

# First Quarter 2021 Supplemental Financial Information

April 29, 2021

**labcorp**

# Cautionary Statement Regarding Forward-Looking Statements

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This presentation of Laboratory Corporation of America Holdings contains forward-looking statements, including, but not limited to, statements with respect to the estimated 2021 guidance and the related assumptions, 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, statements relating to our responses to and the expected future impacts of the COVID-19 pandemic, on our business more generally as well as on general economic, business, and market conditions, future business strategies, expected savings and synergies (including from the LaunchPad initiative and from acquisitions), and the 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 impact of the COVID-19 pandemic and its impact on our business and financial condition and on general economic, business, and market conditions, our ability (or inability) to execute on our plans to respond to the COVID-19 pandemic, 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 effect of public opinion on the company's reputation, the outcome of our review of our structure and changes in capital allocation strategy, adverse results in material litigation matters, the impact of changes in tax laws and regulations, failure to maintain or develop customer relationships, our ability to develop or acquire new products and adapt to technological changes, failure in information technology, systems or data security, adverse weather conditions, the number of revenue days in a financial period, employee relations, personnel costs, 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 our forward-looking statements.

The company has no obligation to provide any updates to these forward-looking statements even if our 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.

# First Quarter Consolidated Results

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

	1Q21	1Q20	% Change
Revenue	\$4,161.5	\$2,823.8	47.4% <sup>(2)</sup>
Adjusted Operating Income <sup>(1)</sup>	\$1,181.9	\$365.9	223.0%
<i>Adjusted Operating Margin</i>	28.4 %	12.9 %	1,550 bps
Adjusted EPS <sup>(1)</sup>	\$8.79	\$2.37	270.9%
Operating Cash Flow	\$1,157.6	\$203.8	468.0%
Less: Capital Expenditures	(\$95.4)	(\$106.6)	10.5%
Free Cash Flow	\$1,062.2	\$97.2	992.8%

(1) Adjusted operating income and Adjusted EPS exclude amortization, restructuring charges, and special items. See reconciliation of non-GAAP Financial Measures on slides 12 – 14.

(2) The increase in revenue was due to organic growth of 45.0%, acquisitions of 0.9%, and favorable foreign currency translation of 1.4%. The 45.0% increase in organic revenue includes a 32.9% contribution from PCR and antibody testing (COVID-19 Testing) and a 12.2% increase in the company's organic Base Business. Base Business includes Labcorp's business operations except for COVID-19 Testing.

# First Quarter Adjusted Segment Results

## (Dollars in Millions)

	<u>1Q21</u>	<u>1Q20</u>	<u>% Change</u>
<b>Revenue</b>			
Diagnostics	\$2,757.8	\$1,702.0	62.0%
Drug Development	\$1,438.2	\$1,143.8	25.7%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$4,161.5</b>	<b>\$2,823.8</b>	<b>47.4%</b>
<b>Adjusted Operating Income <sup>(2)</sup></b>			
Diagnostics	\$991.6	\$254.2	290.1%
<i>Adjusted Operating Margin</i>	<i>36.0%</i>	<i>14.9%</i>	<i>2,100 bps</i>
Drug Development	\$234.1	\$150.8	55.3%
<i>Adjusted Operating Margin</i>	<i>16.3%</i>	<i>13.2%</i>	<i>310 bps</i>
Unallocated Corporate Expense	(\$43.8)	(\$39.1)	(12.2%)
<b>Total Adjusted Operating Income</b>	<b>\$1,181.9</b>	<b>\$365.9</b>	<b>223.0%</b>
<i>Total Adjusted Operating Margin</i>	<i>28.4%</i>	<i>12.9%</i>	<i>1,550 bps</i>

(1) Consolidated revenue is 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 12 – 14.

# First Quarter Adjusted Segment Results vs. 2019

## (Dollars in Millions)

	<u>1Q21</u>	<u>1Q19</u>	<u>CAGR</u>
<b>Revenue</b>			
Diagnostics Total	\$2,757.8	\$1,722.0	26.5%
Base Business - Revenue	\$1,816.0	\$1,722.0	2.7%
Base Business - Volume			(2.9%)
Base Business - Price/Mix			5.6%
Drug Development Total	\$1,438.2	\$1,074.7	15.7%
Base Business - Revenue	\$1,413.3	\$1,074.7	14.7%
<b>Total Revenue <sup>(1)</sup></b>	<b>\$4,161.5</b>	<b>\$2,791.2</b>	<b>22.1%</b>

(1) Consolidated revenue is presented net of intersegment transaction eliminations and other amounts not used in determining segment performance.

