



FOR IMMEDIATE RELEASE

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**Labcorp Announces 2022 Third Quarter Results
Company Updates Full-Year Guidance**

- Revenue: Q3 of \$3.6 billion versus \$4.1 billion last year
- Diluted EPS: Q3 of \$3.90 versus \$6.05 last year
- Adjusted EPS: Q3 of \$4.68 versus \$6.82 last year
- Free Cash Flow: Q3 of \$270 million versus \$650 million last year
- Progressed Clinical Development business spin-off activities
- Completed transactions to establish long-term relationship with Ascension

BURLINGTON, N.C., Oct. 27, 2022 – Labcorp (NYSE: LH), a leading global life sciences company, today announced results for the third quarter ended Sept. 30, 2022, and updated full-year guidance.

"Labcorp made important strategic progress this quarter and is well positioned to deliver sustained value and growth," said Adam Schechter, chairman and CEO of Labcorp. "We are focusing on science, innovation and technology to serve our customers' needs. Our Diagnostics Base Business performed well, and our Drug Development Base Business fundamentals remain strong, despite challenging year-over-year comparisons due to COVID-19. We continue to manage inflationary headwinds and labor constraints through our LaunchPad initiatives. And, we are accelerating the planned spin-off of our Clinical Development business to mid-2023 pending customary approvals."

Labcorp advanced key partnerships and collaborations during the quarter and, earlier this month, completed transactions that establish its long-term laboratory relationship with Ascension. By acquiring select laboratory assets and managing Ascension hospital labs in 10 states, Labcorp is expanding access to its comprehensive services for patients and health care providers. The company is now performing thousands of tests across the health system.

In July, the company announced a planned spin-off of its Clinical Development business. Since that time, Labcorp has established a Spin Management Office consisting of dedicated resources and external advisors with significant spin transaction experience. In addition, working with advisors, Labcorp is in the process of identifying members of the executive team, the CEO and the Board of Directors of the new company. Labcorp is also defining the transition service agreements and preparing the audited financial statements. With the progress to date, Labcorp is targeting completion of the spin-off with an accelerated timeframe of mid-2023, subject to 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 Securities and Exchange Commission.

Labcorp is focused on innovating and delivering its customers valuable solutions across all clinical areas. The company enhanced its neurology offering and rounded out its portfolio in the quarter with the launch of paraneoplastic and other neuro autoimmune panels. Labcorp continues to experience growing demand for its at-home testing options available through Labcorp OnDemand, and believes its pipeline of consumer-focused offerings is strong. The company is also furthering its leadership position in oncology and maintains the broadest portfolio and capabilities in oncology diagnostics today.

On Oct. 12, 2022, the company announced a quarterly cash dividend of \$0.72 per share of common stock, payable on Dec. 9, 2022, to stockholders of record at the close of business on Nov. 17, 2022.

Consolidated Results

Third Quarter Results

Revenue for the quarter was \$3.61 billion, a decrease of (11.2%) from \$4.06 billion in the third quarter of 2021. The decrease was due to organic revenue of (10.7%) and foreign currency translation of (1.3%), partially offset by acquisitions 0.8%. The (10.7%) decrease in organic revenue was driven by a (11.8%) decrease in COVID-19 PCR and antibody testing (COVID-19 Testing), partially offset by a 1.1% increase in the company's organic Base Business. Base Business includes Labcorp's operations except for COVID-19 Testing.

Operating income for the quarter was \$469.4 million, or 13.0% of revenue, compared to \$766.9 million, or 18.9%, in the third quarter of 2021. The company recorded amortization, restructuring charges, and special items, which together totaled \$119.6 million in the quarter, compared to \$140.2 million during the same period in 2021. Adjusted operating income (excluding amortization, restructuring charges, and special items) for the quarter was \$589.1 million, or 16.3% of revenue, compared to \$907.1 million, or 22.3%, in the third quarter of 2021. The decrease in operating income and margin was primarily due to a reduction in COVID-19 Testing and the impact from acquisitions. Organic Base Business growth and LaunchPad savings were essentially offset by higher personnel expense and other inflationary costs.

