



**SECOND QUARTER 2020
SUPPLEMENTAL FINANCIAL INFORMATION**

JULY 28, 2020

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This presentation of Laboratory Corporation of America Holdings (the “Company”) contains forward-looking statements, including, but not limited to, statements with respect to expectations for 2020 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

The Company has provided in this presentation “adjusted” financial information that has not been prepared in accordance with GAAP, including adjusted net income, adjusted EPS (or adjusted net income per share), adjusted operating income, adjusted operating margin, adjusted EBITDA, 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 provide 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.

SECOND QUARTER CONSOLIDATED RESULTS

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	<u>2Q20</u>	<u>2Q19</u>	<u>% Change</u>
Revenue	\$2,768.8	\$2,881.7	(3.9%) ⁽²⁾
Adjusted Operating Income ⁽¹⁾	\$380.7	\$446.9	(14.8%)
<i>Adjusted Operating Margin</i>	<i>13.8 %</i>	<i>15.5 %</i>	<i>(180 bps)</i>
Adjusted EPS ⁽¹⁾	\$2.57	\$2.93	(12.3%)
Operating Cash Flow	\$370.7	\$253.5	46.2%
Less: Capital Expenditures	<u>(\$98.5)</u>	<u>(\$85.2)</u>	(15.6%)
Free Cash Flow	\$272.2	\$168.3	61.7%

(1) Adjusted operating income and Adjusted EPS exclude amortization, restructuring charges, and special items. See reconciliation of non-GAAP Financial Measures on slides 14 – 17.

(2) The decrease in revenue was due to a (5.4%) decline of organic revenue, (0.3%) from the disposition of a business, and (0.1%) from unfavorable foreign currency translation, partially offset by 1.9% from acquisitions. The (5.4%) decline of organic revenue was due to the pandemic, which reduced the Company's organic Base Business by (20.9%), partially offset by COVID-19 Testing of 15.4%.

YEAR-TO-DATE CONSOLIDATED RESULTS

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	<u>Six Months Ended 6/30/20</u>	<u>Six Months Ended 6/30/19</u>	<u>% Change</u>
Revenue	\$5,592.6	\$5,672.9	(1.4%) ⁽²⁾
Adjusted Operating Income ⁽¹⁾	\$746.6	\$858.3	(13.0%)
<i>Adjusted Operating Margin</i>	<i>13.3 %</i>	<i>15.1 %</i>	<i>(180 bps)</i>
Adjusted EPS ⁽¹⁾	\$4.94	\$5.55	(11.0%)
Operating Cash Flow	\$574.5	\$419.3	37.0%
Less: Capital Expenditures	<u>(\$205.1)</u>	<u>(\$179.4)</u>	(14.3%)
Free Cash Flow	\$369.4	\$239.9	54.0%

(1) Adjusted operating income and Adjusted EPS exclude amortization, restructuring charges, special items, and impairments. See reconciliation of non-GAAP Financial Measures on slides 14 – 17.

(2) The decrease in revenue was due to a (3.6%) decline of organic revenue, (0.4%) from the disposition of a business, and (0.1%) from unfavorable foreign currency translation, partially offset by 2.6% from acquisitions. The (3.6%) decline of organic revenue was due to the pandemic, which reduced the Company's organic Base Business by (11.7%), partially offset by COVID-19 Testing of 8.1%.

SECOND QUARTER PRO FORMA SEGMENT RESULTS

(DOLLARS IN MILLIONS)

	<u>2Q20</u>	<u>2Q19</u>	<u>% Change</u>
Revenue			
LabCorp Diagnostics	\$1,692.7	\$1,760.9	(3.9%)
Covance Drug Development	\$1,093.7	\$1,126.4	(2.9%)
Total Revenue⁽¹⁾	\$2,768.8	\$2,881.7	(3.9%)
Adjusted Operating Income⁽²⁾			
LabCorp Diagnostics	\$308.8	\$345.4	(10.6%)
<i>Adjusted Operating Margin</i>	<i>18.2%</i>	<i>19.6%</i>	<i>(140 bps)</i>
Covance Drug Development	\$112.7	\$141.7	(20.5%)
<i>Adjusted Operating Margin</i>	<i>10.3%</i>	<i>12.6%</i>	<i>(230 bps)</i>
Unallocated Corporate Expense	(\$40.8)	(\$40.2)	(1.4%)
Total Adjusted Operating Income	\$380.7	\$446.9	(14.8%)
<i>Total Adjusted Operating Margin</i>	<i>13.8%</i>	<i>15.5%</i>	<i>(180 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 14 – 17.

