

Quest Diagnostics (DGX)

\$124.04 (As of 07/27/20)

Price Target (6-12 Months): **\$130.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 07/27/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: B

Momentum: A

Summary

Quest Diagnostics reported better-than-expected second-quarter. However the year-over-year decline in adjusted earnings and revenues was concerning. Management noted that base testing volume declined because of the pandemic and was partially offset by increased COVID-19 testing. On a positive note, the company is strongly expanding its COVID-19 testing capacity. Cumulatively, Quest Diagnostics has delivered nearly 20% of all the testing included in this country. Meanwhile, revenue per requisition improved 15.2% primarily driven by reimbursement for COVID-19 molecular testing. A positive demography and strong balance sheet are added benefits. It has also re-established a sturdy 2020 outlook taking into account the uncertainty caused by the pandemic. Quest Diagnostics has outperformed its industry over the past six months.

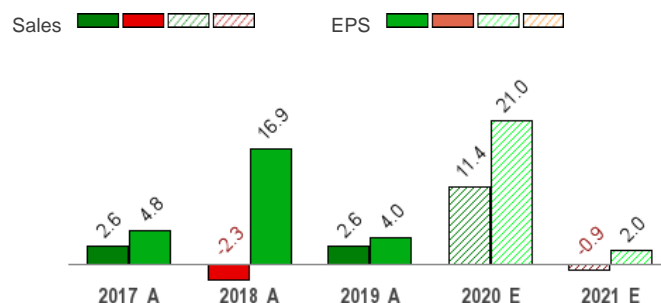
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$131.81 - \$73.02
20 Day Average Volume (sh)	1,338,537
Market Cap	\$16.7 B
YTD Price Change	16.2%
Beta	1.38
Dividend / Div Yld	\$2.24 / 1.8%
Industry	Medical - Outpatient and Home Healthcare
Zacks Industry Rank	Top 43% (108 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.7%
Last Sales Surprise	0.2%
EPS F1 Est- 4 week change	44.7%
Expected Report Date	10/27/2020
Earnings ESP	21.3%
P/E TTM	21.4
P/E F1	15.6
PEG F1	2.1
P/S TTM	2.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,217 E	2,163 E	2,141 E	2,060 E	8,533 E
2020	1,822 A	1,827 A	2,488 E	2,259 E	8,607 E
2019	1,891 A	1,953 A	1,956 A	1,926 A	7,726 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.14 E	\$1.94 E	\$2.01 E	\$1.77 E	\$8.10 E
2020	\$0.94 A	\$1.42 A	\$2.76 E	\$2.41 E	\$7.94 E
2019	\$1.40 A	\$1.73 A	\$1.76 A	\$1.67 A	\$6.56 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/27/2020. The reports text is as of 07/28/2020.

Overview

Quest Diagnostics, Inc., headquartered in Madison, NJ, is one of the largest providers of commercial laboratory services in North America. The company was spun off from Corning, Inc.'s laboratory testing business in 1996 and has grown primarily through acquisitions and strategic alliances. Quest provides lab testing services primarily to physicians, hospitals, managed care organizations, employers, government institutions, and other independent clinical laboratories.

The company consists of two business groups – Diagnostic Information Services (95.4% of total revenues in full-year 2019) and Diagnostic Solutions (accounting for the rest).