Net earnings for the quarter were \$352.8 million compared to \$587.3 million in the third quarter of 2021. Diluted EPS were \$3.90 in the quarter compared to \$6.05 during the same period in 2021. Adjusted EPS (excluding amortization, restructuring charges, and special items) were \$4.68 in the quarter compared to \$6.82 in the third quarter of 2021.

Operating cash flow for the quarter was \$373.8 million compared to \$767.3 million in the third quarter of 2021. The decrease in operating cash flow was due to lower cash earnings partially offset by favorable working capital. Capital expenditures totaled \$103.5 million compared to \$117.8 million a year ago. As a result, free cash flow (operating cash flow less capital expenditures) was \$270.3 million compared to \$649.5 million in the third quarter of 2021.

At the end of the quarter, the company's cash balance and total debt were \$0.4 billion and \$5.3 billion, respectively. During the quarter, the company invested \$458.7 million on acquisitions, paid out \$64.9 million in dividends, and repurchased \$400.0 million of stock representing approximately 1.5 million shares.

Year-To-Date Results

Revenue was \$11.20 billion, a decrease of (7.1%) from \$12.06 billion, in the first nine months of 2022. The decrease was due to lower organic revenue of (6.9%) and foreign currency translation of (0.9%), partially offset by acquisitions net of divestitures of 0.6%. The (6.9%) decrease in organic revenue was due to a (8.9)% decrease in COVID-19 Testing, partially offset by a 2.0% increase in the Company's organic Base Business.

Operating income was \$1,683.2 million, or 15.0% of revenue, compared to \$2,528.9 million, or 21.0%, in the first nine months of 2021. The company recorded amortization, restructuring charges, special items, and impairments, which together totaled \$356.0 million in the first nine months of 2022 compared to \$400.0 million during the same period in 2021. Adjusted operating income (excluding amortization, restructuring charges, special items, and impairments) was \$2,039.2 million, or 18.2% of revenue, compared to \$2,928.9 million, or 24.3%, in the first nine months of 2021. The decrease in operating income and margin was primarily due to lower COVID-19 Testing and higher personnel costs, partially offset by a recovery in the Base Business.

Net earnings were \$1,203.0 million compared to \$1,824.3 million in the first nine months of 2021. Diluted EPS were \$13.02 in the first nine months of 2022 compared to \$18.63 during the same period in 2021. Adjusted EPS (excluding amortization, restructuring charges, special items, and impairments) were \$15.77 in the first nine months of 2022 compared to \$21.75 during the same period in 2021.

Operating cash flow was \$1,302.3 million compared to \$2,412.1 million in the first nine months of 2021. The decrease in operating cash flow was primarily due to lower cash earnings. Capital expenditures totaled \$364.0 million compared to \$310.4 million during the same period in 2021. As a result, free cash flow (operating cash flow less capital expenditures) was \$938.3 million compared to \$2,101.7 million in the first nine months of 2021.

Third Quarter Segment Results

The following segment results exclude amortization, restructuring charges, special items, and unallocated corporate expenses.

Diagnostics

Revenue for the quarter was \$2.21 billion, a decrease of (15.7%) from \$2.62 billion in the third quarter of 2021. The decrease was primarily due to organic revenue of (16.4%), partially offset by acquisitions of 0.9%. The (16.4%) decrease in organic revenue was due to a (18.4%) decrease in COVID-19 Testing, partially offset by a 1.9% increase in the Base Business. Total Base Business growth compared to the Base Business in the prior year was 3.7%.

Total volume (measured by requisitions) decreased by (10.3%) as organic volume decreased by (10.9%) and acquisition volume contributed 0.6%. Organic volume was impacted by a (12.8%) decrease in COVID-19 Testing, partially offset by a 1.9% increase in Base Business. Price/mix decreased by (5.4%) due to a decrease in COVID-19 Testing of (5.5%). Base Business volume was up 3.1% compared to the Base Business last year, and price/mix was up 0.6%.

Adjusted operating income for the quarter was \$439.8 million, or 19.9% of revenue, compared to \$774.9 million, or 29.6%, in the third quarter of 2021. The decrease in adjusted operating income and margin was primarily due to a reduction in COVID-19 Testing. The benefit of Base Business growth and LaunchPad savings were offset by higher personnel expense and other inflationary costs.