# Select Financial Metrics

## (Dollars in Millions)

	<u>1Q20</u>	<u>2Q20</u>	<u>3Q20</u>	<u>4Q20</u>	<u>1Q21</u>
Total Depreciation	\$82.1	\$84.0	\$90.1	\$93.1	\$91.8
Total Amortization <sup>(1)</sup>	\$62.3	\$60.1	\$62.2	\$90.8	\$92.1
Total Adjusted EBITDA <sup>(2)</sup>	\$449.3	\$467.2	\$1,249.8	\$1,528.2	\$1,279.3
Total Debt to Last Twelve Months Adjusted EBITDA <sup>(2)</sup>	3.2x	3.3x	2.2x	1.6x	1.2x
Total Net Debt to Last Twelve Months Adjusted EBITDA <sup>(2)(3)</sup>	3.0x	3.0x	2.0x	1.2x	0.8x

(1) Excludes amortization of deferred financing fees.

(2) Adjusted EBITDA excludes restructuring charges and special items. See reconciliation on slide 12.

(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 March 31, 2021	\$7.6 billion	1.47x
TTM Ending December 31, 2020	\$7.0 billion	1.43x
TTM Ending September 30, 2020	\$6.1 billion	1.31x
TTM Ending June 30, 2020	\$6.1 billion	1.32x
TTM Ending March 31, 2020	\$5.8 billion	1.26x

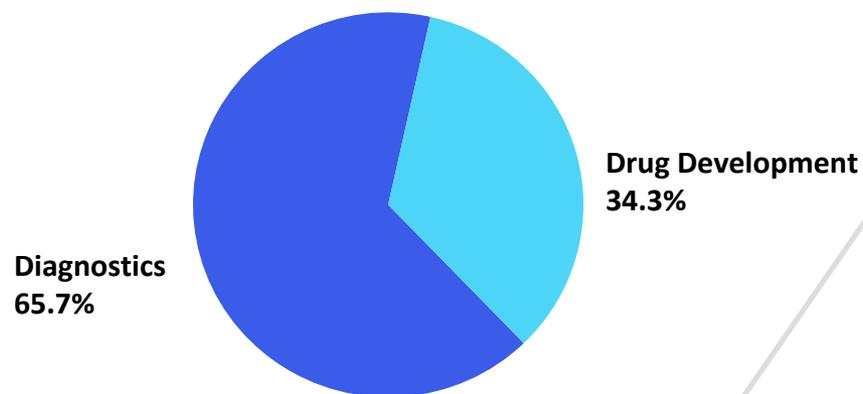
	Backlog	Estimated revenue expected to convert from backlog in the next twelve months
As of March 31, 2021	\$14.0 billion	\$4.6 billion
As of December 31, 2020	\$13.8 billion	\$4.5 billion
As of September 30, 2020	\$12.5 billion	\$4.2 billion
As of June 30, 2020	\$11.8 billion	\$4.0 billion
As of March 31, 2020	\$11.3 billion	\$3.9 billion

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

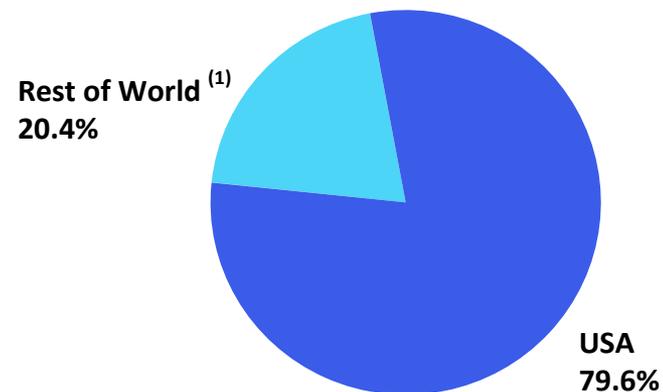
# First Quarter 2021 Revenue Distribution

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## Segment Distribution



## Geographic Distribution



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

# First Quarter 2021 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>		
Revenue, as Reported	\$4,162	47.4%
Foreign Exchange Impact	(\$39)	(1.4%)
Revenue, Constant Currency	\$4,123	46.0%
<b><u>Diagnostics</u></b>		
Revenue, as Reported	\$2,758	62.0%
Foreign Exchange Impact	(\$6)	(0.4%)
Revenue, Constant Currency	\$2,751	61.7%
<b><u>Drug Development</u></b>		
Revenue, as Reported	\$1,438	25.7%
Foreign Exchange Impact	(\$33)	(2.9%)
Revenue, Constant Currency	\$1,405	22.9%

(1) Does not foot due to rounding.

