



# Fourth Quarter 2020 Supplemental Financial Information

February 11, 2021

**labcorp**

# Cautionary Statement Regarding Forward-Looking Statements

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This presentation of Laboratory Corporation of America Holdings contains forward-looking statements, including, but not limited to, statements with respect to the estimated 2021 guidance and the related assumptions, 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, statements relating to our responses to and the expected future impacts of the COVID-19 pandemic, on our business more generally as well as on general economic, business, and market conditions, future business strategies, expected savings and synergies (including from the LaunchPad initiative and from acquisitions), and the 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, the impact of the COVID-19 pandemic and its impact on our business and financial condition and on general economic, business, and market conditions, our ability (or inability) to execute on our plans to respond to the COVID-19 pandemic, competitive actions and other unforeseen changes and general uncertainties in the marketplace, changes in government regulations, including healthcare reform, customer purchasing decisions, including changes in payer regulations or policies, other adverse actions of governmental and third-party payers, changes in testing guidelines or recommendations, federal, state, and local government responses to the COVID-19 pandemic, the effect of public opinion on the company's reputation, adverse results in material litigation matters, the impact of changes in tax laws and regulations, failure to maintain or develop customer relationships, our ability to develop or acquire new products and adapt to technological changes, failure in information technology, systems or data security, adverse weather conditions, the number of revenue days in a financial period, employee relations, personnel costs, and 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 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 our 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 presentation 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.

# Use of Adjusted Measures

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The company has provided in this presentation and accompanying tables “adjusted” financial information that has not been prepared in accordance with GAAP, including adjusted net income, adjusted EBITDA, 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 presentation.

# Fourth Quarter Consolidated Results

## (Dollars in Millions, Except Per Share Data)

	<u>4Q20</u>	<u>4Q19</u>	<u>% Change</u>
Revenues	\$4,489.8	\$2,953.4	52.0% <sup>(2)</sup>
Adjusted Operating Income <sup>(1)</sup>	\$1,429.5	\$422.0	238.7%
<i>Adjusted Operating Margin</i>	31.8 %	14.3 %	1760 bps
Adjusted EPS <sup>(1)</sup>	\$10.56	\$2.86	269.2%
Operating Cash Flow	\$774.6	\$569.8	35.9%
Less: Capital Expenditures	<u>(\$99.4)</u>	<u>(\$128.2)</u>	22.5%
Free Cash Flow	\$675.2	\$441.6	52.9%

(1) Adjusted operating income and Adjusted EPS exclude amortization, restructuring charges, and special items. See Reconciliation of Non-GAAP Financial Measures on slides 15 – 18.

(2) The increase in revenue was due to organic growth of 50.1%, acquisitions of 0.9%, and favorable foreign currency translation of 1.0%. The 50.1% increase in organic revenue includes a 46.4% contribution from COVID-19 Testing and a 3.7% increase in the company's organic Base Business. "Base Business" includes the company's business operations except for PCR and antibody COVID-19 testing ("COVID-19 Testing"). The increase in organic Base Business includes the negative impact from lower Medicare and Medicaid pricing as a result of PAMA of (0.6%).

# Full Year Consolidated Results

## (Dollars in Millions, Except Per Share Data)

	<u>Year Ended 12/31/20</u>	<u>Year Ended 12/31/19</u>	<u>% Change</u>
Revenues	\$13,978.5	\$11,554.8	21.0% <sup>(2)</sup>
Adjusted Operating Income <sup>(1)</sup>	\$3,331.9	\$1,710.8	94.8%
<i>Adjusted Operating Margin</i>	23.8 %	14.8 %	900 bps
Adjusted EPS <sup>(1)</sup>	\$23.94	\$11.32	111.5%
Operating Cash Flow	\$2,135.3	\$1,444.7	47.8%
Less: Capital Expenditures	<u>(\$381.7)</u>	<u>(\$400.2)</u>	4.6%
Free Cash Flow	\$1,753.6	\$1,044.5	67.9%

(1) Adjusted operating income and Adjusted EPS exclude amortization, restructuring charges, special items, and impairments. See Reconciliation of Non-GAAP Financial Measures on slides 15 – 18.

