



FOR IMMEDIATE RELEASE

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**Labcorp Announces 2022 First Quarter Results
Company Raises Full-Year Revenue and EPS Guidance**

- Revenue: Q1 of \$3.9 billion versus \$4.2 billion last year
- Diluted EPS: Q1 of \$5.23 versus \$7.82 last year
- Adjusted EPS: Q1 of \$6.11 versus \$8.79 last year
- Free Cash Flow: Q1 of \$239 million versus \$1.1 billion last year
- Announced initiation of quarterly dividend, with \$0.72 per share for the second quarter
- Entered into several new strategic health system collaborations
- Full-Year 2022 Guidance: Adjusted EPS improved to \$18.25 to \$21.00 and Free Cash Flow unchanged at \$1.7 billion to \$1.9 billion

BURLINGTON, N.C., April 28, 2022 – Labcorp (NYSE: LH), a leading global life sciences company, today announced results for the first quarter ended March 31, 2022, and updated full-year guidance.

“Labcorp continues to advance our strategy through science, innovation and technology,” said Adam Schechter, chairman and CEO of Labcorp. “We delivered a solid first quarter despite the impact of Omicron. We remain focused on growth opportunities while continuing to take actions to mitigate inflation. Our base business performance coming out of the quarter positions us well for continued success throughout the year.”

During the quarter, Labcorp launched the Labcorp OnDemand digital health platform, intensifying its consumer focus and enhancing the user experience. The company made strides in oncology, including through key collaborations and closing its acquisition of Personal Genome Diagnostics (PGDx). Labcorp also entered into and expanded several strategic relationships with hospitals and health systems, including agreements to purchase select outreach laboratory business assets.

The company announced a quarterly dividend of \$0.72 per share of common stock, which will be payable June 9, 2022, to stockholders of record at the close of business on May 19, 2022. In addition, Labcorp published its [2021 Corporate Responsibility Report](#) which underscores its commitment to pursuing responsible, ethical and sustainable operations.

Consolidated Results

First Quarter Results

Revenue for the quarter was \$3.90 billion, a decrease of (6.3%) from \$4.16 billion in the first quarter of 2021. The decrease was due to organic revenue of (6.3%) and foreign currency translation of (0.4%), partially offset by acquisitions net of divestitures of 0.4%. The (6.3%) decline in organic revenue was driven by a (9.8%) decrease in COVID-19 PCR and antibody testing (COVID-19 Testing), partially offset by a 3.5% increase in the company's organic Base Business. Base Business includes Labcorp's operations except for COVID-19 Testing.

Operating income for the quarter was \$687.9 million, or 17.6% of revenue, compared to \$1,057.9 million, or 25.4%, in the first quarter of 2021. The company recorded amortization, restructuring charges, and special items, which together totaled \$106.1 million in the quarter, compared to \$124.0 million during the same period in 2021. Adjusted operating income (excluding amortization, restructuring charges, and special items) for the quarter was \$794.0 million, or 20.4% of revenue, compared to \$1,181.9 million, or 28.4%, in the first quarter of 2021. The decrease in operating income and margin was primarily due to a reduction in COVID-19 Testing, higher personnel expense, and other inflationary costs, partially offset by organic Base Business growth and LaunchPad savings.

Net earnings for the quarter were \$491.6 million compared to \$769.6 million in the first quarter of 2021. Diluted EPS were \$5.23 in the quarter compared to \$7.82 during the same period in 2021. Adjusted EPS (excluding amortization, restructuring charges, and special items) were \$6.11 in the quarter compared to \$8.79 in the first quarter of 2021.

Operating cash flow for the quarter was \$356.0 million compared to \$1,157.6 million in the first quarter of 2021. The decrease in operating cash flow was due to lower cash earnings and higher working capital requirements. Capital expenditures totaled \$117.2 million compared to \$95.4 million a year ago. As a result, free cash flow (operating cash flow less capital expenditures) was \$238.8 million compared to \$1,062.2 million in the first quarter of 2021.

