

LABORATORY CORP OF AMERICA HOLDINGS
Form 10-Q
May 04, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark
One)

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

For the quarterly period ended March 31, 2006

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

13-3757370

(State or other jurisdiction of incorporation or organization)

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

**358 South Main Street,
Burlington, North Carolina**

27215

(Address of principal executive offices)

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated file. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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

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The number of shares outstanding of the issuer's common stock is 124.7 million shares, net of treasury stock as of May 1, 2006.

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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)

	March 31, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25.2	\$ 45.4
Short-term investments	46.2	17.7
Accounts receivable, net	522.2	493.4
Supplies inventories	59.8	65.4
Prepaid expenses and other	34.7	37.2
Deferred income taxes	39.4	43.2
	<hr/>	<hr/>
Total current assets	727.5	702.3
Property, plant and equipment, net	376.4	381.5
Goodwill, net	1,476.2	1,477.0
Intangible assets, net	634.1	645.7
Investments in joint venture partnerships	580.3	578.9
Other assets, net	90.3	90.4
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Total assets	\$ 3,884.8	\$ 3,875.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 108.5	\$ 116.2
Accrued expenses and other	265.3	227.3
Short term borrowings and current portion of long-term debt	547.4	544.6
	<hr/>	<hr/>
Total current liabilities	921.2	888.1
Long-term debt, less current portion	604.2	604.5
Deferred income taxes	401.7	408.9
Other liabilities	88.7	88.6
	<hr/>	<hr/>
Total liabilities	2,015.8	1,990.1
Commitments and contingent liabilities	--	--
Shareholders' equity:		
Common stock, 124.7 and 126.5 shares outstanding at March 31, 2006 and December 31, 2005, respectively	14.6	14.8
Additional paid-in capital	1,219.5	1,339.7
Retained earnings	1,438.2	1,336.3
Less common stock held in treasury	(891.7)	(888.5)
Unearned restricted stock compensation	--	(6.9)
Accumulated other comprehensive earnings	88.4	90.3
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Total shareholders' equity	1,869.0	1,885.7

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	<u>March 31,</u>	<u>December 31,</u>
Total liabilities and shareholders' equity	\$ 3,884.8	\$ 3,875.8

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

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

	Three Months Ended March 31,	
	2006	2005
Net sales	\$ 878.5	\$ 799.1
Cost of sales	505.8	460.8
	372.7	338.3
Gross profit		
Selling, general and administrative expenses	190.9	168.6
Amortization of intangibles	13.0	12.1
	168.8	157.6
Operating income		
Other income (expenses):		
Interest expense	(11.9)	(8.5)
Income from joint venture partnerships	15.4	13.7
Investment income	0.4	0.5
Other, net	(0.6)	(0.4)
	172.1	162.9
Earnings before income taxes		
Provision for income taxes	70.2	66.3
	\$ 101.9	\$ 96.6
Net earnings		
Basic earnings per common share	\$ 0.82	\$ 0.72
Diluted earnings per common share	\$ 0.76	\$ 0.67

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

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	Unearned Restricted Stock Compensation	Accumulated Other Comprehensive Earnings	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 2004	\$ 15.1	\$ 1,504.1	\$ 950.1	\$ (544.2)	\$ (7.5)	\$ 81.7	\$ 1,999.3
Comprehensive earnings:							
Net earnings	--	--	96.6	--	--	--	96.6
Other comprehensive earnings:							
Foreign currency translation adjustments	--	--	--	--	--	(4.8)	(4.8)
Tax effect of other comprehensive loss adjustments	--	--	--	--	--	1.9	1.9
Comprehensive earnings							93.7
Issuance of common stock under employee stock plans	0.1	23.2	--	--	--	--	23.3
Issuance of restricted stock awards	--	6.8	--	--	(6.8)	--	--
Surrender of restricted stock awards	--	--	--	(7.3)	--	--	(7.3)
Cancellation of restricted stock awards	--	(0.3)	--	--	0.3	--	--
Stock compensation	--	0.6	--	--	2.5	--	3.1
Income tax benefit from stock options exercised	--	3.9	--	--	--	--	3.9
Purchase of common stock	--	--	--	(112.0)	--	--	(112.0)
BALANCE AT MARCH 31, 2005	\$ 15.2	\$ 1,583.3	\$ 1,046.7	\$ (663.5)	\$ (11.5)	\$ 78.8	\$ 2,004.0
BALANCE AT DECEMBER 31, 2005	\$ 14.8	\$ 1,339.7	\$ 1,336.3	\$ (888.5)	\$ (6.9)	\$ 90.3	\$ 1,885.7
Comprehensive earnings:							
Net earnings	--	--	101.9	--	--	--	101.9
Other comprehensive earnings:							
Foreign currency translation adjustments	--	--	--	--	--	(3.0)	(3.0)
Tax effect of other comprehensive loss adjustments	--	--	--	--	--	1.1	1.1
Comprehensive earnings							100.0