(2) The increase in revenue was due to organic growth of 19.0%, acquisitions of 1.8%, and favorable foreign currency translation of 0.4%, partially offset by the disposition of a business of (0.2%). The 19.0% increase in organic revenue includes the 24.1% contribution from COVID-19 Testing, partially offset by the (5.1%) reduction in the company's organic Base Business due to the pandemic. The decline in organic Base Business includes the negative impact from PAMA of (0.6%).

# Fourth Quarter Adjusted Segment Results

## (Dollars in Millions)

	4Q20	4Q19	% Change
<b>Revenues</b>			
Diagnostics	\$3,154.6	\$1,757.8	79.5%
Drug Development	\$1,398.3	\$1,201.7	16.4%
<b>Total Revenues <sup>(1)</sup></b>	<b>\$4,489.8</b>	<b>\$2,953.4</b>	<b>52.0%</b>
<b>Adjusted Operating Income <sup>(2)</sup></b>			
Diagnostics	\$1,234.4	\$277.1	345.5%
<i>Adjusted Operating Margin</i>	<i>39.1%</i>	<i>15.8%</i>	<i>2340 bps</i>
Drug Development	\$248.4	\$183.2	35.6%
<i>Adjusted Operating Margin</i>	<i>17.8%</i>	<i>15.2%</i>	<i>250 bps</i>
Unallocated Corporate Expense	(\$53.3)	(\$38.3)	(39.2%)
<b>Total Adjusted Operating Income</b>	<b>\$1,429.5</b>	<b>\$422.0</b>	<b>238.7%</b>
<i>Total Adjusted Operating Margin</i>	<i>31.8%</i>	<i>14.3%</i>	<i>1760 bps</i>

(1) The consolidated revenue is presented net of intersegment transaction eliminations and other amounts not used in determining segment performance.

(2) Adjusted operating income excludes amortization, restructuring charges, and special items. See Reconciliation of Non-GAAP Financial Measures on slides 15 – 18.

# Full Year Adjusted Segment Results

## (Dollars in Millions)

	<u>Year Ended 12/31/20</u>	<u>Year Ended 12/31/19</u>	<u>% Change</u>
<b>Revenues</b>			
Diagnostics <sup>(1)</sup>	\$9,253.4	\$6,999.9	32.2%
Drug Development	\$4,877.7	\$4,578.1	6.5%
<b>Total Revenues</b> <sup>(2)</sup>	<b>\$13,978.5</b>	<b>\$11,554.8</b>	<b>21.0%</b>
<b>Adjusted Operating Income</b> <sup>(3)</sup>			
Diagnostics	\$2,801.3	\$1,229.1	127.9%
<i>Adjusted Operating Margin</i>	<i>30.3%</i>	<i>17.6%</i>	<i>1270 bps</i>
Drug Development	\$721.6	\$637.9	13.1%
<i>Adjusted Operating Margin</i>	<i>14.8%</i>	<i>13.9%</i>	<i>90 bps</i>
Unallocated Corporate Expense	(\$191.0)	(\$156.2)	(22.3%)
<b>Total Adjusted Operating Income</b>	<b>\$3,331.9</b>	<b>\$1,710.8</b>	<b>94.8%</b>
<i>Total Adjusted Operating Margin</i>	<i>23.8%</i>	<i>14.8%</i>	<i>900 bps</i>

(1) Diagnostics' results exclude the increase in accounts receivable reserves associated with increased collection risk resulting from the COVID-19 pandemic.

(2) The consolidated revenue is presented net of intersegment transaction eliminations and other amounts not used in determining segment performance.

(3) Adjusted operating income excludes amortization, restructuring charges, special items, and impairments. See Reconciliation of Non-GAAP Financial Measures on slides 15 – 18.

