



**8-K Filed October 23, 2008**

A close-up photograph of laboratory glassware, including a beaker and a graduated cylinder, set against a blue background.

# Introduction

This slide presentation contains forward-looking statements which are subject to change based on various important factors, including without limitation, competitive actions in the marketplace and adverse actions of governmental and other third-party payors.

Actual results could differ materially from those suggested by these forward-looking statements. Further information on potential factors that could affect the Company's financial results is included in the Company's Form 10-K for the year ended December 31, 2007, and subsequent SEC filings.

# The Role of Lab Testing in Healthcare

*In the past, lab testing was primarily used to diagnose disease. Now, lab testing plays an increasingly large role in the full continuum of healthcare delivery*

Evaluate risk(s) of developing a disease / condition

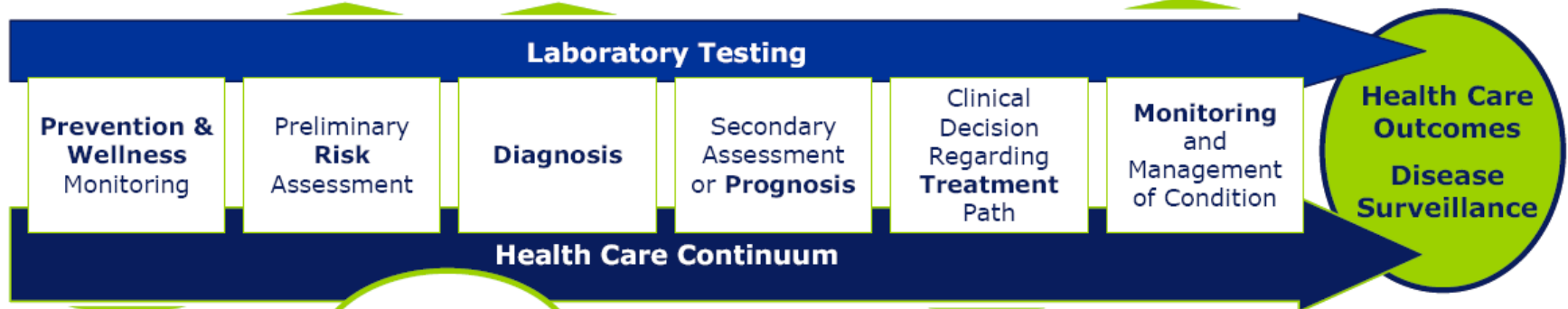
- Lipid testing to assess cardiovascular disease risk and reduce complications (i.e. heart attack, stroke) by 20-50%

Determining the existence of a disease / condition

- Liquid-based cytology for early detection of cervical cancer – where test / treatment costs are 15 to 28 times less expensive than early / late stage cervical cancer

Monitor / responding to patient progress, treatment effectiveness, and comorbid conditions (i.e. hypertension, eye disease, nerve disease)

- Hemoglobin A1c test for diabetes management and patient treatment compliance



Supporting early detection and diagnosis of diseases / conditions

- Kidney function tests (i.e. serum creatinine, blood urea nitrogen, eGFR) to help reduce the risk of kidney disease (by up to 24%) and prevent end-stage renal failure

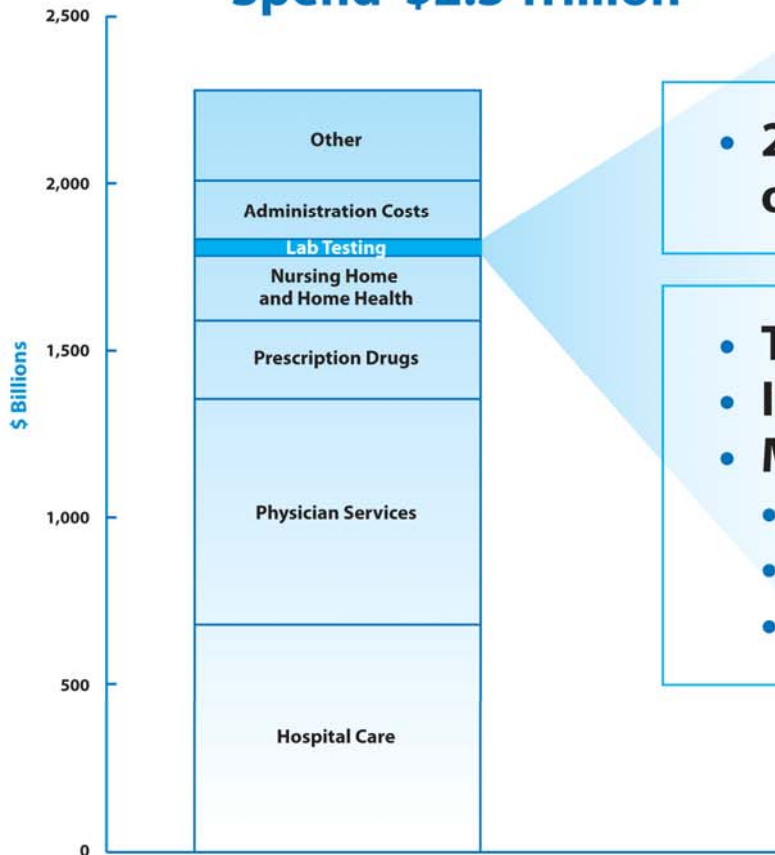
Disease/  
Condition  
Development

Support care plan development and inform targeting appropriate treatment modalities

Source: Deloitte (OAML)

