Q3 2026 Labcorp Holdings Inc. Earnings Call Prepared Remarks

Nickolo Russo, VP Investor Relations

Good morning and welcome to Labcorp's third quarter 2026 financial results webcast. With me today are Adam Schechter, our Chairman and Chief Executive Officer, and Julia Wang, our Executive Vice President and Chief Financial Officer.

This morning, in the “events” section of the Labcorp Investor Relations website at ir.labcorp.com, we posted both our press release and a supplemental financial presentation with additional information on our business and operations. We will also host a replay of this webcast on the IR website for one year.

On today’s webcast, we will focus on our adjusted, non-GAAP, results for the third quarter of 2026, our capital allocation strategy, and our updated financial guidance for the full year 2026. Our GAAP results and a reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures are available in today’s earnings release and the supplemental financial presentation. Please see the “Use of Adjusted Measures” section in the supplemental presentation for more information regarding our use of non-GAAP financial measures. In today’s remarks, the term “organic growth” excludes the impact from acquisitions, divestitures, and currency, as well as other strategic actions taken in the Early Development business.

Our remarks will also include forward-looking statements, including, but not limited to, statements about our updated 2026 financial guidance and long-term financial outlook and the related assumptions of each; the expected impact of various factors on our business, operating and financial results, cash flows and financial condition; global economic and market conditions; our future business strategies; the expected savings, benefits, and synergies from acquisitions and other transactions, and partnerships; and our potential opportunities for future growth.

Each of these forward-looking statements is subject to change based upon various factors, many of which are beyond our control. More information is included in our most recent annual report on Form 10-K and subsequent quarterly reports on Forms 10-Q and in the company's other filings with the SEC. We have no obligation to provide any updates to these forward-looking statements, even if our expectations change.

Now, I'll turn the call over to Labcorp's Chairman and CEO, Adam Schechter. Adam?

Adam Schechter, Chairman and Chief Executive Officer

Thank you, Nickolo, and good morning, everyone. We appreciate you joining us today to review our third quarter 2026 results.

Labcorp delivered another strong quarter with 7% revenue growth driven by volume, margin expansion across the enterprise and 14.5% EPS growth.

Our results reflect disciplined execution, as we drive continued momentum in Diagnostics and Biopharma Laboratory Services. With these strong results, we are increasing our 2026 guidance.

Before turning to the specifics of the quarter, I want to briefly address PAMA.

We are disappointed by the recent announcement on the proposed fee schedule changes related to PAMA, which is expected to reduce Medicare reimbursement rates for hundreds of laboratory tests beginning in 2027.

The preliminary Fee Schedule is not fully representative of the broader commercial laboratory market. The proposed rates rely on data from only two percent of all laboratories paid under Medicare Part B in 2024, and very limited data from physician office laboratories and hospital outreach laboratories.

In our view, these payment cuts will threaten patient access to laboratory services, they will negatively impact patient care and innovation, and they will impact the viability of laboratories across the United States.

We previously considered PAMA-related reimbursement pressure in developing our 2026-2029 long-term outlook and we are reaffirming that outlook today. With our strong underlying business momentum, our strong biopharma laboratory business, and the business development opportunities before us, along with our launchpad initiatives, we remain very positive about the future.

Labcorp continues to support the RESULTS Act, a solution with strong bipartisan support that would encourage a sustainable and innovative laboratory diagnostics system in the United States.

Now, let's turn to our strong financial performance for the third quarter:

- Revenue grew 7% to $3.8 billion
- AOI margin expanded 60 basis points to 15.0%
- Adjusted earnings per share grew 14.5% to $4.78
- Free cash flow was $412 million

Moving to our segments:

- Diagnostics revenue increased 6.5% to $2.9 billion
- Biopharma Laboratory Services revenue increased 8.5% to $867 million driven by continued strength in Central Laboratories
- Our BLS book-to-bill was 1.13 in the quarter and 1.10 in the trailing twelve months

Julia will talk more about our strong results and increased 2026 guidance in just a moment.

At our Investor Day, we laid out the next phase of Labcorp's strategy and the priorities we believe will drive attractive growth over the long term.