5 Point Strategy

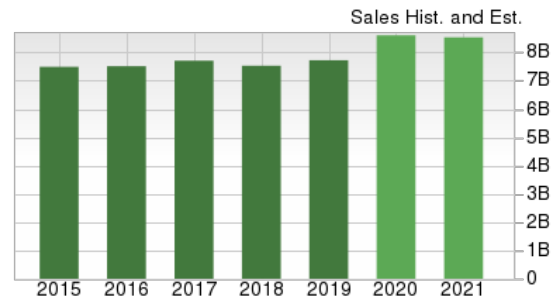
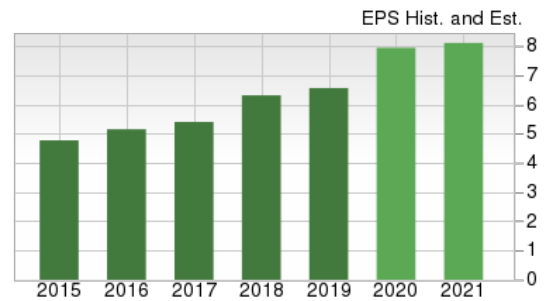
In 2012, Quest Diagnostics introduced a five-point business strategy which the company continued to execute till 2016. The points being refocuson diagnostic information services; drive operational excellence; restore growth; simplifying the organization to enable growth and productivity and delivering disciplined capital deployment; and strategically aligned accretive acquisitions.

New Two-Point Strategy

In Nov 2016, the company updated its existing 5-Point strategy and narrowed its focus to two elements- to accelerate growth and to drive operational excellence.

1. Restore Growth: The company has adopted seven tactical approaches to accelerate growth such as sales and marketing excellence; development of esoteric testing through a disease focus; partnerships with hospitals and successful testing of international IDNs; creation of value from information assets; leadership in companion diagnostics; and extension into adjacent markets.

2. Drive Operational excellence: The company plans to focus on four strategic requirements – to enhance end-to-end customer value chain, enterprise information technology architecture, business performance tools and cost excellence.



Reasons To Buy:

▲ **Share Price Performance:** Quest Diagnostics has outperformed its industry over the past six months. The stock has gained 12.1% against the 4.8% fall of the industry. In the second quarter, although total sales and adjusted earnings dropped on a year-over-year basis, both exceeded the Zacks Consensus Estimate. Total sales were stronger than the company's anticipation as well. These results were driven by a strong bounce back in the company's base testing volumes for March and April, as the healthcare system began to resume non-urgent care and elective surgeries sooner than Quest Diagnostics had originally anticipated. Heavy demand for COVID-19 molecular testing helped partially offset the base volume decline as well. The company registered increasing demand for its tests with the continuing spread of the virus throughout most part of the country. Further, it also benefitted from a number of areas like the pent-up need to test non-COVID-19 pre-surgical patients, people in high-risk populations like nursing homes and prisons, the proliferation of retail testing sites, and finally, employer interest in testing their staffs before they return to work.

As a part of its two-point strategy, Quest Diagnostics has been focusing on areas with high potential. Positive demography and cost reduction initiative are the other upsides.

The company has also extended its COVID-19 testing capacity in the nation. Meanwhile, it is working together with large national retailers like Walmart and CVS Health for the purpose of building a new model for easy customer access to testing.

Overall, we note that, Quest Diagnostics is currently refocusing on diagnostic information services wing and disciplined capital deployment. Its acquisitions and collaborations with hospitals and integrated delivery networks consistently act as major catalysts. Despite the difficult M&A environment due to the pandemic, the company was able to close the acquisition of Memorial Hermann outreach business.

Strong revenues and EPS growth expectation for the full year is another upside.

▲ **COVID-19 Test Capacity Increases:** As a remarkable breakthrough, Quest Diagnostics's COVID-19 test service got the green light from the FDA's EUA on Mar 17. In the meantime, the company implemented a higher throughput in vitro diagnostic test for coronavirus from Roche at 12 Quest Diagnostics laboratories across the United States. In April, the company has begun to perform blood-based antibody testing as well. The company has also joined forces with Walmart to make testing sites available to anyone who may be exhibiting symptoms of the virus, as well as all health care workers and first responders, whether or not they're exhibiting symptoms. Meanwhile the CMS' recent, decision to increase the reimbursement for high throughput molecular COVID-19 testing to \$100 is a favorable update for Quest Diagnostics.

