

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2023**

**Or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission file number 001-12215**

**Quest Diagnostics Incorporated**

**Delaware**  
(State of Incorporation)  
**500 Plaza Drive**  
**Secaucus, NJ 07094**  
**(973) 520-2700**

**16-1387862**  
(I.R.S. Employer Identification Number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 Par Value	DGX	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/> Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/>
	Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 14, 2023, there were outstanding 112,234,999 shares of the registrant's common stock, \$.01 par value.

**PART I - FINANCIAL INFORMATION**

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**QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022**  
(unaudited)  
(in millions, except per share data)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Net revenues</b>	\$ 2,338	\$ 2,453	\$ 4,669	\$ 5,064
<b>Operating costs and expenses and other operating income:</b>				
Cost of services	1,546	1,611	3,106	3,257
Selling, general and administrative	416	422	855	847
Amortization of intangible assets	28	27	54	54
Other operating expense, net	—	5	1	5
Total operating costs and expenses, net	1,990	2,065	4,016	4,163
<b>Operating income</b>	348	388	653	901
<b>Other income (expense):</b>				
Interest expense, net	(37)	(36)	(72)	(73)
Other income (expense), net	6	(29)	13	(53)
Total non-operating expense, net	(31)	(65)	(59)	(126)
<b>Income before income taxes and equity in earnings of equity method investees</b>	317	323	594	775
<b>Income tax expense</b>	(75)	(77)	(140)	(187)
<b>Equity in earnings of equity method investees, net of taxes</b>	7	4	12	35
<b>Net income</b>	249	250	466	623
<b>Less: Net income attributable to noncontrolling interests</b>	14	16	29	34
<b>Net income attributable to Quest Diagnostics</b>	<u>\$ 235</u>	<u>\$ 234</u>	<u>\$ 437</u>	<u>\$ 589</u>
<b>Earnings per share attributable to Quest Diagnostics' common stockholders:</b>				
Basic	\$ 2.08	\$ 2.00	\$ 3.88	\$ 4.97
Diluted	\$ 2.05	\$ 1.96	\$ 3.83	\$ 4.88
<b>Weighted average common shares outstanding:</b>				
Basic	112	117	112	118
Diluted	114	119	114	120

The accompanying notes are an integral part of these statements.

**QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022**  
(unaudited)  
(in millions)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Net income</b>	\$ 249	\$ 250	\$ 466	\$ 623
<b>Other comprehensive income (loss):</b>				
Foreign currency translation adjustment	2	(7)	5	(9)
Other comprehensive income (loss)	<u>2</u>	<u>(7)</u>	<u>5</u>	<u>(9)</u>
<b>Comprehensive income</b>	251	243	471	614
Less: Comprehensive income attributable to noncontrolling interests	<u>14</u>	<u>16</u>	<u>29</u>	<u>34</u>
<b>Comprehensive income attributable to Quest Diagnostics</b>	<u>\$ 237</u>	<u>\$ 227</u>	<u>\$ 442</u>	<u>\$ 580</u>

The accompanying notes are an integral part of these statements.

**QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2023 AND DECEMBER 31, 2022**  
**(unaudited)**  
**(in millions, except per share data)**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b><u>Assets</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 126	\$ 315
Accounts receivable, net of allowance for credit losses of \$28 and \$30 as of June 30, 2023 and December 31, 2022, respectively	1,235	1,195
Inventories	184	192
Prepaid expenses and other current assets	188	196
Total current assets	1,733	1,898
<b>Property, plant and equipment, net</b>	1,814	1,766
<b>Operating lease right-of-use assets</b>	611	585
<b>Goodwill</b>	7,733	7,220
<b>Intangible assets, net</b>	1,247	1,092
<b>Investments in equity method investees</b>	135	132
<b>Other assets</b>	152	144
<b>Total assets</b>	<b>\$ 13,425</b>	<b>\$ 12,837</b>
<b><u>Liabilities and Stockholders' Equity</u></b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,201	\$ 1,396
Current portion of long-term debt	518	2
Current portion of long-term operating lease liabilities	156	153
Total current liabilities	1,875	1,551
<b>Long-term debt</b>	3,777	3,978
<b>Long-term operating lease liabilities</b>	508	489
<b>Other liabilities</b>	901	812
<b>Commitments and contingencies</b>		
<b>Redeemable noncontrolling interest</b>	77	77
<b>Stockholders' equity:</b>		
Quest Diagnostics stockholders' equity:		
Common stock, par value \$0.01 per share; 600 shares authorized as of both June 30, 2023 and December 31, 2022; 162 shares issued as of both June 30, 2023 and December 31, 2022	2	2
Additional paid-in capital	2,284	2,295
Retained earnings	8,566	8,290
Accumulated other comprehensive loss	(16)	(21)
Treasury stock, at cost; 50 and 51 shares as of June 30, 2023 and December 31, 2022, respectively	(4,587)	(4,673)
Total Quest Diagnostics stockholders' equity	6,249	5,893
Noncontrolling interests	38	37
Total stockholders' equity	6,287	5,930
<b>Total liabilities and stockholders' equity</b>	<b>\$ 13,425</b>	<b>\$ 12,837</b>

The accompanying notes are an integral part of these statements.

**QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022**  
**(unaudited)**  
**(in millions)**

	<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 466	\$ 623
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	219	213
(Credit) provision for credit losses	(1)	1
Deferred income tax benefit	(16)	(20)
Stock-based compensation expense	40	37
Other, net	1	33
Changes in operating assets and liabilities:		
Accounts receivable	(38)	150
Accounts payable and accrued expenses	(156)	(201)
Income taxes payable	5	(4)
Other assets and liabilities, net	18	50
<b>Net cash provided by operating activities</b>	<b>538</b>	<b>882</b>
<b>Cash flows from investing activities:</b>		
Business acquisitions, net of cash acquired	(609)	(106)
Capital expenditures	(231)	(139)
Increase in investments and other assets	—	(6)
<b>Net cash used in investing activities</b>	<b>(840)</b>	<b>(251)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	1,147	—
Repayments of debt	(828)	(1)
Purchases of treasury stock	—	(573)
Exercise of stock options	47	68
Employee payroll tax withholdings on stock issued under stock-based compensation plans	(28)	(27)
Dividends paid	(154)	(152)
Distributions to noncontrolling interest partners	(28)	(36)
Other financing activities, net	(43)	8
<b>Net cash provided by (used in) financing activities</b>	<b>113</b>	<b>(713)</b>
<b>Net change in cash and cash equivalents and restricted cash</b>	<b>(189)</b>	<b>(82)</b>
<b>Cash and cash equivalents and restricted cash, beginning of period</b>	<b>315</b>	<b>872</b>
<b>Cash and cash equivalents and restricted cash, end of period</b>	<b>\$ 126</b>	<b>\$ 790</b>

The accompanying notes are an integral part of these statements.

**QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022**  
**(unaudited)**  
**(in millions)**

**For the Three Months Ended June 30, 2023**

	Quest Diagnostics Stockholders' Equity								
	Shares of Common Stock Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Compre- hensive Loss	Treasury Stock, at Cost	Non- controlling Interests	Total Stock- holders' Equity	Redeemable Non- controlling Interest
<b>Balance, March 31, 2023</b>	112	\$ 2	\$ 2,266	\$ 8,412	\$ (18)	\$ (4,612)	\$ 38	\$ 6,088	\$ 77
Net income				235			12	247	2
Other comprehensive income, net of taxes					2			2	
Dividends declared				(81)				(81)	
Distributions to noncontrolling interest partners							(12)	(12)	(2)
Issuance of common stock under benefit plans			1			8		9	
Stock-based compensation expense			16					16	
Exercise of stock options			1			17		18	
<b>Balance, June 30, 2023</b>	112	\$ 2	\$ 2,284	\$ 8,566	\$ (16)	\$ (4,587)	\$ 38	\$ 6,287	\$ 77

**For the Six Months Ended June 30, 2023**

	Quest Diagnostics Stockholders' Equity								
	Shares of Common Stock Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Compre- hensive Loss	Treasury Stock, at Cost	Non- controlling Interests	Total Stock- holders' Equity	Redeemable Non- controlling Interest
<b>Balance, December 31, 2022</b>	111	\$ 2	\$ 2,295	\$ 8,290	\$ (21)	\$ (4,673)	\$ 37	\$ 5,930	\$ 77
Net income				437			26	463	3
Other comprehensive income, net of taxes					5			5	
Dividends declared				(161)				(161)	
Distributions to noncontrolling interest partners							(25)	(25)	(3)
Issuance of common stock under benefit plans	1		(41)			56		15	
Stock-based compensation expense			40					40	
Exercise of stock options						48		48	
Shares to cover employee payroll tax withholdings on stock issued under stock-based compensation plans			(10)			(18)		(28)	
<b>Balance, June 30, 2023</b>	112	\$ 2	\$ 2,284	\$ 8,566	\$ (16)	\$ (4,587)	\$ 38	\$ 6,287	\$ 77

The accompanying notes are an integral part of these statements.

**QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022**  
**(unaudited)**  
**(in millions)**

**For the Three Months Ended June 30, 2022**

For the Three Months Ended June 30, 2022	Quest Diagnostics Stockholders' Equity								
	Shares of Common Stock Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Compre- hensive Loss	Treasury Stock, at Cost	Non- controlling Interests	Total Stock- holders' Equity	Redeemable Non- controlling Interest
<i>Balance, March 31, 2022</i>	117	\$ 2	\$ 2,226	\$ 7,926	\$ (16)	\$ (3,761)	\$ 38	\$ 6,415	\$ 78
Net income				234			14	248	2
Other comprehensive loss, net of taxes					(7)			(7)	
Dividends declared				(77)				(77)	
Distributions to noncontrolling interest partners							(13)	(13)	(3)
Issuance of common stock under benefit plans			1			6		7	
Stock-based compensation expense			19					19	
Exercise of stock options	1		4			54		58	
Purchases of treasury stock	(1)					(200)		(200)	
<i>Balance, June 30, 2022</i>	117	\$ 2	\$ 2,250	\$ 8,083	\$ (23)	\$ (3,901)	\$ 39	\$ 6,450	\$ 77

**For the Six Months Ended June 30, 2022**

For the Six Months Ended June 30, 2022		Quest Diagnostics Stockholders' Equity							
	Shares of Common Stock Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Compre- hensive Loss	Treasury Stock, at Cost	Non- controlling Interests	Total Stock- holders' Equity	Redeemable Non- controlling Interest
<i>Balance, December 31, 2021</i>	119	\$ 2	\$ 2,260	\$ 7,649	\$ (14)	\$ (3,453)	\$ 39	\$ 6,483	\$ 79
Net income				589			30	619	4
Other comprehensive loss, net of taxes					(9)			(9)	
Dividends declared				(155)				(155)	
Distributions to noncontrolling interest partners							(30)	(30)	(6)
Issuance of common stock under benefit plans	1		(40)			54		14	
Stock-based compensation expense			37					37	
Exercise of stock options	1		3			65		68	
Shares to cover employee payroll tax withholdings on stock issued under stock-based compensation plans			(10)			(17)		(27)	
Purchases of treasury stock	(4)					(550)		(550)	
<i>Balance, June 30, 2022</i>	117	\$ 2	\$ 2,250	\$ 8,083	\$ (23)	\$ (3,901)	\$ 39	\$ 6,450	\$ 77

The accompanying notes are an integral part of these statements.



**QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**  
**(in millions, unless otherwise indicated)**

## **1. DESCRIPTION OF BUSINESS**

### ***Background***

Quest Diagnostics Incorporated and its subsidiaries ("Quest Diagnostics" or the "Company") empower people to take action to improve health outcomes. The Company uses its extensive database of clinical lab results to derive diagnostic insights that reveal new avenues to identify and treat disease, inspire healthy behaviors and improve healthcare management. The Company's diagnostic information services business ("DIS") provides information and insights based on an industry-leading menu of routine, non-routine and advanced clinical testing and anatomic pathology testing, and other diagnostic information services. The Company provides services to a broad range of customers, including patients, clinicians, hospitals, independent delivery networks ("IDNs"), health plans, employers, consumers, and accountable care organizations ("ACOs"). The Company offers the broadest access in the United States to diagnostic information services through its nationwide network of laboratories, patient service centers and phlebotomists in physician offices and the Company's connectivity resources, including call centers and mobile paramedics, nurses and other health and wellness professionals. The Company is the world's leading provider of diagnostic information services. The Company provides interpretive consultation with one of the largest medical and scientific staffs in the industry. The Company's Diagnostic Solutions businesses ("DS") are the leading provider of risk assessment services for the life insurance industry and offer healthcare organizations and clinicians robust information technology solutions.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***Basis of Presentation***

The interim unaudited consolidated financial statements reflect all adjustments which in the opinion of management are necessary for a fair statement of results of operations, comprehensive income, financial condition, cash flows and stockholders' equity for the periods presented. Except as otherwise disclosed, all such adjustments are of a normal recurring nature. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year. These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's 2022 Annual Report on Form 10-K. The year-end balance sheet data was derived from the audited consolidated financial statements as of December 31, 2022 but does not include all the disclosures required by accounting principles generally accepted in the United States ("GAAP").

The accounting policies of the Company are the same as those set forth in Note 2 to the audited consolidated financial statements contained in the Company's 2022 Annual Report on Form 10-K.

### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***Earnings Per Share***

The Company's unvested restricted stock units that contain non-forfeitable rights to dividends are participating securities and, therefore, are included in the earnings allocation in computing earnings per share using the two-class method. Basic earnings per common share is calculated by dividing net income attributable to Quest Diagnostics, adjusted for earnings allocated to participating securities, by the weighted average number of common shares outstanding. Diluted earnings per common share is calculated by dividing net income attributable to Quest Diagnostics, adjusted for earnings allocated to participating securities, by the weighted average number of common shares outstanding after giving effect to all potentially dilutive common shares outstanding during the period. Potentially dilutive common shares include the dilutive effect of outstanding stock options and performance share units granted under the Company's Amended and Restated Employee Long-Term Incentive Plan and outstanding stock options granted under its Amended and Restated Non-Employee Director Long-Term Incentive Plan, as well as the dilutive effect of accelerated share repurchase agreements, if applicable. Earnings allocable

**QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(unaudited)**  
**(in millions, unless otherwise indicated)**

to participating securities include the portion of dividends declared as well as the portion of undistributed earnings during the period allocable to participating securities.

***New Accounting Standards to be Adopted***

In March 2020, the Financial Accounting Standards Board ("FASB") issued a new accounting standard which provides temporary optional guidance to ease the potential burden in accounting for reference rate reform due to the cessation of the London Interbank Offered Rate ("LIBOR"). The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate which was discontinued because of reference rate reform. The pronouncement was effective immediately and, due to an accounting update which the FASB issued in December 2022, can be applied to contract modifications through December 31, 2024. The adoption of this standard did not have a material impact on the Company's consolidated results of operations, financial position or cash flows.