Beginning with Leading in Specialty Testing:

As new therapies emerge, particularly in high-growth specialty areas like oncology, neurology, autoimmune disease and women's health, Labcorp's testing solutions are integral for drug development, diagnosis, therapy selection and ongoing disease monitoring.

Our specialty testing business continues to grow about three times faster than the broader diagnostics market. Importantly, this growth creates a halo effect for our core laboratory business, as physicians often order specialty tests alongside other Labcorp tests for their patients, driving volume growth across both specialty and core diagnostic testing.

During the quarter, we expanded our leadership position across important high-growth specialty areas.

In Oncology, we meaningfully advanced precision medicine.

- We announced FDA approval of a companion diagnostic supporting patients with advanced melanoma. This approval supports treatment decisions for both patients and providers, and demonstrates the capabilities of our PGDx platform, strengthening our position in companion diagnostics. This platform can support future companion diagnostic opportunities, and we are seeing increased interest from our biopharma clients.

- We also announced a collaborative clinical study with the Knight Cancer Institute at Oregon Health & Science University evaluating Labcorp's Plasma Detect Genome MRD test to detect muscle-invasive bladder cancer recurrence, a significant clinical challenge despite advances in treatment.

Moving to Neurology:

New therapies, blood-based biomarkers, and an increasing understanding of neurodegenerative disease are enabling earlier diagnosis, more informed treatment decisions, and improved patient care.

Labcorp is a leader in this space, and our neurology portfolio spans Alzheimer's disease, Parkinson's disease, ALS, multiple sclerosis, epilepsy, stroke and other neurological conditions.

Subsequent to the quarter, we launched an FDA-cleared pTau-217 test for Alzheimer's disease available in both primary and specialty care settings.

This launch will help bring Alzheimer's testing to clinical practices, enabling earlier and more accessible detection. This test will also strengthen our position in one of the fastest-growing areas of specialty testing.

Beyond our specialty focus areas, we continue to leverage science and innovation to address many important healthcare needs.

- For example, we launched the Hepatitis D Reflex test to support earlier detection of the most severe form of viral hepatitis.

- We announced a collaboration with Waters Corporation that positions Labcorp as the first commercial laboratory to offer the FDA-approved BD Onclarity™ HPV assay across clinician- and self-collected screening options, including in-clinic, patient service center and at-home settings.

Focusing now on the priority of Being Partner of Choice for Health Systems and Leading Pharma:

Partnerships and acquisitions expand access to testing capabilities and allow us to bring the benefits of scale, science, and operational excellence to customers.

During the quarter:

- We acquired MLM Medical Labs, expanding our global central laboratory capabilities. This acquisition establishes Labcorp as the only central laboratory provider with a wholly owned laboratory network across four continents: North America, Europe, Asia and Africa.

- We also partnered with the National Association of Community Health Centers to strengthen leadership development, support practice improvement and advance community health initiatives across the nation’s Community Health Center network.

- Subsequent to quarter end, we signed three acquisition agreements, each of which is expected to meet our financial criteria of being accretive to adjusted EPS in the

first year and returning the cost of capital by year three. The timing of each of these is subject to regulatory approvals and customary closing conditions. These include:

- an agreement to acquire select assets of BioReference Health's laboratory testing business.
- an agreement with Myriad Genetics to acquire their Prenatal Health testing business, which includes the Prequel®, Foresight, SneakPeek®, and FirstGene® tests.
- And, an agreement to acquire Millennium Health, an accredited specialty laboratory with more than 15 years of experience in drug testing and surveillance.

We continue to have a strong pipeline of partnership and acquisition opportunities that support our long-term growth strategy. We look forward to discussing those with you in the future.

Moving to Personalized Health Solutions, which encompasses both precision medicine and consumer health:

In addition to several new companion diagnostics, we also launched solutions that help consumers better understand, manage, and improve their health.

In the quarter,

- Labcorp OnDemand launched our Advanced Health Panel and the Marker by Labcorp Genetic Health Panel. With over 140 panels and tests across many conditions, we provide insights to consumers to understand their health over time.

- We also announced a collaboration with Thrive Global to launch the Thrive 5 Health Test on Labcorp OnDemand, a test that combines lab results with other health biomarkers to help improve cardiometabolic health. In addition to their results, consumers receive personalized educational content and a practical action plan.

