Quest by the Numbers

Mark Guinan

Executive Vice President
and Chief Financial Officer

Quest Diagnostics™

SAFE HARBOR DISCLOSURE

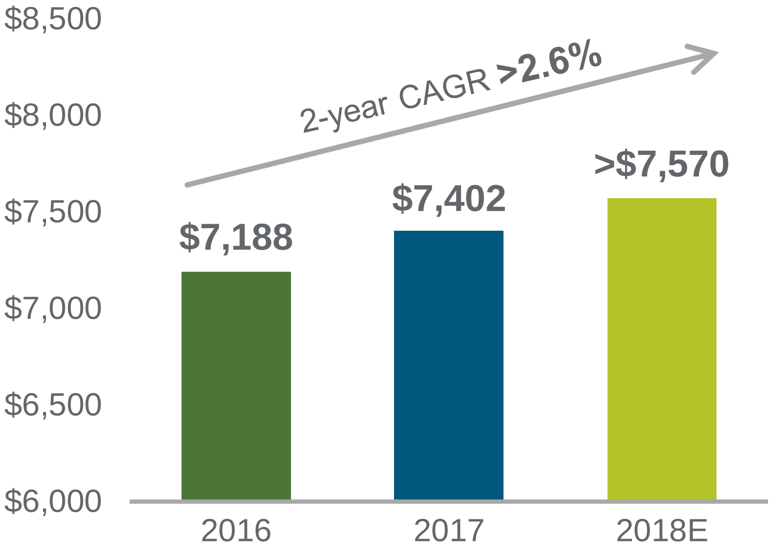
The statements in the following presentations that are not historical facts may be forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date that they are made and which reflect management's current estimates, projections, 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, adverse results from pending or future government investigations, lawsuits or private actions, the competitive environment, 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.

What we've delivered the last two years

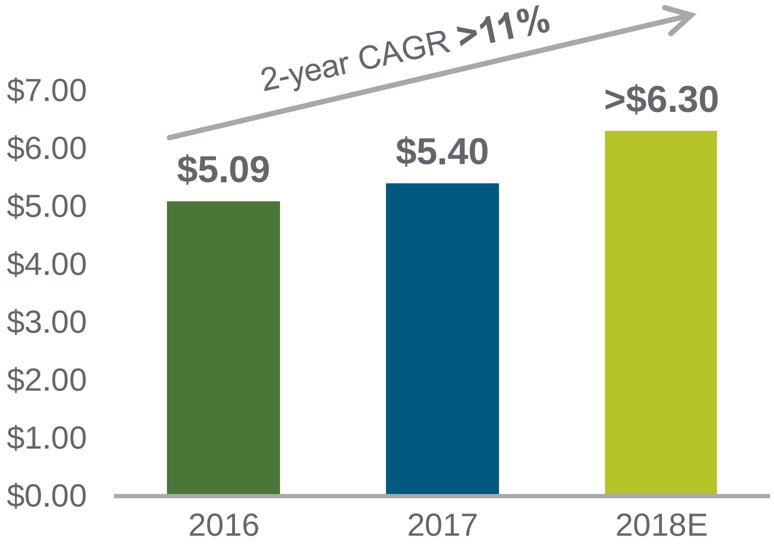
What We Said: 3-5% revenue growth | Mid-to-high single-digit earnings growth

What We Did:

Revenues



Adjusted EPS



Note: Revenues adjusted for divestitures and ASC 606 (revenue recognition accounting change)

Quest Diagnostics™

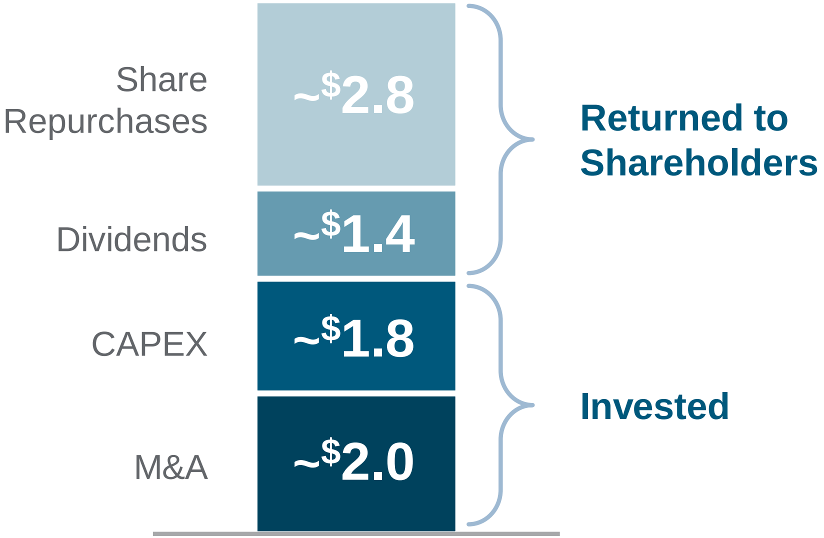
…With balanced capital deployment overall

