



# Cowen and Company 28<sup>th</sup> Annual Health Care Conference

Boston, MA  
March 18<sup>th</sup>, 2008

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

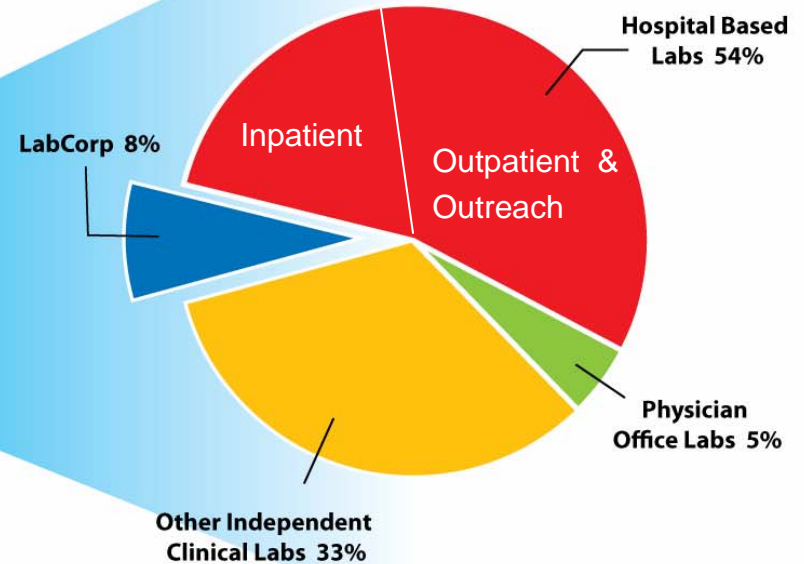
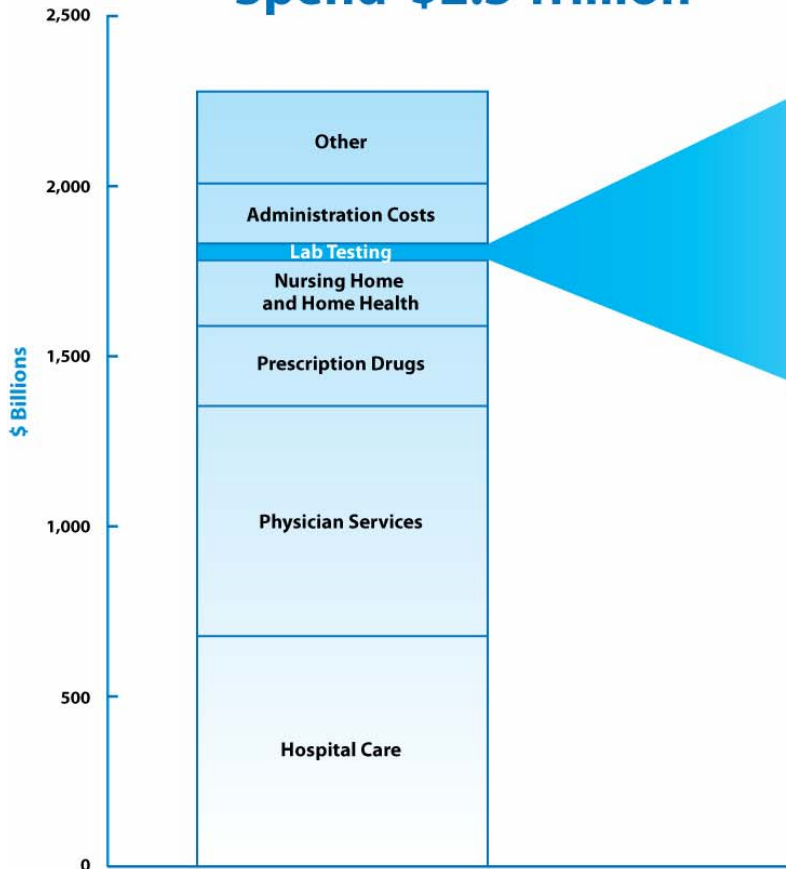
# Introduction

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 US Healthcare & Clinical Laboratory Testing Market

## 2007 Projected US Healthcare Spend \$2.3 Trillion



- Total market size—\$50 billion
- Industry CAGR of 5%-7%
- Market Segments:
  - Routine—\$30-\$35 billion
  - Esoteric—\$4-\$5 billion
  - Anatomic pathology—\$6-\$10 billion