**3. EARNINGS PER SHARE**

The computation of basic and diluted earnings per common share was as follows (in millions, except per share data):

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Amounts attributable to Quest Diagnostics' common stockholders:</b>				
Net income attributable to Quest Diagnostics	\$ 235	\$ 234	\$ 437	\$ 589
Less: Earnings allocated to participating securities	1	1	2	2
Earnings available to Quest Diagnostics' common stockholders – basic and diluted	<u>\$ 234</u>	<u>\$ 233</u>	<u>\$ 435</u>	<u>\$ 587</u>
Weighted average common shares outstanding – basic	112	117	112	118
Effect of dilutive securities:				
Stock options and performance share units	2	2	2	2
Weighted average common shares outstanding – diluted	<u>114</u>	<u>119</u>	<u>114</u>	<u>120</u>
<b>Earnings per share attributable to Quest Diagnostics' common stockholders:</b>				
Basic	<u>\$ 2.08</u>	<u>\$ 2.00</u>	<u>\$ 3.88</u>	<u>\$ 4.97</u>
Diluted	<u>\$ 2.05</u>	<u>\$ 1.96</u>	<u>\$ 3.83</u>	<u>\$ 4.88</u>

The following securities were not included in the calculation of diluted earnings per share due to their antidilutive effect:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Stock options and performance share units	—	1	—	—

**4. RESTRUCTURING ACTIVITIES AND IMPAIRMENT CHARGES**

***Invigorate Program***

The Company is committed to a program called Invigorate which is designed to reduce its cost structure and improve performance. Invigorate consists of several flagship programs, with structured plans in each, to drive savings and improve performance across the customer value chain. These flagship programs include: organization excellence; information technology excellence; procurement excellence; field and customer service excellence; lab excellence; and revenue services excellence. In addition to these programs, the Company identified key themes to change how it operates including reducing

**QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(unaudited)**  
**(in millions, unless otherwise indicated)**

denials and patient price concessions; further digitizing the business; standardization; automation and artificial intelligence; optimization and selecting and retaining talent. The Invigorate program is intended to offset reimbursement pressures and labor and benefit cost increases; free up additional resources to invest in innovation and other growth initiatives; and enable the Company to improve service quality and operating profitability.

***Restructuring and Impairment Charges***

The following table provides a summary of the Company's pre-tax restructuring and impairment charges for the three and six months ended June 30, 2023 and 2022:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Employee separation costs	\$ 1	\$ 6	\$ 16	\$ 8
Asset impairment charges	5	—	5	—
Total restructuring and impairment charges	<u>\$ 6</u>	<u>\$ 6</u>	<u>\$ 21</u>	<u>\$ 8</u>

The restructuring and impairment charges incurred for the three and six months ended June 30, 2023 were partially associated with various workforce reduction initiatives as the Company continued to restructure its organization. Additionally, during the three months ended June 30, 2023, the Company recorded an impairment charge for a corporate facility that is currently held for sale. All of the restructuring and impairment charges incurred during the three months ended June 30, 2023 were recorded in selling, general and administrative expenses. Of the total restructuring and impairment charges incurred during the six months ended June 30, 2023, \$9 million and \$12 million were recorded in cost of services and selling, general and administrative expenses, respectively.

The restructuring and impairment charges incurred for the three and six months ended June 30, 2022 were entirely associated with various workforce reduction initiatives as the Company continued to restructure its organization. Of the total restructuring and impairment charges incurred during the three months ended June 30, 2022, \$1 million, and \$5 million were recorded in cost of services and selling, general and administrative expenses, respectively. Of the total restructuring and impairment charges incurred during the six months ended June 30, 2022, \$2 million and \$6 million were recorded in cost of services and selling, general and administrative expenses, respectively.

Charges for all periods presented were primarily recorded in the Company's DIS business.

The restructuring liability as of June 30, 2023 and December 31, 2022, which is included in accounts payable and accrued expenses, was \$20 million and \$44 million, respectively.

## **5. BUSINESS ACQUISITIONS**

During the six months ended June 30, 2023, the Company completed acquisitions for an aggregate purchase price of \$697 million, net of cash acquired, including the acquisitions discussed below. The acquisitions preliminarily resulted in goodwill of \$511 million, of which \$242 million is deductible for tax purposes. The acquisitions also preliminarily resulted in \$145 million of technology-related intangible assets and \$63 million of customer-related intangible assets.

*Acquisition of select assets of the laboratory services business of New York-Presbyterian*

**QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(unaudited)**  
**(in millions, unless otherwise indicated)**

On April 17, 2023, the Company completed the acquisition of select assets of the laboratory services business of New York-Presbyterian, which serves providers and patients in New York, as well as the Tri-State Area and beyond, in an all-cash transaction for \$275 million. Based on the preliminary purchase price allocation, which may be revised as additional information becomes available during the measurement period, the assets acquired primarily consist of \$222 million of tax-deductible goodwill and \$53 million of customer-related intangible assets. The intangible assets are being amortized over a useful life of 15 years.

*Acquisition of Haystack Oncology, Inc.*

On June 20, 2023, the Company acquired Haystack Oncology, Inc. ("Haystack"), an early-stage oncology company focused on minimal residual disease testing to aid in the detection of residual or recurring cancer and better inform therapy decisions. The acquisition was an all-cash transaction for \$392 million, net of \$1 million of cash acquired, which consisted of cash consideration of \$304 million and contingent consideration initially estimated at \$88 million. Under the contingent consideration obligation, which is not expected to be paid in 2023, the seller can receive up to \$100 million of additional consideration dependent upon the achievement of certain revenue benchmarks through 2028 and up to an additional \$50 million of consideration dependent upon the Company receiving reimbursement coverage from the Centers for Medicare and Medicaid Services ("CMS"). Based on the preliminary purchase price allocation, which may be revised as additional information becomes available during the measurement period, the assets acquired and liabilities assumed consist of \$269 million of goodwill (none of which is tax-deductible), \$145 million of technology-related intangible assets, \$25 million of deferred income tax liabilities, \$8 million of operating lease right-of-use assets and related operating lease liabilities, and \$3 million of property, plant and equipment. The intangible assets are being amortized over a useful life of 15 years. For further details regarding the fair value of the contingent consideration, see Note 6.

The acquisitions were accounted for under the acquisition method of accounting. As such, the assets acquired and liabilities assumed were recorded based on their estimated fair values as of the closing dates. Supplemental pro forma combined financial information has not been presented as the impact of the acquisitions is not material to the Company's consolidated financial statements. The goodwill recorded primarily includes the expected synergies resulting from combining the operations of the acquired entity with those of the Company and the value associated with an assembled workforce and other intangible assets that do not qualify for separate recognition. All of the goodwill acquired in connection with the acquisitions has been allocated to the Company's DIS business. For further details regarding business segment information, see Note 12.

For details regarding the Company's 2022 acquisitions, see Note 6 to the audited consolidated financial statements in the Company's 2022 Annual Report on Form 10-K.

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## 6. FAIR VALUE MEASUREMENTS

### *Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The following table provides a summary of the recognized assets and liabilities that are measured at fair value on a recurring basis:

		Basis of Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets/Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
<b>June 30, 2023</b>				
<b>Assets:</b>				
Deferred compensation trading securities	\$ 72	\$ 72	\$ —	\$ —
Cash surrender value of life insurance policies	52	—	52	—
Available-for-sale debt securities	2	—	—	2
Total	<u>\$ 126</u>	<u>\$ 72</u>	<u>\$ 52</u>	<u>\$ 2</u>
<b>Liabilities:</b>				
Deferred compensation liabilities	\$ 130	\$ —	\$ 130	\$ —
Contingent consideration	93	—	—	93
Total	<u>\$ 223</u>	<u>\$ —</u>	<u>\$ 130</u>	<u>\$ 93</u>
<b>Redeemable noncontrolling interest</b>	\$ 77	\$ —	\$ —	\$ 77
<b>December 31, 2022</b>				
<b>Assets:</b>				
Deferred compensation trading securities	\$ 68	\$ 68	\$ —	\$ —
Cash surrender value of life insurance policies	46	—	46	—
Available-for-sale debt securities	2	—	—	2
Total	<u>\$ 116</u>	<u>\$ 68</u>	<u>\$ 46</u>	<u>\$ 2</u>
<b>Liabilities:</b>				
Deferred compensation liabilities	\$ 120	\$ —	\$ 120	\$ —
Contingent consideration	23	—	—	23
Total	<u>\$ 143</u>	<u>\$ —</u>	<u>\$ 120</u>	<u>\$ 23</u>
<b>Redeemable noncontrolling interest</b>	\$ 77	\$ —	\$ —	\$ 77

A detailed description regarding the Company's fair value measurements is contained in Note 8 to the audited consolidated financial statements in the Company's 2022 Annual Report on Form 10-K.

The Company offers certain employees the opportunity to participate in a non-qualified supplemental deferred compensation plan. A participant's deferrals, together with Company matching credits, are invested in a variety of participant-directed stock and bond mutual funds that are classified as trading securities. The trading securities are classified within Level 1 of the fair value hierarchy because the changes in the fair value of these securities are measured using quoted prices in active

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markets based on the market price per unit multiplied by the number of units held, exclusive of any transaction costs. A corresponding adjustment for changes in fair value of the trading securities is also reflected in the changes in fair value of the deferred compensation obligation. The deferred compensation liabilities are classified within Level 2 of the fair value hierarchy because their inputs are derived principally from observable market data by correlation to the trading securities.

The Company offers certain employees the opportunity to participate in a non-qualified deferred compensation program. A participant's deferrals, together with Company matching credits, are “invested” at the direction of the employee in a hypothetical portfolio of investments which are tracked by an administrator. The Company purchases life insurance policies, with the Company named as beneficiary of the policies, for the purpose of funding the program's liability. Changes in the cash surrender value of the life insurance policies are based upon earnings and changes in the value of the underlying investments. Changes in the fair value of the deferred compensation obligation are derived using quoted prices in active markets based on the market price per unit multiplied by the number of units. The cash surrender value and the deferred compensation obligation are classified within Level 2 of the fair value hierarchy because their inputs are derived principally from observable market data by correlation to the hypothetical investments. Deferrals under the plan currently may only be made by participants who made deferrals under the plan in 2017.

The Company's available-for-sale debt securities are measured at fair value using discounted cash flows. These fair value measurements are classified within Level 3 of the fair value hierarchy as the fair value is based on significant inputs that are not observable. Significant inputs include cash flows projections and a discount rate.

In connection with the acquisition of Haystack during the three months ended June 30, 2023 (see Note 5 for further discussion), there is a contingent consideration obligation under which the seller can receive up to \$100 million of additional consideration dependent upon the achievement of certain revenue benchmarks through 2028 and up to an additional \$50 million of consideration dependent upon the Company receiving reimbursement coverage from the CMS. The portion of the contingent consideration obligation which is dependent upon the achievement of certain revenue benchmarks was measured at fair value using a Monte Carlo method and is classified within Level 3 of the fair value hierarchy as the fair value is determined based on significant inputs that are not observable. Significant inputs include management's estimate of revenue and other market inputs, including comparable company revenue volatility (40%) and a discount rate (10.5%). The portion of the contingent consideration obligation which is dependent upon the Company receiving reimbursement coverage from the CMS is also classified within Level 3 of the fair value hierarchy as the fair value is principally determined based on management's estimate, which is a significant input that is not observable. Additionally, the fair value of the entire contingent consideration obligation was also impacted by a market discount rate (5%) which adjusted the estimated payments to present value. Such discount rate decreased the aggregate fair value of the contingent consideration obligation by \$21 million to \$88 million.

The fair value of the contingent consideration obligation is not overly sensitive to movements in the comparable company revenue volatility or the discount rate used for the portion of the obligation that is dependent upon the achievement of certain revenue benchmarks. For example, changing the comparable company revenue volatility from 40% to 30% impacts the fair value by \$7 million (assuming no other inputs are modified) and changing the discount rate from 10.5% to 7.0% impacts the fair value by \$5 million (assuming no other inputs are modified).

Additionally, in connection with previous acquisitions, the Company had contingent consideration obligations based on the achievement of certain testing volume and revenue benchmarks during 2022. See Note 8 to the audited consolidated financial statements in the Company's 2022 Annual Report on Form 10-K.

The following table provides a reconciliation of the beginning and ending balances of liabilities using significant unobservable inputs (Level 3):

	<b>Contingent Consideration</b>
<i>Balance, December 31, 2022</i>	\$ 23
Purchases, additions and issuances	88
Settlements	(18)
<i>Balance, June 30, 2023</i>	<u>\$ 93</u>

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Of the aggregate \$93 million contingent consideration obligation as of June 30, 2023, \$88 million and \$5 million were included in other liabilities and accounts payable and accrued expenses, respectively, in the Company's consolidated balance sheet.

In connection with the sale of an 18.9% noncontrolling interest in a subsidiary to UMass Memorial Medical Center ("UMass") on July 1, 2015, the Company granted UMass the right to require the Company to purchase all of its interest in the subsidiary at fair value commencing July 1, 2020. As of June 30, 2023, the redeemable noncontrolling interest was presented at its fair value. The fair value measurement of the redeemable noncontrolling interest is classified within Level 3 of the fair value hierarchy because the fair value is based on a discounted cash flow analysis that takes into account, among other items, the joint venture's expected future cash flows, long term growth rates, and a discount rate commensurate with economic risk.

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses approximate fair value based on the short maturities of these instruments. As of June 30, 2023 and December 31, 2022, the fair value of the Company's debt was estimated at \$4.0 billion and \$3.7 billion, respectively. Principally all of the Company's debt is classified within Level 1 of the fair value hierarchy because the fair value of the debt is estimated based on rates currently offered to the Company with identical terms and maturities, using quoted active market prices and yields, taking into account the underlying terms of the debt instruments.

## **7. DEBT**

The Company is party to a \$750 million senior unsecured revolving credit facility (the "Credit Facility" or "Senior Unsecured Revolving Credit Facility") which matures in November 2026. Under the Credit Facility, the Company can issue letters of credit totaling \$150 million (see Note 11). Issued letters of credit reduce the available borrowing capacity under the Credit Facility. Interest on the Credit Facility is based on certain published rates plus an applicable margin based on changes in the Company's public debt ratings. The Credit Facility was amended during March 2023. Subsequent to such amendment, at the option of the Company, it may elect to lock into Term Secured Overnight Financing Rate ("Term SOFR")-based interest rate contracts for periods up to six months. For interest on any U.S. Dollar-denominated outstanding amounts not covered under Term SOFR-based interest rate contracts, the Company can opt for an alternate base rate, which is calculated by reference to the prime rate, the federal funds rate or an adjusted Term SOFR rate. The Company also has the option to borrow in other currencies. As of June 30, 2023, the Company's borrowing rate for Term SOFR-based loans under the Credit Facility was adjusted Term SOFR plus 1.00%. The Credit Facility contains various covenants, including the maintenance of a financial leverage ratio, which could impact the Company's ability to, among other things, incur additional indebtedness. As of both June 30, 2023 and December 31, 2022, there were no outstanding borrowings under the Senior Unsecured Revolving Credit Facility.

The Company also has a \$525 million secured receivables credit facility (the "Secured Receivables Credit Facility") under which the Company can borrow against a \$425 million loan commitment, half of which matures in October 2023 and half of which matures in October 2024. Additionally, the Company can issue up to \$100 million of letters of credit through October 2024. Interest on borrowings under the facility is based on either commercial paper rates for highly-rated issuers or Term SOFR, plus a spread of 0.725% to 0.80%. As of June 30, 2023, there were \$320 million of outstanding borrowings under the Secured Receivables Credit Facility, of which \$213 million and \$107 million were included in current portion of long-term debt and long-term debt, respectively, in the Company's consolidated balance sheet. There were no outstanding borrowings under the facility as of December 31, 2022. For further details regarding the Secured Receivables Credit Facility, see Note 14 to the audited consolidated financial statements in the Company's 2022 Annual Report on Form 10-K.

The Company has \$300 million of 4.25% senior notes due April 2024. The senior notes are included in current portion of long-term debt in the Company's June 30, 2023 consolidated balance sheet. Such notes were included in long-term debt in the Company's December 31, 2022 consolidated balance sheet.

