

Labcorp operates one of the largest global clinical laboratory networks, managing more than 160 million patient encounters each year, or more than 3 million patient specimens per week. Labcorp biopharma services also support clinical trial activity in approximately 100 countries.

Analyst's Notes

Analysis by David Toung, May 12, 2025

ARGUS RATING: **BUY**

- Growth driven by M&A and specialty testing
- Labcorp's strong execution in M&A and driving growth through specialty testing in oncology and neurology reinforces our conviction in the BUY rating.
- We note the company will generate higher profit margins through new tests for oncology, women's health, autoimmune, and neurodegenerative diseases.
- We are raising our estimates for adjusted EPS to \$16.10 from \$16.00 for 2025 and to \$17.65 from \$17.60 for 2026.

INVESTMENT THESIS

BUY-rated Labcorp Holdings Inc. (NYSE: LH) saw stronger top-line growth in 1Q25 and margin expansion, driven by demand for diagnostic testing and for central lab services to support biopharma clinical trials.

Labcorp continues to expand its testing offerings in oncology, women's health, autoimmune diseases, and neurodegenerative conditions. The company has launched new tests for Alzheimer's biomarkers and new offerings for the treatment of weight-loss management. These specialty tests carry higher margins.

LH shares had a total return of 21.8% over the past 12 months, compared to 13.0% for the S&P 500 and -3.7% for the healthcare sector.

Our price target is \$290.

RECENT DEVELOPMENTS

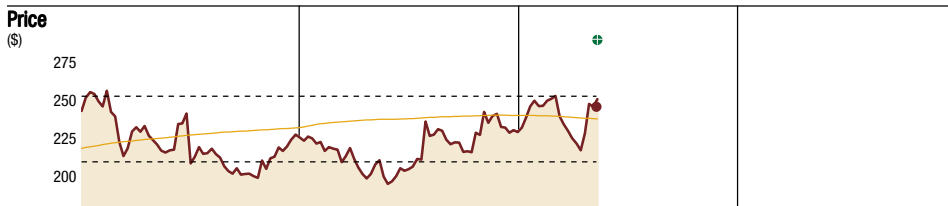
Labcorp is deploying a dual strategy of M&A to extend its markets and of expanding its testing in areas such as oncology, women's health, autonomous disease, and neurology. In addition to recently completed acquisitions, it has a pipeline of potential acquisitions and partnerships. These transactions include acquisitions of hospital-based labs.

Labcorp has launched new tests that aid personalized cancer treatment and advance the diagnosis of Alzheimer's disease.

The company reported 1Q25 results on April 29. Adjusted EPS was \$3.84, increasing 4.3%. GAAP net income was \$212.8 million or \$2.52 per share, compared to \$228.0

Market Data Pricing reflects previous trading week's closing price.

—200-Day Moving Average ●Target Price: \$290.00 ●52 Week High: \$252.68 ●52 Week Low: \$209.38 ●Closed at \$245.73 on 5/9



Rating		BUY		HOLD		SELL	
EPS (\$)		3.46		3.42		3.38	
Quarterly		3.46		3.42		3.38	
Annual		13.56		14.57		16.10 (Estimate)	
Revenue (\$ in Bil.)		3.0		3.0		3.1	
Quarterly		3.0		3.0		3.1	
Annual		12.2		13.0		13.8 (Estimate)	
FY ends Dec 31		Q1	Q2	Q3	Q4	Q1	Q2
		2023	2024	2025	2026	2023	2024

Argus Recommendations

Twelve Month Rating	SELL	HOLD	BUY
Five Year Rating	SELL	HOLD	BUY
Sector Rating	Under Weight	Market Weight	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 73% Buy, 27% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	\$250.94
Target Price	\$290.00
52 Week Price Range	\$191.97 to \$258.59
Shares Outstanding	83.70 Million
Dividend	\$2.88

Sector Overview

Sector	Healthcare
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	10.80%

Financial Strength

Financial Strength Rating	MEDIUM-HIGH
Debt/Capital Ratio	47.4%
Return on Equity	16.1%
Net Margin	5.5%
Payout Ratio	0.18
Current Ratio	1.44
Revenue	\$13.18 Billion
After-Tax Income	\$730.80 Million

Valuation

Current FY P/E	15.59
Prior FY P/E	17.22
Price/Sales	1.59
Price/Book	2.53
Book Value/Share	\$99.13
Market Capitalization	\$21.00 Billion

Forecasted Growth

1 Year EPS Growth Forecast	10.50%
5 Year EPS Growth Forecast	10.00%
1 Year Dividend Growth Forecast	0%

Risk

Beta	0.62
Institutional Ownership	93.37%

Analyst's Notes ...Continued

million of \$2.69 per share a year ago.