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

# The Value of Lab Testing

**In the past, lab testing was primarily used to diagnose disease**

***Now, lab testing now plays an increasingly large role in the full continuum of healthcare delivery***

PREVENTION

DIAGNOSIS

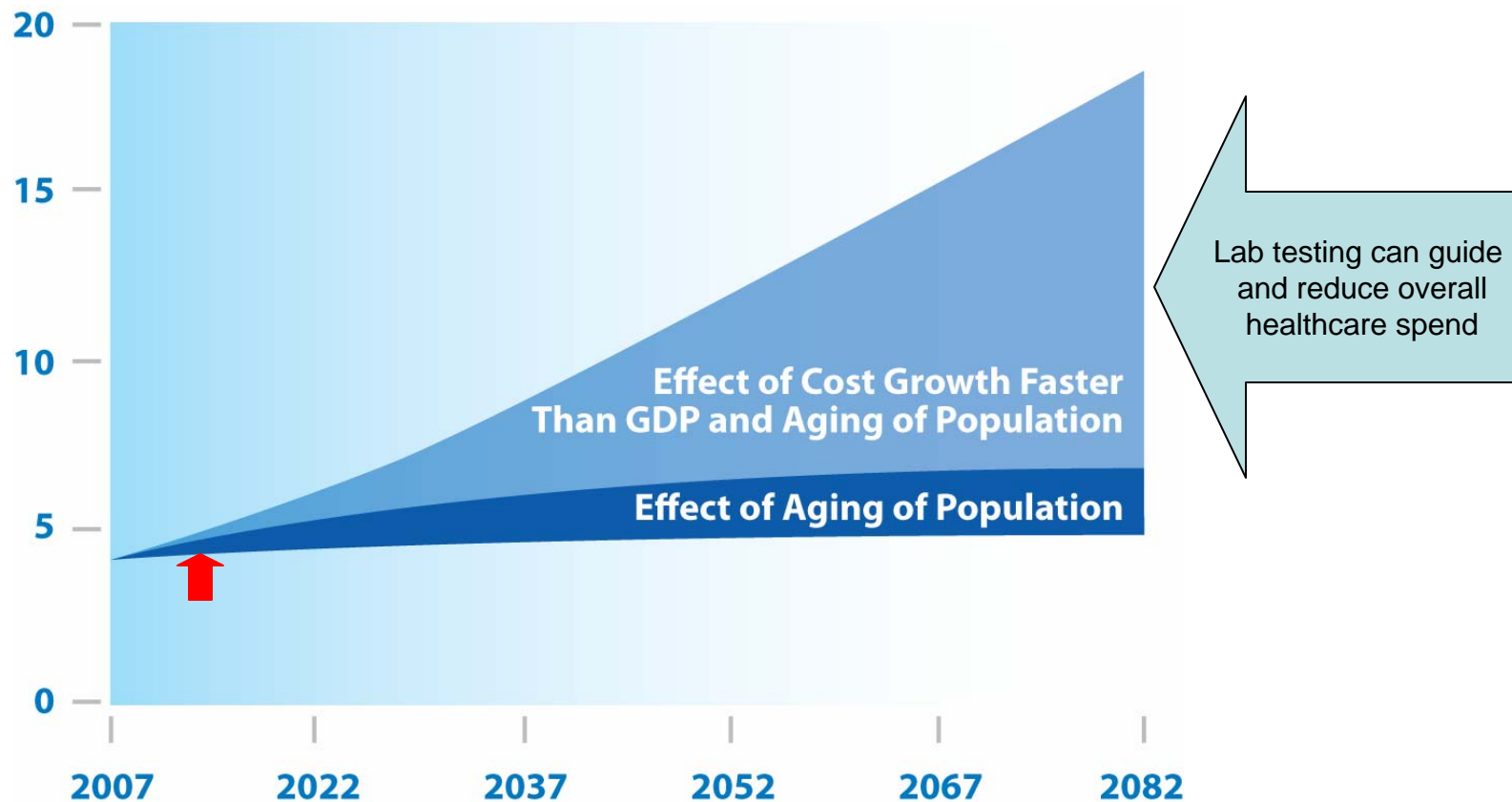
TREATMENT

MONITORING



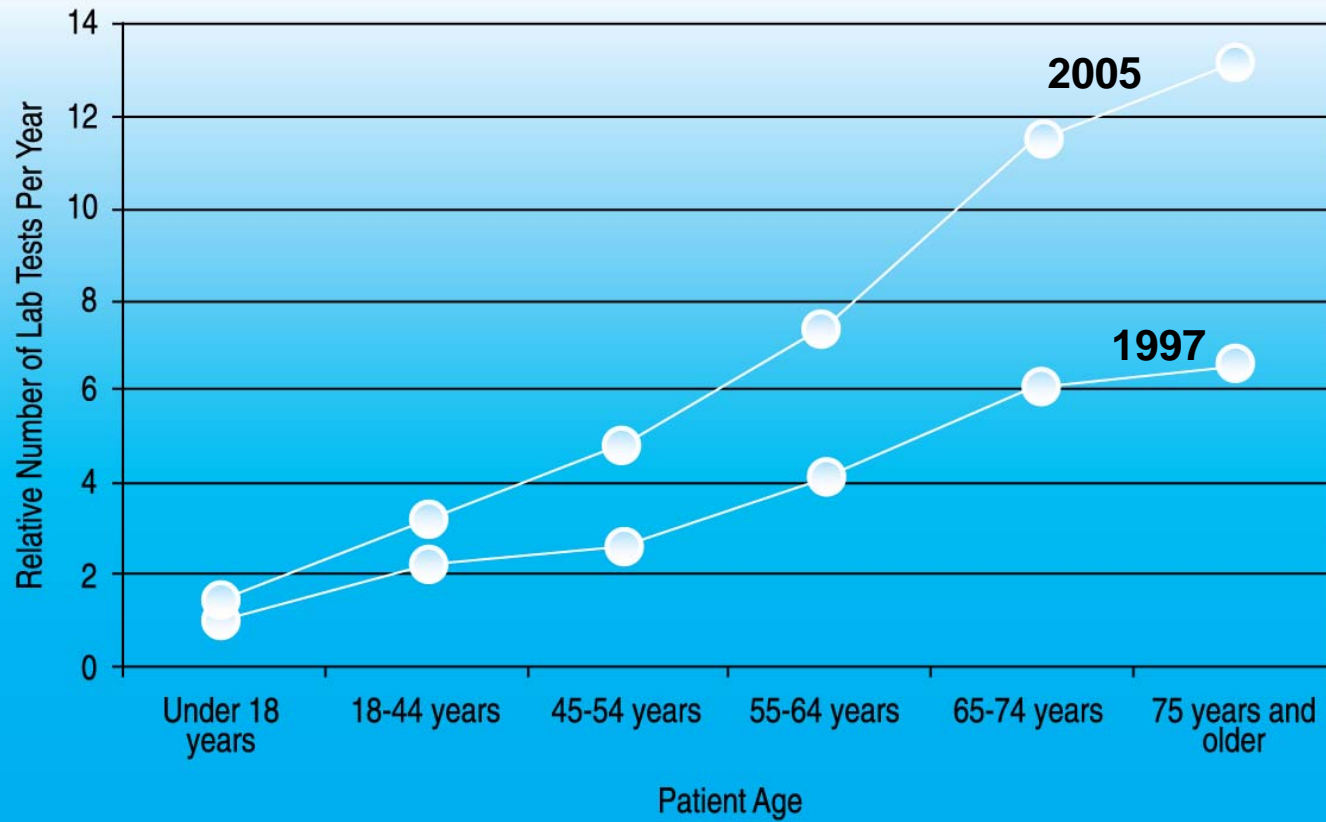
# The Value of Lab Testing

**Sources of Growth in Projected Federal Spending on Medicare and Medicaid (Percentage of GDP)**



Source: Congressional Budget Office, November 2007

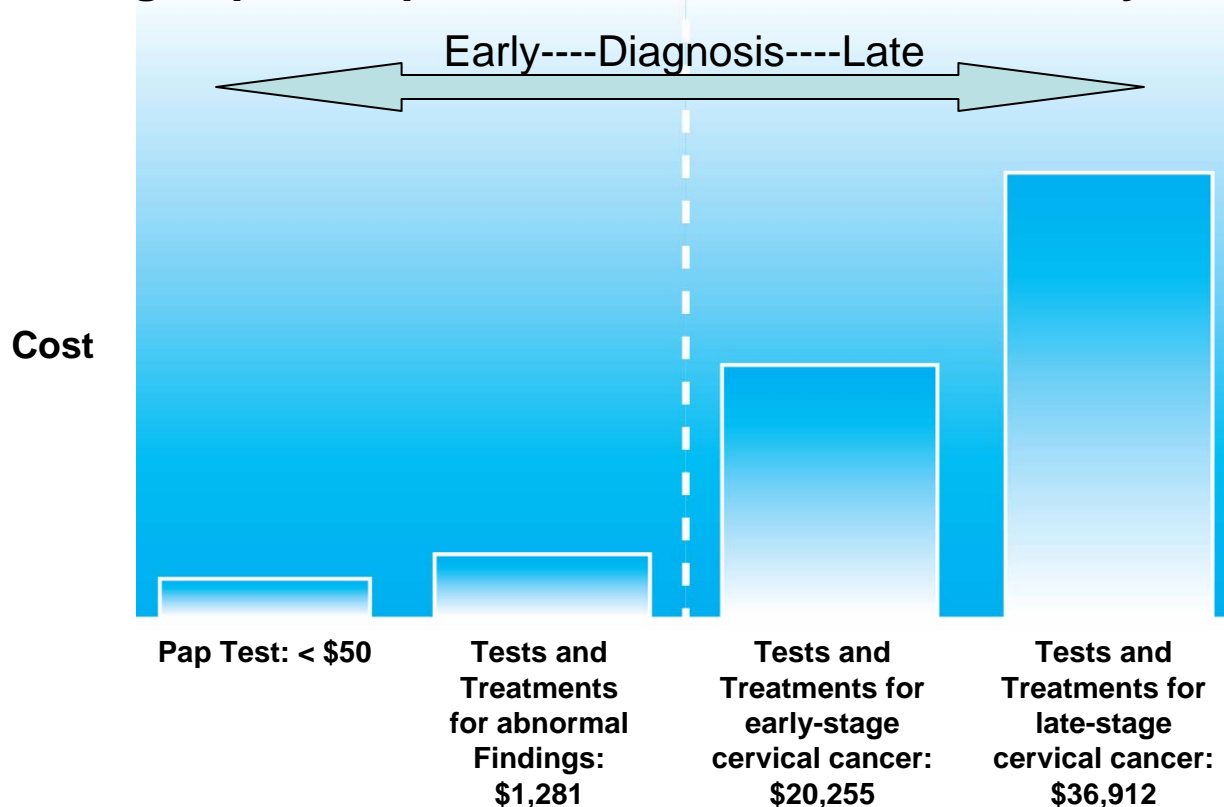
# Lab Utilization and the Aging Population