# The US Healthcare & Clinical Laboratory Testing Market

## 2007 Projected US Healthcare Spend \$2.3 Trillion



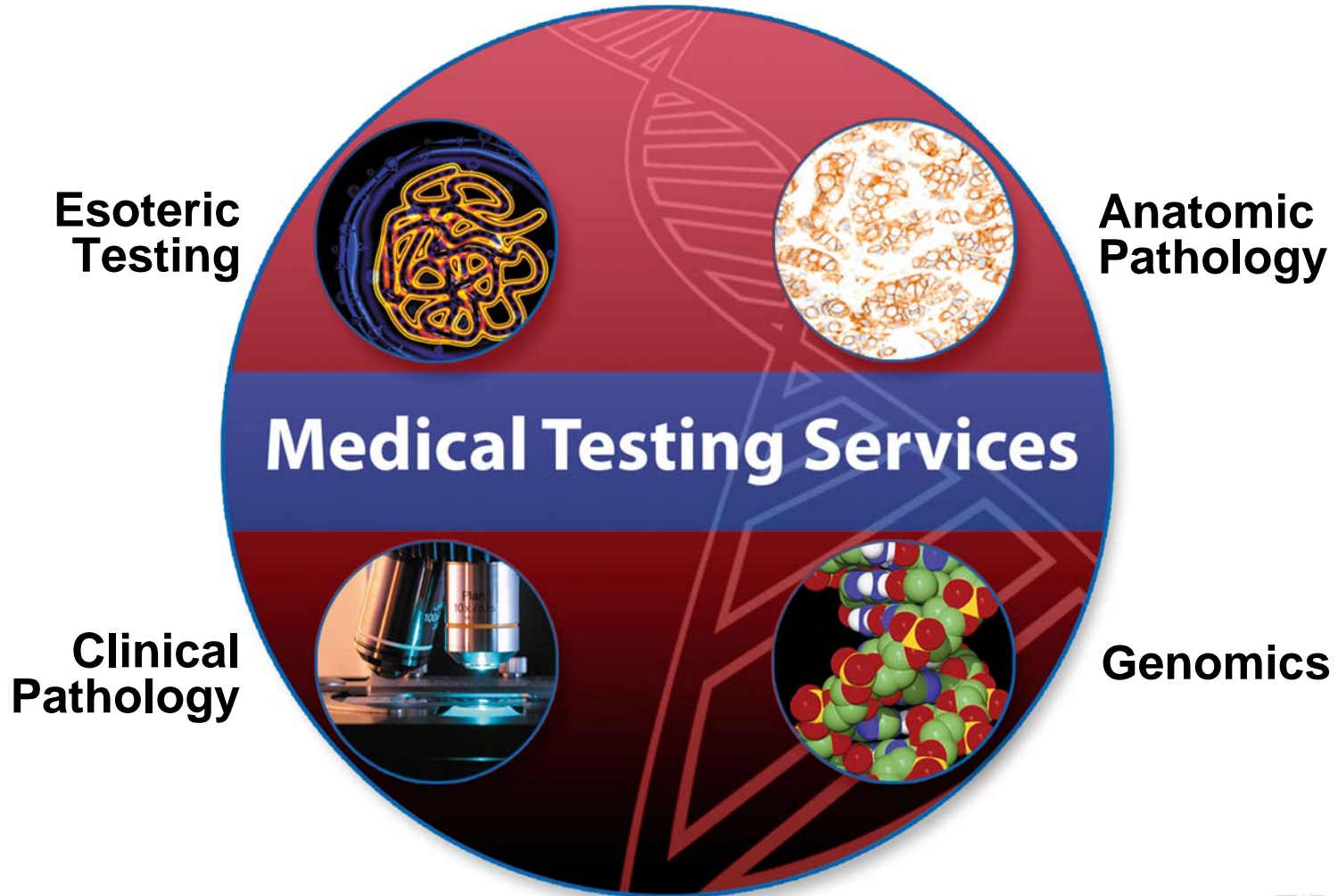
- 2-3% of spend influences 70-80% of physician decisions

- Total market size—\$52 billion
- Industry CAGR of 5%-7%
- Market Segments:
  - Routine—\$30-\$35 billion
  - Esoteric—\$4-\$5 billion
  - Anatomic pathology—\$8-\$12 billion

Source: CMS, Office of the Actuary, G-2, and Company Estimates

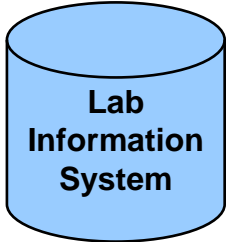


# What is LabCorp



# Our Infrastructure

70% of tests ordered electronically  
90% of results delivered electronically



Conduct >270 million tests annually



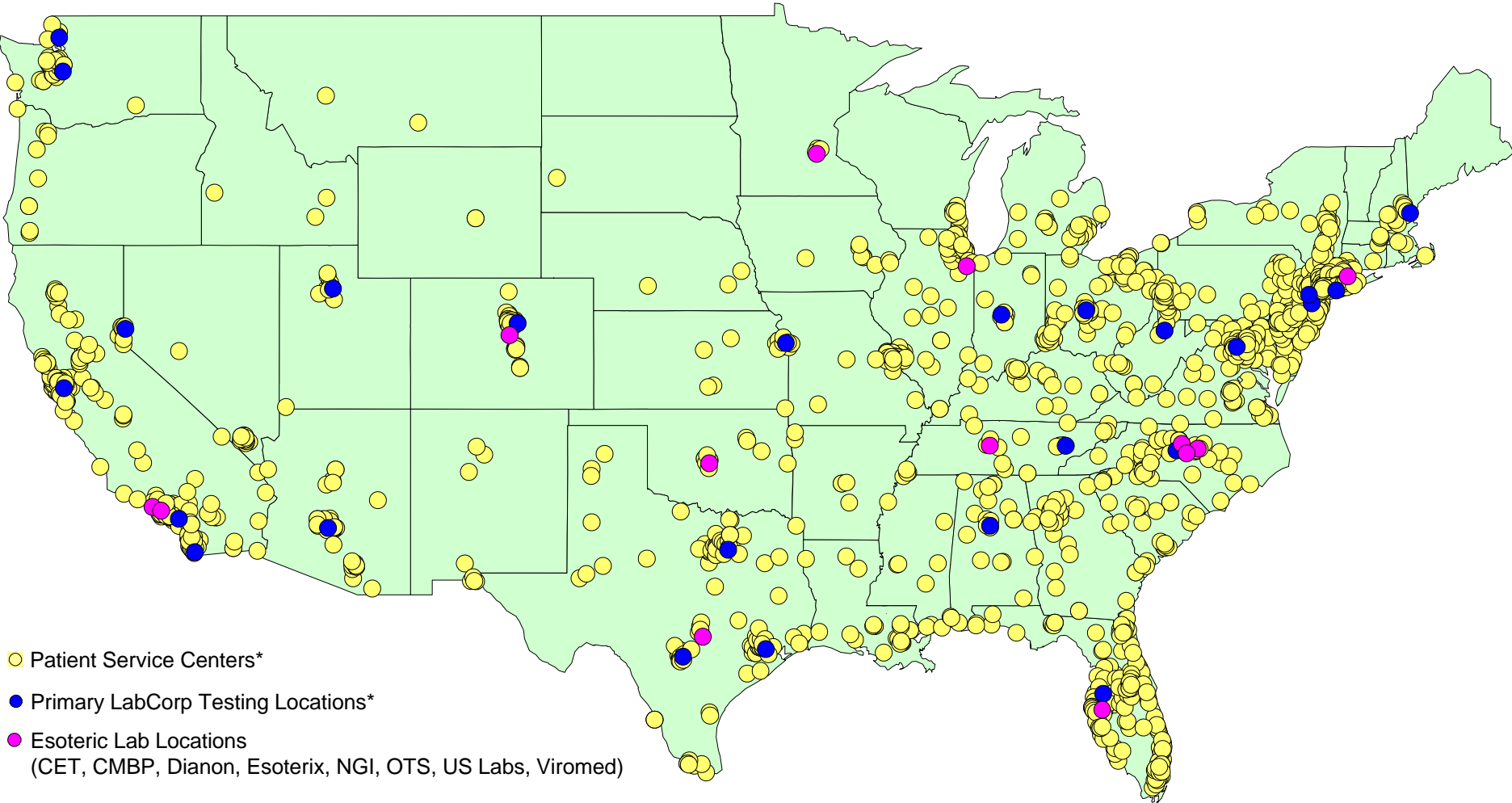
- 1600+ conveniently located PSCs
- 700 MDs & PhDs
- 6700+ phlebotomists

