



Universal Health Services, Inc.

Universal Health Services, Inc. Reports 2016 Second Quarter Financial Results

July 26, 2016



Webcast - [Live](#)

Q2 2016 Universal Health Services Earnings Conference Call
7/27/16 at 9:00 a.m. ET

Consolidated Results of Operations, As Reported and As Adjusted - Three-month periods ended June 30, 2016 and 2015:

KING OF PRUSSIA, Pa., July 26, 2016 /PRNewswire/ -- Universal Health Services, Inc. (NYSE: UHS) announced today that its reported net income attributable to UHS was \$185.6 million, or \$1.89 per diluted share, during the second quarter of 2016 as compared to \$182.2 million, or \$1.80 per diluted share, during the comparable quarter of 2015. Net revenues increased 6.8% to \$2.43 billion during the second quarter of 2016 as compared to \$2.28 billion during the second quarter of 2015.

For the three-month period ended June 30, 2016, our adjusted net income attributable to UHS per diluted share, as calculated on the attached Schedule of Non-GAAP Supplemental Consolidated Statements of Income Information ("Supplemental Schedule"), increased to \$1.94 per diluted share, as compared to \$1.85 per diluted share during the second quarter of 2015. As reflected on the Supplemental Schedule, included in our reported results during each of the second quarters of 2016 and 2015, are net unfavorable after-tax impacts of \$.05 per diluted share related to the incentive income and depreciation and amortization expense recorded in connection with the implementation of electronic health records ("EHR") applications at our acute care hospitals.

Consolidated Results of Operations, As Reported and As Adjusted – Six-month periods ended June 30, 2016 and 2015:

Reported net income attributable to UHS was \$376.3 million, or \$3.81 per diluted share, during the first six months of 2016 as compared to \$356.5 million, or \$3.54 per diluted share, during the comparable period of 2015. Net revenues increased 8.4% to \$4.88 billion during the first six months of 2016 as compared to \$4.50 billion during the comparable period of 2015.

For the six-month period ended June 30, 2016, our adjusted net income attributable to UHS per diluted share, as calculated on the Supplemental Schedule, increased to \$3.92 per diluted share, as compared to \$3.63 per diluted share during the comparable period of 2015. As reflected on the Supplemental Schedule, included in our reported results during the six-month periods ended June 30, 2016 and 2015, are net unfavorable after-tax impacts of \$.11 per diluted share and \$.09 per diluted share, respectively, related to the incentive income and depreciation and amortization expense recorded in connection with the implementation of EHR applications at our acute care hospitals.

Acute Care Services – Three and six-month periods ended June 30, 2016 and 2015:

During the second quarter of 2016, at our acute care hospitals owned during both periods ("same facility basis"), adjusted admissions (adjusted for outpatient activity) increased 3.9% and adjusted patient days increased 2.8%, as compared to the second quarter of 2015. Net revenues from our acute care services increased 7.4% during the second quarter of 2016 as compared to the second quarter of the prior year. At these facilities, net revenue per adjusted admission increased 1.3% while net revenue per adjusted patient day increased 2.4% during the second quarter of 2016 as compared to the comparable quarter of 2015. On a same facility basis, the operating margin generated from our acute care services was 17.7% during the second quarter of 2016 as compared to 19.1% during the second quarter of 2015. We define operating margin as net revenues less salaries, wages and benefits, other operating expenses and supplies expense, divided by net revenues (excluding the impact of EHR and other items, if applicable, as indicated on the Supplemental Schedules).

During the first six months of 2016, at our acute care hospitals on a same facility basis, adjusted admissions increased 5.8% and adjusted patient days increased 3.1%, as compared to the first six months of 2015. Net revenues from our acute care services increased 9.7% during the first six months of 2016 as compared to the comparable period of the prior year. At these facilities, net revenue per adjusted admission increased 2.2% while net revenue per adjusted patient day increased 4.8% during the first six months of 2016 as compared to the comparable period of 2015. On a same facility basis, the operating margin generated from our acute care services was 19.4% during the first six months of 2016 as compared to 19.8% during the comparable period of 2015.

