



**Universal Health Services, Inc.**  
**Investor Presentation**

# **Our Proven and Successful Business Strategy**

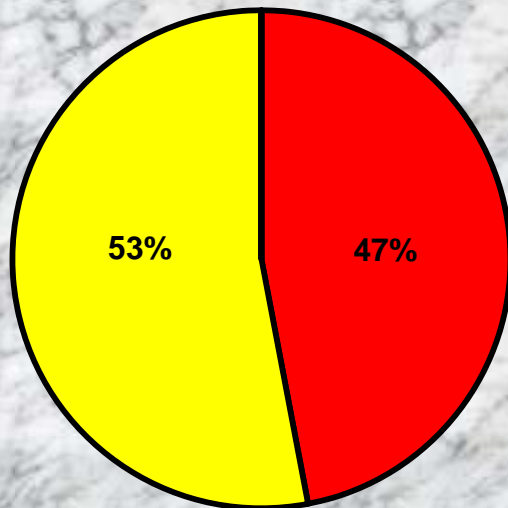
- Diversified Business Model: Behavioral Health and Acute Care Hospitals
- Strong Capital Structure and Capital Access
- Market Leadership, Many Markets with Multiple Facilities
- Focus on Rapid Growth Areas
- Growth through Expansion in Existing Markets and Selective Acquisitions
- Quality and Standardization of Service



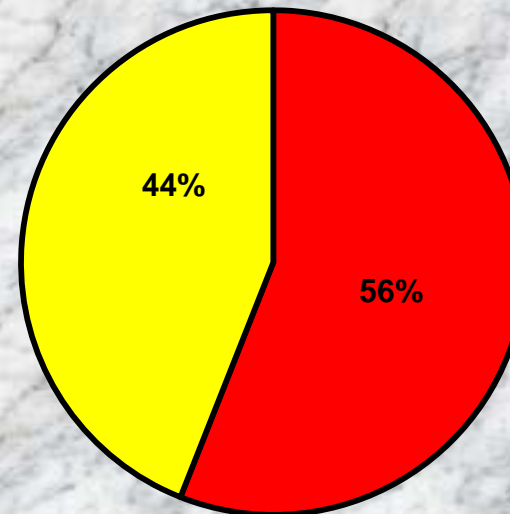
# A Premier Facilities-Based Healthcare Provider