- 
- 2600 couriers
  - 1000 sales reps
  - 7 airplanes



- Primary testing labs
- Esoteric Labs
- STAT Labs
- *Standardized Platforms*

# Our Locations



# Strategic Focus Areas



## Scientific Leadership

- Cancer diagnostics and monitoring
- Advanced cardiovascular disease testing
- Advancement through acquisitions and licensing



## Managed Care

- Lab data enables better treatment and outcomes
- Partner to control high cost leakage
- Recognize value of lab services through appropriate pricing



## Customer Focus

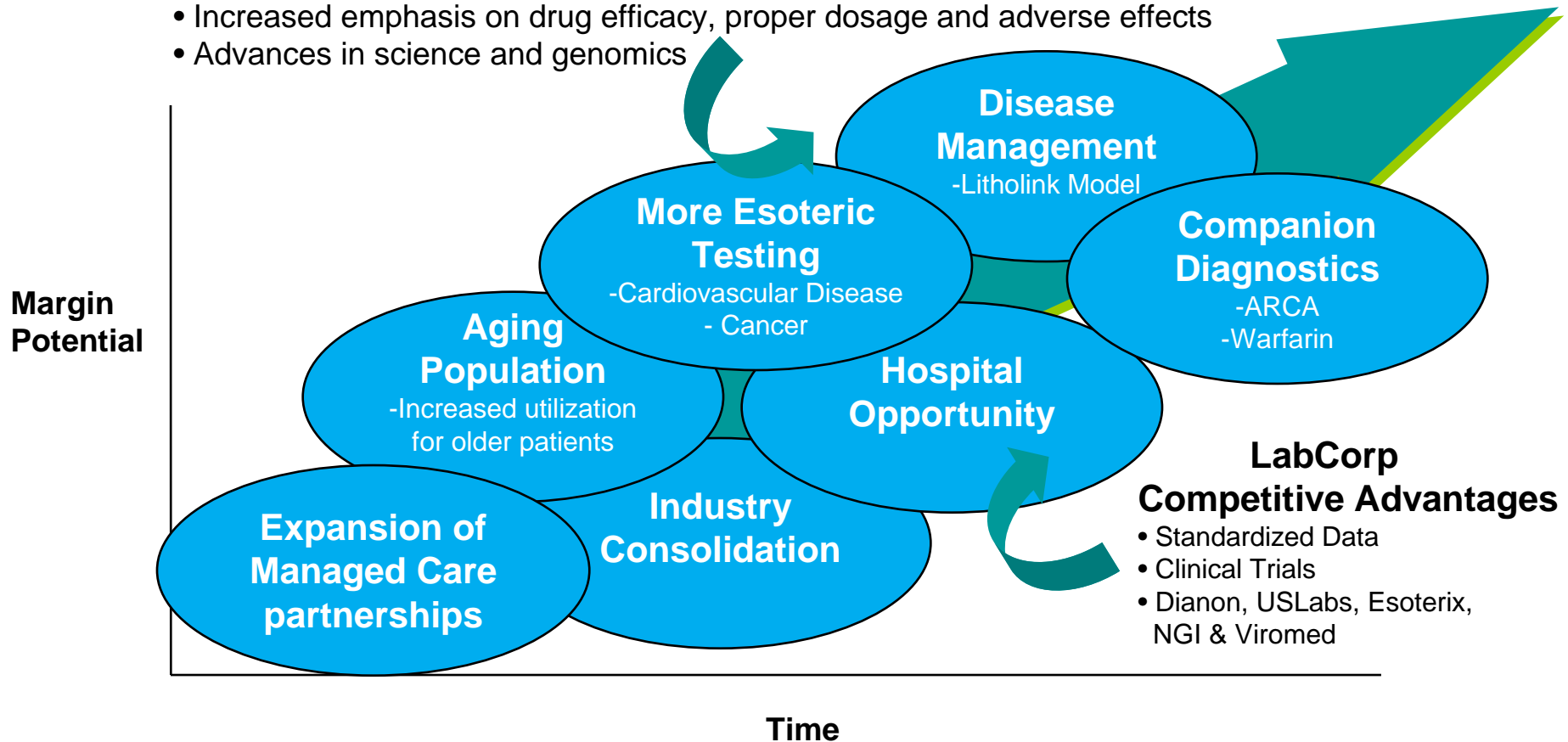
- Quality and service driven culture
- First-time problem resolution
- Continuous enhancements in customer connectivity



# Revenue Growth Drivers

## Industry Forces

- Focus on Outcomes and Cost Containment (Medical & Drug)
- Increased emphasis on drug efficacy, proper dosage and adverse effects
- Advances in science and genomics

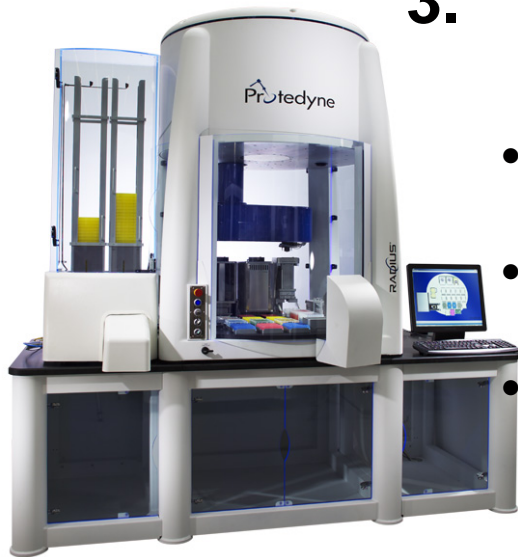


# EBITDA Margin Growth Drivers

1. Increased volumes through fixed-cost infrastructure
2. Larger number of esoteric tests offered, more esoteric tests ordered

