



# Fourth Quarter 2022 Supplemental Financial Information

February 16, 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 the longer-term outlook and the related assumptions of each, (ii) the proposed spin-off of the Clinical Development business (“CD”), including statements regarding the expectation that the spin-off transaction (“Transaction”) will be consummated, the anticipated timing of the Transaction, benefits of the Transaction, the expected tax treatment of the Transaction, and opportunities for future growth; (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) uncertainties as to the completion and timing of the Transaction; (ii) the failure to obtain appropriate assurances regarding the tax-free nature of the Transaction; (iii) the receipt of regulatory approvals for the Transaction; (iv) the effect of the announcement or pendency of the Transaction on the company’s business relationships, operating results, and business generally; (v) unexpected issues that arise in the continued planning for the Transaction; (vi) the failure to have the Form 10 registration statement for the Transaction that will be filed with the SEC declared effective on a timely basis, or at all; (vii) risks that the Transaction disrupts current plans and operations of the company or CD; (viii) potential difficulties as a result of the Transaction with the company or CD employee retention; (ix) risks related to the Transaction diverting management’s attention from the company and CD’s ongoing business operations; (x) the ability of the company to successfully separate CD operations from the company’s ongoing operations; (xi) market receptiveness to effect transactions in the capital markets; (xii) market reaction to the announcement, updates on, and planning for the Transaction; (xiii) the trading price of the company’s stock, competitive actions and other unforeseen changes and general uncertainties in the marketplace; (xiv) changes in government regulations, including healthcare reform; (xv) customer purchasing decisions, including changes in payer regulations or policies; (xvi) other adverse actions of governmental and third-party payers; (xvii) changes in testing guidelines or recommendations; (xviii) federal, state, and local government responses to the COVID-19 pandemic; (xix) the impact of global geopolitical events; (xx) the effect of public opinion on the company’s reputation; (xxi) adverse results in material litigation matters; (xxii) the impact of changes in tax laws and regulations; (xxiii) failure to maintain or develop customer relationships; (xxiv) the company’s ability to develop or acquire new products and adapt to technological changes; (xxv) failure in information technology, systems or data security; (xxvi) the impact of potential losses under repurchase agreements; (xxvii) adverse weather conditions; (xxviii) the number of revenue days in a financial period; (xxix) employee relations; (xxx) personnel costs; (xxxi) inflation; and (xxxii) 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, including the Transaction, 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.

# 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>4Q22</u>	<u>4Q21</u>	<u>% Change</u>
Revenue	\$3,674.2	\$4,056.1	(9.4%) <sup>(2)</sup>
Adjusted Operating Income <sup>(1)</sup>	\$509.9	\$902.2	(43.5%)
<i>Adjusted Operating Margin</i>	<i>13.9%</i>	<i>22.2%</i>	<i>(840 bps)</i>
Adjusted EPS <sup>(1)</sup>	\$4.14	\$6.77	(38.8%)
Operating Cash Flow	\$653.6	\$697.5	(6.3%)
Less: Capital Expenditures	<u>(\$117.9)</u>	<u>(\$150.0)</u>	21.4%
Free Cash Flow	\$535.7	\$547.5	(2.1%)

(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 decrease was due to organic revenue of (9.4%) and foreign currency translation of (1.3%), partially offset by acquisitions of 1.3%. The (9.4%) decrease in organic revenue was driven by a (13.4%) decrease in COVID-19 PCR and antibody testing (COVID-19 Testing), partially offset by a 3.9% 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 12/31/22</u>	<u>Year Ended 12/31/21</u>	<u>% Change</u>
Revenue	\$14,876.8	\$16,120.9	(7.7%) <sup>(2)</sup>
Adjusted Operating Income <sup>(1)</sup>	\$2,549.1	\$3,831.1	(33.5%)
<i>Adjusted Operating Margin</i>	<i>17.1%</i>	<i>23.8%</i>	<i>(660 bps)</i>
Adjusted EPS <sup>(1)</sup>	\$19.94	\$28.52	(30.1%)
Operating Cash Flow	\$1,955.9	\$3,109.6	(37.1%)
Less: Capital Expenditures	<u>(\$481.9)</u>	<u>(\$460.4)</u>	(4.7%)
Free Cash Flow	\$1,474.0	\$2,649.2	(44.4%)

(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 (7.5%), and foreign currency translation of (1.0%), partially offset by acquisitions net of divestitures of 0.8%. The (7.5%) decrease in organic revenue was due to a (10.0%) decrease in COVID-19 Testing, partially offset by a 2.5% increase in the Company's organic Base Business.

