



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
16.97	20.51	22.65	26.31	29.38	36.65	41.60	44.84	50.04	56.67	60.66	67.77	71.06	85.69	93.88	102.47	<b>112.05</b>	<b>116.35</b>	Sales per sh	<b>136.50</b>
2.41	3.19	3.68	4.24	4.87	6.03	6.40	6.96	7.89	8.12	8.64	9.18	8.94	12.34	13.83	15.02	<b>17.10</b>	<b>18.10</b>	"Cash Flow" per sh	<b>22.55</b>
1.84	2.23	2.58	2.80	3.32	4.18	4.60	4.89	5.55	6.37	6.82	6.95	6.80	7.87	8.83	9.60	<b>11.55</b>	<b>12.15</b>	Earnings per sh <sup>A</sup>	<b>15.05</b>
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.50	.58	.70	.74	.95	1.28	1.45	1.10	1.26	1.49	1.89	2.36	2.41	2.53	2.72	3.07	<b>3.15</b>	<b>3.20</b>	Cap'l Spending per sh	<b>3.40</b>
10.91	13.23	14.68	14.91	16.18	15.54	15.59	20.12	24.66	25.60	29.06	29.07	33.34	48.81	53.61	67.03	<b>71.55</b>	<b>80.80</b>	Book Value per sh <sup>C</sup>	<b>108.00</b>
147.74	143.33	136.20	126.50	122.20	111.00	108.30	104.70	100.00	97.80	93.50	85.70	84.60	101.30	102.70	101.90	<b>102.00</b>	<b>101.50</b>	Common Shs Outst'g <sup>B</sup>	<b>100.00</b>
20.0	13.6	16.2	17.6	19.0	18.0	15.4	13.4	13.9	14.0	13.0	13.8	14.8	15.3	14.3	15.3	<b>Bold figures are Value Line estimates</b>	<b>15.3</b>	Avg Ann'l P/E Ratio	<b>15.0</b>
1.09	.78	.86	.94	1.03	.96	.93	.89	.88	.88	.83	.78	.78	.77	.75	.77	<b>15.3</b>	<b>15.3</b>	Relative P/E Ratio	<b>.85</b>
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**CAPITAL STRUCTURE as of 6/30/18**  
 Total Debt \$6457.2 mill. Due in 5 Yrs \$4250 mill.  
 LT Debt \$6039.4 mill. LT Interest \$330.0 mill.

	4505.2	4694.7	5003.9	5542.3	5671.4	5808.3	6011.6	6860.1	9641.8	10441	<b>11430</b>	<b>11810</b>	Sales (\$mill)	<b>13650</b>
	25.8%	25.4%	25.3%	22.7%	22.8%	21.4%	19.5%	20.9%	20.7%	18.9%	<b>22.1%</b>	<b>22.4%</b>	Operating Margin	<b>24.7%</b>
	179.7	195.1	203.6	145.6	143.5	148.4	245.5	457.8	499.2	533.2	<b>565</b>	<b>600</b>	Depreciation (\$mill)	<b>750</b>
(45% of Capital)	513.1	533.5	585.6	648.2	664.3	638.1	511.2	792.4	921.1	997.3	<b>1180</b>	<b>1235</b>	Net Profit (\$mill)	<b>1505</b>
	39.9%	37.2%	37.6%	36.1%	37.9%	37.2%	38.0%	27.0%	28.8%	16.8%	<b>25.5%</b>	<b>23.0%</b>	Income Tax Rate	<b>23.0%</b>
Leases, Uncapitalized Annual rentals \$189.5 mill.	11.4%	11.4%	11.7%	11.7%	11.7%	11.0%	8.5%	9.1%	9.6%	9.6%	<b>10.3%</b>	<b>10.5%</b>	Net Profit Margin	<b>11.0%</b>
Pension Assets-12/17 \$263.7 mill. Oblig. \$368.0 mill.	485.9	d82.8	23.3	287.4	363.3	696.4	716.4	961.5	651.1	636.5	<b>925</b>	<b>1050</b>	Working Cap'l (\$mill)	<b>1600</b>
	1600.5	977.2	1826.7	2085.5	2175.0	2889.1	2682.7	5992.1	5300.0	6344.6	<b>6000</b>	<b>5700</b>	Long-Term Debt (\$mill)	<b>4100</b>
Preferred Stock None	1688.3	2106.1	2466.3	2503.5	2717.4	2491.3	2820.5	4944.4	5505.8	6830.0	<b>7300</b>	<b>8200</b>	Shr. Equity (\$mill)	<b>10800</b>
Common Stock 101,900,000 shares	16.6%	18.3%	14.3%	14.9%	14.5%	12.7%	10.2%	8.4%	9.5%	8.4%	<b>10.0%</b>	<b>10.0%</b>	Return on Total Cap'l	<b>11.0%</b>
	30.4%	25.3%	23.7%	25.9%	24.4%	25.6%	18.1%	16.0%	16.7%	14.6%	<b>16.0%</b>	<b>15.0%</b>	Return on Shr. Equity	<b>14.0%</b>
MARKET CAP: \$17.8 billion (Large Cap)	30.4%	25.3%	23.7%	25.9%	24.4%	25.6%	18.1%	16.0%	16.7%	14.6%	<b>16.0%</b>	<b>15.0%</b>	Retained to Com Eq	<b>14.0%</b>
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**CURRENT POSITION**