YEAR-TO-DATE PRO FORMA SEGMENT RESULTS

(DOLLARS IN MILLIONS)

	<u>Six Months Ended 6/30/20</u>	<u>Six Months Ended 6/30/19</u>	<u>% Change</u>
Revenue			
LabCorp Diagnostics ⁽¹⁾	\$3,394.7	\$3,482.9	(2.5%)
Covance Drug Development	\$2,237.5	\$2,201.0	1.7 %
Total Revenue⁽²⁾	\$5,592.6	\$5,672.9	(1.4%)
Adjusted Operating Income⁽³⁾			
LabCorp Diagnostics	\$563.0	\$655.7	(14.1%)
<i>Adjusted Operating Margin</i>	<i>16.6%</i>	<i>18.8%</i>	<i>(220 bps)</i>
Covance Drug Development	\$263.5	\$279.7	(5.8%)
<i>Adjusted Operating Margin</i>	<i>11.8%</i>	<i>12.7%</i>	<i>(90 bps)</i>
Unallocated Corporate Expense	(\$79.9)	(\$77.1)	(3.5%)
Total Adjusted Operating Income	\$746.6	\$858.3	(13.0%)
<i>Total Adjusted Operating Margin</i>	<i>13.3%</i>	<i>15.1%</i>	<i>(180 bps)</i>

(1) LabCorp 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 14 – 17.

SELECT FINANCIAL METRICS

(DOLLARS IN MILLIONS)

	<u>2Q19</u>	<u>3Q19</u>	<u>4Q19</u>	<u>1Q20</u>	<u>2Q20</u>
Total Depreciation	\$77.5	\$80.6	\$85.1	\$82.1	\$84.0
Total Amortization ⁽¹⁾	\$60.2	\$61.7	\$64.2	\$62.3	\$60.1
Total Adjusted EBITDA ⁽²⁾	\$527.6	\$513.6	\$509.5	\$449.3	\$467.2
Total Debt to Last Twelve Months Adjusted EBITDA ⁽²⁾	3.4x	3.3x	3.1x	3.2x	3.3x
Total Net Debt to Last Twelve Months Adjusted EBITDA ^{(2) (3)}	3.2x	3.2x	2.9x	3.0x	3.0x

(1) Excludes amortization of deferred financing fees.

(2) Adjusted EBITDA excludes restructuring charges and special items. See reconciliation on slide 13.

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

COVANCE DRUG DEVELOPMENT: SELECT FINANCIAL METRICS⁽¹⁾

Trailing Twelve Month (TTM) Results		
	Net Orders	Net Book-to-Bill
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
TTM Ending September 30, 2019	\$5.7 billion	1.28x
TTM Ending June 30, 2019	\$5.5 billion	1.26x

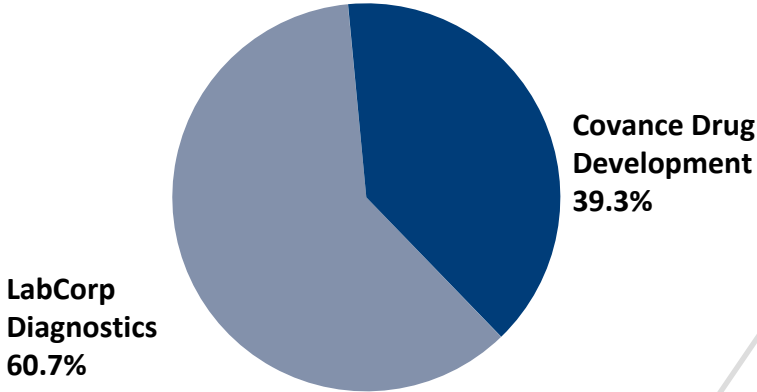
	Backlog	Estimated revenue expected to convert from backlog in the next twelve months
As of June 30, 2020	\$11.8 billion	\$4.0 billion
As of March 31, 2020	\$11.3 billion	\$3.9 billion
As of December 31, 2019	\$11.3 billion	\$4.2 billion
As of September 30, 2019	\$10.7 billion	\$4.2 billion
As of June 30, 2019 ⁽²⁾	\$10.3 billion	\$4.1 billion

