

LABORATORY CORP OF AMERICA HOLDINGS
Form 10-Q
October 31, 2011

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 September 30, 2011
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

Accelerated Filer

Edgar Filing: LABORATORY CORP OF AMERICA HOLDINGS - Form 10-Q

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

The number of shares outstanding of the issuer's common stock is 99.1 million shares, net of treasury stock as of October 24, 2011.

INDEX

INDEX

PART I. FINANCIAL INFORMATION

Item 1 Financial Statements:

Condensed Consolidated Balance Sheets
September 30, 2011 and December 31, 2010

Condensed Consolidated Statements of Operations
Three and nine month periods ended September 30, 2011 and 2010

Condensed Consolidated Statements of Changes in Shareholders' Equity
Nine months ended September 30, 2011 and 2010

Condensed Consolidated Statements of Cash Flows
Nine months ended September 30, 2011 and 2010

Notes to Unaudited Condensed Consolidated Financial Statements

Item 2 Management's Discussion and Analysis of Financial
Condition and Results of Operations

Item 3 Quantitative and Qualitative Disclosures about Market Risk

Item 4 Controls and Procedures

PART II. OTHER INFORMATION

Item 1 Legal Proceedings

Item 1A Risk Factors

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

Item 6 Exhibits

INDEX

PART I – FINANCIAL INFORMATION

Item 1. – Financial Statements

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)

(unaudited)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$85.8	\$230.7
Accounts receivable, net of allowance for doubtful accounts of \$192.4 and \$149.2 at September 30, 2011 and December 31, 2010, respectively	718.7	655.6
Supplies inventories	103.8	103.4
Prepaid expenses and other	78.4	95.7
Deferred income taxes	85.9	58.4
Total current assets	1,072.6	1,143.8
Property, plant and equipment, net	577.4	586.9
Goodwill, net	2,641.4	2,601.3
Intangible assets, net	1,592.7	1,674.1
Joint venture partnerships and equity method investments	75.4	78.5
Other assets, net	93.7	103.2
Total assets	\$6,053.2	\$6,187.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$222.9	\$257.8
Accrued expenses and other	404.3	352.9
Noncontrolling interest	140.7	148.1
Short-term borrowings and current portion of long-term debt	214.3	361.7
Total current liabilities	982.2	1,120.5
Long-term debt, less current portion	1,769.3	1,826.7
Deferred income taxes and other tax liabilities	569.8	602.3
Other liabilities	169.0	151.4
Total liabilities	3,490.3	3,700.9
Commitments and contingent liabilities	--	--
Noncontrolling interest	19.6	20.6
Shareholders' equity		
Common stock, 99.7 and 102.4 shares outstanding at September 30, 2011 and December 31, 2010, respectively	11.9	12.2
Additional paid-in capital	--	53.9

Edgar Filing: LABORATORY CORP OF AMERICA HOLDINGS - Form 10-Q

Retained earnings	3,402.2	3,246.6
Less common stock held in treasury	(940.9)	(934.9)
Accumulated other comprehensive income	70.1	88.5
Total shareholders' equity	2,543.3	2,466.3
Total liabilities and shareholders' equity	\$6,053.2	\$6,187.8

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

INDEX

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (in millions, except per share data)
 (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net sales	\$1,404.5	\$1,276.5	\$4,176.2	\$3,708.5
Cost of sales	836.0	748.8	2,451.1	2,140.3
Gross profit	568.5	527.7	1,725.1	1,568.2
Selling, general and administrative expenses	283.8	270.5	889.3	761.9
Amortization of intangibles and other assets	21.2	18.0	64.6	53.1
Restructuring and other special charges	24.1	3.9	70.3	13.2
Operating income	239.4	235.3	700.9	740.0
Other income (expenses):				
Interest expense	(20.3)	(21.6)	(65.3)	(50.7)
Equity method income, net	2.5	4.2	6.6	12.6
Investment income	0.2	0.3	0.7	0.8
Other, net	(1.7)	(1.6)	(1.8)	(3.0)
Earnings before income taxes	220.1	216.6	641.1	699.7
Provision for income taxes	82.5	73.5	246.2	263.2
Net earnings	137.6	143.1	394.9	436.5
Less: Net earnings attributable to the noncontrolling interest	(3.3)	(3.1)	(10.6)	(10.1)
Net earnings attributable to Laboratory Corporation of America Holdings	\$134.3	\$140.0	\$384.3	\$426.4
Basic earnings per common share	\$1.34	\$1.37	\$3.82	\$4.12
Diluted earnings per common share	\$1.31	\$1.34	\$3.76	\$4.05

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

4

INDEX

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY

(in millions)

(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
BALANCE AT DECEMBER						
31, 2009	\$12.5	\$36.7	\$2,927.9	\$(932.5)	\$ 61.5	\$ 2,106.1
Comprehensive earnings:						
Net earnings attributable to Laboratory Corporation of America Holdings	--	--	426.4	--	--	426.4
Other comprehensive earnings:						
Foreign currency translation adjustments	--	--	--	--	19.4	19.4
Interest rate swap adjustments	--	--	--	--	5.7	5.7
Tax effect of other comprehensive earnings adjustments	--	--	--	--	(8.4)	(8.4)
Comprehensive earnings						443.1
Issuance of common stock under employee stock plans	0.1	44.3	--	--	--	44.4
Surrender of restricted stock awards	--	--	--	(2.4)	--	(2.4)
Stock compensation	--	29.5	--	--	--	29.5
Value of noncontrolling interest put	--	(17.2)	--	--	--	(17.2)
Income tax benefit from stock options exercised	--	4.2	--	--	--	4.2
Purchase of common stock	(0.5)	(97.5)	(239.5)	--	--	(337.5)
BALANCE AT SEPTEMBER						
30, 2010	\$12.1	\$--	\$3,114.8	\$(934.9)	\$ 78.2	\$ 2,270.2
BALANCE AT DECEMBER						
31, 2010	\$12.2	\$53.9	\$3,246.6	\$(934.9)	\$ 88.5	\$ 2,466.3
Comprehensive earnings:						
Net earnings attributable to Laboratory Corporation of America Holdings	--	--	384.3	--	--	384.3

Edgar Filing: LABORATORY CORP OF AMERICA HOLDINGS - Form 10-Q

Other comprehensive earnings:						
Foreign currency translation adjustments	--	--	--	--	(32.6)	(32.6)
Interest rate swap adjustments	--	--	--	--	2.4	2.4
Tax effect of other comprehensive earnings adjustments	--	--	--	--	11.8	11.8
Comprehensive earnings						365.9
Issuance of common stock under employee stock plans	0.1	111.2	--	--	--	111.3
Surrender of restricted stock and performance share awards	--	--	--	(6.0)	--	(6.0)
Conversion of zero-coupon convertible debt	0.1	36.1	--	--	--	36.2
Stock compensation	--	37.2	--	--	--	37.2
Income tax benefit from stock options exercised	--	10.2	--	--	--	10.2
Purchase of common stock	(0.5)	(248.6)	(228.7)	--	--	(477.8)
BALANCE AT SEPTEMBER 30, 2011	\$11.9	\$--	\$3,402.2	\$(940.9)	\$ 70.1	\$ 2,543.3

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

INDEXLABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(unaudited)

	Nine Months Ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$394.9	\$436.5
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	173.6	150.7
Stock compensation	37.2	29.5
Loss on sale of assets	1.2	2.4
Accreted interest on zero-coupon subordinated notes	3.2	4.4
Cumulative earnings less than (in excess of) distribution from equity method investments	(0.3)	0.6
Deferred income taxes	(11.0	