Revenue was \$3.345 billion, increasing 5.3% on a reported basis. Excluding acquisitions and divestitures, organic growth was 2.1%. We note that there was a negative impact of approximately 190 basis points from weather and one fewer selling day in 1Q25.

By measures of profitability, the adjusted operating margin was 14.0%, down 20 basis points. Excluding the impact of weather and the Invitae acquisition, the margin would have risen approximately 60 basis points. This was driven by organic demand and cost savings from the Launch Pad program, partly offset by higher personnel costs.

Total test volume increased 3.0%, with organic volume increasing 0.9% and acquisitions contributing 2.1%. The price mix increased 3.0%.

Within the business segments, Diagnostic Laboratories had total revenue growth of 6.0% (1.6% organic and 4.7% from acquisitions).

In Biopharma Laboratory Services, revenue growth was 1.5% (2.6% organic).

The book-to-bill ratio was a healthy 1.13 for the quarter and 1.07 for the trailing 12-months.

EARNINGS & GROWTH ANALYSIS

Labcorp updated its guidance for 2025. It continues to expect revenue growth at the enterprise level to be 6.7%-8.0%. It now expects adjusted EPS of \$15.70-\$16.40, compared to a prior view

of \$15.60-\$16.40. This raises the midpoint of the range by \$0.05. This guidance takes into account various scenarios of the ever-changing tariff and regulatory landscape and is based on what management believes to be the most likely scenario at this time.

We are raising our estimates for adjusted EPS to \$16.10 from \$16.00 for 2025 and to \$17.65 from \$17.60 for 2026.

Our five-year EPS growth forecast is 10%.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on Labcorp is Medium-High. Cash flow from continuing operations for 2024 was \$1.586 billion, compared to \$1.202 billion in 2023.

The annualized dividend is \$2.88 per share, for a yield of about 1.17%. Our dividend estimates are \$2.88 for 2025 and \$2.96 for 2026.

MANAGEMENT & RISKS

Adam Schechter has served as Labcorp's president and CEO since 2019 and as chairman since May 2020. Julia Wang joined company as CFO in December 2024, succeeding Glenn Eisenberg. Prior to Labcorp, she served as CFO at Beigene (BGNE). Before retiring, Mr. Eisenberg served as CFO for 10 years.

Labcorp faces risks of competition from other national labs, as well as from labs affiliated with hospitals. It also faces reimbursement pressures from insurance companies.

COMPANY DESCRIPTION

Growth & Valuation Analysis

GROWTH ANALYSIS

(\$ in Millions, except per share data)

	2020	2021	2022	2023	2024
Revenue	13,979	13,136	11,864	12,162	13,009
COGS	9,026	8,144	8,155	8,797	9,385
Gross Profit	4,953	4,992	3,709	3,365	3,624
SG&A	1,729	1,690	1,763	2,021	2,230
R&D	—	—	—	—	—
Operating Income	2,948	3,073	1,752	1,124	1,138
Interest Expense	207	212	180	200	208
Pretax Income	2,219	2,888	1,237	569	960
Income Taxes	662	690	234	189	212
Tax Rate (%)	30	24	19	33	22
Net Income	1,556	2,377	1,279	418	746
Diluted Shares Outstanding	98	98	92	88	84
EPS	15.88	24.39	13.97	4.77	8.84
Dividend	—	—	2.16	2.88	2.88

GROWTH RATES (%)

Revenue	21.0	-5.4	-10.3	2.7	7.2
Operating Income	112.9	4.2	-43.0	-35.9	1.3
Net Income	88.9	52.8	-46.2	-67.3	78.5
EPS	90.2	41.8	-51.4	-60.4	104.2
Dividend	—	—	—	33.3	—
Sustainable Growth Rate	10.9	29.5	15.7	5.2	2.5