## Diversified Business Mix

Revenue\*



EBITDA \*



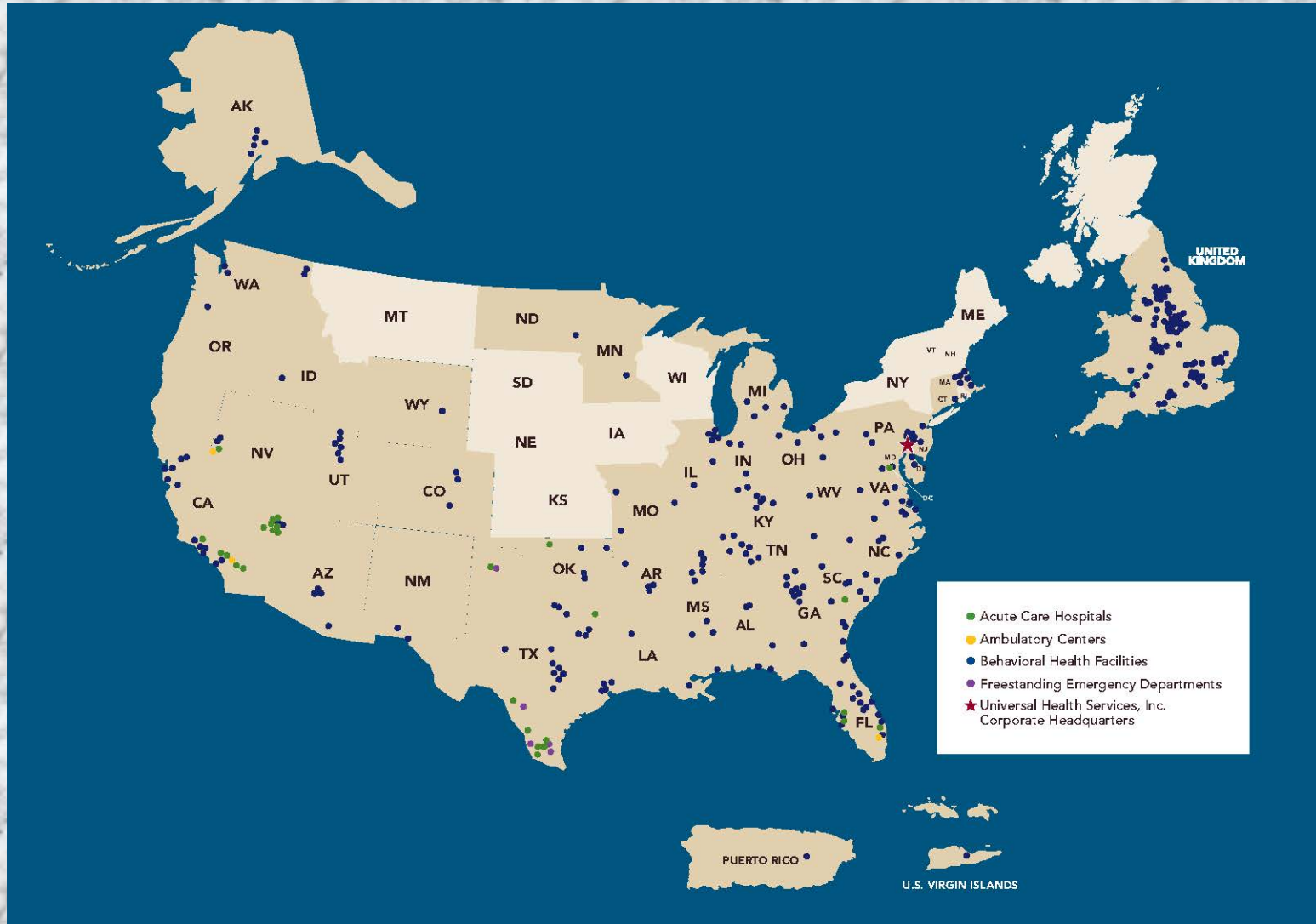
Acute Care Behavioral

\*12 months ended 12/31/2017



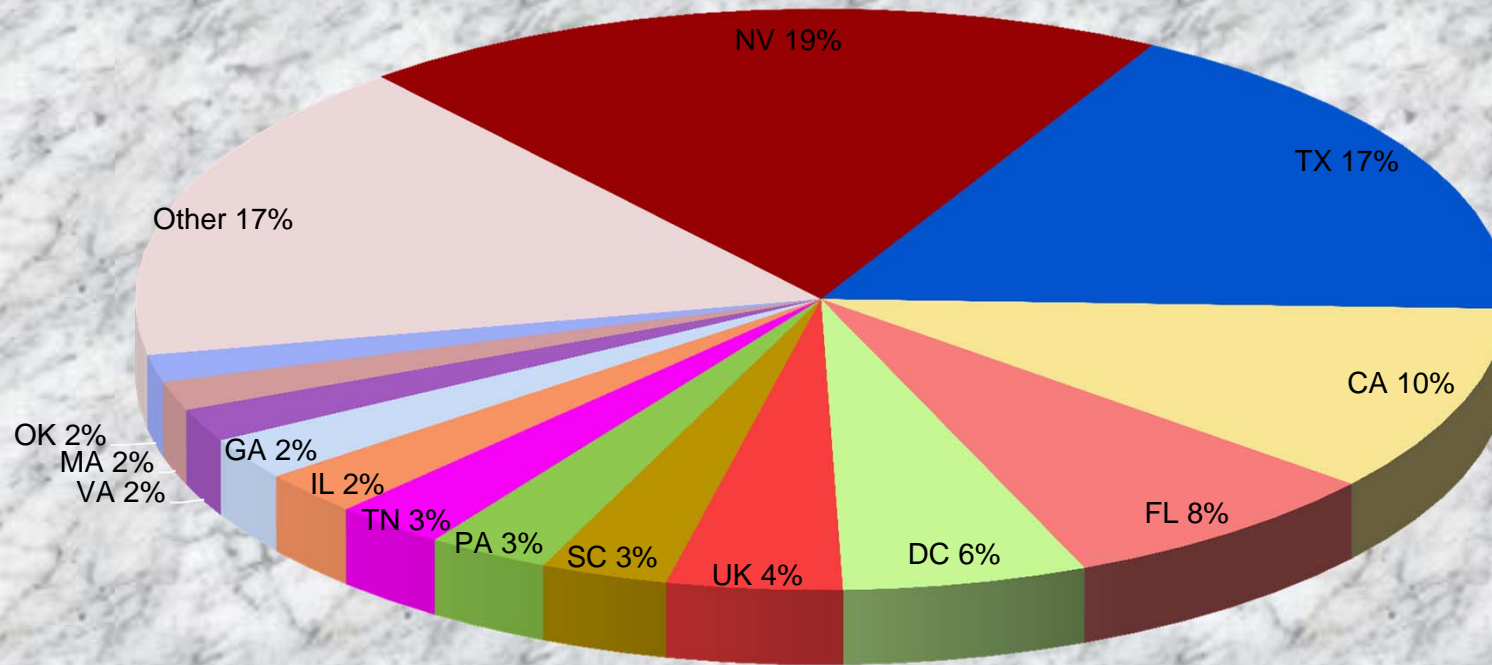
# Geographic Diversity

UHS Operates Facilities in 37 States, DC, Puerto Rico, the Virgin Islands, and the United Kingdom





# Net Revenues by State

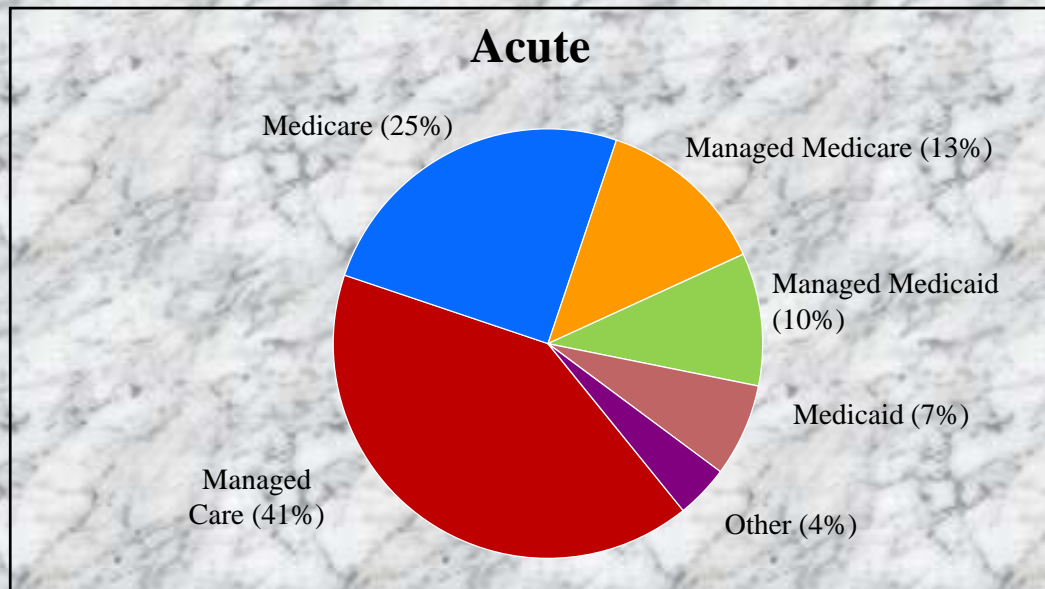
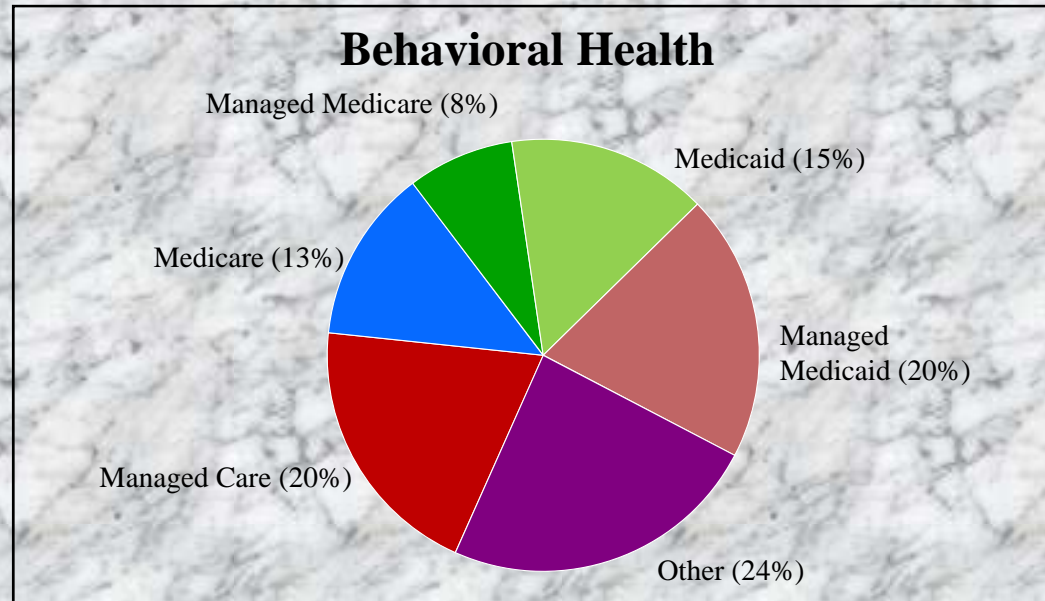


Other Includes:  
\*25 States, Puerto Rico, and the  
Virgin Islands: each less than 2%.