At the end of the quarter, the company's cash balance and total debt were \$1.2 billion and \$5.4 billion, respectively. During the quarter, the company invested \$455.1 million on acquisitions. As part of the company's accelerated stock repurchase program initiated in December 2021, 0.6 million shares were retired during the quarter.

First Quarter Segment Results

The following segment results exclude amortization, restructuring charges, special items, and unallocated corporate expenses.

Diagnostics

Revenue for the quarter was \$2.45 billion, a decrease of (11.0%) from \$2.76 billion in the first quarter of 2021. The decrease was due to organic revenue of (11.5%), partially offset by acquisitions of 0.5%. The (11.5%) decrease in organic revenue was due to a (14.7%) reduction from COVID-19 Testing, partially offset by a 3.2% increase in the Base Business. Total Base Business growth compared to the Base Business in the prior year was 5.6%.

Total volume (measured by requisitions) decreased by (5.0%) as organic volume decreased by (5.3%) and acquisition volume contributed 0.3%. Organic volume was impacted by a (8.5%) decrease in COVID-19 Testing, partially offset by a 3.1% increase in Base Business. Price/mix decreased by (6.0%) due to a decrease in COVID-19 Testing of (6.3%), partially offset by acquisitions of 0.2% and organic Base Business growth of 0.1%. Base Business volume was up 4.4% compared to the Base Business last year, while price/mix was up 1.2%.

Adjusted operating income for the quarter was \$683.1 million, or 27.8% of revenue, compared to \$991.6 million, or 36.0%, in the first quarter of 2021. The decrease in adjusted operating income and adjusted operating margin was primarily due to a reduction in COVID-19 Testing, higher personnel expense, and other inflationary costs, partially offset by organic Base Business growth and LaunchPad savings.

Drug Development

Revenue for the quarter was \$1.46 billion, an increase of 1.5% from \$1.44 billion in the first quarter of 2021. The increase was due to organic Base Business growth of 4.3% and acquisitions net of divestitures of 0.1%, partially offset by lower COVID-19 Testing of (1.7%) and foreign currency translation of (1.2%).

Adjusted operating income for the quarter was \$168.6 million, or 11.6% of revenue, compared to \$234.1 million, or 16.3%, in the first quarter of 2021. Adjusted operating income and margin declined primarily due to COVID-19 Testing, a reduction in COVID-19 vaccine and therapeutic work, the interruption of some clinical trial activity due to the conflict in Ukraine, higher personnel expense, and other inflationary costs. These impacts were partially offset by organic Base Business growth and LaunchPad savings.

Net orders and net book-to-bill during the trailing twelve months were \$7.20 billion and 1.23, respectively. Backlog at the end of the quarter was \$15.19 billion, an increase of 8.7% compared to last year. The company expects approximately \$4.95 billion of its backlog to convert into revenue in the next twelve months.

Outlook for 2022

Labcorp is updating 2022 full year guidance to reflect its first quarter performance and full-year outlook. The following guidance assumes foreign exchange rates effective as of March 31, 2022, for the remainder of the year. Enterprise level guidance includes the estimated impact from currently anticipated capital allocation, including acquisitions, share repurchases and dividends.

(Dollars in billions, except per share data)

