



**FIRST QUARTER 2016
SUPPLEMENTAL FINANCIAL INFORMATION**

8-K FILED APRIL 25, 2016

FORWARD LOOKING STATEMENT

This presentation contains forward-looking statements which are subject to change based on various important factors, including without limitation, competitive actions in the marketplace, adverse actions of governmental and other third-party payers and the results from the Company's acquisition of Covance.

Actual results could differ materially from those suggested by these forward-looking statements. Further information on potential factors that could affect LabCorp's operating and financial results is included in the Company's Form 10-K for the year ended December 31, 2015, including under the heading risk factors, and in the Company's other filings with the SEC, as well as in the risk factors included in Covance's filings with the SEC. The Company has no obligation to provide any updates to these forward-looking statements even if its expectations change.

LabCorp Diagnostics

The LabCorp Diagnostics segment includes historical LabCorp business units, excluding its Clinical Trials operations (which are part of the Covance Drug Development segment), and including the Nutritional Chemistry and Food Safety operations acquired as part of the Covance acquisition.

Covance Drug Development

The Covance Drug Development segment includes historical Covance business units, excluding its Nutritional Chemistry and Food Safety operations (which are part of the LabCorp Diagnostics segment), and including the LabCorp Clinical Trials operations.

FIRST QUARTER CONSOLIDATED RESULTS⁽¹⁾

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

The following consolidated results include Covance as of February 19, 2015; prior to February 19, 2015, all consolidated results exclude Covance

	<u>1Q16</u>	<u>1Q15</u>	<u>% Change</u>
Net Revenue	\$2,295.2	\$1,772.3	29.5%
Adjusted Operating Income ^{(2) (3)}	\$375.5	\$302.2	24.3%
<i>Adjusted Operating Margin</i>	16.4%	17.1%	(70 bps)
Adjusted EPS ^{(2) (3)}	\$2.02	\$1.76	14.8%
Operating Cash Flow ⁽⁴⁾	\$123.0	(\$86.9)	
Less: Capital Expenditures	(\$71.4)	(\$33.8)	
Free Cash Flow	\$51.6	(\$120.7)	
Free Cash Flow, Excluding Acquisition-Related Charges ⁽⁵⁾	\$51.6	\$32.8	57.3%

(1) Results in 2015 include measurement period adjustments related to the acquisition of Covance

(2) Adjusted Operating Income and Adjusted EPS exclude amortization, restructuring and special items

(3) See Reconciliation of non-GAAP Financial Measures on slides 10 – 13

(4) Operating cash flow in the first quarter of 2015 is negatively impacted by \$153.5 million of non-recurring items related to the Covance acquisition

(5) Adjusted for \$153.5 million of non-recurring items related to the Covance acquisition in the first quarter of 2015

FIRST QUARTER PRO FORMA SEGMENT RESULTS⁽¹⁾

(DOLLARS IN MILLIONS)

Pro forma results assume that the acquisition of Covance closed on January 1, 2015

	<u>1Q16</u>	<u>1Q15</u>	<u>% Change</u>
Net Revenue			
LabCorp Diagnostics	\$1,590.6	\$1,483.3	7.2%
Covance Drug Development	\$703.1	\$624.6	12.6%
Total Net Revenue	\$2,293.6	\$2,107.9	8.8%
Adjusted Operating Income^{(2) (3)}			
LabCorp Diagnostics	\$310.3	\$289.6	7.1%
<i>Adjusted Operating Margin</i>	<i>19.5%</i>	<i>19.5%</i>	<i>0 bps</i>
Covance Drug Development	\$103.3	\$74.2	39.2%
<i>Adjusted Operating Margin</i>	<i>14.7%</i>	<i>11.9%</i>	<i>280 bps</i>
<u>Unallocated Corporate Expense</u>	<u>(\$38.0)</u>	<u>(\$31.3)</u>	<u>(21.4%)</u>
Total Adjusted Operating Income	\$375.5	\$332.5	12.9%
<i>Total Adjusted Operating Margin</i>	<i>16.4%</i>	<i>15.8%</i>	<i>60 bps</i>

(1) The consolidated net revenue and adjusted operating income are presented net of inter-segment transaction eliminations

