

Universal Health Services, Inc. Reports 2019 Fourth Quarter And Full Year Financial Results And 2020 Full Year Earnings Guidance

February 26, 2020

Consolidated Results of Operations, As Reported and As Adjusted -- Three-month periods ended December 31, 2019 and 2018:

KING OF PRUSSIA, Pa., Feb. 26, 2020 /PRNewswire/ -- Universal Health Services, Inc. (NYSE: UHS) announced today that its reported net income attributable to UHS was \$245.2 million, or \$2.79 per diluted share, during the fourth quarter of 2019 as compared to \$158.1 million, or \$1.70 per diluted share, during the comparable quarter of 2018. Net revenues increased 5.1% to \$2.896 billion during the fourth quarter of 2019 as compared to \$2.754 billion during the fourth quarter of 2018.

Included in our reported, and our adjusted, net income attributable to UHS during the fourth quarter of 2019 is a pre-tax unrealized gain of \$16.7 million, or \$.15 per diluted share (included in "Other (income), expense, net"), resulting from an increase in the market value of shares of certain marketable securities held for investment and classified as available for sale. Included in our reported, and our adjusted, net income attributable to UHS during the fourth quarter of 2018 is a pre-tax unrealized loss of \$12.5 million, or \$.10 per diluted share, resulting from a decrease in the market value of these shares.

As indicated on the attached Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule"), there were no significant adjustments made to our reported net income attributable to UHS during the fourth quarter of 2019.

As reflected on the Supplemental Schedule, our adjusted net income attributable to UHS during the fourth quarter of 2018 was \$220.1 million, or \$2.37 per diluted share. Included in our reported results during the fourth quarter of 2018, is a net aggregate unfavorable after-tax impact of \$62.0 million, or \$.67 per diluted share, consisting primarily of the following: (i) an unfavorable after-tax impact of \$24.5 million, or \$.26 per diluted share, resulting from a \$31.9 million pre-tax increase in the reserve established in connection with the civil aspects of the government's investigation of our behavioral health care facilities ("DOJ Reserve"), as discussed below, and; (ii) an unfavorable after-tax impact of \$37.7 million, or \$.41 per diluted share, resulting from a \$49.3 million provision for intangible asset impairment, as discussed below.

As calculated on the attached Supplemental Schedule, our earnings before interest, taxes, depreciation & amortization ("EBITDA net of NCI", NCI is net income attributable to noncontrolling interests), was \$485.1 million during the fourth quarter of 2019 as compared to \$359.9 million during the fourth quarter of 2018. Our adjusted earnings before interest, taxes, depreciation & amortization ("Adjusted EBITDA net of NCI"), which excludes the impacts of other (income) expense, net, as well as the unfavorable impact of the above-mentioned increase in the DOJ Reserve and provision for asset impairment, was \$465.8 million during the fourth quarter of 2019 as compared to \$453.6 million during the fourth quarter of 2018.

Consolidated Results of Operations, As Reported and As Adjusted -- Twelve-month periods ended December 31, 2019 and 2018:

Reported net income attributable to UHS was \$814.9 million, or \$9.13 per diluted share, during the twelve-month period ended December 31, 2019 as compared to \$779.7 million, or \$8.31 per diluted share, during the comparable twelve-month period of 2018. Net revenues increased 5.6% to \$11.378 billion during 2019 as compared to \$10.772 billion during 2018.

Included in our reported, and our adjusted, net income attributable to UHS are pre-tax unrealized gains of \$4.1 million, or \$.04 per diluted share, during the twelve-month period ended December 31, 2019, and \$6.0 million, or \$.05 per diluted share, during the twelve-month period ended December 31, 2018. As discussed above, these unrealized gains resulted from increases in the market value of shares of certain marketable securities held for investment and classified as available for sale.

For the twelve-month period ended December 31, 2019, our adjusted net income attributable to UHS, as calculated on the attached Supplemental Schedule, was \$891.8 million, or \$9.99 per diluted share, as compared to \$894.4 million, or \$9.53 per diluted share, during the twelve-month period of 2018.

As reflected on the Supplemental Schedule, included in our reported results during the twelve-month period ended December 31, 2019, is an aggregate net unfavorable after-tax impact of \$77.0 million, or \$.86 per diluted share, resulting from: (i) an unfavorable after-tax impact of \$74.6 million, or \$.84 per diluted share, resulting from a \$97.6 million provision for asset impairment, as discussed below; (ii) an unfavorable after-tax impact of \$14.6 million, or \$.16 per diluted share, resulting from an increase in the DOJ Reserve and the net estimated federal and state income taxes due on the portion of the DOJ Reserve that is estimated to be non-deductible for income tax purposes, as discussed below, and; (iii) a favorable after-tax impact of \$12.2 million, or \$.14 per diluted share, resulting from our adoption of ASU 2016-09, "Compensation -- Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09").

As reflected on the Supplemental Schedule, included in our reported results during the twelve-month period ended December 31, 2018, is a net aggregate unfavorable after-tax impact of \$114.6 million, or \$1.22 per diluted share, consisting of: (i) an unfavorable after-tax impact of \$78.2 million, or \$.83 per diluted share, resulting from a \$102.3 million pre-tax increase in the DOJ Reserve, as discussed below; (ii) an unfavorable after-tax impact of \$37.7 million, or \$.40 per diluted share, resulting from a \$49.3 million provision for intangible asset impairment, as discussed below, partially offset by; (iii) a favorable after-tax impact of \$1.2 million, or \$.01 per diluted share, resulting from our adoption of ASU 2016-09.

As calculated on the attached Supplemental Schedule, our EBITDA net of NCI, was \$1.707 billion during the twelve-month period ended December 31, 2019 as compared to \$1.624 billion during the twelve-month period ended December 31, 2018. Our Adjusted EBITDA net of NCI, which excludes the impacts of other (income) expense, net, as well as the unfavorable impacts of the above-mentioned provisions for asset impairment and increases in the DOJ Reserve, was \$1.802 billion during the twelve-month period ended December 31, 2019 as compared to \$1.762 billion during the twelve-month period ended December 31, 2018.

Acute Care Services -- Three and twelve-month periods ended December 31, 2019 and 2018:

During the fourth quarter of 2019, at our acute care hospitals owned during both periods ("same facility basis"), adjusted admissions (adjusted for outpatient activity) increased 2.1% and adjusted patient days increased 6.0%, as compared to the fourth quarter of 2018. At these facilities, net revenue per adjusted admission increased 5.3% while net revenue per adjusted patient day increased 1.4% during the fourth quarter of 2019 as compared to the fourth quarter of 2018. Net revenues from our acute care services on a same facility basis increased 7.9% during the fourth quarter of 2019 as compared to the fourth quarter of 2018.

During the twelve-month period ended December 31, 2019, at our acute care hospitals on a same facility basis, adjusted admissions increased 4.8% and adjusted patient days increased 5.7%, as compared to the full year of 2018. At these facilities, net revenue per adjusted admission increased 2.5% while net revenue per adjusted patient day increased 1.7% during the twelve-month period ended December 31, 2019 as compared to the full year of 2018. Net revenues from our acute care services on a same facility basis increased 7.7% during 2019 as compared to 2018.

Behavioral Health Care Services -- Three and twelve-month periods ended December 31, 2019 and 2018:

During the fourth quarter of 2019, at our behavioral health care facilities on a same facility basis, adjusted admissions increased 0.8% while adjusted patient days increased 0.9% as compared to the fourth quarter of 2018. At these facilities, net revenue per adjusted admission increased 4.0% while net revenue per adjusted patient day increased 3.9% during the fourth quarter of 2019 as compared to the comparable quarter in 2018. On a same facility basis, our behavioral health care services' net revenues increased 4.5% during the fourth quarter of 2019 as compared to the fourth quarter of 2018.

