

LABORATORY CORP OF AMERICA HOLDINGS

Form 8-K

February 12, 2004

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

February 12, 2004

(Date of earliest event reported)

LABORATORY CORPORATION OF AMERICA HOLDINGS

(Exact name of registrant as specified in its charter)

DELAWARE	1-11353	13-3757370
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(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. Results of Operations and Financial Conditions.

Summary information of the Company dated February 12, 2004.

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)

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By: /s/ BRADFORD T. SMITH

Bradford T. Smith
Executive Vice President
and Secretary

Date: February 12, 2004

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, and will be included in the Company's Form 10-K for the year ended December 31, 2003, when filed.

LabCorp's Investment and Performance Fundamentals

- Significant Cash Generator
- EBITDA Percentage of Sales: 24.2% through December 31, 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	78%
LabCorp	22%

Source: Company estimates, industry reports & 2003 revenue for LabCorp.

Profile of LabCorp

- Second-largest clinical laboratory company in North America and the leader in the specialty testing market
- Offers more than 4,400 routine and specialty tests and conducts testing on more than 340,000 specimens daily
- Serves more than 220,000 physicians and other health care providers
- Approximately 23,000 employees nationwide

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MAP OF PRIMARY TESTING LOCATIONS & PSC's

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

Fourth Quarter Operating Results (\$ in millions)

	12/31/02 -----	12/31/03 -----
Revenue	650.1	731.5
Operating Expense	561.8	602.6
Operating Income	88.3	128.9
Margin	13.6%	17.6%

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EBITDA	123.9	174.4
	-----	-----
Margin	19.1%	23.8%
Bad Debt % to revenue	8.4%	6.75%
DSO	54	53

- 1) Q4 '03 results above exclude restructuring and other special items relating to the Company's restructuring charges and adjustments.
- 2) For definition of EBITDA and a reconciliation to the most comparable measure under Generally Accepted Accounting Principles, see Company's 4th Quarter 2003 earnings release furnished on Form 8-K on February 12, 2004.

2003 Fourth Quarter Financial Achievements

- Increased revenues 12.5% (volume approx. 7.0%; price approx. 5.5%)
- EBITDA margins of 23.8%
- Diluted EPS of \$0.53*
- Operating cash flow of \$144.2 million
- Paid down \$25 million in debt

* Before restructuring and other special items

Key Fourth Quarter Highlights

- Genomic testing revenues increased approx. 37.5% 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

Full Year Operating Results (\$ in millions)

	YTD 12/31/02	YTD 12/31/03
	-----	-----
Revenue	2,507.7	2,939.4
Operating Expense	2,055.2	2,404.2
	-----	-----
Operating Income	452.5	535.2
	-----	-----
Margin	18.0%	18.2%
EBITDA	536.8	711.5
	-----	-----
Margin	22.5%	24.2%
Bad Debt % to revenue	8.6%	7.3%
DSO	54	53

- 1) YTD '03 and '02 results above exclude restructuring and other special items relating to the Company's restructuring charges and adjustments.
- 2) For definition of EBITDA and a reconciliation to the

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most comparable measure under Generally Accepted Accounting Principles, see Company's 4th Quarter 2003 earnings release furnished on Form 8-K on February 12, 2004.

2003 Financial Achievements

- Increased revenues 17.2% (volume approx. 11.7%; price approx. 5.5%)
- EBITDA margin of 24.2%
- Diluted EPS of \$2.22*
- Operating cash flow of \$564.3 million
- Repurchased approximately \$150 million of LabCorp stock
- Paid down \$250 million in debt