We provide care to patients who meet certain financial or economic criteria without charge or at amounts substantially less than our established rates. Because we do not pursue collection of amounts determined to qualify as charity care, they are not reported in net revenues or in accounts receivable, net. Our acute care hospitals provided charity care and uninsured discounts, based on gross charges, amounting to approximately \$339 million and \$263 million during the three-month periods ended June 30, 2016 and 2015, respectively, and approximately \$684 million and \$550 million during the six-month periods ended June 30, 2016 and 2015, respectively. The provision for doubtful accounts at our acute care hospitals amounted to approximately \$179 million and \$149 million during the three-month periods ended June 30, 2016 and 2015, respectively, and approximately \$319 million and

\$274 million during the six-month periods ended June 30, 2016 and 2015, respectively. Our acute care hospitals experienced an increase in the aggregate of charity care, uninsured discounts and provision for doubtful accounts, as a percentage of gross charges, during the three and six-month period ended June 30, 2016, as compared to the comparable periods of 2015.

Behavioral Health Care Services – Three and six-month periods ended June 30, 2016 and 2015:

During the second quarter of 2016, at our behavioral health care facilities on a same facility basis, adjusted admissions decreased 0.3% while adjusted patient days increased 0.2% as compared to the second quarter of 2015. At these facilities, net revenue per adjusted admission increased 2.4% while net revenue per adjusted patient day increased 1.9% during the second quarter of 2016 as compared to the comparable quarter in 2015. On a same facility basis, our behavioral health services' net revenues increased 2.0% during the second quarter of 2016, as compared to the second quarter of 2015, and the operating margins were 28.1% and 28.7% during the second quarters of 2016 and 2015, respectively.

During the first six months of 2016, at our behavioral health care facilities on a same facility basis, adjusted admissions increased 0.5% while adjusted patient days increased 0.7% as compared to the comparable period of 2015. At these facilities, net revenue per adjusted admission increased 2.1% while net revenue per adjusted patient day increased 1.9% during the first six months of 2016 as compared to the comparable period in 2015. On a same facility basis, our behavioral health services' net revenues increased 2.7% during the first six months of 2016, as compared to the comparable period of 2015, and the operating margins were 28.0% and 28.6% during the first six months of 2016 and 2015, respectively.

Share Repurchase Program:

In February of 2016, our Board of Directors authorized a \$400 million increase to our stock repurchase program, which increased the aggregate authorization to \$800 million from the previous \$400 million authorization approved during the third quarter of 2014. Pursuant to this program, we may purchase shares of our Class B Common Stock, from time to time as conditions allow, on the open market or in negotiated private transactions.

In conjunction with this program, during the second quarter of 2016, we repurchased 235,352 shares at an aggregate cost of \$29.1 million (approximately \$123 per share). During the first six months of 2016, we repurchased approximately 1.6 million shares at an aggregate cost of \$181.5 million (approximately \$115 per share). Since inception of the program through June 30, 2016, we repurchased approximately 3.5 million shares at an aggregate cost of approximately \$405.7 million (approximately \$117 per share).

Conference call information:

We will hold a conference call for investors and analysts at 9:00 a.m. eastern time on July 27, 2016. 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. A replay of the call will be available following the conclusion of the live call and will be available for one full year.

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

Universal Health Services, Inc. ("UHS") is one of the nation's largest hospital companies operating through its subsidiaries acute care hospitals, behavioral health facilities and ambulatory centers located throughout the United States, the United Kingdom, Puerto Rico and the U.S. Virgin Islands. 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, 2015 and in *Item 2-Forward Looking Statements and Risk Factors* in our Form 10-Q for the quarterly period ended March 31, 2016), 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 operating income, operating margin, adjusted net income attributable to UHS, adjusted net income attributable to UHS per diluted share and earnings before interest, taxes, depreciation and amortization ("EBITDA"), 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 related to the implementation of EHR applications at our acute care hospitals and other items that are nonrecurring or non-operational in nature including, but not limited to, costs related to extinguishment of debt, gains on sales of assets and businesses, reserves for settlements, legal judgments and lawsuits, impairments of long-lived assets 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, determined in accordance with GAAP, 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 Report on Form 10-K for the year ended December 31, 2015 and our Report on Form 10-Q for the quarterly period ended March 31, 2016. 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.

Our acute care hospitals are eligible for Medicare and Medicaid EHR incentive payments upon implementation of the EHR application, once they have demonstrated meaningful use of certified EHR technology for the applicable stage or have completed attestations to their adoption or implementation of certified EHR technology. However, there may be timing differences in the recognition of the incentive income and expenses recorded in connection with the implementation of the EHR application which may cause material period-to-period changes in our future results of operations. Pursuant to regulations, hospitals that did not qualify as a meaningful user of EHR by 2015 are subject to a reduced market basket update to the inpatient prospective payment system standardized amount in 2015 and each subsequent fiscal year. We believe that all of our acute care hospitals have met the applicable meaningful use criteria and therefore are not subject to a reduced market basket update to the inpatient prospective payment standardized amount. Under the HITECH Act, hospitals must continue to meet the applicable meaningful use criteria in each fiscal year or they will be subject to a market basket update reduction in a subsequent fiscal year.

