



NEWS RELEASE

Quest Diagnostics Reports Third Quarter 2021 Financial Results, Raises Outlook for Full Year 2021

10/21/2021

- Third quarter revenues of \$2.77 billion, down 0.4% from 2020
- Third quarter reported diluted earnings per share ("EPS") of \$4.02, down 2.8% from 2020; and adjusted diluted EPS of \$3.96, down 7.9% from 2020
- Year to date cash provided by operations of \$1.75 billion, up 19.6% from 2020
- Raises full year 2021 outlook to reflect higher than anticipated COVID-19 testing volumes and base business performance

SECAUCUS, N.J., Oct. 21, 2021 /PRNewswire/ -- Quest Diagnostics Incorporated (NYSE: DGX), the world's leading provider of diagnostic information services, announced today financial results for the third quarter ended September 30, 2021.

"We had a strong third quarter, as COVID-19 molecular volumes increased throughout the summer while our base business continued to deliver solid volume growth versus the prior year and 2019," said Steve Rusckowski, Chairman, CEO and President. "In late summer we experienced some softness in the base business across the country, but saw an overall rebound in September. Importantly, our base business continued to improve sequentially in the third quarter which speaks to the ongoing recovery."

"We have raised our outlook for the remainder of the year based on higher than anticipated COVID-19 volumes as well as the continued progress we expect to see in our base business despite rising labor costs and inflationary pressures. The momentum of our base business positions us to deliver the 2022 outlook we shared at our March investor day."

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
(dollars in millions, except per share data)						
<u>Reported:</u>						
Net revenues	\$ 2,774	\$ 2,786	(0.4) %	\$ 8,044	\$ 6,435	25.0 %
	\$ 2,703	\$ 2,709	(0.2) %	\$ 7,820	\$ 6,217	25.8 %
Diagnostic Information Services revenues			(5.4) %			2.2 %
Revenue per requisition			5.3 %			22.9 %
Requisition volume			3.2 %			19.2 %
Organic requisition volume						
Operating income (a)	\$ 652	\$ 718	(9.3) %	\$ 1,845	\$ 1,176	56.9 %
Operating income as a percentage of net revenues (a)	23.5 %	25.8 %	(2.3) %	22.9 %	18.3 %	4.6 %
Net income attributable to Quest Diagnostics (a)	\$ 505	\$ 568	(11.0) %	\$ 1,605	\$ 852	88.4 %
Diluted EPS (a) (b)	\$ 4.02	\$ 4.14	(2.8) %	\$ 12.41	\$ 6.25	98.5 %
Cash provided by operations	\$ 561	\$ 862	(34.9) %	\$ 1,752	\$ 1,464	19.6 %
Capital expenditures	\$ 89	\$ 91	(1.9) %	\$ 259	\$ 256	1.2 %
<u>Adjusted (a):</u>						
Operating income	\$ 694	\$ 831	(16.4) %	\$ 1,986	\$ 1,350	47.1 %
Operating income as a percentage of net revenues	25.0 %	29.8 %	(4.8) %	24.7 %	21.0 %	3.7 %
Net income attributable to Quest Diagnostics	\$ 498	\$ 591	(15.7) %	\$ 1,411	\$ 912	54.7 %
Diluted EPS (b)	\$ 3.96	\$ 4.31	(7.9) %	\$ 10.91	\$ 6.69	63.1 %

(a) For further details impacting the year-over-year comparisons related to operating income, operating income as a percentage of net revenues, net income attributable to Quest Diagnostics, and diluted EPS, see note 2 of the financial tables attached below.

(b) The sum of reported and adjusted diluted EPS for the first three quarters of 2021 did not equal the totals for the nine months ended September 30, 2021 due to both quarterly fluctuations in the company's earnings and in the weighted average common shares outstanding throughout the period as a result of the impact of accelerated share repurchase agreements ("ASRs") that the company entered into during April 2021.