# Select Financial Metrics

## (Dollars in Millions)

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	4Q19	1Q20	2Q20	3Q20	4Q20
Total Depreciation	\$85.1	\$82.1	\$84.0	\$90.1	\$93.1
Total Amortization <sup>(1)</sup>	\$64.2	\$62.3	\$60.1	\$62.2	\$90.8
Total Adjusted EBITDA <sup>(2)</sup>	\$509.5	\$449.3	\$467.2	\$1,249.8	\$1,528.2
Total Debt to Last Twelve Months Adjusted EBITDA <sup>(2)</sup>	3.1x	3.2x	3.3x	2.2x	1.6x
Total Net Debt to Last Twelve Months Adjusted EBITDA <sup>(2)(3)</sup>	2.9x	3.0x	3.0x	2.0x	1.2x

(1) Excludes amortization of deferred financing fees.

(2) Adjusted EBITDA excludes restructuring charges and special items. See reconciliation on slide 14.

(3) Net debt equals total debt less cash and cash equivalents.



# Drug Development: Select Financial Metrics<sup>(1)</sup>

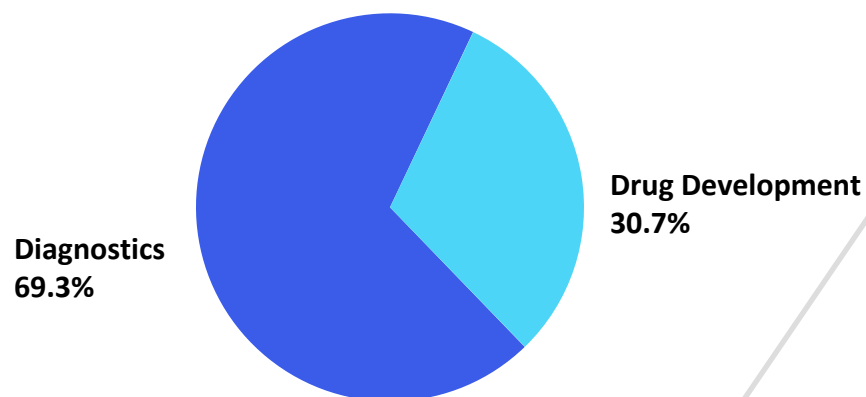
Trailing Twelve Month (TTM) Results		
	Net Orders	Net Book-to-Bill
TTM Ending December 31, 2020	\$7.0 billion	1.43x
TTM Ending September 30, 2020	\$6.1 billion	1.31x
TTM Ending June 30, 2020	\$6.1 billion	1.32x
TTM Ending March 31, 2020	\$5.8 billion	1.26x
TTM Ending December 31, 2019	\$5.9 billion	1.29x

	Backlog	Estimated revenue expected to convert from backlog in the next twelve months
As of December 31, 2020	\$13.8 billion	\$4.5 billion
As of September 30, 2020	\$12.5 billion	\$4.2 billion
As of June 30, 2020	\$11.8 billion	\$4.0 billion
As of March 31, 2020	\$11.3 billion	\$3.9 billion
As of December 31, 2019	\$11.3 billion	\$4.2 billion

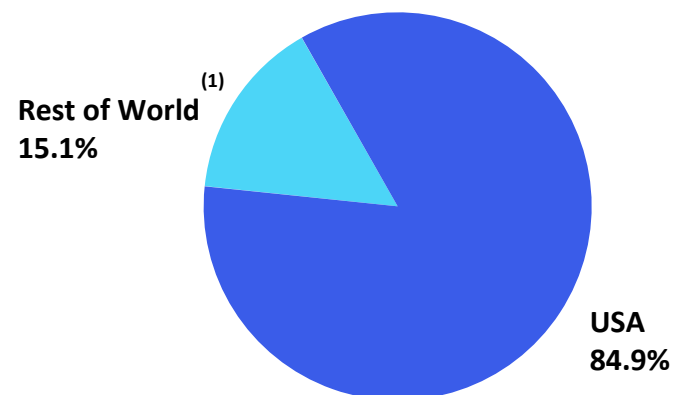
(1) Results shown include the impact from cancellations and foreign currency translation.