In this period, the company extended its COVID-19 testing capacity enormously. It performed roughly 8.5 million COVID-19 molecular diagnostic tests, and more than 2.5 million antibody or serology tests. It currently has the capacity to perform up to 130,000 molecular diagnostic tests today, double the capacity since mid-May. Over the next couple of weeks, the company expects to increase the capacity to perform approximately 150,000 molecular diagnostic tests per day. Cumulatively, Quest Diagnostics has delivered nearly 20% of all the testing included in this country.

All these developments are expected to negate to a significant extent, the company's global business loss over the ongoing coronavirus-led economic mayhem in the upcoming period.

▲ **Positive Demography:** We are upbeat about the long-term growth drivers that are expected to deliver positive outcomes in the upcoming period. With baby boomers moving into Medicare and living longer, the company is grasping the benefit from continued population growth and favorable demographics. Esoteric testing business is growing at a faster pace as physician medicine drives demand for advanced esoteric tests. Going by a Grand View Research analysis, the global clinical laboratory testing market is expected to reach \$286.7 billion by 2026 at a 7.1% CAGR from 2018. In fact, there is growing demand for these diagnostic testing laboratories which can help in providing early diagnosis in order to render effective therapeutic interventions. According to many researchers, there increasing incidence rates of infectious and chronic diseases in the years to come where these clinical labs will come up with range of diagnostic tests. This is expected to drive market growth gradually in this niche. As far as the market projections, going forward, the company continues to see modest shifts from uninsured patient volumes to government and other payers.

▲ **Long Term Growth Outlook Strong:** Quest Diagnostics' long-term growth outlook based on its new and extended two-point strategy to generate shareholder value- accelerating growth and driving operational excellence has continued to drive investors' optimism. As per this outlook, revenue growth for the period 2017-2020 is expected to be 3-5% with 1% to 2% growth expected from acquisitions. Earnings for the same period are expected to grow faster than revenues in the mid-to-high single digit range. According to the company, this outlook implied adjusted EPS in the range of \$6 to \$7 by 2020.

Quest Diagnostics stated that, its increasing number of partnerships with other health care leaders are creating promising opportunities for top and bottom line growth while improving the patient experience and reducing the overall cost of care.

Despite the PAMA related reimbursement pressure, the company is attaining the outlined targets through 2020. In fact, the company has recently noted that the impact of these Medicare reimbursement cuts will be more significant on smaller independent and hospital outreach laboratories. Per Quest Diagnostics, these reimbursement cuts could potentially eliminate the majority of its profits and provide a catalyst for market consolidation.

▲ **Growth Acceleration Strategy Bodes Well:** Quest Diagnostics is moving ahead with regard to its accelerating growth strategy, which consists of five elements. So far, the first element to grow more than 2% through strategically aligned accretive acquisitions is progressing well.

Despite the difficult M&A environment due to the pandemic, the company was able to close the acquisition of Memorial Hermann outreach business. Also it announced plans to acquire all of Mid America Clinical Laboratories, or MACL. Once this transaction gets completed, this transaction expected this quarter, the company will wholly own MACL's laboratory in Indianapolis, and about 50 patient service centers across Indiana. Further, they will provide professional lab services under a long-term agreement for 30 hospital labs owned and operated by MACL founding hospitals, Ascension St. Vincent and Community Health Network.

Going by the second element, Quest Diagnostics continues to extend health plan contracts and tie-ups with hospital health systems. In this regard, the company has entered the second year of being a member of the UnitedHealthcare's Preferred Lab Network. The company has also secured business for more than 180 out of network UHC labs, saving money for patients and lowering the overall cost of care.

With respect to the third element to offer a wider access to diagnostic innovation, the company has been witnessing growth in prescription drug monitoring, QuantiFERON and T-SPOT, hemepath, blood cancer test and Cardio IQ. The company is also optimistic about successful execution of its plans to build an esoteric testing business and boost profitability.