Lab test utilization increases significantly with age and has increased for all age groups over time

# The Cost Effectiveness of Lab Testing

Lab testing improves patient outcomes at dramatically reduced costs



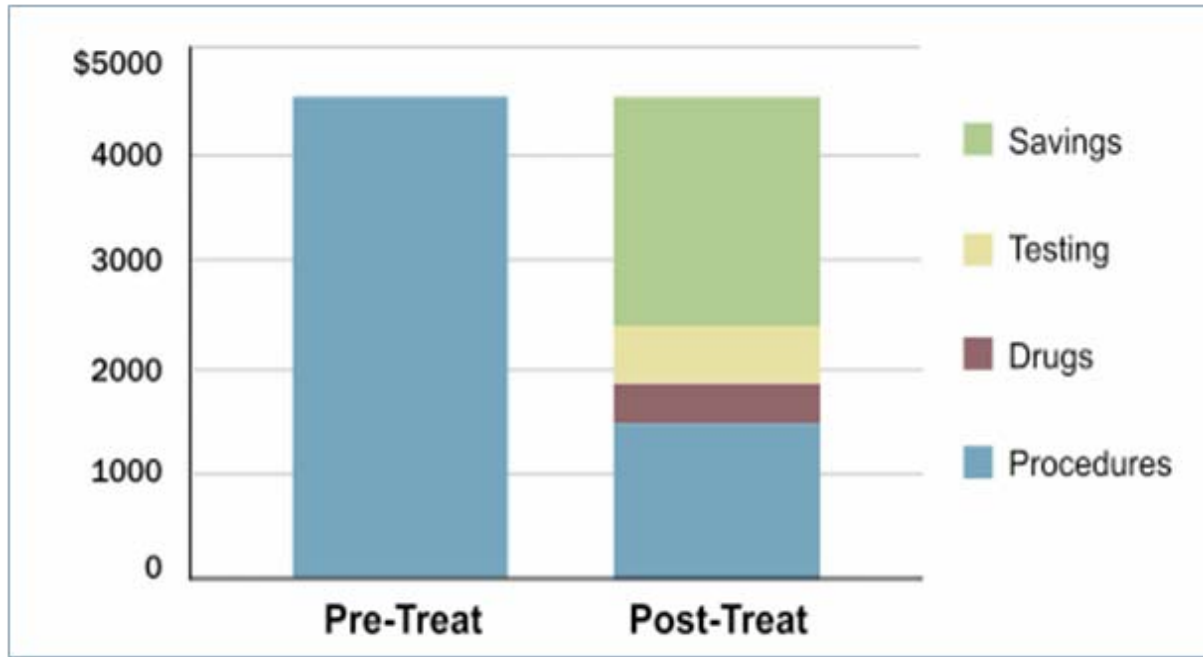
LabCorp performs more than 10 million pap tests per year

For more examples on the value of lab testing, please visit [www.labresultsforlife.org](http://www.labresultsforlife.org)

# The Cost Effectiveness of Lab Testing

## Litholink Kidney Stone Disease Program

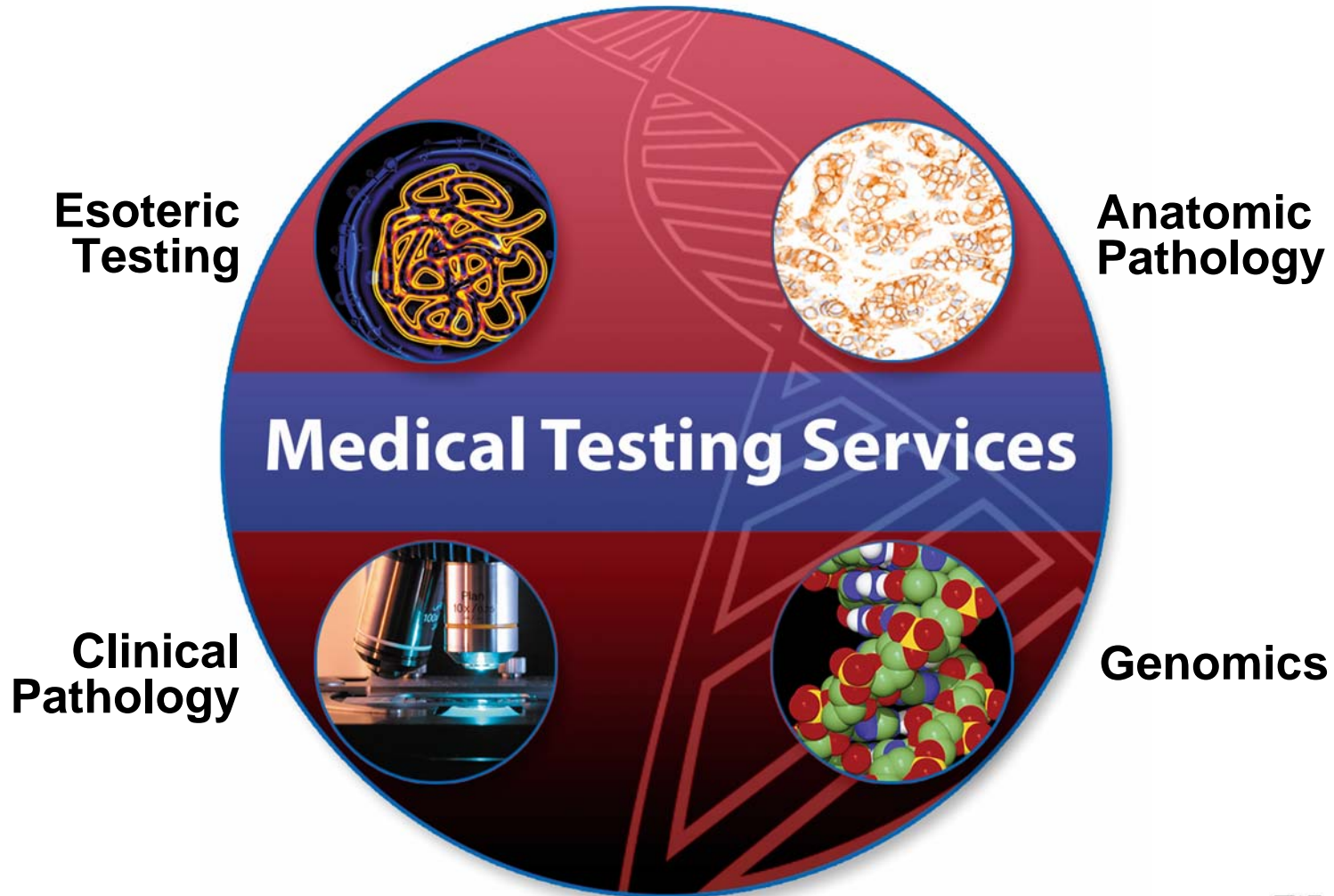
\$2,000+ Annual Cost Reductions Per Patient Per Year \*