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|------------------|------------------------------|------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Net revenues before provision for doubtful accounts | \$2,638,848 | \$2,452,680 | \$5,258,441 | \$4,832,781 |
| Less: Provision for doubtful accounts | <u>207,993</u> | <u>177,476</u> | <u>377,788</u> | <u>332,224</u> |
| Net revenues | 2,430,855 | 2,275,204 | 4,880,653 | 4,500,557 |
| <i>Operating charges:</i> | | | | |
| Salaries, wages and benefits | 1,130,933 | 1,044,064 | 2,279,072 | 2,075,767 |
| Other operating expenses | 585,995 | 535,711 | 1,147,579 | 1,041,677 |
| Supplies expense | 254,422 | 240,979 | 509,672 | 479,720 |
| Depreciation and amortization | 101,411 | 97,257 | 205,460 | 196,255 |
| Lease and rental expense | 24,806 | 23,196 | 49,258 | 46,087 |
| Electronic health records incentive income | <u>0</u> | <u>(1,395)</u> | <u>0</u> | <u>(1,395)</u> |
| | <u>2,097,567</u> | <u>1,939,812</u> | <u>4,191,041</u> | <u>3,838,111</u> |
| Income from operations | 333,288 | 335,392 | 689,612 | 662,446 |
| Interest expense, net | <u>30,442</u> | <u>27,684</u> | <u>60,042</u> | <u>57,721</u> |
| Income before income taxes | 302,846 | 307,708 | 629,570 | 604,725 |
| Provision for income taxes | <u>107,397</u> | <u>106,304</u> | <u>218,402</u> | <u>208,998</u> |
| Net income | 195,449 | 201,404 | 411,168 | 395,727 |
| Less: Income attributable to noncontrolling interests | 9,872 | 19,211 | 34,832 | 39,235 |
| Net income attributable to UHS | <u>\$185,577</u> | <u>\$182,193</u> | <u>\$376,336</u> | <u>\$356,492</u> |

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Basic earnings per share attributable to UHS (a) | <u>\$1.91</u> | <u>\$1.84</u> | <u>\$3.86</u> | <u>\$3.60</u> |
| Diluted earnings per share attributable to UHS (a) | <u>\$1.89</u> | <u>\$1.80</u> | <u>\$3.81</u> | <u>\$3.54</u> |

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

| | | | | |
|--|--------------------------------|-------------|------------------------------|-------------|
| | Three months ended June 30, | | Six months ended June 30, | |
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |

(a) Earnings per share calculation:

Basic and diluted:

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Net income attributable to UHS | \$185,577 | \$182,193 | \$376,336 | \$356,492 |
| Less: Net income attributable to unvested restricted share grants | <u>(84)</u> | <u>(71)</u> | <u>(173)</u> | <u>(139)</u> |
| Net income attributable to UHS - basic and diluted | <u>\$185,493</u> | <u>\$182,122</u> | <u>\$376,163</u> | <u>\$356,353</u> |
| Weighted average number of common shares - basic | <u>97,109</u> | <u>99,004</u> | <u>97,358</u> | <u>98,957</u> |
| Basic earnings per share attributable to UHS: | <u>\$1.91</u> | <u>\$1.84</u> | <u>\$3.86</u> | <u>\$3.60</u> |
| Weighted average number of common shares | 97,109 | 99,004 | 97,358 | 98,957 |
| Add: Other share equivalents | <u>1,280</u> | <u>1,923</u> | <u>1,284</u> | <u>1,830</u> |
| Weighted average number of common shares and equiv. - diluted | <u>98,389</u> | <u>100,927</u> | <u>98,642</u> | <u>100,787</u> |
| Diluted earnings per share attributable to UHS: | <u>\$1.89</u> | <u>\$1.80</u> | <u>\$3.81</u> | <u>\$3.54</u> |

Universal Health Services, Inc.
Schedule of Non-GAAP Supplemental Consolidated Statements of Income Information ("Supplemental Schedule")
For the three months ended June 30, 2016 and 2015
(in thousands, except per share amounts)
(unaudited)

