Anatomic Pathology: A Wall Street Perspective

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The stock market tends to under-appreciate the value of AP...
Pre-acquisition stock performance

Dianon

Price

AmeriPath

Price
## Acquisition Premiums

<table>
<thead>
<tr>
<th>Takeout Premiums</th>
<th>UCOR</th>
<th>DIAN</th>
<th>PATH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Acquisition Announcement</td>
<td>Jun-01</td>
<td>Nov-02</td>
<td>Mar-07</td>
</tr>
<tr>
<td>Price Prior To Acquisition Announcement(^1)</td>
<td>$12.40</td>
<td>$40.85</td>
<td>$16.45</td>
</tr>
<tr>
<td>Takout Price</td>
<td>$16.26</td>
<td>$47.50</td>
<td>$21.25</td>
</tr>
<tr>
<td><strong>Takout Premium</strong></td>
<td>31.1%</td>
<td>16.3%</td>
<td>29.2%</td>
</tr>
</tbody>
</table>

(1) UroCor's price is based on the 90-day average prior to announcement

Source: FactSet
Post-acquisition stock performance

Dianon Acquires UroCor

LabCorp Acquires Dianon

Quest Acquires AmeriPath
Post closing stock performance

**AmeriPath Transactions**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welsh Carson purchase price for AmeriPath (3/27/03)</td>
<td>$839.4</td>
</tr>
<tr>
<td>Welsh Carson sale price for AmeriPath (5/31/07)</td>
<td>$2,000.0</td>
</tr>
<tr>
<td>Welsh Carson Return on Investment</td>
<td>138.3%</td>
</tr>
<tr>
<td>Welsh Carson CAGR</td>
<td>23.1%</td>
</tr>
</tbody>
</table>

Note: $ in Millions

Source: AmeriPath and Quest Diagnostics, Inc.
What the market believes

• Can’t manage docs
• Lab tests are a commodity
• Managed care has the upper hand
• Medicare won’t tolerate high margins
• Promise of new tests is mostly hype
What we believe the market is missing

Potential Cost Saving Synergies - AmeriPath

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>Med</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Near-Term</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reducing PATH SG&amp;A</td>
<td>$36</td>
<td>$48</td>
<td>$60</td>
</tr>
<tr>
<td>Improving PATH Bad Debt</td>
<td>$9</td>
<td>$18</td>
<td>$27</td>
</tr>
<tr>
<td>Reducing Freight and Courier</td>
<td>$4</td>
<td>$7</td>
<td>$9</td>
</tr>
<tr>
<td><strong>Long-Term</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lab Consolidation</td>
<td>$15</td>
<td>$20</td>
<td>$25</td>
</tr>
<tr>
<td>Pathologist Count Reduction</td>
<td>$6</td>
<td>$8</td>
<td>$10</td>
</tr>
</tbody>
</table>

Note: $ in Millions
Source: Company reports and Wachovia Capital Markets, LLC estimates
Quest has a pretty good track record

<table>
<thead>
<tr>
<th>DGX Acquisition History</th>
<th>PATH</th>
<th>LABS</th>
<th>ULAB</th>
<th>AML</th>
<th>SKB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Transaction Close</td>
<td>'07</td>
<td>Nov-05</td>
<td>Feb-03</td>
<td>Apr-02</td>
<td>Aug-99</td>
</tr>
<tr>
<td>Purchase Price</td>
<td>$2,000,000</td>
<td>$900,000</td>
<td>$1,100,000</td>
<td>$500,000</td>
<td>$1,300,000</td>
</tr>
<tr>
<td>Financing</td>
<td>Cash</td>
<td>Cash</td>
<td>Cash/Stock</td>
<td>Cash</td>
<td>Cash/Stock</td>
</tr>
<tr>
<td>TTM Revenue of Acquired Entity at Announcement</td>
<td>$752,000</td>
<td>$490,000</td>
<td>$390,000</td>
<td>$300,000</td>
<td>$1,600,000</td>
</tr>
<tr>
<td>Multiple Paid on Revenue (ttm)</td>
<td>2.7x</td>
<td>1.8x</td>
<td>2.8x</td>
<td>1.7x</td>
<td>0.8x</td>
</tr>
<tr>
<td>TTM EBITDA of Acquired Entity at Announcement</td>
<td>$115,000</td>
<td>$68,000</td>
<td>$60,000</td>
<td>$40,000</td>
<td></td>
</tr>
<tr>
<td>Multiple Paid on EBITDA (ttm)</td>
<td>17.4x</td>
<td>13.2x</td>
<td>18.3x</td>
<td>12.5x</td>
<td></td>
</tr>
<tr>
<td>Projected Synergies At Close</td>
<td>$30,000</td>
<td>$30,000</td>
<td>$15,000</td>
<td>$100,000</td>
<td></td>
</tr>
<tr>
<td>Synergies Achieved</td>
<td>$40,000</td>
<td>$30,000</td>
<td>$15,000</td>
<td>$150,000</td>
<td></td>
</tr>
</tbody>
</table>

Note: $ in Millions
Source: Company reports and Wachovia Capital Markets, LLC estimates
What else the market is missing

Old Paradigm

Evaluate Results
Identify Risk Factors & Symptoms
Determine Appropriate Treatment
Diagnose Disease

New Paradigm

Evaluate Results
Identify Risk Factors & Symptoms
Determine Appropriate Treatment
Diagnose Disease

LAB
Though timing is always a question...

“In particular, we expect that developments in molecular genetics will lead to explosive growth in testing to determine whether specific therapies may be appropriate for specific patients”

Some Wall Street Analyst
October, 2000
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