

LABORATORY CORP OF AMERICA HOLDINGS
Form 8-K
July 24, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

July 24, 2007

(Date of earliest event reported)

**LABORATORY CORPORATION OF
AMERICA HOLDINGS**

(Exact Name of Registrant as Specified in its Charter)

DELAWARE

1-11353

13-3757370

(State or other jurisdiction
of Incorporation)

(Commission
File Number)

(I.R.S.
Employer
Identification
No.)

**358 SOUTH MAIN STREET,
BURLINGTON, NORTH CAROLINA**

27215

336-229-1127

(Address of principal executive offices)

(Zip
Code)

(Registrant's telephone number including area
code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 7.01. Regulation FD Disclosure

Summary information of the Company dated July 24, 2007.

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 hereunto duly authorized.

Laboratory Corporation of America Holdings
(Registrant)

Date: July 24, 2007

By: /s/Bradford T. Smith
Bradford T. Smith, Executive Vice
President
and Secretary

8-K Filed July 24, 2007

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This slide presentation contains forward-looking statements which are subject to change based on various important factors, including without limitation, competitive actions in the marketplace and adverse actions of governmental and other third-party payors. Actual results could differ materially from those suggested by these forward-looking statements. Further information on potential factors that could affect the Company's financial results is included in the Company's Form 10-K for the year ended December 31, 2006, and subsequent SEC filings.

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The Clinical Laboratory Testing Market
> \$40 - \$50 billion Annually

Industry CAGR of 5% - 7%

Market segments:

Routine ~ \$30 - \$35
billion

Esoteric ~ \$4 - \$5 billion

Anatomic pathology ~ \$6
- \$10 billion

Growth opportunities:

Consolidation

Esoteric and anatomic
pathology testing

Hospital outpatient and
outreach

Source: Company estimates, industry reports and 2006 revenue for LabCorp.

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Industry Profile

Integral to quality healthcare

Screening for and early diagnosis of disease
leads to improved outcomes

Monitoring of treatment effectiveness and
disease recurrence

Correct therapy decisions based on known
genetic markers

Cost effectiveness

Cutting-edge technologies

Influences 70% - 80% of healthcare decisions

Rigorous quality standards

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Profile of LabCorp

The leader in the esoteric and genomic testing market and second-largest clinical laboratory company in North America

Offers the broadest range of clinical and anatomic pathology services to aid clinicians in diagnosis, monitoring, prediction and prevention of disease

Conducts > 300 million tests annually

Connectivity with physicians offices

90% of results delivered electronically

70% of tests ordered electronically

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Profile of LabCorp

More than 25,000 employees nationwide

6,200 phlebotomists

2,600 couriers

700 MDs and PhDs

1,700 conveniently located patient service centers

Rigorously monitored, industry-leading quality and service metrics

Highest quality, CAP inspected and CLIA certified laboratories

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Primary Testing Locations

Primary LabCorp Testing Locations

Corporate Headquarters

Burlington, NC

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What is LabCorp?

Clinical Pathology

Medical

Testing

Services

Esoteric

Testing

Genomics

Anatomic Pathology

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Strategic Focus Areas

Scientific

Leadership

Managed

Care

Customer

Focus

Cancer diagnostics and monitoring

Advanced cardiovascular disease testing

Quality and service driven culture

Continuous enhancements in customer connectivity

First-time problem resolution

Advancement through acquisitions and licensing

Partner to control high cost leakage

Lab data enables better treatment and outcomes

Recognize value of lab services through appropriate pricing

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Revenue Growth Drivers

Managed Care

Partner of choice for major managed care organizations

Recognition of value from standardized lab data

Breadth of test menu, quality, convenience

Cancer diagnostics

Anatomic pathology - \$6 - \$10 billion fragmented market

Treatment decisions/monitoring

Recurrence testing

Cardiovascular disease

Lab testing is foundation for determining need for imaging, invasive procedures, pharmaceutical treatments

VAP, NMR, high-sensitivity CRP

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EBITDA Margin Growth Drivers

Increased volumes through fixed-cost infrastructure

Larger number of esoteric tests offered, more esoteric tests ordered

Further operational efficiencies

Increase automation in pre-analytic processes

Logistics / route structure optimization

Supply chain management

Improvement in collections / bad debt

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LabCorp's Investment and
Performance Fundamentals

Industry-leading EBITDA margins

Significant free cash flow

Focus on returning value to shareholders

Strategic acquisitions

Organic growth opportunities

Share repurchase – additional \$500 million
authorization announced 3/13/07

Flexibility for future growth opportunities

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Five-Year Revenue and EPS Trend

Revenue CAGR of 9% - Diluted EPS CAGR of 19%

(1)

(1)

Excluding the \$0.09 per diluted share impact in 2005 of restructuring and other special charges, and a non-recurring investment loss.

