**Quest Diagnostics Incorporated**
**Conference Call Prepared Comments**
**For the Quarter Ended September 30, 2015**

***Conference operator***: Welcome to the Quest Diagnostics Third Quarter 2015 conference call. At the request of the company, this call is being recorded. The entire contents of the call, including the presentation and question and answer session that will follow, are the copyrighted property of Quest Diagnostics with all rights reserved. Any redistribution, retransmission or rebroadcast of this call in any form without the express written consent of Quest Diagnostics is strictly prohibited. Now I'd like to introduce Dan Haemmerle, Executive Director of Investor Relations for Quest Diagnostics. Go ahead, please.

***Dan Haemmerle*****:** Thank you and good morning. I am here with Steve Rusckowski, our president and chief executive officer, and Mark Guinan, our Chief Financial Officer.

During this call, we may make forward-looking statements and also discuss non-GAAP measures. Actual results may differ materially from those projected. Risks and uncertainties that may affect Quest Diagnostics' future results include, but are not limited to, those described in Quest Diagnostics' 2014 Annual Report on Form 10-K, quarterly reports on Form 10-Q and Current Reports on Form 8-K.

Our earnings press release is available, and the text of our prepared remarks will be available later today, in the Investor Relations "Quarterly Updates" section of our website at www.QuestDiagnostics.com.

A PowerPoint presentation and spreadsheet with our results and supplemental analysis are also available on the website.

Now, here is Steve Rusckowski.

***Steve Rusckowski***: Thanks, Dan. And thanks, everyone, for joining us today.

This morning, I'll provide you with highlights of the quarter, share a few comments on industry dynamics, and review progress on our five-point strategy. Then Mark will provide more detail on the results and take you through guidance.

We grew revenues, margins and earnings in the third quarter.

- Revenues grew 1% on an equivalent basis to $1.9 billion;
- Adjusted operating income grew approximately 7% and operating margin expanded by 130 basis points compared to the prior year, once again reflecting improved operational efficiency; and
- Adjusted diluted EPS increased approximately 7% to $1.28.

Before I get to our strategy update, I'd like to talk about industry dynamics, starting with the recent CMS proposal related to PAMA. We are currently reviewing the draft and sharing our perspective with the trade association.

This is an important issue for every lab because it will result in a refresh of CMS' clinical lab fee schedule, which will apply to independent, physician and hospital laboratories for their fee for service Medicare payments.
We have said all along, that PAMA needs to be built on an accurate representative view of the market. We were disappointed that the draft provided as many limitations as it did to the definition of applicable lab. In a recent study, the Office of the Inspector General reported that the two largest independent labs represented only approximately 17% of total Medicare spending from the Clinical Lab Fee Schedule, while hospitals and physician offices represented nearly half of the total Medicare spend.

PAMA stands for Protecting Access to Medicare Act. It would be a terrible irony if the data collection process demanded by PAMA had the unintended consequence of reducing access to critical laboratory services that could cause some labs to close their doors to Medicare beneficiaries.

Additionally, the coding and payment proposals recently released by CMS, jeopardize the advancement of personalized medicine. These proposals fail to take into consideration the value provided from clinically-validated information that further advances more targeted and sophisticated approaches to patient care.

That said, we remain optimistic that the proposed rulemaking will result in an outcome that the industry can live with, even if it takes a bit more time to finalize.

Now let me shift to the progress we are making on our five-point strategy which is to:

- Restore growth;
- Drive operational excellence;
- Simplify the organization;
- Refocus on the core diagnostic information services business; and
- Deliver disciplined capital deployment.

Let's start with growth.

This was the fourth consecutive quarter of organic revenue growth on a consolidated, equivalent basis. I would like to now share several key elements of our strategy.

- First, revenues from gene-based and esoteric testing revenues continue to grow. We also saw significant growth from Infectious Disease testing, Prescription Drug Monitoring and our industry leading wellness business.

- Our science and innovation team continues to work with our clinical franchises to bring new solutions to the market. In October, we announced the launch of two companion diagnostic solutions for non-small cell lung cancer based on a recent FDA approved Merck therapy called KEYTRUDA as well as Bristol-Myers Squibb's therapy called OPDIVO. Both diagnostic tests are from Dako, an Agilent company.

- Second, over the past few years, we have outlined our strategy to partner more effectively with hospital systems.

- We have shared our view that hospitals will look to partner with us in running their inpatient laboratories as well as their outreach service models, and we expect to announce additional agreements by the end of the year.
- Finally, over the past few quarters, we have shared additional proof points on our three information solutions that help customers with population health, data analytics and decision support tools –
    - Our Interactive Insights for physicians;
    - our IntelliTest Analytics solutions for hospitals and health systems; and finally,
    - our Quest analytics platform.

- In late September, we announced our partnership with Inovalon to deliver our Data Diagnostics solution. Our Data Diagnostics solution will provide a real-time point of service suite of analyses to physicians at the patient level. This solution will help physicians improve care through a better understanding of the patient's medical history and review that history against relevant quality metrics through the use of big data and real-time connectivity solutions. These solutions will help deliver valuable insights precisely when and where clinicians need them most. We believe this value added information will help drive the transformation from volume to value based healthcare.

The second element of our strategy is Driving Operational Excellence.

- We continue to make progress with our focus on building e-enabling services; standardizing our processes, data and systems; and improving cash collections.

- We continue to move closer to achieving our Invigorate goal of $1.3 billion in cumulative run rate savings by the end of 2017.