About the fourth element of the company's growth strategy, which is to provide ample choices to consumers, the company's relationship with Walmart has already started adding value to this end with higher patient traffic. Besides, the company's alliance with Safeway currently has more than 200 patient service centers across the retail store locations.

Finally, the company is complying well with the fifth element of its growth strategy which requires to support population health with data analytics and extended care services. In this regard, earlier, the company launched Quest Clinical Trial Connect, a new patient recruitment service.

▲ **Strategy to Drive Operational Excellence on Track:** In terms of the company's efforts to ramp up operating efficiency, Quest Diagnostics' invigorate cost-cutting initiatives have been successful and the company is working on more opportunities ahead. The company is so far successful with its goal of reducing cost base by 3% by continuing to drive increases in productivity. The company expects to see more opportunities ahead to drive further productivity gains, while enhancing the customer experience.

In terms of productivity gains, the company noted that its immunoassay platform consolidation is expected to provide brief throughput, autonomy and more efficient footprint, while saving approximately \$35 million annually when fully implemented. Further, the company is optimizing its lab network through investments in new flagship laboratory in Clifton, New Jersey. After getting operationally active in 2021, this new lab is expected to consolidate three regional hub labs, doubling Quest Diagnostics' average throughput and provide 30% more capacity. Thus apart, the company is using digital technology to enhance the customer experience. Nearly nine million patients so far have downloaded the MyQuest digital platform, which enables them to make appointments and receive their results.

▲ **Extended Partnership With UnitedHealthcare Impresses:** Management also seems upbeat about the expanded long-term strategic partnership with UnitedHealthcare, a business of UnitedHealth Group, to operate as a preferred national laboratory for all of the company's members starting Jan 1, 2019. Under the expanded tie-up, the companies are working on a variety of value-based programs.

In this line, UnitedHealthcare is helping in moving testing volume to high-value laboratories like Quest from high-cost hospital and out-of-network labs. Further, from on October 1, UnitedHealthcare began offering a product with zero-dollar member out-of-pocket charges for laboratory testing for the majority of fully insured lives in select states. This apart, UnitedHealthcare will also make the lab savings program available for their self-insured employer groups beginning in 2020.

▲ **Overall a Strong Balance Sheet Aids Growth:** Quest Diagnostics ended second quarter of 2020 with cash and cash equivalents of \$988 million compared with \$342 million at the end of the first quarter. Meanwhile, total debt came up to \$4.58 billion, a slight reduction from the first-quarter figure of \$4.04 billion. Although, the quarter's total debt was much higher than the cash and cash equivalent level indicating about a leveraged balance sheet, we may note that, the company has short-term payable debt of \$555 million on its balance sheet. This can be treated as a positive for the company when the coronavirus mayhem has forced the corporate sector halt their production and supply. The quarter's total debt-to-capital of 43.9% stands at a pretty high level right now. It represented a sequential increase from 41.4% at the end of the first quarter.

Quest Diagnostics' capital deployment policy is based on its suitable acquisitions and the return of shareholders's money through dividends and share buybacks. At the end of the second quarter, \$1.2 billion remained available under the company's existing share repurchase authorizations. However, Quest Diagnostics has temporarily suspended additional share repurchases under the existing authorization through the end of 2020. The company's board of directors remains committed to its quarterly dividend at this time too. The company's current payout ratio stands at a pretty high level of 37.1%, questioning long-term sustainability.

Reasons To Sell:

▼ **Coronavirus Impact Significant on Sales:** Quest Diagnostics' year-over-year decline in second-quarter adjusted earnings and as well as revenues were concerning. Revenues for diagnostic information services declined 5.7% compared to the prior year. Through the quarter, the company experienced a significant decline in testing volumes with social distancing and shelter-in-place measures were instituted to combat the outbreak. During this period, volumes declined 17.7%, despite adjusting for the growth in COVID-19 testing.

