

LABORATORY CORP OF AMERICA HOLDINGS  
Form 10-Q  
November 02, 2006

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark  
One)

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

For the quarterly period ended September 30, 2006

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

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. Yes  No

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The number of shares outstanding of the issuer's common stock is 125.4 million shares, net of treasury stock as of October 30, 2006.

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**INDEX**

**PART I. FINANCIAL INFORMATION**

Item 1 Financial Statements:

Condensed Consolidated Balance Sheets  
September 30, 2006 and December 31, 2005

Condensed Consolidated Statements of Operations  
Three and nine month periods ended September 30, 2006 and 2005

Condensed Consolidated Statements of Changes in Shareholders' Equity  
Nine months ended September 30, 2006 and 2005

Condensed Consolidated Statements of Cash Flows  
Nine months ended September 30, 2006 and 2005

Notes to Unaudited Condensed Consolidated Financial Statements

Item 2 Management's Discussion and Analysis of  
Financial  
Condition and Results of Operations

Item 3 Quantitative and Qualitative Disclosures about Market Risk

Item 4 Controls and Procedures

**PART II. OTHER INFORMATION**

Item 1 Legal Proceedings

Item 1A Risk Factors

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

Item 6 Exhibits

2

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	September 30, 2006	December 31, 2005
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 8.6	\$ 45.4
Short-term investments	312.1	17.7
Accounts receivable, net	567.8	493.4
Supplies inventories	75.5	65.4
Prepaid expenses and other	43.9	37.2
Deferred income taxes	25.6	43.2
	<u>          </u>	<u>          </u>
Total current assets	1,033.5	702.3
Property, plant and equipment, net	371.9	381.5
Goodwill, net	1,473.2	1,477.0
Intangible assets, net	611.8	645.7
Investments in joint venture partnerships	598.7	578.9
Other assets, net	76.3	90.4
	<u>          </u>	<u>          </u>
Total assets	\$ 4,165.4	\$ 3,875.8
	<u>          </u>	<u>          </u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 129.3	\$ 116.2
Accrued expenses and other	221.5	227.3
Short term borrowings and current portion of long-term debt	552.7	544.6
	<u>          </u>	<u>          </u>
Total current liabilities	903.5	888.1
Long-term debt, less current portion	603.1	604.5
Deferred income taxes	427.2	408.9
Other liabilities	86.6	88.6
	<u>          </u>	<u>          </u>
Total liabilities	2,020.4	1,990.1
	<u>          </u>	<u>          </u>
Commitments and contingent liabilities	--	--
Shareholders' equity:		
Common stock, 125.4 and 126.5 shares outstanding at September 30, 2006 and December 31, 2005, respectively	14.7	14.8
Additional paid-in capital	1,253.3	1,339.7
Retained earnings	1,664.2	1,336.3
Less common stock held in treasury	(891.6)	(888.5)
Unearned restricted stock compensation	--	(6.9)
Accumulated other comprehensive earnings	104.4	90.3
	<u>          </u>	<u>          </u>
Total shareholders' equity	2,145.0	1,885.7

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	<u>September 30,</u>	<u>December 31,</u>
Total liabilities and shareholders' equity	\$ 4,165.4	\$ 3,875.8

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

3

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net sales	\$ 909.9	\$ 852.9	\$ 2,692.2	\$ 2,505.3
Cost of sales	525.0	498.3	1,541.8	1,447.5
Gross profit	384.9	354.6	1,150.4	1,057.8
Selling, general and and administrative expenses	194.9	179.9	576.0	527.2
Amortization of intangibles	13.0	13.1	39.0	38.3
Restructuring and other special charges	1.0	10.0	1.0	10.0
Operating income	176.0	151.6	534.4	482.3
Other income (expenses):				
Investment loss	--	--	--	(3.1)
Interest expense	(11.9)	(8.4)	(35.4)	(25.5)
Income from joint venture partnerships	16.3	13.8	49.6	41.4
Investment income	2.8	0.4	4.4	1.2
Other, net	(0.1)	--	(1.9)	(0.2)
Earnings before income taxes	183.1	157.4	551.1	496.1
Provision for income taxes	73.5	62.7	223.2	198.8
Net earnings	\$ 109.6	\$ 94.7	\$ 327.9	\$ 297.3
Basic earnings per common share	\$ 0.88	\$ 0.71	\$ 2.63	\$ 2.21
Diluted earnings per common share	\$ 0.81	\$ 0.66	\$ 2.43	\$ 2.07

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	Treasury Stock	Unearned Restricted Stock Compensation	Accumulated Other Comprehensive Earnings	Total Shareholders' Equity
<b>BALANCE AT DECEMBER 31, 2004</b>	\$ 15.1	\$ 1,504.1	\$ 950.1	\$ (544.2)	\$ (7.5)	\$ 81.7	\$ 1,999.3
Comprehensive earnings:							
Net earnings	--	--	297.3	--	--	--	297.3
Other comprehensive earnings:							
Foreign currency translation adjustments	--	--	--	--	--	14.7	14.7
Tax effect of other comprehensive earnings adjustments	--	--	--	--	--	(6.1 )	(6.1 )
Comprehensive earnings							305.9
Issuance of common stock under employee stock plans	0.2	53.3	--	--	--	--	53.5
Issuance of restricted stock awards	--	7.2	--	--	(7.2)	--	--
Surrender of restricted stock awards	--	--	--	(7.3)	--	--	(7.3)
Cancellation of restricted stock awards	--	(0.3)	--	--	0.3	--	--
Stock compensation	--	3.9	--	--	5.9	--	9.8
Income tax benefit from stock options exercised	--	10.0	--	--	--	--	10.0
Purchase of common stock	--	--	--	(200.9)	--	--	(200.9)
<b>BALANCE AT SEPTEMBER 30, 2005</b>	<b>\$ 15.3</b>	<b>\$ 1,578.2</b>	<b>\$ 1,247.4</b>	<b>\$ (752.4)</b>	<b>\$ (8.5)</b>	<b>\$ 90.3</b>	<b>\$ 2,170.3</b>
<b>BALANCE AT DECEMBER 31, 2005</b>	<b>\$ 14.8</b>	<b>\$ 1,339.7</b>	<b>\$ 1,336.3</b>	<b>\$ (888.5)</b>	<b>\$ (6.9)</b>	<b>\$ 90.3</b>	<b>\$ 1,885.7</b>
Comprehensive earnings:							
Net earnings	--	--	327.9	--	--		