During the twelve-month period ended December 31, 2019, at our behavioral health care facilities on a same facility basis, adjusted admissions increased 1.2% while adjusted patient days increased 0.6% as compared to the full year of 2018. At these facilities, net revenue per adjusted admission increased 2.2% while net revenue per adjusted patient day increased 2.7% during the full year of 2019 as compared to 2018. On a same facility basis, our behavioral health care services' net revenues increased 3.1% during the twelve-month period ended December 31, 2019 as compared to the full year of 2018.

Net Cash Provided by Operating Activities and Share Repurchase Program:

For the twelve months ended December 31, 2019, our net cash provided by operating activities increased to \$1.438 billion as compared to \$1.275 billion generated during the full year of 2018. The \$164 million net increase was due to: (i) a favorable change of \$110 million resulting from an increase in net income plus/minus depreciation and amortization expense, stock-based compensation expense, provision for asset impairment, net gains on sale of assets and costs related to extinguishment of debt; (ii) a favorable change of \$29 million in accrued and deferred income taxes, and; (iii) \$25 million of other combined net favorable changes.

In conjunction with our January 1, 2019 adoption of ASU 2017-12, "Targeted Improvements to Accounting for Hedging Activities", we have included the net cash outflows/inflows, which were paid/received in connection with foreign exchange contracts that hedge our investment in the U.K., in investing cash flows on the consolidated statements of cash flows. During the twelve-month period ended December 31, 2019, in connection with foreign exchange contracts that hedge our investment in the U.K., we had \$19.8 million of net cash outflows, as compared to \$66.2 million of net cash inflows during the year ended December 31, 2018. Prior to 2019, these net outflows/inflows were included in operating cash flows. Prior period amounts have been reclassified to conform with current year presentation on the consolidated statements of cash flows included herein.

In July, 2019, our Board of Directors authorized a \$1.0 billion increase to our stock repurchase program, which increased the aggregate authorization to \$2.7 billion from the previous \$1.7 billion authorization approved in various increments since 2014. Pursuant to this program, which had an aggregate available repurchase authorization of \$756.1 million as of December 31, 2019, shares

of our Class B Common Stock may be repurchased, from time to time as conditions allow, on the open market or in negotiated private transactions.

In conjunction with our stock repurchase program, during the fourth quarter of 2019, we have repurchased approximately 1.29 million shares at an aggregate cost of \$181.2 million (approximately \$141 per share). During the full year of 2019, we have repurchased approximately 5.40 million shares at an aggregate cost of \$706.2 million (approximately \$131 per share). Since inception of the program in 2014 through December 31, 2019, we have repurchased approximately 16.07 million shares at an aggregate cost of approximately \$1.94 billion (approximately \$121 per share).

Agreement in Principle with DOJ's Civil Division and DOJ Reserve:

As previously disclosed on July 25, 2019, we have reached an agreement in principle with the DOJ's Civil Division, and on behalf of various states' attorneys general offices, to resolve the civil aspect of the government's investigation of our behavioral health care facilities for \$127 million subject to requisite approvals and preparation and execution of definitive settlement and related agreements. At that time, we also disclosed that we were further advised that the previously disclosed investigations being conducted by the DOJ's Criminal Frauds Section in connection with these matters had been closed.

In connection with the agreement in principle with the DOJ's Civil Division, during the twelve-month period ended December 31, 2019, we recorded a pre-tax increase of approximately \$11.0 million in the DOJ Reserve, which includes related fees and costs due to or on behalf of third-parties. There was no change to the DOJ Reserve during the fourth quarter of 2019. The aggregate pre-tax DOJ Reserve amounted to approximately \$134 million as of December 31, 2019. As of December 31, 2018, the aggregate pre-tax DOJ Reserve amounted to approximately \$123 million, including pre-tax increases of \$31.9 million and \$102.3 million recorded during the three and twelve-month periods ended December 31, 2018, respectively.

In late August, 2019, we received the initial draft of the settlement agreement from the DOJ's Civil Division. Negotiations regarding the terms and conditions of the settlement agreement continue. Based upon the terms and provisions included in the draft settlement agreement, and related subsequent discussions, our financial statements for the twelve-month period ended December 31, 2019 include an unfavorable provision for income taxes of \$6.2 million resulting from the net estimated federal and state income taxes due on the portion of the aggregate pre-tax DOJ Reserve that is estimated to be non-deductible for income tax purposes.

Since the agreement in principle with the DOJ's Civil Division is subject to certain required approvals and negotiation and execution of definitive settlement agreements, as well as finalization and execution of a corporate integrity agreement with the Office of Inspector General for the United States Department of Health and Human Services, we can provide no assurance that definitive agreements will ultimately be finalized. We therefore can provide no assurance that final amounts paid in settlement or otherwise, or associated costs, or the income tax deductibility of such payments, will not differ materially from our established reserve and assumptions related to income tax deductibility. Please see *Item 3-Legal Proceedings* in our Form 10-K for the year ended December 31, 2019 for additional disclosure in connection with this matter.

Provision for Asset Impairment – Foundations Recovery Network

Our financial results for twelve-month period ended December 31, 2019, include an aggregate pre-tax provision for asset impairment of \$97.6 million recorded in connection with Foundations Recovery Network, L.L.C. ("Foundations"), which was acquired by us in 2015. This pre-tax provision for asset impairment includes: (i) a \$74.9 million impairment provision to write-off the carrying value of the Foundations' trademark intangible asset, and; (ii) a \$22.7 million impairment provision to reduce the carrying value of real property assets of certain Foundations' facilities.

Our financial results for the three and twelve-month periods ended December 31, 2018, include a pre-tax provision for asset impairment of \$49.3 million to reduce the carrying value of a trademark intangible asset to approximately \$75 million from approximately \$124 million as originally recorded in connection with our acquisition of Foundations.

These provision for asset impairments, which are included in other operating expenses in our consolidated statements of income for the all applicable periods, were recorded after evaluation of the estimated fair value of the Foundations' trademark as well as certain related real property assets. The provisions for asset impairments were impacted by the following: (i) decisions made by management during 2019 to cancel the opening of future planned de novo facilities; (ii) reductions in projected future patient volumes, revenues and cash flows based upon the operating trends and financial results experienced by existing facilities that significantly lagged expectations, and; (iii) competitive pressures experienced in certain markets that were deemed to be permanent.

2020 Operating Results Forecast:

Reflected below is our 2020 guidance range for consolidated net revenues, earnings before interest, taxes, depreciation & amortization, and the impacts of other income/expense and net income attributable to noncontrolling interests ("Adjusted EBITDA net of NCI"), adjusted net income attributable to UHS per diluted share ("Adjusted EPS-diluted") and capital expenditures.