▼ **Volume Decline Intensifies:** Pressure on volume, owing to a difficult macro-economic situation and pricing, constitutes the primary risk for Quest Diagnostics. Nevertheless, we have observed some changes in the volume trend over the past couple of quarters. In the reported quarter, volume measured by the number of requisitions declined 17.7% year over year, (acquisitions contributing approximately 50 basis points). Meanwhile, revenue per requisition improved 15.2% in the reported quarter primarily driven by reimbursement for COVID-19 molecular testing.

Testing volumes in the company's base business declined approximately 34% year over year. In April, base volumes declined more than 50% compared to the year-ago period, as stay at home measures were implemented across the United States, hospitals began to limit elective procedures, and many physician offices were temporarily closed for business. Base volume trends began to improve in May, down more than 30%, with stay at home measures getting relaxed, many hospitals reintroducing elective procedures, and some physician offices getting reopened. The base volume recovery continued in June, down less than 15%, as the trends in May gained momentum. However, to our dismay, due to the recent spike in COVID-19 cases across the country and the rollback of several state reopening plans, the company has again seen a slight softening of base business in early July.

We should also take into consideration that the unit price headwinds persisted through the second quarter (slightly less than 2%). We also expect that a low level of employment and slow growth of commercially-insured lives will continuously impact the company's overall improvement, until the economy rebounds.

▼ **Current Market Headwinds Weigh Heavily on the Stock:** The current market environment remains challenging for Quest Diagnostics in the form of continued decline in healthcare utilization rate, softer volume, commercial pricing pressure and reimbursement headwind. Over the last two years, reimbursement challenges became much more pronounced with a 10% reduction in Medicare payments, cuts to pathology codes on Medicare physician fee schedule, changes to Medicare fee schedules including requirements from molecular diagnostics, and the effects of renewed commercial payer contracts. This apart, the political power change redirecting towards the chance of full repeal of ACA may impact the company's business model grossly.

▼ **Reimbursement Update Not in Favor of Clinical Labs:** In the last couple of years, Quest Diagnostics faced several reimbursement issues, hurting its revenues. Turning to PAMA (Protecting Access to Medicare Act), first-quarter 2018 was the opening quarter operating under the clinical IP schedule. Medicare rates in 2019 were down by 10% from the prior year, in line with the company's expectation. With the enactment of Lab Act in December 2019 (delaying the upcoming data reporting period by one year and commissioning a study on how to improve data collection and rate setting to better reflect Congress' original intent of a market-based fee schedule for clinical laboratory services—American Clinical Laboratory Association) CDLT data that was supposed to be reported between Jan 1, 2020 and Mar 31, 2020, will now be reported between Jan 1, 2021, and Mar 31, 2021. Although, this includes an increase in reimbursement reduction caps from 10% in 2020 to 15% in 2021, according to Quest Diagnostics, the PAMA headwinds in 2021 are expected to be relatively consistent with 2019 and 2020. This PAMA impact includes both direct cuts to the Clinical Lab Fee Schedule as well as a modest indirect price changes from Medicaid and a small number of floating rate contracts.

▼ **Competitive Landscape:** Quest Diagnostics faces intense competition primarily from Laboratory Corporation of America, other commercial laboratories and hospitals. Hospitals control an estimated 60% of the diagnostic test market, compared to Quest Diagnostic's 15% share. While pricing is an important factor in choosing a testing lab, hospital-affiliated physicians expect a high level of service, including accurate and rapid turnaround of testing results. As a result, Quest Diagnostics and other commercial labs compete with hospital-affiliated labs primarily on the basis of quality of service.

Over the past several quarters, the overall soft industry trends leading to low volume environment have acted as a dampener for Quest Diagnostics. The reimbursement scenario also remains a major cause of concern.

Last Earnings Report

Quest Diagnostics Posts Earnings Beat, Volume Down in Q2

Quest Diagnostics' DGX second-quarter 2020 adjusted earnings per share of \$1.42 beat the Zacks Consensus Estimate by a penny. Adjusted earnings however declined 17.9% from the year-ago number.