VALUATION ANALYSIS

Price: High	\$218.77	\$317.17	\$313.99	\$258.90	\$247.99
Price: Low	\$98.02	\$200.68	\$200.32	\$195.01	\$191.97
Price/Sales: High-Low	1.5 - 0.7	2.4 - 1.5	2.4 - 1.5	1.9 - 1.4	1.6 - 1.2
P/E: High-Low	13.8 - 6.2	13.0 - 8.2	22.5 - 14.3	54.3 - 40.9	28.1 - 21.7
Price/Cash Flow: High-Low	11.1 - 5.0	9.8 - 6.2	14.7 - 9.4	16.4 - 12.3	15.1 - 11.7

Financial & Risk Analysis

FINANCIAL STRENGTH	2022	2023	2024
Cash (\$ in Millions)	321	537	1,519
Working Capital (\$ in Millions)	1,547	540	1,476
Current Ratio	1.50	1.17	1.44
LT Debt/Equity Ratio (%)	57.2	60.7	75.5
Total Debt/Equity Ratio (%)	61.9	75.6	90.3

RATIOS (%)

Gross Profit Margin	31.3	27.7	27.9
Operating Margin	14.8	9.2	8.7
Net Margin	10.8	3.4	5.7
Return On Assets	6.3	2.3	4.3
Return On Equity	12.6	4.7	9.4

RISK ANALYSIS

Cash Cycle (days)	48.8	40.3	39.8
Cash Flow/Cap Ex	4.1	2.7	3.2
Oper. Income/Int. Exp. (ratio)	7.9	3.9	5.6
Payout Ratio	—	7.7	29.7

Analyst's Notes ...Continued

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VALUATION

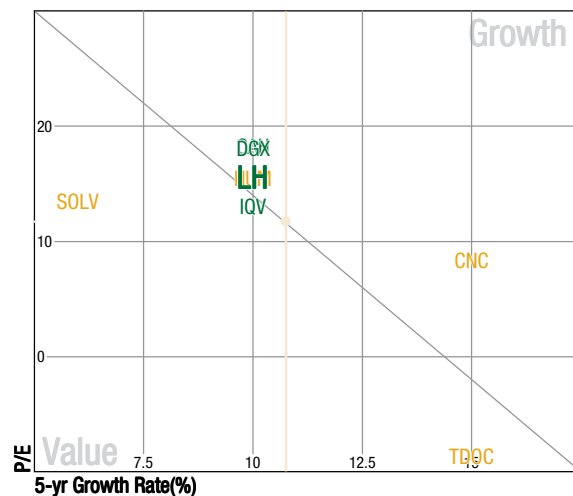
LH shares trade at 13.9-times our 2026 EPS estimate, below the average multiple of 14.2 for our coverage universe of peers in the diagnostics subsector. We believe this is an attractive valuation. LH's multiple growth drivers support the BUY thesis on the stock.

On May 12, BUY-rated LH closed at \$250.94, up \$5.21.

Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare LH versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how LH stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how LH might fit into or modify a diversified portfolio.



Ticker	Company	Market Cap (\$ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
CAH	Cardinal Health, Inc.	35,472	10.0	18.3	.7	11.9	BUY
CNC	Centene Corp.	31,284	15.0	8.4	2.0	6.7	HOLD
HUM	Humana Inc.	30,519	10.0	15.5	1.4	-16.6	HOLD
IQV	IQVIA Holdings Inc	27,010	10.0	13.1	8.6	10.9	BUY
LH	Labcorp Holdings Inc.	21,004	10.0	15.6	5.5	9.6	BUY
DGX	Quest Diagnostics, Inc.	19,637	10.0	18.1	8.8	9.8	BUY
SOLV	Solventum Corp	12,941	6.0	13.5	4.6	7.2	HOLD
TDOC	Teladoc Health Inc	1,289	15.0	-8.6	-39.7	17.6	HOLD
Peer Average		22,395	10.8	11.7	-1.0	7.1	

P/E



Price/Sales



Price/Book



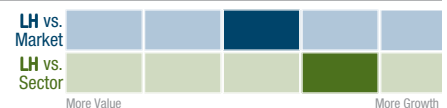
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5 Year Growth



Debt/Capital



About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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