\*12 months ended 12/31/2017



# Sources of Revenue



\*12 months ended 12/31/2017

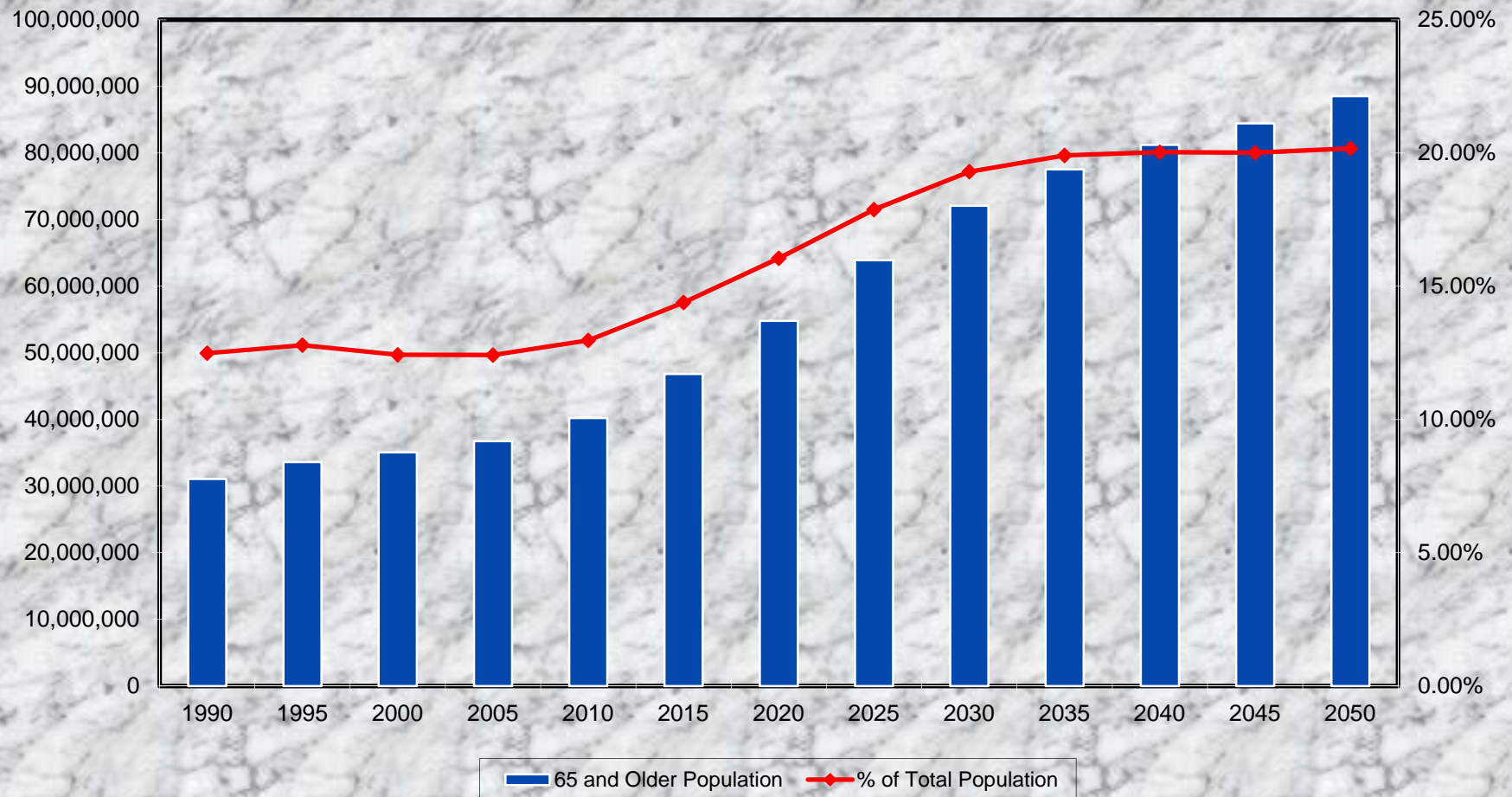


# Outlook

- Our businesses should benefit from:
  - Favorable demographics
  - Economic recovery in our local markets
  - Dominant market positions
  - Attractive industry trends in both behavioral health and acute care
  - Additional access created by health reform
  - Tax Reform

# Very Favorable Demographics

## Number of 65+ Individuals in the United States

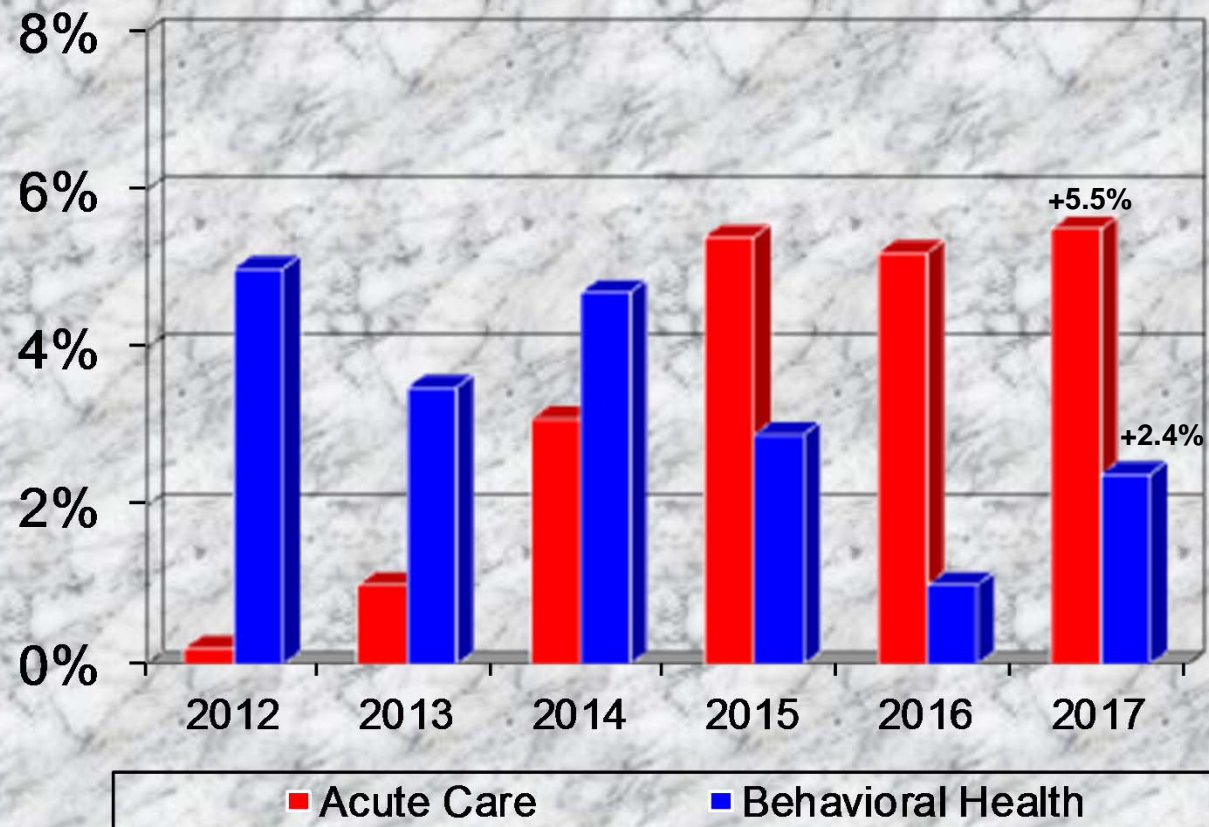


\* Data provided by [www.census.gov](http://www.census.gov)





