



**FIRST QUARTER 2019
SUPPLEMENTAL FINANCIAL INFORMATION**

APRIL 30, 2019

FORWARD LOOKING STATEMENT

This presentation of Laboratory Corporation of America Holdings (the “Company”) contains forward-looking statements, including but not limited to statements with respect to estimated 2019 guidance and the related assumptions, the impact of various factors on operating and financial results, expected savings and synergies (including from the LaunchPad initiative and as a result of acquisitions), and the opportunities for future growth.

Each of the forward-looking statements is subject to change based on various important factors, many of which are beyond the Company’s control, including without limitation, competitive actions and other unforeseen changes and general uncertainties in the marketplace, changes in government regulations, including health care reform, customer purchasing decisions, including changes in payer regulations or policies, other adverse actions of governmental and third-party payers, changes in testing guidelines or recommendations, the effect of public opinion on the Company’s reputation, adverse results in material litigation matters, the impact of changes in tax laws and regulations, failure to maintain or develop customer relationships, our ability to develop or acquire new products and adapt to technological changes, failures in information technology systems or data security, adverse weather conditions, challenges in implementing business process changes, employee relations, and the effect of exchange rate fluctuations on international operations.

Actual results could differ materially from those suggested by these forward-looking statements. The Company has no obligation to provide any updates to these forward-looking statements even if its expectations change. All forward-looking statements are expressly qualified in their entirety by this cautionary statement. Further information on potential factors, risks, and uncertainties that could affect the operating and financial results of the Company is included in the Company’s Form 10-K for the year ended December 31, 2018, and subsequent Forms 10-Q, including in each case under the heading RISK FACTORS, and in the Company’s other filings with the SEC. The information in this presentation should be read in conjunction with a review of the Company’s filings with the SEC including information in the Company’s Form 10-K for the year ended December 31, 2018, and subsequent Forms 10-Q, under the heading MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

USE OF ADJUSTED MEASURES

The Company has provided in this presentation “adjusted” financial information that has not been prepared in accordance with GAAP, including adjusted net income, adjusted EPS (or adjusted net income per share), adjusted operating income, adjusted operating margin, adjusted EBITDA, free cash flow, and certain segment information. The Company believes these adjusted measures are useful to investors as a supplement to, but not as a substitute for, GAAP measures, in evaluating the Company’s operational performance. The Company further believes that the use of these non-GAAP financial measures provides an additional tool for investors in evaluating operating results and trends, and growth and shareholder returns, as well as in comparing the Company’s financial results with the financial results of other companies. However, the Company notes that these adjusted measures may be different from and not directly comparable to the measures presented by other companies. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are included in the tables accompanying this presentation.

FIRST QUARTER CONSOLIDATED RESULTS

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	<u>1Q19</u>	<u>1Q18</u>	<u>% Change</u>
Revenue	\$2,791.2	\$2,848.3	(2.0%) ⁽⁴⁾
Adjusted Operating Income ^{(1) (2)}	\$411.4	\$435.7	(5.6%)
<i>Adjusted Operating Margin</i>	14.7%	15.3%	(60 bps)
Adjusted EPS ^{(1) (2)}	\$2.62	\$2.78	(5.8%)
Operating Cash Flow ⁽³⁾	\$165.8	\$179.7	(7.7%)
Less: Capital Expenditures	<u>(\$94.2)</u>	<u>(\$72.5)</u>	(29.9%)
Free Cash Flow	\$71.6	\$107.2	(33.2%)

(1) Adjusted operating income excludes amortization, restructuring charges, and special items. Adjusted EPS exclude amortization, restructuring charges, and special items.

(2) See Reconciliation of non-GAAP Financial Measures on slides 12 – 13.

(3) Operating cash flow increased by \$25.0 million for the three months ended March 31, 2018 for the reclassification of tax payments for net share settlements relating to employee stock vesting from operating activities to financing activities.

(4) The decline in revenue was primarily due to the negative impact from the disposition of businesses of 1.8% and foreign currency translation of approximately 0.9%, partially offset by acquisitions of 0.5% and organic growth of 0.2% (which includes the negative impact from PAMA of 0.9%).

