UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2022
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-11353

LABORATORY CORPORATION OF AMERICA HOLDINGS

(Exact name of registrant as specified in its charter)

Delaware	**13-3757370**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
358 South Main Street **Burlington, North Carolina**	**27215**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) **336-229-1127**

Securities registered pursuant to Section 12(b) of the Exchange Act.

Title of Each Class	**Trading Symbol**	**Name of exchange on which registered**
Common Stock, $0.10 par value	LH	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒.

The number of shares outstanding of the issuer's common stock is 90.4 million shares as of July 29, 2022.

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PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)
(unaudited)

	June 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,068.8	$ 1,472.7
Accounts receivable, net	2,216.4	2,261.5
Unbilled services	827.4	716.8
Supplies inventory	436.3	401.4
Prepaid expenses and other	481.9	478.1
Total current assets	5,030.8	5,330.5
Property, plant and equipment, net	2,870.2	2,815.4
Goodwill, net	8,114.0	7,958.9
Intangible assets, net	3,864.9	3,735.5
Joint venture partnerships and equity method investments	57.7	60.9
Deferred income taxes	28.7	21.6
Other assets, net	436.8	462.6
Total assets	$ 20,403.1	$ 20,385.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 754.7	$ 621.3
Accrued expenses and other	1,139.8	1,404.1
Unearned revenue	544.2	558.5
Short-term operating lease liabilities	192.1	187.0
Short-term finance lease liabilities	10.5	10.5
Short-term borrowings and current portion of long-term debt	1.6	1.5
Total current liabilities	2,642.9	2,782.9
Long-term debt, less current portion	5,360.3	5,416.5
Operating lease liabilities	669.4	642.5
Financing lease liabilities	81.9	84.6
Deferred income taxes and other tax liabilities	743.4	762.9
Other liabilities	484.5	402.0
Total liabilities	9,982.4	10,091.4
Commitments and contingent liabilities		
Noncontrolling interest	20.0	20.6
Shareholders' equity:		
Common stock, 91.0 and 93.1 shares outstanding at June 30, 2022, and December 31, 2021, respectively	8.3	8.5
Additional paid-in capital	—	—
Retained earnings	10,897.9	10,456.8
Accumulated other comprehensive loss	(505.5)	(191.9)
Total shareholders' equity	10,400.7	10,273.4
Total liabilities and shareholders' equity	$ 20,403.1	$ 20,385.4

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues	$ 3,696.9	$ 3,840.7	$ 7,596.5	$ 8,002.2
Cost of revenues	2,574.2	2,575.9	5,240.9	5,138.4
Gross profit	1,122.7	1,264.8	2,355.6	2,863.8
Selling, general and administrative expenses	486.0	458.7	950.1	888.5
Amortization of intangibles and other assets	66.4	92.4	133.5	184.5
Goodwill and other asset impairments	—	—	1.2	—
Restructuring and other charges	44.4	9.6	57.0	28.8
Operating income	525.9	704.1	1,213.8	1,762.0
Other income (expense):				
Interest expense	(42.5)	(78.3)	(84.7)	(126.8)
Equity method income, net	1.4	8.0	4.8	12.5
Investment income	2.0	2.7	3.1	5.1
Other, net	(10.4)	14.1	(20.5)	19.6
Earnings before income taxes	476.4	650.6	1,116.5	1,672.4
Provision for income taxes	117.5	182.6	265.5	434.3
Net earnings	358.9	468.0	851.0	1,238.1
Less: Net earnings attributable to the noncontrolling interest	(0.3)	(0.6)	(0.8)	(1.1)
Net earnings attributable to Laboratory Corporation of America Holdings	$ 358.6	$ 467.4	$ 850.2	$ 1,237.0
Basic earnings per common share	$ 3.89	$ 4.80	$ 9.17	$ 12.69
Diluted earnings per common share	$ 3.87	$ 4.76	$ 9.11	$ 12.58

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(in millions, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net earnings	$ 358.9	$ 468.0	$ 851.0	$ 1,238.1
Foreign currency translation adjustments	(241.1)	43.8	(315.7)	(23.0)
Net benefit plan adjustments	0.7	2.1	2.9	5.1
Other comprehensive earnings before tax	(240.4)	45.9	(312.8)	(17.9)
Provision (benefit) for income tax related to items of comprehensive earnings	(0.2)	(0.6)	(0.8)	(1.4)
Other comprehensive earnings (loss), net of tax	(240.6)	45.3	(313.6)	(19.3)
Comprehensive earnings	118.3	513.3	537.4	1,218.8
Less: Net earnings attributable to the noncontrolling interest	(0.3)	(0.6)	(0.8)	(1.1)
Comprehensive earnings attributable to Laboratory Corporation of America Holdings	$ 118.0	$ 512.7	$ 536.6	$ 1,217.7

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in millions)
(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 2020	$ 9.0	$ 110.3	$ 9,402.3	$ (161.9)	$ 9,359.7
Net earnings attributable to Laboratory Corporation of America Holdings	—	—	769.6	—	769.6
Other comprehensive earnings (loss), net of tax	—	—	—	(64.6)	(64.6)
Issuance of common stock under employee stock plans	—	24.7	—	—	24.7
Net share settlement tax payments from issuance of stock to employees	—	(28.1)	—	—	(28.1)
Stock compensation	—	28.7	—	—	28.7
Purchase of common stock	—	(68.5)	—	—	(68.5)
BALANCE AT MARCH 31, 2021	$ 9.0	$ 67.1	$ 10,171.9	$ (226.5)	$ 10,021.5
Net earnings attributable to Laboratory Corporation of America Holdings	—	—	467.4	—	467.4
Other comprehensive earnings (loss), net of tax	—	—	—	45.3	45.3
Issuance of common stock under employee stock plans	—	1.9	—	—	1.9
Net share settlement tax payments from issuance of stock to employees	—	(14.9)	—	—	(14.9)
Stock compensation	—	23.9	—	—	23.9
Purchase of common stock	(0.1)	(78.0)	(221.9)	—	(300.0)
BALANCE AT JUNE 30, 2021	$ 8.9	$ —	$ 10,417.4	$ (181.2)	$ 10,245.1
BALANCE AT DECEMBER 31, 2021	$ 8.5	$ —	$ 10,456.8	$ (191.9)	$ 10,273.4
Net earnings attributable to Laboratory Corporation of America Holdings	—	—	491.6	—	491.6
Other comprehensive earnings (loss), net of tax	—	—	—	(73.0)	(73.0)
Issuance of common stock under employee stock plans	—	18.2	—	—	18.2
Net share settlement tax payments from issuance of stock to employees	—	(27.3)	—	—	(27.3)
Stock compensation	—	38.2	—	—	38.2
BALANCE AT MARCH 31, 2022	$ 8.5	$ 29.1	$ 10,948.4	$ (264.9)	$ 10,721.1
Net earnings attributable to Laboratory Corporation of America Holdings	—	—	358.6	—	358.6
Other comprehensive earnings (loss), net of tax	—	—	—	(240.6)	(240.6)
Dividends declared	—	—	(68.6)	—	(68.6)
Issuance of common stock under employee stock plans	—	0.9	—	—	0.9
Net share settlement tax payments from issuance of stock to employees	—	(10.1)	—	—	(10.1)
Stock compensation	—	39.4	—	—	39.4
Purchase of common stock	(0.2)	(59.3)	(340.5)	—	(400.0)
BALANCE AT JUNE 30, 2022	$ 8.3	$ —	$ 10,897.9	$ (505.5)	$ 10,400.7

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Six Months Ended June 30,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 851.0	$ 1,238.1
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	320.6	371.0
Stock compensation	77.6	52.6
Operating lease right-of-use asset expense	97.7	96.3
Goodwill and other asset impairments	1.2	—
Deferred income taxes	(35.5)	(85.5)
Other	3.7	2.3
Change in assets and liabilities (net of effects of acquisitions and divestitures):		
Decrease in accounts receivable	21.4	265.0
Increase in unbilled services	(123.9)	(100.3)
Increase in supplies inventory	(35.7)	(17.5)
Increase in prepaid expenses and other	(25.9)	(31.0)
Increase (decrease) in accounts payable	131.9	(44.3)
Increase (decrease) in unearned revenue	(6.2)	37.7
Decrease in accrued expenses and other	(349.4)	(139.6)
Net cash provided by operating activities	928.5	1,644.8
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(260.5)	(192.6)
Proceeds from sale of assets	1.1	2.7
Proceeds from sale of business	—	13.1
Proceeds from sale or distribution of investments	0.4	—
Proceeds from exit from swaps	3.0	—
Investments in equity affiliates	(4.7)	(11.9)
Acquisition of businesses, net of cash acquired	(554.9)	(34.1)
Net cash used for investing activities	(815.6)	(222.8)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from senior note offerings	—	1,000.0
Payments on senior notes	—	(1,000.0)
Payments on term loan	—	(375.0)
Net share settlement tax payments from issuance of stock to employees	(37.4)	(43.0)
Net proceeds from issuance of stock to employees	19.1	26.6
Dividends paid	(66.7)	—
Purchase of common stock	(400.0)	(368.5)
Other	(12.4)	(15.6)
Net cash used for financing activities	(497.4)	(775.5)
Effect of exchange rate changes on cash and cash equivalents	(19.4)	(4.1)
Net increase (decrease) in cash and cash equivalents	(403.9)	642.4
Cash and cash equivalents at beginning of period	1,472.7	1,320.8
Cash and cash equivalents at end of period	$ 1,068.8	$ 1,963.2

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars and shares in millions, except per share data)

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

Laboratory Corporation of America® Holdings (Labcorp® or the Company) 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. By leveraging its strong diagnostics and drug development capabilities, the Company provides insights and accelerates innovations to improve health and improve lives.

The Company reports its business in two segments, Labcorp Diagnostics (Dx) and Labcorp Drug Development (DD). For further financial information about these segments, see Note 11 (Business Segment Information) to the Condensed Consolidated Financial Statements. During the three months ended June 30, 2022, Dx and DD contributed approximately 61% and 39%, respectively, of revenues to the Company. During the six months ended June 30, 2022, Dx and DD contributed approximately 62% and 38%, respectively, of revenues to the Company.

The condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries for which it exercises control. Long-term investments in affiliated companies in which the Company exercises significant influence, but which it does not control, are accounted for using the equity method. Investments in which the Company does not exercise significant influence (generally, when the Company has an investment of less than 20.0% and no representation on the investee's board of directors) are accounted for at fair value, or at cost minus impairment adjusted for observable price changes in orderly transactions for an identical or similar investment of the same issuer for those investments that do not have readily determinable fair values. All significant inter-company transactions and accounts have been eliminated. The Company does not have any significant variable interest entities or special purpose entities whose financial results are not included in the condensed consolidated financial statements.

The financial statements of the Company's operating foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities are translated at exchange rates as of the balance sheet date. Revenues and expenses are translated at average monthly exchange rates prevailing during the period. Resulting translation adjustments are included in “Accumulated other comprehensive income (loss).”

The accompanying condensed consolidated financial statements of the Company are unaudited. In the opinion of management, all adjustments necessary for a fair statement of results of operations, cash flows, and financial position have been made. Except as otherwise disclosed, all such adjustments are of a normal recurring nature. Interim results are not necessarily indicative of results for a full year. The year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles.

The condensed consolidated financial statements and notes are presented in accordance with the rules and regulations of the United States (U.S.) Securities and Exchange Commission (SEC) and do not contain certain information included in the Company’s fiscal year 2021 Annual Report on Form 10-K (Annual Report). Therefore, these interim statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report.

Recently Adopted Accounting Guidance

In October 2021, the Financial Accounting Standards Board (FASB) issued a new accounting standard, Accounting Standards Update 2021-08, to improve the accounting for acquired revenue contracts with customers in a business combination. The Company early adopted this standard effective January 1, 2022. The adoption of this standard did not have a material impact on the consolidated financial statements.

(dollars and shares in millions, except per share data)

2. REVENUES

The Company's revenues by segment and by payers/customer groups for the three and six months ended June 30, 2022, and 2021, were as follows:

	For the Three Months Ended June 30, 2022				For the Three Months Ended June 30, 2021			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Payer/Customer								
Dx								
Clients	18 %	— %	— %	18 %	17 %	— %	— %	17 %
Patients	7 %	— %	— %	7 %	7 %	— %	— %	7 %
Medicare and Medicaid	6 %	— %	— %	6 %	6 %	— %	— %	6 %
Third party	30 %	— %	— %	30 %	31 %	— %	— %	31 %
Total Dx revenues by payer	61 %	— %	— %	61 %	61 %	— %	— %	61 %
DD								
Pharmaceutical, biotechnology and medical device companies	19 %	13 %	7 %	39 %	23 %	12 %	4 %	39 %
Total revenues	80 %	13 %	7 %	100 %	84 %	12 %	4 %	100 %

	For the Six Months Ended June 30, 2022				For the Six Months Ended June 30, 2021			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Payer/Customer								
Dx								
Clients	17 %	— %	— %	17 %	18 %	— %	— %	18 %
Patients	7 %	— %	— %	7 %	6 %	— %	— %	6 %
Medicare and Medicaid	6 %	— %	— %	6 %	6 %	— %	— %	6 %
Third party	32 %	— %	— %	32 %	33 %	— %	— %	33 %
Total Dx revenues by payer	62 %	— %	— %	62 %	63 %	— %	— %	63 %
DD								
Pharmaceutical, biotechnology and medical device companies	18 %	13 %	7 %	38 %	22 %	11 %	4 %	37 %
Total revenues	80 %	13 %	7 %	100 %	85 %	11 %	4 %	100 %

Revenues in the U.S. were $2,856.9 (77.3%) and $3,091.3 (80.5%) for the three months ended June 30, 2022, and 2021, respectively, and for the six months ended June 30, 2022, and 2021, were $5,857.5 (77.1%) and $6,537.4 (81.7%), respectively.