Updated Outlook for Full Year 2021

The company updates its Full Year 2021 outlook as follows:

	Updated Outlook		Previous Outlook	
	Low	High	Low	High
Net revenues	\$10.45 billion	\$10.60 billion	\$9.84 billion	\$10.09 billion
Net revenues increase	10.7%	12.3%	4.3%	6.9%
Reported diluted EPS	\$14.69	\$15.09	\$12.54	\$13.24
Adjusted diluted EPS	\$13.50	\$13.90	\$11.65	\$12.35
Cash provided by operations	Approximately \$2.2 billion		At least \$2.0 billion	
Capital expenditures	Approximately \$400 million		Approximately \$400 million	

Note on Non-GAAP Financial Measures

As used in this press release the term "reported" refers to measures under accounting principles generally accepted in the United States ("GAAP"). The term "adjusted" refers to non-GAAP operating performance measures that exclude special items such as restructuring and integration charges, certain financial impacts resulting from the COVID-19 pandemic, amortization expense, excess tax benefits ("ETB") associated with stock-based compensation, costs associated with donations, contributions, and other financial support through Quest for Health Equity, the company's initiative with the Quest Diagnostics Foundation to reduce health disparities in underserved communities, a gain on sale of an ownership interest in a joint venture, gains associated with changes in the carrying value of our strategic investments, and other items.

Non-GAAP adjusted measures are presented because management believes those measures are useful adjuncts to

GAAP results. Non-GAAP adjusted measures should not be considered as an alternative to the corresponding measures determined under GAAP. Management may use these non-GAAP measures to evaluate our performance period over period and relative to competitors, to analyze the underlying trends in our business, to establish operational budgets and forecasts and for incentive compensation purposes. We believe that these non-GAAP measures are useful to investors and analysts to evaluate our performance period over period and relative to competitors, as well as to analyze the underlying trends in our business and to assess our performance. The additional tables attached below include reconciliations of non-GAAP adjusted measures to GAAP measures.

Conference Call Information

Quest Diagnostics will hold its quarterly conference call to discuss financial results beginning at 8:30 a.m. Eastern Time today. The conference call can be accessed by dialing 888-455-0391 within the U.S. and Canada, or 773-756-0467 internationally, passcode: 7895081; or via live webcast on the company's website at **www.QuestDiagnostics.com/investor**. The company suggests participants dial in approximately 10 minutes before the call.

A replay of the call may be accessed online at **www.QuestDiagnostics.com/investor** or, from approximately 10:30 a.m. Eastern Time on October 21, 2021 until midnight Eastern Time on November 4, 2021, by phone at 866-360-7722 for domestic callers or 203-369-0174 for international callers. Anyone listening to the call is encouraged to read the company's periodic reports, on file with the Securities and Exchange Commission, including the discussion of risk factors and historical results of operations and financial condition in those reports.

About Quest Diagnostics

Quest Diagnostics empowers people to take action to improve health outcomes. Derived from the world's largest database of clinical lab results, our diagnostic insights reveal new avenues to identify and treat disease, inspire healthy behaviors and improve health care management. Quest annually serves one in three adult Americans and half the physicians and hospitals in the United States, and our nearly 50,000 employees understand that, in the right hands and with the right context, our diagnostic insights can inspire actions that transform lives.

www.QuestDiagnostics.com.

Forward Looking Statements

The statements in this press release which are not historical facts may be forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date that they are made and which reflect management's current estimates, projections, expectations or beliefs and which involve risks and uncertainties that could cause actual results and outcomes to be materially different. Risks and

uncertainties that may affect the future results of the company include, but are not limited to, impacts of the COVID-19 pandemic and measures taken in response, adverse results from pending or future government investigations, lawsuits or private actions, the competitive environment, the complexity of billing, reimbursement and revenue recognition for clinical laboratory testing, changes in government regulations, changing relationships with customers, payers, suppliers or strategic partners and other factors discussed in the company's most recently filed Annual Report on Form 10-K and in any of the company's subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including those discussed in the "Business," "Risk Factors," "Cautionary Factors that May Affect Future Results" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of those reports.

This earnings release, including the attached financial tables, is available online in the Newsroom section at www.QuestDiagnostics.com.

ADDITIONAL TABLES FOLLOW

Quest Diagnostics Incorporated and Subsidiaries

Consolidated Statements of Operations

For the Three and Nine Months Ended September 30, 2021 and 2020

(in millions, except per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net revenues	\$ 2,774	\$ 2,786	\$ 8,044	\$ 6,435
Operating costs and expenses and other operating income:				
Cost of services	1,670	1,580	4,861	4,071
Selling, general and administrative	427	396	1,263	1,103
Amortization of intangible assets	25	27	77	77