	2016	2017	6/30/18
(SMILL.)			
Cash Assets	433.6	316.7	221.4
Receivables	1328.7	1481.3	1520.3
Inventory	205.2	227.6	230.7
Other	511.2	657.0	1048.8
Current Assets	2478.7	2682.6	3021.2
Accts Payable	508.4	663.0	488.1
Debt Due	549.5	417.5	417.8
Other	769.7	965.6	1215.6
Current Liab.	1827.6	2046.1	2121.5

**BUSINESS:** Laboratory Corporation of America Holdings is one of the nation's largest independent clinical laboratory companies. It provides a full range of clinical/anatomical tests to physicians, managed-care organizations, hospitals, clinics, and long-term care facilities. Also offers substance-abuse tests. At 12/31/17, it had a number of full-service laboratories and 1,900 service sites.

**Shares of Laboratory Corporation of America are an Above Average (2) selection in our Timeliness Ranking System.** The stock has been on an upward trajectory for some time now, particularly since adding Covance to the portfolio in 2015. Initially, that deal was not welcomed with open arms, but when investors saw how adding a contract research arm could help offset some of the volume issues at the legacy laboratory business, their stance changed in a hurry. More recently, second-quarter results trumped expectations on both the top and bottom lines. Sales shot up 13.4% on a year-over-year basis aided by a significant contribution from recent acquisitions, though organic growth did come in at a healthy 2.1%. Also on a positive note, the diagnostics branch saw volumes rise by 5.8% in the three-month interim. It is important to keep this metric growing, as usage concerns have damaged LH's stock-price performance considerably in the past.

**Management has tightened 2018 guidance bands for both revenues and earnings.** Top-line in-house expectations are now set to increase in a range of 10.5% to 11.5%, slimmed down from the original parameters of 10%-12%, while adjusted EPS spreads have been altered by a nickel on each side, to \$11.35 to \$11.65. We continue to look for sales to jump by about \$1 billion this year versus the 2017 level, and share net to register \$11.55, which would represent an impressive 20% march higher when placed up against last year's tally. Separately, free cash flow is anticipated to add to roughly \$1.1 billion-\$1.2 billion, and more than \$900 million still exists on a share repurchase program.

**Contract research will certainly become a larger piece of the puzzle with Chiltern in the fold.** The \$6.2 billion Covance purchase swung the company's fortunes in a favorable direction in 2015, and we expect more of the same from this \$1.2 billion buy. The blue print has already been laid out for the successful integration of this kind of entity under the LabCorp umbrella, so we view any troubles as unlikely. If that assumption proves accurate, earnings should surpass the \$15.00-a-share mark for the pull to 2021-2023.

*Erik M. Manning      September 7, 2018*

(A) Diluted earnings. Excludes nonrecurring items: '02, d7c; '05, d9c; '06, d8c; '07, d25c; '08, d56c; '09, 9c; '10, d26c; '11, d\$1.26; '12, d11c; '16, \$1.81; '17, \$2.61. Figures may not sum due to rounding. Next earnings report due late October.	\$116.14/sh.	Company's Financial Strength	A
(B) In millions.		Stock's Price Stability	90
(C) Includes intangibles. In '17: \$11.87 bill.		Price Growth Persistence	55
		Earnings Predictability	100