Conference operator: Welcome to the Quest Diagnostics Third 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, everyone.

Our third quarter performance underscores strong demand for our clinical solutions, our diligent execution to meet customer needs, and our commitment to advancing our strategy. We delivered robust top- and bottom-line growth, extended our presence in key markets, forged new collaborations with leaders across healthcare, and expanded our broad portfolio of diagnostic innovations to advance better health.

Revenues grew 13.1%, including 6.8% organic growth, driven by broad-based adoption of our clinical innovations, contributions from acquisitions, and growth in our consumer channel as we position Quest as the preferred lab engine inside top wellness brands. We also announced an agreement with Corewell Health to form a lab services joint venture serving the state of Michigan. In addition, we will deploy our comprehensive Co-Lab Solutions across Corewell's nearly two dozen hospitals, supporting quality, innovation, access and productivity.

Given our strong performance year-to-date, we are again raising our full year 2025 guidance.

I'd like to take a moment to comment on efforts to reform PAMA. In September, congressional leaders introduced bipartisan legislation called the RESULTS Act. RESULTS is a smart, pragmatic and fair reform that seeks to correct the flaws of the original PAMA implementation. It would deliver foundational payment reforms for clinical labs by dramatically improving the accuracy of data used to set reimbursement under the Clinical Lab Fee Schedule. If Congress does not reform or delay PAMA this year, American labs will be forced to absorb significant payment cuts next year, threatening the ability of American seniors to access critical lab testing. We are working in partnership with our trade association, ACLA, and with Congress, to secure meaningful PAMA relief before the New Year.

Before turning to our third quarter results, I'll share some highlights on how our strategy is enabling growth. We are 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, 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 purchases of accretive hospital outreach and independent labs.

Finally, we are focused on driving operational improvements across the business with the deployment of automation, AI and other advanced technologies, for improved quality, productivity, and customer and employee experiences.

Here are some updates on the progress we have made in these areas during the third quarter.

In the **Physician channel**, we delivered approximately 17% revenue growth, with organic revenue growth in the high single digits. We experienced broad-based demand across our clinical solutions, supported by focused commercial execution and expanded health plan access in several states, including Colorado, Georgia, Nevada, and Virginia.

In addition, we continued to expand business in enterprise accounts, including functional medicine providers, who utilize comprehensive laboratory testing to improve health and wellness.

During the quarter, we completed our acquisition of select clinical testing assets from Fresenius Medical Care, which will enable us to offer lab testing used in dialysis delivery to independent dialysis clinics in the U.S. More significantly, under a separate enterprise agreement, we also began to roll out clinical lab testing to Fresenius Medical Care's dialysis centers, which serve about 200,000 dialysis patients annually in the U.S. We expect to finish scaling these services in early 2026. We look forward to processing these tests during periods of the day when we have open capacity, enabling us to further optimize the productivity of our labs.

In the **Hospital channel**, revenues grew low single-digits, with Collaborative Lab Solutions driving our growth in the quarter. We offer hospitals many flexible options for accessing our leading science, innovation and scale. These include reference testing, our Co-Lab Solutions, outreach acquisitions and other business relationships, all of which provide meaningful improvements in quality, patient access and cost efficiencies.

During the quarter, Quest and Corewell Health, a top health system, announced plans to establish a laboratory services joint venture in Michigan with an advanced state-of-the-art lab serving the entire state. In our largest implementation of Co-Lab Solutions to date, Corewell Health will utilize our comprehensive offering, including reference testing, lab analytics, supply chain management and blood management. Once we fully scale across Corewell's 21 hospital labs next year, we expect annual revenues from Co-Lab Solutions to be approximately $1 billion.

Turning to our **Consumer channel**, we are excited by the increasing momentum we saw in the third quarter as we strengthened Quest as the preferred lab engine of consumer health companies. We are delivering our extensive menu and technology inside top consumer health and wellness brands. For example, our collaborations with WHOOP, the human performance company, and ŌURA Health, maker of the world's leading smart ring, enable seamless access to our lab testing, services and results in their mobile apps. In the quarter, we also saw strong double-digit growth from our questhealth.com consumer-initiated test platform.

In **Advanced Diagnostics**, we delivered double-digit revenue growth across several clinical areas of our portfolio. These include advanced cardiometabolic and endocrine as well as autoimmune disease testing with our ANAlyzeR™ autoimmune solution. ANAlyzeR experienced strong growth as primary care physicians increasingly utilize this solution to direct high-risk patients to specialty care.

In brain health, demand for our Quest AD-Detect® blood tests for Alzheimer's disease accelerated and more than doubled in the third quarter. New guidelines introduced in July recognize the value of blood-based biomarker testing in assessing Alzheimer's disease pathology in patients with cognitive impairment. At the same time, we continue to publish evidence on our AD-Detect tests, including a study published this month that found two of our innovative panels provide confirmatory accuracy for aiding Alzheimer's diagnosis.

In Oncology, during the quarter, we received breakthrough device designation from the FDA for our Haystack MRD™ test. This milestone reinforces the high caliber of our cancer monitoring innovation and opens avenues for developing companion diagnostics. We also commenced separate trials with Mass General Brigham and Rutgers Cancer Institute to further research Haystack MRD's clinical utility as a guide in making postoperative therapy decisions. We are also pleased that HPH, a major lab provider in Hamburg, recently introduced an in-house MRD test in Germany, based on a license to our Haystack MRD technology.

