

Conference operator: Welcome to the Quest Diagnostics Fourth Quarter and Full Year 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 Dan Haemmerle, Vice President of Finance and head of Investor Relations, for Quest Diagnostics. Go ahead, please.

Dan Haemmerle: 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, Dan, and good morning, everyone.

With diligent execution of our strategy and a strong fourth quarter, we generated double-digit growth in revenues and earnings per share for the full year.

In 2025, we expanded our category-defining clinical innovations to meet robust demand, formed strategic collaborations with elite healthcare organizations, and further advanced our position as the premier lab engine powering the wellness industry. We also continued to improve quality, productivity, and the customer and patient experience with process enhancements, AI and automation.

As we look ahead to 2026, our guidance reflects our continued confidence in our business strengths and market fundamentals, which include favorable demographic trends, increasing use of blood-based lab diagnostics, and growing interest in preventive health and wellness.

Before I turn to the year's highlights, I'd like to take a moment to comment on PAMA. Last week, bipartisan legislation was enacted that delays the implementation of PAMA until the end of 2026. This one-year delay in rate cuts was paired with an update to the data collection period, to the first half of 2025 from the first half of 2019, based on data to be supplied by applicable laboratories to CMS later this year. We greatly appreciate Congress for recognizing the need to reform PAMA and for providing this one-year delay of PAMA cuts, which provides meaningful short-term relief. However, these steps do not fix PAMA's structural flaws, which include relying on an estimated 10,000-plus labs to self-report data to establish industry-representative data for payment rate setting. As a reminder, fewer than one percent of all clinical laboratories reported commercial payor data to CMS in 2017, resulting in three rounds of excessive rate cuts based on data that did not reflect the market. A different approach is needed to prevent a repeat of excessive rate cuts.

The RESULTS Act provides a common-sense, long-term solution that corrects these deficiencies, by, for example, eliminating the need for thousands of labs to self-report data and, instead, leveraging an independent third-party database that provides comprehensive and representative data to set accurate, market-based rates. We will continue to work with our trade association ACLA to build on progress in securing the necessary support in Congress to pass RESULTS into law this year.

Now, I'll provide more detail on how we executed our strategy across our key customer channels and operations during the quarter and the year.

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.

In the **Physician channel**, we delivered high single-digit organic revenue growth in the fourth quarter on broad-based demand for our clinical solutions, including several areas of Advanced Diagnostics, and from geographic expansion resulting from increased health plan access. We also grew revenues in enterprise accounts, as we added new customers and extended business with existing customers.

In addition, during the quarter, we scaled our lab testing to serve more than 200,000 patients at Fresenius Medical Care's dialysis centers in the United States. We also added water-purity testing capabilities to our menu to support dialysis customers nationwide.

In the **Hospital channel**, revenues grew low single-digits, with Collaborative Lab Solutions driving our growth in the quarter. Our Co-Lab Solutions harness our lab and process management expertise to optimize quality and drive cost efficiencies in areas

ranging from hospital lab and supply chain management to analytics and blood utilization.

At the start of 2026, we began to scale our Co-Lab Solutions across all 21 hospitals of Corewell Health, a leading health system in Michigan, in our largest implementation of these solutions to date. We expect Co-Lab Solutions to generate approximately \$1 billion in annual revenues in 2026. Additionally, we recently finalized our laboratory joint venture with Corewell Health, and are jointly constructing a state-of-the-art laboratory in southeast Michigan from which we plan to serve the state in 2027.

Hospitals value our flexible solutions for accessing expertise, innovation and capital. We are pursuing several potential hospital outreach and independent lab acquisitions as well as Co-Lab opportunities while also continuing to integrate and generate value from our recent transactions.