SINCE 2012

Cash Generated from Operations and Dispositions

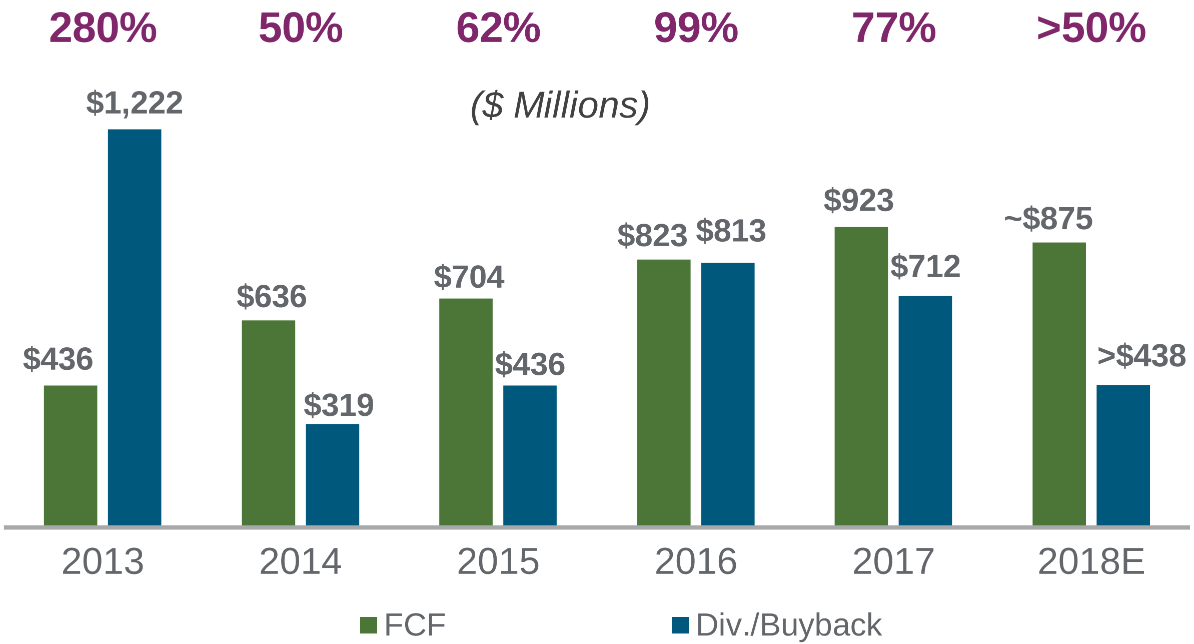
~$8B

Deployed ~$8 Billion



We've returned the majority of FCF to shareholders through dividends and share repurchases

% of FCF returned to shareholders:



Note: Cash flows adjusted for new accounting guidance.