## 3. Further operational efficiencies

- Increase automation in pre-analytic processes
- Logistics / route structure optimization
- Supply chain management



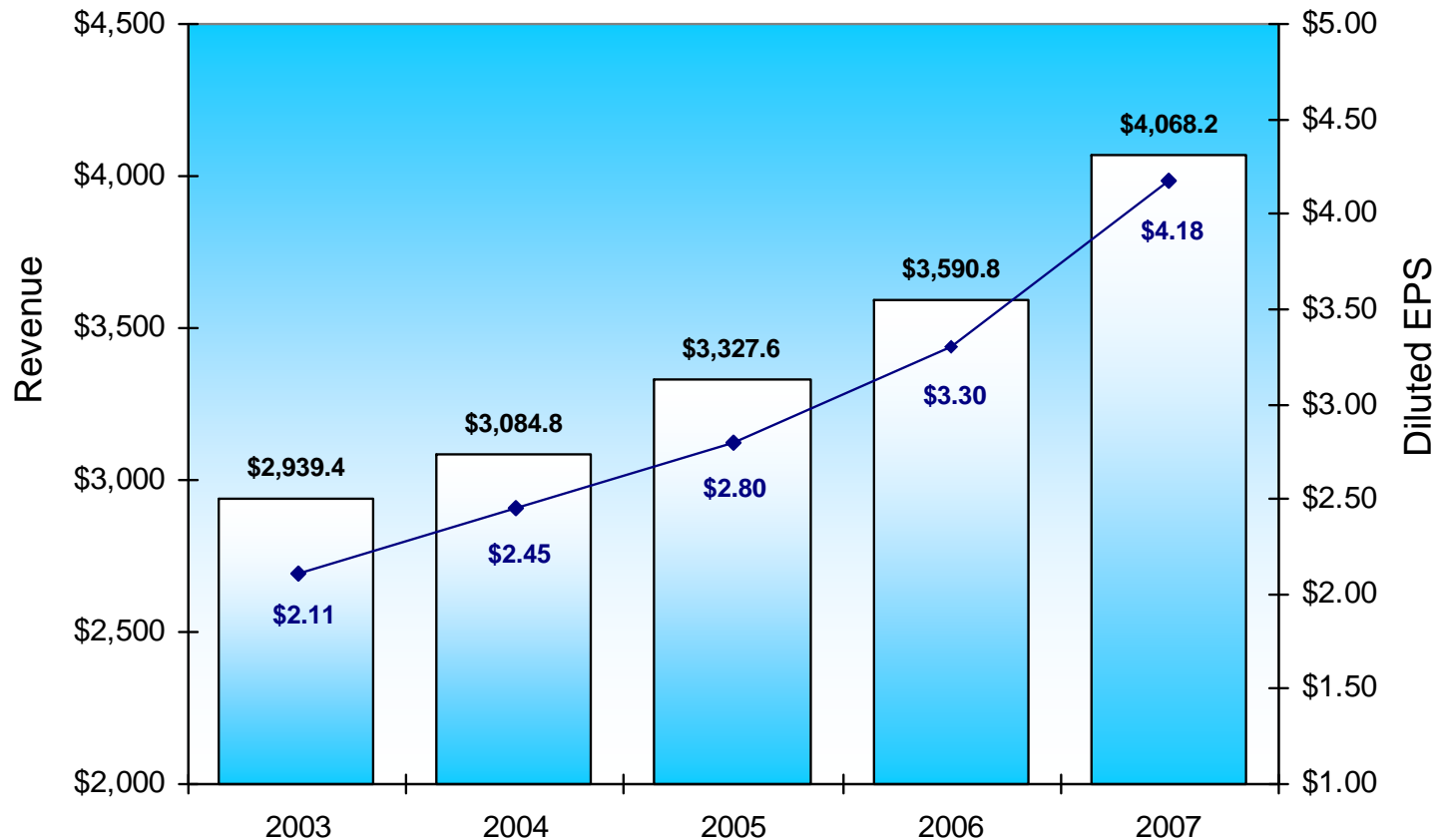
- Improved patient experience and data capture

# LabCorp's Investment and Performance Fundamentals

- **Industry-leading EBITDA margins**
- **Significant free cash flow**
- **Focus on providing value to shareholders**
  - Strategic acquisitions
  - Organic growth opportunities
  - Share repurchase
    - \$95.4 Million available as of 9/30/08
- **Flexibility for future growth opportunities**