Calculation of "EBITDA"

| | Three months ended <u>June 30, 2016</u> | | Three months ended <u>June 30, 2015</u> | |
|---|--|--------------|--|--------------|
| Net revenues before provision for doubtful accounts | \$2,638,848 | | \$2,452,680 | |
| Less: Provision for doubtful accounts | <u>207,993</u> | | <u>177,476</u> | |
| Net revenues | 2,430,855 | 100.0% | 2,275,204 | 100.0% |
| Operating charges: | | | | |
| Salaries, wages and benefits | 1,130,933 | 46.5% | 1,044,064 | 45.9% |
| Other operating expenses | 585,995 | 24.1% | 535,711 | 23.5% |
| Supplies expense | 254,422 | 10.5% | 240,979 | 10.6% |
| EHR incentive income | <u>0</u> | <u>0.0%</u> | <u>(1,395)</u> | <u>-0.1%</u> |
| | <u>1,971,350</u> | <u>81.1%</u> | <u>1,819,359</u> | <u>80.0%</u> |
| Operating income/margin ("EBITDAR") | 459,505 | 18.9% | 455,845 | 20.0% |
| Lease and rental expense | 24,806 | | 23,196 | |

| | | | | |
|--|------------------|-------|------------------|-------|
| Income attributable to noncontrolling interests | 9,872 | | 19,211 | |
| Earnings before depreciation and amortization, interest expense, and income taxes ("EBITDA") | 424,827 | 17.5% | 413,438 | 18.2% |
| Depreciation and amortization | 101,411 | | 97,257 | |
| Interest expense, net | <u>30,442</u> | | <u>27,684</u> | |
| Income before income taxes | 292,974 | | 288,497 | |
| Provision for income taxes | <u>107,397</u> | | <u>106,304</u> | |
| Net income attributable to UHS | <u>\$185,577</u> | | <u>\$182,193</u> | |

Calculation of Adjusted Net Income Attributable to UHS

| | Three months ended <u>June 30, 2016</u> | | Three months ended <u>June 30, 2015</u> | |
|---|--|-------------------|--|-------------------|
| | Amount | Per Diluted Share | Amount | Per Diluted Share |
| <u>Calculation of Adjusted Net Income Attributable to UHS</u> | | | | |
| Net income attributable to UHS | \$185,577 | \$1.89 | \$182,193 | \$1.80 |
| Plus/minus impact of EHR implementation: | | | | |
| EHR-related incentive income, pre-tax | - | | (1,395) | |
| EHR-related depreciation & amortization, pre-tax | 9,187 | | 9,306 | |
| EHR-related minority interest in earnings of consolidated entities, pre-tax | (455) | | (963) | |
| Income tax provision on EHR-related items | <u>(3,255)</u> | | <u>(2,590)</u> | |
| After-tax impact of EHR-related items | 5,477 | 0.05 | 4,358 | 0.05 |
| Adjusted net income attributable to UHS | <u>\$191,054</u> | <u>\$1.94</u> | <u>\$186,551</u> | <u>\$1.85</u> |

Universal Health Services, Inc.

Schedule of Non-GAAP Supplemental Consolidated Statements of Income Information ("Supplemental Schedule")

For the six months ended June 30, 2016 and 2015

(in thousands, except per share amounts)

(unaudited)

Calculation of "EBITDA"

| | Six months ended <u>June 30, 2016</u> | | Six months ended <u>June 30, 2015</u> | |
|--|--|-------------------|--|-------------------|
| | Amount | Per Diluted Share | Amount | Per Diluted Share |
| Net revenues before provision for doubtful accounts | \$5,258,441 | | \$4,832,781 | |
| Less: Provision for doubtful accounts | <u>377,788</u> | | <u>332,224</u> | |
| Net revenues | 4,880,653 | 100.0% | 4,500,557 | 100.0% |
| Operating charges: | | | | |
| Salaries, wages and benefits | 2,279,072 | 46.7% | 2,075,767 | 46.1% |
| Other operating expenses | 1,147,579 | 23.5% | 1,041,677 | 23.1% |
| Supplies expense | 509,672 | 10.4% | 479,720 | 10.7% |
| EHR incentive income | 0 | 0.0% | (1,395) | 0.0% |
| | <u>3,936,323</u> | <u>80.7%</u> | <u>3,595,769</u> | <u>79.9%</u> |
| Operating income/margin ("EBITDAR") | 944,330 | 19.3% | 904,788 | 20.1% |
| Lease and rental expense | 49,258 | | 46,087 | |
| Income attributable to noncontrolling interests | <u>34,832</u> | | <u>39,235</u> | |
| Earnings before depreciation and amortization, interest expense, and income taxes ("EBITDA") | 860,240 | 17.6% | 819,466 | 18.2% |

| | | |
|--------------------------------|------------------|------------------|
| Depreciation and amortization | 205,460 | 196,255 |
| Interest expense, net | <u>60,042</u> | <u>57,721</u> |
| Income before income taxes | 594,738 | 565,490 |
| Provision for income taxes | <u>218,402</u> | <u>208,998</u> |
| Net income attributable to UHS | <u>\$376,336</u> | <u>\$356,492</u> |