We are highly focused on delivering innovations that can identify risk of cancer and other diseases in early, preventable stages. During the quarter, we announced collaborations that leverage Quest's national scale in phlebotomy and connectivity to broaden access to cancer screening liquid-biopsy tests, including Guardant Health's Shield test for colorectal cancer.

Turning to **operational excellence**, we continue to target 3% annual cost savings and productivity improvements through our Invigorate program. We are deploying innovative automation and AI technologies, including digitizing processes, to improve quality, productivity, and customer and employee experiences.

During the quarter, we announced Epic as our technology partner for Project Nova, our multi-year order-to-cash transformation. By deploying a suite of Epic solutions, including Beaker, myChart and CareEverywhere, we will deliver deeper, more connected insights with easier, faster and more efficient experiences. Combining these leading technologies with our breadth and scale will help all patients and providers, regardless of their EHR provider, get the information they need to make critical care decisions. We are in the early planning stages of this work and look forward to sharing more about the implementation on future calls.

Our growth and productivity gains in the quarter demonstrate that we are executing our strategy and serving our customers and patients with both energy and purpose.

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

Sam Samad: Thanks, Jim.

In the third quarter, consolidated revenues were $2.82 billion, up 13.1% versus the prior year. Consolidated organic revenues grew by 6.8%.

Revenues for Diagnostic Information Services were up 13.5% compared to the prior year, reflecting organic growth in our physician, hospital and consumer channels as well as recent acquisitions.

Total volume, measured by the number of requisitions, increased 12.5% versus the third quarter of 2024, with organic volume up 3.9%. Recall, the impact of weather and the Crowdstrike global IT outage was a headwind on our volume in the third quarter last year. We estimate that our volume in the third quarter of 2025 experienced a benefit of approximately 50 basis points due to the impact from those disruptions in the same period last year.

Total revenue per requisition was up 0.8% versus the prior year as an increase in organic revenue per requisition was substantially offset by the impact of the LifeLabs acquisition, which carries a lower revenue per requisition. On an organic basis, revenue per requisition was up 3.0% in the quarter versus last year, driven primarily by an increase in the number of tests per requisition and test mix. Unit price reimbursement remained consistent with our expectations.

Reported operating income in the third quarter was $386 million, or 13.7% of revenues, compared to $330 million, or 13.3% of revenues last year.

On an adjusted basis, operating income was $458 million, or 16.3% of revenues, compared to $385 million, or 15.5% of revenues last year.

The increase in adjusted operating income was due to recent acquisitions and organic revenue growth, partially offset by wage increases and higher-than-expected employee healthcare costs.

Reported EPS was $2.16 in the quarter compared to $1.99 a year ago. Adjusted EPS was $2.60, versus $2.30 the prior year. EPS in the third quarter was impacted by higher net interest expense versus the prior year. Foreign exchange rates had no meaningful impact on our results.

Cash from operations was $1.42 billion year to date through the third quarter versus $870 million in the prior year. This year-over-year increase of 63.1% was driven by higher operating income, favorable working capital due to timing of receipts and disbursements, a one-time CARES Act tax credit, and a cash tax benefit related to recent tax legislation.

Turning now to our updated full year 2025 guidance:

- Revenues are expected to be between $10.96 billion and $11.00 billion.
- Reported EPS is expected to be in a range of $8.58 to $8.66, and adjusted EPS in a range of $9.76 to $9.84.
- Cash from operations is now expected to be approximately $1.8 billion; and
- Capital expenditures are expected to be approximately $500 million.

Our 2025 guidance reflects the following considerations:

- Our updated revenue guidance assumes approximately 4.5% to 5% organic revenue growth in addition to contributions from acquisitions completed in 2024 and announced to date. It does not assume any contribution from prospective M&A.
- We are making investments in 2025 related to Project Nova, which we expect will modernize our entire order-to-cash process. We expect these expenses to ramp in the fourth quarter.
- Operating margin is expected to expand versus the prior year.
- Our updated operating cash flow guidance reflects a cash tax benefit related to recent tax legislation as well as favorability in working capital.

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

Jim Davis: Thanks, Sam.

To summarize:

- **Our third quarter performance of robust top- and bottom-line growth underscores strong demand for our clinical solutions, our diligent execution to meet customer needs, and our commitment to advancing our strategy.**

- **We formed collaborations to support future growth, including with Corewell Health in Michigan, top consumer health brands and Epic for Project Nova.**

- **Given our strong performance year-to-date, we are raising our full year 2025 guidance.**

Finally, I want to thank our more than 55,000 colleagues for their hard work this quarter. They are the force that delivers on our Purpose to create a healthier world, one life at a time.

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 Third Quarter 2025

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

A replay of the call may be accessed online at www.QuestDiagnostics.com/investor or by phone at 866-388-5361 for domestic callers or 203-369-0416 for international callers; no passcode is required. Telephone replays will be available from approximately 10:30 a.m. Eastern Time on October 21, 2025 until midnight Eastern Time on November 5, 2025. Goodbye.