



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

# Our Proven and Successful Business Strategy

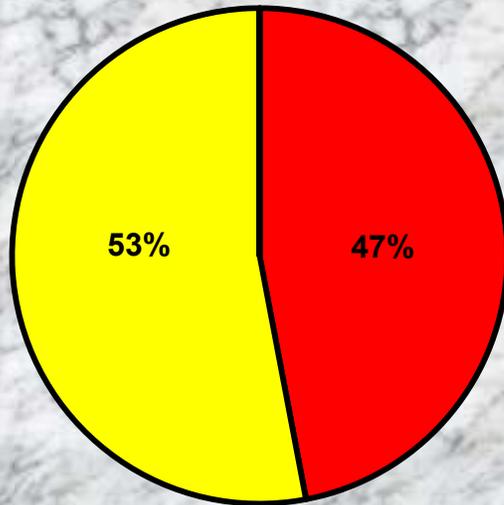
- Diversified Business Model: Behavioral Health and Acute Care Hospitals
- Strong Capital Structure and Capital Access
- Market Leadership, Many Markets with Multiple Facilities
- Focus on Rapid Growth Areas
- Growth through Expansion in Existing Markets and Selective Acquisitions
- Quality and Standardization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



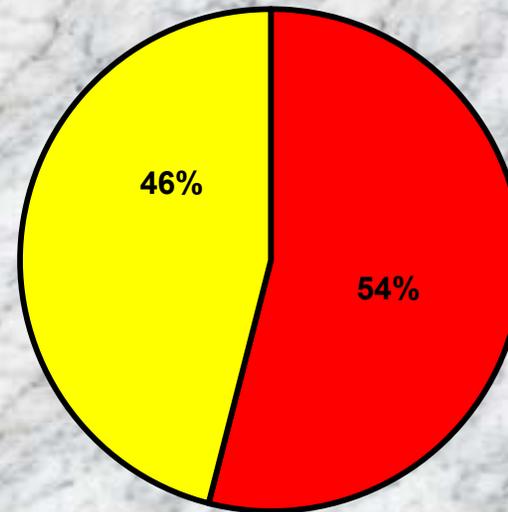
# A Premier Facilities-Based Healthcare Provider