In the **Consumer channel**, we are leveraging our diagnostics expertise and technology to drive growth through our consumer-initiated test platform questhealth.com as well as through collaborations with industry-leading wellness and wearables companies. In the fourth quarter, we expanded questhealth.com to offer more than 150 tests, including our new 85-biomarker Elite Health Profile. Our innovation, quality and technology integration into existing apps and experiences make us the clear choice for organizations seeking to add diagnostic insights to their offerings, and we added new consumer brands to our extensive roster of collaborations in the fourth quarter. At our Investor Day in March last year, we said that we expect consumer-initiated testing to generate revenue growth in excess of 20% and we exceeded that growth rate in 2025. Across the consumer channel, we delivered nearly \$250 million in revenues for the full year.

We enable growth across our customer channels through faster-growing **Advanced Diagnostics** in five key clinical areas: advanced cardiometabolic and endocrine, autoimmune, brain health, oncology, and women's and reproductive health. During the quarter and full year, we delivered double-digit revenue growth across several clinical areas of our Advanced portfolio. I'd like to highlight a couple of these innovations today.

Our ANAlyzeR™ solution provides a comprehensive, yet simple approach for aiding the diagnosis of the eight most common autoimmune disorders. About 24 million Americans suffer from at least one of over 100 autoimmune disorders. Because symptoms of these disorders often overlap and a shortage of rheumatologists exists nationwide, patients may go for years before receiving the correct diagnosis. ANAlyzeR helps primary care clinicians identify the likely category of disease affecting the patient, thereby speeding referral to the right specialist, for faster diagnosis and treatment.

In brain health, our portfolio of Quest AD-Detect® blood tests for Alzheimer's disease extended its year-long double-digit growth momentum into the fourth quarter as providers increasingly adopted high quality blood-based biomarker tests for aiding the diagnosis of the most prevalent type of dementia. A recent study by our scientific team suggests that blood tests like our newest AD-Detect panel, which fulfills guideline criteria for confirmatory blood testing, could decrease costs to the healthcare system by reducing the use of higher-cost PET-CT imaging for diagnosis, improving access and affordability.

In Oncology, we continue to build our presence in blood-based minimal residual disease testing. New research presented at ASCO GI in early January highlighted the strong clinical value of our Haystack MRD® test in monitoring for colorectal cancer. We further expanded in the MRD space with the launch last week of our cutting-edge Flow MRD test for the blood-based cancer myeloma. This test enables ultra-sensitive detection of residual disease in a blood specimen, sparing patients the pain and complications of conventional testing of bone marrow biopsies.

Along with driving top-line growth across our business, we are focused on delivering **Operational Excellence**, with enhanced processes and strategic implementation of automation, AI and other advanced technologies. Through our Invigorate program, we achieved our full-year target of 3% annual cost savings and productivity improvements in 2025. Inside our labs, we deployed automated sample processing across our network and collaborative accessioning at multiple sites to streamline and optimize our processes. We also implemented the Hologic Genius Digital Diagnostics System at two of our laboratories and look forward to scaling this solution for enhancing quality and productivity in cervical cancer screening at several of our labs this year.

Outside the lab, we're using AI to make the customer and employee experience easier, faster, and more insightful. For example, our virtual AI agent has reduced routine logistics calls by up to 50% and we expect a new AI-logistics tool will help us reduce courier transportation times as we roll it out this year.

And now, Sam will provide more details on our performance and 2026 guidance. Sam?

Sam Samad: Thanks, Jim.

In the fourth quarter, consolidated revenues were \$2.81 billion, up 7.1% versus the prior year. Consolidated organic revenues grew by 6.4%.

Revenues for Diagnostic Information Services were up 7.3% 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 8.5% versus the fourth quarter of 2024, with organic volume up 7.9%.

Total revenue per requisition was down 0.1% versus the prior year.

As a reminder, Corewell Health and Fresenius Medical Care deliver significant volume growth at a lower revenue per requisition than our company average. Excluding these two relationships, our organic volume growth accelerated to 4.1% in the fourth quarter, while our revenue per requisition growth remained solid at approximately 3.0%. Unit price remained consistent with our expectations.

Reported operating income in the fourth quarter was \$386 million, or 13.8% of revenues, compared to \$361 million, or 13.8% of revenues, last year.

On an adjusted basis, operating income was \$429 million, or 15.3% of revenues, compared to \$409 million, or 15.6% of revenues, last year.