# Fourth Quarter Adjusted Segment Results

## (Dollars in Millions)

	<u>4Q22</u>	<u>4Q21</u>	<u>% Change</u>
<b>Revenue</b>			
Diagnostics	\$2,286.4	\$2,622.8	(12.8%)
Drug Development	\$1,393.2	\$1,452.6	(4.1%)
<b>Total Revenue <sup>(1)</sup></b>	<b>\$3,674.2</b>	<b>\$4,056.1</b>	<b>(9.4%)</b>
<b>Adjusted Operating Income <sup>(2)</sup></b>			
Diagnostics	\$387.0	\$775.9	(50.1%)
<i>Adjusted Operating Margin</i>	<i>16.9%</i>	<i>29.6%</i>	<i>(1270 bps)</i>
Drug Development	\$208.5	\$205.7	1.3%
<i>Adjusted Operating Margin</i>	<i>15.0%</i>	<i>14.2%</i>	<i>80 bps</i>
Unallocated Corporate Expense	(\$85.6)	(\$79.4)	(7.7%)
<b>Total Adjusted Operating Income</b>	<b>\$509.9</b>	<b>\$902.2</b>	<b>(43.5%)</b>
<i>Total Adjusted Operating Margin</i>	<i>13.9%</i>	<i>22.2%</i>	<i>(840 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 12/31/22</u>	<u>Year Ended 12/31/21</u>	<u>% Change</u>
<b>Revenue</b>			
Diagnostics	\$9,203.5	\$10,363.6	(11.2%)
Drug Development	\$5,710.2	\$5,845.5	(2.3%)
<b>Total Revenue <sup>(1)</sup></b>	<b>\$14,876.8</b>	<b>\$16,120.9</b>	<b>(7.7%)</b>
<b>Adjusted Operating Income <sup>(2)</sup></b>			
Diagnostics	\$2,025.5	\$3,205.6	(36.8%)
<i>Adjusted Operating Margin</i>	<i>22.0%</i>	<i>30.9%</i>	<i>(890 bps)</i>
Drug Development	\$801.1	\$887.1	(9.7%)
<i>Adjusted Operating Margin</i>	<i>14.0%</i>	<i>15.2%</i>	<i>(110 bps)</i>
Unallocated Corporate Expense	(\$277.5)	(\$261.6)	(6.1%)
<b>Total Adjusted Operating Income</b>	<b>\$2,549.1</b>	<b>\$3,831.1</b>	<b>(33.5%)</b>
<i>Total Adjusted Operating Margin</i>	<i>17.1%</i>	<i>23.8%</i>	<i>(660 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.

# Fourth Quarter Adjusted Segment Results vs. 2019

## (Dollars in Millions)

	<u>4Q22</u>	<u>4Q19</u>	<u>CAGR</u>
<b>Revenue</b>			
Diagnostics Total	\$2,286.4	\$1,757.8	9.2%
Base Business - Revenue	\$2,145.6	\$1,757.8	6.9%
Base Business - Volume			1.3%
Base Business - Price/Mix			5.6%
Drug Development Total	\$1,393.2	\$1,201.7	5.1%
Base Business - Revenue	\$1,393.2	\$1,201.7	5.1%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$3,674.2</b>	<b>\$2,953.5</b>	<b>7.5%</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 12/31/22</u>	<u>Year Ended 12/31/19</u>	<u>CAGR</u>
<b>Revenue</b>			
Diagnostics Total	\$9,203.5	\$6,999.9	9.6%
Base Business - Revenue	\$8,058.2	\$6,999.9	4.8%
Base Business - Volume			0.6%
Base Business - Price/Mix			4.2%
Drug Development Total	\$5,710.2	\$4,578.1	7.6%
Base Business - Revenue	\$5,710.2	\$4,578.1	7.6%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$14,876.8</b>	<b>\$11,554.8</b>	<b>8.8%</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)