Share Buybacks

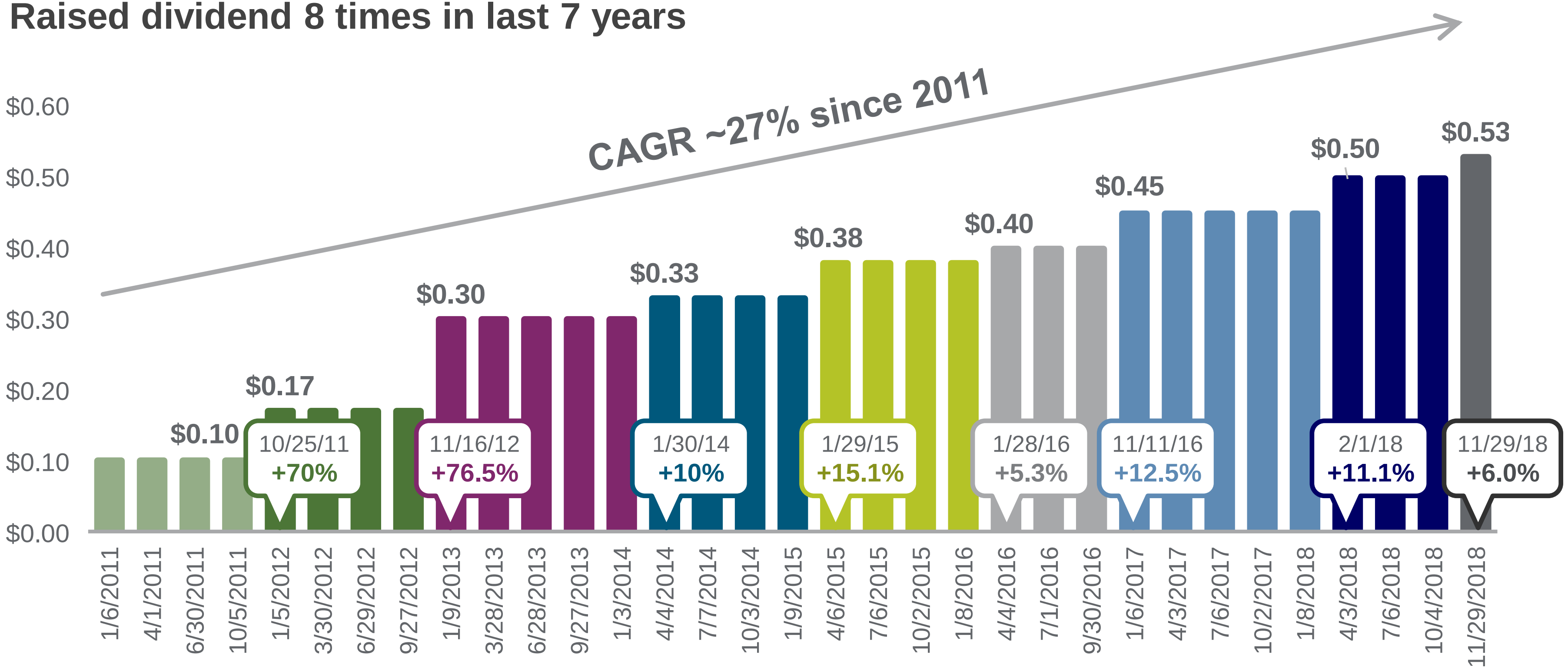
- Repurchased $2.6B of shares since 2013
- Existing authorization to buyback shares up to $767M

Dividend

- Increasing 6% today to $2.12 annually
- >2% yield
- Increased 8x since 2011

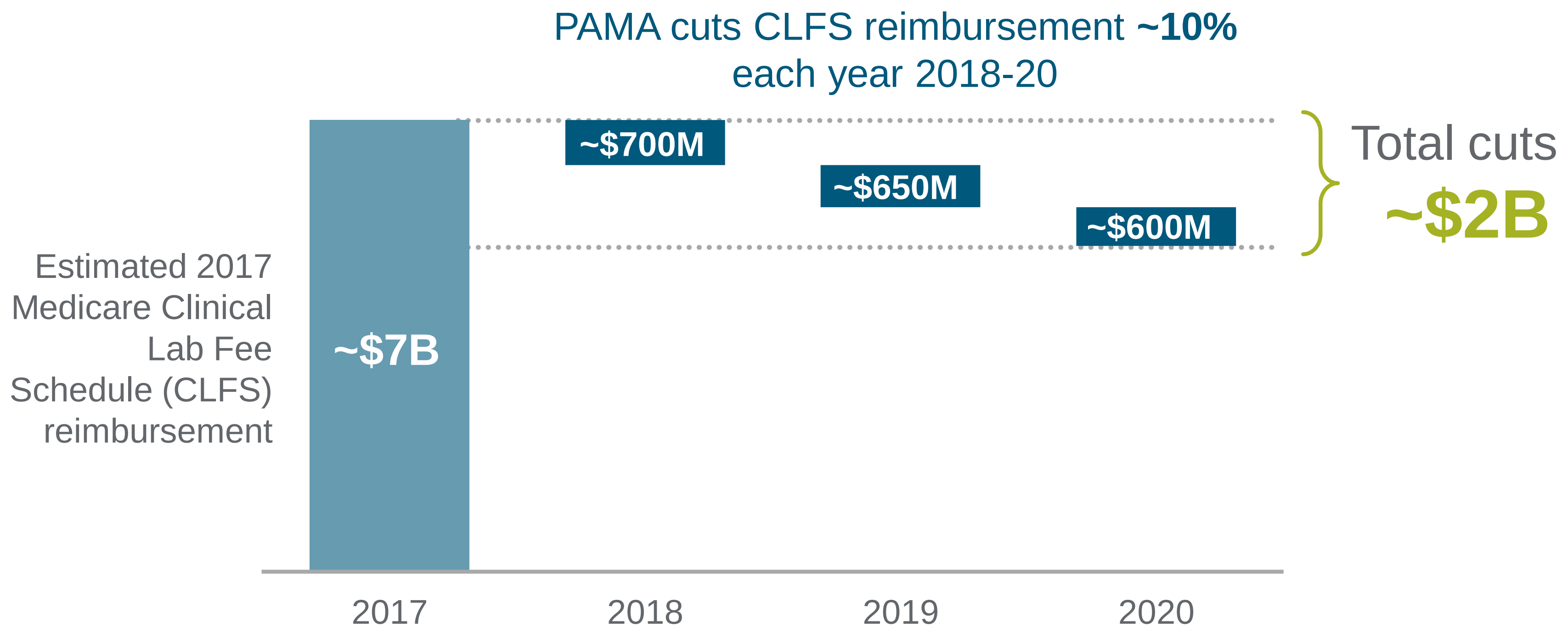
With a trend of consistent dividend growth...