## Same Store Adjusted Admissions Growth

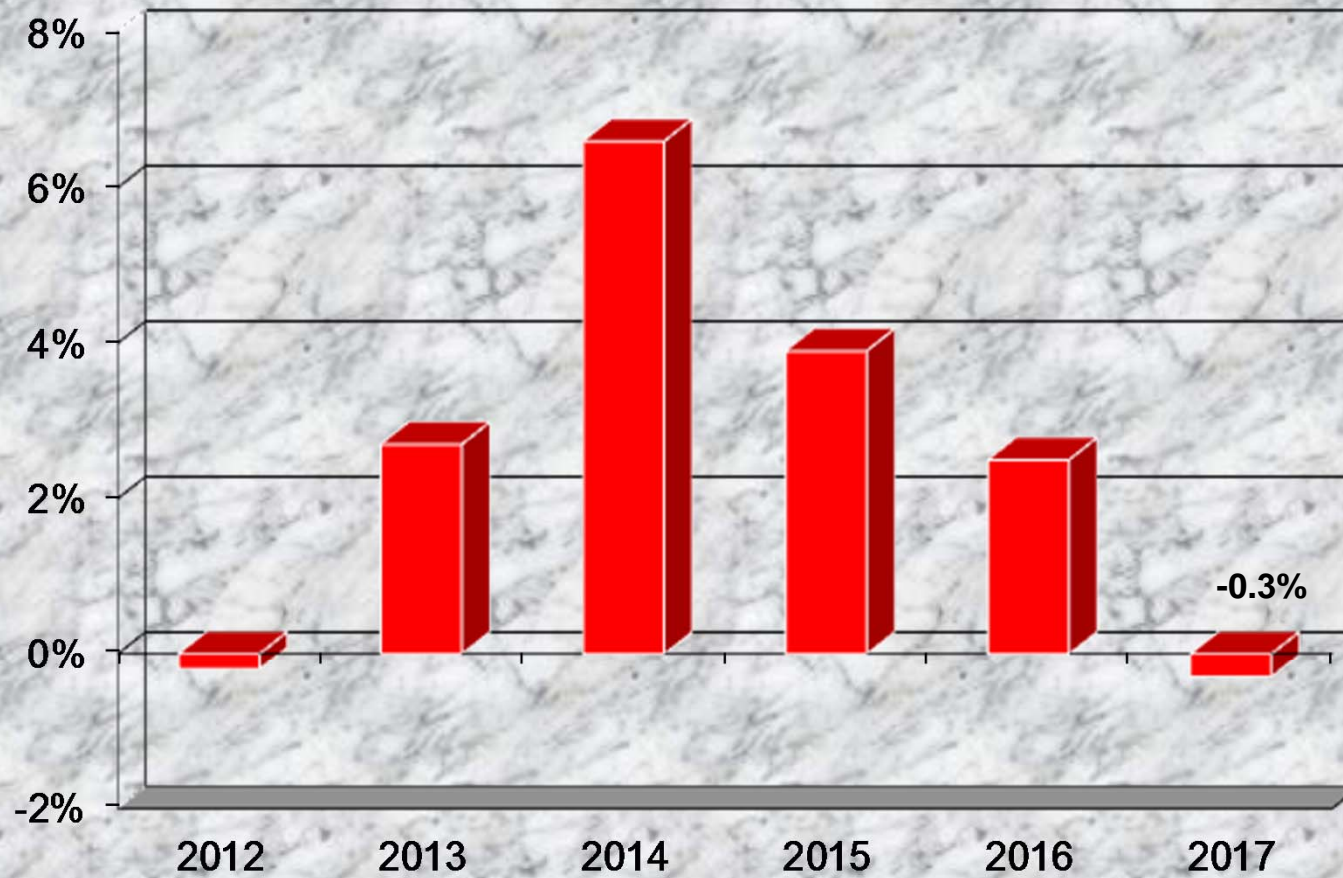


# Same Store Adjusted Admission Trends vs Industry



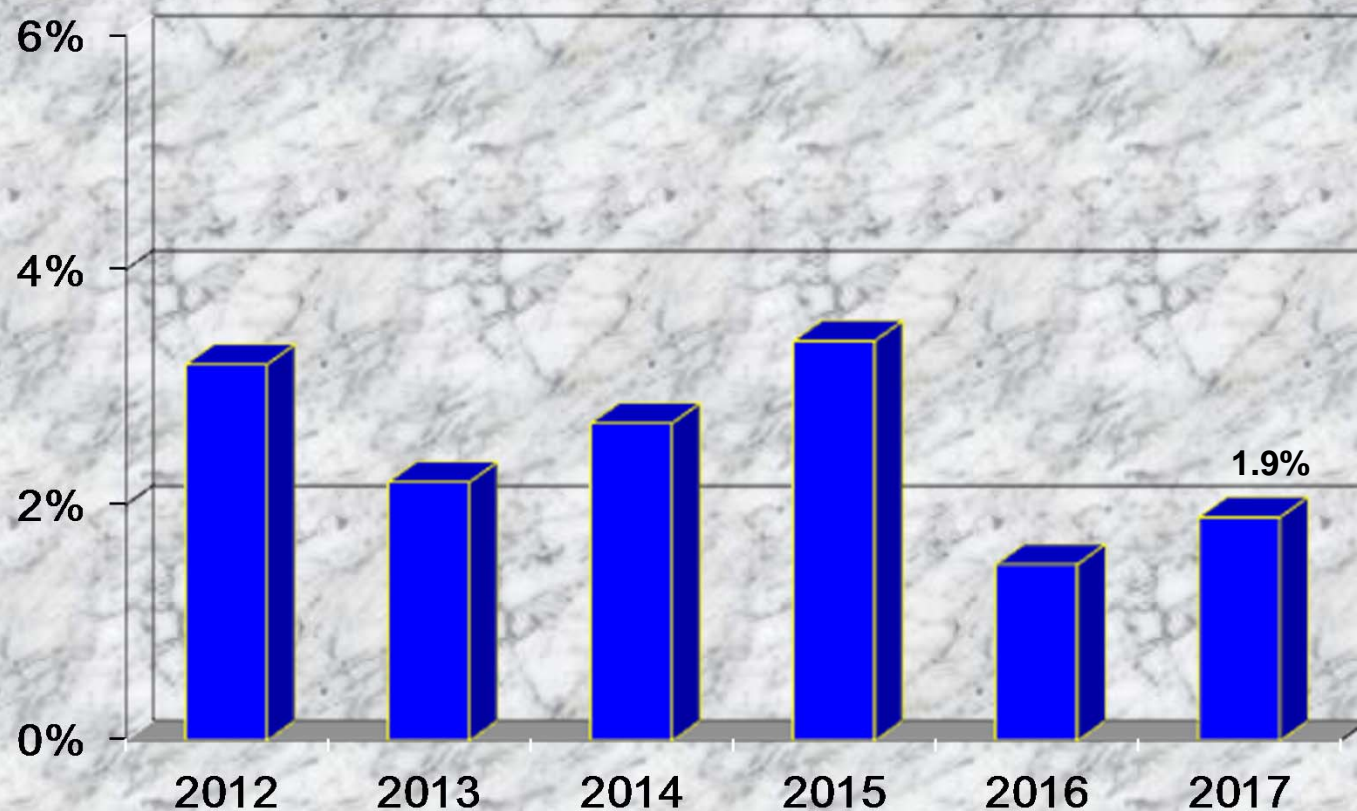
\*Includes HCA, CYH, THC, & LPNT

## Revenue Per Adjusted Admission - Acute



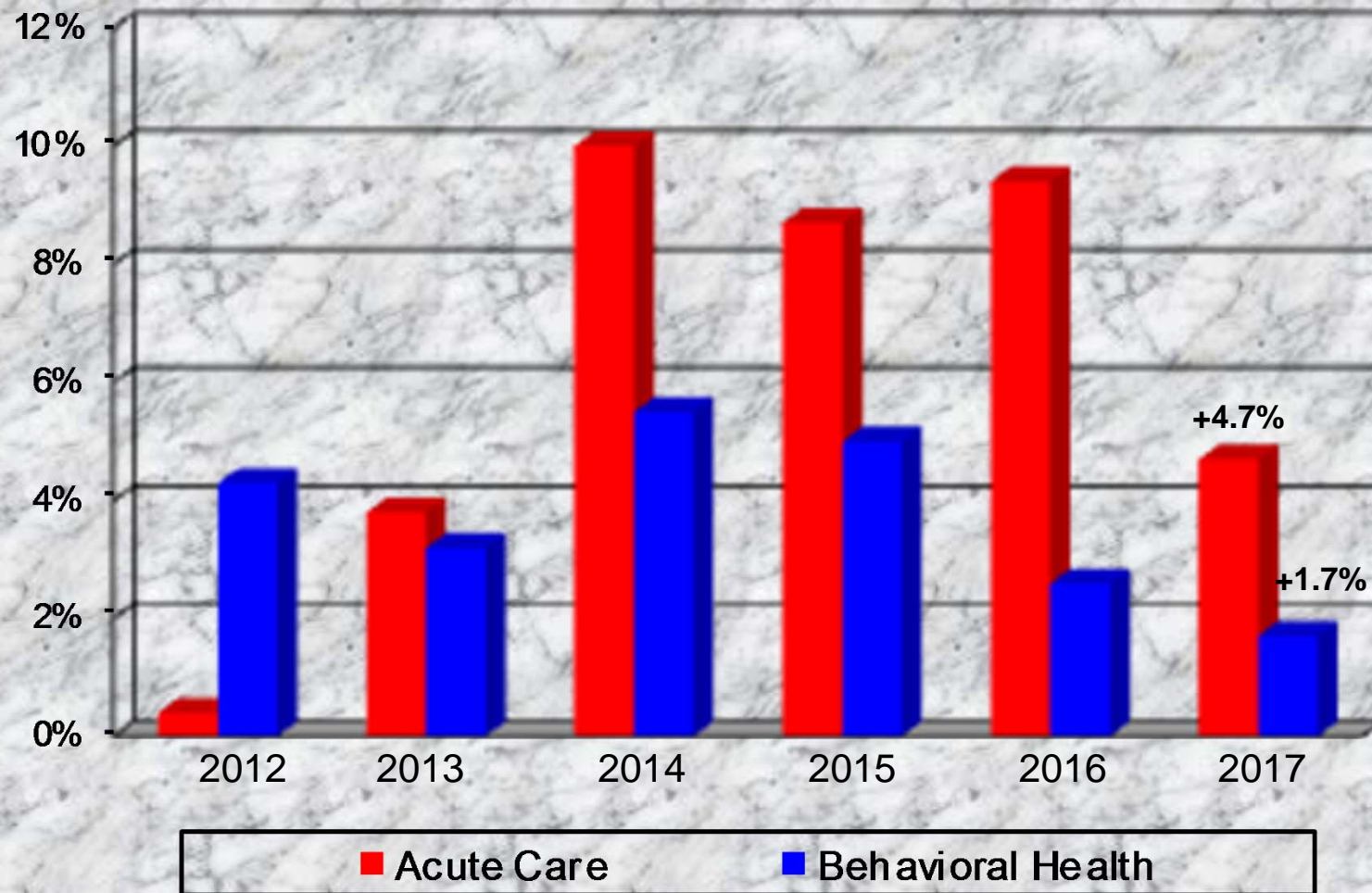


## Revenue Per Adjusted Patient Day – Behavioral Health

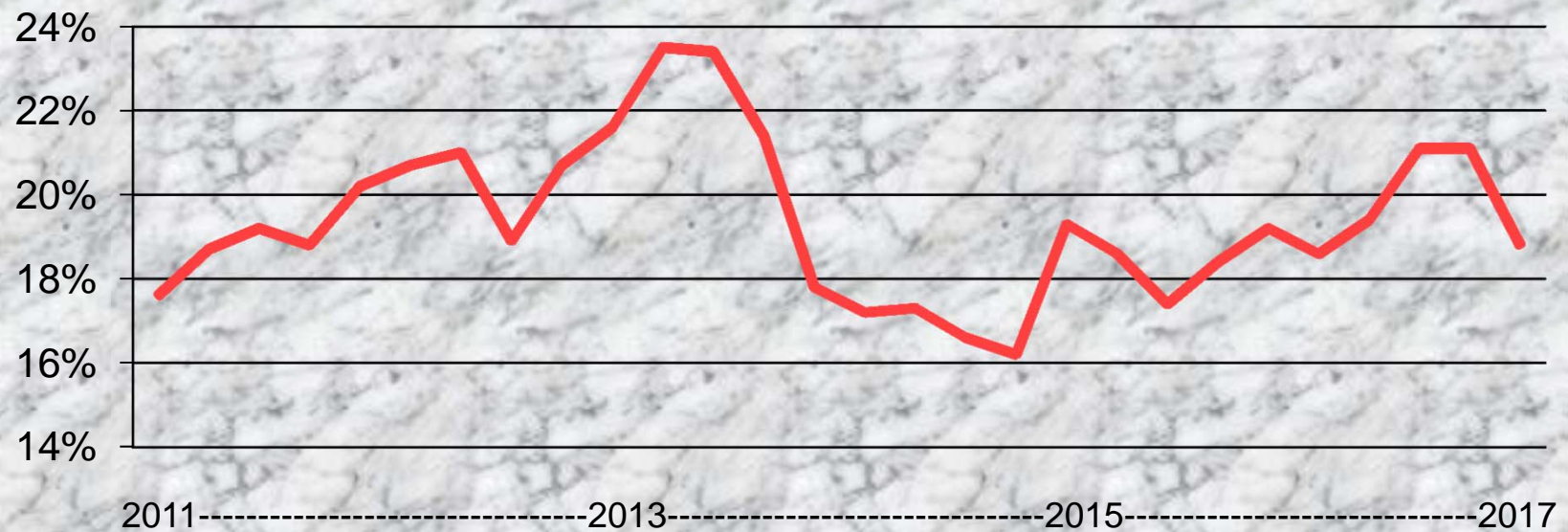




# Same Store Revenue Growth



# Bad Debt and Uninsured Levels



\* Bad Debt, Charity & Uninsured Discounts as a % of net revenue, bad debt, charity care, and uninsured discount.

# Behavioral Sector: Highly Attractive Industry Dynamics

- Inpatient behavioral segment = approximately \$20.0 billion
- Estimated 73 million people in the U.S. with diagnosable mental illnesses
- 4 of the 10 leading causes of disability in the U.S. are mental illnesses
- Stable pricing and increasing admissions and occupancy trends
- Minimal exposure to uncompensated care
- Lower capital requirements
- Positive impact from ACA, Mental Health Parity rules and the elimination of IMD exclusion provides industry tail wind



