

LABORATORY CORP OF AMERICA HOLDINGS

Form 8-K

April 22, 2002

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

April 22, 2002

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(Date of earliest event reported)

LABORATORY CORPORATION OF AMERICA HOLDINGS

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(Exact name of registrant as specified in its charter)

|  |                             |  |
|--|-----------------------------|--|
| DELAWARE   | 1-11353                     | 13-3757370                                 |
| -----  | -----                       | -----                                      |
| (State or Other<br>Jurisdiction of<br>Incorporation) | (Commission<br>File Number) | (IRS Employer<br>Identification<br>Number) |

358 SOUTH MAIN STREET, BURLINGTON, NORTH CAROLINA 27215

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(Address of principal executive offices)

336-229-1127

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(Registrant's telephone number, including area code)

ITEM 9. Regulation FD Disclosure.

Summary information of the Company dated April 22, 2002.

SIGNATURES

Pursuant to the requirements of the Securities and 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

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(Registrant)

By /s/ BRADFORD T. SMITH

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Bradford T. Smith  
Executive Vice President  
and Secretary

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Date: April 22, 2002

This information 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, 2001 and subsequent filings.

## How Laboratory Testing Works

Laboratory Testing is the "Gateway to Quality Health Care":

- 1) Patient visits doctor;
- 2) Doctor orders laboratory tests with diagnosis information;
- 3) Doctor or patient service center (PSC) draws sample;
- 4) Laboratory performs tests;
- 5) Test results reported to doctor;
- 6) Doctor makes diagnosis and treatment begins

The Clinical Laboratory Testing Market  
US market is approximately \$34-36 billion

| CLINICAL LABORATORY TESTING |     | INDEPENDENT CLINICAL LABORATORIES |     |
|-----------------------------|-----|-----------------------------------|-----|
| Hospitals                   | 49% | All others                        | 84% |
| Independent Clinical Labs   | 39% | LabCorp(\$2.2b)                   | 16% |
| Physician Offices           | 12% |                                   |     |

Source: Company estimates, industry reports & 2001YE revenue for LabCorp

## Profile of LabCorp

- Nationwide network of 24 primary testing locations and 900 patient service centers
- Conducts tests on 280,000 specimens daily
- Offers more than 4,000 test procedures
- Serves over 200,000 physicians and other health care providers
- More than 19,000 employees nationwide

## MAP OF LABCORP'S PRIMARY TESTING LOCATIONS & PSC'S

## 2002 Strategic Goals

- Maintain national coverage for all key customers
- Expand upon leading position in genomic testing
- Evaluate appropriate acquisition candidates

## GENOMIC STRATEGY

UTILIZE DNA TESTING LEADERSHIP TO EXECUTE GENOMIC LEADERSHIP STRATEGY

- Targeted introduction of new tests

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- Acquire innovative technology
- License/Partner to expand menu

### GENOMIC STRATEGY UPDATE

| INTERNAL   | ACQUISITION   | LICENSE/PARTNER  |
|--|---|--|
| <b>CMBP:</b><br>- Cancer<br>- Genetics (Cystic Fibrosis)<br>- Infectious Disease<br>(GENOSURE) | <b>NGI:</b><br>- Infectious Disease<br>Hepatitis C<br>- Cancer:<br>Melanoma<br>Breast | <b>MYRIAD GENETICS:</b><br>Predictive tests:<br>- Breast/Ovarian and<br>Colon Cancer<br>- Melanoma<br>- Hypertension   |
| <b>CLINICAL TRIALS:</b><br>- Drug metabolism   | <b>VIROMED:</b><br>- Infectious Disease<br>HIV<br>Hepatitis<br>- Real-time PCR        | <b>EXACT SCIENCES:</b><br>- Colorectal Cancer  |
| <b>POSITITIVE OUTCOMES:</b><br>(being tested)  | <b>CENTER FOR GENETIC SERVICES:</b><br>- Expanded Genetics Capabilities in Southwest  | <b>ALPHA:</b><br>- PCR Plasma<br><br><b>VIROLOGICS:</b><br>- HIV Phenotyping<br><br><b>VIRCO:</b><br>- HIV Phenotyping |