Adjusted EPS-diluted and Adjusted EBITDA net of NCI, are non-GAAP financial measures and should be examined in connection with net income determined in accordance with GAAP as presented in the consolidated financial statements and notes thereto in this report or in our filings with the Securities and Exchange Commission including our Report on Form 10-K for the year ended December 31, 2019. Please see the *Supplemental Non-GAAP Disclosures - 2020 Operating Results Forecast* schedule as included herein for additional information and a reconciliation to the financial forecasts as computed in accordance with GAAP.

| | For the Year Ended December 31, 2020 | |
|----------------------------|-----------------------------------------|-------------------|
| | Low | High |
| Net revenues | \$11.960 billion | \$12.116 billion |
| Adjusted EBITDA net of NCI | \$1.823 billion | \$1.902 billion |
| Adjusted EPS-diluted | \$10.30 per share | \$11.00 per share |
| Capital expenditures | \$775 million | \$825 million |

Our 2020 guidance contains a number of assumptions including, but not limited to, the following:

- The 2020 forecasted amounts exclude the impact of future items, if applicable, that are nonrecurring or non-operational in nature including items such as changes in the DOJ Reserve (including the income tax deductibility assumptions) established in connection with the agreement in principle with the Department of Justice-Civil Division (see below for additional disclosure), pre-tax unrealized gains/losses resulting from increases/decreases in the market value of shares of certain marketable securities held for investment and classified as available for sale, our adoption of ASU 2016-09, and other potential material items including, but not limited to, reserves for various matters including settlements, legal judgments and lawsuits, potential impacts of non-ordinary course acquisitions, divestitures, joint ventures or other strategic transactions, costs related to extinguishment of debt, gains/losses on sales of assets and businesses, impairment of long-lived and intangible assets, other amounts that may be reflected in the current financial statements that relate to prior periods, and the impact of share repurchases that differ from included assumptions. It is also subject to certain conditions including those as set forth below in *General Information, Forward-Looking Statements and Risk Factors and Non-GAAP Financial Measures*.
- Our net revenues are estimated to be approximately \$11.960 billion to \$12.116 billion representing an increase of approximately 5.1% to 6.5% over our 2019 net revenues of approximately \$11.378 billion.
- Our Adjusted EBITDA net of NCI is estimated to be approximately \$1.823 billion to \$1.902 billion representing an increase of approximately 1.1% to 5.5% over our 2019 Adjusted EBITDA net of NCI of \$1.802 billion.
- The Adjusted EPS-diluted guidance range of \$10.30 per diluted share to \$11.00 per diluted share represents an increase of approximately 3.1% to 10.1% over our adjusted net income attributable to UHS of \$9.99 per diluted share for the year ended December 31, 2019, as calculated on the attached Supplemental Schedule.

Conference call information:

We will hold a conference call for investors and analysts at 9:00 a.m. eastern time on February 27, 2020. The dial-in number is 1-877-648-7971.

A live broadcast of the conference call will be available on our website at www.uhsinc.com. Also, a replay of the call will be available following the conclusion of the live call and will be available for one full year.

Adoption of ASU 2016-02, "Leases (Topic 842): Amendments to the FASB Accounting Standards Codification":

Effective January 1, 2019, we adopted ASU 2016-02 which requires companies to, among other things, recognize lease assets and lease liabilities on the balance sheet. Our consolidated balance sheet as of December 31, 2019 includes right of use assets-operating leases and operating lease liabilities (current and noncurrent) recorded in connection with our adoption of ASU 2016-02. Prior period financial statements were not adjusted for the effects of this new standard.

General Information, Forward-Looking Statements and Risk Factors and Non-GAAP Financial Measures:

One of the nation's largest and most respected providers of hospital and healthcare services, Universal Health Services, Inc. has built an impressive record of achievement and performance. Growing steadily since our inception into an esteemed Fortune 500 corporation, our annual revenues were \$11.378 billion during 2019. In 2020, UHS was again recognized as one of the World's Most Admired Companies by *Fortune*; in 2019 ranked #293 on the Fortune 500; and in 2017, listed #275 in *Forbes* inaugural ranking of America's Top 500 Public Companies.

Our operating philosophy is as effective today as it was 40 years ago, enabling us to provide compassionate care to our patients and their loved ones. Our strategy includes building or acquiring high quality hospitals in rapidly growing markets, investing in the people and equipment needed to allow each facility to thrive, and becoming the leading healthcare provider in each community we serve.

Headquartered in King of Prussia, PA, UHS has more than 90,000 employees and through its subsidiaries operates 26 acute care hospitals, 328 behavioral health facilities, 42 outpatient facilities and ambulatory care access points, an insurance offering, a physician network and various related services located in 37 U.S. states, Washington, D.C., Puerto Rico and the United Kingdom. It acts as the advisor to Universal Health Realty Income Trust, a real estate investment trust (NYSE:UHT). For additional information on the Company, visit our web site: <http://www.uhsinc.com>.

This press release contains forward-looking statements based on current management expectations. Numerous factors, including those disclosed herein, those related to healthcare industry trends and those detailed in our filings with the Securities and Exchange Commission (as set forth in *Item 1A-Risk Factors* and in *Item 7-Forward-Looking Statements and Risk Factors* in our Form 10-K for the year ended December 31, 2019), may cause the results to differ materially from those anticipated in the forward-looking statements. Many of the factors that will determine our future results are beyond our capability to control or predict. These statements are subject to risks and uncertainties and therefore actual results may differ materially. Readers should not place undue reliance on such forward-looking statements which reflect management's view only as of the date hereof. We undertake no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

We believe that adjusted net income attributable to UHS, adjusted net income attributable to UHS per diluted share, EBITDA net of NCI and Adjusted EBITDA net of NCI, which are non-GAAP financial measures ("GAAP" is Generally Accepted Accounting Principles in the United States of America), are helpful to our investors as measures of our operating performance. In addition, we believe that, when applicable, comparing and discussing our financial results based on these measures, as calculated, is helpful to our investors since it neutralizes the effect in each year of material items impacting our net income attributable to UHS, such as, changes in the reserve established in connection with our discussions with the Department of Justice, our adoption of ASU 2016-09 and other potential material items that are nonrecurring or non-operational in nature including, but not limited to, impairments of long-lived and intangible assets, reserves for various matters including settlements, legal judgments and lawsuits, costs related to extinguishment of debt, gains/losses on sales of assets and businesses, and other amounts that may be reflected in the current or prior year financial statements that relate to prior periods. To obtain a complete understanding of our financial performance these measures should be examined in connection with net income attributable to UHS, as determined in accordance with GAAP, and as presented in the condensed consolidated financial statements and notes thereto in this report or in our other filings with the Securities and Exchange Commission including our Reports on Form 10-K for the year ended December 31, 2019. Since the items included or excluded from these measures are significant components in understanding and assessing financial performance under GAAP, these measures should not be considered to be alternatives to net income as a measure of our operating performance or profitability. Since these measures, as presented, are not determined in accordance with GAAP and are thus susceptible to varying calculations, they may not be comparable to other similarly titled measures of other companies. Investors are encouraged to use GAAP measures when evaluating our financial performance.

(more)

Universal Health Services, Inc.
Consolidated Statements of Income
(in thousands, except per share amounts)
(unaudited)

| | Three months ended December 31, | | Twelve months ended December 31, | |
|-------------------------------------------------------------------|------------------------------------|------------------|-------------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net revenues | \$2,896,247 | \$2,754,496 | \$11,378,259 | \$10,772,278 |
| <i>Operating charges:</i> | | | | |
| Salaries, wages and benefits | 1,431,640 | 1,331,704 | 5,588,893 | 5,254,536 |
| Other operating expenses | 644,393 | 717,942 | 2,723,911 | 2,614,687 |
| Supplies expense | 324,090 | 300,791 | 1,251,346 | 1,168,654 |
| Depreciation and amortization | 127,656 | 118,075 | 490,392 | 453,045 |
| Lease and rental expense | 27,489 | 26,162 | 107,809 | 106,094 |
| | <u>2,555,268</u> | <u>2,494,674</u> | <u>10,162,351</u> | <u>9,597,016</u> |
| Income from operations | 340,979 | 259,822 | 1,215,908 | 1,175,262 |
| Interest expense, net | 39,159 | 39,874 | 162,733 | 154,956 |
| Other (income) expense, net | <u>(19,338)</u> | <u>12,498</u> | <u>(13,162)</u> | <u>(14,219)</u> |
| Income before income taxes | 321,158 | 207,450 | 1,066,337 | 1,034,525 |
| Provision for income taxes | <u>73,148</u> | <u>43,828</u> | <u>238,794</u> | <u>236,642</u> |
| Net income | 248,010 | 163,622 | 827,543 | 797,883 |
| Less: Net income attributable to noncontrolling interests ("NCI") | 2,834 | 5,547 | 12,689 | 18,178 |
| Net income attributable to UHS | <u>\$245,176</u> | <u>\$158,075</u> | <u>\$814,854</u> | <u>\$779,705</u> |
| Basic earnings per share attributable to UHS (a) | <u>\$2.81</u> | <u>\$1.71</u> | <u>\$9.16</u> | <u>\$8.35</u> |
| Diluted earnings per share attributable to UHS (a) | <u>\$2.79</u> | <u>\$1.70</u> | <u>\$9.13</u> | <u>\$8.31</u> |