# Fourth Quarter 2020 Revenue Distribution

## Segment Distribution



## Geographic Distribution



(1) Revenues recognized in over 30 currencies; the largest foreign currency accounts for less than 10% of total revenue.

# Fourth Quarter 2020 Foreign Exchange Impact to Revenue<sup>(1)</sup> (Dollars in Millions)

	Dollars	Year over Year % Growth
<b>Consolidated</b>		
Revenues, as Reported	\$4,490	52.0%
Foreign Exchange Impact	(\$29)	(1.0%)
Revenues, Constant Currency	\$4,461	51.0%
<b>Diagnostics</b>		
Revenues, as Reported	\$3,155	79.5%
Foreign Exchange Impact	(\$1)	(0.1%)
Revenues, Constant Currency	\$3,154	79.4%
<b>Drug Development</b>		
Revenues, as Reported	\$1,398	16.4%
Foreign Exchange Impact	(\$28)	(2.3%)
Revenues, Constant Currency	\$1,370	14.0%

(1) Does not foot due to rounding.

# Full Year 2020 Foreign Exchange Impact to Revenue<sup>(1)</sup> (Dollars in Millions)

	<u>Dollars</u>	<u>Year over Year % Growth</u>
<b><u>Consolidated</u></b>		
Revenues, as Reported	\$13,979	21.0%
Foreign Exchange Impact	(\$41)	(0.4%)
Revenues, Constant Currency	\$13,938	20.6%
<b><u>Diagnostics</u></b>		
Revenues, as Reported	\$9,253	32.2%
Foreign Exchange Impact	\$1	—%
Revenues, Constant Currency	\$9,255	32.2%
<b><u>Drug Development</u></b>		
Revenues, as Reported	\$4,878	6.5%
Foreign Exchange Impact	(\$42)	(0.9%)
Revenues, Constant Currency	\$4,835	5.6%

(1) Does not foot due to rounding.

# Supplemental Information on Price / Mix & Days

<b>Price / Mix Versus Revenue Per Requisition <sup>(1)</sup></b>							
Year over Year % Change	Q2 2019	Q3 2019	Q4 2019	Q1 2020 <sup>(7)</sup>	Q2 2020	Q3 2020	Q4 2020 <sup>(7)</sup>
Revenue <sup>(2)</sup>	(2.9%)	0.4%	3.7%	(1.2%)	(3.9%)	53.7%	79.5%
Volume (in requisitions) <sup>(3)</sup>	(1.4%)	0.5%	2.5%	(4.4%)	(19.5%)	21.8%	33.9%
Price / mix <sup>(4)</sup>	(1.5%)	(0.1%)	1.2%	3.3%	15.6%	31.9%	45.5%
<b>Price / Mix Reconciliation</b>							
Revenue per requisition <sup>(5)</sup>	(1.5%)	(0.1%)	1.2%	3.4%	19.4%	26.2%	34.0%
Other mix <sup>(6)</sup>	0.02%	0.00%	0.03%	(0.15%)	(3.8%)	5.7%	11.5%
Price / mix <sup>(4)</sup>	(1.5%)	(0.1%)	1.2%	3.3%	15.6%	31.9%	45.5%

<b>Days in 2021 Versus 2020 <sup>(8)(9)</sup></b>					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year <sup>(7)</sup>
Revenue Day Variance	- 0.75 Day	—	+ 0.25 Day	+ 0.25 Day	- 0.50 Day
Payroll Day Variance	- 1.00 Day	—	—	—	- 1.00 Day

(1) Price / mix and revenue per requisition are only applicable to the Diagnostics segment.