Drug Development

Revenue for the quarter was \$1.41 billion, a decrease of (3.7%) from \$1.46 billion in the third quarter of 2021. The decrease was primarily due to foreign currency translation of (3.4%). The benefit of acquisitions of 0.5% was offset by a (0.7%) decline in Base Business organic growth, which was negatively impacted by approximately 5.0% due to reduced COVID-19 related work and the Ukraine/Russia crisis.

Adjusted operating income for the quarter was \$210.7 million, or 15.0% of revenue, compared to \$226.1 million, or 15.5%, in the third quarter of 2021. Adjusted operating income and margin decreased due to a reduction in COVID-19 related work, the Ukraine/Russia crisis, inflationary costs, and the mix impact of acquisitions, partially offset by organic Base Business growth and LaunchPad savings.

Net orders and net book-to-bill during the trailing twelve months were \$7.20 billion and 1.25, respectively. Backlog at the end of the quarter was \$15.25 billion, an increase of 6.0% compared to last year. The company expects approximately \$4.66 billion of its backlog to convert into revenue in the next twelve months.

Outlook for 2022

Labcorp is updating 2022 full year guidance to reflect its third quarter performance and fourth quarter outlook. The following guidance assumes foreign exchange rates effective as of September 30, 2022, for the remainder of the year. Enterprise level guidance includes the estimated impact from currently anticipated capital allocation, including acquisitions, share repurchases and dividends.

(Dollars in billions, except per share data)

	<u>Results</u>	<u>Previous</u>		<u>Updated</u>	
		<u>2022 Guidance</u>		<u>2022 Guidance</u>	
	<u>2021</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Revenue					
Total Labcorp Enterprise ⁽¹⁾⁽²⁾	\$16.1	(6.0%)	(2.0%)	(7.5%)	(6.0%)
Base Business ⁽²⁾	\$13.4	5.0%	7.5%	3.0%	4.0%
COVID-19 Testing ⁽²⁾	\$2.8	(60.0%)	(50.0%)	(59.0%)	(57.0%)
Total Diagnostics ⁽³⁾	\$10.4	(13.0%)	(9.0%)	(11.5%)	(10.0%)
Base Business	\$7.6	4.0%	6.0%	6.0%	7.0%
COVID-19 Testing	\$2.8	(60.0%)	(50.0%)	(59.0%)	(57.0%)
Total Drug Development ⁽⁴⁾	\$5.8	1.5%	3.5%	(2.5%)	(1.5%)
Base Business	\$5.8	2.0%	4.0%	(2.0%)	(1.0%)
Adjusted EPS	\$28.52	\$19.00	\$21.25	\$19.25	\$20.25
Free Cash Flow ⁽⁵⁾	\$2.65	\$1.7	\$1.9	\$1.3	\$1.4

(1) 2022 Updated Guidance includes an impact from foreign currency translation of (1.1%), previous 2022 Guidance was (0.8%)

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

(3) 2022 Updated Guidance includes an impact from foreign currency translation of (0.1%), previous 2022 Guidance was 0.0%

(4) 2022 Updated Guidance includes an impact from foreign currency translation of (2.8%), previous 2022 Guidance was (2.3%)

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

Use of Adjusted Measures

The company has provided in this press release and accompanying tables “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, free cash flow, and certain segment information. The company believes these adjusted measures are useful to investors as a supplement to, but not as a substitute for, GAAP measures, in evaluating the company’s operational performance. The company further believes that the use of these non-GAAP financial measures provides an additional tool for investors in evaluating operating results and trends, and growth and shareholder returns, as well as in comparing the company’s financial results with the financial results of other companies. However, the company notes that these adjusted measures may be different from and not directly comparable to the measures presented by other companies. Reconciliations of these non-GAAP measures to the most comparable GAAP measures and an identification of the components that comprise "special items" used for certain adjusted financial information are included in the tables accompanying this press release.

The company today is providing an investor relations presentation with additional information on its business and operations, which is available in the investor relations section of the company's website at www.Labcorp.com. Analysts and investors are directed to the website to review this supplemental information.