DD Contract costs

DD incurs costs to fulfill contracts with customers. Contract fulfillment costs include software implementation costs and setup costs for certain market access solutions.

	June 30, 2022	December 31, 2021
Sales commission assets	$ 40.2	$ 36.2
Deferred contract fulfillment costs	15.0	14.4
Total	$ 55.2	$ 50.6

Amortization related to sales commission assets and associated payroll taxes for the three months ended June 30, 2022, and 2021, was $8.7 and $6.4, respectively, and for the six months ended June 30, 2022, and 2021, was $15.9 and $13.3, respectively. Amortization related to deferred contract fulfillment costs for the three months ended June 30, 2022, and 2021, was $2.9 and $3.0, respectively, and was $6.0 and $6.5, respectively, for the six months ended June 30, 2022, and 2021.

(dollars and shares in millions, except per share data)

Accounts Receivable, Unbilled Services and Unearned Revenue

The following table provides information about accounts receivable, unbilled services, and unearned revenue from contracts with customers:

	June 30, 2022	December 31, 2021
Dx accounts receivable	$ 1,066.4	$ 1,193.8
DD accounts receivable	1,171.3	1,089.2
Less DD allowance for doubtful accounts	(21.3)	(21.5)
Accounts receivable	$ 2,216.4	$ 2,261.5
Gross unbilled services	$ 838.8	$ 730.8
Less reserve for unbilled services	(11.4)	(14.0)
Unbilled services	$ 827.4	$ 716.8
Unearned revenue	$ 544.2	$ 558.5

Revenues recognized during the period that were included in the unearned revenue balance at the beginning of the period were $233.6 and $233.0 for the six months ended June 30, 2022, and 2021, respectively.

Credit Loss Rollforward

The Company estimates future expected losses on accounts receivable, unbilled services and notes receivable over the remaining collection period of the instrument. The rollforward for the allowance for credit losses for the six months ended June 30, 2022, is as follows:

	Accounts Receivable	Unbilled Services	Note and Other Receivables	Total
Balance as of December 31, 2021	$ 21.5	$ 13.9	$ 0.7	$ 36.1
Plus, credit loss expense	3.0	—	—	3.0
Less, write offs	(3.2)	(2.5)	—	(5.7)
Balance as of June 30, 2022	$ 21.3	$ 11.4	$ 0.7	$ 33.4

Performance Obligations Under Long-Term Contracts

Long-term contracts at the Company consist primarily of fully managed clinical studies within DD. The amount of existing performance obligations unsatisfied under such long-term contracts were $6,132.6 and $5,616.6 as of June 30, 2022, and 2021, respectively. The Company expects to recognize revenue over the remaining contract term of the individual projects, with contract terms generally ranging from 1 to 8 years.

Within DD, revenues of $37.4 and $12.2 were recognized during the three months ended June 30, 2022 and 2021, respectively, and revenues of $69.1 and $28.7 were recognized during the six months ended June 30, 2022 and 2021, respectively, from performance obligations that were satisfied in previous periods. This revenue primarily relates to adjustments related to changes in scope in full service clinical studies, and to a lesser extent, changes in estimates.

3. BUSINESS ACQUISITIONS

During the six months ended June 30, 2022, the Company acquired several businesses and related assets for approximately $554.9 in cash. The purchase consideration for these acquisitions has been allocated under the acquisition method of accounting to the estimated fair market value of the net assets acquired, including approximately $325.3 in identifiable intangible assets and a residual amount of non-tax deductible goodwill of approximately $332.8. The amortization periods for intangible assets acquired from the businesses range from 5 to 15 years for customer relationships and non-compete agreements. These acquisitions were made primarily to complement and accelerate the Company’s existing liquid biopsy capabilities and enhance the Company's diagnostic footprint and capabilities. The preliminary valuation of acquired assets and assumed liabilities, include the following:

(dollars and shares in millions, except per share data)

	Amounts Acquired During Six Months Ended June 30, 2022
Accounts receivable	$ 4.1
Unbilled services	2.9
Inventories	2.6
Prepaid expenses and other	1.2
Property, plant and equipment	10.0
Goodwill	332.8
Intangible assets	325.3
Other assets	0.8
Total assets acquired	$ 679.7
Accounts payable	4.1
Accrued expenses and other	24.1
Unearned revenue	3.3
Deferred income taxes	17.1
Other liabilities	76.2
Total liabilities acquired	124.8
Net assets acquired	$ 554.9

The purchase price allocation for several transactions are still preliminary and subject to change. The areas of the purchase price allocation that are not yet finalized relate primarily to contingent purchase price valuation, intangible assets, goodwill, and the impact of finalizing deferred taxes. Accordingly, adjustments may be made as additional information is obtained about the facts and circumstances that existed as of the valuation date. Any adjustments will be recorded in the period in which they are identified.

During the six months ended June 30, 2021, the Company acquired a business and related assets for approximately $34.1 in cash. The purchase consideration for the acquisition in the six months ended June 30, 2021, has been allocated under the acquisition method of accounting to the estimated fair market value of the net assets acquired, including approximately $17.6 in identifiable intangible assets and a residual amount of non-tax deductible goodwill of approximately $15.6. The amortization periods for intangible assets acquired from the business range from 5 to 15 years for customer relationships and non-compete agreements. The acquisition was made primarily to expand the Company's services for hospitals and health system laboratories. The excess of the fair value of the consideration conveyed over the fair value of the net assets acquired was recorded as goodwill. The goodwill reflects the Company's expectations to utilize the acquired business' workforce and established relationships and the benefits of being able to leverage operational efficiencies with favorable growth opportunities in these markets.

4. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net earnings attributable to Laboratory Corporation of America Holdings by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net earnings including the impact of dilutive adjustments by the weighted average number of common shares outstanding plus potentially dilutive shares, as if they had been issued at the earlier of the date of issuance or the beginning of the period presented. Potentially dilutive common shares result primarily from the Company’s outstanding stock options, restricted stock awards, restricted stock units, and performance share awards.

(dollars and shares in millions, except per share data)

The following represents a reconciliation of basic earnings per share to diluted earnings per share:

	Three Months Ended June 30,						Six Months Ended June 30,					
	2022			2021			2022			2021		
	Earnings	Shares	Per Share Amount	Earnings	Shares	Per Share Amount	Earnings	Shares	Per Share Amount	Earnings	Shares	Per Share Amount
Basic earnings per share:												
Net earnings	$ 358.6	92.3	$ 3.89	$ 467.4	97.4	$ 4.80	$ 850.2	92.7	$ 9.17	$ 1,237.0	97.5	$ 12.69
Dilutive effect of employee stock options and awards	—	0.4		—	0.8		—	0.6		—	0.8	
Net earnings including impact of dilutive adjustments	$ 358.6	92.7	$ 3.87	$ 467.4	98.2	$ 4.76	$ 850.2	93.3	$ 9.11	$ 1,237.0	98.4	$ 12.58

Diluted earnings per share represent the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. These potential shares include dilutive stock options and unissued restricted stock awards. The following table summarizes the potential common shares not included in the computation of diluted earnings per share because their impact would have been antidilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Employee stock options and awards	0.5	0.1	0.3	0.1

5. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the six months ended June 30, 2022, are as follows:

	Dx	DD	Total
Balance as of December 31, 2021	$ 4,046.2	$ 3,912.7	$ 7,958.9
Goodwill acquired during the period	189.7	143.1	332.8
Foreign currency impact and other adjustments to goodwill	(50.7)	(127.0)	(177.7)
Balance as of June 30, 2022	$ 4,185.2	$ 3,928.8	$ 8,114.0

The Company assesses goodwill and indefinite-lived intangibles for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company recognizes an impairment charge for the amount by which the reporting unit's carrying amount exceeds its fair value.

The components of identifiable intangible assets are as follows:

	June 30, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	$ 4,293.3	$ (1,437.9)	$ 2,855.4	$ 4,336.0	$ (1,362.1)	$ 2,973.9
Patents, licenses and technology	755.2	(284.8)	470.4	484.6	(267.4)	217.2
Non-compete agreements	79.1	(41.6)	37.5	70.2	(35.5)	34.7
Trade name	5.6	(0.9)	4.7	19.8	(15.5)	4.3
Land use right	10.3	(8.2)	2.1	10.4	(7.6)	2.8
Canadian licenses	484.5	—	484.5	493.5	—	493.5
Other	14.2	(3.9)	10.3	9.1	—	9.1
	5,642.2	(1,777.3)	3,864.9	5,423.6	(1,688.1)	3,735.5

Amortization of intangible assets for the three and six months ended June 30, 2022, and 2021, was $66.4 and $92.4 and $133.5 and $184.5, respectively. The amortization expense for the net carrying amount of intangible assets is estimated to be $121.4 for the remainder of fiscal 2022, $255.6 in fiscal 2023, $251.0 in fiscal 2024, $238.9 in fiscal 2025, $229.1 in fiscal 2026, and $2,144.7 thereafter.

(dollars and shares in millions, except per share data)

6. DEBT

Short-term borrowings and the current portion of long-term debt at June 30, 2022, and December 31, 2021, consisted of the following:

	June 30, 2022	December 31, 2021
Current portion of note payable	1.6	1.5
Total short-term borrowings and current portion of long-term debt	$ 1.6	$ 1.5

Long-term debt at June 30, 2022, and December 31, 2021, consisted of the following:

	June 30, 2022	December 31, 2021
4.00% senior notes due 2023	300.0	300.0
3.25% senior notes due 2024	600.0	600.0
2.30% senior notes due 2024	400.0	400.0
3.60% senior notes due 2025	1,000.0	1,000.0
1.55% senior notes due 2026	500.0	500.0
3.60% senior notes due 2027	600.0	600.0
2.95% senior notes due 2029	650.0	650.0
2.70% senior notes due 2031	444.6	502.9
4.70% senior notes due 2045	900.0	900.0
Debt issuance costs	(37.6)	(41.0)
Note payable	3.3	4.6
Total long-term debt	$ 5,360.3	$ 5,416.5

Senior Notes

On May 26, 2021, the Company issued new senior notes representing $1,000.0 in debt securities and consisting of $500.0 aggregate principal amount of 1.55% senior notes due 2026 and $500.0 aggregate principal amount of 2.70% senior notes due 2031. Interest on these notes is payable semi-annually in arrears on June 1 and December 1 of each year. Net proceeds from the offering of these notes were $989.4 after deducting underwriting discounts and other expenses of the offering. The net proceeds were used, along with cash on hand, to redeem, prior to maturity, the Company's outstanding 3.20% senior notes due February 1, 2022 and 3.75% senior notes due August 23, 2022.

During the second quarter of 2021, the Company entered into fixed-to-variable interest rate swap agreements for its 2.70% senior notes due 2031 with an aggregate notional amount of $500.0 and variable interest rates based on three-month LIBOR plus 1.0706% to hedge against changes in the fair value of a portion of the Company's long-term debt. These interest rate swaps are included in other long-term liabilities and deducted from the value of the senior notes with an aggregate fair value of $55.4 at June 30, 2022.

Credit Facilities

The Company maintains a senior revolving credit facility, which was amended and restated on April 30, 2021. It consists of a five-year facility in the principal amount of up to $1,000.0, with the option of increasing the facility by up to an additional $500.0, subject to the agreement of one or more new or existing lenders to provide such additional amounts and certain other customary conditions. The revolving credit facility also provides for a subfacility of up to $100.0 for swing line borrowings and a subfacility of up to $150.0 for issuances of letters of credit. The Company is required to pay a facility fee on the aggregate commitments under the revolving credit facility, at a per annum rate ranging from 0.10% to 0.23%, depending on the Company's debt ratings. The revolving credit facility is permitted to be used for general corporate purposes, including working capital, capital expenditures, funding of share repurchases and certain other payments, acquisitions, and other investments. The revolving credit facility also provides for the issuance of letters of credit without a reduction of the availability of borrowings under the facility. There were no balances outstanding on the Company's current revolving credit facility as of June 30, 2022 and December 31, 2021. As of June 30, 2022, the effective interest rate on the revolving credit facility was 2.79%. The credit facility expires on April 30, 2026.

Under the revolving credit facility, the Company is subject to negative covenants limiting subsidiary indebtedness and certain other covenants typical for investment grade-rated borrowers, and the Company is required to maintain certain leverage ratios. The Company was in compliance with all covenants in the revolving credit facility at June 30, 2022, and expects that it will remain in compliance with its existing debt covenants for the next twelve months.