Universal Health Services, Inc.
Footnotes to Consolidated Statements of Income
(in thousands, except per share amounts)
(unaudited)

| (a) Earnings per share calculation: | Three months ended December 31, | | Twelve months ended December 31, | |
|-------------------------------------------------------------------|------------------------------------|------------------|-------------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Basic and diluted: | | | | |
| Net income attributable to UHS | \$245,176 | \$158,075 | \$814,854 | \$779,705 |
| Less: Net income attributable to unvested restricted share grants | (614) | (278) | (2,028) | (1,091) |
| Net income attributable to UHS - basic and diluted | <u>\$244,562</u> | <u>\$157,797</u> | <u>\$812,826</u> | <u>\$778,614</u> |
| Weighted average number of common shares - basic | <u>87,184</u> | <u>92,187</u> | <u>88,762</u> | <u>93,276</u> |
| Basic earnings per share attributable to UHS: | <u>\$2.81</u> | <u>\$1.71</u> | <u>\$9.16</u> | <u>\$8.35</u> |

| | | | | |
|---------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Weighted average number of common shares | 87,184 | 92,187 | 88,762 | 93,276 |
| Add: Other share equivalents | 419 | 519 | 278 | 474 |
| Weighted average number of common shares and equiv. - diluted | <u>87,603</u> | <u>92,706</u> | <u>89,040</u> | <u>93,750</u> |
| Diluted earnings per share attributable to UHS: | <u>\$2.79</u> | <u>\$1.70</u> | <u>\$9.13</u> | <u>\$8.31</u> |

Universal Health Services, Inc.
Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule")
For the Three Months ended December 31, 2019 and 2018
(in thousands, except per share amounts)
(unaudited)

Calculation of Earnings/Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA/Adjusted EBITDA net of NCI")

| | Three months ended December 31, 2019 | % Net revenues | Three months ended December 31, 2018 | % Net revenues |
|--------------------------------|-----------------------------------------|-------------------|-----------------------------------------|-------------------|
| Net income attributable to UHS | \$245,176 | | \$158,075 | |
| Depreciation and amortization | 127,656 | | 118,075 | |
| Interest expense, net | 39,159 | | 39,874 | |
| Provision for income taxes | 73,148 | | 43,828 | |
| EBITDA net of NCI | <u>\$485,139</u> | <u>16.8%</u> | <u>\$359,852</u> | <u>13.1%</u> |
| Other (income) expense, net | (19,338) | | 12,498 | |
| Increase in DOJ Reserve | - | | 31,895 | |
| Provision for asset impairment | - | | 49,310 | |
| Adjusted EBITDA net of NCI | <u>\$465,801</u> | <u>16.1%</u> | <u>\$453,555</u> | <u>16.5%</u> |
| Net revenues | <u>\$2,896,247</u> | | <u>\$2,754,496</u> | |

Calculation of Adjusted Net Income Attributable to UHS

| | Three months ended December 31, 2019 | | Three months ended December 31, 2018 | |
|--------------------------------------------------|-----------------------------------------|----------------------|-----------------------------------------|----------------------|
| | Amount | Per Diluted Share | Amount | Per Diluted Share |
| Net income attributable to UHS | \$245,176 | \$2.79 | \$158,075 | \$1.70 |
| Plus/minus after-tax adjustments: | | | | |
| Increase in DOJ Reserve and related income taxes | - | - | 24,477 | 0.26 |
| Impact of ASU 2016-09 | (78) | - | (139) | - |
| Provision for asset impairment, after-tax | - | - | 37,669 | 0.41 |
| Subtotal adjustments | <u>(78)</u> | <u>-</u> | <u>62,007</u> | <u>0.67</u> |
| Adjusted net income attributable to UHS | <u>\$245,098</u> | <u>\$2.79</u> | <u>\$220,082</u> | <u>\$2.37</u> |

Universal Health Services, Inc.
Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule")
For the Twelve Months ended December 31, 2019 and 2018
(in thousands, except per share amounts)
(unaudited)

Calculation of Earnings/Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA/Adjusted EBITDA net of NCI")

| | Twelve months ended December 31, 2019 | % Net revenues | Twelve months ended December 31, 2018 | % Net revenues |
|--------------------------------|------------------------------------------|-------------------|------------------------------------------|-------------------|
| Net income attributable to UHS | \$814,854 | | \$779,705 | |
| Depreciation and amortization | 490,392 | | 453,045 | |
| Interest expense, net | 162,733 | | 154,956 | |
| Provision for income taxes | 238,794 | | 236,642 | |
| EBITDA net of NCI | <u>\$1,706,773</u> | <u>15.0%</u> | <u>\$1,624,348</u> | <u>15.1%</u> |
| Other (income) expense, net | (13,162) | | (14,219) | |
| Increase in DOJ Reserve | 10,978 | | 102,327 | |
| Provision for asset impairment | 97,631 | | 49,310 | |
| Adjusted EBITDA net of NCI | <u>\$1,802,220</u> | <u>15.8%</u> | <u>\$1,761,766</u> | <u>16.4%</u> |
| Net revenues | <u>\$11,378,259</u> | | <u>\$10,772,278</u> | |

Calculation of Adjusted Net Income Attributable to UHS

Twelve months ended

Twelve months ended

| | December 31, 2019 | | December 31, 2018 | |
|--------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Amount | Per Diluted Share | Amount | Per Diluted Share |
| Net income attributable to UHS | \$814,854 | \$9.13 | \$779,705 | \$8.31 |
| Plus/minus after-tax adjustments: | | | | |
| Increase in DOJ Reserve and related income taxes | 14,583 | 0.16 | 78,171 | 0.83 |
| Impact of ASU 2016-09 | (12,200) | (0.14) | (1,195) | (0.01) |
| Provision for asset impairment, after-tax | 74,583 | 0.84 | 37,669 | 0.40 |
| Subtotal adjustments | 76,966 | 0.86 | 114,645 | 1.22 |
| Adjusted net income attributable to UHS | <u>\$891,820</u> | <u>\$9.99</u> | <u>\$894,350</u> | <u>\$9.53</u> |

Universal Health Services, Inc.
Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

| | Three months ended December 31, | | Twelve months ended December 31, | |
|------------------------------------------------------------------------------------|---------------------------------|------------------|----------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income | \$248,010 | \$163,622 | \$827,543 | \$797,883 |
| Other comprehensive income (loss): | | | | |
| Unrealized derivative gains (losses) on cash flow hedges | 0 | (2,460) | (3,925) | (2,805) |
| Minimum pension liability | 8,503 | (6,892) | 8,503 | (6,892) |
| Foreign currency translation adjustment | 47,078 | 25,198 | 27,886 | 9,718 |
| Other | 0 | 4,398 | 0 | 4,398 |
| Other comprehensive income (loss) before tax | 55,581 | 20,244 | 32,464 | 4,419 |
| Income tax expense (benefit) related to items of other comprehensive income (loss) | 5,489 | 8,987 | 4,813 | 8,905 |
| Total other comprehensive income (loss), net of tax | <u>50,092</u> | <u>11,257</u> | <u>27,651</u> | <u>(4,486)</u> |
| Comprehensive income | 298,102 | 174,879 | 855,194 | 793,397 |
| Less: Comprehensive income attributable to noncontrolling interests | 2,834 | 5,547 | 12,689 | 18,178 |
| Comprehensive income attributable to UHS | <u>\$295,268</u> | <u>\$169,332</u> | <u>\$842,505</u> | <u>\$775,219</u> |