A conference call discussing Labcorp's quarterly results will be held today at 9:00 a.m. ET and is available by registering at [this link](#), which will provide a dial-in number and unique PIN to access the call. It is recommended that participants join 10 minutes prior to the start of the call, although participants may register and join at any time during the call. A live webcast of Labcorp’s quarterly conference call on Oct. 27, 2022, will be available at the [Labcorp Investor Relations website](#) beginning at 9:00 a.m. ET. This webcast will be archived and accessible through Oct. 13, 2023.

About Labcorp

Labcorp 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. Through our unparalleled diagnostics and drug development capabilities, we provide insights and accelerate innovations to improve health and improve lives. With more than 75,000 employees, we serve clients in more than 100 countries. Labcorp (NYSE: LH) reported revenue of \$16.1 billion in 2021. Learn more about us at www.Labcorp.com or follow us on [LinkedIn](#) and Twitter [@Labcorp](#).

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements, including, but not limited to, statements with respect to (i) the estimated 2022 guidance and related assumptions, (ii) the proposed spin-off of the Clinical Development business (“CD”), including statements regarding the expectation that the spin-off transaction (“Transaction”) will be consummated, the anticipated timing of the Transaction, benefits of the Transaction, the expected tax treatment of the Transaction, and opportunities for future growth; (iii) the impact of various factors on operating and financial results, including the projected impact of the COVID-19 pandemic on the company’s businesses, operating results, cash flows and/or financial condition, as well as general economic and market conditions, (iv) the company’s responses to the COVID-19 pandemic, (v) future business strategies, (vi) expected savings and synergies (including from the LaunchPad initiative and from acquisitions and other transactions), and (vii) 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, (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 Transaction; (iii) the receipt of regulatory approvals for the Transaction; (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 for the Transaction that will be filed with the SEC declared effective on a timely basis, or at all; (vii) risks that the Transaction disrupts current plans and operations of the company or CD; (viii) potential difficulties as a result of the Transaction with the company or CD employee retention; (ix) risks related to the Transaction diverting management’s attention from the company and CD’s ongoing business operations; (x) the ability of the company to successfully separate CD operations from the company’s ongoing operations; (xi) market receptiveness to effect transactions in the capital markets; (xii) market reaction to the announcement, updates on, and planning for the Transaction; (xiii) the trading price of the company’s stock, competitive actions and other unforeseen changes and general uncertainties in the marketplace; (xiv) changes in government regulations, including healthcare reform; (xv) customer purchasing decisions, including changes in payer regulations or policies; (xvi) other adverse actions of governmental and third-party payers; (xvii) changes in testing guidelines or recommendations; (xviii) federal, state, and local government responses to the COVID-19 pandemic; (xix) the impact of global geopolitical events; (xx) the effect of public opinion on the company’s reputation; (xxi) adverse results in material litigation matters; (xxii) the impact of changes in tax laws and regulations; (xxiii) failure to maintain or develop customer relationships; (xxiv) the company’s ability to develop or acquire new products and adapt to technological changes; (xxv) failure in information technology, systems or data security; (xxvi) the impact of potential losses under repurchase agreements; (xxvii) adverse weather conditions; (xxviii) the number of revenue days in a financial period; (xxix) employee relations; (xxx) personnel costs; (xxxi) inflation; and (xxxii) the effect of exchange rate fluctuations. These factors, in some cases, have affected and in the future (together with other factors) could affect the company’s ability to implement the company’s business strategy, including the proposed spin-off, and actual results could differ materially from those suggested by these forward-looking statements. As a result, readers are cautioned not to place undue reliance on any of the 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 operating and financial results is included in the company's most recent Annual Report on Form 10-K and subsequent Forms 10-Q, including in each case under the heading RISK FACTORS, and in the company's other filings with the SEC. The information in this press release should be read in conjunction with a review of the company's filings with the SEC including the information in the company's most recent Annual Report on Form 10-K, and subsequent Forms 10-Q, under the heading MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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- Tables to Follow -