The adjusted operating income dollar increase was due to organic revenue growth and revenue growth from recent acquisitions, partially offset by wage increases. Operating income percent was reduced in the quarter by start-up expenses related to Fresenius Medical Care and Corewell Health, as well as Project Nova expenses.

Reported EPS was \$2.18 in the quarter, and adjusted EPS was \$2.42, compared to \$1.95 and \$2.23 the prior year, respectively. Foreign exchange rates had no meaningful impact on our results.

Cash from operations was \$1.89 billion for the full year 2025 versus \$1.33 billion in the prior year. This significant year-over-year increase was driven by higher operating income, favorable working capital due to timing of disbursements, a cash tax benefit related to recent tax legislation, and a one-time CARES Act tax credit.

As Jim said, we successfully executed on our strategy in 2025 to deliver these results, and we will continue to build on this as we progress through 2026.

Turning now to our full year 2026 guidance:

- Revenues are expected to be between \$11.70 billion and \$11.82 billion, which represents a growth rate of 6% to 7.1%.
- Reported EPS is expected to be in a range of \$9.45 to \$9.65, and adjusted EPS in a range of \$10.50 to \$10.70.
- Cash from operations is expected to be approximately \$1.75 billion.
- Capital expenditures are expected to be approximately \$550 million.
- Our share count and interest expense are expected to be consistent with 2025.

This guidance reflects the following considerations:

- We assume approximately 6.0% to 7.1% in revenue growth and this does not include any contribution from prospective M&A.
- The severe weather impact experienced in January 2026 is creating a greater headwind than what we experienced during the same period a year ago. We have contemplated the impact to date in our full year guidance. We expect the seasonality of our business to be generally in line with last year's and pre-COVID seasonality.
- Based on the passage of federal funding legislation last week, there will be no impact from PAMA in 2026.
- For Project Nova, our multi-year initiative to modernize our order-to-cash process, we expect approximately \$0.25 of EPS dilution related to increased investment spend versus 2025.
- Operating margin is expected to expand versus the prior year.
- The Co-Lab relationship with Corewell Health will add approximately \$250 million in organic revenue at low single-digit margins in 2026.
- We continue to make progress with our launch of Haystack MRD and expect it will be less dilutive versus the prior year as we ramp volumes.
- We expect our adjusted effective tax rate to increase approximately 100 basis points in 2026 versus 2025.
- Our lower operating cash flow guidance in 2026 compared to 2025 reflects several one-time benefits in the prior year, and one more payroll cycle in 2026 than 2025. The one-time benefits in 2025 were approximately \$150 million and the impact of the one additional payroll cycle in 2026 is approximately \$120 million.

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

Jim Davis: Thanks, Sam.

To summarize:

- **With diligent execution of our strategy and a strong fourth quarter, we generated double-digit growth in revenues and earnings per share for the full year.**
- **In 2025, we delivered category-defining clinical innovations that fulfill customer needs, formed strategic collaborations to create new growth opportunities, and further advanced our position as the premier lab engine in consumer health.**
- **Our 2026 guidance reflects our continued confidence in our business strengths and market fundamentals supporting enduring interest in our diagnostic innovations.**

Looking ahead, I'm excited about our path forward. We are focused on connecting everyone, from clinicians to consumers, across healthcare to illuminate a path to better health, and are well positioned to serve growing interest in accessing the health insights that only laboratory diagnostics can deliver. Quest sits at the center of healthcare as a trusted provider, and that's because of the dedication of our nearly 57,000 colleagues to living our Purpose: **Working together to create a healthier world, one life at a time.** I'd like to close by thanking each of my colleagues for what we accomplished together in 2025 and for their ongoing commitment to transforming lives for the better in the years ahead.

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.

**FOURTH QUARTER AND FULL YEAR 2025
WEBCAST PREPARED REMARKS**



OPERATOR: Thank you for participating in the Quest Diagnostics Fourth 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 February 10, 2026 until midnight Eastern Time on February 24, 2026. Goodbye.