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## 8. FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments, from time to time, to manage its exposure to market risks for changes in interest rates and foreign currencies. This strategy includes the use of interest rate swap agreements, forward-starting interest rate swap agreements, interest rate lock agreements and foreign currency forward contracts to manage its exposure to movements in interest and currency rates. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. These policies prohibit holding or issuing derivative financial instruments for speculative purposes. The Company does not enter into derivative financial instruments that contain credit-risk-related contingent features or requirements to post collateral.

### *Interest Rate Risk*

The Company is exposed to interest rate risk on its cash and cash equivalents and its debt obligations. Interest income earned on cash and cash equivalents may fluctuate as interest rates change; however, due to their relatively short maturities, the Company does not hedge these assets or their investment cash flows and the impact of interest rate risk is not material. The Company's debt obligations consist of fixed-rate and, from time to time, variable-rate debt instruments. The Company's primary objective is to achieve the lowest overall cost of funding while managing the variability in cash outflows within an acceptable range. In order to achieve this objective, the Company has historically entered into interest rate swap agreements.

Interest rate swaps involve the periodic exchange of payments without the exchange of underlying principal or notional amounts. Net settlements between the counterparties are recognized as an adjustment to interest expense, net.

### *Interest Rate Derivatives – Cash Flow Hedges*

From time to time, the Company has entered into various interest rate lock agreements and forward-starting interest rate swap agreements to hedge part of the Company's interest rate exposure associated with the variability in future cash flows attributable to changes in interest rates.

### *Interest Rate Derivatives – Fair Value Hedges*

Historically, the Company has entered into various fixed-to-variable interest rate swap agreements in order to convert a portion of the Company's long-term debt into variable interest rate debt. All such fixed-to-variable interest rate swap agreements have been terminated and proceeds from the terminations have been reflected as basis adjustments to the hedged debt instruments and are being amortized as a reduction of interest expense, net over the remaining terms of such debt instruments.

As of June 30, 2023 and December 31, 2022, the following amounts were recorded on the consolidated balance sheets related to cumulative basis adjustments for fair value hedges included in the carrying amount of long-term debt:

<b>Balance Sheet Classification</b>	<b>Hedge Accounting Basis Adjustment (a)</b>	
	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Long-term debt	\$ 20	\$ 26

(a) As of both June 30, 2023 and December 31, 2022, the entire balance is associated with remaining unamortized hedging adjustments on discontinued relationships.

A detailed description regarding the Company's use of derivative financial instruments is contained in Note 16 to the audited consolidated financial statements in the Company's 2022 Annual Report on Form 10-K.

## 9. STOCKHOLDERS' EQUITY AND REDEEMABLE NONCONTROLLING INTEREST

### *Stockholders' Equity*

### *Changes in Accumulated Other Comprehensive Loss by Component*



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Comprehensive income (loss) includes:

- Foreign currency translation adjustments;
- Net deferred gains (losses) on cash flow hedges, which represent deferred gains (losses), net of tax, on interest rate-related derivative financial instruments designated as cash flow hedges, net of amounts reclassified to interest expense (see Note 8); and
- Net changes in available-for-sale debt securities, which represent unrealized holding gains (losses), net of tax, on available-for-sale debt securities.

For the three and six months ended June 30, 2023 and 2022, the tax effects related to the deferred gains (losses) on cash flow hedges and net changes in available-for-sale debt securities were not material. Foreign currency translation adjustments related to indefinite investments in non-U.S. subsidiaries are not adjusted for income taxes.

*Dividend Program*

During each of the first and second quarters of 2023, the Company's Board of Directors declared a quarterly cash dividend of \$0.71 per common share. During each of the four quarters of 2022, the Company's Board of Directors declared a quarterly cash dividend of \$0.66 per common share.

*Share Repurchase Program*

In February 2023, the Company's Board of Directors increased the size of its share repurchase program by \$1 billion. As of June 30, 2023, \$1.3 billion remained available under the Company's share repurchase authorization. The share repurchase authorization has no set expiration or termination date.

*Share Repurchases*

For the six months ended June 30, 2023, the Company repurchased no shares of its common stock.

For the six months ended June 30, 2022, the Company repurchased 4.0 million shares of its common stock for \$550 million.

*Shares Reissued from Treasury Stock*

For the six months ended June 30, 2023 and 2022, the Company reissued 0.9 million shares and 1.2 million shares, respectively, from treasury stock under its Employee Stock Purchase Plan and its stock-based compensation program. For details regarding the Company's stock ownership and compensation plans, see Note 18 to the audited consolidated financial statements in the Company's 2022 Annual Report on Form 10-K.

***Redeemable Noncontrolling Interest***

In connection with the sale of an 18.9% noncontrolling interest in a subsidiary to UMass on July 1, 2015, the Company granted UMass the right to require the Company to purchase all of its interest in the subsidiary at fair value commencing July 1, 2020. The subsidiary performs diagnostic information services in a defined territory within the state of Massachusetts. Since the redemption of the noncontrolling interest is outside of the Company's control, it has been presented outside of stockholders' equity at the greater of its carrying amount or its fair value. As of June 30, 2023 and December 31, 2022, the redeemable noncontrolling interest was presented at its fair value. For further details regarding the fair value of the redeemable noncontrolling interest, see Note 6.

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# 10. SUPPLEMENTAL CASH FLOW AND OTHER DATA

Supplemental cash flow and other data for the three and six months ended June 30, 2023 and 2022 was as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Depreciation expense	\$ 84	\$ 80	\$ 165	\$ 159
Amortization expense	28	27	54	54
Depreciation and amortization expense	<u>\$ 112</u>	<u>\$ 107</u>	<u>\$ 219</u>	<u>\$ 213</u>
Interest expense	\$ (39)	\$ (38)	\$ (76)	\$ (75)
Interest income	2	2	4	2
Interest expense, net	<u>\$ (37)</u>	<u>\$ (36)</u>	<u>\$ (72)</u>	<u>\$ (73)</u>
Interest paid	\$ 48	\$ 46	\$ 80	\$ 78
Income taxes paid	\$ 101	\$ 159	\$ 134	\$ 182
Accounts payable associated with capital expenditures	\$ 29	\$ 23	\$ 29	\$ 23
Dividends payable	\$ 81	\$ 77	\$ 81	\$ 77
<b><u>Businesses acquired:</u></b>				
Fair value of assets acquired	\$ 703	\$ 1	\$ 734	\$ 143
Fair value of liabilities assumed	36	—	36	15
Fair value of net assets acquired	<u>667</u>	<u>1</u>	<u>698</u>	<u>128</u>
Merger consideration payable	(88)	—	(88)	(18)
Cash paid for business acquisitions	<u>579</u>	<u>1</u>	<u>610</u>	<u>110</u>
Less: Cash acquired	1	—	1	4
Business acquisitions, net of cash acquired	<u>\$ 578</u>	<u>\$ 1</u>	<u>\$ 609</u>	<u>\$ 106</u>
<b><u>Leases:</u></b>				
Leased assets obtained in exchange for new operating lease liabilities	\$ 57	\$ 21	\$ 101	\$ 84

# 11. COMMITMENTS AND CONTINGENCIES

## *Letters of Credit*

The Company can issue letters of credit totaling \$100 million under its \$525 million secured receivables credit facility and \$150 million under its \$750 million senior unsecured revolving credit facility. For further discussion regarding the Company's secured receivables credit facility and senior unsecured revolving credit facility, see Note 14 to the audited consolidated financial statements in the Company's 2022 Annual Report on Form 10-K and Note 7 above.

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In support of its risk management program, \$70 million in letters of credit under the secured receivables credit facility were outstanding as of June 30, 2023, providing collateral for current and future automobile liability and workers' compensation loss payments.

***Contingent Lease Obligations***

The Company remains subject to contingent obligations under certain real estate leases for which no liability has been recorded. For further details, see Note 19 to the audited consolidated financial statements in the Company's 2022 Annual Report on Form 10-K.

***Certain Legal Matters***

The Company may incur losses associated with these proceedings and investigations, but it is not possible to estimate the amount of loss or range of loss, if any, that might result from adverse judgments, settlements, fines, penalties, or other resolution of these proceedings and investigations based on the stage of these proceedings and investigations, the absence of specific allegations as to alleged damages, the uncertainty as to the certification of a class or classes and the size of any certified class, if applicable, and/or the lack of resolution of significant factual and legal issues. The Company has insurance coverage rights in place (limited in amount; subject to deductible) for certain potential costs and liabilities related to these proceedings and investigations.

*401(k) Plan Lawsuit*

In 2020, two putative class action lawsuits were filed in the U.S. District Court for New Jersey against the Company and other defendants with respect to the Company's 401(k) plan. The complaint alleges, among other things, that the fiduciaries of the 401(k) plan breached their duties by failing to disclose the expenses and risks of plan investment options, allowing unreasonable administration expenses to be charged to plan participants, and selecting and retaining high cost and poor performing investments. In October 2020, the court consolidated the two lawsuits under the caption *In re: Quest Diagnostics ERISA Litigation* and plaintiffs filed a consolidated amended complaint. In May 2021, the court denied the Company's motion to dismiss the complaint. Discovery is proceeding.

*AMCA Data Security Incident*

On June 3, 2019, the Company reported that Retrieval-Masters Creditors Bureau, Inc./American Medical Collection Agency ("AMCA") had informed the Company and Optum360 LLC that an unauthorized user had access to AMCA's system between August 1, 2018 and March 30, 2019 (the "AMCA Data Security Incident"). Optum360 provides revenue management services to the Company, and AMCA provided debt collection services to Optum360. AMCA first informed the Company of the AMCA Data Security Incident on May 14, 2019. AMCA's affected system included financial information (e.g., credit card numbers and bank account information), medical information and other personal information (e.g., social security numbers). Test results were not included. Neither Optum360's nor the Company's systems or databases were involved in the incident. AMCA also informed the Company that information pertaining to other laboratories' customers was also affected. Following announcement of the AMCA Data Security Incident, AMCA sought protection under the U.S. bankruptcy laws. The bankruptcy proceeding has been dismissed.

Numerous putative class action lawsuits were filed against the Company related to the AMCA Data Security Incident. The U.S. Judicial Panel on Multidistrict Litigation transferred the cases that were then still pending to, and consolidated them for pre-trial proceedings in, the U.S. District Court for New Jersey. In November 2019, the plaintiffs in the multidistrict proceeding filed a consolidated putative class action complaint against the Company and Optum360 that named additional individuals as plaintiffs and that asserted a variety of common law and statutory claims in connection with the AMCA Data Security Incident. In January 2020, the Company moved to dismiss the consolidated complaint; the motion to dismiss was granted in part and denied in part. Plaintiffs filed an amended complaint, which the Company also moved to dismiss. The motion is pending. Plaintiffs also filed a motion to further amend the complaint. The Company opposed the motion. Discovery is proceeding.

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In addition, the Company has been notified that numerous state attorney general offices were investigating or otherwise seeking information and/or documents, and that certain U.S. senators were seeking information, from the Company related to the AMCA Data Security Incident.

*ReproSource Fertility Diagnostics, Inc.*

ReproSource Fertility Diagnostics, Inc. (“ReproSource”), a subsidiary of the Company, is subject to two putative class action lawsuits in the U.S. District Court for Massachusetts: *Bickham v. ReproSource Fertility Diagnostics, Inc.* and *Gordon v. ReproSource Fertility Diagnostics, Inc.* The class actions are related to a data security incident that occurred in August 2021 in which an unauthorized party may have accessed or acquired protected health information and personally identifiable information of ReproSource patients. The complaints generally allege that ReproSource, among other claims, failed to adequately safeguard customers’ private information. The Company moved to dismiss both complaints. A third putative class action pertaining to the same data security incident, *Trouville v. ReproSource Fertility Diagnostics, Inc.*, was filed in California state court. The Company removed the case to federal court and moved to dismiss and/or transfer it to U.S. District Court for Massachusetts.

*Cole, et. al v. Quest Diagnostics Incorporated*

The Company is subject to a putative class action entitled *Cole, et al. v Quest Diagnostics Incorporated*, which was filed in the U. S. District Court for the Eastern District of California, for allegedly conspiring with Facebook to track customers’ internet communications on Company web platforms without authorization, in violation of the California Invasion of Privacy Act and the California Confidentiality of Medical Information Act. The complaint alleged that the Company’s actions were an invasion of privacy and contributed to a loss of value in plaintiffs’ personally identifiable information. The Company moved to dismiss the case or, in the alternative, transfer venue to the U.S. District Court for New Jersey. Subsequently, plaintiffs filed an amended complaint. The Company filed a motion to dismiss the amended complaint, which is pending.

***Other Legal Matters***

In the normal course of business, the Company has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with the Company’s activities as a provider of diagnostic testing, information and services. These actions could involve claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages, and could have an adverse impact on the Company’s client base and reputation.

The Company is also involved, from time to time, in other reviews, investigations and proceedings by governmental agencies regarding the Company’s business which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

The federal or state governments may bring claims based on the Company’s current practices, which it believes are lawful. In addition, certain federal and state statutes, including the *qui tam* provisions of the federal False Claims Act, allow private individuals to bring lawsuits against healthcare companies on behalf of government or private payers. The Company is aware of lawsuits, and from time to time has received subpoenas, related to billing or other practices based on the False Claims Act or other federal and state statutes, regulations or other laws. The Company understands that there may be other pending *qui tam* claims brought by former employees or other “whistleblowers” as to which the Company cannot determine the extent of any potential liability.

Management cannot predict the outcome of such matters. Although management does not anticipate that the ultimate outcome of such matters will have a material adverse effect on the Company’s financial condition, given the high degree of judgment involved in establishing loss estimates related to these types of matters, the outcome of such matters may be material to the Company’s consolidated results of operations or cash flows in the period in which the impact of such matters is determined or paid.

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These matters are in different stages. Some of these matters are in their early stages. Matters may involve responding to and cooperating with various government investigations and related subpoenas. As of June 30, 2023, the Company does not believe that material losses related to legal matters are probable.

Reserves for legal matters totaled \$7 million and \$2 million as of June 30, 2023 and December 31, 2022, respectively.

***Reserves for General and Professional Liability Claims***

As a general matter, providers of clinical testing services may be subject to lawsuits alleging negligence or other similar legal claims. These suits could involve claims for substantial damages. Any professional liability litigation could also have an adverse impact on the Company's client base and reputation. The Company maintains various liability insurance coverages for, among other things, claims that could result from providing, or failing to provide, clinical testing services, including inaccurate testing results, and other exposures. The Company's insurance coverage limits its maximum exposure on individual claims; however, the Company is essentially self-insured for a significant portion of these claims.

The Company is subject to a series of individual claims brought by persons in Ireland related to allegations stemming from pap smear screening services performed by the Company. In general, claimants have alleged that the results of certain pap smear screening tests performed by the Company and other providers, pursuant to a program coordinated by the Irish government, were incorrect for individuals who were later diagnosed with cervical cancer. The Irish government and an independent scoping inquiry commissioned by the Irish government found that the Company's performance of its screening services for the Irish cervical cancer screening program were in accordance with both Ireland's requirements and international standards. The Company has settled claims made by certain individuals, is a party in multiple lawsuits and may be served as a party in additional lawsuits. The Company does not believe that the resolution of existing or future claims will have a material adverse effect on its financial position or liquidity, but the ultimate outcomes of these claims are unpredictable and subject to significant uncertainties.

Reserves for such matters, including those associated with both asserted and incurred but not reported claims, are established on an undiscounted basis by considering actuarially determined losses based upon the Company's historical and projected loss experience. Such reserves totaled \$161 million and \$169 million as of June 30, 2023 and December 31, 2022, respectively.