\* Parks JH, Coe FL, *Kidney International*, vol. 50 (1996), pp. 1706-1712.



# What is LabCorp



# 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



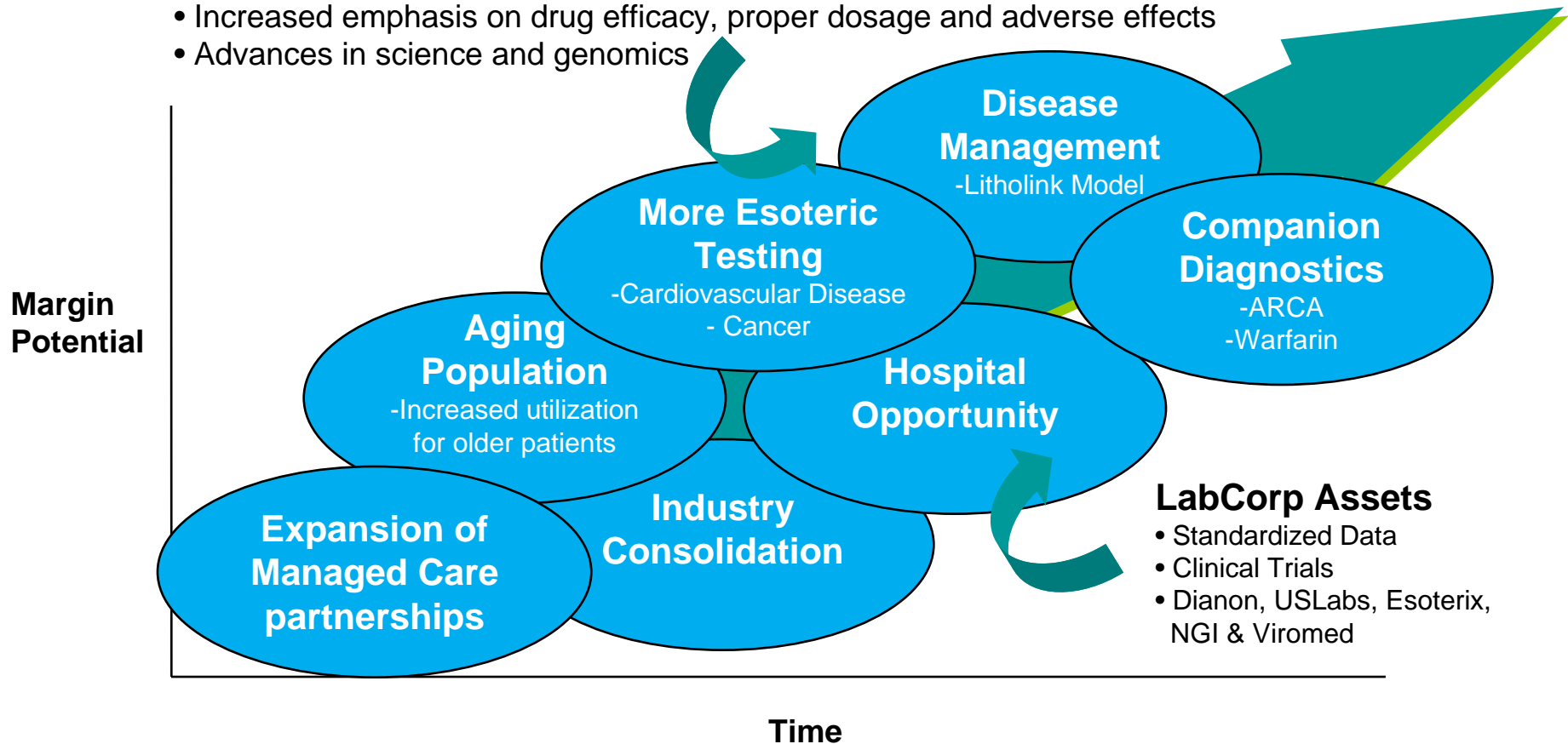
## Customer Focus

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

# Revenue Growth Drivers

## Industry Forces

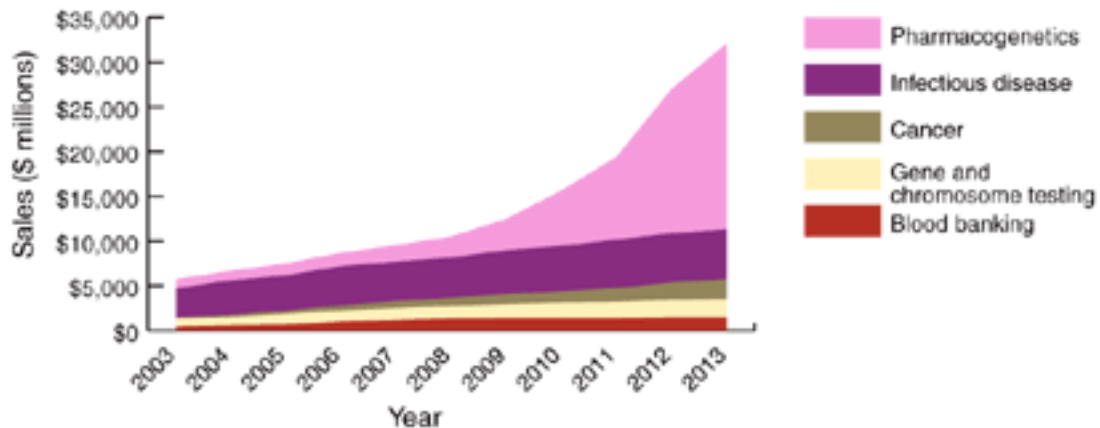
- Focus on Outcomes and Cost Containment (Medical & Drug)
- Increased emphasis on drug efficacy, proper dosage and adverse effects
- Advances in science and genomics



# Revenue Drivers Molecular Testing

## US molecular diagnostic testing market

Pharmacogenetic tests aren't expected to see aggressive revenue growth until around 2010.