## Diversified Business Mix

Revenue\*



EBITDA \*



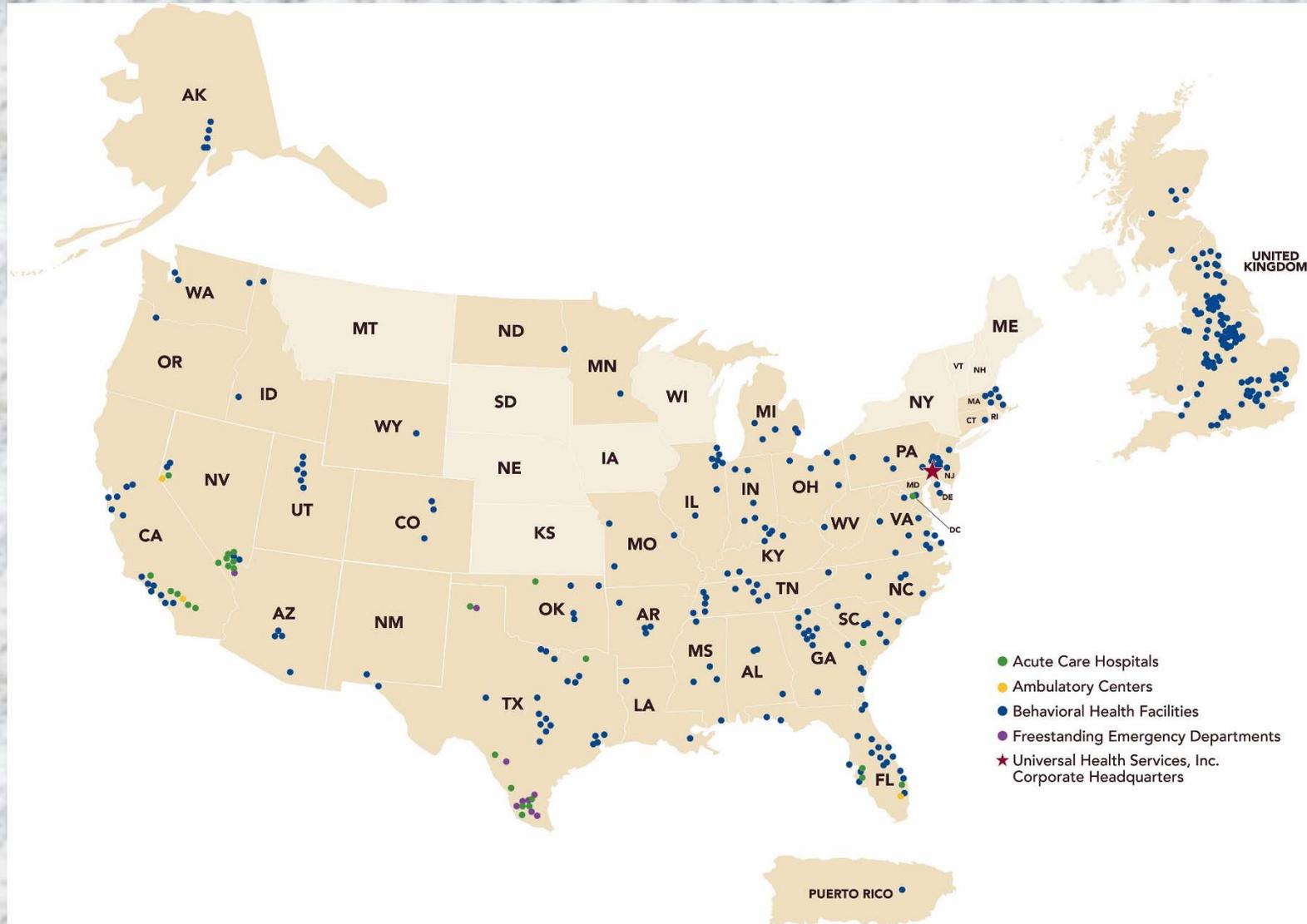
Acute Care Behavioral

\*12 months ended 12/31/2018

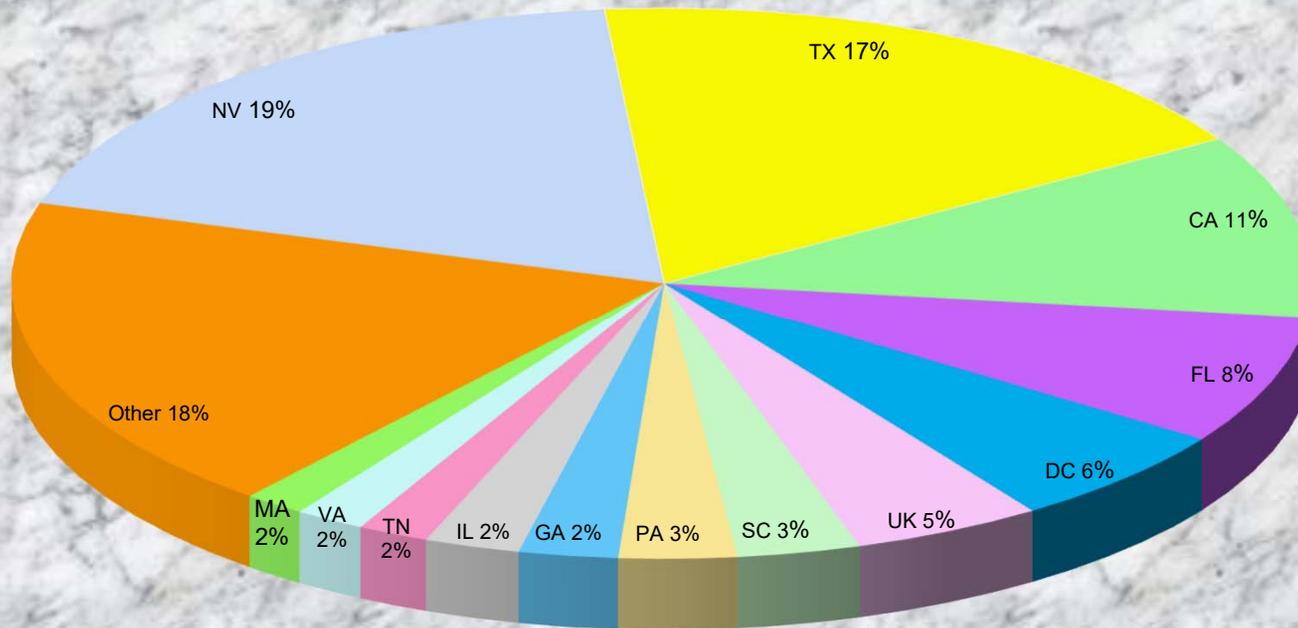