The Company's availability of $1,000.0 at June 30, 2022, under its revolving credit facility is not encumbered by any of the Company's outstanding letters of credit. There were $76.4 in outstanding letters of credit as of June 30, 2022.

(dollars and shares in millions, except per share data)

7. PREFERRED STOCK AND COMMON SHAREHOLDERS' EQUITY

The Company is authorized to issue up to 265.0 shares of common stock, par value $0.10 per share. The Company is authorized to issue up to 30.0 shares of preferred stock, par value $0.10 per share. There were no preferred shares outstanding as of June 30, 2022, and December 31, 2021.

The changes in common shares issued are summarized below:

	Issued and Outstanding
Common shares at December 31, 2021	93.1
Shares issued under employee stock plans	0.5
Shares repurchased	(2.6)
Common shares at June 30, 2022	91.0

Share Repurchase Program

During the fourth quarter of 2021, the Company commenced an Accelerated Share Repurchase (ASR) program. At inception, the Company paid $1,000.0 and received 2.7 shares based on a calculation using 80% of the shares calculated at the price at the inception of the ASR agreements with two different banks, Goldman Sachs & Co. LLC (Goldman Sachs) and Barclays Bank PLC (Barclays). The initial shares received under the ASR were removed from the outstanding share count in 2021. In March 2022, the Company received 0.6 shares of its common stock, arising from a partial acceleration with Barclays and a final settlement from Goldman Sachs, based on the average daily volume weighted average price per share of $277.40. On April 1, 2022, the Company received 0.2 shares of its common stock for final settlement from Barclays based on the average volume-weighted average price per share of $275.51.

During the second quarter of 2022, the Company purchased 1.7 shares of its common stock at an average price of $237.85 for a total cost of $400.0. As of June 30, 2022, the Company had outstanding authorization from the board of directors to purchase up to $1,231.5 of the Company's common stock. The repurchase authorization has no expiration.

Dividends

For the three months ended June 30, 2022, the Company paid $66.7 in common stock dividends or $0.72 per share of common stock. On July 14, 2022, the Company announced a cash dividend of $0.72 per share of common stock for the third quarter, or approximately $66.1 in the aggregate. The dividend will be payable on September 9, 2022, to stockholders of record of all issued and outstanding shares of common stock as of the close of business on August 18, 2022. The declaration and payment of any future dividends will be at the discretion of the Company's board of directors.

Accumulated Other Comprehensive Earnings (Loss)

The components of accumulated other comprehensive earnings (loss) are as follows:

	Foreign Currency Translation Adjustments	Net Benefit Plan Adjustments	Accumulated Other Comprehensive Earnings (Loss)
Balance as of December 31, 2021	$ (125.9)	$ (66.0)	$ (191.9)
Current year adjustments	(314.8)	5.1	(309.7)
Amounts reclassified from accumulated other comprehensive income	(0.9)	(2.2)	(3.1)
Tax effect of adjustments	—	(0.8)	(0.8)
Balance as of June 30, 2022	$ (441.6)	$ (63.9)	$ (505.5)

8. COMMITMENTS AND CONTINGENCIES

The Company is involved from time to time in various claims and legal actions, including arbitrations, class actions, and other litigation (including those described in more detail below), arising in the ordinary course of business. Some of these actions involve claims that are substantial in amount. These matters include, but are not limited to: intellectual property disputes; commercial and contract disputes; professional liability claims; employee-related matters; transaction related disputes; securities and corporate law matters; and inquiries, including subpoenas and other civil investigative demands, from governmental agencies, Medicare or Medicaid payers and MCOs reviewing billing practices or requesting comment on allegations of billing irregularities that are brought to their attention through billing audits or third parties. The Company receives civil investigative demands or other inquiries from various governmental bodies in the ordinary course of its business. Such inquiries can relate to the Company or other parties, including physicians and other health care providers. The Company works cooperatively to respond to appropriate requests for information.

The Company also is named from time to time in suits brought under the *qui tam* provisions of the False Claims Act and comparable state laws. These suits typically allege that the Company has made false statements and/or certifications in connection with claims for payment from U.S. federal or state healthcare programs. The suits may remain under seal (hence, unknown to the Company) for some time while the government decides whether to intervene on behalf of the *qui tam* plaintiff. Such claims are an inevitable part of doing business in the healthcare field today.

The Company believes that it is in compliance in all material respects with all statutes, regulations, and other requirements applicable to its commercial laboratory operations and drug development support services. The healthcare diagnostics and drug development industries are, however, subject to extensive regulation, and the courts have not interpreted many of the applicable statutes and regulations. Therefore, the applicable statutes and regulations could be interpreted or applied by a prosecutorial, regulatory, or judicial authority in a manner that would adversely affect the Company. Potential sanctions for violation of these statutes and regulations include significant civil and criminal penalties, fines, the loss of various licenses, certificates, and authorizations, additional liabilities from third-party claims, and/or exclusion from participation in government programs.

Many of the current claims and legal actions against the Company are in preliminary stages, and many of these cases seek an indeterminate amount of damages. The Company records an aggregate legal reserve, which is determined using calculations based on historical loss rates and assessment of trends experienced in settlements and defense costs. In accordance with FASB Accounting Standards Codification Topic 450 “Contingencies,” the Company establishes reserves for judicial, regulatory, and arbitration matters outside the aggregate legal reserve if and when those matters present loss contingencies that are both probable and estimable and would exceed the aggregate legal reserve. When loss contingencies are not both probable and estimable, the Company does not establish separate reserves.

The Company is unable to estimate a range of reasonably probable loss for the proceedings described in more detail below in which damages either have not been specified or, in the Company's judgment, are unsupported and/or exaggerated and (i) the proceedings are in early stages; (ii) there is uncertainty as to the outcome of pending appeals or motions; (iii) there are significant factual issues to be resolved; and/or (iv) there are novel legal issues to be presented. For these proceedings, however, the Company does not believe, based on currently available information, that the outcomes will have a material adverse effect on the Company's financial condition, though the outcomes could be material to the Company's operating results or cash flows for any particular period, depending, in part, upon the operating results for such period.

As previously reported, the Company responded to an October 2007 subpoena from the U.S. Department of Health & Human Services Office of Inspector General's regional office in New York. On August 17, 2011, the U.S. District Court for the Southern District of New York unsealed a False Claims Act lawsuit, *United States of America ex rel. NPT Associates v. Laboratory Corporation of America Holdings*, which alleges that the Company offered UnitedHealthcare kickbacks in the form of discounts in return for Medicare business. The Plaintiff's Third Amended Complaint further alleges that the Company's billing practices violated the False Claims Acts of 14 states and the District of Columbia. The lawsuit seeks actual and treble damages and civil penalties for each alleged false claim, as well as recovery of costs, attorney's fees, and legal expenses. The Company's Motion to Dismiss was granted in October 2014 and Plaintiff was granted the right to replead. On January 11, 2016, Plaintiff filed a motion requesting leave to file an amended complaint under seal and to vacate the briefing schedule for the Company's Motion to Dismiss, while the government reviewed the amended complaint. The Court granted the motion and vacated the briefing dates. Plaintiff then filed the Amended Complaint under seal. On August 24, 2021, the U.S. government filed a notice indicating that it did not intend to intervene in the matter. On October 27, 2021, the Fourth Amended Complaint was unsealed. The Fourth Amended Complaint is similar to the Third Amended Complaint in that it alleges that the Company offered UnitedHealthcare kickbacks in the form of discounts in return for Medicare and Medicaid business, and it further alleges that the Company unlawfully charged Medicare amounts substantially in excess of its alleged usual charges. Similar to the Third Amended Complaint, the Fourth Amended Complaint alleges violations of the federal False Claims Act and the False Claims Act of 14 states and the District of Columbia. On February 3, 2022, the Company filed a Motion to Dismiss all claims. The Company will vigorously defend the lawsuit.

In addition, the Company has received various other subpoenas since 2007 related to Medicaid billing. In October 2009, the Company received a subpoena from the State of Michigan Department of Attorney General seeking documents related to its billing to Michigan Medicaid. The Company cooperated with this request. In October 2013, the Company received a Civil Investigative Demand from the State of Texas Office of the Attorney General requesting documents related to its billing to Texas Medicaid. The Company cooperated with this request. On October 5, 2018, the Company received a second Civil Investigative Demand from the State of Texas Office of the Attorney General requesting documents related to its billing to Texas Medicaid. The Company cooperated with this request. On January 26, 2021, the Company was notified that a *qui tam* Petition was pending under seal in the District Court, 250th Judicial District, Travis County, Texas, and that the State of Texas had intervened. On April 14, 2021, the Petition was unsealed. The Petition alleges that the Company submitted claims for

reimbursement to Texas Medicaid that were higher than permitted under Texas Medicaid's alleged "best price" regulations, and that the Company offered remuneration to Texas health care providers in the form of discounted pricing for certain laboratory testing services in exchange for the providers' referral of Texas Medicaid business to the Company. The Petition seeks actual and double damages and civil penalties, as well as recovery of costs, attorney's fees, and legal expenses. The Company will vigorously defend the lawsuit.

On August 31, 2015, the Company was served with a putative class action lawsuit, *Patty Davis v. Laboratory Corporation of America, et al.*, filed in the Circuit Court of the Thirteenth Judicial Circuit for Hillsborough County, Florida. The complaint alleges that the Company violated the Florida Consumer Collection Practices Act by billing patients who were collecting benefits under the Workers' Compensation Statutes. The lawsuit seeks injunctive relief and actual and statutory damages, as well as recovery of attorney's fees and legal expenses. In April 2017, the Circuit Court granted the Company's Motion for Judgment on the Pleadings. The Plaintiff appealed the Circuit Court's ruling to the Florida Second District Court of Appeal. On October 16, 2019, the Florida Second District Court of Appeal reversed the Circuit Court's dismissal, but certified a controlling issue of Florida law to the Florida Supreme Court. On February 17, 2020, the Florida Supreme Court accepted jurisdiction of the lawsuit. The Court held oral arguments on December 9, 2020. On May 26, 2022, the Florida Supreme Court issued an opinion approving the result of the Florida Second District Court of Appeal. The Company will vigorously defend the lawsuit.

In December 2014, the Company received a Civil Investigative Demand issued pursuant to the U.S. False Claims Act from the U.S. Attorney's Office for South Carolina, which requested information regarding alleged remuneration and services provided by the Company to physicians who also received draw and processing/handling fees from competitor laboratories Health Diagnostic Laboratory, Inc. (HDL) and Singulex, Inc. (Singulex). The Company cooperated with the request. On April 4, 2018, the U.S. District Court for the District of South Carolina, Beaufort Division, unsealed a False Claims Act lawsuit, *United States of America ex rel. Scarlett Lutz, et al. v. Laboratory Corporation of America Holdings*, which alleges that the Company's financial relationships with referring physicians violate federal and state anti-kickback statutes. The Plaintiffs' Fourth Amended Complaint further alleges that the Company conspired with HDL and Singulex in violation of the Federal False Claims Act and the California and Illinois insurance fraud prevention acts by facilitating HDL's and Singulex's offers of illegal inducements to physicians and the referral of patients to HDL and Singulex for laboratory testing. The lawsuit seeks actual and treble damages and civil penalties for each alleged false claim, as well as recovery of costs, attorney's fees, and legal expenses. Neither the U.S. government nor any state government has intervened in the lawsuit. The Company filed a Motion to Dismiss seeking the dismissal of the claims asserted under the California and Illinois insurance fraud prevention statutes, the conspiracy claim, the reverse False Claims Act claim, and all claims based on the theory that the Company performed medically unnecessary testing. On January 16, 2019, the Court entered an order granting in part and denying in part the Motion to Dismiss. The Court dismissed the Plaintiffs' claims based on the theory that the Company performed medically unnecessary testing, the claims asserted under the California and Illinois insurance fraud prevention statutes, and the reverse False Claims Act claim. The Court denied the Motion to Dismiss as to the conspiracy claim. On March 12, 2021, the Company filed a Motion for Summary Judgment related to all remaining claims. On June 16, 2021, the Court denied the Company's Motion for Summary Judgment. The lawsuit is scheduled for trial beginning January 9, 2023. The Company will vigorously defend the lawsuit.

