

Conference operator: Welcome to the Quest Diagnostics First Quarter 2025 conference call. At the request of the company, this call is being recorded. The entire contents of the call, including the presentation and question and answer session that will follow, are the copyrighted property of Quest Diagnostics with all rights reserved. Any redistribution, retransmission or rebroadcast of this call in any form without the written consent of Quest Diagnostics is strictly prohibited. Now I'd like to introduce Shawn Bevec, Vice President of Investor Relations for Quest Diagnostics. Go ahead, please.

Shawn Bevec: Thank you and good morning. I am joined by Jim Davis, our Chairman, Chief Executive Officer and President, and Sam Samad, our Chief Financial Officer. During this call, we may make forward-looking statements and will discuss non-GAAP measures. We provide a reconciliation of non-GAAP measures to comparable GAAP measures in the tables to our earnings press release. Actual results may differ materially from those projected. Risks and uncertainties that may affect Quest Diagnostics' future results include, but are not limited to, those described in our most recent Annual Report on Form 10-K and subsequently filed quarterly reports on Form 10-Q and Current Reports on Form 8-K.

For this call, references to reported EPS refer to reported diluted EPS and references to adjusted EPS refer to adjusted diluted EPS. Growth rates associated with our long-term outlook projections, including consolidated revenue growth, revenue growth from acquisitions, organic revenue growth and adjusted earnings growth are compound annual growth rates.

Now, here is Jim Davis.

Jim Davis: Thanks, Shawn, and good morning.

In the first quarter, we delivered strong revenue growth of approximately 12%, including nearly 2.5% in organic growth, as demand rebounded in March following weather impacts early in the quarter. Our growth was due to contributions from acquisitions and large enterprise accounts, demand for our advanced diagnostics portfolio, and expanded health plan access.

We also continued to expand our use of automation, robotics and AI, with the goal of improving quality, customer and employee experiences, and productivity.

We are reaffirming our revenue and adjusted EPS guidance for the full year 2025.

Before turning to highlights from the quarter, I'd like to briefly comment on the recent court case that vacated the FDA rule to regulate laboratory developed tests as medical devices. The court's decision will ensure patients and providers can continue to access innovative laboratory testing services regulated under CLIA, without additional regulatory costs to comply with the FDA LDT rule. We also recognize that several growing areas of our business already operate under the FDA's existing quality management system regulations, including companion diagnostics and lab services for clinical trials. In addition, our business is increasingly global, as we expand in Canada through LifeLabs and provide reference testing for many countries. We continue to invest in quality management processes and technologies to navigate the complexity of the global regulatory environment.

Now, I'll recap our strategy and discuss highlights from the first quarter. Then Sam will provide more detail on our results.

Our strategy to drive growth is focused on delivering solutions that meet the evolving needs of our core clinical customers – physicians and hospitals – as well as customers in the higher growth areas of consumer-initiated testing, life sciences and data analytics. We enable growth across our customer channels through faster-growing advanced diagnostics in five key clinical areas, which are advanced cardiometabolic, autoimmune, brain health, oncology, and women's and reproductive health. In addition, acquisitions are a key growth driver, and our strategy emphasizes accretive outreach purchases and independent labs. Finally, we are focused on driving operational improvements across the business with the deployment of automation, robotics and AI, for improved quality, customer and employee experiences, and productivity.

Here are some updates on the progress we have made in these areas in the first quarter of 2025.

In the **Physician channel**, we delivered revenue growth in the high teens, driven largely by acquisitions. Organic revenue growth in the physician channel was mid-single digits.

Our expanding portfolio of advanced diagnostics continued to deliver solid growth. We also generated volume and revenue growth through access to new geographies as a result of new health plan partnerships that took effect on January first. In addition, we also grew from large enterprise accounts, including functional medicine providers, which are often early adopters of advanced diagnostics that, over time, move to broader adoption. For example, we saw impressive uptake of our novel PFAS forever chemicals test, which we launched a little over one year ago.