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues	\$ 3,606.1	\$ 4,062.6	\$11,202.6	\$12,064.8
Cost of revenues	2,546.4	2,677.1	7,787.3	7,815.5
Gross profit	1,059.7	1,385.5	3,415.3	4,249.3
Selling, general and administrative expenses	510.0	519.9	1,460.1	1,408.4
Amortization of intangibles and other assets	65.2	92.2	198.7	276.7
Goodwill and other asset impairments	—	—	1.2	—
Restructuring and other charges	15.1	6.5	72.1	35.3
Operating income	469.4	766.9	1,683.2	2,528.9
Other income (expense):				
Interest expense	(46.3)	(42.2)	(131.0)	(169.0)
Equity method income, net	1.7	8.4	6.5	20.9
Investment income	4.1	3.2	7.2	8.3
Other, net	(7.3)	31.9	(27.8)	51.5
Earnings before income taxes	421.6	768.2	1,538.1	2,440.6
Provision for income taxes	68.4	180.4	333.9	614.7
Net earnings	353.2	587.8	1,204.2	1,825.9
Less: Net earnings attributable to the noncontrolling interest	(0.4)	(0.5)	(1.2)	(1.6)
Net earnings attributable to Laboratory Corporation of America Holdings	<u>\$ 352.8</u>	<u>\$ 587.3</u>	<u>\$ 1,203.0</u>	<u>\$ 1,824.3</u>
Basic earnings per common share	<u>\$ 3.91</u>	<u>\$ 6.10</u>	<u>\$ 13.09</u>	<u>\$ 18.79</u>
Diluted earnings per common share	<u>\$ 3.90</u>	<u>\$ 6.05</u>	<u>\$ 13.02</u>	<u>\$ 18.63</u>
Weighted average basic shares outstanding	90.2	96.3	91.9	97.1
Weighted average diluted shares outstanding	90.7	97.1	92.4	97.9

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Millions)

	September 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 409.9	\$ 1,472.7
Accounts receivable	2,164.2	2,261.5
Unbilled services	818.5	716.8
Supplies inventory	467.7	401.4
Prepaid expenses and other	511.5	478.1
Total current assets	<u>4,371.8</u>	<u>5,330.5</u>
Property, plant and equipment, net	2,884.7	2,815.4
Goodwill, net	8,217.6	7,958.9
Intangible assets, net	3,807.8	3,735.5
Joint venture partnerships and equity method investments	63.7	60.9
Deferred income taxes	29.4	21.6
Other assets, net	451.0	462.6
Total assets	<u>\$ 19,826.0</u>	<u>\$ 20,385.4</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 765.5	\$ 621.3
Accrued expenses and other	1,040.8	1,404.1
Unearned revenue	530.9	558.5
Short-term operating lease liabilities	178.1	187.0
Short-term finance lease liabilities	5.3	10.5
Short-term borrowings and current portion of long-term debt	1.7	1.5
Total current liabilities	<u>2,522.3</u>	<u>2,782.9</u>
Long-term debt, less current portion	5,334.3	5,416.5
Operating lease liabilities	665.9	642.5
Financing lease liabilities	85.8	84.6
Deferred income taxes and other tax liabilities	672.7	762.9
Other liabilities	433.9	402.0
Total liabilities	<u>9,714.9</u>	<u>10,091.4</u>
Commitments and contingent liabilities		
Noncontrolling interest	18.9	20.6
Shareholders' equity:		
Common stock, 89.6 and 93.1 shares outstanding at September 30, 2022, and December 31, 2021, respectively	8.2	8.5
Additional paid-in capital	—	—
Retained earnings	10,845.0	10,456.8
Accumulated other comprehensive loss	(761.0)	(191.9)
Total shareholders' equity	<u>10,092.2</u>	<u>10,273.4</u>
Total liabilities and shareholders' equity	<u>\$ 19,826.0</u>	<u>\$ 20,385.4</u>