* Before restructuring and other special items

Financial Performance

Price & Volumes: Trends by Payor Type

	2001		2002		2003	
	PPA	Accessions	PPA	Accessions	PPA	Accessions
	\$	millions	\$	millions	\$	millions
Client (Physicians)	24.46	27.9	26.27	29.6	27.07	31.7
Patient	111.28	2.5	119.93	2.3	118.48	2.5
Third Party (MC/MD/Insurance)	31.59	12.2	31.87	14.8	34.25	18.1
Managed Care						
- Capitated	8.90	11.9	9.28	13.1	9.95	12.9
- Fee for service	43.45	17.2	44.79	19.3	45.68	22.7
Total	29.27	29.1	30.45	32.4	32.74	35.6
LabCorp Total	\$30.69	71.7	\$31.71	79.1	\$33.43	87.9

Financial Performance

Revenue Analysis by Business Area

	YTD DEC 2002			
	Revenue \$Million	Accns 000	%Accns to total	PPA \$
Genomic	205.9	1,773.3	2.2%	116.13
Identity/Gene Probes	132.0	3,214.9	4.1%	41.05
All Genomic	337.9	4,988.2	6.3%	67.74
Other Esoteric	245.4	5,873.3	7.4%	41.78
Histology	94.1	1,492.2	1.9%	63.09
All Genomic/ Esoteric	677.4	12,353.7	15.6%	54.83

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Core	1,830.3	66,724.8	84.4%	27.43
Total:	2,507.7	79,078.5	100.0%	31.71

	YTD DEC 2003				03 vs 02
	Revenue \$Million	Accns 000	%Accns to total	PPA \$	PPA Incr/ (Decr)
Genomic	283.2	2,323.9	2.6%	121.86	4.9%
Identity/Gene Probes	152.0	3,533.4	4.0%	43.02	4.8%
All Genomic	435.2	5,857.3	6.6%	74.30	9.7%
Other Esoteric	256.0	6,243.9	7.1%	41.01	(1.8)%
Histology	197.9	2,175.6	2.5%	90.96	44.2%
All Genomic/ Esoteric	889.1	14,276.8	16.2%	62.28	13.6%
Core	2,050.3	73,638.3	83.8%	27.84	1.5%
Total:	2,939.4	87,915.1	100.0%	33.43	5.4%

Cash Investment Strategy

- \$90 to \$100 million in capital expenditures to support strategic growth plan
- \$50 to \$60 million for selected acquisitions (core, esoteric or anatomic pathology labs)
- Share repurchases - new \$250 million stock repurchase program
- Retain flexibility in utilizing remaining cash

Financial Guidance for 2004

- Revenue growth of approximately 5% to 7% compared to 2003, including small acquisitions and/or new contracts
- EBITDA margins of approximately 25% of sales
- EPS in the range of 11% to 13% compared to 2003 EPS
- Free cash flow of approximately \$440 to \$460 million (net of Cap Ex of approximately \$100 million)*
- Bad debt rate of 6.75%, dropping to 6.25% by year end
- Net interest expense of approximately \$36 million
- Tax rate of 41%

* Projected 2004 free cash flow is impacted as compared to 2003 by increased capital expenditures and the benefit in 2003 of one-time income tax credits of approximately \$50 million.

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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

December 31, 2003

(\$ in millions)

	Q1 03	Q2 03	Q3 03
	-----	-----	-----
Depreciation	\$ 21.9	\$ 22.8	\$ 23.5
Amortization	\$ 8.4	\$ 9.5	\$ 9.6
Capital expenditures	\$ 16.1	\$ 21.2	\$ 23.1
Cash flows from operations	\$ 135.0	\$ 123.2	\$ 161.9
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

	Q4 03	YTD Dec 03
	-----	-----
Depreciation	\$ 23.4	\$ 91.6
Amortization	\$ 10.1	\$ 37.6
Capital expenditures	\$ 23.2	\$ 83.6
Cash flows from operations	\$ 144.2	\$ 564.3
Bad debt as a percentage of sales	6.75%	7.29%
Effective interest rate on debt:		
Zero coupon-subordinated notes	2.00%	2.00%
5 1/2% Senior Notes (including effect of interest rate swap)	5.38%	5.38%
Revolving credit facility	1.78%	1.78%
Days sales outstanding	53	53