On March 10, 2017, the Company was served with a putative class action lawsuit, *Victoria Bouffard, et al. v. Laboratory Corporation of America Holdings*, filed in the U.S. District Court for the Middle District of North Carolina. The complaint alleges that the Company's patient list prices unlawfully exceed the rates negotiated for the same services with private and public health insurers in violation of various state consumer protection laws. The lawsuit also alleges breach of implied contract or quasi-contract, unjust enrichment, and fraud. The lawsuit seeks statutory, exemplary, and punitive damages, injunctive relief, and recovery of attorney's fees and costs. In May 2017, the Company filed a Motion to Dismiss Plaintiffs' Complaint and Strike Class Allegations; the Motion to Dismiss was granted in March 2018 without prejudice. On October 10, 2017, a second putative class action lawsuit, *Sheryl Anderson, et al. v. Laboratory Corporation of America Holdings*, was filed in the U.S. District Court for the Middle District of North Carolina. The complaint contained similar allegations and sought similar relief to the *Bouffard* complaint, and added additional counts regarding state consumer protection laws. On August 10, 2018, the Plaintiffs filed an Amended Complaint, which consolidated the *Bouffard* and *Anderson* actions. On September 10, 2018, the Company filed a Motion to Dismiss Plaintiffs' Amended Complaint and Strike Class Allegations. On August 16, 2019, the Court entered an order granting in part and denying in part the Motion to Dismiss the Amended Complaint, and denying the Motion to Strike the Class Allegations. On August 26, 2021, Plaintiffs filed a Motion for Class Certification. On December 29, 2021, a related lawsuit, *Nathaniel J. Nolan, et al. v. Laboratory Corporation of America Holdings*, was filed in the U.S. District Court for the Middle District of North Carolina. The complaint alleges that the Company's patient acknowledgement of estimated financial responsibility form is misleading. The lawsuit seeks a declaratory judgement under the consumer protection laws of Nevada and Florida that the form is materially misleading and deceptive, an injunction barring the use of the form, damages on behalf of an

alleged class, and attorney's fees and expenses. On February 28, 2022, the Company filed a Motion to Dismiss all claims. The Company will vigorously defend the lawsuits.

On April 1, 2019, Covance Research Products was served with a Grand Jury Subpoena issued by the Department of Justice (DOJ) in Miami, Florida requiring the production of documents related to the importation into the United States of live non-human primate shipments originating from or transiting through China, Cambodia, and/or Vietnam from April 1, 2014 through March 28, 2019. The Company is cooperating with the DOJ.

On May 14, 2019, Retrieval-Masters Creditors Bureau, Inc. d/b/a American Medical Collection Agency (AMCA), an external collection agency, notified the Company about a security incident AMCA experienced that may have involved certain personal information about some of the Company's patients (the AMCA Incident). The Company referred patient balances to AMCA only when direct collection efforts were unsuccessful. The Company's systems were not impacted by the AMCA Incident. Upon learning of the AMCA Incident, the Company promptly stopped sending new collection requests to AMCA and stopped AMCA from continuing to work on any pending collection requests from the Company. AMCA informed the Company that it appeared that an unauthorized user had access to AMCA's system between August 1, 2018, and March 30, 2019, and that AMCA could not rule out the possibility that personal information on AMCA's system was at risk during that time period. Information on AMCA's affected system from the Company may have included name, address, and balance information for the patient and person responsible for payment, along with the patient's phone number, date of birth, referring physician, and date of service. The Company was later informed by AMCA that health insurance information may have been included for some individuals, and because some insurance carriers utilize the Social Security Number as a subscriber identification number, the Social Security Number for some individuals may also have been affected. No ordered tests, laboratory test results, or diagnostic information from the Company were in the AMCA affected system. The Company notified individuals for whom it had a valid mailing address. For the individuals whose Social Security Number was affected, the notice included an offer to enroll in credit monitoring and identity protection services that was provided free of charge for 24 months.

Twenty-three putative class action lawsuits were filed against the Company related to the AMCA Incident in various U.S. District Courts. Numerous similar lawsuits have been filed against other health care providers who used AMCA. These lawsuits were consolidated into a multidistrict litigation in the District of New Jersey. On November 15, 2019, the Plaintiffs filed a Consolidated Class Action Complaint in the U.S. District Court of New Jersey. On January 22, 2020, the Company filed Motions to Dismiss all claims. The consolidated Complaint generally alleged that the Company did not adequately protect its patients' data and failed to timely notify those patients of the AMCA Incident. The Complaint asserted various causes of action, including but not limited to negligence, breach of implied contract, unjust enrichment, and the violation of state data protection statutes. The Complaint sought damages on behalf of a class of all affected Company customers. On December 16, 2021, the Court granted in part and denied in part the Company's Motion to Dismiss. On March 31, 2022, the Plaintiffs filed an Amended Complaint alleging claims for negligence, negligence *per se*, breach of confidence, invasion of privacy, and various state statutory claims, including a claim under the California Confidentiality of Medical Information Act. The Company filed a Motion to Dismiss certain claims of the Amended Complaint. The Company will vigorously defend the remaining claims in the multi-district litigation.

The Company was served with a shareholder derivative lawsuit, *Raymond Eugenio, Derivatively on Behalf of Nominal Defendant, Laboratory Corporation of America Holdings v. Lance Berberian, et al.*, filed in the Court of Chancery of the State of Delaware on April 23, 2020. The complaint asserts derivative claims on the Company's behalf against the Company's board of directors and certain executive officers. The complaint generally alleges that the defendants failed to ensure that the Company utilized proper cybersecurity safeguards and failed to implement a sufficient response to data security incidents, including the AMCA Incident. The complaint asserts derivative claims for breach of fiduciary duty and seeks relief including damages, certain disclosures, and certain changes to the Company's internal governance practices. On June 2, 2020, the Company filed a Motion to Stay the lawsuit due to its overlap with the multi-district litigation referenced above. On July 2, 2020, the Company filed a Motion to Dismiss. On July 14, 2020, the Court entered an order staying the lawsuit pending the resolution of the multi-district litigation. The lawsuit will be vigorously defended.

Certain governmental entities have requested information from the Company related to the AMCA Incident. The Company received a request for information from the Office for Civil Rights (OCR) of the Department of Health and Human Services. On April 28, 2020, OCR notified the Company of the closure of its inquiry. The Company has also received requests from a multi-state group of state Attorneys General and is cooperating with these requests for information.

On January 31, 2020, the Company was served with a putative class action lawsuit, *Luke Davis and Julian Vargas, et al. v. Laboratory Corporation of America Holdings*, filed in the U.S. District Court for the Central District of California. The lawsuit alleges that visually impaired patients are unable to use the Company's touchscreen kiosks at Company patient service centers

in violation of the Americans with Disabilities Act and similar California statutes. The lawsuit seeks statutory damages, injunctive relief, and attorney's fees and costs. On March 20, 2020, the Company filed a Motion to Dismiss Plaintiffs' Complaint and to Strike Class Allegations. In August 2020, the Plaintiffs filed an Amended Complaint. On April 26, 2021, the Plaintiffs and the Company each filed Motions for Summary Judgment and the Plaintiffs filed a Motion for Class Certification. On May 23, 2022, the Court entered an order granting Plaintiffs' Motion for Class Certification. On June 6, 2022, the Company filed a Petition for Permission to Appeal the Order Granting Class Certification with the Ninth Circuit Court of Appeals. On June 16, 2022, the Plaintiffs filed a Motion to Refine the Class Definitions regarding the certified class. The Company will vigorously defend the lawsuit.

On October 16, 2020, Ravgen Inc. filed a patent infringement lawsuit, *Ravgen Inc. v. Laboratory Corporation of America Holdings*, in the U.S. District Court for the Western District of Texas, alleging infringement of two Ravgen-owned U.S. patents. The lawsuit seeks monetary damages, enhancement of those damages for willfulness, and recovery of attorney's fees and costs. The lawsuit is scheduled for trial on September 19, 2022. The Company will vigorously defend the lawsuit. The Company has instituted proceedings before the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office challenging the validity of the Ravgen patents, with decisions on validity expected in November and December 2022.

On May 14, 2020, the Company was served with a putative class action lawsuit, *Jose Bermejo v. Laboratory Corporation of America (Bermejo I)* filed in the Superior Court of California, County of Los Angeles Central District, alleging that certain non-exempt California-based employees were not properly compensated for driving time or properly paid wages upon termination of employment. The Plaintiff asserts these actions violate various California Labor Code provisions and Section 17200 of the Business and Professional Code. The lawsuit seeks monetary damages, civil penalties, and recovery of attorney's fees and costs. On June 15, 2020, the lawsuit was removed to the U.S. District Court for the Central District of California. On June 16, 2020, the Company was served with a Private Attorney General Act lawsuit by the same plaintiff in *Jose Bermejo v. Laboratory Corporation of America (Bermejo II),* filed in the Superior Court of California, County of Los Angeles Central District, alleging that certain Company practices violated California Labor Code penalty provisions related to unpaid and minimum wages, unpaid overtime, unpaid meal and rest break premiums, untimely payment of wages following separation of employment, failure to maintain accurate pay records, and non-reimbursement of business expenses. The second lawsuit seeks to recover civil penalties and recovery of attorney's fees and costs. On October 28, 2020, the court issued an order staying proceedings in *Bermejo II* pending resolution of *Bermejo I*. The second lawsuit seeks to recover civil penalties and recovery of attorney's fees and costs. On February 24, 2022, the parties entered into a Memorandum of Understanding of the terms of a settlement of the *Bermejo I* and *Bermejo II* lawsuits, subject to court approval. If approved, the settlement will also resolve the *Becker* and *Poole* lawsuits discussed below.

On June 14, 2021, a single plaintiff filed a Private Attorney General Act lawsuit, *Becker v. Laboratory Corporation of America,* in the Superior Court of California, County of Orange, alleging various violations of the California Labor Code, including that the Plaintiff was not properly compensated for work and overtime hours, not properly paid meal and rest break premiums, not reimbursed for certain business-related expenses, and received inaccurate wage statements. The lawsuit seeks monetary damages, civil penalties, and recovery of attorney's fees and costs. A settlement of the *Bermejo I* and *Bermejo II* lawsuits, if approved by the court, will resolve the *Becker* lawsuit.

On November 23, 2021, the Company was served with a single plaintiff Private Attorney General Act lawsuit, *Poole v. Laboratory Corporation of America*, filed in the Superior Court of California, County of Kern, alleging various violations of the California Labor Code, including that Plaintiff was not properly paid wages owed, not properly paid meal and rest break premiums, not reimbursed for certain business related expenses, and other allegations including the untimely payment of wages and receipt of inaccurate wage statements. The lawsuit seeks monetary damages, civil penalties, and recovery of attorney's fees and costs. The case was removed to the U.S. District Court for the Eastern District of California. A settlement of the *Bermejo I* and *Bermejo* II lawsuits, if approved by the court, will resolve the *Poole* lawsuit.

On August 14, 2020, the Company was served with a Subpoena Duces Tecum issued by the State of Colorado Office of the Attorney General requiring the production of documents related to urine drug testing in all states. The Company is cooperating with this request.

On October 5, 2020, the Company was served with a putative class action lawsuit, *Williams v. LabCorp Employer Services, Inc. et al.*, filed in the Superior Court of California, County of Los Angeles, alleging that certain non-exempt California-based employees were not properly compensated for work and overtime hours, not properly paid meal and rest break premiums, not reimbursed for certain business-related expenses, not properly paid for driving or wait times, and received inaccurate wage statements. The Plaintiff also asserts claims for unfair competition under Section 17200 of the Business and Professional Code. On November 4, 2020, the lawsuit was removed to the U.S. District Court for the Central District of California. The lawsuit

(dollars and shares in millions, except per share data)

seeks monetary damages, liquidated damages, civil penalties, and recovery of attorney's fees and costs. On June 24, 2021, the District Court remanded the case to the Superior Court of California, County of Los Angeles on the grounds that potential damages did not meet the Class Action Fairness Act (CAFA), 28 U.S.C. § 1332(d), jurisdictional threshold. The Company will vigorously defend the lawsuit.

On February 7, 2022, the Company was served with a Subpoena Duces Tecum issued by the DOJ in Camden, New Jersey requiring the production of documents related to non-invasive prenatal screening tests. The Company is cooperating with the DOJ.

On June 27, 2022, the Company was served with a Subpoena Duces Tecum issued by the DOJ in Boston, Massachusetts requiring the production of documents related to urine drug testing. The Company is cooperating with the DOJ.

There are various other pending legal proceedings involving the Company including, but not limited to, additional employment-related lawsuits, professional liability lawsuits, and intellectual property lawsuits. While it is not feasible to predict the outcome of such proceedings, in the opinion of the Company, either the likelihood of loss is remote and any reasonably possible loss associated with the resolution of such proceedings is not expected to be material to the Company's financial condition, results of operations, or cash flows, either individually or in the aggregate.

Under the Company's present insurance programs, coverage is obtained for catastrophic exposure as well as those risks required to be insured by law or contract. The Company is responsible for the uninsured portion of losses related primarily to general, professional and vehicle liability, certain medical costs and workers' compensation. The self-insured retentions are on a per-occurrence basis without any aggregate annual limit. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregated liability of claims incurred.