# Five-Year Revenue and EPS Trend

Revenue CAGR of 8.5% – Diluted EPS CAGR of 18.6%

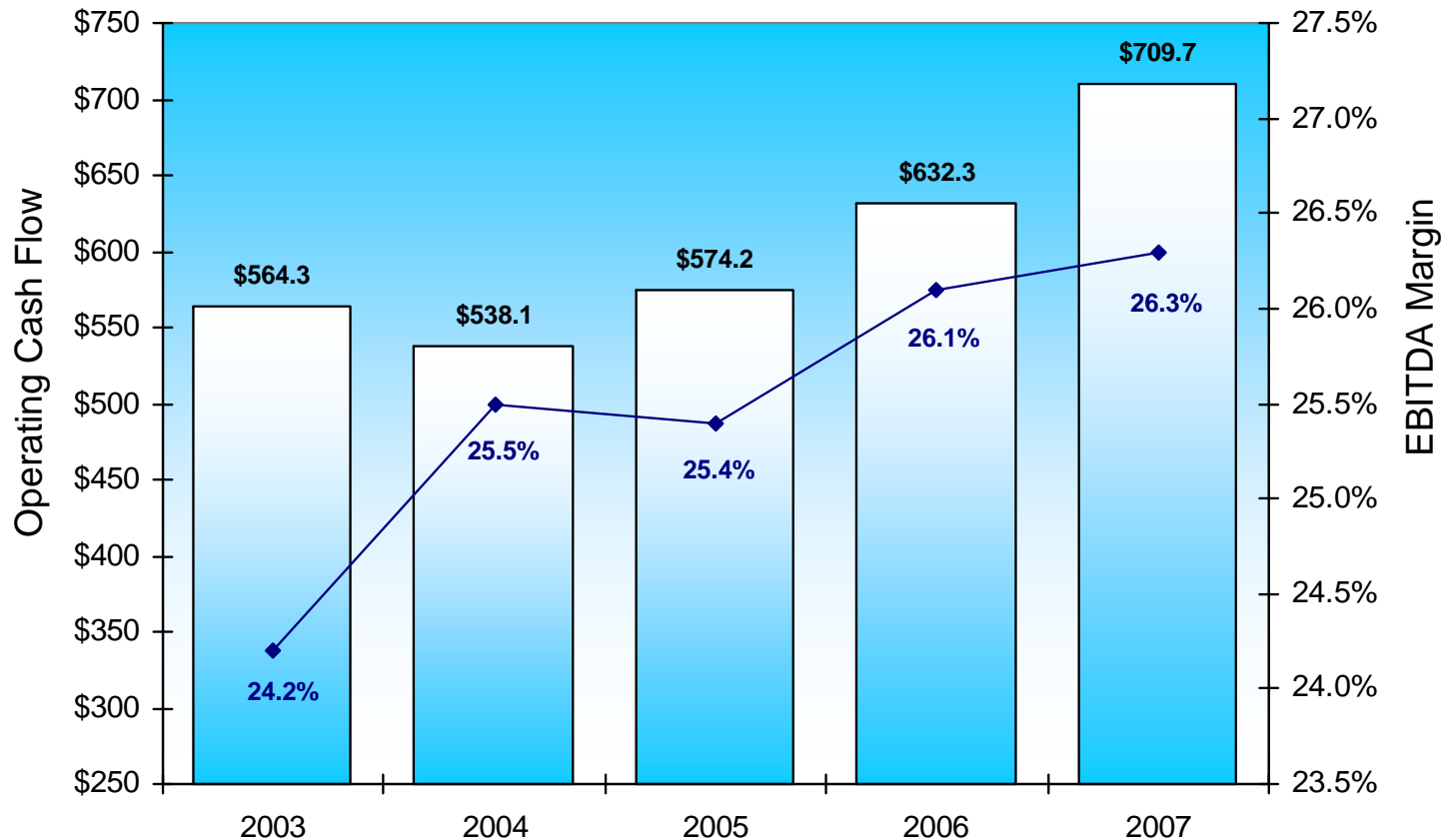


1. Excluding the \$0.09 per diluted share impact in 2005 of restructuring and other special charges, and a non-recurring investment loss.
2. Excluding the \$0.06 per diluted share impact in 2006 of restructuring and other special charges.
3. Excluding the \$0.25 per diluted share impact in 2007 of restructuring and other special charges.



# Five-Year OCF and EBITDA Margin Trend

**OCF CAGR of 6% – EBITDA Margin Growth of 210 bps**



1. Includes approximately \$50 million of benefit from one-time tax credits recorded in 2003.
2. Excluding the impact in 2005 of restructuring and other special charges and a non-recurring investment loss.
3. Excluding the impact in 2006 and 2007 of restructuring and other special charges
4. As a result of adopting FASB 123(R) in 2006, the Company recorded incremental stock compensation expense of \$23.3 and \$26.7 in 2006 and 2007, respectively.

# Third Quarter Results

(In millions, except per share data)

	<u>9/30/2007</u>	<u>9/30/2008</u>	<u>+/(-)</u>
<b>Revenue</b>	<b>\$ 1,020.6</b>	<b>\$ 1,135.1</b>	<b>11.2%</b>
<b>EBITDA<sup>(1)</sup></b>	<b>\$ 272.5</b>	<b>\$ 265.8</b>	<b>-2.5%</b>
<b>EBITDA Margin</b>	<b>26.7%</b>	<b>23.4%</b>	<b>(330) bp</b>
<b>Diluted EPS<sup>(2)</sup></b>	<b>\$ 1.07</b>	<b>\$ 1.10</b>	<b>2.8%</b>

(1) Excludes restructuring and other special charges of \$31.3 and \$17.7 million recorded by the Company in the third quarter of 2007 and 2008, respectively.

(2) Excludes the \$0.15 and \$0.10 per diluted share impact of the restructuring and other special charges recorded in the third quarter of 2007 and 2008, respectively.

# YTD Third Quarter Results

(In millions, except per share data)

	<u>9/30/2007</u>	<u>9/30/2008</u>	<u>+ / (-)</u>
<b>Revenue</b>	<b>\$ 3,062.4</b>	<b>\$ 3,386.1</b>	<b>10.6%</b>
<b>EBITDA<sup>(1)</sup></b>	<b>\$ 812.6</b>	<b>\$ 852.4</b>	<b>4.9%</b>
<b>EBITDA Margin</b>	<b>26.5%</b>	<b>25.2%</b>	<b>(130) bp</b>
<b>Diluted EPS<sup>(2)</sup></b>	<b>\$ 3.13</b>	<b>\$ 3.48</b>	<b>11.2%</b>

(1) Excludes restructuring and other special charges of \$38.3 and \$78.7 million recorded by the Company through the third quarter of 2007 and 2008, respectively.

(2) Excludes the \$0.18 and \$0.42 per diluted share impact of the restructuring and other special charges recorded through the third quarter of 2007 and 2008, respectively.



# 2008 Third Quarter Financial Achievements

- **Diluted EPS of \$1.10 <sup>(1)</sup>**
- **EBITDA margin of 23.4% of net sales<sup>(2)</sup>**
- **Operating cash flow of \$194.4 million**
- **Increased revenues**
  - **11.2% (10.6% volume; 0.6% price)**
  - **Excl. Canada 5.4% (3.1% volume, 2.3% price)**
- **Repurchased approximately \$263.9 million of LabCorp stock**

(1) Excludes the \$0.10 per diluted share impact of the restructuring and other special charges recorded in the third quarter of 2008.

(2) Excludes restructuring and other special charges of \$17.7 million recorded by the Company in the third quarter of 2008.