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	<u>4Q21</u>	<u>1Q22</u>	<u>2Q22</u>	<u>3Q22</u>	<u>4Q22</u>
Total Depreciation	\$95.2	\$94.5	\$92.6	\$91.7	\$95.7
Total Amortization <sup>(1)</sup>	\$92.9	\$67.1	\$66.4	\$65.2	\$60.6
Total Adjusted EBITDA <sup>(2)</sup>	\$1,003.8	\$892.8	\$750.7	\$683.7	\$605.4
Total Debt to Last Twelve Months Adjusted EBITDA <sup>(2)</sup>	1.3x	1.5x	1.5x	1.7x	1.9x
Total Net Debt to Last Twelve Months Adjusted EBITDA <sup>(2)(3)</sup>	1.0x	1.1x	1.2x	1.5x	1.8x

(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>

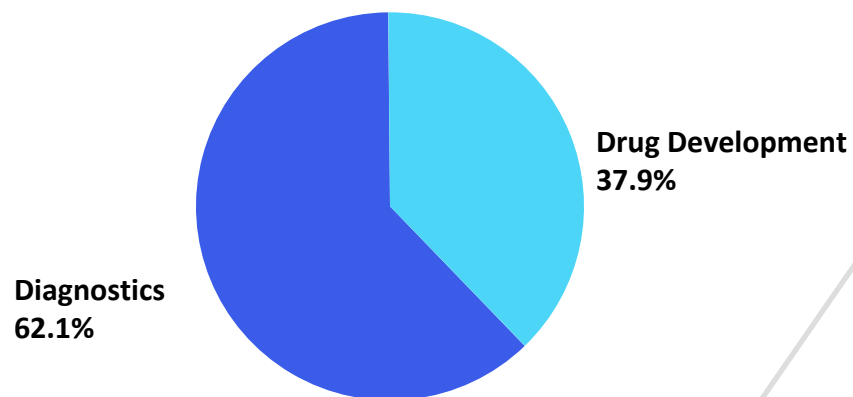
Trailing Twelve Month (TTM) Results		
	Net Orders	Net Book-to-Bill
TTM Ending December 31, 2022	\$7.3 billion	1.27x
TTM Ending September 30, 2022	\$7.2 billion	1.25x
TTM Ending June 30, 2022	\$7.1 billion	1.23x
TTM Ending March 31, 2022	\$7.2 billion	1.23x
TTM Ending December 31, 2021	\$7.3 billion	1.25x

	Backlog	Estimated revenue expected to convert from backlog in the next twelve months
As of December 31, 2022	\$16.3 billion	\$4.9 billion
As of September 30, 2022	\$15.2 billion	\$4.7 billion
As of June 30, 2022	\$15.2 billion	\$4.8 billion
As of March 31, 2022	\$15.2 billion	\$4.9 billion
As of December 31, 2021	\$15.0 billion	\$5.0 billion

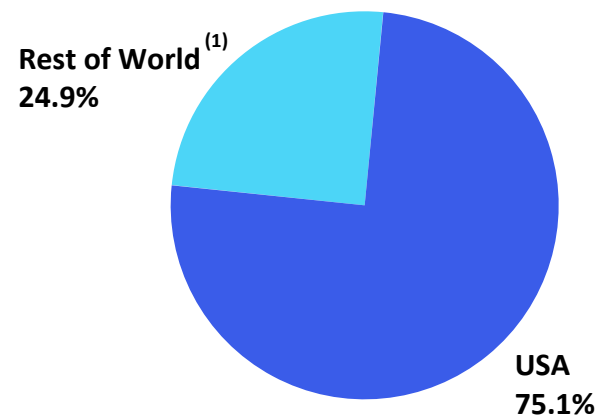
(1) Results shown include the impact from cancellations and foreign currency translation.

# Fourth Quarter 2022 Revenue Distribution

## Segment Distribution



## Geographic Distribution



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

# Fourth Quarter 2022 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	\$3,674	(9.4%)
Foreign Exchange Impact	\$52	1.3%
Revenues, Constant Currency	\$3,726	(8.1%)
<b><u>Diagnostics</u></b>		
Revenues, as Reported	\$2,286	(12.8%)
Foreign Exchange Impact	\$7	0.3%
Revenues, Constant Currency	\$2,294	(12.6%)
<b><u>Drug Development</u></b>		
Revenues, as Reported	\$1,393	(4.1%)
Foreign Exchange Impact	\$44	3.1%
Revenues, Constant Currency	\$1,438	(1.0%)

(1) May not foot due to rounding.