9. FAIR VALUE MEASUREMENTS

The Company's population of financial assets and liabilities subject to fair value measurements as of June 30, 2022, and December 31, 2021, is as follows:

	Balance Sheet Classification	Fair Value as of June 30, 2022	Fair Value Measurements as of June 30, 2022 Using Fair Value Hierarchy		
			Level 1	Level 2	Level 3
Noncontrolling interest put	Noncontrolling interest	$ 15.9	$ —	$ 15.9	$ —
Cross currency swaps	Other liabilities	18.3	—	18.3	—
Interest rate swaps	Other liabilities	55.4	—	55.4	—
Cash surrender value of life insurance policies	Other assets, net	95.8	—	95.8	—
Deferred compensation liability	Other liabilities	94.9	—	94.9	—
Contingent consideration	Other liabilities	99.2	—	—	99.2

	Balance Sheet Classification	Fair Value as of December 31, 2021	Fair Value Measurements as of December 31, 2021 Using Fair Value Hierarchy		
			Level 1	Level 2	Level 3
Noncontrolling interest put	Noncontrolling interest	$ 16.3	$ —	$ 16.3	$ —
Cross currency swaps	Other liabilities	32.8	—	32.8	—
Interest rate swaps	Other assets, net	2.9	—	2.9	—
Cash surrender value of life insurance policies	Other assets, net	106.4	—	106.4	—
Deferred compensation liability	Other liabilities	104.4	—	104.4	—
Investment in equity securities	Other current assets	10.9	10.9	—	—
Contingent consideration	Other liabilities	21.9	—	—	21.9

Fair Value Measurement of Level 3 Liabilities	Contingent Consideration
Balance at December 31, 2021	$ 21.9
Payments	(10.4)
Adjustments	(2.3)
Additions	90.0
Balance as of June 30, 2022	$ 99.2

(dollars and shares in millions, except per share data)

The Company has a noncontrolling interest put related to its Ontario subsidiary that has been classified as mezzanine equity in the Company's condensed consolidated balance sheets. The noncontrolling interest put is valued at its contractually determined value, which approximates fair value.

The Company offers certain employees the opportunity to participate in an employee-funded deferred compensation plan (DCP). A participant's deferrals are allocated by the participant to one or more of 16 measurement funds, which are indexed to externally managed funds. From time to time, to offset the cost of the growth in the participant's investment accounts, the Company purchases life insurance policies, with the Company named as beneficiary of the policies. Changes in the cash surrender value of the life insurance policies are based upon earnings and changes in the value of the underlying investments, which are typically invested in a similar manner to the participant's allocations. Changes in the fair value of the DCP obligation are derived using quoted prices in active markets based on the market price per unit multiplied by the number of units. The cash surrender value and the DCP obligations are classified within Level 2 because their inputs are derived principally from observable market data by correlation to the hypothetical investments.

Contingent accrued earn-out business acquisition consideration liabilities are measured at fair value using Level 3 valuations. These contingent consideration liabilities were recorded at fair value on the acquisition date and are remeasured quarterly based on the then assessed fair value and adjusted if necessary. The increases or decreases in the fair value of contingent consideration payable can result from changes in anticipated revenue levels and changes in assumed discount periods and rates. As the fair value measure is based on significant inputs that are not observable in the market, they are categorized as Level 3.

The carrying amounts of cash and cash equivalents, accounts receivable, income taxes receivable, and accounts payable are considered to be representative of their respective fair values due to their short-term nature. The fair market value of the senior notes, based on market pricing, was approximately $5,103.1 and $5,841.1 as of June 30, 2022, and December 31, 2021, respectively. The Company's note and debt instruments are classified as Level 2 instruments, as the fair market values of these instruments are determined using other observable inputs.

Cross Currency Swap

During the fourth quarter of 2018, the Company entered into U.S. Dollar (USD) to Swiss Franc cross-currency swap agreements with an aggregate notional value of $600.0. During the second quarter of 2022, the Company terminated $300.0 of those cross-currency swap agreements and entered into new USD to Swiss Franc cross-currency swap agreements with an aggregate notional value of $300.0 that mature in 2024. These instruments are designated as a hedge against the impact of foreign exchange movements on its net investment in a Swiss subsidiary. These cross currency swaps are included in other long-term liabilities as appropriate with an aggregate fair value of $18.3 and $32.8 as of June 30, 2022 and December 31, 2021, respectively. Changes in the fair value of the cross-currency swaps are charged or credited through accumulated other comprehensive income in the Consolidated Balance Sheet until the hedged item is recognized in earnings. The cumulative amount of the fair value hedging adjustments are recognized as currency translation within the Consolidated Statement of Comprehensive Earnings. In May 2022, the Company reclassified a gain of $0.9 to the Consolidated Statement of Operations within other, net, due to the exit of $300.0 of the cross-currency swap agreements.

10. SUPPLEMENTAL CASH FLOW INFORMATION

	Six Months Ended June 30,	
	2022	2021
Cash paid during period for:		
Interest	$ 46.7	$ 109.3
Income taxes, net of refunds	291.5	591.6
Disclosure of non-cash financing and investing activities:		
Change in accrued property, plant and equipment	(11.3)	4.8

11. BUSINESS SEGMENT INFORMATION

The following table is a summary of segment information for the three and six months ended June 30, 2022, and 2021. The management approach has been used to present the following segment information. This approach is based upon the way the management of the Company organizes segments within an enterprise for making operating decisions and assessing performance. Financial information is reported on the basis as it is used internally by the chief operating decision maker (CODM) for evaluating segment performance and deciding how to allocate resources to segments. The Company's chief executive officer has been identified as the CODM.

(dollars and shares in millions, except per share data)

Segment asset information is not presented because it is not used by the CODM at the segment level. Operating earnings of each segment represent revenues less directly identifiable expenses to arrive at operating income for the segment. General management and administrative corporate expenses are included in general corporate expenses below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Dx	$ 2,255.4	$ 2,365.5	$ 4,709.5	$ 5,123.3
DD	1,451.9	1,495.2	2,911.2	2,933.4
Intercompany eliminations and other	(10.4)	(20.0)	(24.2)	(54.5)
Revenues	$ 3,696.9	$ 3,840.7	7,596.5	8,002.2
Operating earnings:				
Dx	$ 455.5	$ 603.6	1,078.8	1,552.7
DD	150.9	147.3	275.1	303.7
General corporate expenses	(80.5)	(46.8)	(140.1)	(94.4)
Total operating income	$ 525.9	$ 704.1	1,213.8	1,762.0

12. SUBSEQUENT EVENT

On July 28, 2022, the Company announced that its board of directors authorized the Company to pursue a spin-off of its wholly owned Clinical Development business, which includes parts of its DD segment focused on providing Phase I-IV clinical trial management, market access and technology solutions to pharmaceutical and biotechnology organizations. The planned spin-off will result in two independent, publicly traded companies. The spin-off is intended to be a tax-free transaction to the Company and its stockholders for U.S. federal income tax purposes and is expected to be effected through a dividend of the Clinical Development business' shares to the Company's shareholders. The Company anticipates that, consistent with any applicable legal and tax requirements, there will be ongoing transitional and commercial arrangements to provide for a seamless delivery of services to the customers and other stakeholders of the independent companies following the spin-off. The Company is targeting completion of the spin-off in the second half of 2023. The spin-off will be subject to the satisfaction of certain customary conditions, including, among others, the receipt of final approval by the Company's board of directors, the receipt of appropriate assurances regarding the tax-free nature of the separation, and the effectiveness of any required filings with the SEC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

The Company has made in this report, and from time to time may otherwise make in its public filings, press releases, and discussions by Company management, forward-looking statements concerning the Company's operations, performance, and financial condition, as well as its strategic objectives. Some of these forward-looking statements relate to future events and expectations and can be identified by the use of forward-looking words such as "believes", "expects", "may", "will", "should", "seeks", "approximately", "intends", "plans", "estimates", or "anticipates" or the negative of those words or other comparable terminology. Such forward-looking statements speak only as of the time they are made and are subject to various risks and uncertainties and the Company claims the protection afforded by the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those currently anticipated due to a number of factors in addition to those discussed elsewhere herein, including in the "Summary of Material Risks" and "Risk Factors" section of the Annual Report on Form 10-K, and in the Company's other public filings, press releases, and discussions with Company management, including:

1. changes in government and third-party payer regulations, reimbursement, or coverage policies or other future reforms in the U.S. healthcare system (or in the interpretation of current regulations), new insurance or payment systems, including state, regional or private insurance cooperatives (e.g., health insurance exchanges) affecting governmental and third-party coverage or reimbursement for commercial laboratory testing, including the impact of the U.S. Protecting Access to Medicare Act of 2014 (PAMA);
2. significant monetary damages, fines, penalties, assessments, refunds, repayments, damage to the Company's reputation, unanticipated compliance expenditures, and/or exclusion or debarment from or ineligibility to participate in government programs, among other adverse consequences, arising from enforcement of anti-fraud and abuse laws and other laws applicable to the Company in jurisdictions in which the Company conducts business;
3. significant fines, penalties, costs, unanticipated compliance expenditures and/or damage to the Company's reputation arising from the failure to comply with applicable privacy and security laws and regulations, including the U.S. Health Insurance Portability and Accountability Act of 1996, the U.S. Health Information Technology for Economic and Clinical Health Act, the European Union's General Data Protection Regulation and similar laws and regulations in jurisdictions in which the Company conducts business;
4. loss or suspension of a license or imposition of fines or penalties under, or future changes in, or interpretations of applicable licensing laws or regulations regarding the operation of clinical laboratories and the delivery of clinical laboratory test results, including, but not limited to, the U.S. Clinical Laboratory Improvement Act of 1967 and the U.S. Clinical Laboratory Improvement Amendments of 1988 and similar laws and regulations in jurisdictions in which the Company conducts business;
5. penalties or loss of license arising from the failure to comply with applicable occupational and workplace safety laws and regulations, including the U.S. Occupational Safety and Health Administration requirements, the U.S. Needlestick Safety and Prevention Act, and similar laws and regulations in jurisdictions in which the Company conducts business;
6. fines, unanticipated compliance expenditures, suspension of manufacturing, enforcement actions, damage to the Company's reputation, injunctions, or criminal prosecution arising from failure to maintain compliance with current good manufacturing practice regulations and similar requirements of various regulatory agencies in jurisdictions in which the Company conducts business;
7. sanctions or other remedies, including fines, unanticipated compliance expenditures, enforcement actions, injunctions or criminal prosecution arising from failure to comply with the Animal Welfare Act or applicable national, state and local laws and regulations in jurisdictions in which the Company conducts business;
8. changes in testing guidelines or recommendations by government agencies, medical specialty societies and other authoritative bodies affecting the utilization of laboratory tests;
9. changes in applicable government regulations or policies affecting the approval, availability of, and the selling and marketing of diagnostic tests, drug development, or the conduct of drug development and medical device and diagnostic studies and trials, including regulations and policies of the U.S. Food and Drug Administration, the U.S. Department of Agriculture, the Medicine and Healthcare products Regulatory Agency in the United Kingdom (U.K.), the National Medical Products Administration in China, the Pharmaceutical and Medical Devices Agency in Japan, the European Medicines Agency, the European Union and similar regulations and policies of agencies in other jurisdictions in which the Company conducts business;

10. changes in government regulations or reimbursement pertaining to the pharmaceutical, biotechnology and medical device and diagnostic industries, changes in reimbursement of pharmaceutical products, or reduced spending on research and development by pharmaceutical, biotechnology and medical device and diagnostic customers;
11. liabilities that result from the failure to comply with corporate governance requirements;
12. increased competition, including price competition, potential reduction in rates in response to price transparency initiatives and consumerism, competitive bidding and/or changes or reductions to fee schedules, and competition from companies that do not comply with existing laws or regulations or otherwise disregard compliance standards in the industry;
13. changes in payer mix or payment structure or process, including insurance carrier participation in health insurance exchanges, an increase in capitated reimbursement mechanisms, the impact of clearinghouses on the claims reimbursement process, the impact of a shift to consumer-driven health plans or plans carrying an increased level of member cost-sharing, and adverse changes in payer reimbursement or payer coverage policies (implemented directly or through a third-party utilization management organization) related to specific diagnostic tests, categories of testing or testing methodologies;
14. failure to retain or attract MCO business as a result of changes in business models, including risk based or network approaches, out-sourced laboratory network management or utilization management companies, or other changes in strategy or business models by MCOs;
15. failure to obtain and retain new customers, an unfavorable change in the mix of testing or other services ordered, or a reduction in tests ordered, specimens submitted, or services requested by existing customers, and reductions and delays in payments from Dx and DD customers;
16. consolidation and convergence of customers, competitors, and suppliers, potentially causing material shifts in insourcing, utilization, pricing, reimbursement and supply chain access;
17. failure to effectively develop and deploy new systems, system modifications or enhancements required in response to evolving market and business needs;
18. customers choosing to insource services that are or could be purchased from the Company;
19. failure to identify, successfully close, and effectively integrate and/or manage acquisitions of new businesses or failure to maintain key customers and/or employees as a result of uncertainty surrounding the integration of acquisitions;
20. inability to achieve the expected benefits and synergies of newly-acquired businesses, including due to items not discovered in the due diligence process, and the impact on the Company's cash position, levels of indebtedness and stock price;
21. termination, loss, delay, reduction in scope or increased costs of contracts, including large contracts and multiple contracts;
22. liability arising from errors or omissions in the performance of testing services, contract research services or other contractual arrangements;
23. changes or disruption in the provision or transportation of services or supplies provided by third parties; or their termination for failure to follow the Company's performance standards and requirements;
24. damage or disruption to the Company's facilities;
25. damage to the Company's reputation, loss of business, or other harm from increased regulations and restrictions on the import of research animals, limitations of supply of research animals, and acts of animal rights activists, or potential harm and/or liability arising from animal research activities;
26. adverse results in litigation matters;
27. inability to attract and retain experienced and qualified personnel or the loss of significant personnel as a result of illness, increased competition for talent, wage growth, or other market factors;
28. failure to develop or acquire licenses for new or improved technologies, such as point-of-care testing, mobile health technologies, and digital pathology, or potential use of new technologies by customers and/or consumers to perform their own tests;
29. substantial costs arising from the inability to commercialize newly licensed tests or technologies or to obtain appropriate coverage or reimbursement for such tests;