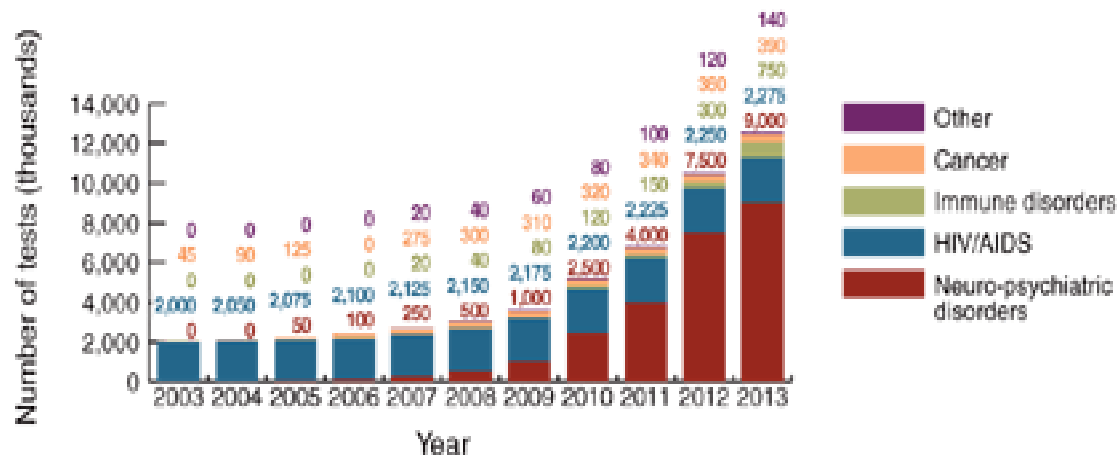


Source: Kalorama Information

# Revenue Drivers Pharmacogenetics

## Projected number of pharmacogenetic tests in US by indication

Neuro-psychiatric disorders, for which there are few means of diagnosis, are expected to dominate pharmacogenetic testing.



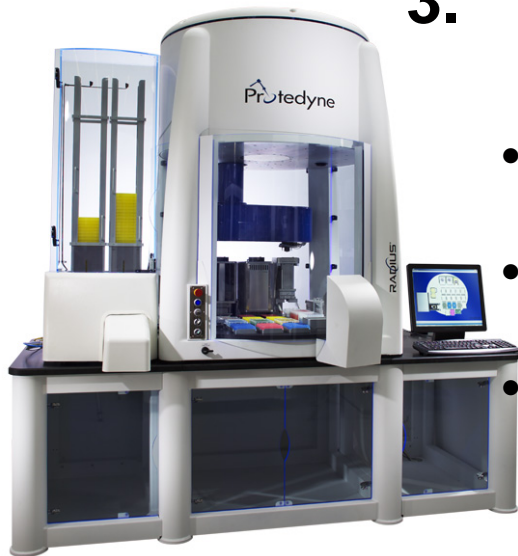
Source: Kalorama Information

# 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



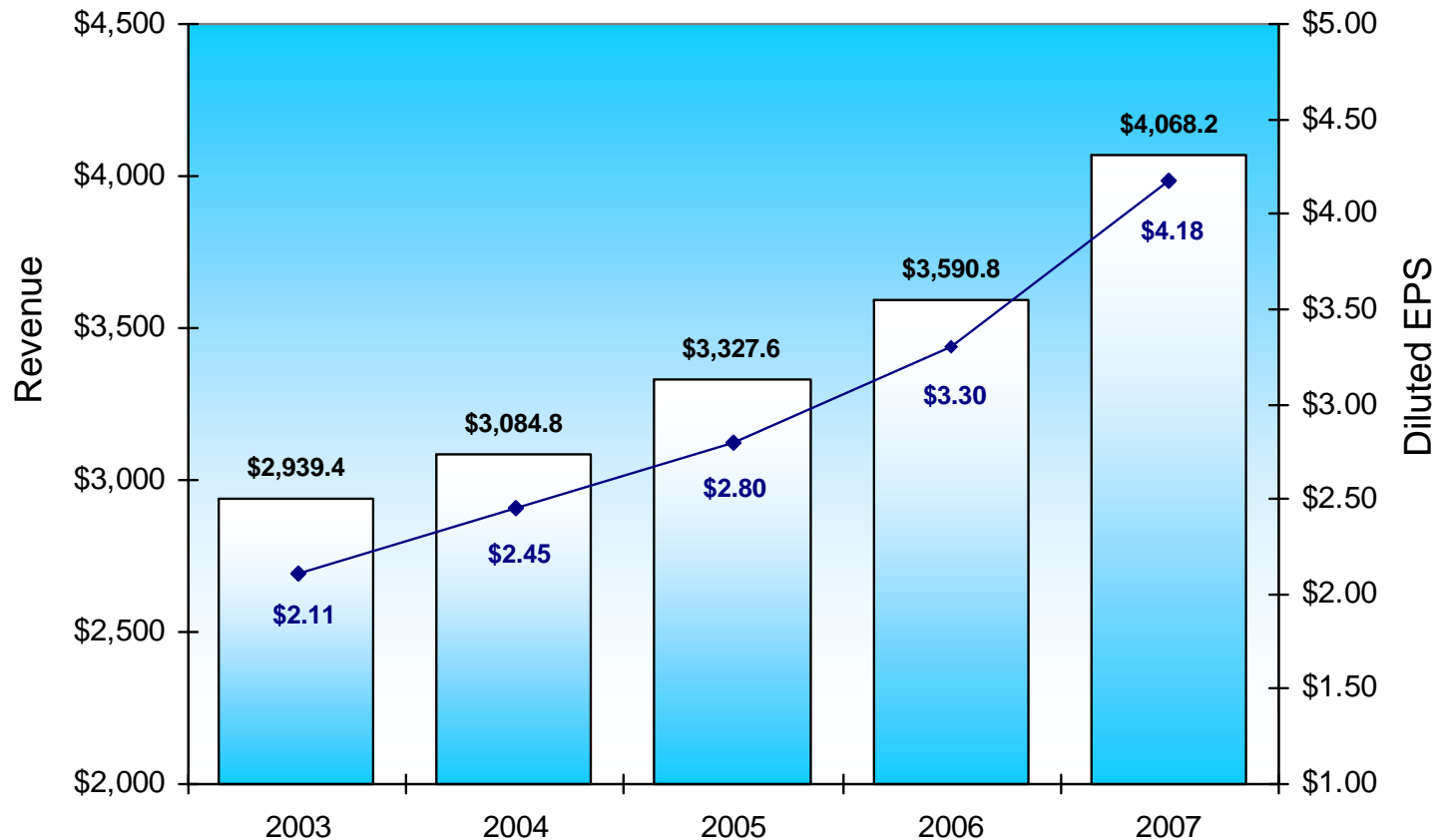
- Improved patient experience and data capture
- Improvement in collections / bad debt