These examples demonstrate the value of Labcorp's lab testing capabilities to deliver more meaningful insights for consumers.

Shaping Our Future Through Technology and Innovation continues to be a focus of our organization.

Our advanced technology solutions include the My Labcorp app, TestFinder, and increased automation in our laboratories using robotics, digital pathology solutions to improve customer experiences, to enhance productivity and to help transform our business.

In the quarter, our Central Laboratory Services business launched the next generation of Labcorp Global Trial Connect, helping pharma sponsors and investigator sites more effectively navigate growing clinical trial complexity, reinforcing our commitment to delivering differentiated technology-enabled solutions for our customers.

The strength of our technology strategy and continued focus on innovation was recognized by Forbes, which named Labcorp to its list of America's Best Employers for Tech Workers.

With that, I will hand it over to Julia to discuss the financials in more detail.

Julia Wang, EVP and Chief Financial Officer

Thank you, Adam.

Our third quarter results represented strong execution and continued progress against our strategic priorities. Enterprise revenue grew 6.9% versus prior year. Adjusted operating margin expanded 60 basis points primarily driven by organic revenue growth and operating efficiencies. Adjusted earnings per share grew 14.5% and we generated $412 million in free cash flow. These results demonstrated the earnings leverage in our business, as solid organic growth, disciplined execution and productivity improvement translated into margin expansion and double-digit earnings growth.

We remained active in capital deployment with $256 million in acquisitions and $58 million in dividends. We ended the quarter with $262 million in cash and $5.9 billion in total debt. As approved by our Board of Directors, we currently have approximately $1.4 billion remaining under our share repurchase program, providing continued flexibility to return capital to shareholders.

Moving to more details on the quarter, enterprise revenue was $3.8 billion, up 6.9% from the third quarter of 2025. Organic revenue growth was 5.5%. Net acquisitions contributed 1.5% of growth, partially offset by foreign currency translation of (0.1%).

Adjusted operating income was $570 million, or 15.0% of revenue, compared to $513 million, or 14.4% of revenue last year.

The adjusted tax rate was 22.9%, in line with last year. We continue to expect our full-year adjusted tax rate to be nearly 23%.

Adjusted EPS was $4.78, up 14.5% from last year.

Free Cash Flow was $412 million, compared to $281 million last year. The increase was primarily driven by improvement in working capital, partially offset by planned increases in capital expenditures. Our strong cash generation provides continued flexibility to invest in the businesses while maintaining a disciplined approach to capital deployment.

Turning to our segments, Diagnostics Laboratories continued to perform well. Revenue was $2.9 billion, up 6.5% compared to the prior year. We delivered organic revenue growth of 4.4%, consisting of 3.1% volume growth and 1.3% favorable price/mix, largely driven by higher tests per accession. Acquisitions contributed 2.2% to revenue growth.

Diagnostics adjusted operating income was $492 million, or 16.7% of segment revenue, compared to $450 million, or 16.3% of revenue last year. The combination of healthy organic growth and continued operating efficiencies drove 40 basis points of margin expansion in Diagnostics.

As Adam mentioned, subsequent to the quarter end, we entered into agreements to acquire select assets of BioReference Health, Myriad Genetics' Prenatal Health testing business and Millennium Health. In addition to being strong strategic fits, each of these transactions is expected to meet our acquisition financial criteria of being accretive to adjusted EPS in year 1 and returning cost of capital by year 3. As typical with all of our acquisitions, we expect these transactions to become more accretive over time as we fully integrate.

Related to the BioReference Health transaction, we would expect to generate $250M of revenue in the first twelve months at an adjusted operating margin slightly higher than the

Diagnostics segment average, resulting in approximately 15 cents of adjusted EPS including financing costs. We currently expect a mid-year 2027 close, subject to regulatory approvals and customary closing conditions.

As it relates to the Myriad Genetics transaction, we expect to add approximately $160 million in revenue and to be slightly accretive to adjusted EPS in year one, and to reach average Diagnostics segment margins by end of year two, once fully integrated. We currently expect an early 2027 close, subject to regulatory approvals and customary closing conditions.