While the basis for claims reserves is actuarially determined losses based upon the Company's historical and projected loss experience, the process of analyzing, assessing and establishing reserve estimates relative to these types of claims involves a high degree of judgment. Although the Company believes that its present reserves and insurance coverage are sufficient to cover currently estimated exposures, it is possible that the Company may incur liabilities in excess of its recorded reserves or insurance coverage. Changes in the facts and circumstances associated with claims could have a material impact on the Company's results of operations (principally costs of services), cash flows and financial condition in the period that reserve estimates are adjusted or paid.

## **12. BUSINESS SEGMENT INFORMATION**

The Company's DIS business is the only reportable segment based on the manner in which the Chief Executive Officer, who is the Company's chief operating decision maker ("CODM"), assesses performance and allocates resources across the organization. The DIS business provides diagnostic information services to a broad range of customers, including patients, clinicians, hospitals, IDNs, health plans, employers, customers, and ACOs. The Company is the world's leading provider of diagnostic information services, which includes providing information and insights based on the industry-leading menu of routine, non-routine and advanced clinical testing and anatomic pathology testing, and other diagnostic information services. The DIS business accounted for greater than 95% of net revenues in 2023 and 2022.

All other operating segments include the Company's DS businesses, which consist of its risk assessment services and healthcare information technology businesses. The Company's DS businesses are the leading provider of risk assessment services for the life insurance industry and offer healthcare organizations and clinicians robust information technology solutions.

**QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(unaudited)**  
**(in millions, unless otherwise indicated)**

As of June 30, 2023, substantially all of the Company's services were provided within the United States, and substantially all of the Company's assets were located within the United States.

The following table is a summary of segment information for the three and six months ended June 30, 2023 and 2022. Segment asset information is not presented since it is not used by the CODM at the operating segment level. Operating earnings (loss) of each segment represents net revenues less directly identifiable expenses to arrive at operating income (loss) for the segment. General corporate activities included in the table below are comprised of general management and administrative corporate expenses, amortization and impairment of intangible assets and other operating income and expenses, net of certain general corporate activity costs that are allocated to the DIS and DS businesses. The accounting policies of the segments are the same as those of the Company as set forth in Note 2 to the audited consolidated financial statements contained in the Company's 2022 Annual Report on Form 10-K and Note 2 to the interim unaudited consolidated financial statements.

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Net revenues:</b>				
DIS business	\$ 2,268	\$ 2,384	\$ 4,527	\$ 4,925
All other operating segments	70	69	142	139
Total net revenues	<u>\$ 2,338</u>	<u>\$ 2,453</u>	<u>\$ 4,669</u>	<u>\$ 5,064</u>
<b>Operating earnings (loss):</b>				
DIS business	\$ 410	\$ 442	\$ 784	\$ 1,004
All other operating segments	10	6	18	13
General corporate activities	(72)	(60)	(149)	(116)
Total operating income	<u>348</u>	<u>388</u>	<u>653</u>	<u>901</u>
<b>Non-operating expense, net</b>	<u>(31)</u>	<u>(65)</u>	<u>(59)</u>	<u>(126)</u>
<b>Income before income taxes and equity in earnings of equity method investees</b>	<u>317</u>	<u>323</u>	<u>594</u>	<u>775</u>
<b>Income tax expense</b>	<u>(75)</u>	<u>(77)</u>	<u>(140)</u>	<u>(187)</u>
<b>Equity in earnings of equity method investees, net of taxes</b>	<u>7</u>	<u>4</u>	<u>12</u>	<u>35</u>
<b>Net income</b>	<u>249</u>	<u>250</u>	<u>466</u>	<u>623</u>
<b>Less: Net income attributable to noncontrolling interests</b>	<u>14</u>	<u>16</u>	<u>29</u>	<u>34</u>
<b>Net income attributable to Quest Diagnostics</b>	<u>\$ 235</u>	<u>\$ 234</u>	<u>\$ 437</u>	<u>\$ 589</u>

The approximate percentage of net revenues by major service for the three and six months ended June 30, 2023 and 2022 were as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Routine clinical testing and other services	51 %	45 %	50 %	43 %
COVID-19 testing services	2	14	3	19
Gene-based and esoteric (including advanced diagnostics) testing services	38	32	37	30
Anatomic pathology testing services	6	6	7	5
All other	3	3	3	3
Net revenues	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

**QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(unaudited)**  
**(in millions, unless otherwise indicated)**

### 13. REVENUE RECOGNITION

#### *DIS*

Net revenues in the Company's DIS business accounted for over 95% of the Company's total net revenues for the three and six months ended June 30, 2023 and 2022 and are primarily comprised of a high volume of relatively low-dollar transactions. The DIS business, which provides clinical testing services and other services, satisfies its performance obligations and recognizes revenues primarily upon completion of the testing process (when results are reported) or when services have been rendered. The Company estimates the amount of consideration it expects to be entitled to receive from customer groups in exchange for providing services using the portfolio approach. These estimates include the impact of contractual allowances (including payer denials), and patient price concessions. The portfolios determined using the portfolio approach consist of the following groups of customers: healthcare insurers, government payers (Medicare and Medicaid programs), client payers and patients.

For further details regarding revenue recognition in the Company's DIS business, see Note 3 to the audited consolidated financial statements in the Company's 2022 Annual Report on Form 10-K.

#### *DS*

The Company's DS businesses primarily satisfy their performance obligations and recognize revenues when delivery has occurred or services have been rendered.

#### *Net Revenue and Net Accounts Receivable by Customer Type*

The approximate percentage of net revenue by type of customer was as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Healthcare insurers:				
Fee-for-service	37 %	38 %	37 %	38 %
Capitated	3	3	3	3
Total healthcare insurers	40	41	40	41
Government payers	12	11	12	11
Client payers	33	34	33	33
Patients (including coinsurance and deductible responsibilities)	12	11	12	12
Total DIS	97	97	97	97
DS	3	3	3	3
Net revenues	100 %	100 %	100 %	100 %

**QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(unaudited)**  
**(in millions, unless otherwise indicated)**

The approximate percentage of net accounts receivable by type of customer was as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Healthcare Insurers	27 %	28 %
Government Payers	7	6
Client Payers	42	44
Patients (including coinsurance and deductible responsibilities)	20	18
Total DIS	96	96
DS	4	4
Net accounts receivable	100 %	100 %



## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Our Company**

#### ***Diagnostic Information Services***

Quest Diagnostics empowers people to take action to improve health outcomes. We use our extensive database of clinical lab results to derive diagnostic insights that reveal new avenues to identify and treat disease, inspire healthy behaviors and improve healthcare management. Our diagnostic information services business ("DIS") provides information and insights based on an industry-leading menu of routine, non-routine and advanced clinical testing and anatomic pathology testing, and other diagnostic information services. We provide services to a broad range of customers, including patients, clinicians, hospitals, independent delivery networks ("IDNs"), health plans, employers, consumers, and accountable care organizations ("ACOs"). We offer the broadest access in the United States to diagnostic information services through our nationwide network of laboratories, patient service centers and phlebotomists in physician offices and our connectivity resources, including call centers and mobile paramedics, nurses and other health and wellness professionals. We are the world's leading provider of diagnostic information services. We provide interpretive consultation with one of the largest medical and scientific staffs in the industry. Our DIS business makes up greater than 95% of our consolidated net revenues.

We assess our revenue performance for the DIS business based upon, among other factors, volume (measured by test requisitions) and revenue per requisition. Each requisition accompanies patient specimens, indicating the test(s) to be performed and the party to be billed for the test(s). Revenue per requisition is impacted by various factors, including, among other items, the impact of fee schedule changes (i.e., unit price), test mix, payer mix, and the number of tests per requisition. Management uses number of requisitions and revenue per requisition data to assist with assessing the growth and performance of the business, including understanding trends affecting number of requisitions, pricing and test mix. Therefore, we believe that information related to changes in these metrics from period to period are useful information for investors as it allows them to assess the performance of the business.

#### ***Diagnostic Solutions***

In our Diagnostic Solutions ("DS") businesses, which represent the balance of our consolidated net revenues, we offer a variety of solutions for life insurers and healthcare organizations and clinicians. We are the leading provider of risk assessment services for the life insurance industry. In addition, we offer healthcare organizations and clinicians robust information technology solutions.

## Second Quarter Highlights

	Three Months Ended June 30,	
	2023	2022
	(dollars in millions, except per share data)	
Net revenues	\$2,338	\$2,453
Base business revenues (a)	\$2,297	\$2,098
COVID-19 testing revenues	\$41	\$355
DIS revenues	\$2,268	\$2,384
Revenue per requisition change	(4.9)%	(2.6)%
Requisition volume change	0.2%	(1.4)%
Organic requisition volume change	(0.3)%	(2.4)%
DS revenues	\$70	\$69
Operating income	\$348	\$388
Net income attributable to Quest Diagnostics	\$235	\$234
Diluted earnings per share	\$2.05	\$1.96
Net cash provided by operating activities	\$444	\$402
Capital expenditures	\$104	\$76

(a) Excludes COVID-19 testing.

The impacts that the COVID-19 pandemic had on our DIS revenues, including requisition volume and revenue per requisition are discussed further below under "Results of Operations".

For further discussion of the year-over-year changes for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, see "Results of Operations" below.

### Acquisition of select assets of the laboratory services business of New York-Presbyterian

On April 17, 2023, we completed the acquisition of select assets of the laboratory services business of New York-Presbyterian, which serves providers and patients in New York, as well as the Tri-State Area and beyond, in an all-cash transaction for \$275 million. The acquired business is included in our DIS business.

For further details, see Note 5 to the interim unaudited consolidated financial statements.

### Acquisition of Haystack Oncology, Inc.

On June 20, 2023, we acquired Haystack Oncology, Inc. ("Haystack"), an early-stage oncology company focused on minimal residual disease testing to aid in the detection of residual or recurring cancer and better inform therapy decisions. The acquisition was an all-cash transaction for \$392 million, net of \$1 million of cash acquired, which consisted of cash consideration of \$304 million and contingent consideration initially estimated at \$88 million. Under the contingent consideration obligation, the seller can receive up to \$100 million of additional consideration dependent upon the achievement of certain revenue benchmarks through 2028 and up to an additional \$50 million of consideration dependent upon us receiving reimbursement coverage from the Centers for Medicare and Medicaid Services. The acquired business is included in our DIS business.

For further details, see Notes 5 and 6 to the interim unaudited consolidated financial statements.

### Invigorate Program

We are engaged in a multi-year program called Invigorate, which is designed to reduce our cost structure and improve our performance. We currently aim annually to achieve savings and productivity improvements of approximately 3% of our costs, which we believe will help offset pressures from the current inflationary environment.

Invigorate has consisted of several flagship programs, with structured plans in each, to drive savings and improve performance across the customer value chain. These flagship programs include: organization excellence; information technology excellence; procurement excellence; field and customer service excellence; lab excellence; and revenue services excellence. In addition to these programs, we have identified key themes to change how we operate including reducing denials and patient price concessions; further digitizing our business; standardization; automation and artificial intelligence; optimization and selecting and retaining talent. We believe that our efforts to standardize our information technology systems, equipment and data also foster our efforts to strengthen our foundation for growth and support the value creation initiatives of our clinical franchises by enhancing our operational flexibility, empowering and enhancing the customer experience, facilitating the delivery of actionable insights and bolstering our large data platform.

For the six months ended June 30, 2023, we incurred \$26 million of pre-tax charges in connection with our Invigorate program and other restructuring activities, including \$16 million of employee separation costs, with the remainder primarily consisting of integration costs. Most of the charges will result in cash expenditures. Additional restructuring charges may be incurred in future periods, including as we identify additional opportunities to achieve further savings and productivity improvements.

### **Critical Accounting Policies**

There have been no significant changes to our critical accounting policies from those disclosed in our 2022 Annual Report on Form 10-K.

### **Impact of New Accounting Standards**

The adoption of new accounting standards, if any, is discussed in Note 2 to the interim unaudited consolidated financial statements.

The impact of recent accounting pronouncements not yet effective on our consolidated financial statements, if any, is also discussed in Note 2 to the interim unaudited consolidated financial statements.

## Results of Operations

The following tables set forth certain results of operations data for the periods presented:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
(dollars in millions, except per share amounts)								
<b>Net revenues:</b>								
DIS business	\$ 2,268	\$ 2,384	\$ (116)	(4.9)%	\$ 4,527	\$ 4,925	\$ (398)	(8.1)%
DS businesses	70	69	1	1.6	142	139	3	2.0
Total net revenues	<u>\$ 2,338</u>	<u>\$ 2,453</u>	<u>\$ (115)</u>	<u>(4.7)%</u>	<u>\$ 4,669</u>	<u>\$ 5,064</u>	<u>\$ (395)</u>	<u>(7.8)%</u>
<b>Operating costs and expenses and other operating income:</b>								
Cost of services	\$ 1,546	\$ 1,611	\$ (65)	(4.0)%	\$ 3,106	\$ 3,257	\$ (151)	(4.6)%
Selling, general and administrative	416	422	(6)	(1.3)	855	847	8	1.0
Amortization of intangible assets	28	27	1	1.7	54	54	—	0.2
Other operating expense, net	<u>—</u>	<u>5</u>	<u>(5)</u>	<u>NM</u>	<u>1</u>	<u>5</u>	<u>(4)</u>	<u>NM</u>
Total operating costs and expenses, net	<u>\$ 1,990</u>	<u>\$ 2,065</u>	<u>\$ (75)</u>	<u>(3.7)%</u>	<u>\$ 4,016</u>	<u>\$ 4,163</u>	<u>\$ (147)</u>	<u>(3.5)%</u>
<b>Operating income</b>	<u>\$ 348</u>	<u>\$ 388</u>	<u>\$ (40)</u>	<u>(10.1)%</u>	<u>\$ 653</u>	<u>\$ 901</u>	<u>\$ (248)</u>	<u>(27.5)%</u>
<b>Other income (expense):</b>								
Interest expense, net	\$ (37)	\$ (36)	\$ (1)	3.7 %	\$ (72)	\$ (73)	\$ 1	(2.0)%
Other income (expense), net	<u>6</u>	<u>(29)</u>	<u>35</u>	<u>NM</u>	<u>13</u>	<u>(53)</u>	<u>66</u>	<u>NM</u>
Total non-operating expense, net	<u>\$ (31)</u>	<u>\$ (65)</u>	<u>\$ 34</u>	<u>NM</u>	<u>\$ (59)</u>	<u>\$ (126)</u>	<u>\$ 67</u>	<u>NM</u>
<b>Income tax expense</b>	<u>\$ (75)</u>	<u>\$ (77)</u>	<u>\$ 2</u>	<u>(3.8)%</u>	<u>\$ (140)</u>	<u>\$ (187)</u>	<u>\$ 47</u>	<u>(25.4)%</u>
Effective income tax rate	23.5 %	23.9 %			23.5 %	24.2 %		
<b>Equity in earnings of equity method investees, net of taxes</b>	<u>\$ 7</u>	<u>\$ 4</u>	<u>\$ 3</u>	<u>42.3 %</u>	<u>\$ 12</u>	<u>\$ 35</u>	<u>\$ (23)</u>	<u>(67.6)%</u>
<b>Net income attributable to Quest Diagnostics</b>	<u>\$ 235</u>	<u>\$ 234</u>	<u>\$ 1</u>	<u>— %</u>	<u>\$ 437</u>	<u>\$ 589</u>	<u>\$ (152)</u>	<u>(25.8)%</u>
<b>Diluted earnings per common share attributable to Quest Diagnostics' common stockholders</b>	<u>\$ 2.05</u>	<u>\$ 1.96</u>	<u>\$ 0.09</u>	<u>4.6 %</u>	<u>\$ 3.83</u>	<u>\$ 4.88</u>	<u>\$ (1.05)</u>	<u>(21.5)%</u>

NM - Not Meaningful

The following table sets forth certain results of operations data as a percentage of net revenues for the periods presented:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Net revenues:</b>				
DIS business	97.0 %	97.2 %	97.0 %	97.3 %
DS businesses	3.0	2.8	3.0	2.7
Total net revenues	100.0 %	100.0 %	100.0 %	100.0 %
<b>Operating costs and expenses and other operating income:</b>				
Cost of services	66.1 %	65.7 %	66.5 %	64.3 %
Selling, general and administrative	17.8	17.2	18.3	16.7
Amortization of intangible assets	1.2	1.0	1.2	1.1
Other operating expense, net	—	0.3	—	0.1
Total operating costs and expenses, net	85.1 %	84.2 %	86.0 %	82.2 %
<b>Operating income</b>	14.9 %	15.8 %	14.0 %	17.8 %

### *Operating Results*

Results for the three months ended June 30, 2023 were affected by certain items that on a net basis decreased diluted earnings per share by \$0.25 as follows:

- pre-tax amortization expense of \$28 million recorded in amortization of intangible assets or \$0.18 per diluted share;
- pre-tax charges of \$7 million recorded in selling, general and administrative expenses, or \$0.05 per diluted share, primarily associated with workforce reductions and integration costs incurred in connection with further restructuring and integrating our business; and
- pre-tax charges of \$6 million recorded in selling, general and administrative expenses, or \$0.04 per diluted share, primarily representing the impairment of a corporate facility that is currently held for sale; partially offset by
- excess tax benefits associated with stock-based compensation arrangements of \$2 million, or \$0.02 per diluted share, recorded in income tax expense.