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

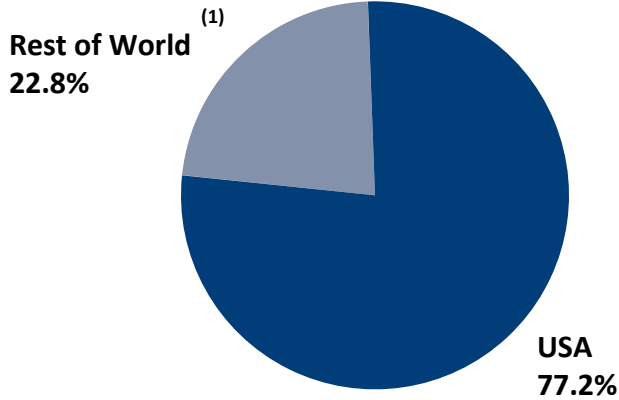
(2) Included backlog from the Envigo transaction of approximately \$190 million.

SECOND 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.

SECOND QUARTER 2020 FOREIGN EXCHANGE IMPACT TO REVENUE⁽¹⁾

(DOLLARS IN MILLIONS)

	<u>Dollars</u>	<u>Year over Year % Growth</u>
<u>Consolidated</u>		
Revenue, as Reported	\$2,769	(3.9%)
Foreign Exchange Impact	\$3	0.1%
Revenue, Constant Currency	\$2,772	(3.8%)
<u>LabCorp Diagnostics</u>		
Revenue, as Reported	\$1,693	(3.9%)
Foreign Exchange Impact	\$2	0.1%
Revenue, Constant Currency	\$1,694	(3.8%)
<u>Covance Drug Development</u>		
Revenue, as Reported	\$1,094	(2.9%)
Foreign Exchange Impact	\$1	0.1%
Revenue, Constant Currency	\$1,095	(2.8%)

(1) Does not foot due to rounding.

YEAR-TO-DATE 2020 FOREIGN EXCHANGE IMPACT TO REVENUE⁽¹⁾

(DOLLARS IN MILLIONS)

	<u>Dollars</u>	<u>Year over Year % Growth</u>
<u>Consolidated</u>		
Revenue, as Reported	\$5,593	(1.4%)
Foreign Exchange Impact	\$4	0.1%
Revenue, Constant Currency	\$5,597	(1.3%)
<u>LabCorp Diagnostics</u>		
Revenue, as Reported	\$3,395	(2.5%)
Foreign Exchange Impact	\$2	—%
Revenue, Constant Currency	\$3,396	(2.5%)
<u>Covance Drug Development</u>		
Revenue, as Reported	\$2,237	1.7%
Foreign Exchange Impact	\$2	0.1%
Revenue, Constant Currency	\$2,239	1.7%

(1) Does not foot due to rounding.

SUPPLEMENTAL INFORMATION ON PRICE / MIX & DAYS

Price / Mix Versus Revenue Per Requisition⁽¹⁾						
Year over Year % Change	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020⁽⁷⁾	Q2 2020
Revenue⁽²⁾	(2.7%)	(2.9%)	0.4%	3.7%	(1.2%)	(3.9%)
Volume (in requisitions)⁽³⁾	0.4%	(1.4%)	0.5%	2.5%	(4.4%)	(19.5%)
Price / mix⁽⁴⁾	(3.1%)	(1.5%)	(0.1%)	1.2%	3.3%	15.6%
Price / Mix Reconciliation						
Revenue per requisition⁽⁵⁾	(3.1%)	(1.5%)	(0.1%)	1.2%	3.4%	19.4%
Other mix⁽⁶⁾	(0.01%)	0.02%	0.00%	0.03%	(0.15%)	(3.78%)
Price / mix⁽⁴⁾	(3.1%)	(1.5%)	(0.1%)	1.2%	3.3%	15.6%

Days in 2020 Versus 2019⁽⁸⁾⁽⁹⁾					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenue Day Variance	+ 0.5 Day	—	+ 0.5 Day	—	+ 1.0 Day
Payroll Day Variance	+ 1.0 Day	—	—	—	+ 1.0 Day

(1) Price / mix and revenue per requisition are only applicable to the LabCorp 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) YOY variances in Revenue Days and Payroll Days predominantly only impact the LabCorp Diagnostics segment.