Universal Health Services, Inc.
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

| | December 31, 2019 | December 31, 2018 |
|---------------------------------------------|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 61,268 | \$ 105,220 |
| Accounts receivable, net | 1,560,847 | 1,509,909 |
| Supplies | 159,889 | 148,206 |
| Other current assets | 133,930 | 174,467 |
| Total current assets | <u>1,915,934</u> | <u>1,937,802</u> |
| Property and equipment | 9,106,377 | 8,563,455 |
| Less: accumulated depreciation | <u>(4,089,679)</u> | <u>(3,715,515)</u> |
| | <u>5,016,698</u> | <u>4,847,940</u> |
| Other assets: | | |
| Goodwill | 3,869,760 | 3,844,628 |
| Deferred income taxes | 16,189 | 5,280 |
| Right of use assets-operating leases | 326,518 | 0 |
| Deferred charges | 6,373 | 8,772 |
| Other | 516,778 | 621,058 |
| Total Assets | <u>\$ 11,668,250</u> | <u>\$ 11,265,480</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 87,550 | \$ 63,446 |
| Accounts payable and accrued liabilities | 1,272,374 | 1,253,714 |
| Legal reserves | 144,509 | 129,150 |
| Operating lease liabilities | 56,442 | 0 |
| Federal and state taxes | 2,515 | 2,428 |
| Total current liabilities | <u>1,563,390</u> | <u>1,448,738</u> |
| Other noncurrent liabilities | 329,932 | 361,809 |
| Operating lease liabilities noncurrent | 270,076 | 0 |
| Long-term debt | 3,896,577 | 3,935,187 |
| Deferred income taxes | 25,071 | 49,661 |
| Redeemable noncontrolling interest | 4,333 | 4,292 |
| UHS common stockholders' equity | 5,504,105 | 5,389,262 |
| Noncontrolling interest | 74,766 | 76,531 |
| Total equity | <u>5,578,871</u> | <u>5,465,793</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 11,668,250</u> | <u>\$ 11,265,480</u> |

Universal Health Services, Inc.
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

| | Twelve months ended December 31, | |
|------------------------------------------------------------------------------------------------|---------------------------------------------|------------------|
| | 2019 | 2018 |
| Cash Flows from Operating Activities: | | |
| Net income | \$827,543 | \$797,883 |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i> | | |
| Depreciation & amortization | 490,392 | 453,076 |
| Gain on sale of assets and businesses, net of losses | (7,540) | (2,513) |
| Stock-based compensation expense | 69,431 | 66,581 |
| Costs related to extinguishment of debt | 0 | 2,727 |
| Provision for asset impairment | 97,631 | 49,310 |
| <i>Changes in assets & liabilities, net of effects from acquisitions and dispositions:</i> | | |
| Accounts receivable | (42,056) | (42,239) |
| Accrued interest | 209 | (4,478) |
| Accrued and deferred income taxes | (25,194) | (54,052) |
| Other working capital accounts | 39,664 | 24,696 |
| Other assets and deferred charges | (27,205) | (31,429) |
| Other | 7,703 | (1,536) |
| Accrued insurance expense, net of commercial premiums paid | 105,672 | 92,863 |
| Payments made in settlement of self-insurance claims | (97,781) | (76,147) |
| Net cash provided by operating activities | <u>1,438,469</u> | <u>1,274,742</u> |
| Cash Flows from Investing Activities: | | |
| Property and equipment additions, net of disposals | (634,095) | (664,962) |
| Acquisition of property and businesses | (8,005) | (110,464) |
| (Outflows) Inflows from foreign exchange contracts that hedge our net U.K. investment | (19,763) | 66,151 |
| Proceeds received from sales of assets and businesses | 9,450 | 13,502 |
| Costs incurred for purchase and implementation of information technology applications | (21,418) | (36,243) |
| Decrease in capital reserves of commercial insurance subsidiary | 0 | 100 |
| Investment in, and advances to, joint ventures and other | (14,579) | (15,331) |
| Net cash used in investing activities | <u>(688,410)</u> | <u>(747,247)</u> |
| Cash Flows from Financing Activities: | | |
| Reduction of long-term debt | (57,142) | (830,496) |
| Additional borrowings | 39,220 | 791,247 |
| Financing costs | 0 | (13,787) |
| Repurchase of common shares | (770,504) | (397,425) |
| Dividends paid | (53,003) | (37,342) |
| Issuance of common stock | 10,806 | 10,196 |
| Profit distributions to noncontrolling interests | (15,859) | (14,595) |
| Capital contributions from minority members | 1,446 | 0 |
| Net cash used in financing activities | <u>(845,036)</u> | <u>(492,202)</u> |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 959 | (2,905) |
| (Decrease) Increase in cash, cash equivalents and restricted cash | (94,018) | 32,388 |
| Cash, cash equivalents and restricted cash, beginning of period | 199,685 | 167,297 |
| Cash, cash equivalents and restricted cash, end of period | <u>\$105,667</u> | <u>\$199,685</u> |
| Supplemental Disclosures of Cash Flow Information: | | |
| Interest paid | <u>\$157,406</u> | <u>\$150,293</u> |
| Income taxes paid, net of refunds | <u>\$260,622</u> | <u>\$293,837</u> |
| Noncash purchases of property and equipment | <u>\$63,514</u> | <u>\$77,674</u> |
| Right-of-use assets obtained in exchange for lease obligations | <u>\$383,857</u> | <u>\$0</u> |

Universal Health Services, Inc.
Supplemental Statistical Information
(unaudited)

| | % Change | % Change |
|----------------------------------|-----------------------------|-------------------------------|
| | Quarter ended 12/31/2019 | 12 months ended 12/31/2019 |
| Same Facility: | | |
| Acute Care Hospitals | | |
| Revenues | 7.9% | 7.7% |
| Adjusted Admissions | 2.1% | 4.8% |
| Adjusted Patient Days | 6.0% | 5.7% |
| Revenue Per Adjusted Admission | 5.3% | 2.5% |
| Revenue Per Adjusted Patient Day | 1.4% | 1.7% |

Behavioral Health Hospitals

| | | |
|----------------------------------|------|------|
| Revenues | 4.5% | 3.1% |
| Adjusted Admissions | 0.8% | 1.2% |
| Adjusted Patient Days | 0.9% | 0.6% |
| Revenue Per Adjusted Admission | 4.0% | 2.2% |
| Revenue Per Adjusted Patient Day | 3.9% | 2.7% |

| UHS Consolidated | Fourth quarter ended | | Twelve months ended | |
|---------------------------------------|----------------------|-------------|---------------------|--------------|
| | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 |
| Revenues | \$2,896,247 | \$2,754,496 | \$11,378,259 | \$10,772,278 |
| EBITDA net of NCI | \$485,139 | \$359,852 | \$1,706,773 | \$1,624,348 |
| EBITDA Margin net of NCI | 16.8% | 13.1% | 15.0% | 15.1% |
| Adjusted EBITDA net of NCI | \$465,801 | \$453,555 | \$1,802,220 | \$1,761,766 |
| Adjusted EBITDA Margin net of NCI | 16.1% | 16.5% | 15.8% | 16.4% |
| Cash Flow From Operations | | | \$1,438,469 | \$1,274,742 |
| Days Sales Outstanding | | | 50 | 51 |
| Capital Expenditures | | | \$634,095 | \$664,962 |
| Debt | | | \$3,984,127 | \$3,998,633 |
| UHS' Shareholders Equity | | | \$5,504,105 | \$5,389,262 |
| Debt / Total Capitalization | | | 42.0% | 42.6% |
| Debt / EBITDA net of NCI (1) | | | 2.33 | 2.46 |
| Debt / Adjusted EBITDA net of NCI (1) | | | 2.21 | 2.27 |
| Debt / Cash From Operations (1) | | | 2.77 | 3.14 |