Our ability to scale diagnostic innovation is attractive to large enterprise organizations seeking to improve access, quality and affordability. During the quarter, Quest was named as the first independent national lab to be selected to the Optum Health Preferred Lab Network. The Optum Health PLN requires labs to meet rigorous quality and economic criteria to improve patient affordability and access. The Optum Health network represents more than 85,000 Optum employed, contracted and affiliated physicians. Our addition to this PLN is an example of our attractiveness as a partner to enterprise providers seeking to improve quality and economic value.

We also announced an agreement to provide comprehensive lab testing for Fresenius Medical Care's dialysis centers serving more than 200,000 kidney dialysis patients in the U.S. Under a separate agreement, we also plan to acquire select lab assets from Fresenius Medical Care in the U.S.

In the **Hospital channel**, revenue growth in the quarter was largely driven by contributions from our collaborative lab solutions, formerly known as professional lab services. Running a lab and developing lab tests requires investing in equipment, hiring specialized talent, and keeping pace with innovation in lab technology. Health systems continue to face supplies inflation, workforce challenges and reduced access to capital. Through our reference testing, CoLab solutions and outreach lab acquisitions, Quest provides hospitals with strategic options for accessing best-in-class diagnostic innovation without having to maintain a lab.

At our recent Investor Day, we shared our plans to expand in three high growth areas: consumer-initiated testing, life sciences and data analytics. We recently enhanced the online shopping experience of our consumer-initiated test platform questhealth.com, streamlining the order process, which contributed to a sharp uptick in first-time orders during the quarter. We also introduced 10 new tests on the platform. [Questhealth.com](https://questhealth.com) features fast access, physician consults and, for STIs and several other conditions, access to prescriptions for treatment.

We recently shared our long-term outlook for double-digit growth in **Advanced Diagnostics** across five key clinical areas.

- Advanced cardiometabolic and autoimmune testing both grew at double digit rates, similar to trends seen last year. These areas help providers support preventive care for patients by identifying early health risks conventional lab tests can miss.
- In brain health, we generated double-digit growth from our innovative AD-Detect blood tests for Alzheimer's disease. We are particularly excited about our latest AD-Detect blood test panel, which we launched this month. This new panel combines results of amyloid beta and p-tau217, two well-established Alzheimer's biomarkers, to give physicians even greater confidence to confirm Alzheimer's brain pathology in symptomatic patients.
- In women's and reproductive health, prenatal and hereditary genetic testing grew double digits. In March, we launched a solution that enables a patient to self-collect a specimen for HPV cervical cancer screening at a doctor's office. We plan to roll out this self-collect option at our 2,000 patient service centers in the U.S. early next month, complementing our STI-related self-collect option, which is already seeing high rates of adoption since its launch last year.
- During the quarter, we started to receive commercial orders for our Haystack MRD™ test for assessing early risk of cancer recurrence. We are investing in our connectivity with electronic medical records preferred by oncologists to improve ease of account set up and ordering. For instance, we plan to deploy Haystack MRD via Epic's Aura specialty EMR module later this year.
- Finally, Quest continues to be at the forefront of serving public health needs. We saw an uptick in our measles offerings, including testing that can be used for diagnosis or to assess vaccination status or prior infection.

Turning to **operational excellence**, we continue to target 3% annual cost savings and productivity improvements through Invigorate. We are automating several areas of our laboratories, from tuberculosis testing to cervical cancer screening, to improve quality, customer and employee experiences, and productivity.

We also recently shared goals for Project Nova, which we expect will modernize and simplify our entire order-to-cash process. While this initiative will take several years to fully implement, we expect to realize the benefits sooner, including lower IT spend and improved productivity.

Project Nova will also support our ability to optimize data insights and GenAI. During the quarter, we announced a collaboration with Google Cloud to streamline data management and employ GenAI to personalize customer and employee experiences.

Finally, I want to thank our more than 55,000 Quest and LifeLabs colleagues for their dedication to living the Quest purpose -- working together to create a healthier world, one life at a time.

And now Sam will provide more details on our performance and 2025 guidance. Sam?

Sam Samad: Thanks, Jim.

In the first quarter, consolidated revenues were \$2.65 billion, up 12.1% versus the prior year. Consolidated organic revenues grew by 2.4%.

Revenues for Diagnostic Information Services were up 12.7% compared to the prior year, reflecting recent acquisitions as well as growth in our key physician and hospital channels.