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

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES – ADJUSTED EBITDA

(DOLLARS IN MILLIONS)

	<u>2Q19</u>	<u>3Q19</u>	<u>4Q19</u>	<u>1Q20</u>	<u>2Q20</u>
Operating Income	\$335.7	\$339.9	\$336.4	(\$192.6)	\$297.7
Add:					
Restructuring and other special charges	13.6	14.2	6.2	25.4	6.4
Other special charges ⁽¹⁾	37.4	14.7	15.2	470.8	16.5
Depreciation	77.5	80.6	85.1	82.1	84.0
Amortization	60.2	61.7	64.2	62.3	60.1
Equity method income, net	2.5	2.4	1.9	(6.6)	1.8
EBITDA adjustments to equity method income, net	0.7	0.1	0.5	7.9	0.7
Adjusted EBITDA	<u>\$527.6</u>	<u>\$513.6</u>	<u>\$509.5</u>	<u>\$449.3</u>	<u>\$467.2</u>

(1) Other special charges as disclosed by the Company in its quarterly earnings releases.

RECONCILIATION OF NON-GAAP INCOME STATEMENT

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	GAAP		Non-GAAP	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2020	2019	2020	2019
Revenues	\$ 2,768.8	\$ 2,881.7	\$ 2,768.8	\$ 2,881.7
Cost of revenues	2,008.3	2,056.9	1,999.5	2,056.9
Gross profit	760.5	824.8	769.3	824.8
Selling, general and administrative expenses	396.3	415.3	388.6	377.9
Amortization of intangibles and other assets	60.1	60.2		
Goodwill and other asset impairments	—	—		
Restructuring and other charges	6.4	13.6		
Operating income	297.7	335.7	380.7	446.9
Other income (expense):				
Interest expense	(52.7)	(59.1)	(52.7)	(59.1)
Equity method income, net	1.8	2.5	1.8	2.5
Investment income	2.5	1.4	2.5	1.4
Other, net	47.7	(10.5)	(2.5)	(4.0)
Earnings before income taxes	297.0	270.0	329.8	387.7
Provision for income taxes	65.4	79.3	78.8	97.7
Net earnings	231.6	190.7	251.0	290.0
Less: Net earnings attributable to the noncontrolling interest	—	(0.3)	—	(0.3)
Net earnings attributable to Laboratory Corporation of America Holdings	\$ 231.6	\$ 190.4	\$ 251.0	\$ 289.7
Diluted earnings per common share	\$ 2.37	\$ 1.93	\$ 2.57	\$ 2.93
Weighted average diluted shares outstanding	97.7	98.8	97.7	98.8

RECONCILIATION OF NON-GAAP INCOME STATEMENT

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	GAAP		Non-GAAP	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues	\$ 5,592.6	\$ 5,672.9	\$ 5,592.6	\$ 5,672.9
Cost of revenues	4,104.1	4,058.4	4,090.8	4,058.4
Adjustments impacting revenues	—	—	17.0	—
Gross profit	1,488.5	1,614.5	1,518.8	1,614.5
Selling, general and administrative expenses	791.8	809.1	772.2	756.2
Amortization of intangibles and other assets	122.4	117.3		
Goodwill and other asset impairments	437.4	—		
Restructuring and other charges	31.8	34.2		
Operating income	105.1	653.9	746.6	858.3
Other income (expense):				
Interest expense	(107.7)	(115.8)	(107.7)	(115.8)
Equity method income (loss), net	(4.8)	5.5	2.3	5.5
Investment income	5.1	2.0	5.1	2.0
Other, net	31.6	(20.9)	(5.5)	(8.2)
Earnings before income taxes	29.3	524.7	640.8	741.8
Provision for income taxes	114.6	148.1	157.4	190.8
Net earnings (loss)	(85.3)	376.6	483.4	551.0
Less: Net earnings attributable to the noncontrolling interest	(0.3)	(0.6)	(0.3)	(0.6)
Net earnings (loss) attributable to Laboratory Corporation of America Holdings	<u>\$ (85.6)</u>	<u>\$ 376.0</u>	<u>\$ 483.1</u>	<u>\$ 550.4</u>
Diluted earnings (loss) per common share	\$ (0.88)	\$ 3.79	\$ 4.94	\$ 5.55
Weighted average diluted shares outstanding	97.2	99.1	97.8	99.1