# Full Year 2022 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	\$14,877	(7.7%)
Foreign Exchange Impact	\$164	1.0%
Revenues, Constant Currency	\$15,041	(6.7%)
<b><u>Diagnostics</u></b>		
Revenues, as Reported	\$9,204	(11.2%)
Foreign Exchange Impact	\$14	0.1%
Revenues, Constant Currency	\$9,217	(11.1%)
<b><u>Drug Development</u></b>		
Revenues, as Reported	\$5,710	(2.3%)
Foreign Exchange Impact	\$150	2.6%
Revenues, Constant Currency	\$5,861	0.3%

(1) May not foot due to rounding.

# Diagnosics Price / Mix & Days

Price / Mix Versus Revenue Per Requisition							
Year over Year % Change	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Revenue <sup>(1)</sup>	39.7%	(3.2%)	(16.9%)	(11.0%)	(4.7%)	(15.7%)	(12.8%)
Volume (in requisitions) <sup>(2)</sup>	39.6%	0.2%	(8.7%)	(5.0%)	(2.7%)	(10.3%)	(11.8%)
Price / mix <sup>(3)</sup>	0.1%	(3.4%)	(8.2%)	(6.0%)	(2.0%)	(5.4%)	(1.0%)
<b>Price / Mix Reconciliation</b>							
Revenue per requisition <sup>(4)</sup>	0.1%	(3.4%)	(9.0%)	(6.3%)	(2.0%)	(6.0%)	(1.2%)
Other mix <sup>(5)</sup>	—%	0.0%	0.8%	0.3%	0.0%	0.6%	0.2%
Price / mix <sup>(3)</sup>	0.1%	(3.4%)	(8.2%)	(6.0%)	(2.0%)	(5.4%)	(1.0%)

Days in 2022 Versus 2021 <sup>(7)</sup>					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year <sup>(6)</sup>
Revenue Day Variance	+ 0.25 Day	—	+ 0.25 Day	- 0.50 Day	- 0.25 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) Day variances are rounded to the nearest quarter day.

# 2023 Financial Guidance

(Dollars in billions, except per share data)

	Full Year Results (in Dollars)				2023 Guidance (in Dollars)		2023 Guidance (% Versus 2022 Results)		2023 Guidance (CAGR <sup>(7)</sup> to 2019 Results)	
	2019	2020	2021	2022	Low	High	Low	High	Low	High
<b>Revenue</b>										
Total Labcorp Enterprise <sup>(1)(2)</sup>	\$11.55	\$13.98	\$16.12	\$14.88	\$15.03	\$15.47	1.0%	4.0%	6.8%	7.6%
Base Business <sup>(2)(3)</sup>	\$11.55	\$11.19	\$13.36	\$13.73	\$14.90	\$15.17	8.5%	10.5%	6.6%	7.0%
COVID-19 Testing <sup>(2)</sup>	\$0.00	\$2.78	\$2.76	\$1.15	\$0.11	\$0.29	(90.0%)	(75.0%)		
Total Diagnostics <sup>(4)</sup>	\$7.00	\$9.25	\$10.36	\$9.20	\$9.02	\$9.34	(2.0%)	1.5%	6.5%	7.5%
Base Business	\$7.00	\$6.47	\$7.60	\$8.06	\$8.90	\$9.07	10.5%	12.5%	6.2%	6.7%
COVID-19 Testing	\$0.00	\$2.78	\$2.76	\$1.15	\$0.11	\$0.29	(90.0%)	(75.0%)		
Total Drug Development <sup>(5)</sup>	\$4.58	\$4.88	\$5.85	\$5.71	\$6.00	\$6.11	5.0%	7.0%	7.0%	7.5%
Base Business	\$4.58	\$4.76	\$5.81	\$5.71	\$6.00	\$6.11	5.0%	7.0%	7.0%	7.5%
<b>Adjusted EPS</b>	\$11.32	\$23.94	\$28.52	\$19.94	\$16.00	\$18.00	(19.8%)	(9.7%)	9.0%	12.3%
<b>Free Cash Flow <sup>(6)</sup></b>	\$1.04	\$1.75	\$2.65	\$1.47	\$1.00	\$1.20	(32.2%)	(18.6%)	(1.1%)	3.5%

(1) 2023 Guidance percent changes as compared to 2022 results includes an impact from foreign currency translation of 0.0%.

(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) 2023 Guidance percent changes as compared to 2022 results includes an impact from foreign currency translation of (0.2%).

(5) 2023 Guidance percent changes as compared to 2022 results includes an impact from foreign currency translation of 0.2%.