Results for the six months ended June 30, 2023 were affected by certain items that on a net basis decreased diluted earnings per share by \$0.51 as follows:

- pre-tax amortization expense of \$54 million recorded in amortization of intangible assets or \$0.35 per diluted share;
- pre-tax charges of \$26 million (\$10 million in cost of services and \$16 million in selling, general and administrative expenses), or \$0.17 per diluted share, primarily associated with workforce reductions and integration costs incurred in connection with further restructuring and integrating our business;
- pre-tax charges of \$6 million recorded in selling, general and administrative expenses, or \$0.04 per diluted share, primarily representing the impairment of a corporate facility that is currently held for sale, and
- pre-tax charges of \$3 million in equity in earnings of equity method investees, net of tax, or \$0.02 per diluted share, representing net losses associated with changes in the carrying value of our strategic investments; partially offset by
- excess tax benefits associated with stock-based compensation arrangements of \$7 million, or \$0.07 per diluted share, recorded in income tax expense.

For both the three and six months ended June 30, 2023, the year-over-year change in diluted weighted average common shares outstanding was principally driven by share repurchases, which positively benefited the year-over-year comparison of diluted earnings per share.

Results for the three months ended June 30, 2022 were affected by certain items that on a net basis decreased diluted earnings per share by \$0.40 as follows:

- pre-tax amortization expense of \$27 million recorded in amortization of intangible assets or \$0.17 per diluted share;
- pre-tax charges of \$21 million (\$12 million in other income (expense), net and \$9 million in equity in earnings of equity method investees, net of taxes), or \$0.13 per diluted share, representing net losses associated with changes in the carrying value of our strategic investments;
- pre-tax charges of \$12 million (\$4 million in cost of services and \$8 million in selling, general and administrative expenses), or \$0.08 per diluted share, primarily associated with workforce reductions, systems conversions and integration incurred in connection with further restructuring and integrating our business; and
- pre-tax charges of \$8 million (\$2 million in selling, general and administrative expenses and \$6 million in other operating expense, net), or \$0.05 per diluted share, primarily representing a loss associated with the increase in the fair value of the contingent consideration accruals associated with previous acquisitions, and costs associated with donations, contributions and other financial support through Quest for Health Equity (our initiative with the Quest Diagnostics Foundation to reduce health disparities in underserved communities); partially offset by
- excess tax benefits associated with stock-based compensation arrangements of \$4 million, or \$0.03 per diluted share, recorded in income tax expense.

Results for the six months ended June 30, 2022 were affected by certain items that on a net basis decreased diluted earnings per share by \$0.70 as follows:

- pre-tax amortization expense of \$54 million recorded in amortization of intangible assets or \$0.33 per diluted share;
- pre-tax charges of \$37 million (\$28 million in other income (expense), net and \$9 million in equity in earnings of equity method investees, net of taxes), or \$0.23 per diluted share, representing net losses associated with changes in the carrying value of our strategic investments;
- pre-tax charges of \$24 million (\$7 million in cost of services and \$17 million in selling, general and administrative expenses), or \$0.15 per diluted share, primarily associated with workforce reductions, systems conversions and integration incurred in connection with further restructuring and integrating our business; and
- pre-tax charges of \$10 million (\$4 million in selling, general and administrative expenses and \$6 million in other operating expense, net), or \$0.06 per diluted share, primarily representing a loss associated with the increase in the fair value of the contingent consideration accruals associated with previous acquisitions, and costs associated with donations, contributions and other financial support through Quest for Health Equity; partially offset by
- excess tax benefits associated with stock-based compensation arrangements of \$9 million, or \$0.07 per diluted share, recorded in income tax expense.

### ***Net Revenues***

Net revenues for the three months ended June 30, 2023 decreased by 4.7% compared to the prior year period.

DIS revenues for the three months ended June 30, 2023 decreased by 4.9% compared to the prior year period.

For the three months ended June 30, 2023:

- The decrease in DIS revenues compared to the prior year period was driven by a decrease in COVID-19 testing, partially offset by growth in the base business (which excludes COVID-19 testing) and, to a lesser extent, the impact of recent acquisitions. For the three months ended June 30, 2023, recent acquisitions contributed approximately 0.5% to DIS revenues.
- DIS volume increased by 0.2% compared to the prior year period driven by growth in the base business and the impact of recent acquisitions (which contributed approximately 0.5% to DIS volume), substantially offset by a decrease in COVID-19 testing.
- Revenue per requisition decreased by 4.9% compared to the prior year period driven by the decrease in COVID-19 molecular testing.
- DIS revenues in the base business (including the impact of recent acquisitions) increased by 9.7% compared to the prior year period.
- Testing volume in the base business (including the impact of recent acquisitions) was up 7.4% compared to the prior year period.
- Revenue per requisition in the base business increased by 2.5% compared to the prior year period principally due to an increase in the number of tests per requisition, changes in test mix and benefits recognized associated with certain value-based arrangements.

DS revenues for the three months ended June 30, 2023 increased by 1.6% compared to the prior year period primarily due to higher revenues associated with our risk assessment services offered to the life insurance industry.

Net revenues for the six months ended June 30, 2023 decreased by 7.8% compared to the prior year period.

DIS revenues for the six months ended June 30, 2023 decreased by 8.1% compared to the prior year period.

For the six months ended June 30, 2023:

- The decrease in DIS revenues compared to the prior year period was driven by a decrease in COVID-19 testing, partially offset by growth in the base business (which excludes COVID-19 testing) and, to a lesser extent, the impact of recent acquisitions. For the six months ended June 30, 2023, recent acquisitions contributed approximately 0.3% to DIS revenues.
- DIS volume decreased by 1.8% compared to the prior year period driven by a decrease in COVID-19 testing, partially offset by growth in the base business and the impact of recent acquisitions, which contributed approximately 0.3% to DIS volume.
- Revenue per requisition decreased by 6.3% compared to the prior year period driven by the decrease in COVID-19 molecular testing.
- DIS revenues in the base business (including the impact of recent acquisitions) increased by 10.0% compared to the prior year period.
- Testing volume in the base business (including the impact of recent acquisitions) was up 7.6% compared to the prior year period. We believe that our base testing volume was negatively impacted in the first half of 2022 by the surge in COVID-19 associated with the spread of the Omicron variant. We estimate that the recovery of our base testing volumes due to the easier compare accounted for approximately 2% of our total base testing volume growth during the first half of 2023.
- Revenue per requisition in the base business increased by 2.4% compared to the prior year period principally due to an increase in the number of tests per requisition, changes in test mix and benefits recognized associated with certain value-based arrangements.

DS revenues for the six months ended June 30, 2023 increased by 2.0% compared to the prior year period primarily due to higher revenues associated with our risk assessment services offered to the life insurance industry.

### ***Cost of Services***

Cost of services consists principally of costs for obtaining, transporting and testing specimens as well as facility costs used for the delivery of our services.

For the three months ended June 30, 2023, cost of services decreased by \$65 million compared to the prior year period. The decrease was primarily driven by lower collection and supplies expenses associated with reduced COVID-19 testing volumes.

For the six months ended June 30, 2023, cost of services decreased by \$151 million compared to the prior year period. The decrease was primarily driven by lower collection and supplies expenses associated with reduced COVID-19 testing volumes, partially offset by higher compensation and benefits costs (primarily related to wage increases).

***Selling, General and Administrative Expenses ("SG&A")***

SG&A consist principally of the costs associated with our sales and marketing efforts, billing operations, credit loss expense and general management and administrative support as well as administrative facility costs.

SG&A decreased by \$6 million for the three months ended June 30, 2023 compared to the prior year period. Higher costs associated with changes in the value of our deferred compensation obligations (\$23 million) were more than offset by a decrease in other SG&A costs primarily driven by reductions in headcount and marketing expenses.

SG&A increased by \$8 million for the six months ended June 30, 2023 compared to the prior year period primarily due to higher costs associated with changes in the value of our deferred compensation obligations (\$38 million), which were partially offset by a decrease in other SG&A costs primarily driven by reductions in headcount and marketing expenses.

The changes in the value of our deferred compensation obligations is largely offset by changes in the value of the associated investments, which are recorded in other income (expense), net. For further details regarding our deferred compensation plans, see Note 18 to the audited consolidated financial statements included in our 2022 Annual Report on Form 10-K.

***Amortization Expense***

For both the three and six months ended June 30, 2023, amortization expense was principally consistent with the prior year periods.

***Other Operating Expense, Net***

Other operating expense, net includes miscellaneous income and expense items and other charges related to operating activities.

For both the three and six months ended June 30, 2022, other operating expense, net primarily represents a loss associated with the increase in the fair value of the contingent consideration accruals associated with previous acquisitions.

***Interest Expense, Net***

For both the three and six months ended June 30, 2023, interest expense, net was principally consistent with the prior year periods.

***Other Income (Expense), Net***

Other income (expense), net represents miscellaneous income and expense items related to non-operating activities, such as gains and losses associated with investments and other non-operating assets.



For the three months ended June 30, 2023, other income (expense), net included \$6 million of gains associated with investments in our deferred compensation plans.

For the six months ended June 30, 2023, other income (expense), net included \$13 million of gains associated with investments in our deferred compensation plans.

For the three months ended June 30, 2022, other income (expense), net included \$17 million of losses associated with investments in our deferred compensation plans and \$12 million of losses associated with changes in the carrying value of our strategic investments.

For the six months ended June 30, 2022, other income (expense), net included \$28 million of losses associated with changes in the carrying value of our strategic investments and \$25 million of losses associated with investments in our deferred compensation plans.

### ***Income Tax Expense***

Income tax expense for the three months ended June 30, 2023 and 2022 was \$75 million and \$77 million, respectively.

The effective income tax rates for the three months ended June 30, 2023 and 2022 were 23.5% and 23.9%, respectively. The effective income tax rates benefited from \$2 million and \$4 million of excess tax benefits associated with stock-based compensation arrangements for the three months ended June 30, 2023 and 2022, respectively.

Income tax expense for the six months ended June 30, 2023 and 2022 was \$140 million and \$187 million, respectively. The decrease in income tax expense for the six months ended June 30, 2023 compared to the prior year period was primarily driven by a decrease in income before income taxes and equity in earnings of equity method investees.

The effective income tax rates for the six months ended June 30, 2023 and 2022 were 23.5% and 24.2%, respectively. The effective income tax rates benefited from \$7 million and \$9 million of excess tax benefits associated with stock-based compensation arrangements for the six months ended June 30, 2023 and 2022, respectively.

### ***Equity in Earnings of Equity Method Investees, Net of Taxes***

Equity in earnings of equity method investees, net of taxes increased by \$3 million for the three months ended June 30, 2023 compared to the prior year period.

Equity in earnings of equity method investees, net of taxes decreased by \$23 million for the six months ended June 30, 2023 compared to the prior year period primarily due to lower demand for COVID-19 testing services at our diagnostic information services joint venture.

### **Quantitative and Qualitative Disclosures About Market Risk**

We address our exposure to market risks, principally the risk of changes in interest rates, through a controlled program of risk management that includes the use of derivative financial instruments. We do not hold or issue derivative financial instruments for speculative purposes. We seek to mitigate the variability in cash outflows that result from changes in interest rates by maintaining a balanced mix of fixed-rate and variable-rate debt obligations. In order to achieve this objective, we have historically entered into interest rate swap agreements. Interest rate swap agreements involve the periodic exchange of payments without the exchange of underlying principal or notional amounts. Net settlements are recognized as an adjustment to interest expense, net. We believe that our exposures to foreign exchange impacts and changes in commodity prices are not material to our consolidated results of operations, financial position or cash flows.

As of June 30, 2023 and December 31, 2022, the fair value of our debt was estimated at approximately \$4.0 billion and \$3.7 billion, respectively, principally using quoted prices in active markets and yields for the same or similar types of borrowings, taking into account the underlying terms of the debt instruments. As of June 30, 2023 and December 31, 2022, the estimated fair value was less than the carrying value of the debt by \$280 million and \$318 million, respectively. A hypothetical 10% increase in interest rates (representing 52 basis points as of June 30, 2023 and 51 basis points as of December 31, 2022) would potentially reduce the estimated fair value of our debt by approximately \$115 million and \$120 million as of June 30, 2023 and December 31, 2022, respectively.

Borrowings under our secured receivables credit facility and our senior unsecured revolving credit facility are subject to variable interest rates. As of June 30, 2023, interest on our secured receivables credit facility is based on either commercial paper rates for highly rated issuers, or the Term Secured Overnight Financing Rate ("Term SOFR"), plus a spread. As of June 30, 2023, interest on our senior unsecured revolving credit facility is based on certain published rates plus an applicable margin based on changes in our public debt ratings. As such, our borrowing cost under this credit arrangement is subject to fluctuations in interest rates and changes in our public debt ratings. As of June 30, 2023, the borrowing rates under these debt instruments were: for our secured receivables credit facility, commercial paper rates for highly-rated issuers or adjusted Term SOFR, plus a spread of 0.725% to 0.80%; and for our senior unsecured revolving credit facility, adjusted Term SOFR, plus 1.00%. As of June 30, 2023, there was \$320 million borrowed under the secured receivables credit facility and there were no borrowings under the senior unsecured revolving credit facility.

Based on our net exposure to interest rate changes, a hypothetical 10% change to the variable rate component of our variable rate indebtedness would not materially change our annual interest expense.

For further details regarding our outstanding debt, see Note 7 to the interim unaudited consolidated financial statements and Note 14 to the audited consolidated financial statements included in our 2022 Annual Report on Form 10-K. For details regarding our financial instruments and hedging activities, see Note 8 to the interim unaudited consolidated financial statements and Note 16 to the audited consolidated financial statements included in our 2022 Annual Report on Form 10-K.

