46	\$0.80	\$1.00	(45.1%)	(31.3%)		

(1) 2023 Guidance percent changes as compared to 2022 results includes an impact from foreign currency translation of 0.3%.

(2) Enterprise level revenue is presented net of intersegment transaction eliminations.

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

(4) 2023 Guidance percent changes as compared to 2022 results includes an impact from foreign currency translation of (0.1)%.

(5) 2023 Guidance percent changes as compared to 2022 results includes an impact from foreign currency translation of 1.5%.

(6) Free Cash Flow from continuing operations excluding spin-related items.

(7) Compound annual growth rate from 2019 results to 2023 guidance.

# Additional Quarterly Business Segment Information

	2019				2020				2021				2022				2023		Q2'19 - Q2'23
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 <sup>(1)</sup>	Q1 <sup>(1)</sup>	Q2	CAGR
<b>Diagnostics Laboratories Revenue</b>																			
Routine vs. Esoteric Mix Base Business:																			
Routine	59.4%	58.8%	58.8%	58.6%	58.6%	60.2%	61.2%	60.5%	60.7%	60.3%	60.1%	59.6%	59.9%	58.8%	59.1%	62.3%	62.5%	61.8%	
Esoteric	40.6%	41.2%	41.2%	41.4%	41.4%	39.8%	38.8%	39.5%	39.3%	39.7%	39.9%	40.4%	40.1%	41.2%	40.9%	37.7%	37.5%	38.2%	
Payer Mix Base Business:																			
Clients	27.9%	27.9%	27.8%	29.7%	28.2%	28.6%	29.0%	31.3%	28.9%	28.6%	30.2%	29.1%	28.0%	29.0%	29.5%	34.2%	32.0%	32.0%	
Patients	12.7%	12.6%	13.2%	12.8%	12.7%	12.8%	12.3%	11.7%	12.8%	14.1%	13.4%	11.8%	10.2%	12.8%	11.4%	10.0%	12.5%	13.0%	
Medicare and Medicaid	13.9%	13.7%	13.7%	13.8%	13.0%	13.1%	12.9%	12.4%	12.1%	11.7%	11.2%	11.5%	11.0%	11.0%	10.7%	10.2%	10.2%	10.1%	
Third Party	45.5%	45.7%	45.2%	43.7%	46.1%	45.6%	45.9%	44.6%	46.2%	45.5%	45.1%	47.5%	50.8%	47.2%	48.5%	45.7%	45.3%	44.9%	
<b>Biopharma Laboratory Services</b>																			
Quarterly Book-to-Bill	1.12	1.24	1.18	1.08	1.39	1.55	1.47	1.36	1.35	1.26	1.41	1.48	1.24	1.26	1.33	1.60	0.96	1.06	
Quarterly Net Orders (\$M)	546.5	634.8	643.5	600.0	758.4	782.4	891.0	947.1	964.6	926.5	997.6	1,050.3	871.9	853.0	884.3	1,036.3	637.1	742.8	
Business Unit Revenue (\$M)																			
Early Development Research Labs	137.7	154.2	181.3	184.2	184.1	179.9	191.6	204.4	204.6	216.2	218.4	220.5	226.8	243.4	226.3	218.1	207.9	225.4	10.0%
Central Laboratories	349.1	357.4	363.0	371.1	360.0	312.1	368.5	435.8	482.6	508.1	487.8	486.6	477.4	434.5	440.0	430.7	453.4	473.6	7.3%
Segment Revenue Base Business (\$M)	486.8	511.6	544.3	555.3	544.1	492.1	560.1	640.2	687.2	724.3	706.2	707.0	704.2	677.9	666.4	648.8	661.3	699.0	8.1%
COVID-19 Testing	—	—	—	—	—	12.8	44.2	56.3	24.8	9.3	1.1	0.7	—	—	—	—	—	—	
Total Biopharma Laboratory Services Revenue	486.8	511.6	544.3	555.3	544.1	504.9	604.3	696.5	712.0	733.6	707.3	707.7	704.2	677.9	666.4	648.8	661.3	699.0	

(1) Q4 2022 and Q1 2023 Payer Mix updated from prior versions.