(1) Latest 4 quarters

Universal Health Services, Inc.
Acute Care Hospital Services

For the three and twelve months ended
December 31, 2019 and 2018
(in thousands)

Same Facility Basis - Acute Care Hospital Services

| | Three months ended December 31, 2019 | | Three months ended December 31, 2018 | | Twelve months ended December 31, 2019 | | Twelve months ended December 31, 2018 | |
|-------------------------------|-----------------------------------------|-------------------|-----------------------------------------|-------------------|------------------------------------------|-------------------|------------------------------------------|-------------------|
| | Amount | % of Net Revenues | Amount | % of Net Revenues | Amount | % of Net Revenues | Amount | % of Net Revenues |
| Net revenues | \$1,561,490 | 100.0% | \$1,447,720 | 100.0% | \$6,053,228 | 100.0% | \$5,621,338 | 100.0% |
| Operating charges: | | | | | | | | |
| Salaries, wages and benefits | 661,670 | 42.4% | 604,188 | 41.7% | 2,556,383 | 42.2% | 2,366,985 | 42.1% |
| Other operating expenses | 349,498 | 22.4% | 313,297 | 21.6% | 1,364,735 | 22.5% | 1,242,521 | 22.1% |
| Supplies expense | 272,408 | 17.4% | 249,523 | 17.2% | 1,048,639 | 17.3% | 968,067 | 17.2% |
| Depreciation and amortization | 78,582 | 5.0% | 70,699 | 4.9% | 304,206 | 5.0% | 278,661 | 5.0% |
| Lease and rental expense | 15,246 | 1.0% | 14,192 | 1.0% | 60,324 | 1.0% | 57,235 | 1.0% |
| Subtotal-operating expenses | 1,377,404 | 88.2% | 1,251,899 | 86.5% | 5,334,287 | 88.1% | 4,913,469 | 87.4% |
| Income from operations | 184,086 | 11.8% | 195,821 | 13.5% | 718,941 | 11.9% | 707,869 | 12.6% |
| Interest expense, net | 502 | 0.0% | 314 | 0.0% | 1,330 | 0.0% | 1,658 | 0.0% |
| Other (income) expense, net | - | - | - | - | (32) | (0.0)% | (2,498) | (0.0)% |
| Income before income taxes | \$183,584 | 11.8% | \$195,507 | 13.5% | \$717,643 | 11.9% | \$708,709 | 12.6% |

All Acute Care Hospital Services

| | Three months ended December 31, 2019 | | Three months ended December 31, 2018 | | Twelve months ended December 31, 2019 | | Twelve months ended December 31, 2018 | |
|-------------------------------|-----------------------------------------|-------------------|-----------------------------------------|-------------------|------------------------------------------|-------------------|------------------------------------------|-------------------|
| | Amount | % of Net Revenues | Amount | % of Net Revenues | Amount | % of Net Revenues | Amount | % of Net Revenues |
| Net revenues | \$1,589,472 | 100.0% | \$1,487,232 | 100.0% | \$6,164,560 | 100.0% | \$5,719,905 | 100.0% |
| Operating charges: | | | | | | | | |
| Salaries, wages and benefits | 662,538 | 41.7% | 604,188 | 40.6% | 2,559,682 | 41.5% | 2,367,014 | 41.4% |
| Other operating expenses | 375,049 | 23.6% | 352,809 | 23.7% | 1,474,674 | 23.9% | 1,341,088 | 23.4% |
| Supplies expense | 272,438 | 17.1% | 249,523 | 16.8% | 1,049,747 | 17.0% | 968,067 | 16.9% |
| Depreciation and amortization | 78,775 | 5.0% | 70,699 | 4.8% | 305,264 | 5.0% | 278,661 | 4.9% |
| Lease and rental expense | 15,215 | 1.0% | 14,192 | 1.0% | 60,485 | 1.0% | 57,235 | 1.0% |
| Subtotal-operating expenses | 1,404,015 | 88.3% | 1,291,411 | 86.8% | 5,449,852 | 88.4% | 5,012,065 | 87.6% |
| Income from operations | 185,457 | 11.7% | 195,821 | 13.2% | 714,708 | 11.6% | 707,840 | 12.4% |
| Interest expense, net | 502 | 0.0% | 314 | 0.0% | 1,330 | 0.0% | 1,658 | 0.0% |
| Other (income) expense, net | - | - | - | - | (32) | (0.0)% | (2,498) | (0.0)% |
| Income before income taxes | \$184,955 | 11.6% | \$195,507 | 13.1% | \$713,410 | 11.6% | \$708,680 | 12.4% |

We believe that providing our results on a "Same Facility" basis (which is a non-GAAP measure), which includes the operating results for facilities and businesses operated in both the current year and prior periods, is helpful to our investors as a measure of our operating performance. Our Same Facility results also neutralize (if applicable), the effect of material items that are nonrecurring or non-operational in nature including items such as, but not limited to, reserves for various matters, settlements, legal judgments and lawsuits, cost related to extinguishment of debt, gains/losses on sales of assets and businesses, impairments of long-lived and intangible assets and other amounts that may be reflected in the current or prior year financial statements that relate to prior periods. Our Same Facility basis results exclude from net revenues and other operating expenses, provider tax assessments incurred in each period. However, these provider tax assessments are included in net revenues and other operating expenses as reflected in the table under *All Acute Care Hospital Services*. The provider tax assessments had no impact on the income before income taxes as reflected on the above tables since the amounts offset between net revenues and other operating expenses. To obtain a complete understanding of our financial performance, the Same Facility results should be examined in connection with our net income as determined in accordance with GAAP and as presented herein and the condensed consolidated

financial statements and notes thereto as contained in our Form 10-K for the year ended December 31, 2019.

The *All Acute Care Hospital Service* table summarizes the results of operations for all our acute care operations during the periods presented. These amounts include: (i) our acute care results on a same facility basis, as indicated above; (ii) the impact of provider tax assessments which increased net revenues and other operating expenses but had no impact on income before income taxes, and; (iii) certain other amounts including the results of facilities acquired or opened during the last twelve months.

