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Laboratory Corp. of America Holdings Q1 2008 Earnings Call Transcript

Question-and-Answer Session

[Operator Instructions]. And our first question comes from the line of Art Henderson from Jefferies & Co. You may proceed sir.

Arthur Henderson - Jefferies & Co.

Hi, good morning, nice quarter. Couple of questions for you, Dave or whoever can answer this one, your cost of goods as percentage of revenue declined and I assume that there is some cost savings initiatives that you guys are working through. This maybe tied to your LabCorp 2010 initiative. But can you could talk a little bit more about what you are doing there to kind of drive those costs down?

David P. King - Chief Executive Officer

The real reason for the decline in cost of good sold has to do with the Canadian consolidation and while we have a number of cost saving initiatives that are as you know both in the run rate from last year and part of the 2010 plan, I don't think they had any material impact on cost of goods sold in this quarter.

Arthur Henderson - Jefferies & Co.

Okay, do you have some... certain amount of cost savings embedded in your guidance here for the year.

David P. King - Chief Executive Officer

We've not... the guidance for the year doesn't include any additional cost savings beyond the \$60 million that we told you we had saved through cost reduction efforts last year that are in the run rate for this year. Any further cost saving that we've recognized this year would be in addition to what we've guided to.

Arthur Henderson - Jefferies & Co.

Okay, that's helpful. And can you remind us again how much the drug testing business is of your revenue?

David P. King - Chief Executive Officer

In total its about 3% of revenue. So, we should have Brad read that question, we should have provided the clarification that although we did see a 4% year-over-year decline in the drug testing business, it is not material to our revenue or to our guidance.

Arthur Henderson - Jefferies & Co.

Okay and you don't have any other sort of risk assessment revenues that could be impacted as well, do you?

David P. King - Chief Executive Officer

No, we do not.

Arthur Henderson - Jefferies & Co.

Okay, one last question and I will jump back in the queue. You talked a little bit about the uptick in bad debt expense, what are you doing to sort of address that issue and what should we think about in terms of the DSOs going forward? Thank you.

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