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

	<u>1Q22</u>	<u>2Q22</u>	<u>3Q22</u>	<u>4Q22</u>	<u>1Q23</u>	<u>2Q23</u>
Operating Income	\$605.2	\$428.8	\$374.0	\$28.6	\$329.8	\$266.3
Add:						
Restructuring and special charges	3.5	31.5	10.1	8.9	7.5	15.8
Goodwill and other asset impairments	—	—	1.2	260.6	2.2	—
Other special charges <sup>(1)</sup>	38.1	17.5	32.4	46.7	34.1	68.2
Depreciation	90.3	88.3	87.7	91.2	92.2	94.0
Amortization	50.2	49.8	49.0	44.7	53.4	51.5
Equity method income, net	3.4	1.4	1.7	(1.1)	(0.6)	1.9
EBITDA adjustments to equity method income, net	0.9	0.6	0.5	0.9	1.1	2.0
CDCS not included in Discontinued Operations	<u>24.5</u>	<u>20.2</u>	<u>25.1</u>	<u>23.1</u>	<u>23.0</u>	<u>46.5</u>
Adjusted EBITDA	<u><u>816.1</u></u>	<u><u>638.1</u></u>	<u><u>581.7</u></u>	<u><u>503.6</u></u>	<u><u>542.7</u></u>	<u><u>546.2</u></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 June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
Revenues	\$ 3,033.7	\$ 2,923.0	\$ 3,033.7	\$ 2,923.0
Cost of revenues	2,191.5	1,980.5	2,146.7	1,963.5
Gross profit	842.2	942.5	887.0	959.5
Selling, general and administrative expenses	505.8	432.4	438.7	411.7
Amortization of intangibles and other assets	51.5	49.8	—	—
Restructuring and other charges	2.8	—	—	—
Goodwill and other asset impairments	15.8	31.5	—	—
Operating income	266.3	428.8	448.3	547.8
Other income (expense):				
Interest expense	(49.8)	(42.3)	(49.8)	(42.5)
Equity method income, net	0.9	1.4	1.9	1.4
Investment income	4.5	1.7	3.3	2.0
Other, net	(16.9)	(29.5)	(3.6)	(6.7)
Earnings from continuing operations before income taxes	205.0	360.1	400.1	502.0
Provision for income taxes	49.8	92.1	95.7	127.0
Earnings from continuing operations	155.2	268.0	304.4	375.0
Earnings from discontinued operations, net of tax	33.9	90.9	—	—
Net earnings	189.1	358.9	304.4	375.0
Less: Net earnings (loss) attributable to the noncontrolling interest	(0.2)	(0.3)	(0.2)	(0.3)
Net earnings attributable to LCAH	188.9	358.6	304.2	\$ 374.7
Diluted earnings per common share:				
Diluted earnings per common share continuing operations	\$ 1.74	\$ 2.89	\$ 3.80	\$ 5.02
Diluted earnings per common share discontinued operations	\$ 0.38	\$ 0.98	\$ (0.38)	\$ (0.98)
Diluted earnings per common share	\$ 2.12	\$ 3.87	\$ 3.42	\$ 4.04
Weighted average diluted shares outstanding	89.0	92.7	89.0	92.7

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

	GAAP		Non-GAAP	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues	\$ 6,071.5	\$ 6,067.5	\$ 6,071.5	\$ 6,067.5
Cost of revenues	4,379.2	4,042.9	4,307.5	3,988.7
Gross profit	1,692.3	2,024.6	1,764.0	2,078.8
Selling, general and administrative expenses	963.0	854.4	867.9	809.5
Amortization of intangibles and other assets	104.9	100.0	—	—
Restructuring and other charges	23.3	35.0	—	—
Goodwill and other asset impairments	5.0	1.2	—	—
Operating income	596.1	1,034.0	896.1	1,269.3
Other income (expense):				
Interest expense	(100.5)	(84.4)	(100.5)	(84.7)
Equity method income, net	(1.2)	4.8	1.3	4.8
Investment income	6.7	2.5	5.5	3.1
Other, net	(23.8)	(45.2)	(6.9)	(13.9)
Earnings from continuing operations before income taxes	477.3	911.7	795.5	1,178.6
Provision for income taxes	113.7	222.6	183.0	287.3
Earnings from continuing operations	363.6	689.1	612.5	891.3
Earnings from discontinued operations, net of tax	38.8	161.9	—	—
Net earnings	402.4	851.0	612.5	891.3
Less: Net earnings (loss) attributable to the noncontrolling interest	(0.6)	(0.8)	(0.6)	(0.8)
Net earnings attributable to LCAH	<u>\$ 401.8</u>	<u>\$ 850.2</u>	<u>\$ 611.9</u>	<u>\$ 890.5</u>
Diluted earnings per common share:				
Diluted earnings per common share continuing operations	\$ 4.08	\$ 7.38	\$ 7.32	\$ 11.28
Diluted earnings per common share discontinued operations	\$ 0.43	\$ 1.73	\$ (0.44)	\$ (1.74)
Diluted earnings per common share	\$ 4.51	\$ 9.11	\$ 6.88	\$ 9.54
Weighted average diluted shares outstanding	89.0	93.3	89.0	93.3