Other operating expense (income), net	—	65	(2)	8
	<u>2,122</u>	<u>2,068</u>	<u>6,199</u>	<u>5,259</u>
Total operating costs and expenses, net				
Operating income	652	718	1,845	1,176
Other income (expense):				
Interest expense, net	(38)	(42)	(114)	(124)
Other income, net	40	77	366	74
	<u>2</u>	<u>35</u>	<u>252</u>	<u>(50)</u>
Total non-operating income (expense), net				
Income before income taxes and equity in earnings of equity method investees	654	753	2,097	1,126
Income tax expense	(153)	(177)	(483)	(269)
Equity in earnings of equity method investees, net of taxes	26	15	53	33
Net income	<u>527</u>	<u>591</u>	<u>1,667</u>	<u>890</u>
Less: Net income attributable to noncontrolling interests	22	23	62	38
Net income attributable to Quest Diagnostics	<u>\$ 505</u>	<u>\$ 568</u>	<u>\$ 1,605</u>	<u>\$ 852</u>
<hr/>				
Earnings per share attributable to Quest Diagnostics' common stockholders:				
Basic	\$ 4.11	\$ 4.20	\$ 12.63	\$ 6.33
Diluted	<u>\$ 4.02</u>	<u>\$ 4.14</u>	<u>\$ 12.41</u>	<u>\$ 6.25</u>
<hr/>				
Weighted average common shares outstanding:				
Basic	123	135	127	134
Diluted	125	137	129	136

Quest Diagnostics Incorporated and Subsidiaries

Consolidated Balance Sheets

September 30, 2021 and December 31, 2020

(in millions, except per share data)

(unaudited)

	September 30, 2021	December 31, 2020
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 987	\$ 1,158
Accounts receivable, net	1,473	1,520
Inventories	205	223
Prepaid expenses and other current assets	189	157
	<u>2,854</u>	<u>3,058</u>
Total current assets		
Property, plant and equipment, net	1,634	1,627
Operating lease right-of-use assets	596	604
Goodwill	7,057	6,873
Intangible assets, net	1,152	1,167
Investments in equity method investees	124	521
Other assets	155	176
Total assets	<u>\$ 13,572</u>	<u>\$ 14,026</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,610	\$ 1,633
Current portion of long-term debt	1	2
Current portion of long-term operating lease liabilities	148	141

	1,759	1,776
Total current liabilities		
Long-term debt	4,006	4,013
Long-term operating lease liabilities	495	499
Other liabilities	801	847
Redeemable noncontrolling interest	79	82
Stockholders' equity:		
Quest Diagnostics stockholders' equity:		
Common stock, par value \$0.01 per share; 600 shares authorized as of both September 30, 2021 and December 31, 2020; 162 and 217 shares issued as of September 30, 2021 and December 31, 2020, respectively	2	2
Additional paid-in capital	1,936	2,841
Retained earnings	7,333	9,303
Accumulated other comprehensive loss	(13)	(21)
Treasury stock, at cost; 39 and 84 shares as of September 30, 2021 and December 31, 2020, respectively	(2,866)	(5,366)
Total Quest Diagnostics stockholders' equity	6,392	6,759
Noncontrolling interests	40	50
	6,432	6,809
Total stockholders' equity		
Total liabilities and stockholders' equity	\$ 13,572	\$ 14,026

Quest Diagnostics Incorporated and Subsidiaries

Consolidated Statements of Cash Flows

For the Nine Months Ended September 30, 2021 and 2020

(in millions)

(unaudited)

Nine Months Ended
September 30,

	2021	2020
Cash flows from operating activities:		
Net income	\$ 1,667	\$ 890
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	302	263
Provision for credit losses	3	18
Deferred income tax (benefit) provision	(87)	12
Stock-based compensation expense	60	63
Gain on disposition of joint venture	(314)	—
Other, net	(48)	(60)
Changes in operating assets and liabilities:		
Accounts receivable	45	(355)
Accounts payable and accrued expenses	36	514
Income taxes payable	49	95
Termination of interest rate swap agreements	—	40
Other assets and liabilities, net	39	(16)
Net cash provided by operating activities	1,752	1,464
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(251)	(329)
Capital expenditures	(259)	(256)
Proceeds from disposition of joint venture	755	—
Decrease (Increase) in investments and other assets	3	(19)
Net cash provided by (used in) investing activities	248	(604)
Cash flows from financing activities:		
Proceeds from borrowings	—	749