### ***Risk Associated with Investment Portfolio***

Our investment portfolio primarily includes equity investments comprised mostly of strategic holdings in companies concentrated in the life sciences and healthcare industries. Equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) with readily determinable fair values are measured at fair value in prepaid expenses and other current assets in our consolidated balance sheet with changes in fair value recorded in current earnings in our consolidated statement of operations. Equity investments that do not have readily determinable fair values (which consist of investments in preferred and common shares of private companies) are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes.

We regularly evaluate equity investments that do not have readily determinable fair values to determine if there are any indicators that the investments are impaired. The carrying value of our equity investments that do not have readily determinable fair values was \$5 million as of June 30, 2023. In conjunction with the preparation of our June 30, 2023 financial statements, we considered whether the carrying values of our investments were impaired and concluded that no such impairment existed.

We do not hedge our equity price risk. The impact of an adverse movement in equity prices on our holdings in privately held companies cannot be easily quantified as our ability to realize returns on investments depends on, among other things, the enterprises' ability to raise additional capital or derive cash inflows from continuing operations or through liquidity events such as initial public offerings, mergers or private sales.

### **Liquidity and Capital Resources**

	Six Months Ended June 30,		
	2023	2022	Change
	(dollars in millions)		
Net cash provided by operating activities	\$ 538	\$ 882	\$ (344)
Net cash used in investing activities	(840)	(251)	(589)
Net cash provided by (used in) financing activities	113	(713)	826
Net change in cash and cash equivalents and restricted cash	<u>\$ (189)</u>	<u>\$ (82)</u>	<u>\$ (107)</u>

### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and highly-liquid short-term investments with original maturities, at the time of acquisition, of three months or less. Cash and cash equivalents as of June 30, 2023 totaled \$126 million, compared to \$315 million as of December 31, 2022.

As of June 30, 2023, approximately 31% of our \$126 million of consolidated cash and cash equivalents were held outside of the United States.

### ***Cash Flows from Operating Activities***

Net cash provided by operating activities for the six months ended June 30, 2023 and 2022 was \$538 million and \$882 million, respectively. The \$344 million decrease in net cash provided by operating activities for the six months ended June 30, 2023, compared to the prior year period, was primarily a result of:

- lower operating income in 2023 as compared to 2022; and
- a year-over-year change in the timing and extent of the collection of COVID-19 testing revenues.

Days sales outstanding, a measure of billing and collection efficiency, was 47 days as of each of June 30, 2023, December 31, 2022 and June 30, 2022.

### ***Cash Flows from Investing Activities***

Net cash used in investing activities for the six months ended June 30, 2023 and 2022 was \$840 million and \$251 million, respectively. This \$589 million increase in net cash used in investing activities for the six months ended June 30, 2023, compared to the prior year period, was primarily a result of increased cash used for business acquisitions (see above for further discussion) and, to a lesser extent, increased capital expenditures.

### ***Cash Flows from Financing Activities***

Net cash provided by (used in) financing activities for the six months ended June 30, 2023 and 2022 was \$113 million and \$(713) million, respectively. This \$826 million change in net cash provided by (used in) financing activities for the six months ended June 30, 2023, compared to the prior year period, was primarily a result of the six months ended June 30, 2023 including \$320 million of net borrowings under our secured receivables credit facility and the six months ended June 30, 2022 including \$573 million of share repurchases.

During the six months ended June 30, 2023, we borrowed \$1.0 billion under our secured receivables credit facility, \$0.7 billion of which was repaid prior to June 30, 2023. Additionally, during the six months ended June 30, 2023, we borrowed \$125 million under our senior unsecured revolving credit facility, which was repaid prior to June 30, 2023.

During the six months ended June 30, 2022, there were no borrowings or repayments under our secured receivables credit facility or senior unsecured revolving credit facility.

### ***Dividend Program***

During each of the first and second quarters of 2023, our Board of Directors declared a quarterly cash dividend of \$0.71 per common share. During each of the four quarters of 2022, our Board of Directors declared a quarterly cash dividend of \$0.66 per common share.

### ***Share Repurchase Program***

In February 2023, our Board of Directors increased the size of our share repurchase program by \$1 billion. As of June 30, 2023, \$1.3 billion remained available under our share repurchase authorization. The share repurchase authorization has no set expiration or termination date.

### ***Share Repurchases***

For the six months ended June 30, 2023, we repurchased no shares of our common stock.

For the six months ended June 30, 2022, we repurchased 4.0 million shares of our common stock for \$550 million.

### ***Equity Method Investees***

Our equity method investees primarily consist of a diagnostic information services joint venture and an investment in a fund that purchases strategic holdings in private companies in the healthcare industry. Such investees are accounted for under the equity method of accounting. Our investment in equity method investees is less than 5% of our consolidated total assets. Our proportionate share of income before income taxes associated with our equity method investees is less than 5% of our consolidated income before income taxes and equity in earnings of equity method investees. We have no material unconditional obligations or guarantees to, or in support of, our equity method investees and their operations.

In conjunction with the preparation of our June 30, 2023 financial statements, we considered whether the carrying values of our equity method investments were impaired and concluded that no such impairment existed.

### ***Requirements and Capital Resources***

We estimate that we will invest approximately \$400 million during 2023 for capital expenditures, to support and grow our existing operations, principally related to investments in laboratory equipment and facilities, including laboratory automations and information technology to support our diagnostic offerings.

As of June 30, 2023, we had \$885 million of borrowing capacity available under our existing credit facilities, including \$135 million available under our secured receivables credit facility and \$750 million available under our senior unsecured revolving credit facility. There were \$320 million of borrowings under the secured receivables credit facility as of June 30, 2023 and there were no borrowings under the senior unsecured revolving credit facility as of June 30, 2023. In support of our risk management program, \$70 million in letters of credit under the secured receivables credit facility were outstanding as of June 30, 2023. For further details regarding our credit facilities, see Note 7 to the interim unaudited consolidated financial statements and Note 14 to the audited consolidated financial statements in our 2022 Annual Report on Form 10-K.

Our secured receivables credit facility is subject to customary affirmative and negative covenants, and certain financial covenants with respect to the receivables that comprise the borrowing base and secure the borrowings under the facility. Our senior unsecured revolving credit facility is also subject to certain financial covenants and limitations on indebtedness. As of June 30, 2023, we were in compliance with all such applicable financial covenants.

We believe that our cash and cash equivalents and cash from operations, together with our borrowing capacity under our credit facilities, will provide sufficient financial flexibility to fund seasonal and other working capital requirements, capital expenditures, debt service requirements and other obligations, cash dividends on common shares, share repurchases and additional growth opportunities, including acquisitions, for the foreseeable future. However, should it become necessary, we believe that our credit profile should provide us with access to additional financing in order to fund normal business operations, make interest payments, fund growth opportunities and satisfy upcoming debt maturities.

## **Forward-Looking Statements**

Some statements and disclosures in this document are forward-looking statements. Forward-looking statements include all statements that do not relate solely to historical or current facts and can be identified by the use of words such as “may,” “believe,” “will,” “expect,” “project,” “estimate,” “anticipate,” “plan” or “continue.” These forward-looking statements are based on our current plans and expectations and are subject to a number of risks and uncertainties that could cause our plans and expectations, including actual results, to differ materially from the forward-looking statements. Risks and uncertainties that may affect our future results include, but are not limited to, adverse results from pending or future government investigations, lawsuits or private actions, the competitive environment, the complexity of billing, reimbursement and revenue recognition for clinical laboratory testing, changes in government regulations, changing relationships with customers, payers, suppliers and strategic partners and other factors discussed in our most recently filed Annual Report on Form 10-K and subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including those discussed in the “Business,” “Risk Factors,” “Cautionary Factors that May Affect Future Results” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of those reports.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

See Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

## **Item 4. Controls and Procedures**

Management, including our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

During the second quarter of 2023, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

## **Item 1. Legal Proceedings**

See Note 11 to the interim unaudited consolidated financial statements for information regarding the status of legal proceedings involving the Company.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The table below sets forth the information with respect to purchases made by or on behalf of the Company of its common stock during the second quarter of 2023.

**ISSUER PURCHASES OF EQUITY SECURITIES**

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)</b>
April 1, 2023 – April 30, 2023				
Share Repurchase Program (A)	—	\$ —	—	\$ 1,310,909
Employee Transactions (B)	—	\$ —	N/A	N/A
May 1, 2023 - May 31, 2023				
Share Repurchase Program (A)	—	\$ —	—	\$ 1,310,909
Employee Transactions (B)	1,475	\$ 131.33	N/A	N/A
June 1, 2023 – June 30, 2023				
Share Repurchase Program (A)	—	\$ —	—	\$ 1,310,909
Employee Transactions (B)	—	\$ —	N/A	N/A
Total				
Share Repurchase Program (A)	—	\$ —	—	\$ 1,310,909
Employee Transactions (B)	1,475	\$ 131.33	N/A	N/A

(A) In February 2023, our Board of Directors increased the size of our share repurchase program by \$1 billion. Since the share repurchase program's inception in May 2003, our Board of Directors has authorized \$13 billion of share repurchases of our common stock through June 30, 2023. The share repurchase authorization has no set expiration or termination date.

(B) Includes: (1) shares delivered or attested to in satisfaction of the exercise price and/or tax withholding obligations by holders of stock options (granted under the Company's Amended and Restated Employee Long-Term Incentive Plan) who exercised options; and (2) shares withheld (under the terms of grants under the Amended and Restated Employee Long-Term Incentive Plan) to offset tax withholding obligations that occur upon the delivery of outstanding common shares underlying restricted stock units and performance share units.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

**Exhibits:**

10.1	<a href="#">Amended and Restated Quest Diagnostics Incorporated Employee Long-Term Incentive Plan as amended March 31, 2023</a>
10.2	<a href="#">Amended and Restated Employee Stock Purchase Plan, as amended, effective May 16, 2023</a>
22	<a href="#">Subsidiary Guarantors of Securities</a>
31.1	<a href="#">Rule 13a-14(a) Certification of Chief Executive Officer</a>
31.2	<a href="#">Rule 13a-14(a) Certification of Chief Financial Officer</a>
32.1	<a href="#">Section 1350 Certification of Chief Executive Officer</a>
32.2	<a href="#">Section 1350 Certification of Chief Financial Officer</a>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document - dgx-20230630.xsd
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document - dgx-20230630_cal.xml
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document - dgx-20230630_def.xml
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document - dgx-20230630_lab.xml
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document - dgx-20230630_pre.xml
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)



## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

July 27, 2023

Quest Diagnostics Incorporated

By /s/ James E. Davis  
James E. Davis  
Chairman, Chief Executive Officer  
and President

By /s/ Sam A. Samad  
Sam A. Samad  
Executive Vice President and  
Chief Financial Officer

**Amended and Restated Quest Diagnostics Incorporated Employee Long-Term Incentive Plan**  
**(As amended March 31, 2023)**

**1. THE PLAN**

(a) *Purpose.* This Amended and Restated Quest Diagnostics Incorporated Employee Long-Term Incentive Plan (the “Plan”) is intended to benefit the stockholders of Quest Diagnostics Incorporated (the “Company”) by providing a means to attract, retain and reward individuals who can and do contribute to the longer term financial success of the Company. Further, the recipients of stock-based awards under the Plan should identify their success with that of the Company’s stockholders and therefore will be encouraged to increase their proprietary interest in the Company.

(b) *Effective Date.* The original version of the Plan became effective upon its approval by the holders of stock entitled to vote at the Company’s 2005 Annual Meeting of Stockholders (the “Effective Date”).

**2. ADMINISTRATION**

(a) *General.* The Plan shall be administered by an administrator (the “Administrator”) which shall be: (i) in the case of employees that are not executive officers, either the Board of Directors of the Company (the “Board”) or a committee appointed by the Board; or (ii) in the case of employees that are executive officers, a committee appointed by the Board consisting of no less than two of its members, none of whom shall be (or formerly have been) an employee of the Company; provided, however, that, in the case of employees that are not executive officers, notwithstanding any such appointment, from time to time the Board may assume, at its sole discretion, full or partial responsibility for administration of the Plan. In addition, the Board may delegate to a committee consisting of one or more of its members (including any member who is a current or former officer or other employee of the Company) authority concurrent with that of the Administrator to take the actions described in Section 2(b) (any such committee being referred to, collectively with the Administrator, as the “Committee”). Except with regard to awards to employees subject to Section 16 of the Exchange Act, the Administrator may delegate such responsibilities and powers as it specifies to one or more of its members or to any officer or officers selected by it. Any action undertaken by any such delegatee in accordance with the Administrator’s delegation of authority shall have the same force and effect as if undertaken directly by the Administrator. Any such delegation may be revoked by the Administrator at any time.

(b) *Award granting authority.* The Committee shall have power and authority to:

(i) select individuals (other than executive officers) to receive awards from among those persons eligible to receive awards pursuant to Section 2(d);

(ii) determine the types and terms and conditions of all awards granted, including performance and other earnout and/or vesting conditions and the consequences of termination of employment;

(iii) amend any outstanding award to the extent provided in Section 6(a); and

(iii) determine the extent to which awards may be transferred to eligible third parties to the extent provided in Section 8(a).

(c) *Administrative authority.* In addition to the powers and authorities described in Section 2(b), the Administrator's power and authority shall include, but not be limited to, interpreting the provisions of the Plan and awards under the Plan and administering the Plan in a manner that is consistent with its purpose. The Administrator's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan (whether or not such persons are similarly situated). The Administrator's decision in carrying out the Plan and its interpretation and construction of any provisions of the Plan or any award granted or agreement or other instrument executed under it shall be final and binding upon all persons. No members of the Board, the Committee, the Administrator or any individual to whom the Administrator has delegated any responsibilities or powers in accordance with Section 2(a) shall be liable for any action, omission or determination made in good faith in administering the Plan or in making, or refraining from making, awards hereunder.

(d) *Eligible Persons.* Awards may be granted to any employee of the Company or of (i) any corporation (or a partnership or other enterprise) in which the Company owns or controls, directly or indirectly, 50% or more of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power) or (ii) any other corporation (or partnership or other enterprise) in which the Company, directly or indirectly, has at least a 20% equity or similar interest and whose employees the Administrator designates as eligible to receive awards under the Plan. An individual's status as an administrator of the Plan pursuant to authority delegated under Section 2(a) will not affect his or her eligibility to receive awards under the Plan.

(e) *Award Prices.* Except for awards made in connection with the assumption of, or in substitution for, outstanding awards previously granted by an acquired entity ("***Substitute Awards***"), all awards denominated or made in Shares shall use as the per Share price an amount equal to or greater than the Fair Market Value (as defined herein) of the Shares on the date of grant. For purposes of the Plan, "***Fair Market Value***" means, unless the Administrator determines otherwise, the mean of the high and low selling prices of a share of the Common Stock of the Company ("***Share***") on the New York Stock Exchange Composite list (or such other stock exchange as shall be the principal public trading market for the Shares) on the date the award is granted, or if Shares are not traded on such date, the mean of the high and low selling prices on the New York Stock Exchange Composite list (or such other stock exchange as shall be the principal public trading market for the Shares) on the next preceding day on which such Shares were traded. With respect to Substitute Awards, the per Share price, if less than the Fair Market Value of the Shares on the date of the award, shall be determined so that the excess of the aggregate intrinsic value of the Substitute Award, determined immediately after the transaction giving rise to the substitution or assumption of the predecessor award, does not exceed the aggregate intrinsic value of such predecessor award, determined immediately before such transaction, and such substitution complies with applicable laws and regulations, including the listing requirements of the New York Stock Exchange or other principal stock exchange on which the Shares are then listed and Section 409A or Section 424 of the Internal Revenue Code (the "***Code***"), as applicable.