(2) Revenue variance percent: YOY change in revenue divided by prior year revenue.

(3) Volume (in requisitions) variance percent: YOY change in volume divided by prior year volume.

(4) Price / mix percent: Calculated as revenue variance percent, less volume (in requisitions) variance percent.

(5) Revenue per requisition variance percent: Current year revenue divided by current year requisition volume with result divided by the same calculation for the prior year, minus one.

(6) Other mix percent: YOY variance percentage in revenue per requisition multiplied by the YOY variance percentage in volume.

(7) Does not foot due to rounding.

(8) Year-over-year variances in Revenue Days and Payroll Days predominantly only impact the Diagnostics Segment.

(9) Day variances are rounded to the nearest quarter day.

# 2021 Financial Guidance

(Dollars in billions, except per share data)

	Full Year Results (in Dollars)		2021 Guidance (in Dollars)		2021 Guidance (% Versus 2020 Results)		2021 Guidance (CAGR <sup>(6)</sup> to 2019 Results)	
	<u>2019</u>	<u>2020</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
<b>Revenue</b>								
Total Labcorp Enterprise <sup>(1)(2)</sup>	\$ 11.55	\$ 13.98	\$ 13.84	\$ 14.61	(1.0%)	4.5%	9.5%	12.5%
Base Business <sup>(2)</sup>	\$ 11.55	\$ 11.19	\$ 12.42	\$ 12.70	11.0%	13.5%	3.7%	4.9%
COVID-19 Testing <sup>(2)</sup>	\$ -	\$ 2.78	\$ 1.39	\$ 1.81	(50.0%)	(35.0%)		
Total Diagnostics <sup>(3)</sup>	\$ 7.00	\$ 9.25	\$ 8.56	\$ 9.20	(7.5%)	(0.5%)	10.6%	14.6%
Base Business	\$ 7.00	\$ 6.47	\$ 7.18	\$ 7.38	11.0%	14.0%	1.3%	2.7%
COVID-19 Testing	\$ -	\$ 2.78	\$ 1.39	\$ 1.81	(50.0%)	(35.0%)		
Total Drug Development <sup>(4)</sup>	\$ 4.58	\$ 4.88	\$ 5.27	\$ 5.39	8.0%	10.5%	7.3%	8.5%
Base Business	\$ 4.58	\$ 4.76	\$ 5.21	\$ 5.33	9.5%	12.0%	6.7%	7.9%
<b>Adjusted EPS</b>	\$ 11.32	\$ 23.94	\$ 19.00	\$ 23.00	(20.6%)	(3.9%)	29.6%	42.5%
<b>Free Cash Flow<sup>(5)</sup></b>	\$ 1.04	\$ 1.75	\$ 1.70	\$ 1.90	(2.9%)	8.6%	27.9%	35.2%

(1) 2021 Guidance percent changes as compared to 2020 results includes a benefit from foreign currency translation of 0.9%.

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

(3) 2021 Guidance percent changes as compared to 2020 results includes a benefit from foreign currency translation of 0.1%.

(4) 2021 Guidance percent changes as compared to 2020 results includes a benefit from foreign currency translation of 2.2%.

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

(6) Compound annual growth rate from 2019 results to 2021 guidance.

# Reconciliation of Non-GAAP Financial Measures – Adjusted EBITDA (Dollars in Millions)

	<u>4Q19</u>	<u>1Q20</u>	<u>2Q20</u>	<u>3Q20</u>	<u>4Q20</u>
Operating Income	\$336.4	(\$192.6)	\$297.7	\$1,047.1	\$1,293.2
Add:					
Restructuring and special charges	6.2	25.4	6.4	7.1	1.7
Goodwill and other asset impairments	—	437.4	—	23.5	1.2
Other special charges <sup>(1)</sup>	15.2	33.4	16.5	15.9	42.6
Depreciation	85.1	82.1	84.0	90.1	93.1
Amortization	64.2	62.3	60.1	62.2	90.8
Equity method income, net	1.9	(6.6)	1.8	3.0	4.7
EBITDA adjustments to equity method income, net	0.5	7.9	0.7	0.9	0.9
Adjusted EBITDA	<u>509.5</u>	<u>449.3</u>	<u>467.2</u>	<u>1,249.8</u>	<u>1,528.2</u>

(1) Other special charges represent the summation of the adjustments that impacted operating income excluding Restructuring and special charges, Goodwill and other asset impairments, and Amortization.