Raised dividend 8 times in last 7 years



Quest Diagnostics™

PAMA is finally here with ~$2 billion in reimbursement cuts scheduled for 2018-20



Source: OIG

PAMA expected to be a $200M+ EBITDA headwind over 2018-20

($ Millions)

Year	Approximate CLFS Revenue	Reimbursement Impact	Quest EBITDA Impact	Year End CLFS Revenue
2018	$900	-4%	~$40	~$860
2019	~$860	-10%	~$86	~$774
2020	~$774	-10%	~$78	~$696
		Total impact =	**>$200**	

Most PAMA cuts will be felt

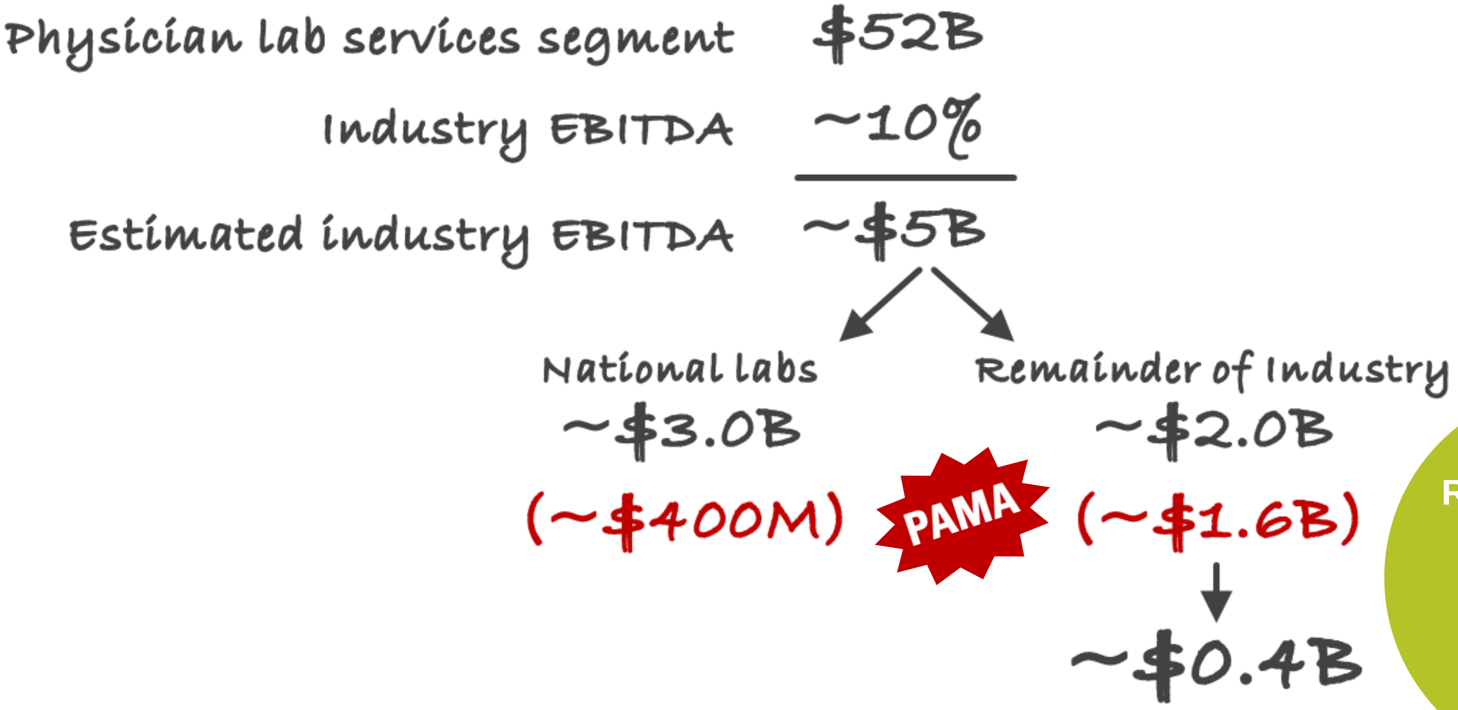
by 2020

IF data collection performed the same way for 2021-23 period

Quest Diagnostics™