FIRST QUARTER PRO FORMA SEGMENT RESULTS⁽¹⁾

(DOLLARS IN MILLIONS)

	<u>1Q19</u>	<u>1Q18</u>	<u>% Change</u>
Revenue			
LabCorp Diagnostics	\$1,722.0	\$1,770.2	(2.7%)
Covance Drug Development	\$1,074.7	\$1,078.5	(0.4%)
Total Revenue	\$2,791.2	\$2,848.3	(2.0%)
Adjusted Operating Income^{(2) (3)}			
LabCorp Diagnostics	\$310.4	\$364.0	(14.7%)
<i>Adjusted Operating Margin</i>	<i>18.0%</i>	<i>20.6%</i>	<i>(250 bps)</i>
Covance Drug Development	\$138.0	\$108.0	27.8%
<i>Adjusted Operating Margin</i>	<i>12.8%</i>	<i>10.0%</i>	<i>280 bps</i>
Unallocated Corporate Expense	(\$37.0)	(\$36.3)	(1.9%)
Total Adjusted Operating Income	\$411.4	\$435.7	(5.6%)
<i>Total Adjusted Operating Margin</i>	<i>14.7%</i>	<i>15.3%</i>	<i>(60 bps)</i>

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

(2) Adjusted operating income excludes amortization, restructuring charges, and special items.

(3) See Notes to Reconciliation of Non-GAAP Financial Measures on slides 12 - 13.

SELECT FINANCIAL METRICS

(DOLLARS IN MILLIONS)

	<u>1Q18</u> ⁽³⁾	<u>2Q18</u> ⁽³⁾	<u>3Q18</u> ⁽³⁾	<u>4Q18</u>	<u>1Q19</u>
Total Depreciation	\$78.3	\$77.3	\$76.3	\$79.5	\$78.3
Total Amortization ⁽¹⁾	\$62.3	\$58.5	\$54.7	\$56.2	\$57.1
Total Adjusted EBITDA ⁽²⁾	\$517.2	\$543.9	\$508.9	\$477.9	\$493.1
Total Debt to Last Twelve Months Adjusted EBITDA ⁽²⁾	3.3x	3.1x	3.1x	3.0x	3.0x
Total Net Debt to Last Twelve Months Adjusted EBITDA ⁽²⁾⁽⁴⁾	3.1x	3.0x	2.7x	2.8x	2.9x

(1) Excludes amortization of deferred financing fees.

(2) Adjusted EBITDA excludes restructuring charges and special items. See reconciliation on slide 10.

(3) Leverage ratios include Chiltern Adjusted EBITDA from the twelve months prior to the relevant period on a pro forma basis.

(4) Net debt equals total debt less cash and cash equivalents.

COVANCE DRUG DEVELOPMENT: SELECT FINANCIAL METRICS⁽¹⁾

Trailing Twelve Month (TTM) Results⁽²⁾

	Net Orders	Net Book-to-Bill
TTM Ending March 31, 2019	\$5.3 billion	1.24x
TTM Ending December 31, 2018	\$5.4 billion	1.26x
TTM Ending September 30, 2018	\$5.3 billion	1.25x
TTM Ending June 30, 2018	\$4.9 billion	1.22x

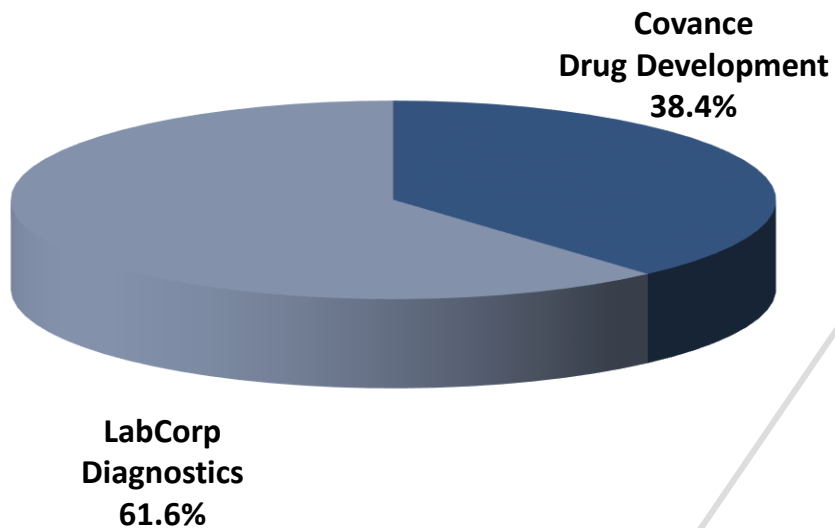
	Backlog	Estimated revenue expected to convert from backlog in the next twelve months
As of March 31, 2019	\$9.9 billion	\$3.9 billion
As of December 31, 2018	\$9.8 billion	\$3.9 billion
As of September 30, 2018	\$9.4 billion	\$3.8 billion
As of June 30, 2018	\$9.0 billion	\$3.7 billion