We continue to Simplify and strengthen our organization, which is the third element of our strategy.

- We are proud of the professionalism and commitment of our employees, which has enabled us to be included in the Dow Jones Sustainability Index for the past 12 years.

- Quest Diagnostics was one of only eight Health Care Equipment and Services companies listed on the Dow Jones Sustainability North American Index and one of only eleven companies listed on the Dow Jones Sustainability World Index in the same category.

The fourth element of the strategy is to Refocus on our core business.

- In July, we finalized the joint venture transaction with Quintiles.

- The new entity, now known as Q Squared Solutions, is off to a great start, with a strong culture built on the collaborative strengths of both JV partners.

We continue to review our portfolio, look at options for non-core assets, and are focused on building value for our shareholders.

And, finally, we remain focused on the fifth element of our strategy, delivering disciplined capital deployment.

Year to date, we have returned approximately $330 million to our shareholders through a combination of dividend and share buybacks. Additionally, we continue to invest in the business, and announced two acquisitions. Looking forward we continue to have a strong M&A pipeline.

Now, Mark will provide an overview on our third quarter financial performance and walk you through the details of our 2015 outlook, which is based on our strong operational performance.

**Q3 2015**

***Mark Guinan:*** Thanks, Steve.

**Starting with revenues…**

Consolidated revenues of $1.88 billion increased by 0.9% versus the prior year on an equivalent revenue basis; that is, excluding the third quarter 2014 clinical trials revenue. On a GAAP, or reported basis, revenues were lower by 1.3%.

Revenues for Diagnostic Information Services, were flat to the prior year.

Volume, measured by the number of requisitions, declined by 0.2% versus the prior year.

Revenue per requisition was 0.2% better than the prior year, marking the second consecutive quarter that revenue per requisition grew compared to the prior year. While reimbursement pressure continued to be a moderate headwind, we were able to more than offset that pressure through test and business mix. This reflects our strategy to grow our esoteric testing business and drive profitable growth.

Moving to our Diagnostic Solutions business, which now includes risk assessment, healthcare IT, and our remaining products businesses, revenues grew by approximately 18% on an equivalent basis compared to the prior year; that is, excluding the third quarter 2014 clinical trials testing revenue. On a reported basis, Diagnostic Solutions revenues were lower by approximately 17% from a year ago.

Adjusted operating income for the quarter was $325 million, or 17.3% of revenues, compared to $304 million, or 16% of revenues, a year ago. The improvement of 130 basis points can be primarily attributed to efficiencies from our Invigorate program.

In the quarter, adjusted net income grew by approximately 7% compared to a year ago.

For the quarter, adjusted EPS, excluding amortization, was $1.28, 6.7% better than a year ago.

In the quarter, reported operating income benefitted from the $334 million pre-tax gain on our contribution to the clinical trials testing joint venture.

This benefit was partially offset by net charges related primarily to restructuring and integration costs totaling $28 million. Overall net adjustments benefitted reported diluted EPS by $1.17. Last year's third quarter reported operating income was reduced by $48 million, or 22 cents per diluted share, principally due to restructuring and integration costs.

Bad debt expense as a percentage of revenues was 3.9%, 20 basis points better than last quarter and 10 basis points better than a year ago. Our DSOs were 44 days, 2 days lower than the prior year and flat to last quarter. As Steve mentioned, we continue to improve our cash collections at a time when there is a growing portion for the healthcare bill paid by patients.

Reported cash provided by operations was $212 million in the third quarter of 2015. Adjusted cash provided by operations was $188 million in the quarter, excluding cash tax benefits realized during the quarter related to the recent debt retirement.

In the third quarter of 2014, reported cash provided by operations was $271 million. Cash provided by operations was lower than a year ago largely due to a payment against certain tax reserves in the third quarter of 2015.

Capital expenditures were $52 million in the quarter, compared to $102 million a year ago.

Before moving to guidance, let me share a few comments to help you frame our guidance for the remainder of the year.

- First, we delivered strong results for the quarter that are in line with our expectations for the full year.

- Second, through the first three quarters of this year, we have shown steady growth in operating income and will continue to see improvement in Q4. However, this improvement will be largely offset by a higher effective tax rate.

- As a result, we anticipate a slower earnings growth rate in the fourth quarter than we have seen throughout the first 9 months of the year.

Moving to guidance, we now expect full year 2015 results, before special items, as follows:

- Revenues are now expected to be approximately $7.49 billion.

- Adjusted diluted EPS excluding amortization to be between $4.75 and $4.80. Basically unchanged from prior guidance with a tightening on both ends of the range.

- Adjusted cash provided by operations to exceed $850 million.

- And capital expenditures are now expected to approximate $275 million.

Now, let me turn it back to Steve.

***Steve Rusckowski:*** Thanks, Mark.

- We delivered another solid quarter.
- As many of you recall, at last year's Investor Day we shared our expectation that we would deliver revenue growth of 2% to 5% and earnings growth of 8% to 10% over the next three years.
- Through the first nine months of this year, we are meeting that outlook.

- Revenues are up by more than 2% on an equivalent basis and earnings are up 10% from a year ago.
- We are pleased with our performance and are on track to meet our expectations for the full year.
- Our 45,000 dedicated employees that work at Quest remain focused on delivering a superior customer experience every day.
- Their commitment is helping us to execute our strategy and deliver on our commitments.

***STEVE:*** Thanks again for joining our call today.

- We had another good quarter
- We are making solid progress executing our strategy.
- We appreciate your support.
- Have a good day.