

LABORATORY CORP OF AMERICA HOLDINGS
Form 8-K
January 29, 2003

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

January 29, 2003,

(Date of earliest event reported)

LABORATORY CORPORATION OF AMERICA HOLDINGS

(Exact name of registrant as specified in its charter)

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

358 SOUTH MAIN STREET, BURLINGTON, NORTH CAROLINA 27215

(Address of principal executive offices)

336-229-1127

(Registrant's telephone number, including area code)

ITEM 9. Regulation FD Disclosure.

Summary information of the Company dated January 29, 2003.

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

(Registrant)

By: /s/ BRADFORD T. SMITH

Bradford T. Smith

Edgar Filing: LABORATORY CORP OF AMERICA HOLDINGS - Form 8-K

Executive Vice President
and Secretary

Date: January 29, 2003

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, and will be available in the Form 10-K for the year ended December 31, 2002, when filed.

The Clinical Laboratory Testing Market

U.S. Clinical Laboratory testing market is \$34 - \$36 billion

- Represents 3%-4% of all health care spending
- Grew at a CAGR of 5.5% from 1998-2001
- Influences/directs approximately 80% of health care spending
- Role and importance of testing are increasing
- Rapidly evolving technology, emphasis on preventative medicine and aging of population are all driving growth

CLINICAL LABORATORY TESTING

Hospitals	49%
Independent Clinical Labs	39%
Physician Offices	12%

INDEPENDENT CLINICAL LABORATORIES

All others	82%
LabCorp	18%

Source: Company estimates, industry reports and 2001 revenue for LabCorp and Dynacare.

Profile of LabCorp

- Second-largest clinical laboratory company in North America and the leader in the specialty testing market
- Offers more than 4,000 routine and specialty tests and conducts testing on more than 325,000 specimens daily
- Serves more than 200,000 physicians and other health care providers
- More than 24,000 employees nationwide

LabCorp's Strategy

Be a national core laboratory servicing all geographic areas, and the leading esoteric, genomic testing laboratory in North America

Strategic Approach

Core Testing

- Managed Care

Edgar Filing: LABORATORY CORP OF AMERICA HOLDINGS - Form 8-K

- Selected Internal Expansion
- Acquisitions (e.g., Dynacare)

Genomic/Esoteric

- Internal Development
- Licensing
- Acquisitions (DIANON)

MAP OF COMBINED TESTING LOCATIONS (Includes Dynacare and DIANON)

MAP OF COMBINED TESTING LOCATIONS & PSC's (Includes Dynacare and DIANON)

Demonstrated Genomic Strategy Execution

- Targeted introduction of new tests
- Acquire innovative technology
- License/partner to expand testing menu

INTERNAL -----	ACQUISITION -----	LICENSE/PARTNER -----
CMBP	NGI	MYRIAD GENETICS
- Cancer	- Infectious Disease:	Predictive Tests:
- Genetics (Cystic Fibrosis)	Hepatitis C	- Breast/Ovarian and
- Infectious Disease	- Cancer:	Colon Cancer
(GENOSURE)	Melanoma	- Melanoma
	Breast	- Hypertension
CLINICAL TRIALS	VIROMED	CORRELOGIC SYSTEMS
- Drug metabolism	- Infectious Disease:	- Ovarian Cancer
	HIV	CELERA DIAGNOSTICS
	Hepatitis	- Breast and
	Real-time PCR	Prostate Cancer
	PATH LABS	EXACT SCIENCES
	Hospital Esoteric	- Colorectal Cancer
	DIANON	ALPHA THERAPEUTICS
	Cancer	- PCR Plasma
		VIROLOGICS
		- HIV Phenotyping

DIANON Strategy

- LabCorp has identified cancer testing as its most important growth opportunity over the next 3-5 years
- Diagnostic testing for cancer is expected to increase substantially- DIANON complements LabCorp's capabilities in anatomic and gene-based testing
- DIANON's broad testing menu (anatomic and esoteric) is supported by its strong scientific expertise, outstanding sales capabilities and innovative, proprietary reporting format, CarePath-trademark-
- LabCorp's genomic and esoteric testing can be offered through DIANON, expanding access to these tests
- LabCorp's strategic cancer partnerships will be enhanced by DIANON's sales and marketing efforts to DIANON's more than 14,000 physician customers
 - Myriad Genetics (predisposition assays for breast, ovarian cancer)
 - EXACT Sciences (colorectal cancer)

Edgar Filing: LABORATORY CORP OF AMERICA HOLDINGS - Form 8-K

- Celera Diagnostics (prostate cancer)
- Correlogic (ovarian cancer)

Nine Month Operating Results (\$ in millions)

	YTD 9/01	YTD 9/02
	-----	-----
Revenue	1,636.0	1,857.6
Operating Expense	1,345.8	1,493.4
	-----	-----
Operating Income	290.2	364.2
	-----	-----
Margin	17.7%	19.6%
EBITDA	363.8	439.9
	-----	-----
Margin	22.2%	23.7%
Bad Debt % to revenue	9.4%	8.6%
DSO	62	56

1) YTD 02 results above exclude restructuring and other one-time charges relating to the Dynacare transaction.