BLS revenue was $867 million, up 8.5% compared to last year. Organic constant currency revenue growth was 9.6%. The strong organic growth was partially offset by the strategic actions in Early Development of (1.2)%, and acquisitions offset the impact of foreign currency translation.

Within the BLS segment, on an organic constant currency basis, Central Lab Services delivered strong revenue growth of 11.3% and Early Development grew 5.0%. The strong growth in Central Labs was essentially driven by healthy underlying demand, while favorable timing related to study starts in the quarter also contributed.

BLS segment adjusted operating income was $159 million, or 18.3% of revenue, compared to $132 million, or 16.5% of revenue last year. Adjusted operating margin expanded 180 basis points, driven by organic growth and operating efficiencies from the strategic actions we have taken in Early Development.

Our BLS segment ended the quarter with a backlog of $8.9 billion. We expect approximately $2.8 billion to convert into revenue over the next 12 months. Quarterly book to bill was strong at 1.13, translating into a strong trailing twelve-month book to bill of 1.10.

The combination of robust organic growth, significant margin expansion and healthy book-to-bill reinforces our confidence in the trajectory of BLS.

Turning to our full year 2026 guidance, strong year-to-date execution and continued business momentum give us increased confidence in our outlook. As a result, we are raising the midpoint of our 2026 enterprise revenue range and adjusted EPS range by $65 million and 18 cents, respectively. The increase in our outlook reflects stronger underlying

business performance, partially constrained by approximately $10 million in incremental foreign currency headwind versus our prior guidance.

Enterprise revenue is expected to grow 5.9% to 6.7%, which represents a 50-basis point increase at the midpoint. The guidance includes a 30-basis point benefit from foreign currency translation, versus a 40-basis point benefit in our prior guidance.

Diagnostics segment revenue is expected to grow 5.5% to 6.2%. This is a 20 basis point increase at the midpoint. We continue to expect the majority of the growth to be driven by organic performance.

BLS segment revenue is expected to grow 7.4% to 8.4%. We have raised the midpoint of our BLS revenue guidance by 190 basis points, primarily driven by continued strength in Central Labs. The current guidance includes a 130-basis point foreign currency tailwind, compared with a 150-basis point tailwind in our prior guidance.

For the full year, on an organic constant currency basis, we now expect Central Labs revenue to grow in the high-single digits, and continue to expect Early Development to grow in the low-single digits.

We continue to anticipate enterprise margin expansion for FY 2026, driven by both Diagnostics and BLS relative to 2025. At the enterprise level, Launchpad continues to deliver productivity improvement and remains on track for the $125M full-year savings target.

Our adjusted EPS guidance range is $18.30 to $18.70, with an implied growth rate at the midpoint of 12.5%.

Our free cash flow guidance range remains $1.24 billion to $1.36 billion. We continue to expect capital expenditures to be nearly 4.0% of revenue.

Our full year guidance assumes foreign exchange rates as of September 30, 2026. The guidance also reflects our current capital allocation assumptions, including the use of free cash flow for acquisitions, share repurchases, and dividends.

As we look towards 2027, based on the preliminary fee schedule proposed by CMS, we estimate the impact of PAMA to be approximately $125 million, and we expect to offset a

portion of that impact. With our underlying business momentum in Diagnostics, strong biopharma business, business development opportunities, and Launchpad initiatives, we remain very positive about the prospect of 2027. And we look forward to providing 2027 guidance in February.

Now I will turn the call back to Adam for closing remarks.

Adam Schechter, Chairman and Chief Executive Officer

Thank you, Julia.

Let me close with a few key takeaways:

- First, we delivered another excellent quarter, with strong revenue growth, margin expansion, and double-digit adjusted EPS growth.

- Second, we are translating the strategy we laid out at Investor Day into execution, strengthening our leadership in specialty testing, expanding strategic partnerships and acquisitions, accelerating personalized health solutions and leveraging technology to improve performance.

- And third, as a result of our performance, we are increasing the midpoint of our full year guidance for revenue and EPS and expect to move into 2027 with solid momentum.

We are confident in our strategy, we are encouraged by the opportunities ahead of us, and we are well positioned for continued strong performance moving forward.

Operator, we will now take questions.