Calculation of Adjusted Net Income Attributable to UHS

| | Six months ended <u>June 30, 2016</u> | | Six months ended <u>June 30, 2015</u> | |
|---|--|-------------------|--|-------------------|
| | Amount | Per Diluted Share | Amount | Per Diluted Share |
| <u>Calculation of Adjusted Net Income Attributable to UHS</u> | | | | |
| Net income attributable to UHS | \$376,336 | \$3.81 | \$356,492 | \$3.54 |
| Plus/minus impact of EHR implementation: | | | | |
| EHR-related incentive income, pre-tax | - | | (1,395) | |
| EHR-related depreciation & amortization, pre-tax | 18,493 | | 18,612 | |
| EHR-related minority interest in earnings of consolidated entities, pre-tax | (1,417) | | (1,927) | |
| Income tax provision on EHR-related items | <u>(6,365)</u> | | <u>(5,699)</u> | |
| After-tax impact of EHR-related items | 10,711 | 0.11 | 9,591 | 0.09 |
| Adjusted net income attributable to UHS | <u>\$387,047</u> | <u>\$3.92</u> | <u>\$366,083</u> | <u>\$3.63</u> |

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|------------------|------------------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Net income | \$195,449 | \$201,404 | \$411,168 | \$395,727 |
| Other comprehensive income (loss): | | | | |
| Unrealized derivative gains (loss) on cash flow hedges | (3,769) | 806 | (18,068) | 4,938 |
| Amortization of terminated hedge | (83) | (84) | (167) | (168) |
| Unrealized loss on marketable security | (621) | 0 | (621) | 0 |
| Foreign currency translation adjustment | <u>(4,163)</u> | <u>2,626</u> | <u>1,823</u> | <u>2,208</u> |
| Other comprehensive income (loss) before tax | (8,636) | 3,348 | (17,033) | 6,978 |
| Income tax expense related to items of other comprehensive income | <u>(1,667)</u> | <u>715</u> | <u>(7,027)</u> | <u>2,212</u> |
| Total other comprehensive income (loss), net of tax | <u>(6,969)</u> | <u>2,633</u> | <u>(10,006)</u> | <u>4,766</u> |
| Comprehensive income | 188,480 | 204,037 | 401,162 | 400,493 |
| Less: Comprehensive income attributable to noncontrolling interests | <u>9,872</u> | <u>19,211</u> | <u>34,832</u> | <u>39,235</u> |
| Comprehensive income attributable to UHS | <u>\$178,608</u> | <u>\$184,826</u> | <u>\$366,330</u> | <u>\$361,258</u> |

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

| | <u>June 30,</u> | <u>December 31,</u> |
|--------|-----------------|---------------------|
| | <u>2016</u> | <u>2015</u> |
| Assets | | |

| | | |
|--|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 56,273 | \$ 61,228 |
| Accounts receivable, net | 1,344,916 | 1,302,429 |
| Supplies | 117,710 | 116,037 |
| Deferred income taxes | 2,849 | 135,120 |
| Other current assets | <u>85,005</u> | <u>103,490</u> |
| Total current assets | <u>1,606,753</u> | <u>1,718,304</u> |
| Property and equipment | 6,722,246 | 6,530,569 |
| Less: accumulated depreciation | <u>(2,819,773)</u> | <u>(2,694,591)</u> |
| | <u>3,902,473</u> | <u>3,835,978</u> |
| Other assets: | | |
| Goodwill | 3,585,892 | 3,596,114 |
| Deferred charges | 15,319 | 16,688 |
| Other | <u>430,493</u> | <u>448,360</u> |
| | <u>\$ 9,540,930</u> | <u>\$ 9,615,444</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 94,802 | \$ 62,722 |
| Accounts payable and accrued liabilities | 1,169,241 | 1,033,697 |
| Federal and state taxes | <u>3,991</u> | <u>3,987</u> |
| Total current liabilities | <u>1,268,034</u> | <u>1,100,406</u> |
| Other noncurrent liabilities | 306,561 | 278,834 |
| Long-term debt | 3,499,375 | 3,368,634 |
| Deferred income taxes | 90,251 | 315,900 |
| Redeemable noncontrolling interest | 8,782 | 242,509 |
| UHS common stockholders' equity | 4,302,978 | 4,249,647 |
| Noncontrolling interest | <u>64,949</u> | <u>59,514</u> |
| Total equity | <u>4,367,927</u> | <u>4,309,161</u> |
| | <u>\$ 9,540,930</u> | <u>\$ 9,615,444</u> |