### Financial Performance

#### Price & Volumes: Trends by Payor Type

|                                  | 2000           |             | 2001           |             | YTD MAR 2002   |             |
|----------------------------------|----------------|-------------|----------------|-------------|----------------|-------------|
|                                  | PPA            | Accessions  | PPA            | Accessions  | PPA            | Accessions  |
|                                  | \$             | millions    | \$             | millions    | \$             | millions    |
| Client (Physicians)              | 22.70          | 27.1        | 24.46          | 27.9        | 25.16          | 7.0         |
| Patient                          | 102.87         | 2.2         | 111.28         | 2.5         | 115.73         | 0.6         |
| Third Party<br>(MC/MD/Insurance) | 29.80          | 10.3        | 31.59          | 12.2        | 32.48          | 3.3         |
| Managed Care                     |                |             |                |             |                |             |
| - Capitated                      | 8.89           | 10.6        | 8.90           | 11.9        | 9.52           | 3.1         |
| - Fee for service                | 42.32          | 16.0        | 43.45          | 17.2        | 44.53          | 4.7         |
| <b>Total</b>                     | <b>28.97</b>   | <b>26.6</b> | <b>29.27</b>   | <b>29.1</b> | <b>30.59</b>   | <b>7.8</b>  |
| <b>LabCorp Total</b>             | <b>\$28.98</b> | <b>66.2</b> | <b>\$30.69</b> | <b>71.7</b> | <b>\$31.50</b> | <b>18.7</b> |

### Financial Performance

#### Revenue Analysis by Business Area

|               | YTD MAR 2001         |              |                    |           |
|---------------|----------------------|--------------|--------------------|-----------|
|               | Revenue<br>\$Million | Accns<br>000 | %Accns<br>to total | PPA<br>\$ |
| Prior Genomic | 39.7                 | 330.0        | 1.9%               | 120.38    |

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|                |       |          |        |       |
|----------------|-------|----------|--------|-------|
| Add'l Genomic* | 25.9  | 623.8    | 3.6%   | 41.60 |
| Other Esoteric | 50.3  | 1,295.5  | 7.5%   | 38.80 |
| -----          | ----- | -----    | -----  | ----- |
| All Esoteric:  | 115.9 | 2,249.3  | 13.0%  | 51.55 |
| -----          | ----- | -----    | -----  | ----- |
| Core:          |       |          |        |       |
| -----          | 409.5 | 15,069.0 | 87.0%  | 27.17 |
| Total:         | 525.4 | 17,318.3 | 100.0% | 30.34 |
| -----          | ----- | -----    | -----  | ----- |

|                | YTD MAR 2002 |          |          |        | 02 vs 01        |
|----------------|--------------|----------|----------|--------|-----------------|
|                | Revenue      | Accns    | %Accns   | PPA    | PPA             |
|                | \$Million    | 000      | to total | \$     | Incr/<br>(Decr) |
|                | -----        | -----    | -----    | -----  | -----           |
| Prior Genomic  | 46.3         | 404.8    | 2.2%     | 114.34 | (5.0)%          |
| Add'l Genomic* | 30.9         | 768.8    | 4.1%     | 40.24  | (3.3)%          |
| Other Esoteric | 57.5         | 1,379.6  | 7.3%     | 41.65  | 7.3%            |
| -----          | -----        | -----    | -----    | -----  | -----           |
| All Esoteric:  | 134.7        | 2,553.2  | 13.6%    | 52.75  | 2.3%            |
| -----          | -----        | -----    | -----    | -----  | -----           |
| Core:          | 455.3        | 16,181.0 | 86.4%    | 28.14  | 3.6%            |
| -----          | -----        | -----    | -----    | -----  | -----           |
| Total:         | 590.0        | 18,734.2 | 100.0%   | 31.50  | 3.8%            |
| -----          | -----        | -----    | -----    | -----  | -----           |