# Supplemental Information on Price / Mix & Days

<b>Price / Mix Versus Revenue Per Requisition <sup>(1)</sup></b>							
Year over Year % Change	Q3 2019	Q4 2019	Q1 2020 <sup>(7)</sup>	Q2 2020	Q3 2020	Q4 2020 <sup>(7)</sup>	Q1 2021
Revenue <sup>(2)</sup>	0.4%	3.7%	(1.2%)	(3.9%)	53.7%	79.5%	62.0%
Volume (in requisitions) <sup>(3)</sup>	0.5%	2.5%	(4.4%)	(19.5%)	21.8%	33.9%	27.3%
Price / mix <sup>(4)</sup>	(0.1%)	1.2%	3.3%	15.6%	31.9%	45.5%	34.7%
<b>Price / Mix Reconciliation</b>							
Revenue per requisition <sup>(5)</sup>	(0.1%)	1.2%	3.5%	19.4%	26.2%	34.0%	27.3%
Other mix <sup>(6)</sup>	0.0%	0.0%	(0.2%)	(3.8%)	5.7%	11.5%	7.4%
Price / mix <sup>(4)</sup>	(0.1%)	1.2%	3.3%	15.6%	31.9%	45.5%	34.7%

<b>Days in 2021 Versus 2020 <sup>(8)(9)</sup></b>					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year <sup>(7)</sup>
Revenue Day Variance	- 0.75 Day	—	+ 0.25 Day	+ 0.25 Day	- 0.50 Day
Payroll Day Variance	- 1.00 Day	—	—	—	- 1.00 Day

(1) Price / mix and revenue per requisition are only applicable to the Diagnostics segment.

(2) Revenue variance percent: YOY change in revenue divided by prior year revenue.

(3) Volume (in requisitions) variance percent: YOY change in volume divided by prior year volume.

(4) Price / mix percent: Calculated as revenue variance percent, less volume (in requisitions) variance percent.

(5) 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.

(6) Other mix percent: YOY variance percentage in revenue per requisition multiplied by the YOY variance percentage in volume.

(7) Does not foot due to rounding.

(8) Year-over-year variances in Revenue Days and Payroll Days predominantly only impact the Diagnostics Segment.

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

# 2021 Financial Guidance

(Dollars in billions, except per share data)

	Full Year Results (in Dollars)		2021 Guidance (in Dollars)		2021 Guidance (% Versus 2020 Results)		2021 Guidance (CAGR <sup>(6)</sup> to 2019 Results)	
	2019	2020	Low	High	Low	High	Low	High
<b>Revenue</b>								
Total Labcorp Enterprise <sup>(1)(2)</sup>	\$ 11.55	\$ 13.98	\$ 14.26	\$ 14.89	2.0%	6.5%	11.1%	13.5%
Base Business <sup>(2)</sup>	\$ 11.55	\$ 11.19	\$ 12.70	\$ 12.98	13.5%	16.0%	4.9%	6.0%
COVID-19 Testing <sup>(2)</sup>	\$ -	\$ 2.78	\$ 1.39	\$ 1.81	(50.0%)	(35.0%)		
Total Diagnostics <sup>(3)</sup>	\$ 7.00	\$ 9.25	\$ 8.79	\$ 9.25	(5.0%)	0.0%	12.1%	15.0%
Base Business	\$ 7.00	\$ 6.47	\$ 7.34	\$ 7.51	13.5%	16.0%	2.4%	3.6%
COVID-19 Testing	\$ -	\$ 2.78	\$ 1.39	\$ 1.81	(50.0%)	(35.0%)		
Total Drug Development <sup>(4)</sup>	\$ 4.58	\$ 4.88	\$ 5.47	\$ 5.56	12.0%	14.0%	9.3%	10.2%
Base Business	\$ 4.58	\$ 4.76	\$ 5.43	\$ 5.52	14.0%	16.0%	8.9%	9.8%
<b>Adjusted EPS</b>	\$ 11.32	\$ 23.94	\$ 20.00	\$ 24.00	(16.5%)	0.3%	32.9%	45.6%
<b>Free Cash Flow <sup>(5)</sup></b>	\$ 1.04	\$ 1.75	\$ 1.80	\$ 2.00	2.9%	14.3%	31.6%	38.7%

(1) 2021 Guidance percent changes as compared to 2020 results includes a benefit from foreign currency translation of 0.7%.

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

(3) 2021 Guidance percent changes as compared to 2020 results includes a benefit from foreign currency translation of 0.3%.

(4) 2021 Guidance percent changes as compared to 2020 results includes a benefit from foreign currency translation of 1.4%.

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

(6) Compound annual growth rate from 2019 results to 2021 Guidance.