Repayments of debt	(2)	(1,002)
Purchases of treasury stock	(1,910)	(75)
Exercise of stock options	108	144
Employee payroll tax withholdings on stock issued under stock-based compensation plans	(22)	(13)
Dividends paid	(232)	(222)
Distributions to noncontrolling interest partners	(75)	(34)
Other financing activities, net	(38)	6
Net cash used in financing activities	<u>(2,171)</u>	<u>(447)</u>
Net change in cash and cash equivalents and restricted cash	(171)	413
Cash and cash equivalents and restricted cash, beginning of period	1,158	1,192
Cash and cash equivalents and restricted cash, end of period	<u>\$ 987</u>	<u>\$ 1,605</u>
Cash paid during the period for:		
Interest	\$ 111	\$ 136
Income taxes	\$ 522	\$ 168

Notes to Financial Tables

1) The computation of basic and diluted earnings per common share is as follows:

Three Months Ended September 30,		Nine Months Ended September 30,	
<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<u>(in millions, except per share data)</u>			

Amounts attributable to Quest Diagnostics' common stockholders:

Net income attributable to Quest Diagnostics	\$ 505	\$ 568	\$ 1,605	\$ 852
Less: earnings allocated to participating securities	2	2	6	3
Earnings available to Quest Diagnostics' common stockholders - basic and diluted	<u>\$ 503</u>	<u>\$ 566</u>	<u>\$ 1,599</u>	<u>\$ 849</u>
Weighted average common shares outstanding - basic	123	135	127	134
Effect of dilutive securities:				
	2	2	2	2
Stock options and performance share units				
Weighted average common shares outstanding - diluted	<u>125</u>	<u>137</u>	<u>129</u>	<u>136</u>
Earnings per share attributable to Quest Diagnostics' common stockholders:				
Basic	\$ 4.11	\$ 4.20	\$ 12.63	\$ 6.33
Diluted	<u>\$ 4.02</u>	<u>\$ 4.14</u>	<u>\$ 12.41</u>	<u>\$ 6.25</u>

2) The following tables reconcile reported GAAP results to non-GAAP adjusted results:

Three Months Ended September 30, 2021

(dollars in millions, except per share data)

	Operating income	Operating income as a percentage of net revenues	Income tax expense (f)	Equity in earnings of equity investees, net of taxes	Net income attributable to Quest Diagnostics	Diluted EPS
As reported	<u>\$ 652</u>	<u>23.5 %</u>	<u>\$ (153)</u>	<u>\$ 26</u>	<u>\$ 505</u>	<u>\$ 4.02</u>
Restructuring and integration charges (a)	13	0.5	(4)	—	9	0.08
Other (b)	4	0.1	12	(3)	(29)	(0.25)

Amortization expense	25	0.9	(6)	—	19	0.15
ETB	—	—	(6)	—	(6)	(0.04)
As adjusted	\$ 694	25.0 %	\$ (157)	\$ 23	\$ 498	\$ 3.96

Nine Months Ended September 30, 2021

(dollars in millions, except per share data)

	Operating income	Operating income as a percentage of net revenues	Income tax expense (f)	Equity in earnings of equity method investees, net of taxes	Net income attributable to Quest Diagnostics	Diluted EPS
As reported	\$ 1,845	22.9 %	\$ (483)	\$ 53	\$ 1,605	\$ 12.41
Restructuring and integration charges (a)	51	0.6	(13)	—	38	0.30
Other (b)	9	0.1	8	5	(20)	(0.18)
Gain on sale of ownership in joint venture (c)	—	—	55	—	(259)	(2.00)
COVID-19 impact (d)	4	0.1	(1)	—	3	0.03
Amortization expense	77	1.0	(20)	2	59	0.46
ETB	—	—	(15)	—	(15)	(0.11)
As adjusted	\$ 1,986	24.7 %	\$ (469)	\$ 60	\$ 1,411	\$ 10.91

Three Months Ended September 30, 2020

(dollars in millions, except per share data)

	Operating income	Operating income as a percentage of net revenues	Income tax expense (f)	Equity in earnings of equity method investees, net of taxes	Net income attributable to Quest Diagnostics	Diluted EPS
As reported	\$ 718	25.8 %	\$ (177)	\$ 15	\$ 568	\$ 4.14
Restructuring and integration charges (a)	18	0.6	(4)	—	14	0.10
COVID-19 impact (d)	68	2.5	(18)	1	52	0.39

Gain on remeasurement of equity interest (e)	—	—	7	—	(63)	(0.46)
Amortization expense	27	0.9	(7)	3	23	0.16
ETB	—	—	(3)	—	(3)	(0.02)
As adjusted	\$ 831	29.8 %	\$ (202)	\$ 19	\$ 591	\$ 4.31