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

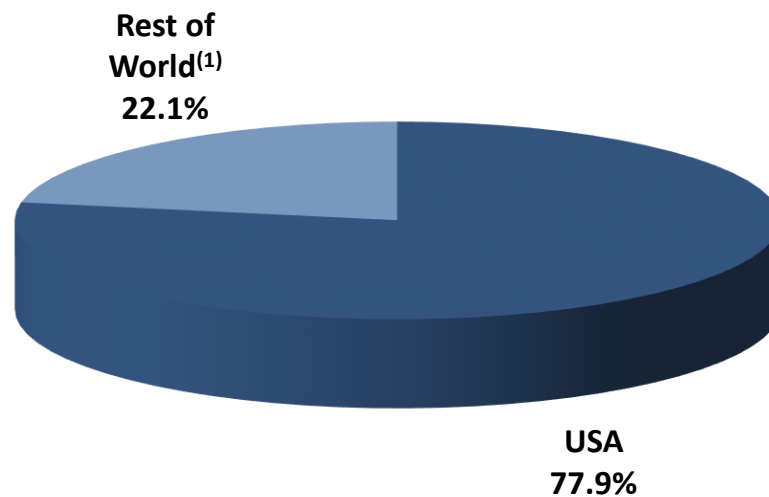
(2) Includes results from Chiltern following the closing of the acquisition on September 1, 2017.

FIRST QUARTER 2019 REVENUE DISTRIBUTION

Segment Distribution



Geographic Distribution



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

FIRST QUARTER 2019 FOREIGN EXCHANGE IMPACT TO REVENUE⁽¹⁾

(DOLLARS IN MILLIONS)

	<u>Dollars</u>	<u>Year over Year % Growth</u>
<u>Consolidated</u>		
Revenue, as Reported	\$2,791	(2.0%)
Foreign Exchange Impact	\$27	0.9%
Revenue, Constant Currency	\$2,818	(1.1%)
<u>LabCorp Diagnostics</u>		
Revenue, as Reported	\$1,722	(2.7%)
Foreign Exchange Impact	\$4	0.3%
Revenue, Constant Currency	\$1,726	(2.5%)
<u>Covance Drug Development</u>		
Revenue, as Reported	\$1,075	(0.4%)
Foreign Exchange Impact	\$22	2.1%
Revenue, Constant Currency	\$1,097	1.7%

(1) Does not tie due to rounding.

2019 FINANCIAL GUIDANCE

	Prior Guidance (assumes foreign exchange rates effective as of December 31, 2018)	Current Guidance (assumes foreign exchange rates effective as of March 31, 2019)
Total revenue growth:	0.5% – 2.5% ⁽²⁾	0.5% – 2.5% ⁽³⁾
LabCorp Diagnostics revenue growth:	(4.0%) – (2.0%) ⁽⁴⁾	(4.0%) – (2.0%) ⁽⁵⁾
Covance Drug Development revenue growth:	5.0% – 9.0% ⁽⁶⁾	5.0% – 9.0% ⁽⁷⁾
Adjusted EPS ⁽¹⁾ :	\$11.00 – \$11.40	\$11.05 – \$11.45
Free cash flow:	\$950 million – \$1.05 billion	\$950 million – \$1.05 billion

(1) Excludes the impact from amortization, restructuring charges, and special items.

(2) Included the negative impact from the 2018 disposition of businesses of approximately 1.2% and foreign currency translation of approximately 0.4%.

(3) Includes the negative impact from the 2018 disposition of businesses of approximately 1.2% and foreign currency translation of approximately 0.5%.

(4) Included the negative impact from the 2018 disposition of businesses of approximately 2% and foreign currency translation of approximately 0.3%.

(5) Includes the negative impact from the 2018 disposition of businesses of approximately 2% and foreign currency translation of approximately 0.2%.

(6) Included the negative impact from foreign currency translation of approximately 0.6%.

(7) Includes the negative impact from foreign currency translation of approximately 0.9%.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES – ADJUSTED EBITDA

(DOLLARS IN MILLIONS)

	<u>1Q18</u>	<u>2Q18</u>	<u>3Q18</u>	<u>4Q18</u>	<u>1Q19</u>
LabCorp Operating Income	\$305.4	\$369.2	\$343.4	\$307.7	\$318.2
Add:					
Restructuring and other special charges	\$14.3	\$12.2	\$10.0	\$11.6	\$20.6
Other special charges ⁽¹⁾	\$53.7	\$23.7	\$21.0	\$19.4	\$15.5
Depreciation	\$78.3	\$77.3	\$76.3	\$79.5	\$78.3
Amortization	\$62.3	\$58.5	\$54.7	\$56.2	\$57.1
Equity method income, net	\$2.5	\$3.0	\$3.0	\$3.1	\$3.0
EBITDA adjustments to equity method income, net	\$0.7	\$0.0	\$0.5	\$0.4	\$0.4
Adjusted EBITDA	\$517.2	\$543.9	\$508.9	\$477.9	\$493.1