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES⁽¹⁾

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Adjusted Operating Income				
Operating Income	\$ 297.7	\$ 335.7	\$ 105.1	\$ 653.9
Amortization of intangibles and other assets ^(a)	60.1	60.2	122.4	117.3
Restructuring and other charges ^(b)	6.4	13.6	31.8	34.2
Acquisition and disposition-related costs ^(c)	4.6	33.2	13.0	44.3
LaunchPad system implementation costs ^(d)	0.2	2.6	1.1	5.0
Executive transition expenses ^(e)	7.8	1.5	10.6	2.9
COVID-19 related costs ^(f)	12.1	—	34.0	—
Goodwill and other asset impairments ^(g)	—	—	437.4	—
Other	(8.2)	0.1	(8.8)	0.7
Adjusted operating income	<u>\$ 380.7</u>	<u>\$ 446.9</u>	<u>\$ 746.6</u>	<u>\$ 858.3</u>
Adjustments impacting revenues ^(h)	\$ —	\$ —	\$ 17.0	\$ —
Adjusted operating margin	13.8 %	15.5 %	13.3 %	15.1 %
Adjusted Net Income				
Net Income	\$ 231.6	\$ 190.4	\$ (85.6)	\$ 376.0
Impact of adjustments to operating income	83.0	111.2	641.5	204.4
CARES Act funding ⁽ⁱ⁾	(55.9)	—	(55.9)	—
Losses and (gains) on venture fund investments, net ^(j)	5.2	(2.3)	25.4	3.9
Loss on sale of business ^(k)	0.5	8.8	0.5	8.8
Income tax impact of adjustments ^(l)	(13.4)	(18.4)	(42.8)	(42.7)
Adjusted net income	<u>\$ 251.0</u>	<u>\$ 289.7</u>	<u>\$ 483.1</u>	<u>\$ 550.4</u>
Weighted average diluted shares outstanding	97.7	98.8	97.8	99.1
Adjusted net income per share	\$ 2.57	\$ 2.93	\$ 4.94	\$ 5.55

(1) Footnotes associated with Reconciliation of Non-GAAP Financial Measures are presented on slide 17.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES – FOOTNOTES

- (a) Amortization of intangible assets acquired as part of business acquisitions.
- (b) Restructuring and other charges represent amounts incurred in connection with the elimination of redundant positions within the organization in connection with our LaunchPad initiatives and acquisitions or dispositions of businesses by the Company.
- (c) 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.
- (d) LaunchPad system implementation costs include non-capitalized costs associated with the implementation of a system as part of the LaunchPad business process improvement initiative.
- (e) Represents executive transition expenses related to various management reorganizations.
- (f) Costs related to incremental operating expenses and receivables reserves incurred as a result of the COVID-19 pandemic.
- (g) During the first quarter of 2020, the Company determined that certain goodwill and long-lived assets were impaired and that an additional valuation allowance on a note receivable from a business divestiture was necessary to reflect an increase in the collection risk. These charges were triggered by the current economic conditions as a result of the COVID-19 pandemic.
- (h) The Company estimates that, as a result of increases in unemployment and the potential financial difficulties of medical practices from the impact of the COVID-19 pandemic, receivable reserves needed to be increased in the LabCorp Diagnostics segment.
- (i) The Company recorded \$55.9 in funding from the Public Health and Social Services Emergency Fund for provider relief that was appropriated by Congress to the Department of Health and Human Services (HHS) in the Coronavirus Aid, Relief, and Economic Security Act.
- (j) 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 for the quarter 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.
- (k) Represents the loss on sale of the CRP business as part of the Envigo transaction during the second quarter of 2019.
- (l) Income tax impact of adjustments calculated based on the tax rate applicable to each item.