Nine Months Ended September 30, 2020

(dollars in millions, except per share data)

	Operating income	Operating income as a percentage of net revenues	Income tax expense (f)	Equity in earnings of equity investees, net of taxes	Net income attributable to Quest Diagnostics	Diluted EPS
As reported	\$ 1,176	18.3 %	\$ (269)	\$ 33	\$ 852	\$ 6.25
Restructuring and integration charges (a)	43	0.7	(9)	—	34	0.25
COVID-19 impact (d)	54	0.8	(11)	(2)	39	0.29
Gain on remeasurement of equity interest (e)	—	—	7	—	(63)	(0.46)
Amortization expense	77	1.2	(21)	9	65	0.47
ETB	—	—	(15)	—	(15)	(0.11)
As adjusted	\$ 1,350	21.0 %	\$ (318)	\$ 40	\$ 912	\$ 6.69

(a) For both the three and nine months ended September 30, 2021 and 2020, represents costs primarily associated with systems conversions and integration incurred in connection with further restructuring and integrating our business. The following table summarizes the pre-tax impact of restructuring and integration charges on the company's consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in millions)			
Cost of services	\$ 7	\$ 11	\$ 26	\$ 21
Selling, general and administrative	6	7	25	22
Operating income	<u>\$ 13</u>	<u>\$ 18</u>	<u>\$ 51</u>	<u>\$ 43</u>

- (b) For the three months ended September 30, 2021, the pre-tax impact primarily represents gains associated with changes in the carrying value of our strategic investments and costs associated with donations, contributions and other financial support through Quest for Health Equity. For the nine months ended September 30, 2021, the pre-tax impact primarily represents gains associated with changes in the carrying value of our strategic investments, costs associated with donations, contributions and other financial support through Quest for Health Equity, and a non-cash impairment charge to the carrying value of an equity method investment.

The following table summarizes the pre-tax impact of these other items on the company's consolidated statement of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in millions)			
Selling, general and administrative	\$ 4	\$ —	\$ 9	\$ —
Equity in earnings of equity method investees, net of taxes	\$ (3)	\$ —	\$ 5	\$ —

Other income, net	\$ (42)	\$ —	\$ (42)	\$ —
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- (c) For the nine months ended September 30, 2021, the pre-tax impact represents a gain of \$314 million recorded in other income, net following the sale of the company's 40% ownership interest in Q2 Solutions®, its clinical trials central laboratory services joint venture, to IQVIA Holdings, Inc., its joint venture partner, for \$760 million in an all-cash transaction.
- (d) For the nine months ended September 30, 2021 and both the three and nine months ended September 30, 2020, the pre-tax impact represents the impact of certain items resulting from the COVID-19 pandemic. For the nine months ended September 30, 2021, includes incremental costs incurred to protect the health and safety of the company's employees and customers. For the three months ended September 30, 2020, the pre-tax impact principally includes the reversal of \$65 million of income previously recognized during the second quarter of 2020 attributable to the receipt of funds from the government that were appropriated to healthcare providers under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which funds were returned during the three months ended December 31, 2020 and, to a lesser extent, incremental costs incurred primarily to protect the health and safety of the company's employees and customers. For the nine months ended September 30, 2020, the pre-tax impact principally includes expense associated with a payment to eligible employees to help offset expenses they incurred as a result of COVID-19, certain asset impairment charges, and incremental costs incurred primarily to protect the health and safety of the company's employees and customers.

The following table summarizes the pre-tax impact of these COVID-19 items on the company's consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in millions)			
Cost of services	\$ —	\$ 3	\$ 4	\$ 38
Selling, general and administrative	—	—	—	8
Other operating expense (income), net	—	65	—	8
Operating income	\$ —	\$ 68	\$ 4	\$ 54
Equity in earnings of equity method investees, net of taxes	\$ —	\$ 1	\$ —	\$ (2)
Net income attributable to noncontrolling interest	\$ —	\$ (1)	\$ —	\$ 2