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

Six months
ended June 30,
2016 **2015**

Cash Flows from Operating Activities:

| | | |
|--|-----------|-----------|
| Net income | \$411,168 | \$395,727 |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i> | | |
| Depreciation & amortization | 205,460 | 196,255 |
| Stock-based compensation expense | 24,693 | 20,474 |
| <i>Changes in assets & liabilities, net of effects from acquisitions and dispositions:</i> | | |
| Accounts receivable | (45,729) | (95,013) |
| Accrued interest | 9,158 | (1,520) |

| | | |
|--|----------------|----------------|
| Accrued and deferred income taxes | 17,997 | 10,870 |
| Other working capital accounts | 123,315 | (10,899) |
| Other assets and deferred charges | (8,149) | 4,074 |
| Other | 52,050 | 2,163 |
| Accrued insurance expense, net of commercial premiums paid | 44,231 | 50,511 |
| Payments made in settlement of self-insurance claims | (33,012) | (41,039) |
| Net cash provided by operating activities | <u>801,182</u> | <u>531,603</u> |

Cash Flows from Investing Activities:

| | | |
|--|------------------|------------------|
| Property and equipment additions, net of disposals | (247,715) | (170,580) |
| Acquisition of property and businesses | (27,525) | (34,500) |
| Net cash used in investing activities | <u>(275,240)</u> | <u>(205,080)</u> |

Cash Flows from Financing Activities:

| | | |
|--|------------------|------------------|
| Reduction of long-term debt | (843,351) | (255,658) |
| Additional borrowings and related funds | 1,022,239 | 5,200 |
| Acquisition of minority ownership interests in majority owned businesses | (418,000) | 0 |
| Financing costs | (10,734) | 0 |
| Repurchase of common shares | (239,139) | (68,157) |
| Dividends paid | (19,484) | (19,804) |
| Issuance of common stock | 4,362 | 4,039 |
| Excess income tax benefits related to stock-based compensation | 35,247 | 28,489 |
| Profit distributions to noncontrolling interests | (59,615) | (23,295) |
| Proceeds received from sale/leaseback of real property | 0 | 12,765 |
| Net cash used in financing activities | <u>(528,475)</u> | <u>(316,421)</u> |

| | | |
|--|-----------------|-----------------|
| Effect of exchange rate changes on cash and cash equivalents | (2,422) | 293 |
| (Decrease) increase in cash and cash equivalents | (4,955) | 10,395 |
| Cash and cash equivalents, beginning of period | 61,228 | 32,069 |
| Cash and cash equivalents, end of period | <u>\$56,273</u> | <u>\$42,464</u> |

Supplemental Disclosures of Cash Flow Information:

| | | |
|---|------------------|------------------|
| Interest paid | <u>\$53,558</u> | <u>\$55,718</u> |
| Income taxes paid, net of refunds | <u>\$165,947</u> | <u>\$166,637</u> |
| Noncash purchases of property and equipment | <u>\$42,747</u> | <u>\$34,488</u> |

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

| Same Facility: | % Change | % Change |
|-----------------------|----------------------------|-----------------------------|
| | Quarter ended 6/30/2016 | 6 months ended 6/30/2016 |

Acute Care Hospitals

| | | |
|----------------------------------|------|------|
| Revenues | 7.4% | 9.7% |
| Adjusted Admissions | 3.9% | 5.8% |
| Adjusted Patient Days | 2.8% | 3.1% |
| Revenue Per Adjusted Admission | 1.3% | 2.2% |
| Revenue Per Adjusted Patient Day | 2.4% | 4.8% |