30. failure to obtain, maintain, and enforce intellectual property rights for protection of the Company's products and services and defend against challenges to those rights;

31. scope, validity, and enforceability of patents and other proprietary rights held by third parties that may impact the Company's ability to develop, perform, or market the Company's products or services or operate its business;

32. business interruption, receivables impairment, delays in cash collection impacting days sales outstanding, supply chain disruptions or inventory obsolescence, increases in material cost or other operating costs, inflationary increases, or other impacts on the business due to natural disasters, including adverse weather, fires and earthquakes; geopolitical events, including terrorism and war; public health crises and disease epidemics and pandemics; changes in the global economy; and other events outside of the Company's control;

33. discontinuation or recalls of existing testing products;

34. a failure in the Company's information technology systems, including with respect to testing turnaround time and billing processes, or the failure of the Company or its third-party suppliers and vendors to maintain the security of business information or systems or to protect against cybersecurity attacks such as denial of service attacks, malware, ransomware, and computer viruses, or delays or failures in the development and implementation of the Company's automation platforms, any of which could result in a negative effect on the Company's performance of services, a loss of business or increased costs, damages to the Company's reputation, significant litigation exposure, an inability to meet required financial reporting deadlines, or the failure to meet future regulatory or customer information technology, data security and connectivity requirements;

35. business interruption, increased costs, and other adverse effects on the Company's operations due to the unionization of employees, union strikes, work stoppages, general labor unrest or failure to comply with labor or employment laws;

36. failure to maintain the Company's days sales outstanding levels, cash collections (in light of increasing levels of patient responsibility), profitability and/or reimbursement arising from unfavorable changes in third-party payer policies, payment delays introduced by third-party utilization management organizations, and increasing levels of patient payment responsibility;

37. impact on the Company's revenues, cash collections and the availability of credit for general liquidity or other financing needs arising from a significant deterioration in the economy or financial markets or in the Company's credit ratings by Standard & Poor's and/or Moody's;

38. failure to maintain the expected capital structure for the Company, including failure to maintain the Company's investment grade rating, or leverage ratio covenants under its revolving credit facility;

39. changes in reimbursement by foreign governments and foreign currency fluctuations;

40. inability to obtain certain billing information from physicians, resulting in increased costs and complexity, a temporary disruption in receipts, and ongoing reductions in reimbursements and revenues;

41. expenses and risks associated with international operations, including, but not limited to, compliance with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, other applicable anti-corruption laws and regulations, trade sanction laws and regulations, and economic, political, legal and other operational risks associated with foreign jurisdictions;

42. failure to achieve expected efficiencies and savings in connection with the Company's business process improvement initiatives;

43. changes in tax laws and regulations or changes in their interpretation;

44. global economic conditions and government and regulatory changes; and

45. effects, duration, and severity of the ongoing COVID-19 pandemic, including the impact on operations, personnel, supplies, liquidity, and collections, as well as the impact of past or future actions or omissions by the Company or governments in response to the COVID-19 pandemic including, but not limited to, evolving government vaccine and testing mandates and policies, and damage to the Company's reputation or loss of business resulting from the perception of the Company's response to the COVID-19 pandemic, including the availability and accuracy and timeliness of delivery of any tests that the Company develops, collaborates on or provides for the detection of COVID-19, and the availability and timeliness of its drug development services; and

46. risks associated with the impact, timing, expected benefits and costs, or terms of the planned spin-off of the Company's Clinical Development business, which includes the parts of its DD segment focused on providing Phase I-IV clinical trial management, market access and technology solutions to pharmaceutical and biotechnology organizations, including but not limited to (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 spin-off; (iii) the receipt of regulatory approvals; (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 that will be filed with the SEC declared effective on a timely basis, or at all; (vii) risks that the proposed transaction disrupts current plans and operations of Labcorp or Clinical Development; (viii) potential difficulties attracting or retaining Company or Clinical Development employees as a result of the spin-off announcement, pendency or completion of the spin-off; (ix) risks related to diverting management's attention from the Company and Clinical Development's ongoing business operations; (x) the ability of the Company to successfully separate Clinical Development operations from the Company's ongoing operations; (xi) market receptiveness to effect transactions in the capital markets; and (xii) market reaction to the announcement and planning for the transaction.

Except as may be required by applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Given these uncertainties, one should not put undue reliance on any forward-looking statements.

GENERAL (dollars in millions, except per share data)

Revenues for the six months ended June 30, 2022, were $7,596.5, a decrease of 5.1% from $8,002.2 during the six months ended June 30, 2021. The decrease was due to lower organic revenue of 4.9% and unfavorable foreign currency translation of 0.7%, partially offset by acquisitions net of divestitures of 0.6%. The 4.9% decline in organic revenue includes a 7.4% decrease in COVID-19 PCR and antibody testing (COVID-19 Testing), partially offset by a 2.5% increase in the Company's organic Base Business. Base Business includes the Company's business operations except for COVID-19 Testing.

The Company defines organic growth as the increase in revenue excluding the year-over-year impact of acquisitions, divestitures, and currency. Acquisition and divestiture impact is considered for a twelve month period following the close of each transaction.

Proposed Spin-Off of Clinical Development Business

On July 28, 2022, the Company announced that its board of directors authorized the Company to pursue a spin-off of its wholly owned Clinical Development business, which includes the parts of its DD segment focused on providing Phase I-IV clinical trials, market access and technology solutions to pharmaceutical and biotechnology organizations. The planned spin-off would result in two independent, publicly traded companies. The spin-off is intended to be a tax-free transaction to the Company and its stockholders for U.S. federal income tax purposes and is expected to be effected through a dividend of the Clinical Development business' shares to the Company's shareholders. The Company anticipates that, consistent with any applicable legal and tax requirements, there will be ongoing transitional and commercial arrangements to provide for a seamless delivery of services to the customers and other stakeholders of the independent companies following the spin-off. The Company is targeting completion of the spin-off in the second half of 2023, subject to the satisfaction certain customary conditions, including receipt of final approval by the Company's board of directors, receipt of appropriate assurances regarding the tax-free nature of the transaction, and the effectiveness of any required filings with the SEC. There can be no assurances regarding the ultimate timing of the transaction or that the spin-off will be completed.

RESULTS OF OPERATIONS (dollars in millions)

Three months ended June 30, 2022, compared with three months ended June 30, 2021

Revenues

	Three Months Ended June 30,		
	2022	2021	Change
Dx	$ 2,255.4	$ 2,365.5	(4.7) %
DD	1,451.9	1,495.2	(2.9) %
Intercompany eliminations and other	(10.4)	(20.0)	(48.0) %
Total	$ 3,696.9	$ 3,840.7	(3.7 %)

Total revenues for the three months ended June 30, 2022, were $3,696.9, a decrease of 3.7% over $3,840.7 in the second quarter of 2021. The decrease was due to lower organic revenue of 3.4% and unfavorable foreign currency translation of 1.1%, partially offset by acquisitions net of divestitures of 0.8%. The 3.4% decrease in organic revenue was driven by a 4.8% decrease in COVID-19 Testing, partially offset by a 1.4% increase in the Company's organic Base Business.

Dx revenues for the three months ended June 30, 2022, were $2,255.4, a decrease of 4.7% over $2,365.5 in the second quarter of 2021. The decrease was primarily due to a decrease in organic revenue of 5.7%, partially offset by acquisitions of

1.2%. The 5.7% decrease in organic revenue was due to a 7.8% decrease in COVID-19 Testing, partially offset by a 2.1% increase in the Base Business. Total Base Business growth compared to the Base Business in the prior year was 3.9%.

Dx total volume (measured by requisitions) for the three months ended June 30, 2022, decreased by 2.7% as organic volume decreased by 3.1% and acquisition volume contributed 0.4%. Organic volume was impacted by an 5.6% decrease in COVID-19 Testing, partially offset by a 2.6% increase in Base Business. Price/mix decreased by 2.0% due to a decrease in COVID-19 Testing of 2.2% and a decline in organic Base Business of 0.4%, partially offset by acquisitions of 0.8%. Base Business volume was up 3.4% compared to the Base Business last year, while price/mix was up 0.5%.

DD revenues for the three months ended June 30, 2022, were $1,451.9, a decrease of 2.9% over $1,495.2 in the second quarter of 2021. The decrease was due to unfavorable foreign currency translation of 2.6% and lower COVID-19 Testing of 0.6%, partially offset by acquisitions net of divestitures of 0.2% and organic Base Business growth of 0.1%. Organic Base Business growth was impacted by reduced COVID-19 related work, the conflict in Ukraine, and lower pass-throughs.

Cost of Revenues

	Three Months Ended June 30,		
	2022	2021	Change
Cost of revenues	$ 2,574.2	$ 2,575.9	(0.1)%
Cost of revenues as a % of revenues	69.6 %	67.1 %	

Cost of revenues decreased 0.1% during the three months ended June 30, 2022, as compared with the corresponding period in 2021. Cost of revenues as a percentage of revenues during the three months ended June 30, 2022, increased to 69.6% as compared to 67.1% in the corresponding period in 2021. This increase in cost of revenues as a percent of revenues was primarily due to a reduction in COVID-19 Testing revenues, higher personnel expenses, and other inflationary costs, partially offset by organic Base Business growth and LaunchPad savings.

Selling, General and Administrative Expenses

	Three Months Ended June 30,		
	2022	2021	Change
Selling, general and administrative expenses	$ 486.0	$ 458.7	6.0 %
Selling, general and administrative expenses as a % of revenues	13.1 %	11.9 %	

Selling, general and administrative expenses as a percentage of revenues were 13.1% and 11.9% during the three months ended June 30, 2022, and 2021, respectively. The increase is primarily due to a reduction in COVID-19 Testing revenues, and higher personnel expenses, partially offset by LaunchPad savings.

Amortization of Intangibles and Other Assets

	Three Months Ended June 30,		
	2022	2021	Change
Dx	$ 31.8	$ 28.4	11.8 %
DD	34.6	64.0	(45.8)%
Total amortization of intangibles and other assets	$ 66.4	$ 92.4	(28.1)%

The decrease in amortization of intangibles and other assets primarily reflects the completion of the accelerated amortization related to the Covance trade name as a result of a rebranding initiative that resulted in $28.0 of expense in the three months ended June 30, 2021, offset by additional amortization for assets acquired subsequent to June 30, 2021.

Restructuring and Other Charges

	Three Months Ended June 30,		
	2022	2021	Change
Restructuring and other charges	$ 44.4	$ 9.6	362.4 %

During the three months ended June 30, 2022, the Company recorded net restructuring and other charges of $44.4: $17.7 within Dx, $21.4 within DD, and $5.3 allocated to general corporate. The charges were comprised of $24.1 related to severance and other personnel costs and $19.4 in facility closures, lease terminations, and general integration activities. The charges were adjusted by the reversal of a previously established liability of $0.9 in severance costs.

During the three months ended June 30, 2021, the Company recorded net restructuring and other charges of $9.6: $6.0 within Dx and $3.6 within DD. The charges were comprised of $6.1 related to severance and other personnel costs and $3.5 in facility closures, lease terminations, and general integration activities. The charges were adjusted by an increase of $0.1 of previously established severance liabilities and the reversal of a previously established liability of $0.1 in unused facility-related costs.

Interest Expense

	Three Months Ended June 30,		
	2022	2021	Change
Interest expense	$ (42.5)	$ (78.3)	(45.7)%

The decrease in interest expense for the three months ended June 30, 2022, as compared with the corresponding period in 2021, is primarily due to the costs of redeeming the 3.20% and 3.75% senior notes, issuing new senior notes in 2021, lower outstanding debt, and a lower average cost of debt in 2022.

Equity Method Income

	Three Months Ended June 30,		
	2022	2021	Change
Equity method income, net	$ 1.4	$ 8.0	(83.0)%

Equity method income represents the Company's ownership share in joint venture partnerships along with equity investments in other companies in the health care industry. The decrease in income for the three months ended June 30, 2022, as compared with the corresponding period in 2021, was primarily due to the decreased profitability of the Company's joint ventures in 2022.

Other, net

	Three Months Ended June 30,		
	2022	2021	Change
Other, net	$ (10.4)	$ 14.1	(173.1)%

The change in Other, net for the three months ended June 30, 2022, as compared to the three months ended June 30, 2021, is primarily due to investment losses of $6.2 for the three months ended June 30, 2022 compared to investment gains of $22.1 for the corresponding period of 2021. In addition, foreign currency transaction losses of $4.4 were recognized for the three months ended June 30, 2022 as compared to losses of $1.7 for the corresponding period of 2021.