# 2008 YTD Third Quarter Financial Achievements

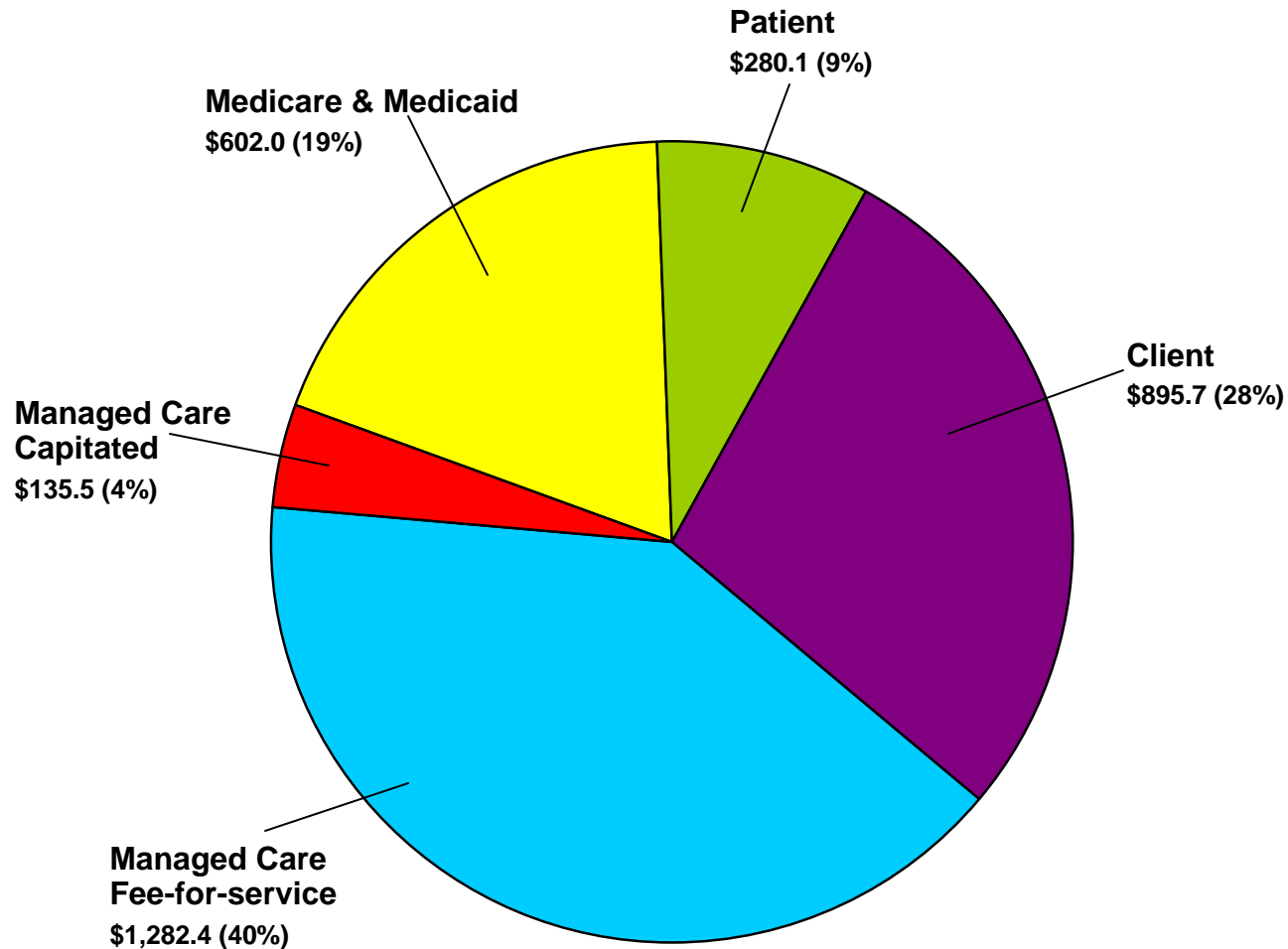
- **Diluted EPS of \$3.48 <sup>(1)</sup>**
- **EBITDA margin of 25.2% of net sales<sup>(2)</sup>**
- **Operating cash flow of \$565.6 million**
- **Increased revenues**
  - **10.6% (9.4% volume; 1.2% price)**
  - **Excl. Canada 4.3% (2.0% volume, 2.3% price)**
- **Repurchased approximately \$330.4 million of LabCorp stock**

(1) Excludes the \$0.42 per diluted share impact of the restructuring and other special charges recorded through the third quarter of 2008.

(2) Excludes restructuring and other special charges of \$78.7 million recorded by the Company through the third quarter of 2008.

# Revenue by Payer- US YTD Q3 2008

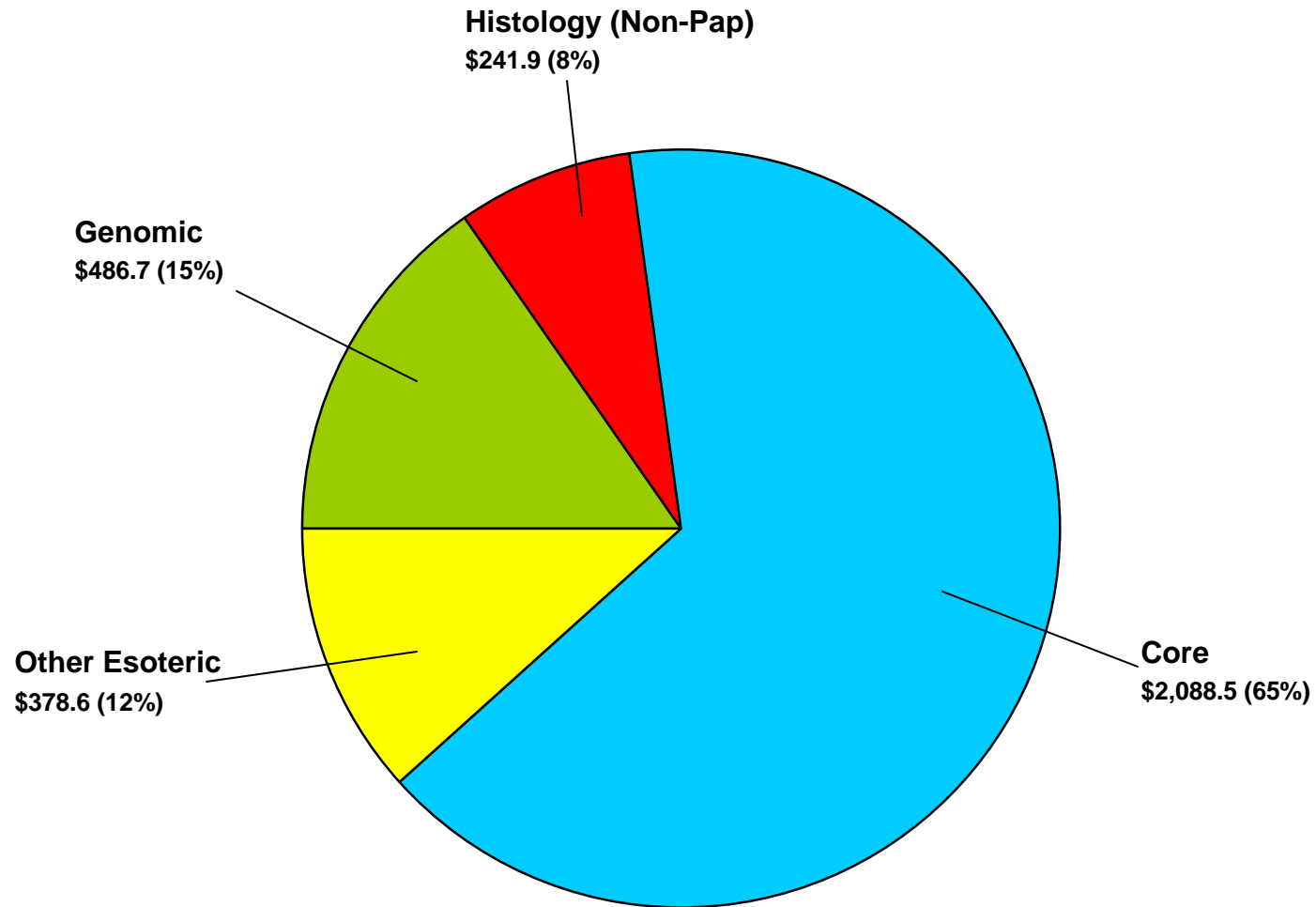
(In millions)