(2)

Excluding the \$0.07 per diluted share impact in 2006 of restructuring and other special charges, and the \$0.10 per diluted share impact in 2006 of adoption of SFAS 123(R).

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Five-Year OCF and EBITDA Margin Trend

OCF CAGR of 9% - EBITDA Margin Growth of 420 bps

(1)

Includes approximately \$50 million of benefit from one-time tax credits recorded in 2003.

(2)

Excluding the impact in 2005 of restructuring and other special charges and a non-recurring investment loss.

(3)

Excluding the impact in 2006 of restructuring and other special charges and of the adoption of SFAS 123(R).

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Second Quarter Results
(in millions, except per share data)

6/30/2006

6/30/2007

+ / (-)

Revenue

903.7

\$

1,043.1

\$

15.4%

EBITDA

(1)

247.1

\$

279.6

\$

13.1%

EBITDA Margin

27.3%

26.8%

(50)

bp

Diluted EPS

(2)

0.87

\$

1.09

\$

25.3%

(1) Excludes restructuring and other special charges of \$7.0 million recorded by the Company in the second quarter of 2007.

(2) Excludes the \$0.04 per diluted share impact of the restructuring and other special charges recorded in the second quarter of 2007.

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Six-Month Results

(in millions, except per share data)

6/30/2006

6/30/2007

+ / (-)

Revenue

1,782.2

\$

2,041.8

\$

14.6%

EBITDA

(1)

470.9

\$

540.1

\$

14.7%

EBITDA Margin

26.4%

26.5%

10

bp

Diluted EPS

(2)

1.62

\$

2.06

\$

27.2%

(1) Excludes restructuring and other special charges of \$7.0 million recorded by the Company in the second quarter of 2007.

(2) Excludes the \$0.03 per diluted share impact of the restructuring and other special charges recorded in the second quarter of 2007.

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2007 Second Quarter
Financial Achievements

Diluted EPS of \$1.09 ⁽¹⁾

EBITDA margin of 26.8% of net sales⁽²⁾

Operating cash flow of \$153.1 million

Increased revenues 15.4% (14.2% volume; 1.2%
price)

Repurchased approximately \$51.5 million of
LabCorp stock

(1) Excludes the \$0.04 per diluted share impact of the restructuring and other special charges recorded in the second quarter of 2007.

(2) Based on EBITDA of \$279.6 million, excluding the \$7.0 million impact of restructuring and other special charges.

2007 First Half
Financial Achievements

Diluted EPS of \$2.06 ⁽¹⁾

EBITDA margin of 26.5% of net sales ⁽²⁾

Operating cash flow of \$338.9 million

Increased revenues 14.6% (13.3% volume; 1.3% price)

Repurchased approximately \$409.5 million of LabCorp stock

(1) Excludes the \$0.03 per diluted share impact of the restructuring and other special charges recorded in the second quarter of 2007.

(2) Based on EBITDA of \$540.1 million, excluding the \$7.0 million impact of restructuring and other special charges.

Revenue by Payer Q2-YTD-2007
(in millions)

Managed Care

Fee-for-service

\$860.7

42%

Client

\$525.1

26%

Patient

\$195.5

10%

Medicare &
Medicaid

\$373.7

18%

Managed Care

Capitated

\$86.8

4%

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Revenue by Business Area Q2 YTD-2007
(in millions)

Core

\$1,343.1

66%

Genomic

\$314.3

15%

Other Esoteric

\$220.3

11%

Histology

\$164.1

8%

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Revenue Mix by Business Area
(in millions)

21

Revenue by Payer
(in millions, except PPA)