PAMA price cuts are a catalyst for consolidation

Smaller labs are disproportionately impacted by Medicare reimbursement cuts



Rest of Industry absorbs

80%

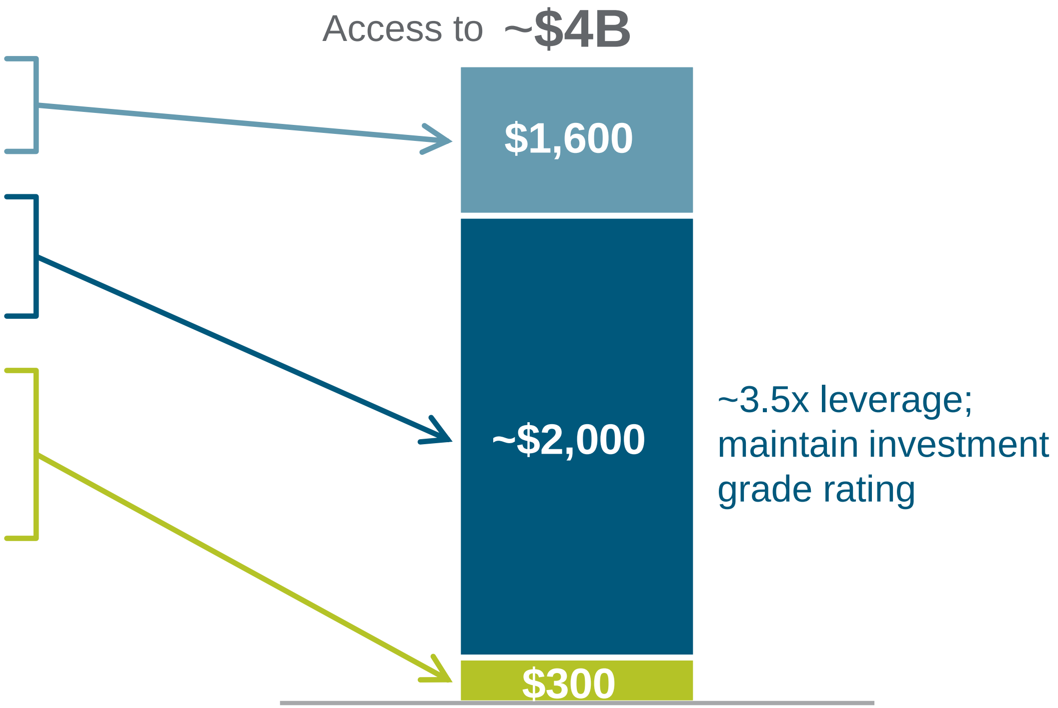
of PAMA cuts

* EBITDA across the industry ranges between 0-20%

Quest Diagnostics™

Current deployment strategy allows for ~$4B in capital while maintaining investment grade rating

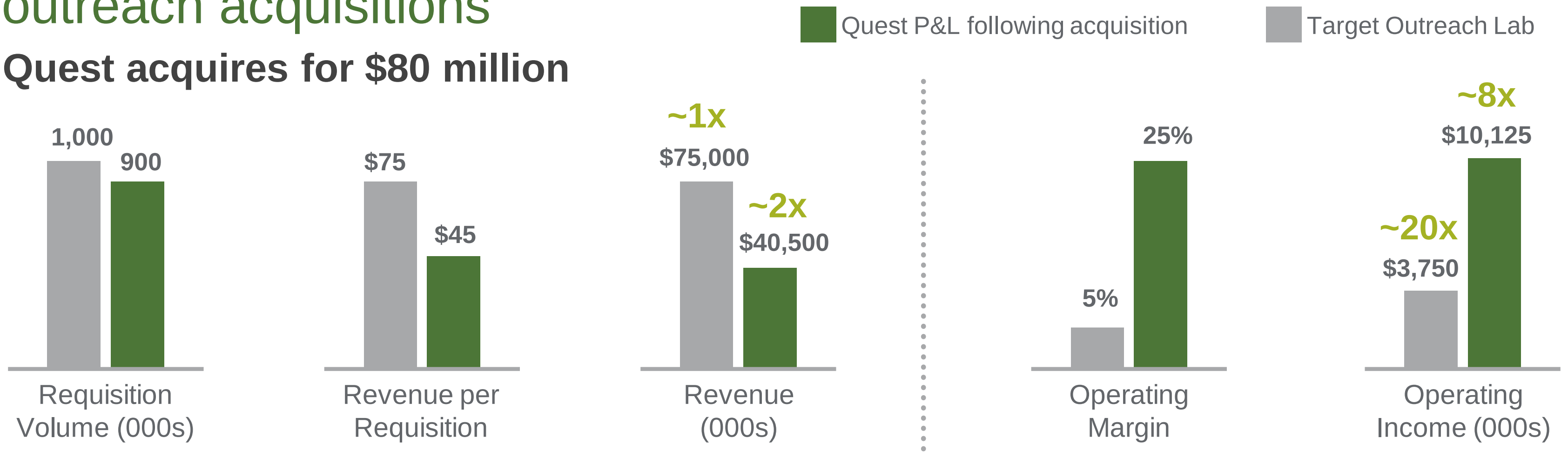
- Acquiring EBITDA at 10x multiple
- ~3.5x leverage; maintain investment grade rating
- More than $300M available after capex, dividends, and share repurchases