Universal Health Services, Inc.
Behavioral Health Care Services
For the three and twelve months ended
December 31, 2019 and 2018
(in thousands)

Same Facility - Behavioral Health Care Services

| | Three months ended December 31, 2019 | | Three months ended December 31, 2018 | | Twelve months ended December 31, 2019 | | Twelve months ended December 31, 2018 | |
|-------------------------------|-----------------------------------------|-------------------|-----------------------------------------|-------------------|------------------------------------------|-------------------|------------------------------------------|-------------------|
| | Amount | % of Net Revenues | Amount | % of Net Revenues | Amount | % of Net Revenues | Amount | % of Net Revenues |
| Net revenues | \$1,288,176 | 100.0% | \$1,233,285 | 100.0% | \$5,058,199 | 100.0% | \$4,907,002 | 100.0% |
| Operating charges: | | | | | | | | |
| Salaries, wages and benefits | 687,549 | 53.4% | 653,067 | 53.0% | 2,687,677 | 53.1% | 2,577,411 | 52.5% |
| Other operating expenses | 239,449 | 18.6% | 237,351 | 19.2% | 947,073 | 18.7% | 939,220 | 19.1% |
| Supplies expense | 51,160 | 4.0% | 50,401 | 4.1% | 199,578 | 3.9% | 197,243 | 4.0% |
| Depreciation and amortization | 44,308 | 3.4% | 42,046 | 3.4% | 163,963 | 3.2% | 155,652 | 3.2% |
| Lease and rental expense | 10,998 | 0.9% | 11,153 | 0.9% | 44,123 | 0.9% | 45,673 | 0.9% |
| Subtotal-operating expenses | 1,033,464 | 80.2% | 994,018 | 80.6% | 4,042,414 | 79.9% | 3,915,199 | 79.8% |
| Income from operations | 254,712 | 19.8% | 239,267 | 19.4% | 1,015,785 | 20.1% | 991,803 | 20.2% |
| Interest expense, net | 357 | 0.0% | 363 | 0.0% | 1,460 | 0.0% | 1,597 | 0.0% |
| Other (income) expense, net | (1,438) | (0.1)% | 1,205 | 0.1% | (380) | (0.0)% | 2,530 | 0.1% |
| Income before income taxes | \$255,793 | 19.9% | \$237,699 | 19.3% | \$1,014,705 | 20.1% | \$987,676 | 20.1% |

All Behavioral Health Care Services

| | Three months ended December 31, 2019 | | Three months ended December 31, 2018 | | Twelve months ended December 31, 2019 | | Twelve months ended December 31, 2018 | |
|-------------------------------|-----------------------------------------|-------------------|-----------------------------------------|-------------------|------------------------------------------|-------------------|------------------------------------------|-------------------|
| | Amount | % of Net Revenues | Amount | % of Net Revenues | Amount | % of Net Revenues | Amount | % of Net Revenues |
| Net revenues | \$1,311,623 | 100.0% | \$1,264,323 | 100.0% | \$5,210,063 | 100.0% | \$5,038,874 | 100.0% |
| Operating charges: | | | | | | | | |
| Salaries, wages and benefits | 690,140 | 52.6% | 662,117 | 52.4% | 2,739,871 | 52.6% | 2,617,337 | 51.9% |
| Other operating expenses | 261,483 | 19.9% | 312,404 | 24.7% | 1,152,733 | 22.1% | 1,091,102 | 21.7% |
| Supplies expense | 51,305 | 3.9% | 51,043 | 4.0% | 201,114 | 3.9% | 200,008 | 4.0% |
| Depreciation and amortization | 45,370 | 3.5% | 44,207 | 3.5% | 172,697 | 3.3% | 163,155 | 3.2% |
| Lease and rental expense | 11,614 | 0.9% | 11,827 | 0.9% | 46,799 | 0.9% | 48,316 | 1.0% |
| Subtotal-operating expenses | 1,059,912 | 80.8% | 1,081,598 | 85.5% | 4,313,214 | 82.8% | 4,119,918 | 81.8% |
| Income from operations | 251,711 | 19.2% | 182,725 | 14.5% | 896,849 | 17.2% | 918,956 | 18.2% |
| Interest expense, net | 357 | 0.0% | 363 | 0.0% | 1,460 | 0.0% | 1,597 | 0.0% |
| Other (income) expense, net | (1,438) | (0.1)% | 1,206 | 0.1% | (5,576) | (0.1)% | 1,842 | 0.0% |
| Income before income taxes | \$252,792 | 19.3% | \$181,156 | 14.3% | \$900,965 | 17.3% | \$915,517 | 18.2% |

We believe that providing our results on a "Same Facility" basis (which is a non-GAAP measure), which includes the operating results for facilities and businesses operated in both the current year and prior year periods, is helpful to our investors as a measure of our operating performance. Our Same Facility results also neutralize (if applicable), the effect of material items that are nonrecurring or non-operational in nature including items such as, but not limited to, reserves for various matters, settlements, legal judgments, lawsuits and reserves established in connection with the government's investigation of our behavioral health care facilities, cost related to extinguishment of debt, gains/losses on sales of assets and businesses, impairments of long-lived and intangible assets and other amounts that may be reflected in the current or prior year financial statements that relate to prior periods. Our Same Facility basis results exclude from net revenues and other operating expenses, provider tax assessments incurred in each period. However, these provider tax assessments are included in net revenues and other operating expenses as reflected in the table under *All Behavioral Health Care Services*. The provider tax assessments had no impact on the income before income taxes as reflected on the above tables since the amounts offset between net revenues and other operating expenses. To obtain a complete understanding of our financial performance, the Same Facility results should be examined in connection with our net income as determined in accordance with GAAP and as presented herein and in the condensed consolidated financial statements and notes thereto as contained in our Form 10-K for the year ended December 31, 2019.

The *All Behavioral Health Care Service* table summarizes the results of operations for all our behavioral health care facilities during the periods presented. These amounts include: (i) our behavioral health results on a same facility basis, as indicated above; (ii) the impact of provider tax assessments which increased net revenues and other operating expenses but had no impact on income before income taxes, and; (iii) certain other amounts including the results of facilities acquired or opened during the last twelve months as well as the results of certain facilities that were closed or restructured during the past year.

Universal Health Services, Inc.
Selected Hospital Statistics
For the three months ended
December 31, 2019 and 2018

AS REPORTED:

| | ACUTE | | | BEHAVIORAL HEALTH | | |
|----------------------------|----------|----------|----------|-------------------|----------|----------|
| | 12/31/19 | 12/31/18 | % change | 12/31/19 | 12/31/18 | % change |
| Hospitals owned and leased | 26 | 26 | 0.0% | 327 | 324 | 0.9% |
| Average licensed beds | 6,387 | 6,340 | 0.7% | 23,648 | 23,907 | -1.1% |
| Average available beds | 6,215 | 6,164 | 0.8% | 23,545 | 23,823 | -1.2% |

| | | | | | | |
|--------------------------|-------------|-------------|-------|-------------|-------------|-------|
| Patient days | 367,313 | 348,399 | 5.4% | 1,612,906 | 1,612,081 | 0.1% |
| Average daily census | 3,992.5 | 3,786.8 | 5.4% | 17,531.6 | 17,522.6 | 0.1% |
| Occupancy-licensed beds | 62.5% | 59.7% | 4.7% | 74.1% | 73.3% | 1.1% |
| Occupancy-available beds | 64.2% | 61.4% | 4.6% | 74.5% | 73.6% | 1.2% |
| Admissions | 79,156 | 77,988 | 1.5% | 120,264 | 119,997 | 0.2% |
| Length of stay | 4.6 | 4.5 | 3.9% | 13.4 | 13.4 | -0.2% |
| Inpatient revenue | \$7,210,451 | \$6,279,880 | 14.8% | \$2,532,774 | \$2,425,291 | 4.4% |
| Outpatient revenue | 4,529,430 | 3,797,937 | 19.3% | 273,775 | 260,836 | 5.0% |
| Total patient revenue | 11,739,881 | 10,077,817 | 16.5% | 2,806,549 | 2,686,127 | 4.5% |
| Other revenue | 121,482 | 100,480 | 20.9% | 60,371 | 50,072 | 20.6% |
| Gross hospital revenue | 11,861,363 | 10,178,297 | 16.5% | 2,866,920 | 2,736,199 | 4.8% |
| Total deductions | 10,271,891 | 8,691,065 | 18.2% | 1,555,297 | 1,471,876 | 5.7% |
| Net hospital revenue | \$1,589,472 | \$1,487,232 | 6.9% | \$1,311,623 | \$1,264,323 | 3.7% |