(2) Adjusted Operating Income excludes amortization, restructuring and special items

(3) See Reconciliation of non-GAAP Financial Measures on slides 10 – 13



SELECT FINANCIAL METRICS⁽¹⁾

(DOLLARS IN MILLIONS)

**The following consolidated results include Covance as of February 19, 2015;
prior to February 19, 2015, all consolidated results exclude Covance**

	<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>1Q16</u>
Total Depreciation	\$54.3	\$70.5	\$72.2	\$72.7	\$75.9
Total Amortization ⁽²⁾	\$31.1	\$44.5	\$44.9	\$43.9	\$44.3
Total Adjusted EBITDA ⁽³⁾	\$360.0	\$463.4	\$460.4	\$443.6	\$453.1
Total Debt to Last Twelve Months Adjusted EBITDA ^{(3) (4)}	4.2x	4.0x	3.8x	3.6x	3.5x
Total Net Debt to Last Twelve Months Adjusted EBITDA ^{(3) (4)}	3.9x	3.6x	3.4x	3.2x	3.1x

(1) Results in 2015 include measurement period adjustments related to the acquisition of Covance

(2) Excludes amortization of deferred financing fees

(3) Adjusted EBITDA excludes restructuring and special items

(4) Leverage ratios in 2015 include Covance Adjusted EBITDA from the twelve months prior to the relevant period on a pro forma basis

COVANCE DRUG DEVELOPMENT: SELECT FINANCIAL METRICS⁽¹⁾

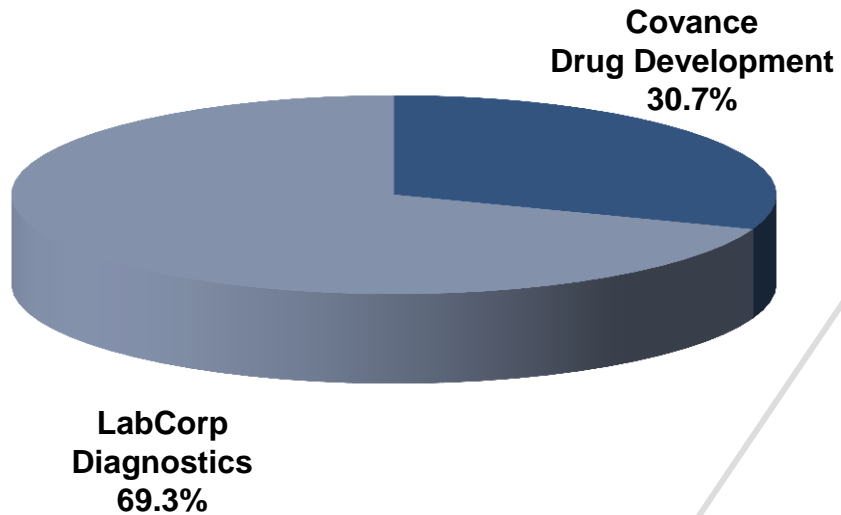
(DOLLARS IN MILLIONS)

	<u>1Q15</u>	<u>2Q15</u>	<u>3Q15</u>	<u>4Q15</u>	<u>1Q16</u>
Net Revenue	\$625	\$644	\$669	\$691	\$703
Net Orders	\$855	\$737	\$811	\$816	\$830
Ending Backlog	\$6,437	\$6,595	\$6,653	\$6,738	\$6,901
Quarter Net Book to Bill	1.37x	1.15x	1.21x	1.18x	1.18x
Trailing Twelve Month Net Book-to-bill	---	---	---	1.23x	1.18x