# Revenue by Business Area - US

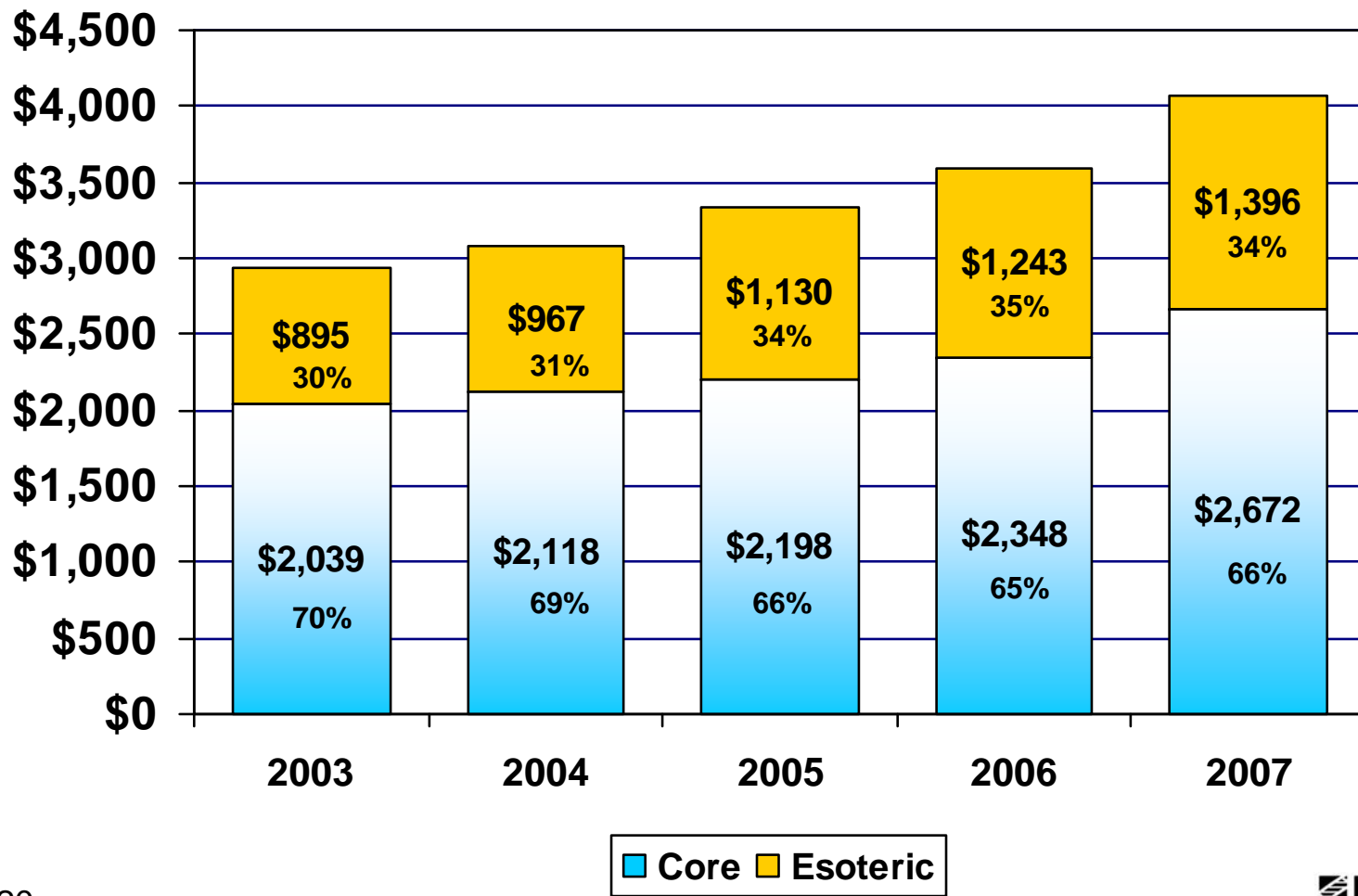
## YTD Q3 2008

(In millions)



# Revenue Mix- US by Business Area

(In millions)





# Revenue by Payer – YTD Q3 2008

(in millions, except PPA)

	YTD Q3-2006				YTD Q3-2007				YTD Q3-2008			
	Revenue		Accns	PPA	Revenue		Accns	PPA	Revenue		Accns	PPA
	\$'s	%			\$'s	%			\$'s	%		
<b>Client</b>	\$ 725.7	27%	24.821	\$ 29.24	\$ 800.8	26%	25.701	\$ 31.16	\$ 895.7	28%	26.844	\$ 33.37
<b>Patient</b>	256.5	10%	1.720	\$ 149.12	283.8	9%	1.787	\$ 158.83	280.1	9%	1.708	\$ 164.00
<b>Third Party (Medicare/Medicaid)</b>	577.3	21%	14.369	\$ 40.17	558.7	18%	13.816	\$ 40.44	602.0	19%	14.220	\$ 42.33
<b>Managed Care:</b>												
- Capitated	106.5	4%	10.031	\$ 10.61	127.8	4%	11.463	\$ 11.15	135.5	4%	11.409	\$ 11.88
- Fee for service	1,026.3	38%	20.841	\$ 49.24	1,291.3	42%	28.169	\$ 45.84	1,282.4	40%	28.352	\$ 45.23
<b>Total Managed Care</b>	1,132.7	42%	30.872	\$ 36.69	1,419.1	46%	39.632	\$ 35.81	1,417.9	44%	39.761	\$ 35.66
<b>LabCorp Total - US</b>	\$ 2,692.2	100%	71.782	\$ 37.50	\$ 3,062.5	100%	80.936	\$ 37.84	\$ 3,195.6	100%	82.533	\$ 38.72
<b>LabCorp Total - Canada</b>	\$ -	-	-	-	\$ -	-	-	-	\$ 190.4		5.957	\$ 31.97
<b>LabCorp Total</b>	\$ 2,692.2		71.782	\$ 37.50	\$ 3,062.5		80.936	\$ 37.84	\$ 3,386.1		88.490	\$ 38.26

