



Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
Revenues per sh	32.69	30.74	32.18	32.97	13.76	15.59	16.97	20.51	22.65	26.31	29.38	36.65	41.60	44.84	50.04	56.67	59.65	61.50	Revenues per sh	72.20
"Cash Flow" per sh	1.99	1.48	1.62	1.93	1.40	2.07	2.41	3.19	3.68	4.24	4.87	6.03	6.40	6.96	7.89	8.15	9.30	9.90	"Cash Flow" per sh	12.85
Earnings per sh ^A	.28	d.28	d.05	.30	.83	1.34	1.84	2.23	2.58	2.80	3.32	4.18	4.60	4.89	5.55	6.37	6.90	7.30	Earnings per sh ^A	10.00
Div'ds Decl'd per sh	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
Cap'l Spending per sh	1.10	.70	1.17	1.35	.40	.62	.50	.58	.70	.74	.95	1.28	1.45	1.10	1.26	1.49	1.45	1.50	Cap'l Spending per sh	1.65
Book Value per sh ^C	5.25	2.61	3.08	3.41	6.29	7.69	10.91	13.23	14.68	14.91	16.18	15.54	15.59	20.12	24.66	25.60	29.45	34.05	Book Value per sh ^C	50.00
Common Shs Outst'g ^B	49.17	49.42	50.11	51.52	139.48	141.11	147.74	143.33	136.20	126.50	122.20	111.00	108.30	104.70	100.00	97.80	95.00	94.00	Common Shs Outst'g ^B	90.00
Avg Ann'l P/E Ratio	55.1	--	--	21.1	26.2	28.1	20.0	13.6	16.2	17.6	19.0	18.0	15.4	13.4	13.9	14.0	14.5	14.5	Avg Ann'l P/E Ratio	15.0
Relative P/E Ratio	3.45	--	--	1.20	1.70	1.44	1.09	.78	.86	.94	1.03	.96	.93	.89	.88	.87	0.80	0.80	Relative P/E Ratio	1.00
Avg Ann'l Div'd Yield	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Avg Ann'l Div'd Yield	Nil

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
Operating Margin	23.1%	24.1%	25.3%	25.1%	24.1%	25.7%	25.8%	25.4%	25.3%	22.8%	23.0%	23.1%	23.0%	23.1%	23.0%	23.1%	23.0%	23.1%	Operating Margin	25.0%
Depreciation (\$mill)	101.8	135.6	138.8	149.8	155.0	162.8	179.7	195.1	203.6	231.4	230	240	250	260	270	280	290	300	Depreciation (\$mill)	255
Net Profit (\$mill)	254.6	321.0	363.0	386.2	439.6	506.9	513.1	533.5	585.6	646.7	655	690	700	710	720	730	740	750	Net Profit (\$mill)	900
Income Tax Rate	41.1%	40.6%	41.0%	39.7%	40.1%	40.6%	39.9%	37.2%	37.6%	36.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	Income Tax Rate	37.0%
Net Profit Margin	10.2%	10.9%	11.8%	11.6%	12.2%	12.5%	11.4%	11.4%	11.7%	11.7%	11.6%	11.9%	11.6%	11.9%	11.6%	11.9%	11.6%	11.9%	Net Profit Margin	13.8%
Working Cap'l (\$mill)	367.9	d99.7	439.2	d185.8	d43.9	d30.4	485.9	d82.8	23.3	287.4	350	400	450	500	550	600	650	700	Working Cap'l (\$mill)	550
Long-Term Debt (\$mill)	516.0	356.3	889.3	604.5	603.0	1077.5	1600.5	977.2	1826.7	2085.5	2075	2000	1800	1700	1600	1500	1400	1300	Long-Term Debt (\$mill)	1750
Shr. Equity (\$mill)	1611.7	1895.9	1999.3	1885.7	1977.1	1725.3	1688.3	2106.1	2466.3	2503.5	2800	3200	3600	4000	4400	4800	5200	5600	Shr. Equity (\$mill)	4500
Return on Total Cap'l	12.4%	15.2%	13.2%	16.2%	17.9%	19.1%	16.6%	18.3%	14.3%	14.9%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	Return on Total Cap'l	15.0%
Return on Shr. Equity	15.8%	16.9%	18.2%	20.5%	22.2%	29.4%	30.4%	25.3%	23.7%	25.8%	23.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	Return on Shr. Equity	20.0%
Retained to Com Eq	15.8%	16.9%	18.2%	20.5%	22.2%	29.4%	30.4%	25.3%	23.7%	25.8%	23.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	Retained to Com Eq	20.0%
All Div'ds to Net Prof	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil