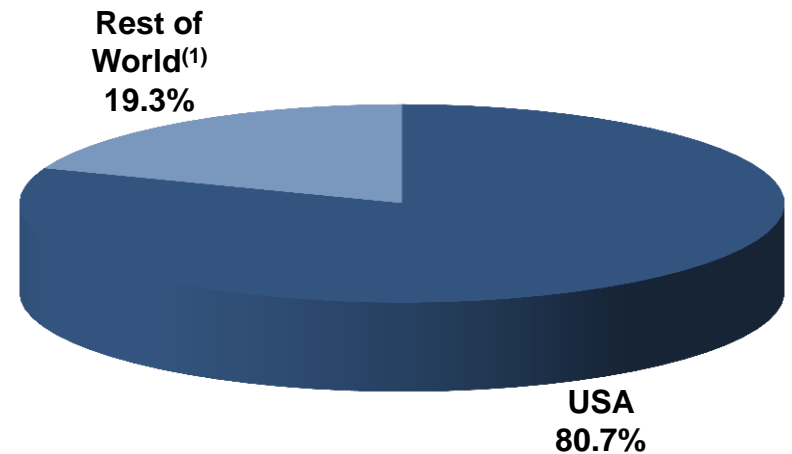
(1) Assumes that the acquisition of Covance closed on January 1, 2015

FIRST QUARTER 2016 NET REVENUE DISTRIBUTION

Segment Distribution



Geographic Distribution



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

FIRST QUARTER 2016 FOREIGN EXCHANGE IMPACT TO PRO FORMA NET REVENUE

(DOLLARS IN MILLIONS)

Pro forma results assume that the acquisition of Covance closed on January 1, 2015

	<u>Dollars</u>	<u>Year over Year % Growth</u>
<u>Consolidated</u>		
Net Revenue, as Reported	\$2,294	8.8%
Foreign Exchange Impact	\$18	0.8%
Net Revenue, Constant Currency	\$2,312	9.7%
<u>LabCorp Diagnostics</u>		
Net Revenue, as Reported	\$1,591	7.2%
Foreign Exchange Impact	\$8	0.6%
Net Revenue, Constant Currency	\$1,599	7.8%
<u>Covance Drug Development</u>		
Net Revenue, as Reported	\$703	12.6%
Foreign Exchange Impact	\$10	1.6%
Net Revenue, Constant Currency	\$713	14.2%

2016 FINANCIAL GUIDANCE

Excluding the impact of amortization, restructuring and special items, guidance for 2016 is:

	Prior Guidance (assumes foreign exchange rates effective as of January 31, 2016)	Current Guidance (assumes foreign exchange rates effective as of March 31, 2016)
Total net revenue growth:	7.5% – 9.5% ⁽¹⁾	8.5% – 10.5% ⁽²⁾
LabCorp Diagnostics net revenue growth:	3.5% – 5.5% ⁽³⁾	4.0% – 5.5% ⁽⁴⁾
Covance Drug Development net revenue growth:	2% – 5% ⁽⁵⁾	6.0% – 9.0% ⁽⁶⁾
Adjusted EPS:	\$8.45 – \$8.85	\$8.55 – \$8.95
Free cash flow:	\$900 Million – \$950 Million	\$900 Million – \$950 Million

(1) Included the impact from approximately 100 basis points of negative currency.

(2) Includes the impact from approximately 40 basis points of negative currency.

(3) Included the impact from approximately 50 basis points of negative currency.

(4) Includes the impact from approximately 20 basis points of negative currency.

(5) Included the impact from approximately 200 basis points of negative currency.

(6) Includes the impact from approximately 50 basis points of negative currency.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The following consolidated results include Covance as of February 19, 2015; prior to February 19, 2015, all consolidated results exclude Covance

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

	Three Months Ended March 31,	
	2016	2015
<u>Adjusted Operating Income</u>		
Operating Income	\$ 301.9	\$ 132.4
Acquisition-related costs	2.9	113.4
Restructuring and other special charges	19.2	19.3
Consulting fees and executive transition expenses	4.1	6.0
Wind-down of minimum volume contract operations	1.6	-
Project LaunchPad system implementation costs	1.5	-
Amortization of intangibles and other assets	44.3	31.1
Adjusted operating income	<u>\$ 375.5</u>	<u>\$ 302.2</u>
<u>Adjusted EPS</u>		
Diluted earnings per common share	\$ 1.55	\$ 0.04
Restructuring and special items	0.18	1.51
Amortization expense	0.29	0.21
Adjusted EPS	<u>\$ 2.02</u>	<u>\$ 1.76</u>

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The following consolidated results include Covance as of February 19, 2015; prior to February 19, 2015, all consolidated results exclude Covance