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- (e) For the three and nine months ended September 30, 2020, the pre-tax impact represents a gain of \$70 million recognized in other income, net based on the difference between the fair value and the carrying value of an equity interest. On August 1, 2020, the company completed its acquisition of the remaining 56% interest in Mid America Clinical Laboratories, LLC ("MACL") from its joint venture partners. As a result of the transaction, the company remeasured its previously held minority interest in MACL to fair value and recognized a gain.
- (f) For restructuring and integration charges, COVID-19 impacts, other items and amortization expense, income tax impacts, where recorded, were primarily calculated using combined statutory income tax rates of 25.5% for both 2021 and 2020. For the gain on sale of ownership in joint venture in 2021, income tax expense on the transaction resulted in an effective income rate of 17.6%. For the gain on remeasurement of equity interest in 2020, income tax expense on the transaction resulted in an effective income tax rate of 11.8%.
- 3) In April 2021, the company entered into ASRs with several financial institutions to repurchase \$1.5 billion of the company's common stock as part of its share repurchase program. For the nine months ended September 30, 2021, the company paid \$1.5 billion to the financial institutions and received an initial amount of 9.1 million shares of its common stock, for a value of \$1.2 billion, which represents 80% of the total value of shares to be repurchased under the ASRs. The specific number of shares that the company ultimately will purchase under the ASRs will be based on the average of the daily volume-weighted average price per share of the company's common stock during a repurchase period. For the nine months ended September 30, 2021, the company repurchased 12.5 million shares of its common stock for a value of \$1.6 billion, including 9.1 million shares repurchased under ASRs. There were no shares repurchased during the three months ended September 30, 2021. In each of February and March 2021, the company's Board of Directors increased the size of its share repurchase program by \$1 billion. As of September 30, 2021, \$1.3 billion remained available under the company's share repurchase authorization.
- 4) For the three and nine months ended September 30, 2020, net cash provided by operating activities includes \$73 million and \$138 million, respectively, that the company received from the funds that were appropriated to healthcare providers under the CARES Act, which funds were returned during the fourth quarter of 2020.
- 5) The outlook for adjusted diluted EPS represents management's estimates for the full year 2021 before the impact of special items. Further impacts to earnings related to special items may occur throughout 2021. Additionally, the amount of ETB is dependent upon employee stock option exercises and the company's stock price, and changes in the carrying value of our strategic investments are based on fluctuations in the investee's stock price, both of which are difficult to predict. The following table reconciles our full year 2021 outlook for adjusted diluted EPS to the corresponding amounts determined under GAAP:

	Low	High
Diluted EPS	\$ 14.69	\$ 15.09
Restructuring and integration charges (a)	0.44	0.44
COVID-19 impact (b)	0.03	0.03
Amortization expense (c)	0.63	0.63
Costs associated with Quest for Health Equity (d)	0.10	0.10
Gain on sale of ownership in joint venture (e)	(2.02)	(2.02)
Other (f)	(0.23)	(0.23)

ETB	(0.14)	(0.14)
Adjusted diluted EPS	\$ 13.50	\$ 13.90

- (a) Represents estimated pre-tax charges of \$75 million primarily associated with systems conversions and integration incurred in connection with further restructuring and integrating our business. Income tax benefits were calculated using a combined statutory income tax rate of 25.5%.
- (b) Represents estimated pre-tax charges of \$4 million associated with the impact of certain items resulting from the COVID-19 pandemic. Income tax benefits were calculated using a combined statutory income tax rate of 25.5%.
- (c) Represents the estimated impact of amortization expense on the calculation of adjusted diluted EPS. Income tax benefits were calculated using a combined statutory income tax rate of 25.5%.

Amortization of intangible assets	\$ 105
Amortization expense included in equity in earnings of equity method investees, net of taxes	2
	<u>\$ 107</u>
Total pre-tax amortization expense	
	<u>\$ 80</u>
Total amortization expense, net of an estimated income tax benefit using a combined statutory income tax rate of 25.5%	

- (d) Represents estimated pre-tax charges of \$18 million associated with donations, contributions and other financial support through Quest for Health Equity. Income tax benefits were calculated using a combined statutory income tax rate of 25.5%.
- (e) Represents a pre-tax gain of \$314 million recorded in other income, net following the sale of the company's 40% ownership interest in Q2 Solutions®. Income tax expense on the transaction resulted in an effective income tax rate of 17.6%.
- (f) Represents net pre-tax gains of \$38 million associated with changes in the carrying value of our strategic investments partially offset by a non-cash impairment charge to the carrying value of an equity method investment. Income tax expense was calculated using a combined statutory income tax rate of 25.5%.

View original content to download multimedia:<https://www.prnewswire.com/news-releases/quest-diagnostics-reports-third-quarter-2021-financial-results-raises-outlook-for-full-year-2021-301405059.html>

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