# Reconciliation of Non-GAAP Financial Measures<sup>(1)</sup> (Dollars in Millions, Except Per Share Data)

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	1H22	1H23
<b>Adjusted Operating Income</b>								
Operating Income	\$ 605.2	\$ 428.8	\$ 374.0	\$ 28.6	\$ 329.8	\$ 266.3	\$ 1,034.0	\$ 596.1
Amortization of intangibles and other assets <sup>(a)</sup>	\$ 50.2	\$ 49.8	\$ 49.0	\$ 44.7	\$ 53.4	\$ 51.5	\$ 100.0	\$ 104.9
Restructuring and other charges <sup>(b)</sup>	\$ 3.5	\$ 31.5	\$ 10.1	\$ 8.9	\$ 7.5	\$ 15.8	\$ 35.0	\$ 23.3
Acquisition and disposition-related costs <sup>(c)</sup>	\$ 11.4	\$ 8.9	\$ 11.6	\$ 31.8	\$ 16.1	\$ 12.6	\$ 20.3	\$ 28.7
Spin off transaction costs <sup>(d)</sup>	\$ —	\$ —	\$ 3.0	\$ 3.5	\$ 13.1	\$ 38.6	\$ —	\$ 51.7
COVID-19 related costs <sup>(e)</sup>	\$ 9.1	\$ 4.3	\$ 3.8	\$ 9.9	\$ —	\$ —	\$ 13.4	\$ —
Asset impairments <sup>(f)</sup>	\$ —	\$ —	\$ 1.2	\$ 260.6	\$ 2.2	\$ 2.8	\$ —	\$ 5.0
Ukraine/Russia crisis costs <sup>(g)</sup>	\$ 0.6	\$ 0.3	\$ 0.5	\$ 0.2	\$ —	\$ —	\$ 0.9	\$ —
Other <sup>(h)</sup>	\$ 17.0	\$ 4.0	\$ 12.3	\$ 1.3	\$ 2.7	\$ 14.2	\$ 21.0	\$ 16.9
CDCS not included in discontinued operations <sup>(i)</sup>	\$ 24.5	\$ 20.2	\$ 25.1	\$ 23.1	\$ 23.0	\$ 46.5	\$ 44.7	\$ 69.5
Adjusted operating income	<u>\$ 721.5</u>	<u>\$ 547.8</u>	<u>\$ 490.6</u>	<u>\$ 412.6</u>	<u>\$ 447.8</u>	<u>\$ 448.3</u>	<u>\$ 1,269.3</u>	<u>\$ 896.1</u>
<b>Adjusted Net Income</b>								
Net Income	\$ 491.6	\$ 358.6	\$ 352.8	\$ 76.1	\$ 212.9	\$ 188.9	\$ 850.2	\$ 401.8
Impact of adjustments to operating income	\$ 91.8	\$ 98.8	\$ 91.5	\$ 360.9	\$ 95.0	\$ 135.5	\$ 190.6	\$ 230.5
(Gains) / losses on venture fund investments, net <sup>(j)</sup>	\$ 3.1	\$ 2.6	\$ 5.7	\$ 0.6	\$ 1.5	\$ 2.4	\$ 5.7	\$ 3.9
Pension settlement <sup>(k)</sup>	\$ —	\$ —	\$ 4.0	\$ (0.9)	\$ 7.9	\$ —	\$ —	\$ 7.9
Other	\$ (0.3)	\$ 1.1	\$ (1.1)	\$ (1.7)	\$ 1.5	\$ —	\$ 0.8	\$ 1.5
Income tax impact of adjustments <sup>(l)</sup>	\$ (29.8)	\$ (34.9)	\$ (49.1)	\$ (119.5)	\$ (23.4)	\$ (45.9)	\$ (64.7)	\$ (69.3)
Earnings from discontinued operations, net of tax <sup>(i)</sup>	\$ (71.0)	\$ (90.9)	\$ (75.9)	\$ (39.3)	\$ (4.9)	\$ (33.9)	\$ (161.9)	\$ (38.8)
CDCS not included in discontinued operations <sup>(i)</sup>	\$ 30.4	\$ 39.4	\$ 35.7	\$ (4.8)	\$ 17.2	\$ 57.2	\$ 69.8	\$ 74.4
Adjusted net income	<u>\$ 515.8</u>	<u>\$ 374.7</u>	<u>\$ 363.6</u>	<u>\$ 271.4</u>	<u>\$ 307.7</u>	<u>\$ 304.2</u>	<u>\$ 890.5</u>	<u>\$ 611.9</u>
Weighted average diluted shares outstanding	94.0	92.7	90.7	89.0	89.0	89.0	93.3	89.0
Adjusted earnings per share	\$ 5.49	\$ 4.04	\$ 4.01	\$ 3.05	\$ 3.46	\$ 3.42	\$ 9.54	\$ 6.88

# Reconciliation of Non-GAAP Financial Measures – Footnotes

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- (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 and facilities 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) The company incurred various costs to prepare for the spin-off of the Clinical Development and Commercialization Services Business and reorganization of the remaining Labcorp business.
- (e) Costs related to incremental operating expenses incurred as a result of the COVID-19 pandemic.
- (f) The company impaired certain technology and intangible assets which are no longer realizable by the business.
- (g) Due to the Russia and Ukraine crisis and economic sanctions, the company incurred incremental costs and determined that certain receivables and long-lived assets related to its Russia and Ukraine operations were impaired.
- (h) Represents various non-operational items including rebranding, strategic review, litigation, LaunchPad system implementation costs, and acquisition purchase accounting adjustments.
- (i) These adjustments remove the impact of the CDCS business that was distributed to Labcorp shareholders as part of a tax-free spin on June 30, 2023.
- (j) The company makes 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) The company incurred a charge related to the US pension plan due to settlement of certain obligations to retired employees.
- (l) Income tax impact of adjustments calculated based on the tax rate applicable to each item.