

LABORATORY CORP OF AMERICA HOLDINGS
Form 8-K
July 26, 2010

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 26, 2010
(Date of earliest event reported)

LABORATORY CORPORATION OF
AMERICA HOLDINGS
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
Incorporation)

1-11353
(Commission File Number)

13-3757370
(I.R.S. Employer Identification No.)

358 South Main Street,
Burlington, North Carolina
(Address of principal executive offices)

27215
(Zip Code)

336-229-1127
(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 communication 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 Regulation FD Disclosure
7.01

Summary information of the Company in connection with non-deal related meetings with RBC Capital Markets on July 27-29, 2010.

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

By: /s/ F. SAMUEL EBERTS III
F. Samuel Eberts III
Chief Legal Officer and Secretary

July 26, 2010

July 27-29, 2010
RBC Capital Markets
NDR

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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, 2009, and subsequent SEC filings.

Forward Looking Statement

Introduction

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Leading National
Lab Provider

- Fastest growing national lab
 - \$55 billion market
 - Clinical, Anatomic and Genomic Testing
 - Serving clients in all 50 states and Canada
 - Foremost clinical trials testing business
-

Introduction

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Valuable Service

- Small component of total cost influences large percentage of clinical decisions
- Screening, early detection, and monitoring reduce downstream costs
- Companion diagnostics improve drug efficacy and reduce adverse drug effects

Attractive Market

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Attractive Market

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Growth Drivers

- Aging population
- Industry consolidation
- Advances in genomics
- Pharmacogenomics /
companion diagnostics
- Cost pressures

Source: CDC National Ambulatory Medical Care Survey and Company Estimates

Attractive Market

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Opportunity to
Take Share

- Approximately 5,000 independent labs
- High cost competitors

Source: Washington G-2 Reports and company estimates

\$55 Billion US Lab Market

55%

14%

9%

4%

19%

Hospital Affiliated

Quest

LabCorp

Physician Office

Other Independent

Attractive Market

Diversified Payor Mix

- No customer > 9% of revenue
- Limited government exposure

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Attractive Market

Diversified Test Mix

- Esoteric 36% of revenue
- Goal of 40% in 3 - 5 years
- Higher priced business

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Competitive Position

Scale and Scope

- National infrastructure
 - Broad test offering
- Managed care contracts
 - Economies of scale

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Primary LabCorp Testing Locations*

Esoteric Lab Locations

(CET, CMBP, Dianon, Esoterix, Monogram Biosciences, NGI, OTS, US Labs, Viromed)

Patient Service Centers*

Competitive Position

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Managed Care Relationships

- Exclusive national laboratory for UnitedHealthcare
 - Sole national strategic partner for WellPoint
 - Significant national plans recently renewed or extended on a multi-year basis, including WellPoint, Cigna and Humana
 - Contracted with numerous local and regional anchor plans
-

Scientific
Leadership

- Introduction of new tests
- Acquisitions and licensing
- Collaborations with leading companies and academic institutions

Competitive Position

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Competitive Position

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Standardized and
Efficient Processes

- Standardized lab and billing
IT systems
 - Automation of pre-analytics
 - Capacity rationalization
 - Logistics optimization
-

2010 Priorities

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Our Focus

- Profitable revenue growth
 - IT and client connectivity
 - Continue scientific leadership
 - Maintain price
 - Control costs
-

2010 Priorities

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Profitable Revenue Growth

- Target specialty physicians with breadth of menu and services
 - Educate payers and physicians on value of LabCorp testing
 - Leverage assets from Monogram acquisition
 - Continue to improve patient experience
-

2010 Priorities

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IT and Client

Connectivity

- Enhance online services and analytic tools
 - LabCorp Inside the Box for superior connectivity
 - Improve Patient Experience through:
 - Automated PSC workflow
 - Patient access via PHRs, online appointments
 - Enterprise services including VoIP
 - Continue “open platform” strategy to maximize options for users
-

Continue Scientific
Leadership

- Increase esoteric testing
- Grow and enhance offerings in personalized medicine:
- Expand outcome improvement programs
- Develop and commercialize companion diagnostics

2010 Priorities

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Increase

Esoteric Testing

- Introduction of new tests
- Acquisitions and licensing
- Collaborations with academic institutions

Continue Scientific Leadership

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New Tests Include:

Collaborations Include:

BRAF Gene Mutation Detection

EGFR Mutation Analysis for Non-small-Cell Lung Cancer

Warfarin (P450 2C9 and VKORC1)

Clopidogrel CYP2C19 Genotyping

Duke University

National Jewish Health

Integrase - HIV Genotyping (GenoSure) and HIV Phenotyping (PhenoSense)

HERmark for Breast Cancer

Yale University

Enhanced Profile

H1N1 - Flu Testing

Expand Outcomes
Improvement

- Litholink kidney stone
 - CKD
 - Continual development of
valuable programs
- Continue Scientific Leadership

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Continue Scientific Leadership

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Develop and
Commercialize

Companion Diagnostics

- Invest in clinical trials
- Relationships with biotech and pharma companies
 - Promote key tests
 - K-RAS
 - HLA-B* 5701
- BRAF Gene Mutation Detection
 - EGFR Mutation Analysis
 - CYP 450 2C19
 - Monogram Biosciences
 - Trofile
- PhenoSense, PhenoSense GT
 - HERmark

“K-RAS testing should be routinely conducted in all colorectal cancer patients immediately after diagnosis to ensure the best treatment strategies for the individual Patient”

- Dr. Eric Van Cutsem, presenter at the June 2008 American Society of Clinical Oncology meeting
FDA recommends genetic screening prior to treatment with Abacavir

ROCKVILLE, Md -- July 24, 2008 -- The US Food and Drug Administration (FDA) has issued an alert regarding serious, and sometimes fatal, hypersensitivity reactions (HSRs) caused by abacavir (Ziagen) therapy in patients with a particular human leukocyte antigen (HLA) allele, HLA-B* 5701.