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings	\$ 353.2	\$ 587.8	\$ 1,204.2	\$ 1,825.9
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	157.1	186.1	477.7	557.1
Stock compensation	36.3	59.0	113.9	111.6
Operating lease right-of-use asset expense	48.0	49.0	145.7	145.3
Goodwill and other asset impairments	—	—	1.2	—
Deferred income taxes	(16.1)	(16.5)	(51.6)	(102.0)
Other	(8.6)	(43.3)	(4.9)	(41.0)
Change in assets and liabilities (net of effects of acquisitions and divestitures):				
(Increase) decrease in accounts receivable	30.4	(129.4)	51.8	135.6
Increase in unbilled services	(3.7)	(85.6)	(127.6)	(185.9)
(Increase) decrease in supplies inventory	(11.8)	11.0	(47.5)	(6.5)
Increase in prepaid expenses and other	(41.9)	(41.4)	(67.8)	(72.4)
Increase in accounts payable	3.2	78.9	135.1	34.6
Increase (decrease) in unearned revenue	(4.5)	46.1	(10.7)	83.8
Increase (decrease) in accrued expenses and other	(167.8)	65.6	(517.2)	(74.0)
Net cash provided by operating activities	<u>373.8</u>	<u>767.3</u>	<u>1,302.3</u>	<u>2,412.1</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(103.5)	(117.8)	(364.0)	(310.4)
Proceeds from sale of assets	0.1	0.8	1.2	3.5
Proceeds from sale or distribution of investments	0.3	10.4	0.7	10.4
Proceeds from exit from swaps	(0.1)	—	2.9	—
Proceeds from sale of business	—	(0.7)	—	12.4
Investments in equity affiliates	(1.4)	(8.1)	(6.1)	(20.0)
Acquisition of businesses, net of cash acquired	(458.7)	(291.9)	(1,013.6)	(326.0)
Net cash used for investing activities	<u>(563.3)</u>	<u>(407.3)</u>	<u>(1,378.9)</u>	<u>(630.1)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from senior note offerings	—	—	—	1,000.0
Payments on term loan	—	—	—	(375.0)
Payments on senior notes	—	—	—	(1,000.0)
Net share settlement tax payments from issuance of stock to employees	(7.2)	(1.4)	(44.6)	(44.4)
Net proceeds from issuance of stock to employees	31.5	24.2	50.6	50.8
Dividends paid	(64.9)	—	(131.6)	—
Purchase of common stock	(400.0)	(300.0)	(800.0)	(668.5)
Other	(11.6)	(4.5)	(24.0)	(20.1)
Net cash used for financing activities	<u>(452.2)</u>	<u>(281.7)</u>	<u>(949.6)</u>	<u>(1,057.2)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(17.2)</u>	<u>(5.0)</u>	<u>(36.6)</u>	<u>(9.1)</u>
Net increase (decrease) in cash and cash equivalents	(658.9)	73.3	(1,062.8)	715.7
Cash and cash equivalents at beginning of period	1,068.8	1,963.2	1,472.7	1,320.8
Cash and cash equivalents at end of period	<u>\$ 409.9</u>	<u>\$ 2,036.5</u>	<u>\$ 409.9</u>	<u>\$ 2,036.5</u>

LABORATORY CORPORATION OF AMERICA HOLDINGS
Condensed Combined Non-GAAP Segment Information
(Dollars in Millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<u>Diagnostics</u>				
Revenues	\$ 2,207.6	\$ 2,617.5	\$ 6,917.1	\$ 7,740.8
Adjusted Operating Income	\$ 439.8	\$ 774.9	\$ 1,638.5	\$ 2,429.7
Adjusted Operating Margin	19.9 %	29.6 %	23.7 %	31.4 %
<u>Drug Development</u>				
Revenues	\$ 1,405.8	\$ 1,459.5	\$ 4,317.0	\$ 4,392.9
Adjusted Operating Income	\$ 210.7	\$ 226.1	\$ 592.6	\$ 681.4
Adjusted Operating Margin	15.0 %	15.5 %	13.7 %	15.5 %
<u>Consolidated</u>				
Revenues	\$ 3,606.1	\$ 4,062.6	\$ 11,202.6	\$ 12,064.8
Adjusted Segment Operating Income	\$ 650.5	\$ 1,001.0	\$ 2,231.1	\$ 3,111.1
Unallocated corporate expense	\$ (61.4)	\$ (93.9)	\$ (191.9)	\$ (182.2)
Consolidated Adjusted Operating Income	\$ 589.1	\$ 907.1	\$ 2,039.2	\$ 2,928.9
Adjusted Operating Margin	16.3 %	22.3 %	18.2 %	24.3 %

