

LABORATORY CORP OF AMERICA HOLDINGS
Form 8-K
October 24, 2006

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

October 24, 2006

(Date of earliest event reported)

**LABORATORY CORPORATION OF
AMERICA HOLDINGS**

(Exact Name of Registrant as Specified in its Charter)

DELAWARE

1-11353

13-3757370

(State or other jurisdiction
of Incorporation)

(Commission
File Number)

(I.R.S.
Employer
Identification
No.)

**358 SOUTH MAIN STREET,
BURLINGTON, NORTH CAROLINA**

27215

336-229-1127

(Address of principal executive offices)

(Zip
Code)

(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 communications 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 7.01. Regulation FD Disclosure

Summary information of the Company dated October 24, 2006.

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)

Date: October 24, 2006

By: /s/Bradford T. Smith
Bradford T. Smith, Executive Vice
President
and Secretary

8-K Filed October 24, 2006

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, 2005, and subsequent filings.

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The Clinical Laboratory Testing
Market > \$40 billion Annually

Independent clinical lab share
is \$16 billion

Represents 2% to 3% of all
health care spending

Influences /directs
approximately 80% of health
care spending

Rapidly evolving technology,
emphasis on preventative
medicine and aging of
population are all driving
growth

Has grown at a CAGR of
between 5% and 6%

Source: Company estimates, industry reports and 2005 revenue for LabCorp.

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Profile of LabCorp

A leader in the esoteric and genomic testing market and second-largest clinical laboratory company in North America

Offers a broad range of routine and esoteric/genomic tests

Conducts approximately 1.1 million tests daily on more than 380,000 specimens

Provides lab services to physicians and other health care providers

Approximately 24,000 employees nationwide

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Primary Testing Locations

Primary LabCorp Testing Locations

Corporate Headquarters

Burlington, NC

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LabCorp's Strategy

To lead the industry in achieving long-term growth and profitability by strengthening our nationwide core testing business and expanding our higher-growth, higher-value esoteric and genomic businesses.

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Strategic Focus Areas

Scientific

Leadership

Managed

Care

Customer

Focus

-Licensing/partnerships

-Cancer

-Specimen tracking

-Call center consolidation

-Report improvement

-Acquisitions

-Appropriate prices

-Reduce leakage

-Value of new lab tests

-Customer connectivity

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LabCorp's Investment and
Performance Fundamentals

History of Strong Financial
Performance

Significant Cash Generator

Industry leading EBITDA margins

Strong Balance Sheet

Investment Grade Credit Ratings

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Net Sales (in millions)

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EBITDA Margin

(1) Excluding the impact in 2005 of restructuring and other special charges, and a non-recurring investment loss.

(1)

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EPS

(1) Excluding the \$0.09 per diluted share impact in 2005 of restructuring and other special charges, and a non-recurring investment loss.

(1)

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Operating Cash Flow (in millions)

(1) Includes approximately \$50 million of benefit from one-time tax credits recorded in 2003.

(1)

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Third Quarter Results (in millions, except per share data)

(1) Excludes restructuring and other special charges of \$10.0 million and \$5.6 million, recorded by the Company in the third quarter of 2005 and 2006, respectively, and \$5.6 million of stock compensation expense recorded by the Company for the three months ended September 30, 2006 from the adoption of SFAS 123(R).

(2) Excludes the \$0.04 and \$0.03 per diluted share impact of the restructuring and other special charges recorded in the third quarters of 2005 and 2006, respectively, and the \$0.02 per diluted share impact of the required change in accounting for stock based compensation adopted in 2006.

Nine-Month Results (in millions, except per share data)

(1) Excludes restructuring and other special charges of \$13.1 million and \$5.6 million, recorded by the Company in the first nine months of 2005 and 2006, respectively, and \$16.9 million of stock compensation expense recorded by the Company for the nine months ended September 30, 2006 from the adoption of SFAS 123(R).