CAPITAL STRUCTURE as of 9/30/12
 Total Debt \$2660.1 mill. Due in 5 Yrs \$1700 mill.
 LT Debt \$2175.0 mill. LT Interest \$120.0 mill.
 (44% of Capital)
 Leases, Uncapitalized Annual rentals \$161.4 mill.
 Pension Assets-12/11 \$244.5 mill. Oblig. \$383.2 mill.
 Preferred Stock None
 Common Stock 94,600,000 shares
 MARKET CAP: \$8.0 billion (Large Cap)

Revenue growth has become a serious issue for Laboratory Corporation of America. Utilization across the healthcare landscape is well off from historic levels. Too, patients look to be eschewing doctor's visits for the time being and, therefore, the number of people sent for subsequent lab testing is dropping off. Too, no spike in testing demand seems likely in the near term due to the evolving insurance changes that are coming in one year's time. Sequential revenues have been stagnant for nine months now, and a year-over-year incline of just 2% appears probable for 2012 as a whole. To its credit, LH is on pace to turn that minimal gain into an 8% annual share-net advance via cost trims and an improved testing mix. **We are ratcheting back our 2013 view.** Staring in the face of Obamacare, volume figures are unlikely to ramp up by any considerable margin next year. LH has steadily been adding facilities, for the most part through acquisitions, and their input should move the needle some. Regardless, we think a repeat of the 2% revenue gain anticipated for 2012 is likely. Due to this, we are paring \$0.20 from our earnings

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1155.7	1188.8	1185.1	1165.1	4694.7
2010	1193.6	1238.4	1276.5	1295.4	5003.9
2011	1368.4	1403.3	1404.5	1366.1	5542.3
2012	1423.3	1423.4	1419.4	1398.9	5665
2013	1450	1450	1450	1430	5780

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1.22	1.30	1.22	1.16	4.89
2010	1.30	1.46	1.47	1.34	5.55
2011	1.52	1.64	1.61	1.56	6.37
2012	1.74	1.77	1.76	1.63	6.90
2013	1.80	1.85	1.85	1.80	7.30

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008					
2009					
2010					
2011					
2012					

NO CASH DIVIDENDS BEING PAID

Business: Laboratory Corporation of America Hldgs. is one of the nation's largest independent clinical laboratory companies. It provides a full range of clinical and anatomical tests to individual physicians, managed-care organizations, hospitals, clinics, and long-term care facilities. Also offers substance-abuse tests. At 12/31/11, it had 54 full-service laboratories and over 1,700 service sites. Medicare and Medicaid account for roughly 17.6% of volume. Has over 31,000 employees. Harris Associates owns 8.3% of common; BlackRock, 5.7%; Vanguard, 5.6%; T. Rowe Price, 5.3%; Officers & directors own 2.1% (4/12 proxy). Chairman, President & CEO: David P. King, Inc.: DE. Address: 358 S. Main St., Burlington, NC 27215. Tel.: 336-229-1127. Internet: www.labcorp.com.

call, which now sits at \$7.30 a share, or a roughly 6% climb for the year. LabCorp should benefit from industry turmoil in the longer term. The foreseeable future should be bogged down by volume issues and fears that reimbursement rates could be tinkered with. However, for the pull to 2015-2017, we see many of the smaller lab providers exploring strategic options because of rate pressures and eventually being consumed by the larger players (LabCorp and Quest Diagnostics). Additionally, LH should be able to boost its market share by joint ventures and outsourcing agreements. **A recent dip in the stock's quotation may tempt private equity firms.** The sweeping reform heading for the healthcare market in 2014 has many vultures already circling. Doctors visits will rise with the number of insured climbing, and labs should get a bounce. Going private just before has some obvious benefits and this fact is not lost on either party. **We find that these neutrally ranked shares are best suited for long-term accounts at this moment in time.**
 Erik M. Manning December 14, 2012