Certain one-time expenses, like the ones related to the COVID-19 pandemic and their resultant impact including certain income recognized under the Coronavirus Aid, Relief, and Economic Security Act, partially offset by expense associated with a one-time payment to eligible employees to help offset their COVID-19 related expenses; certain asset impairment charges and incremental costs incurred primarily to protect the health and safety of the company's employees and customers, were excluded from the quarter's adjusted figures.

GAAP earnings from continuing operations came in at \$1.36 per share, marking a 34.9% decline from the year-ago quarter.

Reported revenues in the second quarter declined 6.4% year over year to \$1.83 billion. The same however beat the consensus estimate by 0.16%.

Quarter Ending 06/2020

Report Date	Jul 23, 2020
Sales Surprise	0.16%
EPS Surprise	0.71%
Quarterly EPS	1.42
Annual EPS (TTM)	5.79

Quarterly Details

Volumes (measured by the number of requisitions) declined 17.7% year over year in the second quarter (down 18.2% organically). Revenue per requisition however improved 15.3% year over year.

Diagnostic information services revenues in the quarter were down 5.7% on a year-over-year basis to \$1.76 billion.

Margins

Cost of services during the reported quarter was \$1.22 billion, down 3.5% year over year. Gross margin was 30.8%, reflecting contraction of 445 basis points (bps) from the year-ago figure.

Adjusted operating margin of 10.4% represented a 632-bps contraction year over year. Selling, general and administrative expenses declined 0.6% to \$360 million in the quarter under review.

Cash, Capital Structure and Solvency

Quest Diagnostics exited the second quarter of 2020 with cash and cash equivalents of \$988 million compared with \$342 million at the end of the first quarter. Cumulative net cash provided by operating activities through the second quarter was \$602 million compared with \$596 million in the year-ago reported quarter.

For the three months ended Mar 31, 2020, the company did not repurchase any shares of its common stock. At the end of the second quarter, \$1.2 billion remained available under the company's existing share repurchase authorizations. However, Quest Diagnostics has temporarily suspended additional share repurchases under the existing authorization through the end of 2020.

However, the company's board of directors remains committed to its quarterly dividend.

2020 Guidance Reinstated

Given the rapidly-changing uncertainties and likely outcomes of coronavirus, Quest Diagnostics had withdrawn its full-year guidance. This time however the company provided its 2020 projection. It reflects a number of assumptions that are subject to change based on uncertainties related to the impact of the COVID-19 pandemic.

Going by the latest guidance, the company expects to report full-year net revenues in the range of \$8 billion to \$8.6 billion (an expected 3.5% to 11.3% growth from the year-ago reported revenue growth rate). Full-year adjusted EPS is projected in the range of \$6.60 to \$8.60.

The current Zacks Consensus Estimate for full-year adjusted earnings is pegged at \$8.04 while the same for revenues stands at \$8.50 billion.

Recent News

Receives EUA for the Use of Specimen Pooling: Jul 18, 2020

Quest Diagnostics announced that it has received emergency use authorization (EUA) from the FDA to use specimen pooling with its proprietary molecular diagnostic test for COVID-19. Quest Diagnostic noted that, it is the first lab provider to receive FDA authorization for the technique for COVID-19 testing in the United States.

Multipronged Agreement in Indiana: Jun 23, 2020

Quest Diagnostics announced the formation of a definitive multi-pronged agreement, which is aimed at optimizing the delivery of high quality and innovative diagnostic laboratory services in Indiana.

Government Alliance on rRT-PCR Testing: May 29, 2020

Quest Diagnostics announced a collaboration with Home State Health to increase access to real-time reverse transcription polymerase chain reaction (rRT-PCR) COVID-19 testing in critical areas of need in St. Louis. Home State will facilitate the distribution of up to 1,000 COVID-19 test kits of the company each week to Affinia Healthcare and People's Health Centers, Federally Qualified Health Centers (FQHCs) through the collaboration.