# LabCorp's Investment and Performance Fundamentals

- **Industry-leading EBITDA margins**
- **Significant free cash flow**
- **Focus on returning value to shareholders**
  - Strategic acquisitions
  - Organic growth opportunities
  - Share repurchase
    - \$425.8 Million available as of 12/31/07
- **Flexibility for future growth opportunities**

# Five-Year Revenue and EPS Trend

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

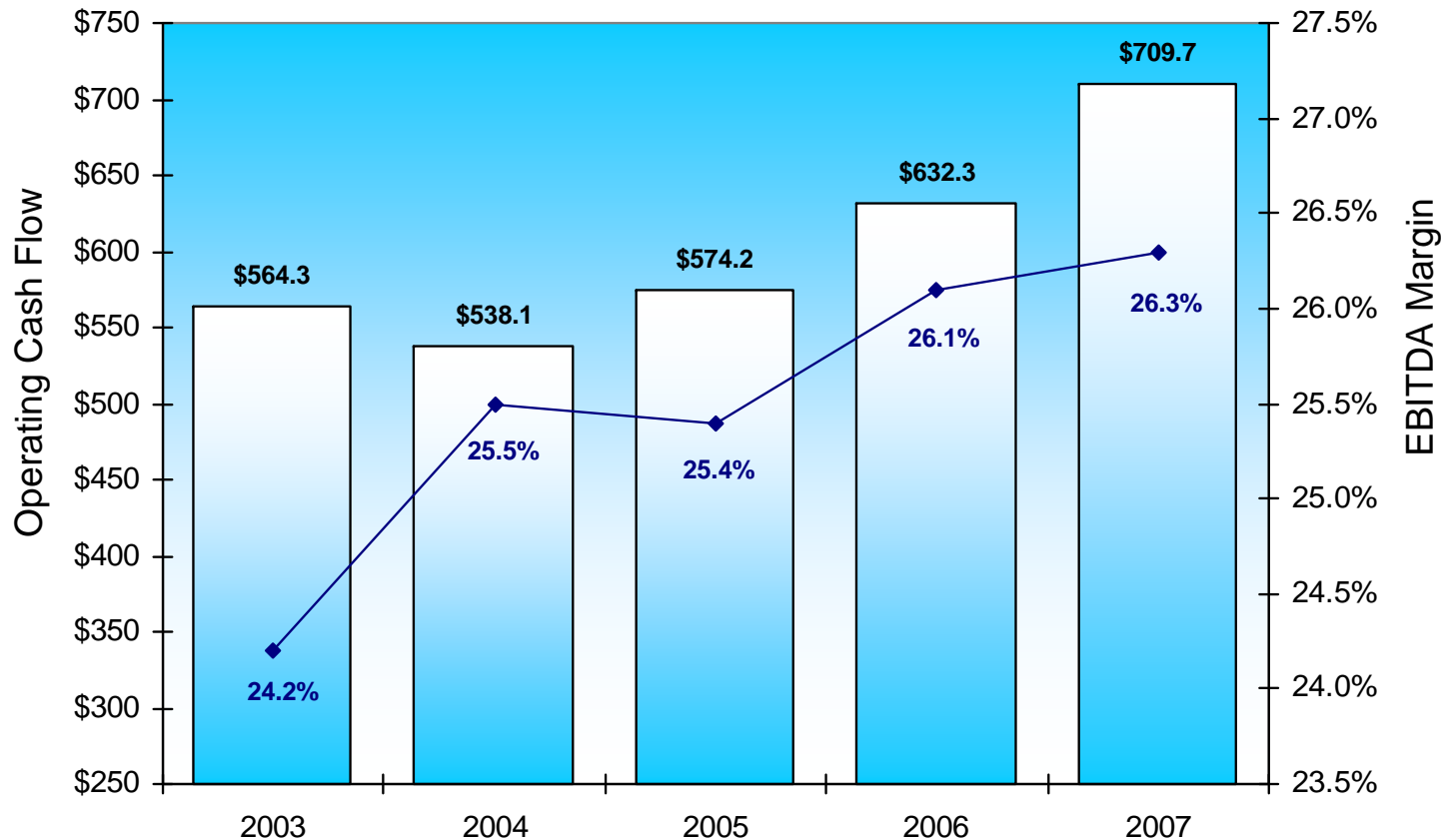


1. Excluding the \$0.09 per diluted share impact in 2005 of restructuring and other special charges, and a non-recurring investment loss.
2. Excluding the \$0.06 per diluted share impact in 2006 of restructuring and other special charges.
3. Excluding the \$0.25 per diluted share impact in 2007 of restructuring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

# Fourth Quarter Results

(In millions, except per share data)

	<u>12/31/2006</u>	<u>12/31/2007</u>	<u>+/(-)</u>
<b>Revenue</b>	<b>\$ 898.6</b>	<b>\$ 1,005.8</b>	<b>11.9%</b>
<b>EBITDA <sup>(1)</sup></b>	<b>\$ 227.7</b>	<b>\$ 258.7</b>	<b>13.6%</b>
<b>EBITDA Margin</b>	<b>25.3%</b>	<b>25.7%</b>	<b>40 bp</b>
<b>Diluted EPS <sup>(2)</sup></b>	<b>\$ 0.85</b>	<b>\$ 1.04</b>	<b>22.4%</b>

(1) Excludes restructuring and other special charges of \$7.7 and \$12.3 million recorded by the Company in the fourth quarter of 2006 and 2007, respectively.

(2) Excludes the \$0.04 and \$0.06 per diluted share impact of the restructuring and other special charges recorded in the fourth quarter of 2006 and 2007, respectively.




# Full Year Results

(In millions, except per share data)

	<u>12/31/2006</u>	<u>12/31/2007</u>	<u>+/(-)</u>
<b>Revenue</b>	<b>\$ 3,590.8</b>	<b>\$ 4,068.2</b>	<b>13.3%</b>
<b>EBITDA <sup>(1)</sup></b>	<b>\$ 935.7</b>	<b>\$ 1,071.3</b>	<b>14.5%</b>
<b>EBITDA Margin</b>	<b>26.1%</b>	<b>26.3%</b>	<b>20 bp</b>
<b>Diluted EPS <sup>(2)</sup></b>	<b>\$ 3.30</b>	<b>\$ 4.18</b>	<b>26.7%</b>

(1) Excludes restructuring and other special charges of \$13.4 and \$50.6 million recorded by the Company in 2006 and 2007, respectively.

(2) Excludes the \$0.06 and \$0.25 per diluted share impact of the restructuring and other special charges by the Company in 2006 and 2007, respectively.