Financial Performance

Price & Volumes: Trends by Payor Type

	2000		2001		YTD SEPT 2002	
	PPA	Accessions	PPA	Accessions	PPA	Accessions
	\$	millions	\$	millions	\$	millions
	-----	-----	-----	-----	-----	-----
Client (Physicians)	22.70	27.1	24.46	27.9	25.99	22.2
Patient	102.87	2.2	111.28	2.5	119.00	1.7
Third Party (MC/MD/Insurance)	29.80	10.3	31.59	12.2	32.49	10.7
Managed Care						
- Capitated	8.89	10.6	8.90	11.9	9.28	9.6
- Fee for service	42.32	16.0	43.45	17.2	44.72	14.4
	-----	-----	-----	-----	-----	-----
Total	28.97	26.6	29.27	29.1	30.52	24.0
	-----	-----	-----	-----	-----	-----
LabCorp Total	\$28.98	66.2	\$30.69	71.7	\$31.71	58.6
	=====	=====	=====	=====	=====	=====

Financial Performance

Revenue Analysis by Business Area

	YTD SEPT 2001			
	Revenue \$Million	Accns 000	%Accns to total	PPA \$
	-----	-----	-----	-----
Prior Genomic	123.9	1,029.6	1.9%	120.38
Add'l Genomic*	83.6	2,009.5	3.8%	41.63
Other Esoteric	166.5	4,158.0	7.8%	40.04

Edgar Filing: LABORATORY CORP OF AMERICA HOLDINGS - Form 8-K

-----	-----	-----	-----	-----
All Esoteric:	374.0	7,197.1	13.5%	51.98
-----	-----	-----	-----	-----
Core:	1,262.0	46,336.3	86.5%	27.23
Total:	1,636.0	53,533.4	100.0%	30.56
-----	-----	-----	-----	-----

Financial Performance

Revenue Analysis by Business Area

	YTD SEPT 2002				02 vs 01
	Revenue	Accns	%Accns	PPA	Revenue
	\$Million	000	to total	\$	Incr/ (Decr)
-----	-----	-----	-----	-----	-----
Prior Genomic	148.8	1,304.0	2.2%	114.13	20.1%
Add'l Genomic*	96.4	2,389.3	4.1%	40.36	15.3%
Other Esoteric	183.3	4,434.1	7.6%	41.32	10.1%
-----	-----	-----	-----	-----	-----
All Esoteric:	428.5	8,127.4	13.9%	52.72	14.6%
-----	-----	-----	-----	-----	-----
Core:	1,429.1	50,451.5	86.1%	28.33	13.2%
-----	-----	-----	-----	-----	-----
Total:	1,857.6	58,578.9	100.0%	31.71	13.5%
-----	-----	-----	-----	-----	-----

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

Key Highlights

- Total revenues increased 13.5% in the first nine months of 2002 versus same period last year (9.4% volume, 3.8% pricing)
- Esoteric testing revenues increased 14.6% year-over-year, driven primarily by strong volume growth of 12.9%
- Overall pricing continues to increase, driven by both increased PPA in core and esoteric areas and by continuing mix shift to higher-priced esoteric tests

Expectations of Strategy

- Ensure long-term growth
- Shift toward higher priced tests and services
- Improve profitability

Financial Guidance for 2002*

- Revenue growth of approximately 14% compared to 2001 (approximately 10.5% volume and 3.5% price)
- Adjusted EBITDA margins of approximately 22.5% of sales (including EBITDA from Dynacare equity investments)
- EPS of approximately \$1.83
- Bad debt rate of approximately 8.4% of sales in the fourth quarter
- Free cash flow of approximately \$350 million (net of Cap Ex of approximately \$85 million)

Edgar Filing: LABORATORY CORP OF AMERICA HOLDINGS - Form 8-K

- Net interest expense of \$15.5 million
- A tax rate of approximately 41.5% in the fourth quarter

*Including the impact of Dynacare, but not including restructuring charges related to that acquisition

Preliminary Financial Guidance for 2003*

- Increase overall revenues by approximately 13% to 14% compared to 2002
- EPS growth of approximately 20% compared to 2002

*Does not include financial impact of the acquisition of DIANON Systems, Inc.

Opportunity for Investors

- Long-term industry trends appear favorable
- Visible growth drivers
- Low P/E relative to market valuations
- Significant free cash flow - multiple opportunities to increase shareholder value
- Strong balance sheet - Investment Grade ratings (S&P, Moody's)
- Solid growth potential driven by genomic strategy