	<u>Results</u>	<u>Previous</u>		<u>Updated</u>	
		<u>2022 Guidance</u>		<u>2022 Guidance</u>	
	<u>2021</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Revenue					
Total Labcorp Enterprise ⁽¹⁾⁽²⁾	\$16.1	(6.5%)	(1.5%)	(5.5%)	(1.5%)
Base Business ⁽²⁾	\$13.4	7.5%	10.0%	8.0%	10.0%
COVID-19 Testing ⁽²⁾	\$2.8	(75.0%)	(60.0%)	(70.0%)	(60.0%)
Total Diagnostics ⁽³⁾	\$10.4	(17.5%)	(11.5%)	(15.5%)	(11.5%)
Base Business	\$7.6	3.5%	6.0%	4.0%	6.0%
COVID-19 Testing	\$2.8	(75.0%)	(60.0%)	(70.0%)	(60.0%)
Total Drug Development ⁽⁴⁾	\$5.8	7.0%	9.5%	6.0%	8.5%
Base Business	\$5.8	7.5%	10.0%	6.5%	9.0%
Adjusted EPS	\$28.52	\$17.25	\$21.25	\$18.25	\$21.00
Free Cash Flow ⁽⁵⁾	\$2.65	\$1.7	\$1.9	\$1.7	\$1.9

(1) 2022 Updated Guidance includes an impact from foreign currency translation of (0.4%), previous 2022 Guidance was (0.2%)

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

(3) 2022 Updated Guidance includes an impact from foreign currency translation of 0.0%, previous 2022 Guidance was (0.1%)

(4) 2022 Updated Guidance includes an impact from foreign currency translation of (1.1%), previous 2022 Guidance was (0.4%)

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

Use of Adjusted Measures

The company has provided in this press release and accompanying tables “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, 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 press release.

The company today is providing an investor relations presentation with additional information on its business and operations, which is available in the investor relations section of the company's website at <http://www.labcorp.com>. Analysts and investors are directed to the website to review this supplemental information.

A conference call discussing Labcorp's quarterly results will be held today at 9:00 a.m. ET and is available by dialing 877-825-4844 (631-813-4900 for international callers). The conference ID is 2386657. A telephone replay of the call will be available through May 12, 2022, and can be heard by dialing 855-859-2056 (404-537-3406 for international callers). The conference ID for the replay is 2386657. A live online broadcast of Labcorp’s quarterly conference call on April 28, 2022, will be available at [Labcorp Investor Relations website](#) beginning at 9:00 a.m. ET. This online broadcast will be archived and accessible through April 14, 2023.

About Labcorp

Labcorp is a leading global life sciences company that provides vital information to help doctors, hospitals, pharmaceutical companies, researchers, and patients make clear and confident decisions. Through our unparalleled diagnostics and drug development capabilities, we provide insights and accelerate innovations to improve health and improve lives. With more than 75,000 employees, we serve clients in more than 100 countries. Labcorp (NYSE: LH) reported revenue of \$16.1 billion in 2021. Learn more about us at www.Labcorp.com or follow us on [LinkedIn](#) and Twitter [@Labcorp](#).

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements, including, but not limited to, statements with respect to (i) the estimated 2022 guidance and related assumptions, (ii) the impact of various factors on operating and financial results, including the projected impact of the COVID-19 pandemic on the company's businesses, operating results, cash flows and/or financial condition, as well as general economic and market conditions, (iii) 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, 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 impact of global geopolitical events, 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, the impact of potential losses under repurchase agreements, 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 press release 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.

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- Tables to Follow -

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Millions, except per share data)

	Three Months Ended March 31,	
	2022	2021
Revenues	\$ 3,899.6	\$ 4,161.5
Cost of revenues	<u>2,666.7</u>	<u>2,562.5</u>
Gross profit	1,232.9	1,599.0
Selling, general and administrative expenses	464.1	429.8
Amortization of intangibles and other assets	67.1	92.1
Goodwill and other asset impairments	1.2	—
Restructuring and other charges	<u>12.6</u>	<u>19.2</u>
Operating income	687.9	1,057.9
Other income (expense):		
Interest expense	(42.2)	(48.5)
Equity method income, net	3.4	4.5
Investment income	1.1	2.4
Other, net	<u>(10.1)</u>	<u>5.5</u>
Earnings before income taxes	640.1	1,021.8
Provision for income taxes	<u>148.0</u>	<u>251.7</u>
Net earnings	492.1	770.1
Less: Net earnings attributable to the noncontrolling interest	<u>(0.5)</u>	<u>(0.5)</u>
Net earnings attributable to Laboratory Corporation of America Holdings	<u>\$ 491.6</u>	<u>\$ 769.6</u>
Basic earnings per common share	<u>\$ 5.27</u>	<u>\$ 7.88</u>
Diluted earnings per common share	<u>\$ 5.23</u>	<u>\$ 7.82</u>
Weighted average basic shares outstanding	93.2	97.6
Weighted average diluted shares outstanding	94.0	98.5