* Includes acquisitions completed or signed as of 9/30/2018

PAMA should trigger further consolidation: Quick refresher on hospital outreach acquisitions

Quest acquires for $80 million



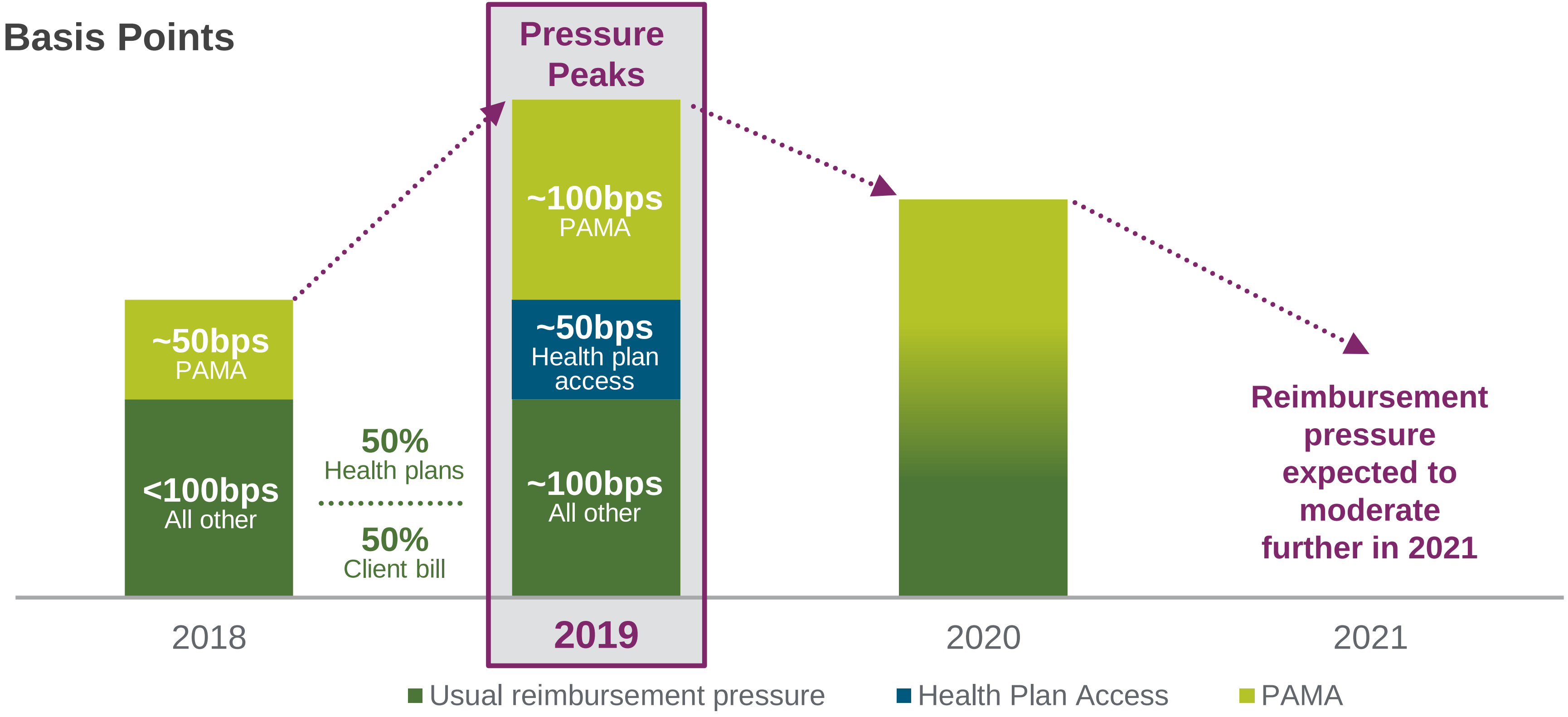
Assume some attrition

Lower rates to Quest fee schedule

Very attractive OM

- Creates long term partnership with hospital, not like a standard acquisition
- Asset worth different amounts to different purchasers based on cost structure
- Earn deal out on cost synergies
- Deal includes non-compete
- Outreach acquisition can lead to PLS agreement and/or reference work
- Can reduce costs for health plans and expand access