# Reconciliation of Non-GAAP Income Statement (Dollars in Millions, Except Per Share Data)

	GAAP		Non-GAAP	
	Three Months Ended December 31,		Three Months Ended December 31,	
	2020	2019	2020	2019
Revenues	\$ 4,489.8	\$ 2,953.4	\$ 4,489.8	\$ 2,953.4
Cost of revenues	2,584.9	2,132.7	2,567.6	2,132.8
Gross profit	1,904.9	820.7	1,922.2	820.6
Selling, general and administrative expenses	518.0	413.9	492.7	398.6
Goodwill and other asset impairments	1.2	—		
Amortization of intangibles and other assets	90.8	64.2		
Restructuring and other charges	1.7	6.2		
Operating income	1,293.2	336.4	1,429.5	422.0
Other income (expense):				
Interest expense	(48.3)	(64.4)	(48.2)	(59.2)
Equity method income, net	4.7	1.9	4.7	1.9
Investment income	2.6	4.0	2.6	4.0
Other, net	(9.5)	15.0	(6.6)	(4.7)
Earnings before income taxes	1,242.7	292.9	1,382.0	364.0
Provision for income taxes	304.1	65.6	343.0	83.2
Net earnings	938.6	227.3	1,039.0	280.8
Less: Net earnings (loss) attributable to the noncontrolling interest	(0.3)	(0.2)	(0.3)	(0.2)
Net earnings attributable to LCAH	<u>\$ 938.3</u>	<u>\$ 227.1</u>	<u>\$ 1,038.7</u>	<u>\$ 280.6</u>
Diluted earnings per common share	\$ 9.54	\$ 2.32	\$ 10.56	\$ 2.86
Weighted average diluted shares outstanding	98.3	98.0	98.3	98.0



# Reconciliation of Non-GAAP Income Statement (Dollars in Millions, Except Per Share Data)

	GAAP		Non-GAAP	
	Twelve Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
Revenues	\$ 13,978.5	\$ 11,554.8	\$ 13,978.5	\$ 11,554.8
Cost of revenues	9,025.7	8,302.3	8,986.2	8,302.4
Adjustments impacting revenues			17.0	—
Gross profit	4,952.8	3,252.5	5,009.3	3,252.4
Selling, general and administrative expenses	1,729.3	1,624.5	1,677.4	1,541.6
Goodwill and other asset impairments	462.1	—		
Amortization of intangibles and other assets	275.4	243.2		
Restructuring and other charges	40.6	54.6		
Operating income	2,445.4	1,330.2	3,331.9	1,710.8
Other income (expense):				
Interest expense	(207.4)	(240.7)	(207.3)	(235.5)
Equity method income, net	2.9	9.8	10.0	9.8
Investment income	10.3	8.8	10.3	8.8
Other, net	(32.1)	(3.2)	(11.9)	(12.9)
Earnings before income taxes	2,219.1	1,104.9	3,133.0	1,481.0
Provision for income taxes	662.1	280.0	786.0	363.4
Net earnings	1,557.0	824.9	2,347.0	1,117.6
Less: Net earnings (loss) attributable to the noncontrolling interest	(0.9)	(1.1)	(0.9)	(1.1)
Net earnings attributable to LCAH	<u>\$ 1,556.1</u>	<u>\$ 823.8</u>	<u>\$ 2,346.1</u>	<u>\$ 1,116.5</u>
Diluted earnings per common share	\$ 15.88	\$ 8.35	\$ 23.94	\$ 11.32
Weighted average diluted shares outstanding	98.0	98.6	98.0	98.6