Genetic tests for HLA-B*5701 are already available, and all patients should be screened for the HLA-B*5701 allele before starting or restarting treatment with abacavir or abacavir-containing medications.

“FDA has approved the expanded use of Selzentry... to include adult patients with CCR5-tropic HIV-1 virus who are starting treatment for the first time.”

- ViiV Healthcare Press Release, November 20th, 2009

2010 Priorities

Maintain Price

- Managed care stability; offsets
1.9% Medicare rate decrease
 - Focus on high-value tests
- Promote outcome improvement

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Control Costs

- Continue focus on collections and bad debt reduction
 - Optimize supply chain
 - Use efficiency gains to improve patient experience

2010 Priorities

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\$3,085
 \$3,328
 \$3,591
 \$4,068
 \$4,513
 \$4,695
 \$2.45
 \$2.80
 \$3.30
 \$4.18
 \$4.60
 \$4.89
 2004
 2005
 2006
 2007
 2008
 2009

Revenue (\$mil)

EPS

Excellent Performance

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Revenue and

EPS Growth

• 9% Revenue CAGR

• 15% EPS CAGR

(1) Excluding the \$0.09 per diluted share impact in 2005 of restructuring and other special charges, and a non-recurring investment loss; excluding the \$0.06 per diluted share impact in 2006 of restructuring and other special charges; excluding the \$0.25 per diluted share impact in 2007 of restructuring and other special charges; excluding the

(2) EPS, as presented, represents adjusted, non-GAAP financial measures. Diluted EPS, as reported in the Company's Annual Report were: \$2.45 in 2004; \$2.71 in 2005; \$3.24 in 2006; \$3.93 in 2007; \$4.16 in 2008; and \$4.98 in 2009.

\$0.44 per diluted share impact in 2008 of restructuring and other special charges; excluding the (\$0.09) per diluted share impact in 2009 of restructuring and other special charges.

Revenue and EPS Growth: 2004 - 2009 (1) (2)

Excellent Performance

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Leading Returns

- Leading returns
- Leading EBIT margin

18.2%

20.5%

21.8%

27.6%

27.5%

25.8%

0.0%

5.0%

10.0%

15.0%

20.0%

25.0%

30.0%

2004

2005

2006

2007

2008

2009

LabCorp ROE 2004

-

2009

Excellent Performance

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Cash Flow

- 11% FCF CAGR
- \$2.0 B+ share repurchase over last three years

Note: \$ in Millions

Second Quarter and YTD 2010 Results

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	Three Months Ended Jun 30,			Six Months Ended Jun 30,		
	2010	2009	+ /(-)	2010	2009	+ /(-)
Revenue (1)	\$ 1,238.4	\$ 1,188.8	4.2%	\$ 2,432.0	\$ 2,344.5	3.7%
Adjusted Operating Income	\$ 270.5	\$ 254.9	6.1%	\$ 514.0	\$ 495.4	3.8%
Adjusted Operating Income Margin	21.8%	21.4%	40 bp	21.1%	21.1%	- bp
Adjusted EPS (1)	\$ 1.46	\$ 1.30	12.3%	\$ 2.76	\$ 2.51	10.0%
Operating Cash Flow	\$ 216.2	\$ 182.4	18.5%	\$ 448.2	\$ 391.3	14.5%
Less: Capital Expenditures	\$ (34.5)	\$ (23.7)	45.6%	\$ (59.0)	\$ (54.4)	8.5%
Free Cash Flow	\$ 181.7	\$ 158.7	14.5%	\$ 389.2	\$ 336.9	15.5%

(1) During the first quarter inclement weather reduced revenue by an estimated \$23 million and EPS by approximately eight cents

Reconciliation of Non-GAAP Financial Measures

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Reconciliation of non-GAAP Financial Measures

(In millions, except per share data)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2010	2009	2010	2009
Adjusted Operating Income				
Operating income	\$ 270.5	\$ 244.7	\$ 504.7	\$ 485.2
Restructuring and other special charges	\$ -	\$ 10.2	\$ 9.3	\$ 10.2
Adjusted operating income	\$ 270.5	\$ 254.9	\$ 514.0	\$ 495.4
Adjusted EPS				
Diluted earnings per common share	\$ 1.46	\$ 1.24	\$ 2.70	\$ 2.46
Impact of restructuring and other special charges (1) (2)	\$ -	\$ 0.06	\$ 0.06	\$ 0.05
Adjusted EPS	\$ 1.46	\$ 1.30	\$ 2.76	\$ 2.51

(1) After tax impact of restructuring and other special charges for the three months and six months ended June 30, 2010 (\$- million divided by 105.4 million shares and \$5.7 million divided by 105.9 million shares, respectively)

(2) After tax impact of restructuring and other special charges for the three months and six months ended June 30, 2009 (\$6.0 million divided by 109.5 and 109.4 million shares, respectively)

Supplemental Financial Information

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Laboratory Corporation of America

Other Financial Information

FY 2009 and Q1/Q2 2010

(\$ in millions)

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Bad debt as a percentage of sales	5.30%	5.30%	5.30%	5.30%	5.05%	4.80%
Days sales outstanding	52	50	48	44	46	45
A/R coverage (Allow. for Doubtful Accts. / A/R)	19.5%	20.6%	21.9%	23.2%	21.7%	20.7%

Key Points

- Critical position in health care delivery system
 - Attractive market
- Strong competitive position - well positioned to gain share
 - Leadership in personalized medicine
 - Excellent cash flow
 - Strong balance sheet

Conclusion

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