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

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



# Additional Quarterly Business Segment Information

	2019				2020				2021				2022				Q4'19 - Q4'22
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	CAGR
<b>Diagnostics 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%	
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%	
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%	30.8%	
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%	10.6%	
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%	10.6%	
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%	47.9%	
<b>Drug Development</b>																	
Passthroughs (\$M)	133.0	167.6	152.9	148.3	135.0	136.6	139.2	174.3	178.6	199.8	181.0	165.0	177.7	180.1	190.0	202.3	
Quarterly Book-to-Bill	1.19	1.11	1.45	1.39	1.06	1.39	1.39	1.79	1.30	1.19	1.12	1.38	1.22	1.19	1.20	1.50	
Quarterly Net Orders (\$M)	1,282.2	1,245.8	1,709.5	1,670.5	1,209.1	1,521.4	1,729.5	2,497.2	1,865.4	1,772.8	1,634.1	2,005.4	1,786.1	1,724.2	1,680.5	2,089.5	
Business Unit Revenue (\$M)																	
Early Development (ED)	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	5.8%
Clinical Trial Testing Solutions (CTTS) Base Business	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	5.1%
Clinical Development and Commercialization Services (CDCS)	587.9	614.8	631.1	646.4	599.7	588.8	637.6	701.8	726.2	761.6	752.1	744.9	755.1	774.0	739.4	744.4	4.8%
COVID-19 Testing	—	—	—	—	—	12.8	44.2	56.3	24.8	9.3	1.1	0.7	—	—	—	—	
Segment Revenue Base Business (\$M)	1,074.7	1,126.4	1,175.4	1,201.7	1,143.8	1,080.9	1,197.7	1,342.0	1,413.3	1,485.9	1,458.3	1,451.9	1,459.3	1,451.9	1,405.8	1,393.2	5.1%

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

	<u>4Q21</u>	<u>1Q22</u>	<u>2Q22</u>	<u>3Q22</u>	<u>4Q22</u>
Operating Income	\$730.6	\$687.9	\$525.9	\$469.4	\$90.7
Add:					
Restructuring and special charges	7.8	12.6	44.4	15.1	11.7
Goodwill and other asset impairments	—	1.2	0.4	0.7	270.3
Other special charges <sup>(1)</sup>	70.9	25.2	19.0	39.4	76.6
Depreciation	95.2	94.5	92.6	91.7	95.7
Amortization	92.9	67.1	66.4	65.2	60.6
Equity method income, net	5.6	3.4	1.4	1.7	(1.1)
EBITDA adjustments to equity method income, net	0.8	0.9	0.6	0.5	0.9
Adjusted EBITDA	<u>1,003.8</u>	<u>892.8</u>	<u>750.7</u>	<u>683.7</u>	<u>605.4</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,	
	2022	2021	2022	2021
Revenues	\$ 3,674.2	\$ 4,056.1	\$ 3,674.2	\$ 4,056.1
Cost of revenues	2,704.4	2,681.1	2,680.9	2,643.9
Gross profit	969.8	1,375.0	993.2	1,412.2
Selling, general and administrative expenses	536.5	543.7	483.3	510.0
Amortization of intangibles and other assets	60.6	92.9		
Restructuring and other charges	11.7	7.8		
Goodwill and other asset impairments	270.3	0.0		
Operating income	90.7	730.6	509.9	902.2
Other income (expense):				
Interest expense	(49.3)	(43.1)	(49.3)	(43.1)
Equity method income, net	(1.1)	5.6	(1.1)	5.6
Investment income	1.7	1.9	1.7	1.9
Other, net	2.5	(9.0)	0.6	(3.0)
Earnings before income taxes	44.5	686.0	461.8	863.6
Provision for income taxes	(31.9)	132.4	92.5	212.1
Net earnings	76.4	553.6	369.3	651.5
Less: Net earnings (loss) attributable to the noncontrolling interest	(0.3)	(0.6)	(0.3)	(0.6)
Net earnings attributable to LCAH	\$ 76.1	\$ 553.0	\$ 369.0	\$ 650.9
Diluted earnings per common share	\$ 0.86	\$ 5.75	\$ 4.14	\$ 6.77
Weighted average diluted shares outstanding	89.0	96.2	89.0	96.2