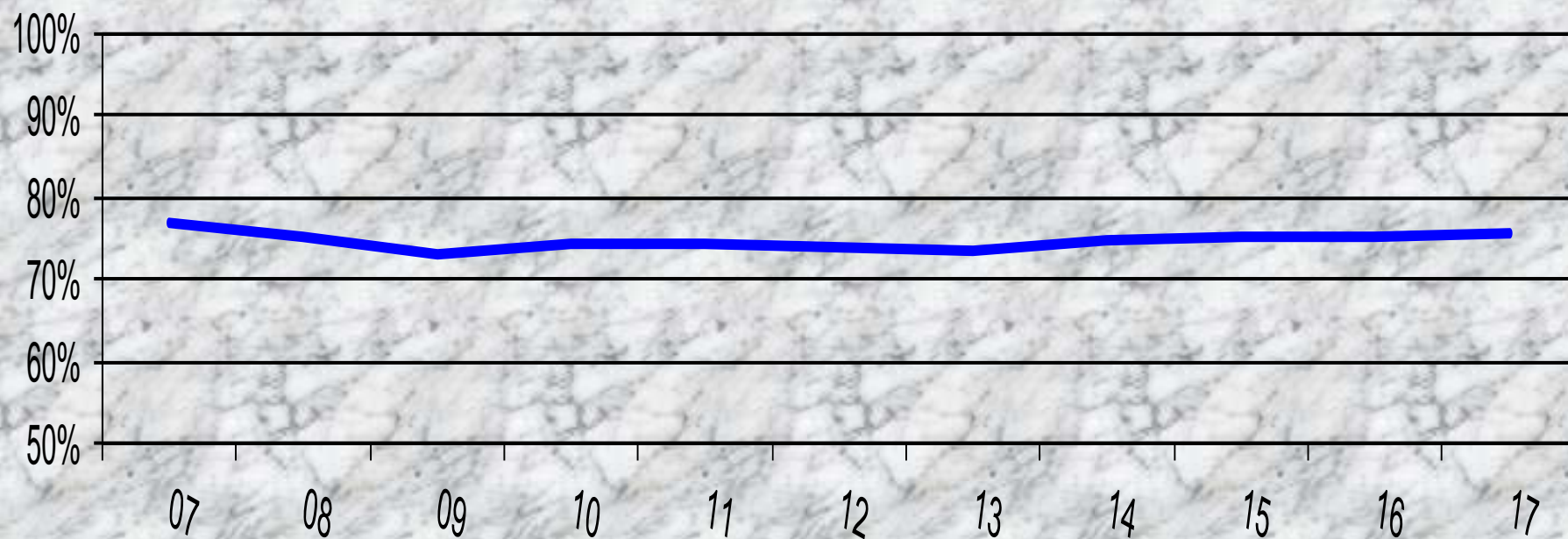
# Behavioral Health Division Overview

- Leading Behavioral Health provider ranked by total hospitals, total beds and net patient revenue
- 300 inpatient facilities and 24 outpatient facilities in 36 states, DC, Puerto Rico, the Virgin Islands, and the UK
- 2017 Net Revenue of \$4.9 billion
- 75% Occupancy rates and strong same store operating margins
- Disciplined and strategic approach
- Continued growth through acquisition and expansion
- Proven track record of assimilating and improving acquired facilities





# Strong Behavioral Health Occupancy Rates



# Behavioral Health - UK

**105 facilities, approximately 2,280 beds**

- Purchased Cygnet Health Care in September 2014
  - 18 facilities with 765 beds
  - One of the largest providers of behavioral health facilities in the UK
  - Leading specialist mental health provider in the UK
  - Experienced Management Team
- Acquired Orchard Portman House Hospital in February, 2015: 46 bed behavioral health hospital located in Taunton
- Broke ground on 56 bed de novo hospital in Coventry, West Midlands, England which is due to open in February, 2017
- Acquired Alpha Hospital Holdings Limited in August, 2015 adding four (4) hospitals and 305 beds to the Cygnet Family
- Acquired Cambian Group's Adult Services Division in December 2016, adding 81 behavioral facilities with 1,193 beds



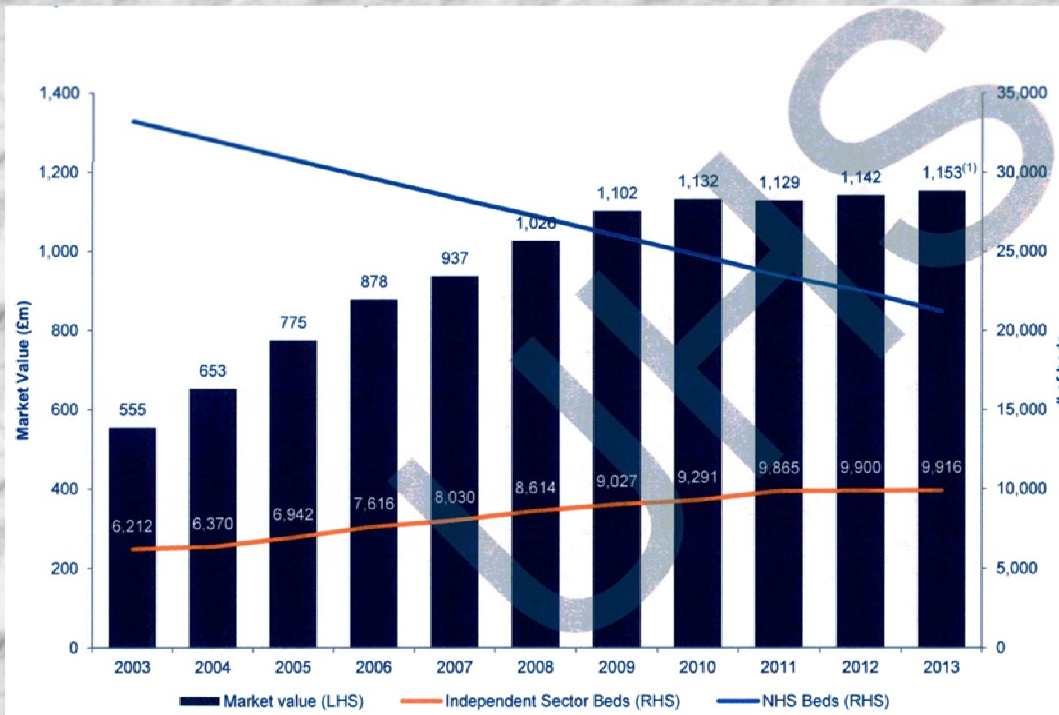
# Cambian Adult Services

- 81 facilities, 1,193 beds
- A leading provider in UK of care to adults with mental health, intellectual disabilities, autism, personality disorder and acquired brain conditions
- Excellent reputation as a high quality provider evidenced by exceptional Care Quality Commission (CQC) scores and patient outcomes
- Services are complementary to existing Cygnet business
- CMA Phase II review commenced in May, 2017 and the final ruling was released in October, 2017 resulting in requirement to sell one 18 bed facility in the East Midlands (less than \$1 million EBITDA)



# UK Market Expected to Swing Further to Independent Sector

Independent mental health hospitals/units and market size, 2003-2013



Note

Source: Lang and Bussion management estimates: NHS Bed Statistics

(1) Assumes 1% growth on 2012

- Latest Department of Health data shows further decline in NHS beds by 1% between Dec. 13 and Mar 14
- NHS bed closures expected to continue as Quality, Innovation, Productivity and Prevention agenda continues
- Continuing trend towards more outsourcing to independent sector provision
- Partnerships with the NHS and new models of contracting opportunities
- Preference of providers with track record and high standards



# Behavioral Health Capital Expansions

- 2018 budget: 525 new beds at 11 facilities (including 2 de novo totaling 226 beds); and converting 66 beds from RTC to acute
- 2017: 471 new beds at 19 facilities (including 2 de novos totaling 129 beds); and converting 92 beds from RTC to acute
- 2016: 437 new beds at 15 facilities (including 2 de novo facilities totaling 156 beds)
- 2015: 344 new beds at 12 facilities; and converted 37 beds from RTC to acute;
- 2014: 500 new beds at 18 facilities; and 124 beds converted from RTC to acute-behavioral



## **Recent Behavioral Health Acquisitions, de Novo and Replacement Facilities**

- Acquired Gulfport Behavioral Health System: 109 bed hospital in Gulfport, MS in January, 2018
- Cedar Creek: 60 bed de novo facility in St. John, MI opened Q/4/2017
- Coral Shores: 80 bed de novo in Stuart, FL
- Coventry: a 49 bed de novo in the United Kingdom opened in Q/2/2017
- Skywood Recovery; 100 bed de novo facility in Augusta, MI opened April, 2016
- Cedar Ridge of Bethany: 57 bed hospital opened in February, 2016
- Garland Behavioral Health in Garland, Texas: 72 bed unit opened in 2015
- Fairfax Monroe; 34 bed unit opened late 2015