\* Includes identity testing and gene probes (chlamydia and gonorrhea)

### First Quarter Operating Results (\$ in millions)

|                       | 3/31/01 | 3/31/02 |
|-----------------------|---------|---------|
|                       | -----   | -----   |
| Revenue               | 525.4   | 590.0   |
| Operating Expense     | 438.1   | 473.6   |
|                       | -----   | -----   |
| Operating Income      | 87.3    | 116.4   |
|                       | =====   | =====   |
| Margin                | 16.6%   | 19.7%   |
| EBITDA                | 110.3   | 137.6   |
|                       | =====   | =====   |
| Margin                | 21.0%   | 23.3%   |
| Bad Debt % to revenue | 9.70%   | 8.75%   |
| DSO                   | 67      | 60      |

### 2002 First Quarter Financial Achievements

- Increased revenues per day 14.0% (volume 10%; price 4%)
- Increased operating income 33%
- Increased EBITDA 25%
- Increased diluted EPS 33%
- Increased operating cash flow 74%

### Recent Accomplishments

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- Expanded Aetna Agreement in CT, NJ, and NY (including NYC)
- New genomics tests for hepatitis B and C
- Successful offering of Roche-owned shares
- Replaced \$450 million revolver with new \$300 million credit facility
- Announced two-for-one stock split

### Quarterly DSO Trend

DSO Trend December '97 through March '02

|                |           |                |           |
|----------------|-----------|----------------|-----------|
| December 1997  | - 79 days | June 2000      | - 70 days |
| December 1998  | - 83 days | September 2000 | - 70 days |
| March 1999     | - 83 days | December 2000  | - 68 days |
| June 1999      | - 79 days | March 2001     | - 67 days |
| September 1999 | - 76 days | June 2001      | - 64 days |
| December 1999  | - 74 days | September 2001 | - 62 days |
| March 2000     | - 72 days | December 2001  | - 58 days |
|                |           | March 2002     | 60 days   |

### Financial Guidance for 2002

- Increase overall revenues by approximately 12% compared to 2001 (8-9% volume; 3-4% price)
- EBITDA margins of approximately 23% of sales
- EPS growth of approximately 30% under new accounting rules for 2001
- Bad debt rate of 8.75% of sales
- Capital expenditures of approximately \$85 million
- Net interest expense of \$12 million
- A tax rate of approximately 41.5%

### Growth Opportunities

#### Revenue

- New Tests - Cystic Fibrosis, hepatitis B and C, HPV, etc.
- Conversion to Monolayer Paps
- New Licenses/Partnerships - Myriad Genetics, EXACT Sciences, etc.
- Ongoing Acquisition Strategy
- Genomic Strategy/Mix Shift Leverage
- Improving Regulatory/Reimbursement Environment

### Profit Improvement Opportunities

#### Cost Structure

- Bad Debt Reduction
- Further Operational Consolidation
- Technology Improvements - Higher Throughput and Efficiencies

### Value Drivers

#### Labcorp:

- Proven strategy for growth
- Pioneer in identifying and commercializing innovative technologies
- National infrastructure connects large scale proficiency with wide scale technological expertise
- Strong balance sheet

#### Industry:

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- New advances in scientific research will generate growth and demand for molecular testing
- Aging population

### Other Financial Information

March 31, 2002

(\$ in millions, except per share amounts)

|                                   | Q1 02   |
|-----------------------------------|---------|
|                                   | -----   |
| Depreciation                      | \$ 16.1 |
| Amortization                      | \$ 5.1  |
| Capital expenditures              | \$ 18.4 |
| Cash flows from operations        | \$112.2 |
| Bad debt as a percentage of sales | 8.75%   |
| Effective interest rate on debt   | 2.00%   |
| Days sales outstanding            | 60      |