

LABORATORY CORP OF AMERICA HOLDINGS

Form 8-K

October 23, 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

October 23, 2003

(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)	(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 12. Regulation FD Disclosure.

Summary information of the Company dated October 23, 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

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Executive Vice President
and Secretary

Date: October 23, 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, 2002 and subsequent filings.

LabCorp's Investment and Performance Fundamentals

- Significant Cash Generator
- EBITDA Percentage of Sales: 24.3% through September 30, 2003
- Strong Balance Sheet
- Investment Grade Credit Ratings

The Clinical Laboratory Testing Market

US 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 & 2002 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 340,000 specimens daily
- Serves more than 200,000 physicians and other health care providers
- Approximately 24,000 employees nationwide

MAP OF PRIMARY TESTING LOCATIONS & PSC's

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LabCorp's Strategy

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

Strategic Approach

- 1) CORE TESTING
 - Managed Care
 - Selected Internal Expansion
 - Acquisitions (Dynacare)

- 2) GENOMIC/ESOTERIC
 - Internal Development
 - Acquisitions (DIANON)
 - Licensing

Demonstrated Genomic and Esoteric Strategy Execution

INTERNAL	ACQUISITION	LICENSE/PARTNER
CMBP - Cancer - Genetics (Cystic Fibrosis) - Infectious Disease (GENOSURE)	NGI - Infectious Disease: Hepatitis C - PCR Plasma	MYRIAD GENETICS Predictive Tests: - Breast/Ovarian and Colon Cancer - Melanoma - Hypertension
CLINICAL TRIALS - Drug Metabolism	VIROMED - Infectious Disease: HIV, Hepatitis West Nile - Real-time PCR	CORRELOGIC SYSTEMS - Ovarian Cancer CELERA DIAGNOSTICS - Breast and Prostate Cancer - Alzheimer's Disease
	PATH LABS - Hospital Esoteric	EXACT SCIENCES - Colorectal Cancer
	DIANON - Cancer/Anatomic Pathology	ATHEROTECH - VAP Cholesterol
		BIOPREDICTIVE - Liver Fibrosis

Third Quarter Operating Results (\$ in millions)

	9/30/02	9/30/03
Revenue	655.2	752.0
Operating Expense	541.5	613.3
Operating Income	113.7	138.7
Margin	17.4%	18.4%
EBITDA	145.9	183.9

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	----- 22.3%	----- 24.5%
Margin		
Bad Debt % to revenue	8.4%	7.0%
DSO	56	53

- 1) Q3 '03 and '02 results above exclude restructuring and other one-time charges relating to the Company's integration of its DIANON and Dynacare acquisitions.
- 2) For definition of EBITDA and a reconciliation to the most comparable measure under Generally Accepted Accounting Principles, see Company's 3rd Quarter 2003 earnings release furnished on Form 8-K on October 23, 2003.

2003 Third Quarter Financial Achievements

- Increased revenues 14.8% (volume approximately 9.3%; price approximately 5.5%)
- EBITDA margins of 24.5%
- Diluted EPS of \$0.59*
- Operating cash flow of \$161.9 million
- Repurchased approximately \$63 million of LabCorp stock
- Paid down \$60 million in debt

* Before restructuring and other one-time charges

Key Third Quarter Highlights

- Genomic testing revenues increased approx. 40% period-over-period, driven primarily by strong volume growth
- 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

Nine-Month Operating Results (\$ in millions)

	YTD 9/30/02 -----	YTD 9/30/03 -----
Revenue	1,857.6	2,207.9
Operating Expense	1,493.4	1,801.6
Operating Income	364.2	406.3
Margin	19.6%	18.4%
EBITDA	439.9	537.0
Margin	23.7%	24.3%
Bad Debt % to revenue	8.6%	7.5%
DSO	56	53

- 1) YTD '03 and '02 results above exclude restructuring and other one-time charges relating to the Company's integration of its DIANON and Dynacare acquisitions.

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- 2) For definition of EBITDA and a reconciliation to the most comparable measure under Generally Accepted Accounting Principles, see Company's 3rd Quarter 2003 earnings release furnished on Form 8-K on October 23, 2003.