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

RECONCILIATION OF NON-GAAP INCOME STATEMENT

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	GAAP		Non-GAAP	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018
Revenues	\$ 2,791.2	\$ 2,848.3	\$ 2,791.2	\$ 2,848.3
Cost of revenues	2,001.5	2,069.3	2,001.5	2,044.5
Gross profit	789.7	779.0	789.7	803.8
Selling, general and administrative expenses	393.8	397.0	378.3	368.0
Amortization of intangibles and other assets	57.1	62.3	-	-
Restructuring and other special charges	20.6	14.3	-	-
Operating income	318.2	305.4	411.4	435.7
Other income (expense):				
Interest expense	(56.7)	(63.5)	(56.7)	(63.5)
Equity method income, net	3.0	2.5	3.0	2.5
Investment income	0.6	0.6	0.6	0.6
Other, net	(10.4)	(3.5)	(4.2)	(3.5)
Earnings before income taxes	254.7	241.5	354.1	371.8
Provision for income taxes	68.8	69.0	93.1	85.4
Net earnings	185.9	172.5	261.0	286.4
Less: Net (earnings) loss attributable to the noncontrolling interest	(0.3)	0.7	(0.3)	0.7
Net earnings attributable to LCAH	\$ 185.6	\$ 173.2	\$ 260.7	\$ 287.1
Diluted earnings per common share	1.86	1.67	2.62	2.78
Weighted average diluted shares outstanding	99.5	103.4	99.5	103.4

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES ⁽¹⁾

LABORATORY CORPORATION OF AMERICA HOLDINGS

Reconciliation of Non-GAAP Financial Measures

(Dollars in millions, except per share data)

	Three Months Ended	
	March 31,	
<u>Adjusted Operating Income</u>	<u>2019</u>	<u>2018</u>
Operating income	\$ 318.2	\$ 305.4
Amortization of intangibles and other assets ^(a)	57.1	62.3
Restructuring and other special charges ^(b)	20.6	14.3
Acquisition and divestiture-related costs ^(c)	11.1	17.9
LaunchPad system implementation costs ^(d)	2.4	1.7
Consulting fees and executive transition expenses ^(e)	1.4	3.1
Costs related to ransomware attack ^(f)	0.6	-
Special tax reform bonus for employees ^(g)	-	31.0
Adjusted operating income	<u>\$ 411.4</u>	<u>\$ 435.7</u>
 <u>Adjusted net income</u>		
Net income	\$ 185.6	\$ 173.2
Impact of adjustments to operating income	93.2	130.4
Impairment of venture investment ^(h)	6.2	-
Tax reform adjustments ⁽ⁱ⁾	-	14.9
Income tax impact of adjustments ⁽ⁱ⁾	(24.3)	(31.3)
Adjusted net income	<u>\$ 260.7</u>	<u>\$ 287.1</u>
Weighted average diluted shares outstanding	99.5	103.4
Adjusted net income per share	\$ 2.62	\$ 2.78

(1) Footnotes associated with Reconciliation of Non-GAAP Financial Measures are presented on slide 13.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES - FOOTNOTES

- (a) Amortization of intangible assets acquired as part of the acquisition of a business.
- (b) Restructuring and other special charges represent amounts incurred in connection with the elimination of redundant positions within the organization in connection with our LaunchPad initiatives and acquisitions or dispositions of businesses by the Company.
- (c) Acquisition and divestiture-related costs include due-diligence legal and advisory fees, retention bonuses and other integration and disposition related activities in connection with contemplated and completed transactions.
- (d) LaunchPad system implementation costs include non-capitalized costs associated with the implementation of a system as part of the LaunchPad business process improvement initiative.
- (e) Represents executive transition expenses related to various management reorganizations.
- (f) Costs related to ransomware attack including incremental consulting and employee costs incurred to remediate the impact of a ransomware attack, which occurred during the third quarter of 2018.
- (g) During the first quarter of 2018, the Company paid a special one-time bonus to its non-bonus eligible employees in recognition of the benefits the Company is receiving from the passage of the Tax Cuts and Jobs Act of 2017 (TCJA).
- (h) The Company makes venture fund investments in companies or investment funds developing promising technology related to its operations. During the quarter several investments were deemed to be impaired as a result of the underlying performance of the investments.
- (i) During the first quarter of 2018, the Company recorded a net increase in its provision for income taxes primarily relating to the repatriation tax associated with the adoption of the TCJA.
- (j) Income tax impact of adjustments calculated based on the tax rate applicable to each item.