Income Tax Expense

	Three Months Ended June 30,		
	2022	2021	Change
Income tax expense	$ 117.5	$ 182.6	(35.6)%
Income tax expense as a % of earnings before income taxes	24.7 %	28.1 %	

For the three months ended June 30, 2022 and 2021, the effective income tax rate was 24.7% and 28.1%, respectively. The current year effective tax rate was favorably impacted by the Company's foreign income inclusion. The prior year effective tax rate was favorably impacted by stock-based compensation arrangements and was partially offset by the deferred revaluation related to a U.K. rate change.

Operating Income by Segment

	Three Months Ended June 30,		
	2022	2021	Change
Dx operating income	$ 455.5	$ 603.6	(24.5)%
Dx operating margin	*20.2 %*	*25.5 %*	*(5.3)%*
DD operating income	150.9	147.3	2.4 %
DD operating margin	*10.4 %*	*9.9 %*	*0.5 %*
General corporate expenses	(80.5)	(46.8)	71.9 %
Total operating income	$ 525.9	$ 704.1	(25.3)%

Dx operating income was $455.5 for the three months ended June 30, 2022, a decrease of $148.1 over operating income of $603.6 in the corresponding period of 2021, and Dx operating margin decreased 530 basis points year-over-year. 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.

DD operating income was $150.9 for the three months ended June 30, 2022, a increase of $3.5 over operating income of $147.3 in the corresponding period of 2021. The increase was primarily due to less amortization expense in 2022 as a result of the completion of the accelerated amortization related to the Covance trade name, organic Base Business growth, and LaunchPad savings, partially offset by lower COVID-19 Testing, a reduction in COVID-19 related work, the interruption of some clinical trial activity due to the conflict in Ukraine, and other inflationary costs.

General corporate expenses are comprised primarily of administrative services such as executive management, human resources, legal, finance, corporate affairs, and information technology. Corporate expenses were $80.5 for the three months ended June 30, 2022, an increase of $33.7 over corporate expenses of $46.8 in the corresponding period of 2021, primarily due to higher personnel costs, bonus allocation, research and development costs, and other costs.

The Company remains on track to deliver approximately $350.0 of net savings from its three-year LaunchPad initiative by the end of 2024.

Six months ended June 30, 2022, compared with six months ended June 30, 2021

Revenues

	Six Months Ended June 30,		
	2022	2021	Change
Dx	$ 4,709.5	$ 5,123.3	(8.1)%
DD	2,911.2	2,933.4	(0.8)%
Intercompany eliminations and other	(24.2)	(54.5)	(55.6)%
Total	$ 7,596.5	$ 8,002.2	(5.1)%

The decrease in revenues for the six months ended June 30, 2022, as compared with the corresponding period in 2021 was 5.1%. The decrease was due to lower organic revenue of 4.9% and unfavorable foreign currency translation of 0.7%, partially offset by acquisitions net of divestitures of 0.6%. The 4.9% decrease in organic revenue includes a 7.4% decrease from COVID-19 Testing and a 2.5% increase in the Company's organic Base Business.

Dx revenues for the first half of the year were $4,709.5, a decrease of 8.1% compared to revenues of $5,123.3 during the six months ended June 30, 2021. The decrease was primarily due to lower organic revenue of 8.8% and unfavorable foreign currency translation of 0.1%, partially offset by acquisitions of 0.8%. The 8.8% decrease in organic revenue was due to an 11.5% decrease in COVID-19 Testing, partially offset by a 2.7% increase in the Base Business.

Total volume, measured by requisitions, decreased by 3.9% as organic volume decreased by 4.2% and acquisition volume contributed 0.3%. COVID-19 Testing decreased organic volume growth by 7.1%. Price/mix decreased by 4.2% due to lower COVID-19 Testing of 4.4%, lower organic Base Business of 0.2%, and unfavorable foreign currency translation of 0.1%, partially offset by acquisitions of 0.5%.

DD revenues for the six months ended June 30, 2022 were $2,911.2, an decrease of 0.8% over revenues of $2,933.4 during the six months ended June 30, 2021. The decrease in revenues was primarily due to unfavorable foreign currency translation of 1.9%, lower COVID-19 Testing performed through its Central Laboratories business of 1.2%, partially offset by an increase in organic Base Business revenue of 2.2% and acquisitions net of divestitures of 0.2%.

Cost of Revenues

	Six Months Ended June 30,		
	2022	2021	Change
Cost of revenues	$ 5,240.9	$ 5,138.4	2.0 %
Cost of revenues as a % of revenues	69.0 %	64.2 %	

Cost of revenues increased 2.0% during the six months ended June 30, 2022, as compared with the corresponding period in 2021. Cost of revenues as a percentage of revenues during the six months ended June 30, 2022, increased to 69.0% as compared to 64.2% in the corresponding period in 2021. This increase in cost of revenues as a percent of revenues was primarily due to a reduction in COVID-19 Testing revenues, higher personnel expenses, and other inflationary costs, partially offset by organic Base Business growth and LaunchPad savings.

Selling, General and Administrative Expenses

	Six Months Ended June 30,		
	2022	2021	Change
Selling, general and administrative expenses	$ 950.1	$ 888.5	6.9 %
Selling, general and administrative expenses as a % of revenues	12.5 %	11.1 %	

Selling, general and administrative expenses as a percentage of revenues were 12.5% and 11.1% during the six months ended June 30, 2022, and 2021, respectively. The increase is primarily due to a reduction in COVID-19 Testing revenues, and higher personnel expenses, partially offset by LaunchPad savings.

Amortization of Intangibles and Other Assets

	Six Months Ended June 30,		
	2022	2021	Change
Dx	$ 66.7	$ 56.5	18.0 %
DD	66.8	128.0	(47.8)%
Total amortization of intangibles and other assets	$ 133.5	$ 184.5	(27.6)%

The decrease in amortization of intangibles and other assets primarily reflects the completion of the accelerated amortization related to the Covance trade name as a result of a rebranding initiative that resulted in $57.2 of expense in the six months ended June 30, 2021, offset by additional amortization for assets acquired subsequent to June 30, 2021.

Goodwill and Other Asset Impairments

	Six Months Ended June 30,		
	2022	2021	Change
Goodwill and other asset impairments	$ 1.2	$ —	100.0%

The Company recorded impairment charges of $1.2 in other assets in Ukraine and Russia during the six months ended June 30, 2022. There were no goodwill and other asset impairments for the six months ended June 30, 2021.

Restructuring and Other Special Charges

	Six Months Ended June 30,		
	2022	2021	Change
Restructuring and other charges	$ 57.0	$ 28.8	98.0 %

During the six months ended June 30, 2022, the Company recorded net restructuring and other charges of $57.0: $20.3 within Dx, $31.4 within DD, and $5.3 allocated to general corporate. The charges were comprised of $29.5 related to severance and other personnel costs and $27.1 in facility closures, lease terminations, and general integration activities. The charges were adjusted by an increase of $0.5 of previously established severance liabilities and the reversal of previously established liability of $0.1 in unused facility-related costs.

During the six months ended June 30, 2021, the Company recorded net restructuring and other special charges of $28.8: $13.5 within Dx and $15.3 within DD. The charges were comprised of $10.2 related to severance and other personnel costs and $18.7 in facility closures, lease terminations, and general integration initiatives. The charges were adjusted by an increase of $0.1 of previously established severance liabilities and the reversal of previously established liability of $0.2 in unused facility-related costs.

Interest Expense

	Six Months Ended June 30,		
	2022	2021	Change
Interest expense	$ (84.7)	$ (126.8)	(33.2)%

The decrease in interest expense for the six months ended June 30, 2022, as compared with the corresponding period in 2021, is primarily due to the costs of redeeming the 3.20% and 3.75% notes, issuing the new senior notes in 2021, lower outstanding debt and a lower average cost of debt in 2022.

Equity Method Income

	Six Months Ended June 30,		
	2022	2021	Change
Equity method income, net	$ 4.8	$ 12.5	(61.7)%

Equity method income represents the Company's ownership share in joint venture partnerships along with equity investments in other companies in the health care industry. The decrease in income for the six months ended June 30, 2022, as compared with the corresponding period in 2021, was primarily due to the decreased profitability of the Company's joint ventures in 2022.

Other, net

	Six Months Ended June 30,		
	2022	2021	Change
Other, net	$ (20.5)	$ 19.6	(204.2)%

The change in Other, net for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021, is primarily due to investment losses of $14.2 compared to $30.5 of investment gains in the corresponding period of 2021. In addition, foreign currency transaction losses of $7.0 were recognized for the six months ended June 30, 2022, and losses of $2.8 were recognized in the corresponding period of 2021.

Income Tax Expense

	Six Months Ended June 30,		
	2022	2021	Change
Income tax expense	$ 265.5	$ 434.3	(38.9)%
Income tax expense as a % of earnings before income taxes	23.8 %	26.0 %	

For the six months ended June 30, 2022, and 2021, the effective income tax rate was 23.8% and 26.0%, respectively. The current year effective tax rate was favorably impacted by the Company's foreign income inclusion. The prior year effective tax rate was favorably impacted by stock-based compensation arrangements and was partially offset by the deferred revaluation related to a U.K. rate change.

Operating Income by Segment

	Six Months Ended June 30,		
	2022	2021	Change
Dx operating income	$ 1,078.8	$ 1,552.7	$ (473.9)
Dx operating margin	*22.9 %*	*30.3 %*	*(7.4)%*
DD operating income	275.1	303.7	(28.6)
DD operating margin	*9.4 %*	*10.4 %*	*(0.9)%*
General corporate expenses	(140.1)	(94.4)	(45.7)
Total operating income	$ 1,213.8	$ 1,762.0	$ (548.2)

Dx operating income was $1,078.8 for the six months ended June 30, 2022, an decrease of $473.9 from operating income of $1,552.7 in the corresponding period of 2021, and Dx operating margin decreased 740 basis points year-over-year. 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.

DD operating income was $275.1 for the six months ended June 30, 2022, a decrease of $28.6 from operating income of $303.7 in the corresponding period of 2021. The decrease was primarily due to a reduction in COVID-19 Testing, a reduction in COVID-19 related 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 less amortization expense as a result of the completion of the accelerated amortization related to the Covance trade name, organic Base Business growth and LaunchPad savings.

General corporate expenses are comprised primarily of administrative services such as executive management, human resources, legal, finance, corporate affairs, and information technology. Corporate expenses were $140.1 for the six months ended June 30, 2022, an increase of $45.7 over corporate expenses of $94.4 in the corresponding period of 2021, primarily due to higher personnel costs, bonus allocation, research and development costs, and other costs.

The Company remains on track to deliver approximately $350.0 of net savings from its three-year LaunchPad initiative by the end of 2024.

LIQUIDITY AND CAPITAL RESOURCES (dollars and shares in millions)

The Company's cash-generating ability and financial condition typically have provided ready access to capital markets. The Company's principal source of liquidity is operating cash flow, supplemented by proceeds from debt offerings. The Company's senior unsecured revolving credit facility is further discussed in Note 6 (Debt) to the Company's Condensed Consolidated Financial Statements.

In summary, the Company's cash flows were as follows for the six months ended June 30, 2022, and 2021, respectively:

	Six Months Ended June 30,	
	2022	2021
Net cash provided by operating activities	$ 928.5	$ 1,644.8
Net cash used for investing activities	(815.6)	(222.8)
Net cash used for financing activities	(497.4)	(775.5)
Effect of exchange rate changes on cash and cash equivalents	(19.4)	(4.1)
Net increase (decrease) in cash and cash equivalents	$ (403.9)	$ 642.4

Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2022, and 2021, totaled $1,068.8 and $1,963.2, respectively. Cash and cash equivalents consist of highly liquid instruments, such as time deposits, commercial paper, and other money market investments, which have original maturities of three months or less.

Cash Flows from Operating Activities

During the six months ended June 30, 2022, the Company's operations provided $928.5 of cash as compared to $1,644.8 during the same period in 2021. The $716.3 decrease in cash provided from operations in 2022 as compared with the corresponding 2021 period is primarily due to lower cash earnings and unfavorable working capital requirements.

Cash Flows from Investing Activities

Net cash used for investing activities for the six months ended June 30, 2022, was $815.6 as compared to $222.8 for the six months ended June 30, 2021. The change in cash used for investing activities was primarily due to an increase in business acquisitions and higher capital expenditures during the six months ended June 30, 2022. Capital expenditures were $260.5 and $192.6 for the six months ended June 30, 2022, and 2021, respectively.

Cash Flows from Financing Activities

Net cash used by financing activities for the six months ended June 30, 2022, was $497.4 as compared to $775.5 for the six months ended June 30, 2021. The change in cash flows from financing activities for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021, was primarily due to the repayment of the 2019 Term Loan in 2021, the payment of dividends of $66.7 in 2022, and an increase of $31.5 in share repurchases.

At June 30, 2022, the Company had $1,068.8 of cash and $1,000.0 of available borrowings under its revolving credit facility, which does not mature until 2026. Under the Company's revolving credit facility, the Company is subject to negative covenants limiting subsidiary indebtedness and certain other covenants typical for investment grade-rated borrowers and the Company is required to maintain certain leverage ratios. The Company was in compliance with all covenants under the revolving credit facility at June 30, 2022, and expects that it will remain in compliance with its existing debt covenants for the next twelve months.