# Acquisition of Foundations Recovery Network

- One of the premier names in addiction treatment
- Completed Acquisition in September, 2015; \$350 million purchase price
- 322 residential beds in 4 facilities and 8 outpatient centers
- Over 140 expansion beds in pipeline
- Skywood Recovery; 100 bed de novo facility in Augusta, MI opened April, 2016
- Strategically important acquisition – complements existing addiction business
- Platform for growth in expanded substance use disorder service line





# Foundations Recovery Network: The Canyon at Peace Park (Malibu, CA)





# Acute Care Hospital Business Fundamentals

- Predictable Demand Over Long Term: Very Favorable Demographics
- Limited Local Competition
- High Cash Flow Generation
- Provides Basic Need of Society
- Limited Technology Risk
- Many Financially Challenged Non-Profits
- More Insured patients as a result of ACA

# Preparing for Shift from Fee for Service to Fee for Value

- Acquisition/employment of Primary Care Physicians
- Employment of specialists (where strategic)
- Clinical Integration
- Reducing Clinical Variation
- Medicare Advantage/bundled payment
- Acquisition of Health Insurance Plan (NV/TX)

# Acute Care Acquisitions, Expansions, and de Novo Facilities

- Opened 27 new beds at Lakewood Ranch Medical Center in Bradenton, FL
- Opened 22 new beds at Edinburg Regional Medical Center in Edinburg, TX
- Opened 27 new beds at Palmdale Regional Medical Center in Palmdale, CA in Q/3/2017
- Three FEDs under construction and scheduled to open in first half of 2018
- Construction underway of 30,000 sf addition to Temecula Valley Hospital
- 30 bed ER at Corona Regional Medical Center opened in May, 2017
- Henderson Hospital, a 142 bed de novo hospital in Southeast Las Vegas opened 10/31/2016
- Acquired Desert View Medical Center, a 25 bed critical access hospital in Pahrump, NV (3<sup>rd</sup> quarter, 2016)
- 36 bed addition to Centennial Hills Hospital in Las Vegas opened in fourth quarter 2016
- 55 bed tower added to Spring Valley Hospital Medical Center, Las Vegas opened in third quarter, 2016
- Texas Freestanding Emergency Departments (FEDs): Opened two in 2015 and two more in 2016.





# Spring Valley Tower (55 new beds)





# **UHS Strategy Execution**

## **Leadership Position in Markets**

- Improves managed care contracting and helps engage physicians
- Creates opportunities for integrated support services
- Increases operating predictability/stability
- Increases cost effectiveness
- Enhances growth opportunities



# UHS Strategy Execution

## Build Market Leadership

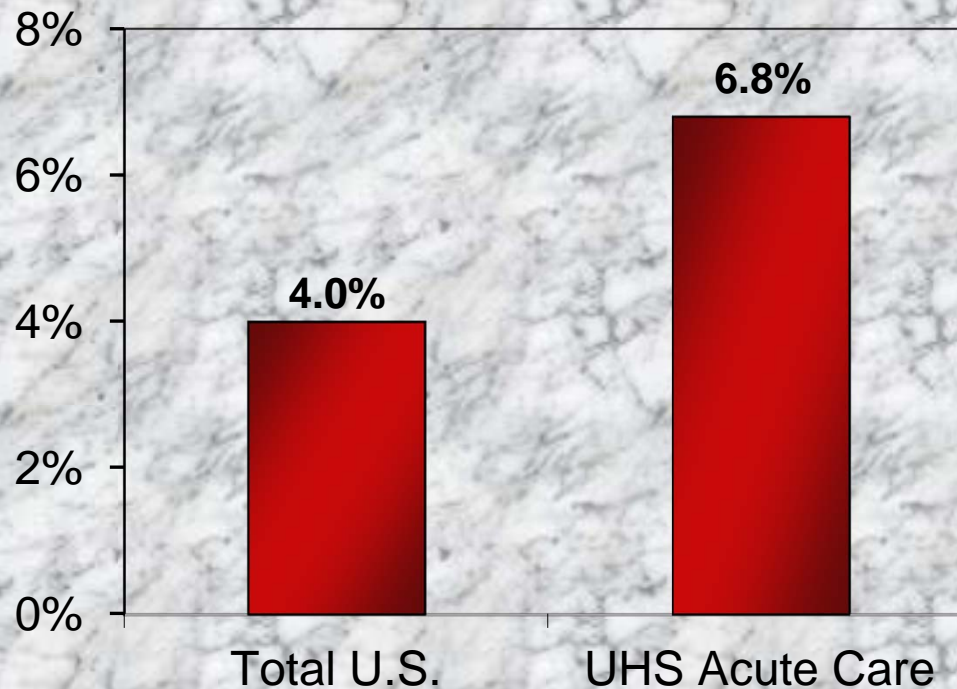
- 92% of UHS's EBITDA is produced by hospitals ranked #1 or #2 in their markets
- UHS acute care hospitals average 236 licensed beds



# UHS Focus on Rapid Growth Areas

- UHS focuses on markets growing more rapidly than the U.S. as a whole

**Estimated Growth in Population  
2016-2021**



Source: Spatial Insights



# Las Vegas Market

- UHS is market share leader in Las Vegas
- 6 acute care hospitals; 1,708 licensed beds
- 2 behavioral health hospitals; 140 licensed beds
- Opened 6<sup>th</sup> acute care hospital in Las Vegas market on 10/31/2016: 142 bed hospital located in Henderson, NV (Southeast quadrant of Las Vegas)
- 91 additional beds were completed and opened at existing hospitals in 2016. 55 beds opened at Spring Valley and 36 beds opened at Centennial Hills
- Acquired Desert View Medical Center, a 25 bed critical care access hospital in Pahrump, NV in the third quarter
- Continued economic improvement – 4.9% unemployment down from 14% in 2011





# Henderson Hospital (Henderson, NV)



# South Texas Market

- Hildago County population approximately 860,000; Region population of about 1.25 million
- A Market Share leader with 25% of the market
- Three Acute Care hospitals (including a Children's Hospital) and one Behavioral Health hospital with a total of 848 beds
- Two free standing emergency departments opened in 2015: four more are planned for 2017 and 2018
- Expanded Edinburg campus by 22 patient beds which opened in early 2017
- Physician Integration Model



# Washington D.C. Market

- 385 bed hospital: George Washington University Hospital
- Strong population and economic growth in Washington, DC.
- National brand name recognition and reputation
- Level 1 Trauma Center and Destination for many of the District's VIP population
- Planned bed expansion of approximately 40 beds
- Kidney and pancreas transplant programs approved in 2014; kidney transplant center dedicated November, 2015
- Psychiatric Institute of Washington ("PIW") a 124 bed behavioral health care facility and outpatient treatment center acquired April, 2014