Behavioral Health Hospitals

| | | |
|-----------------------|-------|------|
| Revenues | 2.0% | 2.7% |
| Adjusted Admissions | -0.3% | 0.5% |
| Adjusted Patient Days | 0.2% | 0.7% |

| | | |
|----------------------------------|------|------|
| Revenue Per Adjusted Admission | 2.4% | 2.1% |
| Revenue Per Adjusted Patient Day | 1.9% | 1.9% |

| UHS Consolidated | Second quarter ended | | Six months ended | |
|--------------------------------------|----------------------|-------------|------------------|-------------|
| | 6/30/2016 | 6/30/2015 | 6/30/2016 | 6/30/2015 |
| Revenues | \$2,430,855 | \$2,275,204 | \$4,880,653 | \$4,500,557 |
| EBITDA (1) | \$424,827 | \$413,438 | \$860,240 | \$819,466 |
| EBITDA Margin (1) | 17.5% | 18.2% | 17.6% | 18.2% |
| Cash Flow From Operations | \$336,955 | \$260,329 | \$801,182 | \$531,603 |
| Days Sales Outstanding | 50 | 54 | 50 | 55 |
| Capital Expenditures | \$120,501 | \$81,304 | \$247,715 | \$170,580 |
| Debt | | | \$3,594,177 | \$3,014,643 |
| UHS' Shareholders Equity | | | \$4,302,978 | \$4,061,756 |
| Debt / Total Capitalization | | | 45.5% | 42.6% |
| Debt / EBITDA (2) | | | 2.21 | 1.99 |
| Debt / Cash From Operations (2) | | | 2.79 | 2.72 |
| Acute Care EBITDAR Margin (3) | 17.7% | 19.1% | 19.4% | 19.8% |
| Behavioral Health EBITDAR Margin (3) | 28.1% | 28.7% | 28.0% | 28.6% |

(1) Net of Minority Interest

(2) Latest 4 quarters

(3) Same facility basis, before Corporate overhead allocation and minority interest.

Universal Health Services, Inc.

Selected Hospital Statistics

For the three months ended

June 30, 2016 and 2015

AS REPORTED:

| | ACUTE | | | BEHAVIORAL HEALTH | | |
|----------------------------|-------------|-------------|----------|-------------------|-------------|----------|
| | 06/30/16 | 06/30/15 | % change | 06/30/16 | 06/30/15 | % change |
| Hospitals owned and leased | 24 | 24 | 0.0% | 213 | 202 | 5.4% |
| Average licensed beds | 5,854 | 5,836 | 0.3% | 21,824 | 21,027 | 3.8% |
| Patient days | 306,907 | 302,757 | 1.4% | 1,511,204 | 1,463,553 | 3.3% |
| Average daily census | 3,372.6 | 3,327.0 | 1.4% | 16,606.6 | 16,083.0 | 3.3% |
| Occupancy-licensed beds | 57.6% | 57.0% | 1.1% | 76.1% | 76.5% | -0.5% |
| Admissions | 66,824 | 65,218 | 2.5% | 114,873 | 113,855 | 0.9% |
| Length of stay | 4.6 | 4.6 | -1.1% | 13.2 | 12.9 | 2.0% |
| Inpatient revenue | \$4,682,682 | \$4,188,933 | 11.8% | \$1,995,992 | \$1,865,070 | 7.0% |
| Outpatient revenue | 2,838,852 | 2,403,044 | 18.1% | 229,243 | 217,013 | 5.6% |
| Total patient revenue | 7,521,534 | 6,591,977 | 14.1% | 2,225,235 | 2,082,083 | 6.9% |
| Other revenue | 118,988 | 88,970 | 33.7% | 53,053 | 54,440 | -2.5% |
| Gross hospital revenue | 7,640,522 | 6,680,947 | 14.4% | 2,278,288 | 2,136,523 | 6.6% |
| Total deductions | 6,208,276 | 5,367,134 | 15.7% | 1,074,462 | 1,001,556 | 7.3% |

Net hospital revenue before

| | | | | | | |
|---------------------------------|-------------|-------------|-------|-------------|-------------|------|
| provision for doubtful accounts | 1,432,246 | 1,313,813 | 9.0% | 1,203,826 | 1,134,967 | 6.1% |
| Provision for doubtful accounts | 178,918 | 149,297 | 19.8% | 29,071 | 28,107 | 3.4% |
| Net hospital revenue | \$1,253,328 | \$1,164,516 | 7.6% | \$1,174,755 | \$1,106,860 | 6.1% |