YTD Q2-2005

YTD Q2-2006

YTD Q2-2007

Revenue

Revenue

Revenue

\$'s

%

Accns

PPA

\$'s

%

Accns

PPA

\$'s

%

Accns

PPA

Client

465.1

\$

28%

15.939

29.18

\$

487.0

\$

27%

16.645

29.26

\$

525.1

\$

26%

17.071

30.76

\$

Patient

152.9

9%

1.178

129.80

\$

169.7

10%

1.148

147.81

\$

195.5

10%

1.226

159.44

\$

Third Party

(Medicare/Medicaid)

373.2

23%

9.825

37.98

\$

379.5

21%

9.405

40.35

\$

373.7

18%

9.221

40.53

\$

Managed Care:

- Capitated

68.6

4%

6.653

10.31

\$

70.7

4%

6.701

10.55

\$

86.8

4%

7.765

11.18

\$

- Fee for service

592.6

36%

12.624

46.94

\$

675.3

38%

13.768

49.05

\$

860.7

42%

18.662

46.12

\$

Total Managed Care

661.2

40%

19.277

34.30

\$

746.0

42%

20.469

36.44

\$

947.5

46%

26.427

35.85

\$

LabCorp Total

1,652.4

\$

100%

46.219

35.75

\$

1,782.2

\$

100%

47.667

37.39

\$

2,041.8

\$

100%

53.945

37.85

\$

22

Revenue Mix by Business Area
(in millions, except PPA)

YTD Q2-2005

YTD Q2-2006

YTD Q2-2007

Revenue

Revenue

Revenue

\$'s

%

Accns

PPA

\$'s

%

Accns

PPA

\$'s

%

Accns

PPA

All Genomic

252.1

\$

15%

3.350

75.23

\$

274.4

\$

15%

3.543

77.45

\$

314.3

\$

15%

4.246

74.01

\$

Other Esoteric

159.4

10%

3.892

40.97

190.8

11%

4.577

41.69

220.3

11%

5.396

40.83

Histology

134.5

8%

1.195

112.53

147.9

8%

1.195

123.79

164.1

8%

1.367

120.02

All Genomic / Esoteric

546.0

33%

8.437

64.71

613.1

34%

9.315

65.83

698.7

34%

11.009

63.47

Core

1,106.4

67%

37.782

29.28

1,169.1

66%

38.352

30.48

1,343.1

66%

42.936

31.28

LabCorp Total

1,652.4

\$

100%

46.219

35.75

\$

1,782.2

\$

100%

47.667

37.39

\$

2,041.8

\$

100%

53.945

37.85

\$

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2007 Financial Guidance

Excluding the impact of any share repurchase activity after June 30, 2007, and excluding restructuring and other special charges recorded in 2007, guidance for 2007 is as follows:

Net sales growth of approximately 13% to 14% compared to 2006

EBITDA margins of 26.4% to 26.9% of net sales

Diluted EPS in the range of \$4.11 to \$4.27

Operating cash flow of between \$690 and \$710 million, excluding any transition payments related to the Company's agreement with UnitedHealthcare

Capital expenditures of between \$100 and \$110 million, excluding any additional capital expenditures related to the Company's agreement with UnitedHealthcare

Net interest expense of approximately \$45 million

Bad debt rate of approximately 4.8% of net sales

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Supplemental Financial Information

YTD

Q1 07

Q2 07

2007

Depreciation

26.3

\$

26.1

\$

52.4

\$

Amortization

13.3

\$

13.4

\$

26.7

\$

Capital expenditures

40.8

\$

32.2

\$

73.0

\$

Cash flows from operations

185.8

\$

153.1

\$

338.9

\$

Bad debt as a percentage of sales

4.83%

4.83%

4.83%

Effective interest rate on debt:

Zero coupon-subordinated notes

2.00%

2.00%

2.00%

5 1/2% Senior Notes (including effect of interest rate swap)

5.38%

5.38%

5.38%

5 5/8% Senior Notes

5.75%

5.75%

5.75%

Revolving credit facility (weighted average)

5.80%

5.80%

5.80%

Days sales outstanding

55

55

55

Laboratory Corporation of America

Other Financial Information

June 30, 2007

(\$ in million's)

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Reconciliation of Non-GAAP Financial Measures
(\$ in millions)

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