# 2007 Fourth Quarter Financial Achievements

- **Diluted EPS of \$1.04 <sup>(1)</sup>**
- **EBITDA margin of 25.7% of net sales<sup>(2)</sup>**
- **Operating cash flow of \$240.4 million**
- **Increased revenues 11.9% (11.0% volume; 0.9% price)**
- **Repurchased approximately \$403.4 million of LabCorp stock**

(1) Excludes the \$0.06 per diluted share impact of the restructuring and other special charges recorded in the fourth quarter of 2007.

(2) Based on EBITDA of \$258.7 million, excluding the \$12.3 million impact of restructuring and other special charges recorded in the fourth quarter of 2007.



# 2007 Full Year Financial Achievements

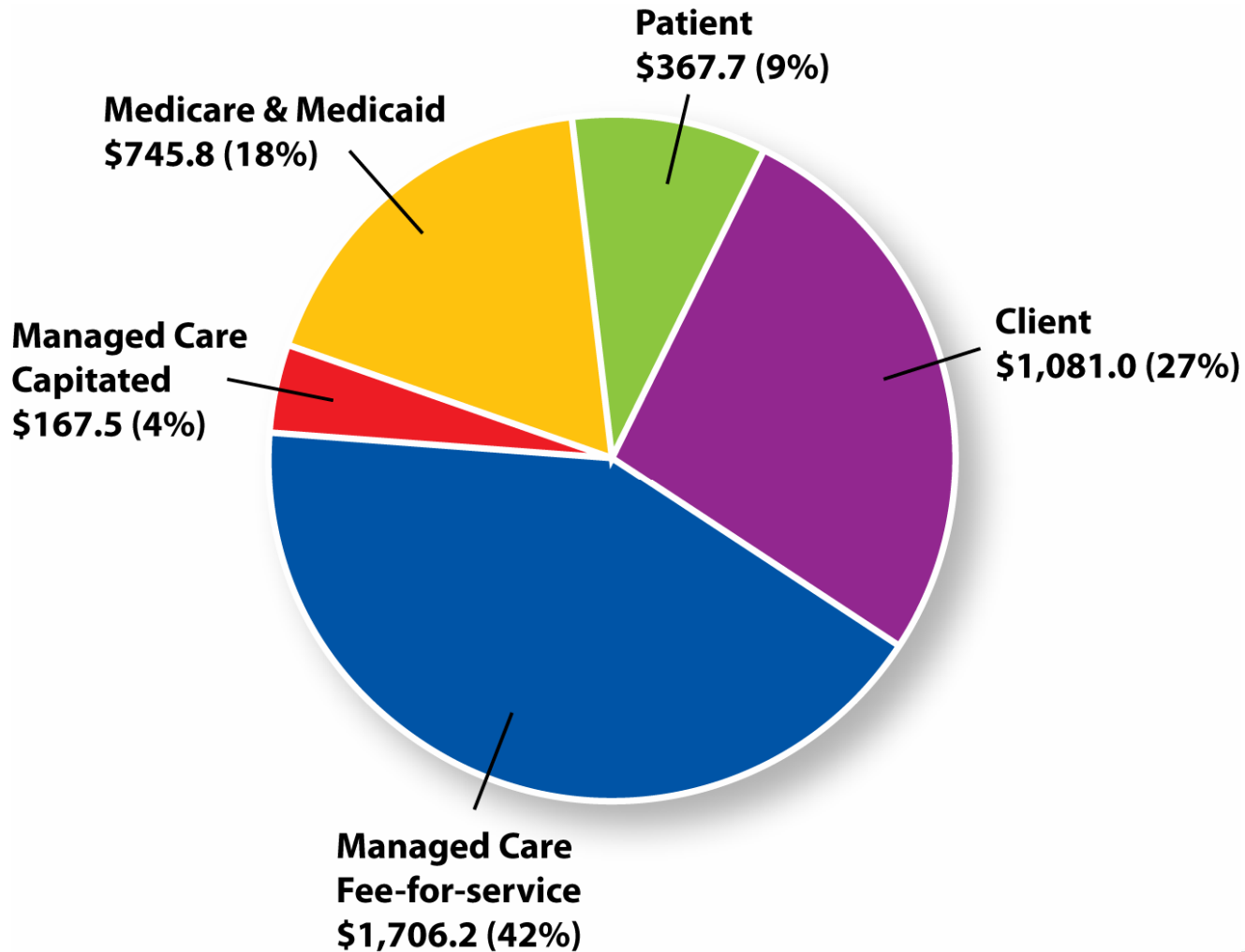
- **Diluted EPS of \$4.18 <sup>(1)</sup>**
- **EBITDA margin of 26.3% of net sales <sup>(2)</sup>**
- **Operating cash flow of \$709.7 million**
- **Increased revenues 13.3% (12.3% volume; 1.0% price)**
- **Repurchased approximately \$924.2 million of LabCorp stock**

(1) Excludes the \$0.25 per diluted share impact of the restructuring and other special charges recorded in 2007.

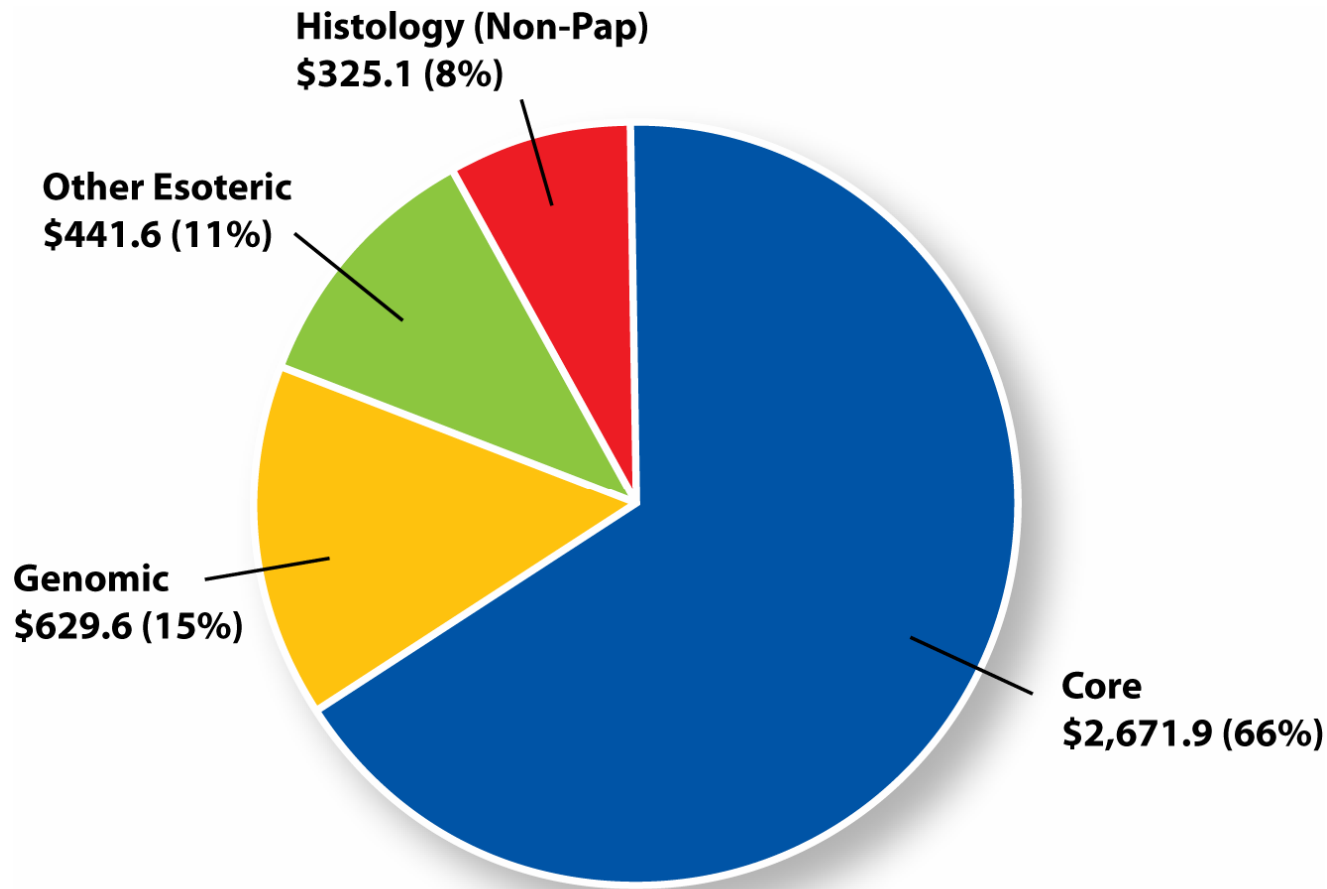
(2) Based on EBITDA of \$1,071.3 million, excluding the \$50.6 million impact of restructuring and other special charges recorded in 2007