For the six months ended June 30, 2022, the Company purchased 1.7 shares of its common stock at a total cost of $400.0. As of June 30, 2022, the Company had an outstanding authorization from the board of directors to purchase up to $1,231.5 more of the Company's common stock with no expiration date.

For the six months ended June 30, 2022, the Company paid $66.7 in common stock dividends or $0.72 per share. On July 14, 2022, the Company announced a cash dividend of $0.72 per share of common stock for the third quarter, or approximately $66.1 in the aggregate. The dividend will be payable on September 9, 2022, to stockholders of record of all issued and outstanding shares of common stock as of the close of business on August 18, 2022. The declaration and payment of any future dividends will be at the discretion of the Company's board of directors.

Credit Ratings

The Company’s investment grade debt ratings from Moody’s and from Standard and Poor’s (S&P) contribute to its ability to access capital markets.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk (dollars in millions)

Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange rates, interest rates, and other relevant market rate or price changes. In the ordinary course of business, the Company is exposed to various market risks, including changes in foreign currency exchange and interest rates, and the Company regularly evaluates its exposure to such changes. The Company addresses its exposure to market risks, principally the market risks associated with changes in foreign currency exchange rates and interest rates, through a controlled program of risk management that includes, from time to time, the use of derivative financial instruments such as foreign currency forward contracts, and interest rate and cross currency swap agreements.

Foreign Currency Exchange Rates

Approximately 15.2% of the Company's revenues for the six months ended June 30, 2022, and approximately 15.3% of the Company's revenue for the six months ended June 30, 2021, were denominated in currencies other than the U.S. Dollar (USD). The Company's financial statements are reported in USD and, accordingly, fluctuations in exchange rates will affect the translation of revenues and expenses denominated in foreign currencies into USD for purposes of reporting the Company's consolidated financial results. In the second quarter of 2022 and the year ended December 31, 2021, the most significant currency exchange rate exposures were to the Canadian dollar, Swiss Franc, Euro and British Pound. Excluding the impacts from any outstanding or future hedging transactions, a hypothetical change of 10% in average exchange rates used to translate all foreign currencies to USD would have impacted income before income taxes for the six months ended June 30, 2022, by approximately $13.7. Gross accumulated currency translation adjustments recorded as a separate component of shareholders' equity were $(315.7) and $(23.0) at June 30, 2022 and 2021, respectively. The Company does not have significant operations in countries in which the economy is considered to be highly inflationary.

The Company earns revenue from service contracts over a period of time, ranging from months to years. Accordingly, exchange rate fluctuations during this period may affect the Company's profitability with respect to such contracts. The Company is also subject to foreign currency transaction risk for fluctuations in exchange rates during the period of time between the consummation and cash settlement of transactions. The Company limits its foreign currency transaction risk through exchange rate fluctuation provisions stated in some of its contracts with customers, or it may hedge transaction risk with foreign currency forward contracts. At June 30, 2022, the Company had 25 open foreign exchange forward contracts relating to service contracts with various amounts maturing monthly through July 2022 with a notional value totaling approximately $698.7. At December 31, 2021, the Company had 28 open foreign exchange forward contracts relating to service contracts with various amounts maturing monthly through January 2022 with a notional value totaling approximately $600.7.

The Company is party to U.S. to Swiss Franc cross-currency swap agreements with an aggregate notional amount of $300.0, maturing in 2024, as a hedge against the impact of foreign exchange movements on its net investment in a Swiss Franc functional currency subsidiary.

Interest Rates

Some of the Company's debt from time to time is subject to interest at variable rates. As a result, fluctuations in interest rates can affect the business. The Company attempts to manage interest rate risk and overall borrowing costs through an appropriate mix of fixed and variable rate debt including by the utilization of derivative financial instruments, primarily interest rate swaps.

Borrowings under the Company's term loan credit facility, now repaid, and revolving credit facility are subject to variable interest rates, unless fixed through interest rate swaps or other agreements.

In May 2021, to hedge against changes in the fair value portion of the Company's long-term debt, the Company entered into fixed-to-variable interest rate swap agreements for the 2.70% senior notes due 2031 with an aggregate notional value of $500.0 and variable interest rates based on three-month LIBOR plus 1.0706%.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2022.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during the quarter ended June 30, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note 8 (Commitments and Contingencies) to the Company's condensed consolidated financial statements, above, which is incorporated herein by reference.

Item 1A. Risk Factors

The risk factors set forth below revise and supplement the corresponding risk factors set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. With the exception of the following, there have been no material changes in the risk factors that appear in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

The planned spin-off of the Company's Clinical Development business may not be completed on the terms or timeline currently contemplated, if at all, and may not achieve the intended results.

The Company intends to pursue a spin-off of its wholly owned Clinical Development business, which includes the parts of its DD segment focused on providing Phase I-IV clinical trial management, market access and technology solutions to pharmaceutical and biotechnology organizations, which would result in two independent, publicly traded companies. Unanticipated issues including, but not limited to, the failure to obtain regulatory approval, obtain appropriate assurances regarding the tax-free nature of the spin-off, or have the Form 10 registration statement that will be filed with the SEC declared effective on a timely basis or at all, could delay, prevent, or otherwise adversely affect the planned spin-off. There can be no assurance that the conditions of the spin-off will be satisfied or that Company will be able to complete the spin-off on the terms or on the anticipated timeline, or at all.

The Company expects that pursuing and implementing the spin-off will continue to require significant expenses and management time and effort, may divert management's attention from the Company and Clinical Development's ongoing business operations and may adversely impact relationships with customers, suppliers, employees, and other business counterparties. The Company may experience delays, business disruption, increased costs, including from lost synergies or from restructuring transactions, negative market reaction to the announcement and planning for the transaction, change in market receptiveness to effect transactions in the capital markets, and other challenges during or following the spin-off, which could adversely affect the Company's business, financial condition, and results of operations. The Company may also experience increased challenges in attracting, retaining, and motivating key personnel during the pendency of the spin-off and following its completion, which could harm the Company's business. The Company anticipates that, consistent with any applicable legal and tax requirements, there will be ongoing transitional and commercial arrangements to provide for a seamless delivery of services to the customers and other stakeholders of the independent companies following the spin-off, but those arrangements may not meet the intended objectives, which could negatively impact the Company's and Clinical Development's business, including relationships with customers and other business counterparties.

Further, if the planned spin-off is completed, the anticipated benefits of the transaction may not be realized within the expected time periods or at all. Failure to implement the planned spin-off effectively or the negative reaction of customers, the Company's employees, and other stakeholders could also result in a decline in value of one or both of the companies.

Increased regulations and restrictions on the import of research animals, limitations of supply of research animals, and actions of animal rights activists may have an adverse effect on the Company.

DD's preclinical services utilize animals in preclinical testing of the safety and efficacy of drugs and devices. Such activities are required for the development of new medicines and medical devices under regulatory regimes in the U.S., Europe, Japan, and other countries. Increased regulations and restrictions on the import of research animals into various countries, as well as limitations of supply, could impact DD's ability to conduct preclinical research and could have an adverse effect on DD's financial condition, results of operations, and cash flows. In addition, acts of vandalism and other acts by animal rights activists who object to the use of animals in drug development could have an adverse effect on the Company.

U.S. Food and Drug Administration (FDA) regulation of diagnostic products, increased FDA regulation of laboratory-developed tests (LDTs), and regulation by other countries of diagnostic products could result in increased costs and the imposition of fines or penalties, and could have a material adverse effect upon the Company's business.

The FDA has regulatory responsibility for instruments, test kits, reagents, and other devices used by clinical laboratories. The FDA enforces laws and regulations that govern the development, testing, manufacturing, performance, labeling, advertising, marketing, distribution, and surveillance of diagnostic products, and it regularly inspects and reviews the manufacturing processes and product performance of diagnostic products. Dx's point-of-care testing devices are subject to regulation by the FDA.

Since the 1990s, the FDA has asserted that it has authority to regulate LDTs as medical devices, but has exercised enforcement discretion to refrain from systematic regulation of LDTs. In 2014, the FDA issued draft guidance describing how it intended to discontinue its enforcement discretion policy and begin regulating LDTs as medical devices; however, that draft guidance has not been finalized, and the FDA has instead continued its enforcement discretion policy and has indicated that it intends to work with Congress to enact comprehensive legislative reform of diagnostics oversight. As such, LDTs developed by high complexity clinical laboratories are currently generally offered as services to health care providers under the Clinical Laboratory Improvement Amendments of 1988 (CLIA) regulatory framework administered by the Centers for Medicare and Medicaid Services (CMS), without the requirement for FDA clearance or approval. There are other regulatory and legislative proposals that would increase general FDA oversight of clinical laboratories and LDTs. The outcome and ultimate impact of such proposals on the business is difficult to predict at this time. On February 20, 2020, the FDA issued a statement with a table of pharmacogenetic associations setting forth certain gene-drug interactions that the agency has determined are supported by the scientific literature to help ensure that claims being made for pharmacogenetic tests are grounded in sound science, thereby reducing the risk of enforcement actions with respect to LDTs offering claims consistent with the table. The FDA noted that while it is committed to work with Congress on new comprehensive diagnostic oversight reform legislation, it could still take enforcement actions under the current medical device framework regarding diagnostic claims the agency determines not to be sufficiently supported. Even without issuance of a finalized LDT oversight framework, in light of the April 4, 2019, FDA warning letter issued to Inova Genomics Laboratory related to certain LDTs that Inova offered, as well as the February 2020 pharmacogenetics statement, there may be an increased risk of FDA enforcement actions for laboratory tests offered by companies without FDA clearance or approval.

Current FDA regulation of the Company’s diagnostic products and the potential for future increased regulation of the Company’s LDTs in the future could result in increased costs and administrative and legal actions for noncompliance, including warning letters, fines, penalties, product suspensions, product recalls, injunctions, and other civil and criminal sanctions, which could have a material adverse effect upon the Company.

Regulation of diagnostics products in jurisdictions outside the U.S. in which the Company operates may impact laboratory testing offered by the Company in both Dx and DD. For example, the European Union In Vitro Diagnostics Regulation (Regulation (EU) 2017/746 (EU IVDR)), which became applicable on May 26, 2022, establishes a new legislative framework for in vitro diagnostic devices that are used in certain circumstances, and includes a rule-based classification and quality and safety standards. The EU IVDR, where applicable to DD's services, could impact DD's ability to support trials, and could result in increased costs and administrative and legal actions, and have an adverse effect on DD's financial condition, results of operations, and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds (dollars and shares in millions, except per share data)

The following table sets forth information with respect to purchases of shares of the Company’s common stock based on settled trades made during the three months ended June 30, 2022, by or on behalf of the Company:

	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Repurchased Under the Program
April 1 - April 30 [(1)]	0.2	275.51	0.2	1,631.5
May 1 - May 31	0.5	247.54	0.5	1,516.1
June 1 - June 30	1.2	234.13	1.2	1,231.5
	1.9	$ 242.27	1.9	$ 1,231.5

(1) During the fourth quarter of 2021, the Company entered into an ASR program. At inception, the Company paid $1,000.0 and received 2.7 shares based on a calculation using 80% of the shares calculated at the price at the inception of agreements with two different banks, Goldman Sachs and Barclays. In March 2022, the Company received 0.6 shares of its common stock, arising from a partial acceleration with Barclays and a final settlement from Goldman Sachs, based on the average daily volume weighted average price per share of $277.40. On April 1, 2022, the Company received 0.2 shares of its common stock for final settlement from Barclays based on the average volume-weighted average price per share of $275.51.

As of June 30, 2022, the Company had outstanding authorization from the board of directors to purchase up to $1,231.5 of the Company's common stock. The repurchase authorization has no expiration date.

Item 5. Other Information

None.

Item 6. Exhibits

(a)	Exhibits
31.1*	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a)
31.2*	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a)
32**	Written Statement of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
101.INS*	Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* filed herewith

** furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LABORATORY CORPORATION OF AMERICA HOLDINGS
Registrant

By: /s/ ADAM H. SCHECHTER
Adam H. Schechter
Chief Executive Officer

By: /s/ GLENN A. EISENBERG
Glenn A. Eisenberg
Executive Vice President and
Chief Financial Officer

August 1, 2022

Exhibit 31.1

Certification

I, Adam H. Schechter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Laboratory Corporation of America Holdings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2022

By: /s/ ADAM H. SCHECHTER
Adam H. Schechter
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification

I, Glenn A. Eisenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Laboratory Corporation of America Holdings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2022

By: /s/ GLENN A. EISENBERG
Glenn A. Eisenberg
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

Written Statement of
Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

The undersigned, the Chief Executive Officer and the Chief Financial Officer of Laboratory Corporation of America Holdings (the "Company"), each hereby certifies that, to his knowledge on the date hereof:

(a) the Form 10-Q of the Company for the Period Ended June 30, 2022, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ ADAM H. SCHECHTER
Adam H. Schechter
Chief Executive Officer
August 1, 2022

By: /s/ GLENN A. EISENBERG
Glenn A. Eisenberg
Chief Financial Officer
August 1, 2022

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Laboratory Corporation of America Holdings and will be retained by Laboratory Corporation of America Holdings and furnished to the Securities and Exchange Commission or its staff upon request.