# Revenue Mix by Business Area – YTD Q3 2008

(in millions, except PPA)

	YTD Q3-2006				YTD Q3-2007				YTD Q3-2008			
	Revenue		Accns	PPA	Revenue		Accns	PPA	Revenue		Accns	PPA
	\$'s	%			\$'s	%			\$'s	%		
<b>All Genomic</b>	\$ 415.6	15%	5.383	\$ 77.20	\$ 471.4	15%	6.382	\$ 73.87	\$ 486.7	15%	6.539	\$ 74.43
<b>Other Esoteric</b>	286.6	11%	6.866	41.75	332.7	11%	8.118	40.98	378.6	12%	9.086	41.67
<b>Histology</b>	223.4	8%	1.813	123.22	244.8	8%	2.013	121.64	241.9	8%	1.921	125.94
<b>All Genomic / Esoteric</b>	925.6	34%	14.062	65.82	1,049.0	34%	16.513	63.52	1,107.1	35%	17.545	63.10
<b>Core</b>	1,766.5	66%	57.720	30.61	2,013.5	66%	64.423	31.25	2,088.5	65%	64.987	32.14
<b>LabCorp Total - US</b>	\$ 2,692.2	100%	71.782	\$ 37.50	\$ 3,062.5	100%	80.936	\$ 37.84	\$ 3,195.6	100%	82.533	\$ 38.72
<b>LabCorp Total - Canada</b>	\$ -	-	-	-	\$ -	-	-	-	\$ 190.4		5.957	\$ 31.97
<b>LabCorp Total</b>	\$ 2,692.2	100%	71.782	\$ 37.50	\$ 3,062.5	100%	80.936	\$ 37.84	\$ 3,386.1		88.490	\$ 38.26

# Financial Guidance - 2008

Excluding the impact of restructuring and other special charges and share repurchase activity after Sept 30, 2008, guidance for 2008 is:

• Revenue growth of approximately	11%
• EBITDA margins of approximately	25%
• Diluted earnings per share of between (includes a \$0.03 negative impact from weather)	\$4.57 and \$4.61
• Operating cash flow of approximately (Excluding any transition payments to UnitedHealthcare)	\$750 million to \$770 million
• Capital expenditures of approximately	\$140 million to \$160 million
• Net interest of approximately	\$70 million

# Financial Guidance - 2009

Excluding the impact of restructuring and other special charges and share repurchase activity after Sept 30, 2008, preliminary guidance for 2009 is:

• Revenue growth of approximately	3.5% to 5.5%
• Diluted earnings per share of between	\$5.00 and \$5.25

# Reconciliation of Non-GAAP Financial Measures

(In millions)

- EBITDA represents earnings before interest, income taxes, depreciation and amortization, and includes the Company's proportional share of the underlying EBITDA of the income from joint venture partnerships. The Company uses EBITDA extensively as an internal management performance measure and believes it is a useful, and commonly used measure of financial performance in addition to earnings before taxes and other profitability measurements under generally accepted accounting principles ("GAAP"). EBITDA is not a measure of financial performance under GAAP. It should not be considered as an alternative to earnings before income taxes (or any other performance measure under GAAP) as a measure of performance or to cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. The following table reconciles earnings before income taxes, representing the most comparable measure under GAAP, to EBITDA for the three- and nine-month periods ended September 30, 2008 and 2007:

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2008	2007	2008	2007
Earnings before income taxes	\$ 186.9	\$ 187.1	\$ 586.6	\$ 615.4
Add (subtract):				
Interest expense	16.8	12.6	54.0	37.8
Investment income	(1.0)	(0.5)	(2.1)	(3.3)
Other (income) expense, net	0.2	0.6	1.5	1.5
Depreciation	30.2	26.6	89.2	79.1
Amortization	14.6	13.9	43.0	40.6
Restructuring and other special charges	17.7	31.3	78.7	38.3
Joint venture partnerships' depreciation and amortization	0.4	0.9	1.5	3.2
EBITDA	\$ 265.8	\$ 272.5	\$ 852.4	\$ 812.6

# Supplemental Financial Information

**Laboratory Corporation of America**  
**Other Financial Information**  
**September 30, 2008**  
(\$ in million's)

	<u>Q1 08</u>	<u>Q2 08</u>	<u>Q3 08</u>	<u>YTD 2008</u>
Depreciation	\$ 29.2	\$ 29.8	\$ 30.2	\$ 89.2
Amortization	\$ 13.8	\$ 14.6	\$ 14.6	\$ 43.0
Capital expenditures	\$ 37.9	\$ 40.9	\$ 41.5	\$ 120.3
Cash flows from operations	\$ 176.5	\$ 194.7	\$ 194.4	\$ 565.5
Bad debt as a percentage of sales *	5.03%	8.90%	5.29%	6.44%
Effective interest rate on debt:				
Zero coupon-subordinated notes	2.00%	2.00%	2.00%	2.00%
5 1/2% Senior Notes	5.38%	5.38%	5.38%	5.38%
5 5/8% Senior Notes	5.75%	5.75%	5.75%	5.75%
Term loan	3.67%	3.67%	3.67%	3.67%
Revolving credit facility (weighted average)	3.53%	3.23%	4.15%	4.15%
Days sales outstanding	58	54	53	53
UnitedHealthcare transition payments - Billed	\$ 9.6	\$ 9.1	\$ 12.3	\$ 31.0
UnitedHealthcare transition payments - Paid	\$ 13.0	\$ 8.5	\$ 8.4	\$ 29.9

\* Includes \$45.0 million increase in allowance for doubtful accounts recorded at June 30, 2008.





 **LabCorp**  
Laboratory Corporation of America