SAME FACILITY:

| | ACUTE | | | BEHAVIORAL HEALTH (1) | | |
|----------------------------|----------|----------|----------|-----------------------|-----------|----------|
| | 06/30/16 | 06/30/15 | % change | 06/30/16 | 06/30/15 | % change |
| Hospitals owned and leased | 24 | 24 | 0.0% | 202 | 202 | 0.0% |
| Average licensed beds | 5,854 | 5,836 | 0.3% | 21,039 | 20,708 | 1.6% |
| Patient days | 306,907 | 302,757 | 1.4% | 1,458,903 | 1,450,622 | 0.6% |
| Average daily census | 3,372.6 | 3,327.0 | 1.4% | 16,031.9 | 15,940.9 | 0.6% |
| Occupancy-licensed beds | 57.6% | 57.0% | 1.1% | 76.2% | 77.0% | -1.0% |
| Admissions | 66,824 | 65,218 | 2.5% | 113,579 | 113,565 | 0.0% |
| Length of stay | 4.6 | 4.6 | -1.1% | 12.8 | 12.8 | 0.6% |

(1) ALPHA (UK) entities, and the Foundations Recovery Network entities are excluded in both current and prior years.

Universal Health Services, Inc.

Selected Hospital Statistics

For the six months ended
June 30, 2016 and 2015

AS REPORTED:

| | ACUTE | | | BEHAVIORAL HEALTH | | |
|--|-------------|-------------|----------|-------------------|-------------|----------|
| | 06/30/16 | 06/30/15 | % change | 06/30/16 | 06/30/15 | % change |
| Hospitals owned and leased | 24 | 24 | 0.0% | 213 | 202 | 5.4% |
| Average licensed beds | 5,854 | 5,814 | 0.7% | 21,788 | 21,005 | 3.7% |
| Patient days | 632,141 | 620,720 | 1.8% | 3,011,909 | 2,906,619 | 3.6% |
| Average daily census | 3,473.3 | 3,429.3 | 1.3% | 16,549.0 | 16,058.7 | 3.1% |
| Occupancy-licensed beds | 59.3% | 59.0% | 0.6% | 76.0% | 76.5% | -0.7% |
| Admissions | 136,498 | 130,637 | 4.5% | 230,294 | 226,561 | 1.6% |
| Length of stay | 4.6 | 4.8 | -2.5% | 13.1 | 12.8 | 1.9% |
| Inpatient revenue | \$9,648,219 | \$8,517,700 | 13.3% | \$3,955,562 | \$3,688,495 | 7.2% |
| Outpatient revenue | 5,606,181 | 4,687,756 | 19.6% | 450,886 | 421,582 | 7.0% |
| Total patient revenue | 15,254,400 | 13,205,456 | 15.5% | 4,406,448 | 4,110,077 | 7.2% |
| Other revenue | 230,545 | 177,645 | 29.8% | 103,591 | 105,120 | -1.5% |
| Gross hospital revenue | 15,484,945 | 13,383,101 | 15.7% | 4,510,039 | 4,215,197 | 7.0% |
| Total deductions | 12,625,797 | 10,798,998 | 16.9% | 2,115,123 | 1,973,529 | 7.2% |
| Net hospital revenue before provision for doubtful accounts | 2,859,148 | 2,584,103 | 10.6% | 2,394,916 | 2,241,668 | 6.8% |
| Provision for doubtful accounts | 318,673 | 273,647 | 16.5% | 59,115 | 58,463 | 1.1% |
| Net hospital revenue | \$2,540,475 | \$2,310,456 | 10.0% | \$2,335,801 | \$2,183,205 | 7.0% |

SAME FACILITY:

ACUTE

BEHAVIORAL HEALTH (1)

| | <u>06/30/16</u> | <u>06/30/15</u> | <u>% change</u> | <u>06/30/16</u> | <u>06/30/15</u> | <u>% change</u> |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Hospitals owned and leased | 24 | 24 | 0.0% | 202 | 202 | 0.0% |
| Average licensed beds | 5,854 | 5,814 | 0.7% | 21,019 | 20,708 | 1.5% |
| Patient days | 632,141 | 620,720 | 1.8% | 2,907,195 | 2,881,882 | 0.9% |
| Average daily census | 3,473.3 | 3,429.3 | 1.3% | 15,973.6 | 15,922.0 | 0.3% |
| Occupancy-licensed beds | 59.3% | 59.0% | 0.6% | 76.0% | 76.9% | -1.2% |
| Admissions | 136,498 | 130,637 | 4.5% | 227,688 | 225,892 | 0.8% |
| Length of stay | 4.6 | 4.8 | -2.5% | 12.8 | 12.8 | 0.1% |

(1) ALPHA (UK) entities, and the Foundations Recovery Network entities are excluded in both current and prior years.

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/universal-health-services-inc-reports-2016-second-quarter-financial-results-300304307.html>

SOURCE Universal Health Services, Inc.

Steve Filton, Chief Financial Officer, 610-768-3300