



Q3-2011 LABORATORY SERVICES INDUSTRY UPDATE

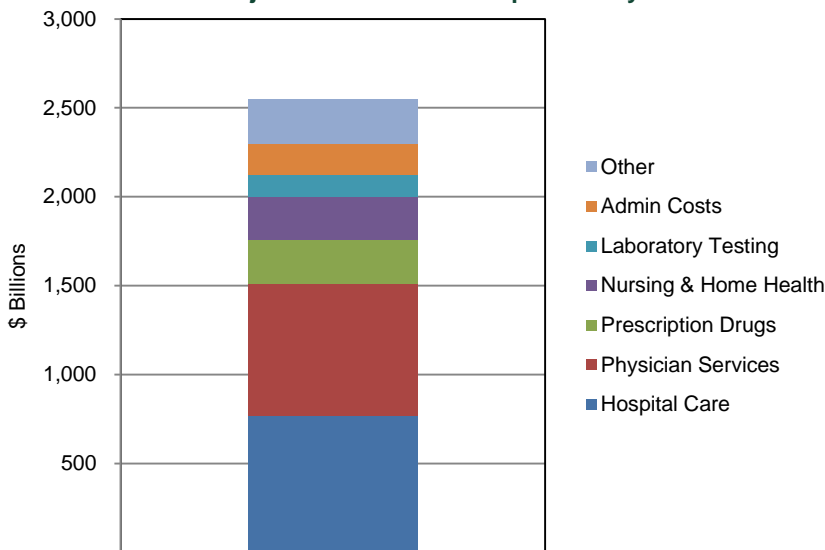
MARKET OVERVIEW

Over the last nine months, significant emphasis has been made to incorporate Meaningful Use programs into the nation's laboratory landscape, emphasizing patient involvement, communication, and transparency of diagnosis/treatment. While acceptance and implementation has been ongoing, the benefits of such a program have already been recognized nationwide. By providing such things as patient visit summaries and online platforms to review visit information and medical records, patients are forced to become more engaged in their treatment, and thus, more knowledgeable in how their care is handled through an open forum with their physicians. Additionally, online automation minimizes physician-to-physician disconnect and allows for quick and easy access and review while streamlining the overall treatment process. More specifically, the adoption of electronic medical record (EMR) systems, which drastically increase patient treatment efficiency and communication, will make this rapidly growing industry exponentially more efficient and cost-effective. By improving the treatment process through incorporation of easily shared medical files and data hosting, physicians, as well as patients, will be able to save both time and money.

Further increasing implementation has been government incentive programs to encourage physician adoption, forcing laboratories that are not proactive in implementation to do so to stay up-to-speed with their physician customer base. Additionally, every state has varying levels of funding from the government to deploy this EMR framework and build efficient connectivity between the patient, physician, and laboratory. All this being considered, implementation, training and appropriate use of programs continues to be a vital part of the process, as it is imperative the users of the programs understand all of the functionality and abilities therein.

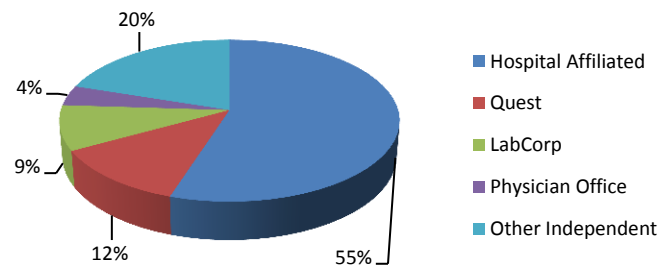
As the industry as a whole continues to gradually become more efficient, cost savings will continue to increase, treatment will become more effective and patients will be more engaged in their treatment. These variables will exacerbate the natural organic growth the laboratory services sector experiences, which has continued to remain in the 2-3% range on a yearly industry average, thus continuing to attract investment and consolidation interest. Although the private equity capital overhang has lessened from upwards of \$500 billion, these groups remain aggressive and determined to continue to invest funds into management teams, companies, and industries that will provide a significant return on investment. It is Provident's estimation that the laboratory services sector will be an area of activity moving through 2012 within testing services, information systems development/consultation, and laboratory equipment sectors.

2010 Projected US Healthcare Spend Analysis



Source: "Laboratory Corporation of America Holdings' Bank of America Merrill Lynch Health Care Conference Presentation, May 12, 2011.

US Market Breakdown



As portrayed above, of the ~\$55 billion U.S. laboratory industry, an approximate 5,000 independent laboratories comprise the fragmented industry landscape. Coupled with organic industry growth, an aging population and continued development in preventative testing solutions and companion diagnostics, the industry is primed for consolidation.

At left, laboratory testing comprises a noticeably small chunk of total U.S. healthcare spend, but influences the majority of clinical decisions, thus being an integral piece of the healthcare matrix by supporting diagnosis and treatment at a low cost. These innate industry factors position the sector for not only long term sustainability, but growth and investment as well.

RECENT TRANSACTIONS

Month	Acquirer	Company Acquired	Details
August 2011	Solstas Lab Partners	Southern Diagnostic Laboratories	Solstas Lab Partners, one of the largest full-service laboratories in the nation, has announced its acquisition of Southern Diagnostic Laboratories. Southern Diagnostic is known for their superior techniques within pathology and clinical laboratory medicine and as well as a customer-focused business model. Through the acquisition, Southern Diagnostics now has the opportunity to expand its testing menu and service offerings. Financial terms of the transaction were not disclosed.
July 2011	Thermo Fischer Scientific	TREK Diagnostic Systems	Thermo Fischer Scientific has acquired TREK Diagnostic Systems, the microbiology arm of Magellan Biosciences, for an undisclosed price. TREK Diagnostic is a provider of microbiology testing products and related consumables, with 2010 reported revenue of \$34 million. TREK Diagnostic will be integrated into Thermo Fischer's Analytical Technologies Segment and will complement the company's microbiology technologies. With the additional capital and resources from the acquisition, Magellan can now focus its efforts on the Dynex and LeadCare business divisions, both of which have been experiencing strong growth.