Broader expectations for reimbursement pressure



Well positioned to grow revenue & earnings in 2019 despite increasing reimbursement headwinds

Tailwinds

- Expanded health plan access
- M&A
- Invigorate

Headwinds

- Reimbursement pressure
- Carryover from 2018 test headwinds
- SWB inflation

Revenue & Earnings Growth in 2019

2022 outlook: looking beyond 2018-19

- Expect to continue accelerating top line growth
  - Total revenue **3-5% CAGR**

    Acquisitions **>2% CAGR**

    Organic **1-3% CAGR**

- Earnings growth faster than revenue in the **4-6% CAGR** range

- FCF growth commensurate with earnings growth

Key takeaways

- We will grow earnings and revenue in 2019
- Structural changes coming to our industry provide an opportunity to consolidate and gain share
- Our strong cash flow and flexible balance sheet will allow us to execute more M&A
- We will continue to return a majority of FCF to shareholders

Quest is uniquely positioned in the healthcare ecosystem to grow revenue 3-5% CAGR and earnings 4-6% CAGR through 2022

Appendix

Non-GAAP Reconciliations

Note on Non-GAAP Financial Measures

The non-GAAP measures for (i) equivalent revenue; (ii) adjusted diluted EPS excluding amortization expense; and (iii) free cash flow are presented because management believes those measures are useful adjuncts to measures under the accounting principles generally accepted in the United States ("GAAP").

As used in this presentation the term "adjusted" refers to non-GAAP measures that exclude (1) special items such as the gain on sale of the Focus Diagnostics products business, the effect of changes in tax law on our deferred tax assets (liabilities) and reserves, the retirement of debt and related refinancing charges, restructuring and integration charges, excess tax benefit ("ETB") associated with stock based compensation and other items and (2) amortization expense.

The company has provided four-year compound annual growth rate projections of 4-6% for adjusted diluted EPS excluding amortization and free cash flow, which are non-GAAP measures. The company is unable to present a reconciliation of these non-GAAP measures to the most comparable GAAP measure due to the inherent uncertainty and variability in the nature and amount of special items referenced above.

Non-GAAP 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 following tables reconcile reported GAAP measures to non-GAAP measures.

Adjusted Diluted EPS Excluding Amortization Expense

- The following table reconciles adjusted diluted EPS excluding amortization expense to reported results under GAAP.

	Twelve Months Ended December 31,		
	2018 (a)	2017	2016
Diluted earnings per common share	$ 5.34	$ 5.50	$ 4.51
Gain on disposition of business (b)	-	-	(0.24)
Retirement of debt and related refinancing charges (c)	-	-	0.21
Restructuring and integration charges (d)	0.62	0.47	0.35
Certain income tax benefits (e)	(0.10)	(0.77)	-
Other (f)	(0.01)	0.07	(0.06)
Amortization expense (g)	0.58	0.40	0.38
ETB (h)	(0.13)	(0.27)	(0.06)
Adjusted diluted EPS excluding amortization expense	$ 6.30	$ 5.40	$ 5.09

Quest Diagnostics™

Adjusted Diluted EPS Excluding Amortization Expense

a) Represents estimated amounts for the full year.

b) For the twelve months ended December 31, 2016, represents the gain on the sale of our Focus Diagnostics products business. Income tax expense associated with the gain resulted in a combined tax rate of 71.4%, which was significantly in excess of the statutory rate primarily due to a lower tax basis in the assets sold, specifically the goodwill associated with the disposition.

c) For the twelve months ended December 31, 2016, represents charges associated with the March 2016 cash tender offer where the company purchased $200 million of its 6.95% Senior Notes due July 2037 and 5.75% Senior Notes due January 2040. Income tax benefits were calculated such that the combined tax rate was 38.9%.

d) For the twelve months ended December 31, 2018, represents costs primarily associated with workforce reductions, systems conversions and integration incurred in connection with further restructuring and integrating our business. For the twelve months ended December 31, 2017, represents costs primarily associated with systems conversions, integration and workforce reductions incurred in connection with further restructuring and integrating our business. For the twelve months ended December 31, 2016, represents costs primarily associated with systems conversions and integration incurred in connection with further restructuring and integrating our business. For the twelve months ended December 31, 2018, 2017 and 2016 income tax impacts were primarily calculated using combined tax rates of 25.5%, 38.7%, and 38.7%, respectively.