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Millions)

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,233.5	\$ 1,472.7
Accounts receivable	2,239.6	2,261.5
Unbilled services	800.0	716.8
Supplies inventory	440.7	401.4
Prepaid expenses and other	515.7	478.1
Total current assets	5,229.5	5,330.5
Property, plant and equipment, net	2,807.6	2,815.4
Goodwill, net	8,165.8	7,958.9
Intangible assets, net	3,972.5	3,735.5
Joint venture partnerships and equity method investments	62.2	60.9
Deferred income taxes	28.2	21.6
Other assets, net	462.6	462.6
Total assets	\$ 20,728.4	\$ 20,385.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 623.6	\$ 621.3
Accrued expenses and other	1,260.4	1,404.1
Unearned revenue	556.0	558.5
Short-term operating lease liabilities	189.5	187.0
Short-term finance lease liabilities	10.4	10.5
Short-term borrowings and current portion of long-term debt	1.6	1.5
Total current liabilities	2,641.5	2,782.9
Long-term debt, less current portion	5,383.3	5,416.5
Operating lease liabilities	623.7	642.5
Financing lease liabilities	83.2	84.6
Deferred income taxes and other tax liabilities	765.2	762.9
Other liabilities	489.8	402.0
Total liabilities	9,986.7	10,091.4
Commitments and contingent liabilities		
Noncontrolling interest	20.6	20.6
Shareholders' equity:		
Common stock, 92.9 and 93.1 shares outstanding at March 31, 2022, and December 31, 2021, respectively	8.5	8.5
Additional paid-in capital	29.1	—
Retained earnings	10,948.4	10,456.8
Accumulated other comprehensive loss	(264.9)	(191.9)
Total shareholders' equity	10,721.1	10,273.4
Total liabilities and shareholders' equity	\$ 20,728.4	\$ 20,385.4

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Millions)

	Three Months Ended March 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 492.1	\$ 770.1
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	161.5	183.9
Stock compensation	38.2	28.7
Operating lease right-of-use asset expense	48.9	48.3
Goodwill and other asset impairments	1.2	—
Deferred income taxes	(19.0)	(27.8)
Other	(3.6)	(3.2)
Change in assets and liabilities (net of effects of acquisitions and divestitures):		
Decrease in accounts receivable	20.4	146.7
Increase in unbilled services	(84.5)	(42.5)
Increase in supplies inventory	(37.4)	(4.7)
Increase in prepaid expenses and other	(41.1)	(51.9)
Decrease in accounts payable	(5.5)	(16.9)
Increase (decrease) in unearned revenue	(2.9)	31.8
Increase (decrease) in accrued expenses and other	(212.3)	95.1
Net cash provided by operating activities	<u>356.0</u>	<u>1,157.6</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(117.2)	(95.4)
Proceeds from sale of assets	1.0	2.6
Proceeds from sale or distribution of investments	0.4	—
Investments in equity affiliates	(2.2)	(5.5)
Acquisition of businesses, net of cash acquired	(455.1)	(34.1)
Net cash used for investing activities	<u>(573.1)</u>	<u>(132.4)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on term loan	—	(375.0)
Net share settlement tax payments from issuance of stock to employees	(27.3)	(28.1)
Net proceeds from issuance of stock to employees	18.2	24.7
Purchase of common stock	—	(68.5)
Other	(8.6)	(3.2)
Net cash used for financing activities	<u>(17.7)</u>	<u>(450.1)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(4.4)</u>	<u>(5.1)</u>
Net increase (decrease) in cash and cash equivalents	(239.2)	570.0
Cash and cash equivalents at beginning of period	<u>1,472.7</u>	<u>1,320.8</u>
Cash and cash equivalents at end of period	<u>\$ 1,233.5</u>	<u>\$ 1,890.8</u>