2003 Nine-Month Financial Achievements

- Increased revenues 18.9% (volume approximately 13.2%; price approximately 5.7%)
- EBITDA margin of 24.3%
- Diluted EPS of \$1.69*
- Operating cash flow of \$420.1 million
- Repurchased approximately \$150 million of LabCorp stock
- Paid down \$225 million in debt

* Before restructuring and other special charges

Financial Performance

Price & Volumes: Trends by Payor Type

	2001		2002		YTD SEPT 2003	
	PPA	Accessions	PPA	Accessions	PPA	Accessions
	\$	millions	\$	millions	\$	millions
Client (Physicians)	24.46	27.9	26.27	29.6	27.22	24.1
Patient	111.28	2.5	119.93	2.3	116.53	1.9
Third Party	31.59	12.2	31.87	14.8	34.62	13.5
(MC/MD/Insurance)						
Managed Care						
- Capitated	8.90	11.9	9.28	13.1	9.82	9.8
- Fee for service	43.45	17.2	44.79	19.3	45.67	16.7
Total	29.27	29.1	30.45	32.4	32.48	26.5
LabCorp Total	\$30.69	71.7	\$31.71	79.1	\$33.43	66.0

Financial Performance

Revenue Analysis by Business Area

	YTD SEPT 2002			
	Revenue \$Million	Accns 000	%Accns to total	PPA \$
Genomic	148.8	1,304.0	2.2%	114.13
Identity/Gene Probes	96.4	2,389.3	4.1%	40.36
All Genomic	245.2	3,693.3	6.3%	66.40
Other Esoteric	183.2	4,434.1	7.6%	41.32
Histology	71.4	1,114.3	1.9%	64.04
All Genomic/ Esoteric	499.8	9,241.7	15.8%	54.08

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Core	1,357.8	49,337.2	84.2%	27.52
Total:	1,857.6	58,578.9	100.0%	31.71

	YTD SEPT 2003				03 vs 02
	Revenue \$Million	Accns 000	%Accns to total	PPA \$	PPA Incr/ (Decr)
Genomic	213.6	1,733.8	2.6%	123.21	8.0%
Identity/Gene Probes	114.4	2,628.0	4.0%	43.52	7.8%
All Genomic	328.0	4,361.8	6.6%	75.20	13.2%
Other Esoteric	188.4	4,615.7	7.0%	40.81	(1.2)%
Histology	148.4	1,619.0	2.4%	91.67	43.1%
All Genomic/ Esoteric	664.8	10,596.5	16.0%	62.74	16.0%
Core	1,543.1	55,451.4	84.0%	27.83	1.1%
Total:	2,207.9	66,047.9	100.0%	33.43	5.4%

Cash Investment Strategy

- Investment Strategy Should Match Strategic Plan
- Priority #1 - Strengthen Core Business
 - Standardize lab/billing IT systems
 - State-of-the-art analyzers (chemistry, hematology, sequencers)
 - Pursue selected acquisitions (i.e. Dynacare)
- Priority #2 - Invest in Appropriate Acquisitions as well as Genomic/Esoteric and Anatomic Pathology Growth
 - NGI, ViroMed, DIANON
 - EXACT, Myriad, Correlomics
 - DIANIZING LabCorp
- Priority #3 - Share Repurchases
 - Consider Dividends

Financial Guidance for 2003

- Revenue growth of approximately 18 to 19% compared to 2002
- EBITDA margins of approximately 24% of sales
- EPS in the range of \$2.20 to \$2.25
- Free cash flow of approximately \$400 to \$420 million (net of Cap Ex of approximately \$90 million)
- Bad debt rate of 7.0% for the second half of 2003
- Net interest expense of approximately \$35 million

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Preliminary Financial Guidance for 2004

- Revenue growth of approximately 4% to 7% compared to 2003
- EPS growth in the range of 11% to 15%*

* Compared to the current First Call 2003 consensus EPS estimate of \$2.22 as reported by Thomson Financial

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

Other Financial Information

September 30, 2003

(\$ in millions)

	Q1 03	Q2 03	Q3 03
	-----	-----	-----
Depreciation	\$ 21,873.0	\$ 22,778.0	\$ 23,464.0
Amortization	\$ 8,464.0	\$ 9,512.0	\$ 9,552.0
Capital expenditures	\$ 16,164.0	\$ 21,250.0	\$ 23,055.0
Cash flows from operations	\$135,017.0	\$123,169.0	\$161,894.0
Bad debt as a percentage of sales	8.00%	7.44%	7.01%
Effective interest rate on debt:			
Zero coupon-subordinated notes	2.00%	2.00%	2.00%
5 1/2% Senior Notes (including effect of interest rate swap)	3.98%	4.07%	5.38%
Revolving credit facility	2.14%	1.86%	1.95%
Days sales outstanding	55	54	53

	YTD Sept 03

Depreciation	\$ 68,115.0
Amortization	\$ 27,528.0
Capital expenditures	\$ 60,469.0
Cash flows from operations	\$420,080.0
Bad debt as a percentage of sales	7.46%
Effective interest rate on debt:	
Zero coupon-subordinated notes	2.00%
5 1/2% Senior Notes (including effect of interest rate swap)	5.38%
Revolving credit facility	1.95%
Days sales outstanding	53