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

	GAAP		Non-GAAP	
	Twelve Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Revenues	\$ 14,876.8	\$ 16,120.9	\$ 14,876.8	\$ 16,120.9
Cost of revenues	10,491.7	10,496.6	10,442.4	10,433.5
Gross profit	4,385.1	5,624.3	4,434.4	5,687.4
Selling, general and administrative expenses	1,996.6	1,952.1	1,885.3	1,856.3
Amortization of intangibles and other assets	259.3	369.6		
Restructuring and other charges	83.8	43.1		
Goodwill and other asset impairments	271.5	0.0		
Operating income	1,773.9	3,259.5	2,549.1	3,831.1
Other income (expense):				
Interest expense	(180.3)	(212.1)	(180.3)	(178.7)
Equity method income, net	5.4	26.5	5.4	26.5
Investment income	8.9	10.2	8.9	10.2
Other, net	(25.3)	42.5	(12.3)	1.5
Earnings before income taxes	1,582.6	3,126.6	2,370.8	3,690.6
Provision for income taxes	302.0	747.1	543.2	908.1
Net earnings	1,280.6	2,379.5	1,827.6	2,782.5
Less: Net earnings (loss) attributable to the noncontrolling interest	(1.5)	(2.2)	(1.5)	(2.2)
Net earnings attributable to LCAH	\$ 1,279.1	\$ 2,377.3	\$ 1,826.1	\$ 2,780.3
Diluted earnings per common share	\$ 13.97	\$ 24.39	\$ 19.94	\$ 28.52
Weighted average diluted shares outstanding	91.6	97.5	91.6	97.5

# 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,	
	2022	2021	2022	2021
<b><u>Adjusted Operating Income</u></b>				
Operating Income	\$ 90.7	\$ 730.6	\$ 1,773.9	\$ 3,259.5
Amortization of intangibles and other assets (a)	60.6	92.9	259.3	369.6
Restructuring and other charges (b)	11.7	7.8	83.8	43.1
Acquisition and disposition-related costs (c)	31.9	9.0	65.3	28.1
Spin off transaction costs (d)	28.9	—	36.9	—
COVID-19 related costs (e)	9.9	40.9	27.2	71.9
Asset impairments (f)	270.3	—	271.5	—
Retention bonuses (g)	0.4	8.6	2.2	18.2
Ukraine/Russia crisis costs (h)	0.6	—	2.9	—
Other (i)	4.9	12.4	26.1	40.7
Adjusted operating income	<u>\$ 509.9</u>	<u>\$ 902.2</u>	<u>\$ 2,549.1</u>	<u>\$ 3,831.1</u>
<b><u>Adjusted Net Income</u></b>				
Net Income	\$ 76.1	\$ 553.0	\$ 1,279.1	\$ 2,377.3
Impact of adjustments to operating income	419.2	171.6	775.2	571.6
(Gains) / losses on venture fund investments, net (j)	0.6	3.0	12.0	(50.1)
(Gain) / loss on sale of business (k)	(1.9)	0.1	(1.9)	6.2
Debt financing costs (l)	—	—	(0.3)	33.4
Other	(0.7)	3.0	3.1	3.0
Change in U.K. tax rates (m)	—	—	—	17.1
Income tax impact of adjustments (n)	(124.3)	(79.8)	(241.1)	(178.2)
Adjusted net income	<u>\$ 369.0</u>	<u>\$ 650.9</u>	<u>\$ 1,826.1</u>	<u>\$ 2,780.3</u>
Weighted average diluted shares outstanding	89.0	96.2	91.6	97.5
Adjusted net income per share	\$ 4.14	\$ 6.77	\$ 19.94	\$ 28.52

# 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 and twelve months ended December 31, 2021.
- (b) Restructuring and other charges represent amounts incurred related to the elimination of 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) The company has announced the spin-off of the Clinical Development and Commercialization Services (CDCS) business and has incurred various costs to prepare for the spin-off transaction.
- (e) Costs of incremental operating expenses incurred as a result of the COVID-19 pandemic.
- (f) During the fourth quarter of 2022, the company impaired a portion of the goodwill related to the Early Development business as well as a technology intangible asset.
- (g) As a result of labor market conditions, the company implemented a targeted retention program within the Drug Development segment for a select group of positions experiencing higher than normal turnover.
- (h) 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.
- (i) Represents various non-operational items including rebranding, strategic review, litigation, data breach costs, insurance reimbursements, executive termination costs, 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 (gain)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.