LABORATORY CORPORATION OF AMERICA HOLDINGS
Condensed Combined Non-GAAP Segment Information
(Dollars in Millions)

	Three Months Ended March 31,	
	2022	2021
<u>Diagnostics</u>		
Revenues	\$ 2,454.1	\$ 2,757.8
Adjusted Operating Income	\$ 683.1	\$ 991.6
Adjusted Operating Margin	27.8 %	36.0 %
<u>Drug Development</u>		
Revenues	\$ 1,459.3	\$ 1,438.2
Adjusted Operating Income	\$ 168.6	\$ 234.1
Adjusted Operating Margin	11.6 %	16.3 %
<u>Consolidated</u>		
Revenues	\$ 3,899.6	\$ 4,161.5
Adjusted Segment Operating Income	\$ 851.7	\$ 1,225.7
Unallocated corporate expense	\$ (57.7)	\$ (43.8)
Consolidated Adjusted Operating Income	\$ 794.0	\$ 1,181.9
Adjusted Operating Margin	20.4 %	28.4 %

The consolidated revenue and adjusted segment operating income are presented net of intersegment transaction eliminations and other amounts not used in determining segment performance. Adjusted operating income and adjusted operating margin are non-GAAP measures. See the subsequent reconciliation of non-GAAP financial measures.

LABORATORY CORPORATION OF AMERICA HOLDINGS
Reconciliation of Non-GAAP Measures
(Dollars in millions, except per share data)

	Three Months Ended March 31,	
	2022	2021
<u>Adjusted Operating Income</u>		
Operating Income	\$ 687.9	\$ 1,057.9
Amortization of intangibles and other assets ^(a)	67.1	92.1
Restructuring and other charges ^(b)	12.6	19.2
Acquisition and disposition-related costs ^(c)	11.4	5.7
COVID-19 related costs ^(d)	9.2	5.9
Ukraine conflict costs ^(e)	1.2	—
Retention bonuses ^(f)	0.9	—
Other ^(g)	3.7	1.1
Adjusted operating income	<u>\$ 794.0</u>	<u>\$ 1,181.9</u>
<u>Adjusted Net Income</u>		
Net Income	\$ 491.6	\$ 769.6
Impact of adjustments to operating income	106.1	124.0
Losses on venture fund investments, net ^(h)	3.1	—
Other	—	0.5
Income tax impact of adjustments ⁽ⁱ⁾	(27.1)	(29.0)
Adjusted net income	<u>\$ 573.7</u>	<u>\$ 865.1</u>
Weighted average diluted shares outstanding	94.0	98.5
Adjusted net income per share	\$ 6.11	\$ 8.79

- (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 March 31, 2021.
- (b) Restructuring and other charges represent amounts incurred in connection with the elimination of redundant positions within the organization in connection with our LaunchPad initiatives and acquisitions or dispositions of businesses by the company.
- (c) Acquisition and disposition-related costs include due-diligence legal and advisory fees, retention bonuses and other integration or disposition related activities.
- (d) Costs related to incremental operating expenses and receivables reserves incurred as a result of the COVID-19 pandemic.
- (e) During the first quarter of 2021, the company incurred incremental employee costs and determined that certain receivables and long-lived assets related to its Russia and Ukraine operations were impaired as a result of the ongoing conflict and economic sanctions.
- (f) 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.
- (g) Represents various non-operational items including rebranding, strategic review, litigation, data breach costs, insurance reimbursements, LaunchPad system implementation costs, and acquisition purchase accounting adjustments.
- (h) 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.
- (i) Income tax impact of adjustments calculated based on the tax rate applicable to each item.

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