# Revenue by Payor 2007

In millions)

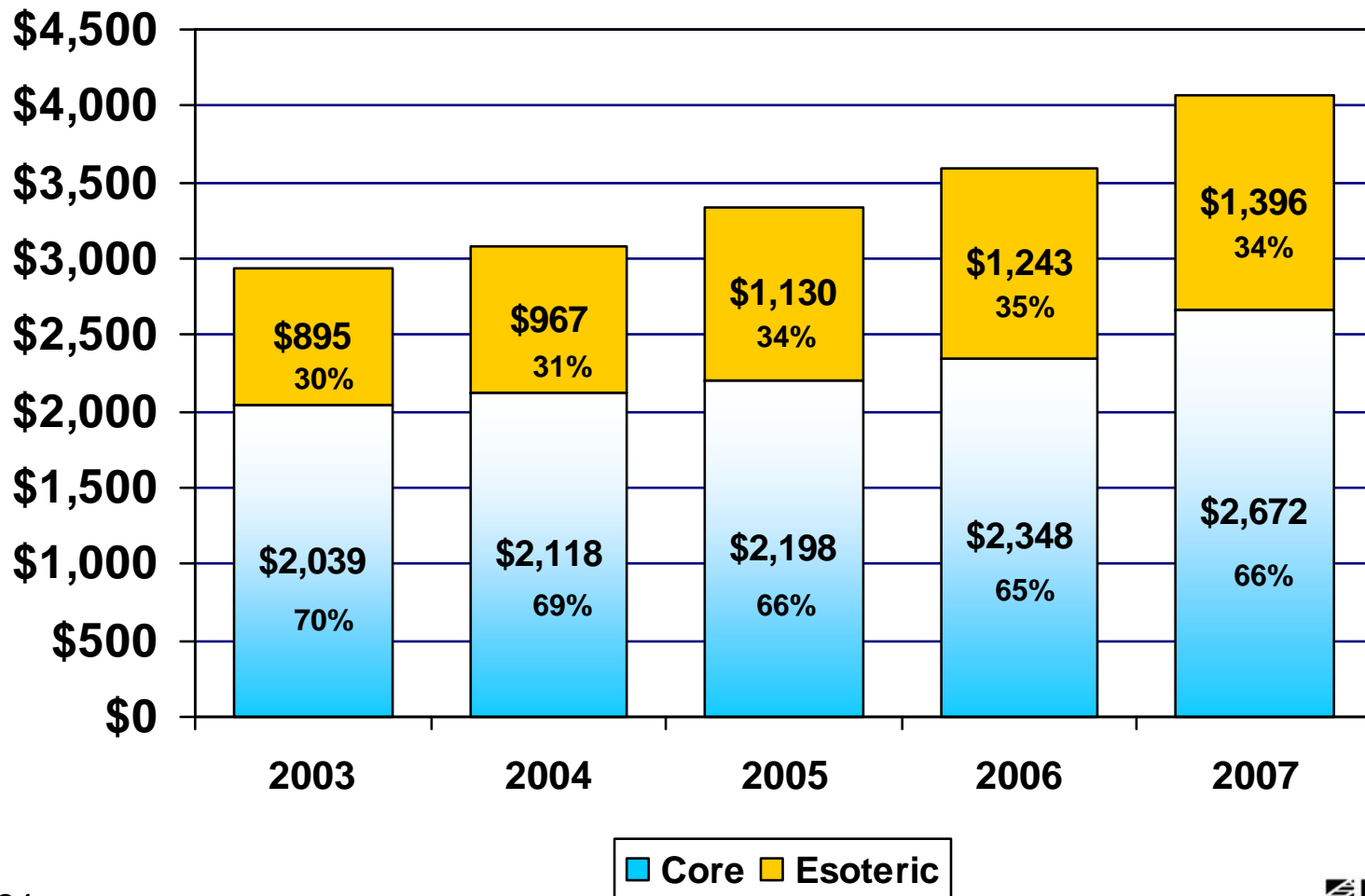


# Revenue by Business Area 2007 (In millions)



# Revenue Mix by Business Area

(In millions)





# Reconciliation of Non-GAAP Financial Measures

(In millions)

- 1) EBITDA represents earnings before interest, income taxes, depreciation, amortization, and nonrecurring charges, 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-month period and year ended December 31, 2007 and 2006:

	Three Months		Year Ended	
	Ended December 31,		December 31,	
	2007	2006	2007	2006
Earnings before income taxes	\$186.9	\$ 169.8	\$ 802.3	\$720.9
Add (subtract):				
Interest expense	18.8	12.4	56.6	47.8
Investment income	(2.1)	(3.3)	(5.4)	(7.7)
Other (income) expense, net	(0.1)	0.9	1.4	2.8
Depreciation	27.4	26.0	106.4	102.2
Amortization	14.3	13.2	54.9	52.2
Restructuring and other special charges	12.3	7.7	50.6	13.4
Joint venture partnerships' depreciation and amortization	1.2	1.0	4.5	4.1
<b>EBITDA</b>	<b>\$258.7</b>	<b>\$ 227.7</b>	<b>\$ 1,071.3</b>	<b>\$935.7</b>



 **LabCorp**  
Laboratory Corporation of America