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

	Three Months Ended December 31,	
	2015	2014
<u>Free Cash Flow:</u>		
Net cash provided by (used for) operating activities	\$ 123.0	\$ (86.9)
Less: Capital expenditures	(71.4)	(33.8)
Free cash flow	<u>\$ 51.6</u>	<u>\$ (120.7)</u>
<u>Free Cash Flow, Excluding Acquisition Related Charges:</u>		
Net cash provided by (used for) operating activities	\$ 123.0	\$ (86.9)
Add back: Acquisition related charges	-	153.5
Net cash provided by operating activities, excluding acquisition-related charges	\$ 123.0	\$ 66.6
Less: Capital expenditures	(71.4)	(33.8)
Free cash flow, excluding acquisition-related charges	<u>\$ 51.6</u>	<u>\$ 32.8</u>

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES - FOOTNOTES

1) During the first quarter of 2016, the Company recorded net restructuring and other special charges of \$19.2 million. The charges included \$4.5 million in severance and other personnel costs along with \$17.0 million in costs associated with facility closures and general integration initiatives. A substantial portion of these costs relate to the planned closure of duplicative data center operations. The Company reversed previously established reserves of \$2.3 million in unused severance reserves primarily as the result of selling one of its minimum volume contract facilities to a third party. The Company incurred additional legal and other costs of \$1.6 million relating to the wind-down of its minimum volume contract operations. The Company also recorded \$1.7 million in consulting expenses relating to fees incurred as part of its Covance integration costs and compensation analysis, along with \$1.2 million in short-term equity retention arrangements relating to the acquisition of Covance and \$4.1 million of accelerated equity compensation relating to the announced retirement of a Company executive (all recorded in selling, general and administrative expenses). In addition, the Company incurred \$1.5 million of non-capitalized costs associated with the implementation of a major system as part of its Project LaunchPad business process improvement initiative.

The after tax impact of these charges decreased net earnings for the quarter ended March 31, 2016, by \$19.0 million and diluted earnings per share by \$0.18 (\$19.0 million divided by 103.6 million shares).

2) During the first quarter of 2015, the Company recorded net restructuring and other special charges of \$19.3 million. The charges included \$3.2 million in severance and other personnel costs along with \$1.3 million in costs associated with facility closures and general integration initiatives. In addition, the Company recorded asset impairments of \$14.8 million relating to lab and customer service applications that will no longer be used. The Company also recorded \$6.0 million of consulting expenses relating to fees incurred as part of its Project LaunchPad business process improvement initiative.

The Company recorded \$166.0 million of one-time costs associated with its acquisition of Covance. The costs included \$79.5 million of Covance employee equity awards, change in control payments and short-term retention arrangements that were accelerated or triggered by the acquisition transaction (all in SG&A in the accompanying Consolidated Statements of Operations). The acquisition costs also included advisor and legal fees of \$33.9 million (recorded in SG&A in the accompanying Consolidated Statements of Operations), \$15.2 million of deferred financing fees associated with the Company's bridge loan facility as well as a make-whole payment of \$37.4 million paid to call Covance's private placement debt outstanding at the purchase date (both amounts recorded in interest expense in the accompanying Consolidated Statements of Operations).

The after tax impact of these charges decreased net earnings for the quarter ended March 31, 2015, by \$141.3 million and diluted earnings per share by \$1.51 (\$141.3 million divided by 93.8 million shares).

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES - FOOTNOTES

3) The Company continues to grow the business through acquisitions and uses Adjusted EPS Excluding Amortization as a measure of operational performance, growth and shareholder returns. The Company believes adjusting EPS for amortization provides investors with better insight into the operating performance of the business. For the quarters ended March 31, 2016 and 2015, intangible amortization was \$44.3 million and \$31.1 million, respectively (\$30.1 million and \$20.1 million net of tax, respectively) and decreased EPS by \$0.29 (\$30.1 million divided by 103.6 million shares) and \$0.21 (\$20.1 million divided by 93.8 million shares), respectively.

4) During the first quarter of 2015, the Company's operating cash flows were reduced due to payment of \$153.5 million in acquisition-related charges. These payments were comprised of \$75.5 million in legal and advisor fees, \$40.6 million in accelerated Covance employee equity awards, and \$37.4 million in make-whole payments triggered by calling Covance private placement notes outstanding at the time of the transaction.