(2) Excludes the \$0.07 and \$0.03 per diluted share impact of the restructuring and other special charges recorded in the first nine months of 2005 and 2006, respectively, and the \$0.07 per diluted share impact of the required change in accounting for stock based compensation adopted in 2006.

2006 Nine-Month Financial
Achievements

Diluted EPS of \$2.53 (1)

EBITDA margin of 26.9% of sales (2)

Operating cash flow of \$462.1 million

Increased revenues 7.5% (3.2% volume; 4.3% price)

Repurchased approximately \$185 million of
LabCorp stock

(1)

Excludes the \$0.03 per diluted share impact of the restructuring and other special charges recorded in the first nine months of 2006, and the \$0.07 per diluted share impact of the required change in accounting for stock based compensation adopted in 2006.

(1)

Based on EBITDA of \$724.9 million, excluding the \$5.6 million impact of restructuring and other special charges and the \$16.9 million impact of the change in accounting for stock based compensation adopted in 2006.

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Financial Performance

Price & Volumes: Trends by Payer Type

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Financial Performance

Revenue Analysis by Business Area

% Accns

Accns

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Free Cash Flow Investment Strategy

Acquisitions

Stock repurchase program

Retain flexibility in utilizing remaining cash

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2006 Financial Guidance

Excluding the impact of the required change in accounting for stock based compensation, any share repurchase activity after September 30, 2006, any incremental operating expenses or capital expenditures associated with the Company's recently announced agreement with UnitedHealthcare, any impact of the Company's recently announced exchange offer related to its Liquid Yield Option Notes (LYONs), and restructuring and other special charges primarily related to the previously announced retirement of the Company's Chief Executive Officer effective December 31, 2006, guidance for 2006 is as follows:

Revenue growth of approximately 6.5% to 7.2% compared to 2005.

EBITDA margins of 26.5 to 27.0% of revenues.

Diluted EPS in the range of \$3.28 to \$3.33.

Operating cash flow of between \$610 and \$630 million.

Capital expenditures of between \$90 and \$100 million.

Net interest expense of between \$40 and \$42 million.

Bad debt rate of approximately 4.8% of sales for the remainder of the year.

(continued)

2006 Financial Guidance (cont.)

Additional factors expected to impact final 2006 EBITDA and EPS include:

Pre-tax operating expenses in the range of \$14 million to \$18 million, or \$0.06 to \$0.08 per diluted share, associated with the Company's previously announced agreement with UnitedHealthcare.

Pre-tax restructuring charges of approximately \$12.9 million, or \$0.10 per diluted share, primarily related to the previously announced retirement of the Company's Chief Executive Officer. Approximately \$5.6 million of those charges were recorded during the third quarter of 2006.

Excluding stock based compensation associated with the retirement of its Chief Executive Officer, the Company expects that the implementation of the required change in accounting for stock based compensation will have an EBITDA impact of approximately \$22 million, or approximately \$0.10 per diluted share.

The Company estimates that its previously announced exchange offer related to its LYONS notes will positively impact 2006 diluted EPS by approximately \$0.02, at current share prices.

Additional capital expenditures in the range of \$15 million to \$20 million are expected to be incurred during 2006 in association with the UnitedHealthcare agreement.

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2007 Preliminary Financial Guidance

Excluding the impact of any share repurchase activity after September 30, 2006, and any impact of the Company's recently announced exchange offer related to its LYONs notes, preliminary guidance for 2007 is as follows:

Revenue growth of approximately 11% to 13% compared to full-year 2006.

Diluted EPS in the range of \$3.68 to \$3.83.

Diluted ESP guidance excludes any impact of the exchange of the Company's LYONs notes. Based on preliminary results of this exchange offer, the Company expects that diluted EPS for 2007 will be positively impacted by approximately \$0.18, at current share prices.

Reconciliation of Non-GAAP Financial Measures (\$ in millions)

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Supplemental Financial Information

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