Adjusted Diluted EPS Excluding Amortization Expense

e) For the twelve months ended December 31, 2018, represents an income tax benefit associated with a change in a tax return accounting method that will enable the company to accelerate the deduction of certain expenses on its 2017 tax return at the federal corporate statutory tax rate in effect during 2017. For the twelve months ended December 31, 2017, certain income tax benefits represents the net tax benefit associated with the Tax Cuts and Jobs Act ("TCJA"). The company recorded an estimated net income tax benefit of $106 million associated with the TCJA, including a deferred income tax benefit of $115 million primarily due to the remeasurement of net deferred tax liabilities and reserves at the new combined tax rate of 25.5%, partially offset by $9 million of current tax expense primarily due to the mandatory repatriation toll charge on undistributed foreign earnings and profits.

f) For the twelve months ended December 31, 2018, primarily represents a gain associated with the decrease in the fair value of the contingent consideration accrual associated with our Medical Examination Services, Inc. acquisition and an insurance claim for hurricane related losses partially offset by costs incurred related to certain legal matters and non-cash asset impairment changes. For the twelve months ended December 31, 2017, primarily represents non-cash asset impairment charges associated with an investment, non-cash asset impairment charges and incremental costs incurred as a result of hurricanes and costs incurred related to certain legal matters, partially offset by gain on the sale of an interest in an equity method investee. For the twelve months ended December 31, 2016, primarily represents a gain on escrow recovery associated with an acquisition, partially offset by costs associated with winding down subsidiaries, non-cash asset impairment charges and costs incurred related to certain legal matters. For the twelve months ended December 31, 2018, 2017 and 2016, income tax impacts where recorded were primarily calculated using a combined rate of 25.5%, 38.7%, and 38.7%, respectively. For the twelve months ended December 31, 2017, other items also includes the impact of recording a valuation allowance against certain net operating loss carryforwards in a geography impacted by hurricanes.

g) Represents the impact of amortization expense on diluted earnings per common share, net of the income tax benefit. For the twelve months ended December 31, 2018, 2017 and 2016, income tax benefits were primarily calculated using a combined tax rate of 25.5%, 38.7%, and 38.7%, respectively.

h) Represents the impact of excess tax benefit associated with stock based compensation.

Equivalent Revenue

- The following table reconciles net revenues on an equivalent basis to the corresponding measures determined under GAAP:

	Twelve Months Ended December 31,	
	2017	2016
	(dollars in millions)	
Net revenues as reported	$ 7,709	$ 7,515
Adjustment for adoption of new revenue recognition standard (a)	(307)	(301)
Net revenues as restated	7,402	7,214
Excluded revenue (b)	-	(26)
Net revenues on an equivalent basis	$ 7,402	$ 7,188

a) Net revenues for the twelve months ended December 31, 2017 and 2016 have been restated to reflect the impact of new revenue recognition rules that became effective January 1, 2018 and were adopted on a retrospective basis. Under the new rules, the Company reports uncollectible balances associated with patient responsibility as a reduction in net revenues; historically these amounts were classified as bad debt expense within selling, general and administrative expenses.

b) For the twelve months ended December 31, 2016, represents reported revenue for the Focus Diagnostics products business, which was sold on May 13, 2016.

Free Cash Flow

- The following table reconciles free cash flow to the corresponding measure determined under GAAP.

	Year Ended December 31,					
	2018 (a)	2017	2016	2015	2014	2013
			(dollars in millions)			
Net cash provided by operating activities as reported	$ 1,250	$ 1,175	$ 1,069	$ 821	$ 944	$ 667
Adjustment for adoption of new cash flow standard (b)	-	-	47	146	-	-
Net cash provided by operating activities as restated	1,250	1,175	1,116	967	944	667
Less: Capital expenditures	(375)	(252)	(293)	(263)	(308)	(231)
Free cash flow	$ 875	$ 923	$ 823	$ 704	$ 636	$ 436

a) Represents estimated amounts for the full year based on the company's outlook.

b) In the first quarter of 2018, the company adopted two new accounting standards that clarify presentation and classification in the statement of cash flows on a retrospective basis. As a result, cash payments for debt retirement costs are now presented as a financing cash outflow in the consolidated statement of cash flows. Certain reclassifications have been made to the prior year amounts to conform with the current period presentation.

Quest Diagnostics™

2018

INVESTOR MEETING