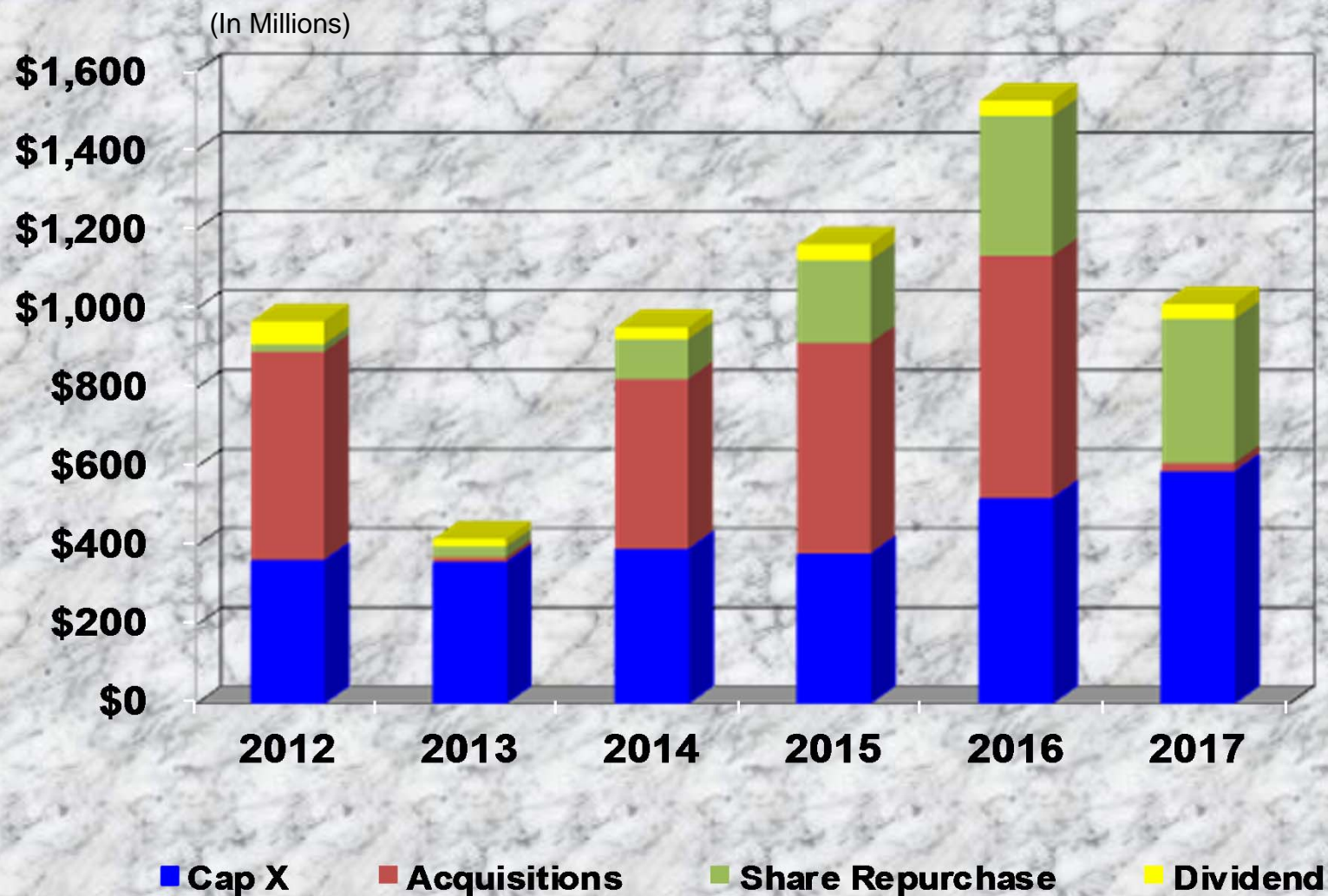




# George Washington University Hospital

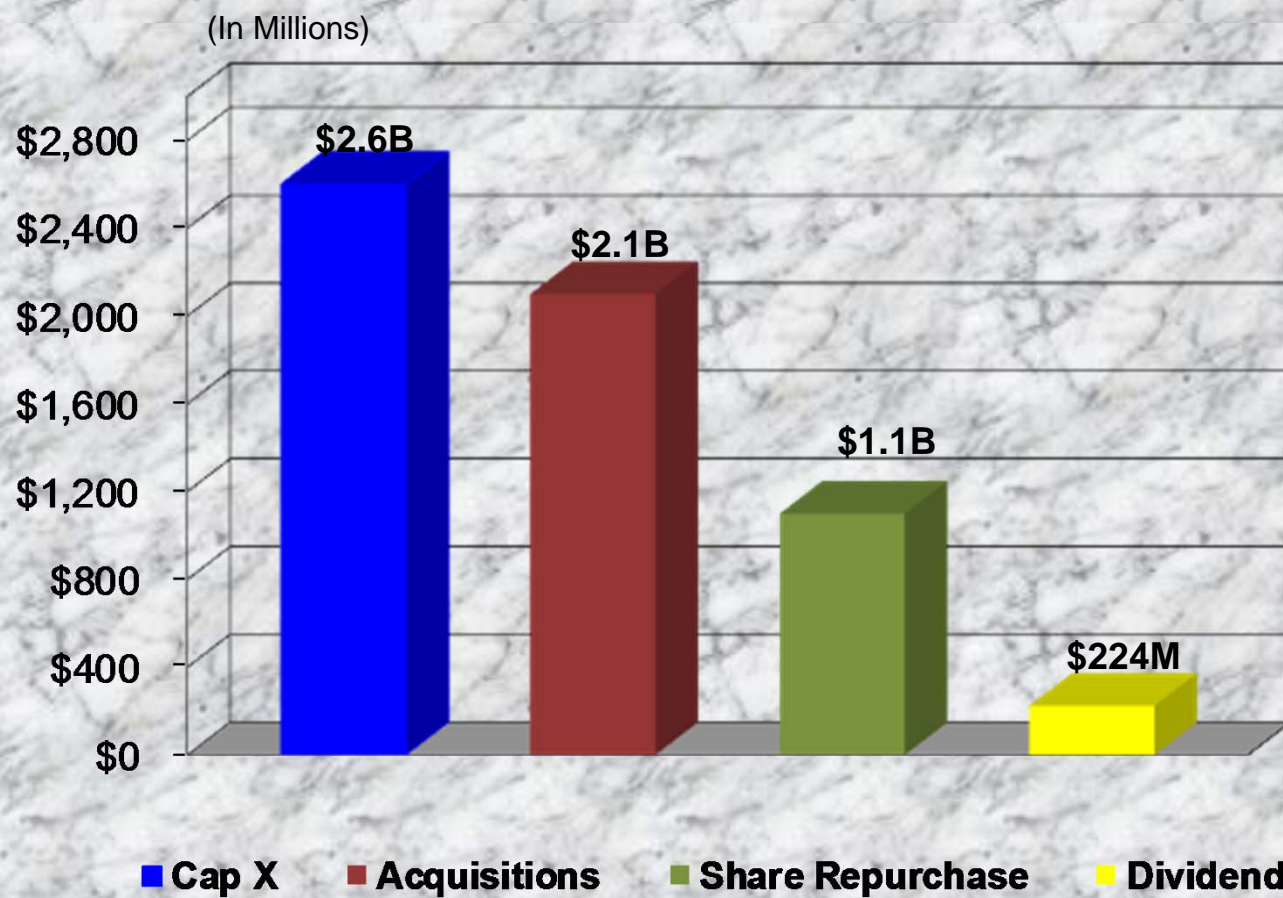


# Capital Allocation





# Capital Deployment



(6 years 2012-2017)





# Full Year Results

## December 31, 2017

|                           | <u>\$</u><br><u>(Millions)</u> | <u>%</u><br><u>Growth</u> |
|---------------------------|--------------------------------|---------------------------|
| Net Revenues              | \$10,410                       | 6.6%                      |
| EBITDA                    | \$1,709                        | 3.4%                      |
| Net Income                | \$725                          | 0.7%                      |
| EPS                       | \$7.53                         | 2.8%                      |
| Debt/Total Capitalization |                                | 44.7%                     |
| Debt/EBITDA               |                                | 2.36                      |

\*Net income and EPS adjusted to exclude prior period and one time adjustments



# UHS Summary

- Unique Diversified Business Model: Behavioral Health and Acute Care
- Dominant Local Franchises
- Favorable Demographics
- Experienced and Disciplined Management Team with strong track record of success
- Substantial Growth Opportunities
- Strong Financial Position





**Universal Health Services, Inc.**

12-6-2017