Total volume, measured by the number of requisitions, increased 12.4% versus the first quarter of 2024, with organic volume down by 0.9%. During the quarter, weather and one less day versus the prior year reduced volume growth by approximately 160 basis points.

Total revenue per requisition was up 0.3% versus the prior year, driven primarily by an increase in the number of tests per req, mostly offset by the impact of the LifeLabs acquisition, which carries a lower revenue per requisition. On an organic basis, revenue per req was up 3.6% in the quarter versus last year. Unit price reimbursement was relatively flat, consistent with our expectations.

Reported operating income in the first quarter was \$346 million, or 13.0% of revenues, compared to \$300 million, or 12.7% of revenues last year.

On an adjusted basis, operating income was \$406 million, or 15.3% of revenues, compared to \$349 million, or 14.8% of revenues last year.

The increase in adjusted operating income was due to the impact of recent acquisitions and organic revenue growth, partially offset by the impact of weather, one less day versus the prior year, and wage increases.

Reported EPS was \$1.94 in the quarter compared to \$1.72 a year ago. Adjusted EPS was \$2.21, versus \$2.04 the prior year. EPS in the first quarter was impacted by higher interest expense versus the prior year.

Cash from operations was \$314 million in the first quarter versus \$154 million in the prior year.

Turning now to full year 2025 guidance. Despite the economic uncertainty and unstable macro backdrop and given Quest's essential role in healthcare and comparative resilience, we are reaffirming guidance for revenues and adjusted EPS.

Therefore:

- Revenues are expected to be between \$10.70 billion and \$10.85 billion.
- Reported EPS now expected to be in a range of \$8.62 to \$8.87, and adjusted EPS to remain in a range of \$9.55 to \$9.80.
- Cash from operations is now expected to be approximately \$1.5 billion; and

- Capital expenditures are expected to be approximately \$500 million.

Our 2025 guidance reflects the following considerations:

- Our revenue guidance continues to assume approximately 3% organic revenue growth with the remainder coming from the acquisitions completed in 2024 and announced to date. It does not assume any contribution from prospective M&A.
- We continue to anticipate that Haystack Oncology will be slightly less dilutive versus the prior year.
- We are making investments in 2025 related to Project Nova, which we expect will modernize our entire order-to-cash process.
- Also, despite the decision by a federal court to vacate the FDA rule on lab developed tests, we still intend to make some investments this year to strengthen our regulatory capabilities to serve our growing global and life sciences businesses.
- Operating margin is expected to expand versus the prior year.
- We continue to anticipate net interest expense to be approximately \$275 million.
- Adjusted tax rate is expected to be approximately 25%.
- Our share count for the full year is expected to be approximately 114 million diluted shares outstanding.
- Finally, we raised our operating cash flow guidance by \$50 million, which primarily reflects a pre-tax gain to be taken in Q2 related to a payroll tax credit under the CARES Act that we received in April.

With that, I will now turn it back to Jim.

Jim Davis: Thanks, Sam.

To summarize:

- **We delivered strong consolidated and organic revenue growth in the first quarter, as demand rebounded in March following weather impacts early in the quarter.**
- **In addition to acquisitions, key drivers of growth included large enterprise partnerships, advanced diagnostics and expanded health plan access.**
- **And we are reaffirming our revenue and adjusted EPS guidance for the full year 2025.**

Now we'd be happy to take your questions.

Operator?

OPERATOR: Thank you. We will now open it up to questions. At the request of the Company, we ask that you please limit yourself to one question. If you have additional questions, we ask that you please fall back in the queue.

[AFTER QUESTIONS END]

JIM: Thanks again for joining our call today. We appreciate your continued support. Have a good day, everybody.

-----**OPERATOR:**

Thank you for participating in the Quest Diagnostics First Quarter 2025

conference call. A transcript of prepared remarks on this call will be posted later today on Quest Diagnostics' website at www.QuestDiagnostics.com.

A replay of the call may be accessed online at www.QuestDiagnostics.com/investor or by phone at 866-361-4757 for domestic callers or 203-369-0183 for international callers. Telephone replays will be available from approximately 10:30 a.m. Eastern Time on April 22, 2025 until midnight Eastern Time on May 6, 2025. Goodbye.