# Geographic Diversity

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



# Net Revenues by State

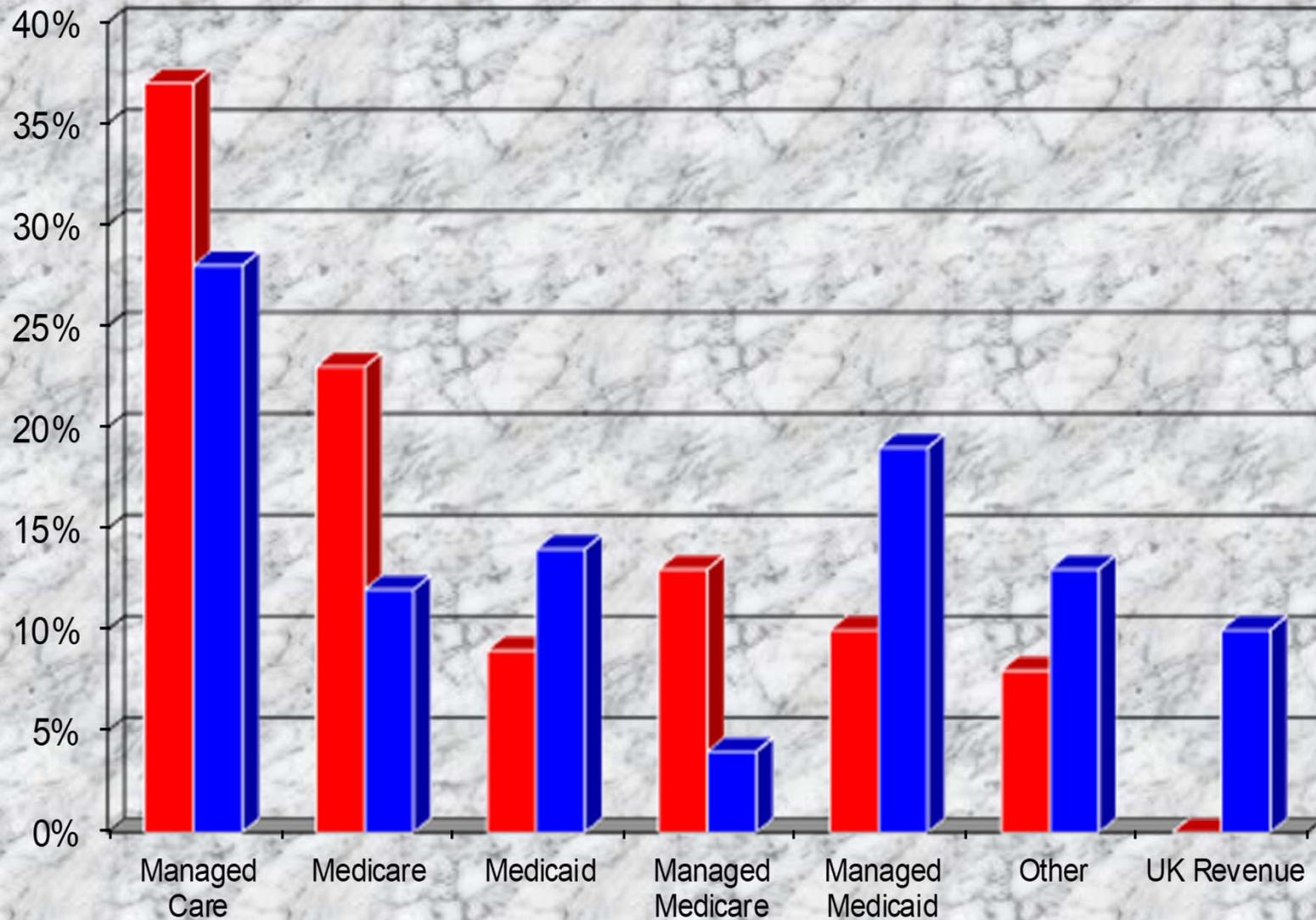


Other Includes:  
\*26 States and Puerto Rico: each  
less than 2%.

