

LABORATORY CORP OF AMERICA HOLDINGS
Form 10-Q
July 29, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-11353

LABORATORY CORPORATION OF
AMERICA HOLDINGS

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

13-3757370

(I.R.S. Employer Identification No.)

358 South Main Street,
Burlington, North Carolina

(Address of principal executive offices)

27215

(Zip Code)

(Registrant's telephone number, including area code) 336-229-1127

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (paragraph 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer (Do not check if a smaller
reporting company)

Accelerated Filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
[] No [X].

The number of shares outstanding of the issuer's common stock is 84.9 million shares, net of treasury stock as of
July 24, 2014.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)

(unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$479.5	\$404.0
Accounts receivable, net of allowance for doubtful accounts of \$204.2 and \$198.3 at June 30, 2014 and December 31, 2013, respectively	832.6	784.7
Supplies inventories	134.5	136.5
Prepaid expenses and other	115.2	106.9
Deferred income taxes	4.1	—
Total current assets	1,565.9	1,432.1
Property, plant and equipment, net	741.2	707.4
Goodwill, net	3,069.2	3,022.8
Intangible assets, net	1,545.8	1,572.0
Joint venture partnerships and equity method investments	96.5	88.5
Other assets, net	126.2	143.1
Total assets	\$7,144.8	\$6,965.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$280.6	\$304.5
Accrued expenses and other	362.6	310.0
Deferred income taxes	—	9.9
Short-term borrowings and current portion of long-term debt	97.6	111.3
Total current liabilities	740.8	735.7
Long-term debt, less current portion	2,909.9	2,889.1
Deferred income taxes and other tax liabilities	568.6	563.9
Other liabilities	249.8	266.5
Total liabilities	4,469.1	4,455.2
Commitments and contingent liabilities		
Noncontrolling interest	19.3	19.4
Shareholders' equity:		
Common stock, 84.9 and 85.7 shares outstanding at June 30, 2014 and December 31, 2013, respectively	10.4	10.5
Additional paid-in capital	—	—
Retained earnings	3,553.0	3,373.5
Less common stock held in treasury	(965.5) (958.9
Accumulated other comprehensive income	58.5	66.2
Total shareholders' equity	2,656.4	2,491.3

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Total liabilities and shareholders' equity	\$7,144.8	\$6,965.9
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The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)

(unaudited)

	Three Months Ended June		Six Months Ended	
	30,		June 30,	
	2014	2013	2014	2013
Net sales	\$1,516.4	\$1,468.2	\$2,947.1	\$2,909.1
Cost of sales	947.8	890.9	1,861.7	1,759.6
Gross profit	568.6	577.3	1,085.4	1,149.5
Selling, general and administrative expenses	297.9	280.9	582.8	564.1
Amortization of intangibles and other assets	22.0	20.5	43.0	40.0
Restructuring and other special charges	2.0	6.6	9.6	14.1
Operating income	246.7	269.3	450.0	531.3
Other income (expenses):				
Interest expense	(25.8) (23.1) (51.5) (47.6
Equity method income, net	3.7	4.4	6.7	8.7
Investment income	0.4	0.2	0.6	0.4
Other, net	7.5	(0.8)	