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

	<u>1Q20</u>	<u>2Q20</u>	<u>3Q20</u>	<u>4Q20</u>	<u>1Q21</u>
Operating Income	(\$192.6)	\$297.7	\$1,047.1	\$1,293.2	\$1,057.9
Add:					
Restructuring and special charges	25.4	6.4	7.1	1.7	19.2
Goodwill and other asset impairments	437.4	—	23.5	1.2	—
Other special charges <sup>(1)</sup>	33.4	16.5	15.9	42.6	12.7
Depreciation	82.1	84.0	90.1	93.1	91.8
Amortization	62.3	60.1	62.2	90.8	92.1
Equity method income, net	(6.6)	1.8	3.0	4.7	4.5
EBITDA adjustments to equity method income, net	7.9	0.7	0.9	0.9	1.1
Adjusted EBITDA	<u>449.3</u>	<u>467.2</u>	<u>1,249.8</u>	<u>1,528.2</u>	<u>1,279.3</u>

(1) Other special charges as disclosed by the company in its quarterly earnings releases.

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

	GAAP		Non-GAAP	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2021	2020	2021	2020
Revenues	\$ 4,161.5	\$ 2,823.8	\$ 4,161.5	\$ 2,823.8
Cost of revenues	2,562.5	2,095.8	2,558.9	2,091.3
Adjustments impacting revenues	—	—	—	17.0
Gross profit	1,599.0	728.0	1,602.6	749.5
Selling, general and administrative expenses	429.8	395.5	420.7	383.6
Amortization of intangibles and other assets	92.1	62.3	—	—
Goodwill and other asset impairments	—	437.4	—	—
Restructuring and other charges	19.2	25.4	—	—
Operating income (loss)	1,057.9	(192.6)	1,181.9	365.9
Other income (expense):				
Interest expense	(48.5)	(55.0)	(48.0)	(55.0)
Equity method income, net	4.5	(6.6)	4.5	0.5
Investment income	2.4	2.6	2.4	2.6
Other, net	5.5	(16.1)	5.5	(3.0)
Earnings (loss) before income taxes	1,021.8	(267.7)	1,146.3	311.0
Provision for income taxes	251.7	49.2	280.7	78.6
Net earnings (loss)	770.1	(316.9)	865.6	232.4
Less: Net earnings attributable to the noncontrolling interest	(0.5)	(0.3)	(0.5)	(0.3)
Net earnings (loss) attributable to Laboratory Corporation of America Holdings	\$ 769.6	\$ (317.2)	\$ 865.1	\$ 232.1
Diluted earnings (loss) per common share	\$ 7.82	\$ (3.27)	\$ 8.79	\$ 2.37
Weighted average diluted shares outstanding	98.5	97.2	98.5	97.9

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

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Adjusted Operating Income</b>		
Operating Income <sup>(a)</sup>	\$ 1,057.9	\$ (192.6)
Amortization of intangibles and other assets <sup>(b)</sup>	92.1	62.3
Restructuring and other charges <sup>(c)</sup>	19.2	25.4
Acquisition and disposition-related costs <sup>(d)</sup>	5.7	8.4
LaunchPad system implementation costs <sup>(e)</sup>	1.3	0.9
Executive transition expenses <sup>(f)</sup>	2.3	2.8
COVID-19 related costs <sup>(g)</sup>	5.9	21.9
Goodwill and other asset impairments	—	437.4
Other	(2.5)	(0.6)
Adjusted operating income	<u>\$ 1,181.9</u>	<u>\$ 365.9</u>
Adjustments impacting revenues	\$ —	\$ 17.0
Adjusted operating margin	28.4 %	12.9 %
<b>Adjusted Net Income</b>		
Net Income	\$ 769.6	\$ (317.2)
Impact of adjustments to operating income <sup>(h)</sup>	124.0	558.5
Losses and (gains) on venture fund investments, net	—	20.2
Other <sup>(i)</sup>	0.5	—
Income tax impact of adjustments	(29.0)	(29.4)
Adjusted net income	<u>\$ 865.1</u>	<u>\$ 232.1</u>
Weighted average diluted shares outstanding	98.5	97.9
Adjusted net income per share	\$ 8.79	\$ 2.37

(1) Footnotes associated with Reconciliation of Non-GAAP Financial Measures are presented on slide 15.

# 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 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) LaunchPad system implementation costs include non-capitalized costs associated with the implementation of systems as part of the LaunchPad business process improvement initiative.
- (e) Represents executive transition expenses related to various management reorganizations.
- (f) Costs related to incremental operating expenses and receivables reserves incurred as a result of the COVID-19 pandemic.
- (g) During the first quarter of 2020, the Company determined that certain goodwill and long-lived assets were impaired. These charges were triggered by the economic conditions resulting from the COVID-19 pandemic.
- (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.