FDA Approval for Self-collection Kit: May 28, 2020

Quest Diagnostics announced the receipt of Emergency Use Authorization (EUA) from the FDA for the Quest Diagnostics Self-collection Kit for COVID-19 (self-collection kit).

Opens COVID-19 Drive-thru Testing Sites: May 20, 2020

Quest Diagnostics, along with Governor Phil Murphy and Walmart, announced the opening of COVID-19 drive-thru testing sites by seven Walmart stores across New Jersey, beginning on May 22.

New Alliance on rRT-PCR Testing in Arkansas: May 20, 2020

Quest Diagnostics entered into a collaboration with Arkansas Health & Wellness and Arkansas Total Care to expand access to real-time reverse transcription polymerase chain reaction (rRT-PCR) COVID-19 testing in critical areas of need in Arkansas.

Alliance on rRT-PCR Testing in Georgia: May 8, 2020

Quest Diagnostics entered into a collaboration with Peach State Health to expand access to real-time reverse transcription polymerase chain reaction (rRT-PCR) COVID-19 testing in critical areas of need Georgia.

Alliance with Centene on COVID-19 rRT-PCR Testing: Apr 29, 2020

Quest Diagnostics announced a collaboration with Centene to increase access to real-time reverse transcription polymerase chain reaction (rRT-PCR) COVID-19 testing in critical areas of need across the country.

Online Availability of COVID-19 Antibody Testing: Apr 28, 2020

On **Apr 28, 2020**, Quest Diagnostics announced that customers can purchase COVID-19 antibody testing for themselves online without visiting a doctor's office through QuestDirect, effective immediately.

COVID-19 Antibody Testing Begins: Apr 21, 2020

Quest Diagnostics announced that it has begun to perform antibody testing for coronavirus using blood samples. With the new service, Quest Diagnostics now provides healthcare providers in the United States access to COVID-19 antibody as well as molecular diagnostic laboratory testing.

Valuation

Quest Diagnostics' shares are up 16.2% in the year to date period and up 21% in the trailing 12-month periods. Stocks in the Zacks sub-industry and Zacks Medical sector are up 2.2% and up 1.1% in the year to date period, respectively. Over the past year, the Zacks sub-industry is down 2.3% and Zacks Medical sector is up 6.7%.

The S&P 500 index is up 0.8% in the year to date period and up 7.7% in the past year.

The stock is currently trading at 15.8X Forward 12-months earnings, which compares to 20.6X for the Zacks sub-industry, 23X for the Zacks sector and 22.6X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.4X and as low as 11.2X, with a 5-year median of 15.6X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$130 price target reflects 16.6X forward 12-months earnings.

The table below shows summary valuation data for DGX.

Valuation Multiples - DGX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	15.82	20.60	23.00	22.63
	5-Year High	23.41	22.66	23.17	22.63
	5-Year Low	11.17	14.40	15.80	15.25

P/S F12M	5-Year Low	11.17	14.49	15.09	15.25
	5-Year Median	15.59	17.72	18.98	17.52
	Current	1.95	2.54	2.84	3.57
	5-Year High	2.11	2.59	3.74	3.57
	5-Year Low	1.14	0.71	2.22	2.53
P/B TTM	5-Year Median	1.70	1.07	2.90	3.02
	Current	2.82	3.22	4.41	4.43
	5-Year High	3.26	4.00	5.07	4.56
	5-Year Low	1.72	1.91	2.94	2.83
	5-Year Median	2.54	2.48	4.30	3.71