# Reconciliation of Non-GAAP Financial Measures<sup>(1)</sup> (Dollars in Millions, Except Per Share Data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
<b>Adjusted Operating Income</b>				
Operating Income	\$ 1,293.2	\$ 336.4	\$ 2,445.4	\$ 1,330.2
Amortization of intangibles and other assets <sup>(a)</sup>	90.8	64.2	275.4	243.2
Goodwill and other asset impairments <sup>(b)</sup>	1.2	—	462.1	—
Restructuring and other charges <sup>(c)</sup>	1.7	6.2	40.6	54.6
Acquisition and disposition-related costs <sup>(d)</sup>	13.0	15.3	30.2	69.2
LaunchPad system implementation costs <sup>(e)</sup>	—	2.7	1.3	10.1
Executive transition expenses <sup>(f)</sup>	2.2	7.0	14.6	15.2
COVID-19 related costs <sup>(g)</sup>	21.2	—	63.9	—
Other	6.2	(9.8)	(1.6)	(11.7)
Adjusted operating income	<u>\$ 1,429.5</u>	<u>\$ 422.0</u>	<u>\$ 3,331.9</u>	<u>\$ 1,710.8</u>
<b>Adjusted Net Income</b>				
Net Income	\$ 938.3	\$ 227.1	\$ 1,556.1	\$ 823.8
Impact of adjustments to operating income	136.3	85.6	886.5	380.6
(Gains) and losses on venture fund investments, net <sup>(h)</sup>	2.4	(19.0)	27.8	(20.9)
Loss on sale of business <sup>(i)</sup>	0.7	1.4	1.2	13.3
Debt refinancing costs <sup>(i)</sup>	—	3.1	(1.6)	3.1
Income tax impact of adjustments <sup>(k)</sup>	(39.0)	(17.6)	(123.9)	(83.4)
Adjusted net income	<u>\$ 1,038.7</u>	<u>\$ 280.6</u>	<u>\$ 2,346.1</u>	<u>\$ 1,116.5</u>
Weighted average diluted shares outstanding	98.3	98.0	98.0	98.6
Adjusted net income per share	\$ 10.56	\$ 2.86	\$ 23.94	\$ 11.32

(1) Footnotes associated with Reconciliation of Non-GAAP Financial Measures are presented on slide 18.

# Reconciliation of Non-GAAP Financial Measures – Footnotes

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- (a) Amortization of intangible assets acquired as part of business acquisitions. Amortization for 2020 includes the acceleration of the amortization of certain intangible assets related to the Covance trade name as a result of the company's rebranding initiative.
- (b) The company determined that certain goodwill and long-lived assets were impaired. These charges were triggered by the economic conditions as a result of the COVID-19 pandemic and the termination of a customer contract.
- (c) Restructuring and other charges represent amounts incurred in connection with the elimination of redundant positions and facilities as a result of our LaunchPad initiatives and acquisitions or dispositions of businesses by the company.
- (d) Acquisition and disposition-related costs include due-diligence legal and advisory fees, retention bonuses and other integration and disposition related activities in connection with contemplated and completed transactions.
- (e) LaunchPad system implementation costs include non-capitalized costs associated with the implementation of a system as part of the LaunchPad business process improvement initiative.
- (f) Represents executive transition expenses related to various management reorganizations.
- (g) Costs related to incremental operating expenses and receivables reserves incurred as a result of the COVID-19 pandemic.
- (h) The company makes venture fund 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.
- (i) Represents the loss on sale of the CRP business as part of the Envigo transaction during the second quarter of 2019.
- (j) Represents the costs and accelerated amortization of deferred financing costs associated with the issuance and early repayment of debt.
- (k) Income tax impact of adjustments calculated based on the tax rate applicable to each item.