The consolidated revenue and adjusted segment operating income are presented net of intersegment transaction eliminations and other amounts not used in determining segment performance. Adjusted operating income and adjusted operating margin are non-GAAP measures. See the subsequent reconciliation of non-GAAP financial measures.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<u>Adjusted Operating Income</u>				
Operating Income	\$ 469.4	\$ 766.9	\$ 1,683.2	\$ 2,528.9
Amortization of intangibles and other assets ^(a)	65.2	92.2	198.7	276.7
Restructuring and other charges ^(b)	15.1	6.5	72.1	35.3
Acquisition and disposition-related costs ^(c)	11.5	4.4	33.4	19.1
COVID-19 related costs ^(d)	3.8	18.1	17.3	31.0
Ukraine/Russia crisis costs ^(e)	0.7	—	2.3	—
Spin off transaction costs ^(f)	8.0	—	8.0	—
Retention bonuses ^(g)	0.9	9.6	1.8	9.6
Goodwill impairment	—	—	1.2	—
Other ^(h)	14.5	9.4	21.2	28.3
Adjusted operating income	<u>\$ 589.1</u>	<u>\$ 907.1</u>	<u>\$ 2,039.2</u>	<u>\$ 2,928.9</u>
Adjusted operating margin	16.3 %	22.3 %	18.2 %	24.3 %
<u>Adjusted Net Income</u>				
Net Income	\$ 352.8	\$ 587.3	\$ 1,203.0	\$ 1,824.3
Impact of adjustments to operating income	119.6	140.2	355.9	400.0
Pension settlement	4.0	—	4.0	—
Losses and (gains) on venture fund investments, net ⁽ⁱ⁾	5.7	(33.5)	11.4	(53.1)
Loss on sale of business ^(j)	—	1.1	—	6.1
Debt financing costs ^(k)	—	—	—	33.4
Loss on exit of swap ^(l)	(1.0)	—	(0.3)	—
Change in U.K. tax rates ^(m)	—	—	—	17.1
Impact of tax impacts of adjustments ⁽ⁿ⁾	(56.9)	(33.2)	(116.9)	(98.4)
Adjusted net income	<u>\$ 424.2</u>	<u>\$ 661.9</u>	<u>\$ 1,457.1</u>	<u>\$ 2,129.4</u>
Weighted average diluted shares outstanding	90.7	97.1	92.4	97.9
Adjusted net income per share	\$ 4.68	\$ 6.82	\$ 15.77	\$ 21.75

- (a) Amortization of intangible assets acquired as part of business acquisitions. In the fourth quarter of 2020, the company announced a rebranding resulting in an acceleration of the amortization of acquired trade names impacting amortization for the three and nine months ended September 30, 2021.
- (b) Restructuring and other charges represent amounts incurred in connection with the elimination of redundant positions within the organization in connection with our LaunchPad initiatives and acquisitions or dispositions of businesses by the company.
- (c) Acquisition and disposition-related costs include due-diligence legal and advisory fees, retention bonuses and other integration or disposition related activities.
- (d) Costs related to incremental operating expenses incurred as a result of the COVID-19 pandemic.
- (e) Due to the Russia and Ukraine ongoing conflict and economic sanctions, the company incurred incremental costs and determined that certain receivables and long-lived assets related to its Russia and Ukraine operations were impaired.
- (f) The company has announced the spin-off of the Clinical Development Business and has incurred various costs to prepare for the spin-off transaction.
- (g) Due to the current tight labor markets, the company implemented a targeted retention program within the Drug Development segment for a select group of positions experiencing higher than normal turnover.
- (h) Represents various non-operational items including rebranding, strategic review, litigation, data breach costs, insurance reimbursements, LaunchPad system implementation costs, and acquisition purchase accounting adjustments.
- (i) The company makes investments in companies or investment funds developing promising technology related to its operations. The company recorded net gains and losses related to several distributions from venture funds, increases in the market value of investments, and impairments of other investments due to the underlying performance of the investments.
- (j) Represent the loss on sale of certain assets by the Drug Development business.
- (k) During the second quarter of 2021, the company refinanced \$1,000.0 million in senior notes due in February and August 2022 and incurred costs related to the make-whole provisions and the acceleration of deferred financing costs.
- (l) During the second quarter of 2022, the company exited a portion its cross currency swap and incurred a loss on the settlement of the swap.
- (m) During the second quarter of 2021, the U.K. tax authorities announced increased future tax rates resulting in the revaluation of the U.K. tax assets and liabilities.
- (n) Income tax impact of adjustments calculated based on the tax rate applicable to each item.