SAME FACILITY:

| | ACUTE | | | BEHAVIORAL HEALTH | | |
|----------------------------|----------|----------|----------|-------------------|-----------|----------|
| | 12/31/19 | 12/31/18 | % change | 12/31/19 | 12/31/18 | % change |
| Hospitals owned and leased | 26 | 26 | 0.0% | 312 | 312 | 0.0% |
| Average licensed beds | 6,387 | 6,340 | 0.7% | 23,406 | 23,260 | 0.6% |
| Average available beds | 6,215 | 6,164 | 0.8% | 23,303 | 23,176 | 0.5% |
| Patient days | 367,313 | 348,399 | 5.4% | 1,600,745 | 1,586,439 | 0.9% |
| Average daily census | 3,992.5 | 3,786.8 | 5.4% | 17,399.4 | 17,243.9 | 0.9% |
| Occupancy-licensed beds | 62.5% | 59.7% | 4.7% | 74.3% | 74.1% | 0.3% |
| Occupancy-available beds | 64.2% | 61.4% | 4.6% | 74.7% | 74.4% | 0.4% |
| Admissions | 79,156 | 77,988 | 1.5% | 119,545 | 118,589 | 0.8% |
| Length of stay | 4.6 | 4.5 | 3.9% | 13.4 | 13.4 | 0.1% |

Universal Health Services, Inc.
Selected Hospital Statistics
For the twelve months ended
December 31, 2019 and 2018

AS REPORTED:

| | ACUTE | | | BEHAVIORAL HEALTH | | |
|----------------------------|--------------|--------------|----------|-------------------|-------------|----------|
| | 12/31/19 | 12/31/18 | % change | 12/31/19 | 12/31/18 | % change |
| Hospitals owned and leased | 26 | 26 | 0.0% | 327 | 324 | 0.9% |
| Average licensed beds | 6,379 | 6,232 | 2.4% | 23,812 | 23,509 | 1.3% |
| Average available beds | 6,205 | 6,056 | 2.5% | 23,711 | 23,425 | 1.2% |
| Patient days | 1,451,847 | 1,376,988 | 5.4% | 6,487,707 | 6,418,334 | 1.1% |
| Average daily census | 3,977.7 | 3,772.4 | 5.4% | 17,774.5 | 17,584.5 | 1.1% |
| Occupancy-licensed beds | 62.4% | 60.5% | 3.0% | 74.6% | 74.8% | -0.2% |
| Occupancy-available beds | 64.1% | 62.3% | 2.9% | 75.0% | 75.1% | -0.1% |
| Admissions | 317,983 | 303,985 | 4.6% | 488,367 | 482,658 | 1.2% |
| Length of stay | 4.6 | 4.5 | 0.8% | 13.3 | 13.3 | -0.1% |
| Inpatient revenue | \$28,430,922 | \$24,814,959 | 14.6% | \$10,100,903 | \$9,735,521 | 3.8% |
| Outpatient revenue | 17,666,629 | 14,967,313 | 18.0% | 1,066,704 | 1,025,721 | 4.0% |
| Total patient revenue | 46,097,551 | 39,782,272 | 15.9% | 11,167,607 | 10,761,242 | 3.8% |
| Other revenue | 458,851 | 397,932 | 15.3% | 228,712 | 202,346 | 13.0% |
| Gross hospital revenue | 46,556,402 | 40,180,204 | 15.9% | 11,396,319 | 10,963,588 | 3.9% |
| Total deductions | 40,391,842 | 34,460,299 | 17.2% | 6,186,256 | 5,924,714 | 4.4% |
| Net hospital revenue | \$6,164,560 | \$5,719,905 | 7.8% | \$5,210,063 | \$5,038,874 | 3.4% |

SAME FACILITY:

| | ACUTE | | | BEHAVIORAL HEALTH | | |
|----------------------------|-----------|-----------|----------|-------------------|-----------|----------|
| | 12/31/19 | 12/31/18 | % change | 12/31/19 | 12/31/18 | % change |
| Hospitals owned and leased | 26 | 26 | 0.0% | 312 | 312 | 0.0% |
| Average licensed beds | 6,379 | 6,232 | 2.4% | 23,047 | 22,850 | 0.9% |
| Average available beds | 6,205 | 6,056 | 2.5% | 22,946 | 22,767 | 0.8% |
| Patient days | 1,451,847 | 1,376,988 | 5.4% | 6,350,818 | 6,317,639 | 0.5% |
| Average daily census | 3,977.7 | 3,772.4 | 5.4% | 17,399.5 | 17,308.6 | 0.5% |
| Occupancy-licensed beds | 62.4% | 60.5% | 3.0% | 75.5% | 75.7% | -0.3% |
| Occupancy-available beds | 64.1% | 62.3% | 2.9% | 75.8% | 76.0% | -0.3% |
| Admissions | 317,983 | 303,985 | 4.6% | 483,010 | 477,789 | 1.1% |
| Length of stay | 4.6 | 4.5 | 0.8% | 13.1 | 13.2 | -0.6% |

Universal Health Services, Inc.
Supplemental Non-GAAP Disclosures
2020 Operating Results Forecast
(in thousands, except per share amounts)

Forecast For The Year Ending December 31, 2020

% Net

% Net

| | <u>Low</u> | <u>revenues</u> | <u>High</u> | <u>revenues</u> |
|----------------------------------------------------------------|---------------------|-----------------|---------------------|-----------------|
| Net revenues | <u>\$11,960,000</u> | | <u>\$12,116,000</u> | |
| Adjusted net income attributable to UHS (a) | \$882,833 | | \$942,981 | |
| Depreciation and amortization | 511,712 | | 511,712 | |
| Interest expense | 161,237 | | 161,237 | |
| Other (income) expense, net | (4,917) | | (4,917) | |
| Provision for income taxes | 271,941 | | 290,573 | |
| Adjusted EBITDA net of NCI (b) | <u>\$1,822,806</u> | <u>15.2%</u> | <u>\$1,901,586</u> | <u>15.7%</u> |
| Adjusted net income attributable to UHS, per diluted share (a) | <u>\$10.30</u> | | <u>\$11.00</u> | |
| Shares used in computing diluted earnings per share | <u>85,491</u> | | <u>85,491</u> | |

(a) Adjusted net income attributable to UHS/per diluted share are non-GAAP financial measures. The 2020 forecasted amounts exclude the impact of future items, if applicable, that are nonrecurring or non-operational in nature including items such as changes in the DOJ Reserve (including the income tax deductibility assumptions) established in connection with the agreement in principle with the Department of Justice-Civil Division, pre-tax unrealized gains/losses resulting from increases/decreases in the market value of shares of certain marketable securities held for investment and classified as available for sale, our adoption of ASU 2016-09, and other potential material items including, but not limited to, reserves for various matters including settlements, legal judgments and lawsuits, potential impacts of non-ordinary course acquisitions, divestitures, joint ventures or other strategic transactions, costs related to extinguishment of debt, gains/losses on sales of assets and businesses, impairment of long-lived and intangible assets, other amounts that may be reflected in the current financial statements that relate to prior periods, and the impact of share repurchases that differ from included assumptions. It is also subject to certain conditions including those as set forth below in *General Information, Forward-Looking Statements and Risk Factors and Non-GAAP Financial Measures*.

(b) Adjusted EBITDA net of NCI is a non-GAAP financial measure. To obtain a complete understanding of our financial performance, Adjusted EBITDA net of NCI should be examined in connection with net income determined in accordance with GAAP as presented in the consolidated financial statements and notes thereto in this report or in our filings with the Securities and Exchange Commission including our Report on Form 10-K for the year ended December 31, 2019.

 View original content: <http://www.prnswire.com/news-releases/universal-health-services-inc-reports-2019-fourth-quarter-and-full-year-financial-results-and-2020-full-year-earnings-guidance-301012040.html>

SOURCE Universal Health Services, Inc.

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