(f) *No Repricing.* Except as provided for in Section 3(f), the per Share exercise price of any stock option or stock appreciation right may not be decreased after the grant of the award, and a stock option or stock appreciation right may not be surrendered as consideration in exchange for cash, the grant of a new stock option or stock appreciation right with a lower per Share exercise price or the grant of a stock award, without stockholder approval.

(g) *Minimum Vesting Requirement.* Except in the case of a Substitute Award made in replacement of an award that is already vested or scheduled to vest in less than one year from the date of grant of such Substitute Award, no more than 5% of the shares of Common Stock authorized for issuance under the Plan pursuant to Section 3(a) (as it may be adjusted pursuant to Section 3(f)) may be granted pursuant to awards that vest in less than one year following the date of grant.

### 3. SHARES SUBJECT TO THE PLAN AND ADJUSTMENTS

(a) *Maximum Shares Available for Delivery.* Subject to adjustments under Section 3(f), the maximum number of Shares that may be delivered to participants and their beneficiaries in respect of awards made under the Plan after February 23, 2023 shall be equal to 11,437,606 Shares. For awards made on or after the date of the Company's 2012 annual meeting of stockholders, any Shares covered by awards granted pursuant to Section 4(b) or Section 4(c) shall be counted against the foregoing limit on the basis of one Share for every Share subject to the award, and any Shares covered by awards granted pursuant to Section 4(d) shall be counted against such limit on the basis of 2.65 Shares for every Share subject to the award.

(b) Any Shares delivered under the Plan which are forfeited back to the Company because of the failure to meet an award contingency or condition shall again be available for delivery pursuant to new awards granted under the Plan. Any Shares covered by an award (or portion of an award) granted under the Plan which are forfeited or cancelled, expire or are settled in cash, shall be deemed not to have been delivered for purposes of determining the maximum number of Shares available for delivery under the Plan. Any Shares that become available for delivery under the Plan pursuant to the two preceding sentences and that were subject to awards made on or after the date of the Company's 2012 annual meeting of stockholders shall be added back as one Share if such Shares were subject to an award granted pursuant to Section 4(b) or Section 4(c), and as 2.65 Shares if such Shares were subject to an award granted pursuant to Section 4(d). For purposes of determining the number of shares that remain available for issuance under the Plan, (i) any Shares that are tendered by a participant or withheld by the Company to pay the exercise price of an award or to satisfy the participant's tax withholding obligations in connection with the exercise or settlement of an award and (ii) all of the Shares covered by a net share-settled stock option or a stock-settled stock appreciation right to the extent exercised, shall be deemed delivered pursuant to the Plan and shall not be available for delivery pursuant to new awards under the Plan. In addition, Shares repurchased on the open market with the proceeds of the exercise price of an award shall not be added to the number of Shares available for delivery pursuant to new awards under the Plan. The Shares delivered under the Plan may be authorized and unissued shares or shares held in the treasury of the Company, including shares purchased by the Company (at such time or times and in such manner as it may determine).

(c) *Substitute Awards.* Shares issued under the Plan through the settlement, assumption or substitution of Substitute Awards or, to the extent permitted by the rules of the New York Stock Exchange (or other stock exchange as shall be the principal public trading market for the Shares), awards granted over Shares available as a result of the Company's assumption of an acquired entity's plans in corporate acquisitions and mergers shall not reduce the maximum number of Shares available for delivery under the Plan or the maximum number of Shares that may be delivered in conjunction with awards granted pursuant to Section 4(d).

(d) *Other Plan Limits.* Subject to adjustment under Section 3(f), the following additional maximums are imposed under the Plan. The maximum aggregate number of Shares that may be covered by awards granted to any one individual during any fiscal year of the Company pursuant to Sections 4(b) and 4(c) shall not exceed 2,000,000 Shares. The maximum aggregate number of Shares that may be covered by awards granted to any one individual during any fiscal year of the Company pursuant to Section 4(d) shall not exceed 1,000,000 Shares. The full number of Shares available for delivery under the Plan may be delivered pursuant to incentive stock options under Section 422 or any other similar provision of the Code, except that in calculating the number of Shares that remain available for awards of incentive stock options, the rules set forth in Section 3(a) shall not apply to the extent not permitted by Section 422 of the Code.

(e) *Payment Shares.* Subject to the overall limitation on the number of Shares that may be delivered under the Plan, available Shares may be used as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company.

(f) *Adjustments for Corporate Transactions.* In the event of any stock split, reverse stock split, stock dividend, recapitalization, reorganization, merger, demerger, consolidation, split-up, spin-off, combination or exchange of shares, or any similar change affecting the Shares, or in the event the Company pays an extraordinary cash dividend, (i) the number and kind of shares which may be delivered under the Plan pursuant to Sections 3(a) and 3(d); (ii) the number and kind of shares subject to outstanding awards; and (iii) the exercise price of outstanding stock options and stock appreciation rights shall be appropriately adjusted consistent with such change in such manner as the Administrator may deem equitable to prevent substantial dilution or enlargement of the right granted to, or available for, participants in the Plan; provided, however, that no such adjustment shall be required if the Administrator determines that such action could cause a stock option or stock appreciation right to fail to satisfy the conditions of an applicable exception from the requirements of Section 409A of the Code (“Section 409A”) or otherwise could subject a participant to any interest or additional tax imposed under Section 409A in respect of an outstanding award. Similar adjustments may be made in situations where the Company assumes or substitutes for outstanding awards held by employees and other persons of an entity acquired by the Company.

#### 4. TYPES OF AWARDS

(a) *General.* An award may be granted singularly, in combination with another award(s) or in tandem whereby exercise or vesting of one award held by a participant cancels another award held by the participant. Subject to the limitations of Section 2(f), an award may be granted as an alternative or successor to or replacement of an existing award under the Plan or under any other compensation plan or arrangement of the Company, including the plan of any entity acquired by the Company. The types of awards that may be granted under the Plan include:

(b) *Stock Option.* A stock option represents a right to purchase a specified number of Shares during a specified period at a price per Share which is no less than one hundred percent (100%) of the Fair Market Value of a Share on the date of the award. A stock option may be intended to qualify as an incentive stock option under Section 422 or any other similar provision of the Code or may be intended not to so qualify. Each stock option granted on or after the Effective Date shall expire on the applicable date designated by the Committee but in no event may such date be more than ten years from the date the stock option is granted. The Shares covered by a stock option may be purchased by means of a cash payment or such other means as the Administrator may from time-to-time permit, including (i) tendering (either actually or by attestation) Shares valued using the market price on the date of exercise, (ii) authorizing a third party to sell Shares (or a sufficient portion thereof) acquired upon exercise of a stock option and to remit to the Company a sufficient portion of the sale proceeds to pay for all the Shares acquired through such exercise and any tax withholding obligations resulting from such exercise; (iii) a net share settlement procedure or through the withholding of Shares subject to the stock option valued using the market price on the date of exercise; or (iv) any combination of the above.

(c) *Stock Appreciation Right.* A stock appreciation right is a right to receive a payment in cash, Shares or a combination thereof, equal to the excess of the aggregate market price on the date of exercise of a specified number of Shares over the aggregate exercise price of the stock appreciation right being exercised. The longest period during which a stock appreciation right granted on or after the Effective Date may be outstanding shall be ten years from the date the stock appreciation right is granted. The exercise price of a stock appreciation right shall be no less than one hundred percent (100%) of the Fair Market Value of a Share on the date of the award.

(d) *Stock Award.* A stock award is a grant of Shares or of a right to receive Shares (or their cash equivalent or a combination of both) in the future. Each stock award shall be earned and vest over such period and shall be governed by such conditions, restrictions and contingencies as the Committee shall determine. These may include continuous service and/or the achievement of performance goals. The performance goals that may be used by the Committee for stock awards may include, without limitation, one or more of the following: operating profits (including EBITDA), net profits, earnings per share, profit returns and margins, revenues, cost/expense management, shareholder return and/or value, stock price, return on invested capital, cash flow, customer attrition, productivity, workforce diversity, employee satisfaction, individual executive performance, customer service and quality metrics. Performance goals may be measured solely on a corporate, subsidiary or business unit basis, or a combination thereof. Further, performance criteria may reflect absolute entity performance or a relative comparison of entity performance to the performance of a peer group of entities or other external measure of the selected performance criteria. Profit, earnings and revenues used for any performance goal measurement may exclude, without limitation, gains or losses on operating asset sales or dispositions; asset write-downs; litigation or claim judgments or settlements; accruals for historic environmental obligations; effect of changes in tax law or rate on deferred tax assets and liabilities; accruals for reorganization and restructuring programs; uninsured catastrophic property losses; the effect of changes in accounting standards; the cumulative effect of changes in accounting principles; the effect of dispositions of companies or businesses; charges related to the acquisition and integration of companies or businesses; and any items excluded from the calculation of ordinary income (or loss) determined in accordance with generally accepted accounting principles (which may include, without limitation, extraordinary items or significant unusual or infrequently occurring items) and/or described in management's discussion and analysis of financial performance appearing in the Company's annual report to stockholders for the applicable year.

## 5. AWARD SETTLEMENTS AND PAYMENTS

(a) *Dividends and Dividend Equivalents.* Awards of stock options and stock appreciation rights shall not include any right to receive dividends or dividend equivalent payments in respect of Shares underlying the award; provided, however, that Shares delivered upon exercise of stock options and stock appreciation rights shall, from the date of delivery, have the same dividend rights as other outstanding Shares. A stock award pursuant to Section 4(d) may include the right to receive dividends or dividend equivalent payments which may be paid either currently or credited to a participant's account. Any such crediting of dividends or dividend equivalents may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including vesting conditions and the reinvestment of such credited amounts in Share equivalents, and, in the case of any award subject to the achievement of performance goals, such dividends or dividend equivalents shall be paid only if, and to the extent that, such performance goals are satisfied.

(b) *Payments.* Awards may be settled through cash payments, the delivery of Shares, the granting of awards or combination thereof as the Committee shall determine. Any award settlement, including payment deferrals, may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any award payment, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest, or dividend equivalents, including converting such credits into deferred Share equivalents. It is intended that any such settlement or deferral shall be implemented in a manner and this Plan shall be interpreted and administered so as to comply with Section 409A and any applicable guidance issued thereunder in order to avoid the imposition of any interest or additional tax on an employee under Section 409A in respect of any award.

(c) *Effect of Termination of Employment.* The applicable award agreement shall provide for the extent to which a participant shall vest in or forfeit an award following the participant's termination of employment and, with respect to stock options and stock appreciation rights, the extent to which a participant shall have the right to exercise the stock option or stock appreciation right following termination of employment. Such provisions shall be determined by the Administrator in its sole discretion, need not be uniform among all award agreements, and may reflect distinctions based on the reasons for termination.

## 6. PLAN AMENDMENT AND TERMINATION

(a) *Amendments.* The Board may amend this Plan and the Committee may amend any outstanding award in such manner as it deems necessary and appropriate to better achieve the Plan's purpose; provided, however, that (i) except as provided in Section 3(f), (a) the Share and other award limitations set forth in Sections 3(a) and 3(d) cannot be increased and (b) the minimum stock option and stock appreciation right exercise prices set forth in Sections 2(e), 4(b) and 4(c) cannot be changed unless such a plan amendment is properly approved by the Company's stockholders, and (ii) no such amendment shall, without a participant's consent, materially adversely affect a participant's rights with respect to any outstanding award. Notwithstanding the foregoing, no action taken by the Committee (x) to settle or adjust an outstanding award pursuant to Section 3(f) or (y) to modify an outstanding award to avoid, in the reasonable, good faith judgment of the Company, the imposition on any participant of any tax, interest or penalty under Section 409A, shall require the consent of any participant.

(b) *Plan Suspension and Termination.* The Board may suspend or terminate this Plan at any time. However, in no event may any awards be granted under the Plan after the date of the 2031 Annual Meeting of Stockholders. Any such suspension or termination shall not of itself impair any outstanding award granted under the Plan or the applicable participant's rights regarding such award.

## 7. CHANGE IN CONTROL

(a) *Administrator Determinations.* Notwithstanding any provisions of this Plan to the contrary, the Administrator may, in its sole discretion, at the time an award is made hereunder or at any time prior to, coincident with or after the time of a Change in Control (as hereinafter defined):

(i) provide for the adjustment of any performance conditions as the Administrator deems necessary or appropriate to reflect the Change in Control;

(ii) provide that upon termination of a participant's employment as a result of the Change in Control, any time periods or other conditions relating to the vesting, exercise, payment or distribution of an award will be accelerated or waived;

(iii) provide for the purchase of any awards from a participant whose employment has been terminated as a result of a Change in Control for an amount of cash equal to the amount that could have been obtained upon the exercise, payment or distribution of such rights had such award been currently exercisable or payable; or

(iv) cause the awards outstanding at the time of a Change in Control to be assumed, or new rights substituted therefore, by the surviving entity or acquiring entity in the transaction (or the surviving or acquiring entity's parent company) or, if the Company is not the surviving entity following the Change in Control and the surviving or acquiring entity (or its parent company) does not agree to assume the Company's obligations with respect to any awards under the Plan or to replace those awards with new rights of substantially equivalent value (as determined by the Administrator), to cause such awards to vest immediately prior to the Change in Control in such a manner that will enable the participant to participate

in the Change in Control with respect to the shares issuable upon vesting, exercise, payment or distribution of such awards on the same basis as other holders of the Company's outstanding Common Stock.

For purposes of sub-paragraphs (ii) or (iii) above, any participant whose employment is terminated by the Company (including any surviving entity or successor to the Company following a Change in Control) other than for "cause," or by the participant for "good reason" (each as defined in the applicable award agreement), upon or within two years following a Change in Control shall be deemed to have been terminated as a result of the Change in Control. Except as provided in this Section 7(a), and notwithstanding any other provisions of the Plan or an award agreement to the contrary, the vesting, payment, purchase or distribution of an award may not be accelerated by reason of a Change of Control for any participant unless the Participant's employment terminates as a result of the Change of Control.

(b) *Definition.* A "**Change in Control**" shall be deemed to occur if and when:

(i) Any person (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities; or

(ii) The individuals who, as of the date of grant, constituted the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual (other than any individual whose initial assumption of office is in connection with an actual or threatened election contest (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act)) becoming a director subsequent to the date of grant of an award, whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, shall be considered as though such individual was a member of the Incumbent Board; or

(iii) The Company consummates any of the following transactions that are required to be approved by shareholders: (a) a transaction in which the Company ceases to be an independent publicly owned corporation, or (b) the sale or other disposition of all or substantially all of the Company's assets, or (c) a plan of partial or complete liquidation of the Company.

## 8. MISCELLANEOUS

(a) *Assignability.* No Award granted under the Plan shall be transferable, whether voluntarily or involuntarily, other than by will or by the laws of descent and distribution; provided, however, that the Committee may permit transfers as gifts to family members or to trusts or other entities for the benefit of one or more family members on such terms and conditions as it shall determine; and, provided, further, that unless permitted by applicable regulations under the Code or other Internal Revenue Service guidance, the Committee may not permit any such transfers of incentive stock options. During the lifetime of a participant to whom incentive stock options were awarded, such incentive stock options shall be exercisable only by the participant.

(b) *No Individual Rights.* The Plan does not confer on any person any claim or right to be granted an award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any employee or other person any right to continue to be employed by or to perform services for the Company, any subsidiary or related entity. The right to terminate the employment of or performance of services by any Plan participant at any time and for any reason is specifically reserved to the employing entity.



