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Laboratory Corp. of America Holdings Q2 2008 Earnings Call Transcript

Question-and-Answer Session

(Operators Instructions). Your first question comes from the line of Adam Feinstein from Lehman Brothers. Please proceed.

Adam Feinstein - Lehman Brothers

Okay. Thank you. Good morning, everyone. Just maybe we're going to start on the bad debt expense. Maybe if you could provide more clarity there. In terms of just the additional reserves on the balance sheet. Can you talk about your process in terms of how you go about that?

And then if you have any details, you know, in terms of what you're getting, in terms of the aging of your receivables in terms of the different buckets, and trying to better understand the process, you know, as we think about the impact there. And then secondly, maybe if you could elaborate more as you think about bad debt for the full year. I guess how should we think about that in terms of how it's impacting the new guidance. Thank you.

Bradford T. Smith - Executive Vice President, Corporate Affairs and Secretary

Sure, Adam. And I know you guys are going to want to talk about bad debt for a while. We'll talk about it for as long we need to, to get everybody comfortable. You know, I've been saying throughout the quarter that it would be disappointing if we had to raise bad debt again. And obviously we're not happy that we had to take the actions that we took.

But I do want to put it in context. We've grown volume in both quarters of the first half over very difficult comps. We continue to have very, very strong EBITDA margins. And we continue to generate very strong cash flow. So while we're not happy with the bad debt increase and with the increase to the allowance, we have a lot of positives to talk about in addition to bad debt today. That being said, I'm going to ask Brad Hayes to address your specific questions and answer in detail.

Brad Hayes - Executive Vice President and Chief Financial Officer

Adam, this is Brad Hayes. You asked about the process. And in our 10-K there's a pretty good write up about the process. Basically we look at our cash collections. We look at our ageing, and we have a model that helps us determine the adequacy of our allowance. So that there's a pretty lengthy process that we've had in place for some time to look at the allowance.

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