As of 07/27/2020

Industry Analysis Zacks Industry Rank: Top 43% (108 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
DaVita Inc. (DVA)	Outperform	3
Laboratory Corporation of America Holdings (LH)	Outperform	2
OPKO Health, Inc. (OPK)	Outperform	2
Addus HomeCare Corporation (ADUS)	Neutral	2
BioRad Laboratories, Inc. (BIO)	Neutral	3
Exact Sciences Corporation (EXAS)	Neutral	2
Myriad Genetics, Inc. (MYGN)	Neutral	3
NeoGenomics, Inc. (NEO)	Neutral	2

Industry Comparison Industry: Medical - Outpatient And Home Healthcare				Industry Peers		
	DGX	X Industry	S&P 500	DVA	LH	MYGN
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Outperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	A	-	-	B	B	C
Market Cap	16.66 B	723.36 M	22.74 B	10.78 B	19.57 B	892.05 M
# of Analysts	5	2	14	7	8	5
Dividend Yield	1.81%	0.00%	1.8%	0.00%	0.00%	0.00%
Value Score	A	-	-	B	B	A
Cash/Price	0.06	0.09	0.07	0.14	0.02	0.21
EV/EBITDA	12.46	11.30	13.03	11.30	12.16	11.67
PEG Ratio	2.07	3.02	3.03	1.58	2.46	1.23
Price/Book (P/B)	2.83	2.92	3.17	5.05	2.78	0.92
Price/Cash Flow (P/CF)	13.64	12.43	12.05	7.85	10.35	5.14
P/E (F1)	15.70	34.59	21.90	14.43	18.41	22.08
Price/Sales (P/S)	2.21	1.12	2.38	0.94	1.69	1.17
Earnings Yield	6.40%	2.30%	4.30%	6.93%	5.43%	4.51%
Debt/Equity	0.68	0.66	0.76	5.24	0.92	0.29
Cash Flow (\$/share)	9.09	1.90	7.01	11.28	19.44	2.33
Growth Score	B	-	-	B	B	D
Hist. EPS Growth (3-5 yrs)	6.83%	7.23%	10.85%	4.96%	9.93%	-16.35%
Proj. EPS Growth (F1/F0)	20.98%	9.86%	-7.56%	13.57%	-3.42%	510.61%
Curr. Cash Flow Growth	10.66%	6.12%	5.47%	19.72%	12.16%	21.53%
Hist. Cash Flow Growth (3-5 yrs)	6.08%	13.00%	8.55%	0.89%	17.70%	-3.44%
Current Ratio	1.29	1.32	1.31	1.81	1.18	3.14
Debt/Capital	41.06%	50.51%	44.41%	85.33%	48.11%	22.52%
Net Margin	9.99%	2.14%	10.45%	7.85%	2.77%	-19.49%
Return on Equity	13.78%	13.48%	15.13%	32.45%	15.03%	1.95%
Sales/Assets	0.60	0.82	0.54	0.64	0.65	0.49
Proj. Sales Growth (F1/F0)	11.40%	2.03%	-2.00%	2.60%	2.67%	8.48%
Momentum Score	A	-	-	D	B	F
Daily Price Chg	-0.76%	0.00%	0.48%	1.33%	1.29%	3.32%
1 Week Price Chg	-0.10%	0.00%	0.37%	2.61%	2.63%	-3.50%
4 Week Price Chg	12.34%	5.52%	5.61%	14.61%	24.24%	8.58%
12 Week Price Chg	15.62%	16.20%	13.36%	17.80%	27.69%	-21.54%
52 Week Price Chg	21.01%	7.79%	-3.30%	48.32%	20.32%	-58.33%
20 Day Average Volume	1,338,537	112,716	1,917,592	725,705	764,673	826,649
(F1) EPS Est 1 week change	1.83%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	44.67%	0.00%	0.21%	0.00%	5.79%	-46.71%
(F1) EPS Est 12 week change	100.55%	-0.38%	-2.00%	1.61%	43.16%	-67.86%
(Q1) EPS Est Mthly Chg	28.45%	0.00%	0.00%	0.00%	-1.13%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	B
Momentum Score	A
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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