(c) *Unfunded Plan.* The Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company and any participant or beneficiary of a participant. To the extent any person holds any obligation of the Company by virtue of an award granted under the Plan, such obligation shall merely constitute a general unsecured liability of the Company and accordingly shall not confer upon such person any right, title or interest in any assets of the Company.

(d) *Use of Proceeds.* Any proceeds from the sale of shares under the Plan shall constitute general funds of the Company.

(e) *Other Benefit and Compensation Plans.* Unless otherwise specifically determined by the Administrator, settlements of awards received by participants under the Plan shall not be deemed a part of a participant's regular, recurring compensation for purposes of calculating payments or benefits from any Company benefit plan or severance Plan. Further, the Company may adopt any other compensation plans or arrangements as it deems appropriate.

(f) *No Fractional Shares.* Unless otherwise determined by the Administrator, no fractional Shares shall be issued or delivered pursuant to the Plan or any award, and the Administrator shall determine whether any fractional Share shall be rounded up or rounded down to the nearest whole Share, whether cash shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be cancelled.

(g) *Governing Law.* The validity, construction and effect of the Plan and, except as otherwise determined by the Administrator, any award, agreement or other instrument issued under the Plan, shall be determined in accordance with the laws of the State of New Jersey applicable to contracts entered into and performed entirely within the State of New Jersey (without reference to its principles of conflicts of law).

# Amended and Restated Employee Stock Purchase Plan

(As approved by the stockholders on May 4, 2006 and as amended effective as of May 16, 2023)

The purpose of the Employee Stock Purchase Plan (the “Program”) of Quest Diagnostics Incorporated (the “Corporation”) is to provide to employees an ongoing opportunity to purchase shares of Common Stock of the Corporation, par value \$0.01 per share (“Common Stock”). The Program became effective upon its approval by the holders of stock entitled to vote at the Corporation’s May 4, 2006 Annual Meeting of Stockholders and has subsequently been amended.

1. Administration. The Program will be administered by the Compensation Committee of the Board of Directors (the “Committee”). The Committee will have authority to (a) exercise all of the powers granted to it under the Program, (b) construe, interpret and implement the Program, (c) to prescribe, amend and rescind rules and regulations relating to the Program, including rules governing its own operations, (d) to make all determinations necessary or advisable in administering the Program and (e) to correct any defect, supply any omission and reconcile any inconsistency in the Program. The determination of the Committee on any matters relating to the Program shall be final, binding and conclusive. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Program. To the extent permitted by applicable law, the Committee may delegate such responsibilities and powers as it specifies to any employee or employees selected by it. Any action undertaken by an administrator in accordance with the Committee’s delegation of authority shall have the same force and effect as if undertaken directly by the Committee. Any such delegation may be revoked by the Committee at any time.

2. Eligibility. Such groups of employees of the Corporation or any subsidiary or other entity as may from time to time be designated by the Committee (“Participating Entity”) will be eligible to participate in the Program, in accordance with such rules as may be prescribed from time to time by the Committee. No employee can participate in the Program if such employee would, immediately after participating in the Program, own stock possessing five percent or more of the total combined voting power or value of all classes of stock of the Corporation or of its parent or subsidiary corporations. A person may not participate in the Program unless such person is an “employee” as defined in the instructions to the Form S-8 registration statement under the Securities Act of 1933, as amended (or any successor form) as in effect from time to time.

3. Shares Subject to the Program. The total number of shares of Common Stock which may be delivered pursuant to the Program will be nine million (9,000,000) shares of Common Stock in the aggregate. In the event of any stock split, reverse stock split, stock dividend, recapitalization, reorganization, merger, demerger, consolidation, split-up, spin-off, combination or exchange of shares, or any similar change affecting the Common Stock, or in the event the Company pays an extraordinary cash dividend: (i) the number and kind of shares which may be delivered under the Program; (ii) the number and kind of shares subject to outstanding Options (as hereinafter defined); and (iii) the exercise price of outstanding Options shall be appropriately adjusted consistent with such change in such manner as the Committee may deem equitable to prevent substantial dilution or enlargement of the right granted to, or available for, participants. Except as expressly provided herein, no issuance by the Corporation of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option. The Shares delivered under the Plan may be authorized and unissued shares or shares held in the treasury of the Corporation, including shares purchased by the Corporation (at such time or times and in such manner as it may determine).

## 4. Participation; Payroll Deductions.

(a) An eligible employee may participate in the Program by completing the enrollment process specified by the Corporation, including authorizing payroll deductions from the employee’s eligible compensation (as determined from time to time by the Committee). Payroll deductions authorized by a participating employee will be given effect as soon as practicable after completion of the enrollment process, but may not be retroactive.

(b) Unless otherwise determined by the Committee, an employee may authorize a payroll deduction at a rate, in whole percentages, of (X) not less than one percent (1%) of the eligible compensation that the employee receives during each payroll period and (Y) not greater than ten percent (10%) of the eligible compensation that the employee receives during each payroll period; provided, however, that employees participating in the Program on June 29, 2015 shall not be subject to the limitation set forth in clause (X) until such time, if any, as they change the amount of their payroll deduction.

(c) Payroll deductions authorized under the Program shall be held by the Corporation as part of its general funds. All funds held by the Corporation under the Program may be used for any corporate purpose. Records will be maintained of the payroll deductions of each participating employee. Participating employees shall not be credited with, or entitled to receive, interest in respect of payroll deductions.

(d) A participating employee may at any time request to stop, increase or decrease his or her payroll deductions by completing a Corporation-specified process. These requests shall become effective as soon as practicable after completion of the process. A participating employee shall have no right to withdraw payroll deductions.

(e) If a participating employee ceases to participate in the Program for any reason (including, without limitation, Program ineligibility or termination of employment), then that participating employee's uninvested payroll deductions shall be refunded as soon as practicable.

## 5. Offerings.

### (a) Certain Definitions; Offering; Corporate Contribution

(1) The Corporation shall make on the last business day of each calendar month, or on such other date or dates as the Committee may determine, an offer to participating employees to purchase shares of Common Stock under the Program. Each date on which an offer is made is referred to as an "Offer Date."

(2) The period beginning on the day following an Offer Date and continuing through (and including) the next Offer Date shall be an "Offer Period."

(3) The payroll deductions for a participating employee made under the Program during an Offer Period shall be the "Employee Contribution" for that Offer Period.

(4) On each Offer Date, for each employee for which there is an Employee Contribution for the Offer Period ending on that Offer Date, the Corporation shall make a "Corporate Contribution" equal to 0.0526 multiplied by the Employee Contribution.

(5) For each participating employee as of any date, the sum of all Employee Contributions plus all Corporate Contributions that have not yet been invested in shares of Common Stock purchased under the Program shall be the participating employee's "Program Credits" as of that date.

(6) "Market Price" means, unless the Committee determines otherwise, the closing price of a share of Common Stock on the New York Stock Exchange Composite list (or such other stock exchange as shall be the principal public trading market for the Common Stock) on the relevant date of determination or, if the Common Stock is not traded on such date, the closing price on the New York Stock Exchange Composite list (or such other stock exchange as shall be the principal public trading market for the Common Stock) on the next preceding day on which the Common Stock was traded.

(b) On any Offer Date, each participating employee will be entitled to purchase Common Stock under the Program on that Offer Date and will be granted an option (an "Option") to purchase as many shares of Common Stock as may be purchased with the participating employee's Program Credits. The exercise price for each Option will be the Market Price on the Offer Date. The participating employee shall be deemed to have exercised the Option as of the Offer Date and shall acquire the Common Stock subject to the Option.

6. Common Stock Acquired Under Program. Common Stock purchased by a participating employee under the Program shall be held by a third party agent in an account established for the participating employee.

## 7. Certain Rights.

(a) A participating employee shall not have any of the rights or privileges of a stockholder of the Corporation with respect to shares purchased under the Program unless and until ownership of such shares shall have been appropriately evidenced on the Corporation's books.

(b) Rights under the Program are not transferable by a participating employee other than by will or the laws of descent and distribution, and are exercisable during the participating employee's lifetime only by the participating employee.

(c) Nothing in the Program shall confer upon any employee the right to continue in the employ of the Corporation or any Participating Entity or affect any right which the Corporation or any Participating Entity may have to terminate such employment.

8. Amendment; Termination.

(a) The Committee may at any time, or from time to time, amend or suspend the Program in any respect, including retroactively to the extent necessary; provided, however that no such action shall be made without shareholder approval if such approval is required under tax or stock exchange rules and regulations. Upon any such suspension or amendment of the Program, the Committee may in its discretion determine that all payroll deductions pending investment under the Program will be applied under a successor program, if any, or promptly refunded.

(b) The Program and all rights of employees under any offering hereunder shall terminate at the discretion of the Committee or on the day that participating employees become entitled to purchase a number of shares of Common Stock greater than the number of shares of Common Stock remaining available for purposes of the Program; provided, however, if the number of shares of Common Stock so purchasable is greater than the shares of Common Stock remaining available, the available shares of Common Stock shall be allocated by the Committee among such participating employees in such manner as it deems fair.

(c) Upon termination of the Program all payroll deductions pending investment under the Program shall be applied under a successor program, if any, or promptly refunded.

9. Governmental Regulations. The Corporation's obligation to sell and deliver shares of Common Stock under the Program is subject to the approval of any governmental authority required for the authorization, issuance, or sale of such stock.

10. Expenses. The Committee shall determine in its discretion the extent to which costs of administering and carrying out the Program, including the cost of maintaining participant accounts and costs (including brokerage fees) incurred in connection with transfers or sales of shares under the Program, will be borne by participating employees (including those whose employment has terminated).

11. Miscellaneous.

(a) As a condition to participation by an employee in the Program, the Corporation may withhold from any compensation to which the participating employee may be entitled all amounts necessary to satisfy all federal, state, city or other taxes required to be withheld in connection with the individual's participation in the Program pursuant to any law or governmental regulation or ruling.

(b) The Program is not intended to qualify as an "employee stock purchase plan" within the meaning of Section 423(b) of the Internal Revenue Code, but is intended to meet the coverage and participation requirements of Sections 423(b)(3) and 423(b)(5) of the Internal Revenue Code and therefore to qualify as a "Stock Purchase Plan" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934.

12. Governing Law. The Program shall be interpreted, construed and administered in accordance with the laws of the State of New Jersey, without giving effect to principles of conflict of laws.

**Annex I: Certain Supplemental Provisions**

This Annex I to the Quest Diagnostics Incorporated Amended and Restated Employee Stock Purchase Plan sets forth supplemental terms and conditions applicable to (i) employees whose employment with the Corporation or another Participating Entity terminated (for any reason) on or prior to May 25, 2015 and (ii) employees and former employees whose accounts under the Program held securities of entities other than the Corporation.

1. **Rights on Retirement, Death, or Termination of Employment.**

Following retirement or other termination of employment, a participant (or if the participant has died, the representative of the participant's estate) may elect to have the shares of Common Stock held in the participant's account under the Program: (i) transferred to a brokerage account designated by the participant; or (ii) sold and the proceeds remitted to the participant. If the Corporation does not receive a written election relating to the shares in a participant's account from the participant within 60 days following the date the Corporation notifies the participant of the opportunity to make such election, the participant shall be deemed to have made the election provided for in clause

(ii) of the preceding sentence; provided, however, that the Committee may in its discretion establish a different default procedure for participants who fail to make a timely election. This Part 1 of Annex 1 became effective as of May 25, 2015, including with respect to participants who have retired or whose employment has otherwise terminated prior to such date.

2. **Common Stock of Entities Other than the Corporation.**

With respect to the shares of common stock or other securities of entities other than the Corporation held in accounts under the Program, a participant may elect to have the shares or other securities in the account: (i) delivered to the transfer agent for the issuer of such shares or other securities for the participant's benefit; (ii) transferred to a brokerage account designated by the participant; or (iii) sold and the proceeds remitted to the participant. If the Corporation does not receive a written election relating to such shares or other securities in a participant's account from the participant within 60 days following the date the Corporation notifies the participant of the opportunity to make such election, the participant shall be deemed to have made the election provided for in clause (iii) of the preceding sentence; provided, however, that the Committee may in its discretion establish a different default procedure for participants who fail to make a timely election. This Part 2 of Annex 1 became effective as of May 25, 2015.

**Subsidiary Guarantors of Securities**

As of July 27, 2023, the following subsidiaries of Quest Diagnostics Incorporated provided, subject to the terms of such senior notes, unconditional and irrevocable guarantees to the senior notes listed below that were issued by Quest Diagnostics Incorporated pursuant to an offering registered under the Securities Act of 1933, as amended:

Securities	Issuer	Subsidiary Guarantor	State of Organization
6.95% Senior Notes due 2037 5.75% Senior Notes due 2040	Quest Diagnostics Incorporated	American Medical Laboratories, Incorporated	Delaware
		AmeriPath, Inc.	Delaware
		AmeriPath Consolidated Labs, Inc.	Florida
		AmeriPath Florida, LLC	Delaware
		AmeriPath Hospital Services Florida, LLC	Delaware
		AmeriPath Kentucky, Inc.	Kentucky
		AmeriPath New York, LLC	Delaware
		AmeriPath Texas, Inc.	Delaware
		Blueprint Genetics Inc.	Delaware
		Diagnostic Pathology Services, Inc.	Oklahoma
		ExamOne World Wide, Inc.	Pennsylvania
		ExamOne World Wide of NJ, Inc.	New Jersey
		Kailash B. Sharma, M.D., Inc.	Georgia
		LabOne, LLC	Missouri
		LabOne of Ohio, Inc.	Delaware
		Ocmulgee Medical Pathology Association, Inc.	Georgia
		Quest Diagnostics Clinical Laboratories, Inc.	Delaware
		Quest Diagnostics Holdings Incorporated	Delaware
		Quest Diagnostics Incorporated	Maryland
		Quest Diagnostics Incorporated	Nevada
		Quest Diagnostics Investments LLC	Delaware
		Quest Diagnostics LLC	Connecticut
		Quest Diagnostics LLC	Illinois
		Quest Diagnostics LLC	Massachusetts
		Quest Diagnostics Nichols Institute	California
		Quest Diagnostics Nichols Institute, Inc.	Virginia
		Quest Diagnostics of Pennsylvania Inc.	Delaware
		Specialty Laboratories, Inc.	California
		Unilab Corporation	Delaware

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James E. Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quest Diagnostics Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 27, 2023

By /s/ James E. Davis  
James E. Davis  
Chairman, Chief Executive Officer and  
President

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sam Samad, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quest Diagnostics Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 27, 2023

By /s/ Sam Samad  
Sam Samad  
Executive Vice President and  
Chief Financial Officer



CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. § 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, the undersigned certifies that, to the best of my knowledge, the Quarterly Report on Form 10-Q for the period ended June 30, 2023 of Quest Diagnostics Incorporated, as being filed with the Securities and Exchange Commission concurrently herewith, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. § 78m or 78o(d)) and that the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Quest Diagnostics Incorporated.

Dated: July 27, 2023

/s/ James E. Davis

James E. Davis  
Chairman, Chief Executive Officer and  
President

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. § 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, the undersigned certifies that, to the best of my knowledge, the Quarterly Report on Form 10-Q for the period ended June 30, 2023 of Quest Diagnostics Incorporated, as being filed with the Securities and Exchange Commission concurrently herewith, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. § 78m or 78o(d)) and that the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Quest Diagnostics Incorporated.

Dated: July 27, 2023

/s/ Sam Samad

Sam Samad  
Executive Vice President and  
Chief Financial Officer