\*12 months ended 12/31/2018



# Sources of Revenue



\*12 months ended 12/31/2018

■ Acute Care

■ Behavioral Health

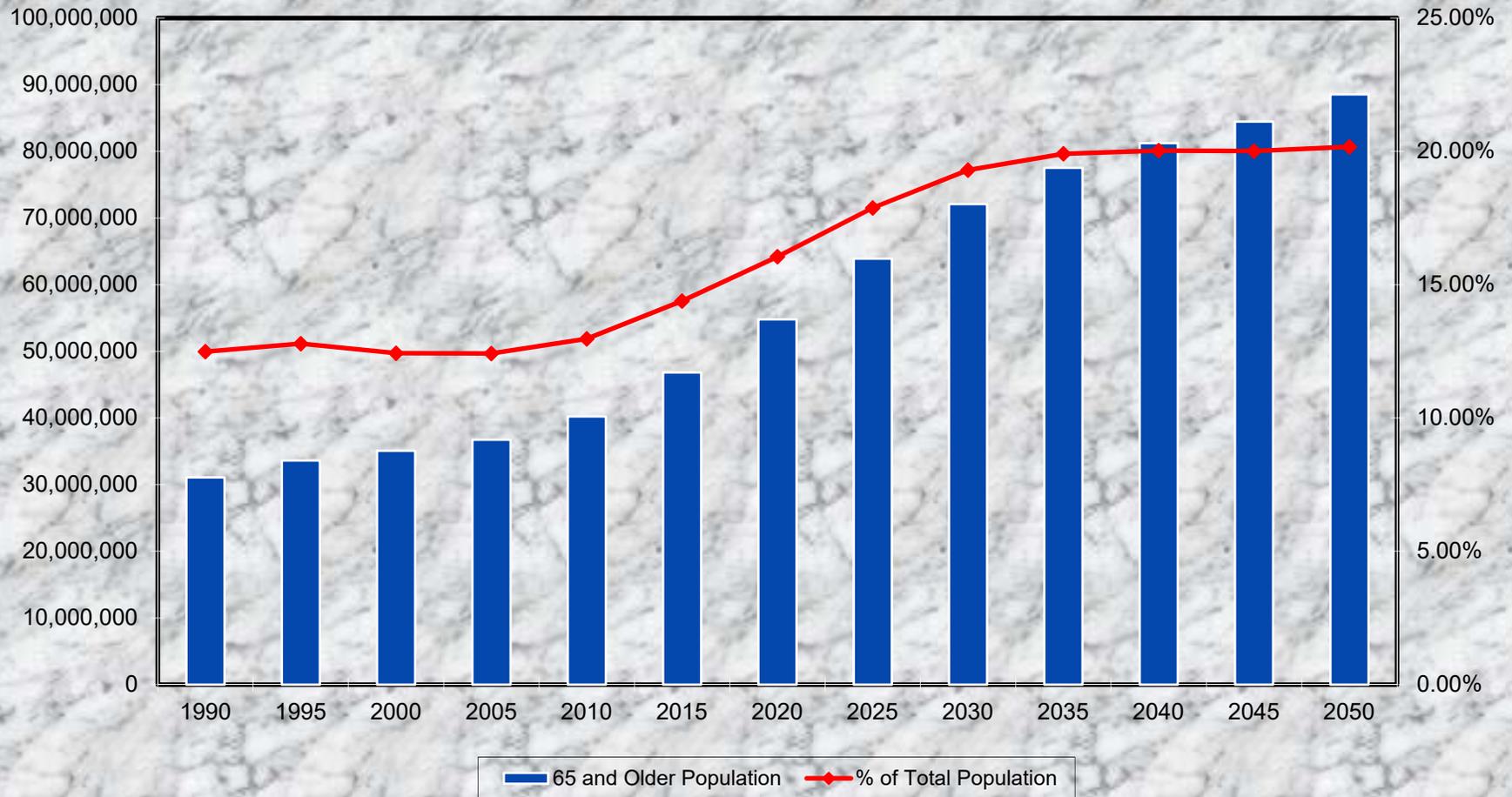


# Outlook

- Our businesses should benefit from:
  - Favorable demographics
  - High growth 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

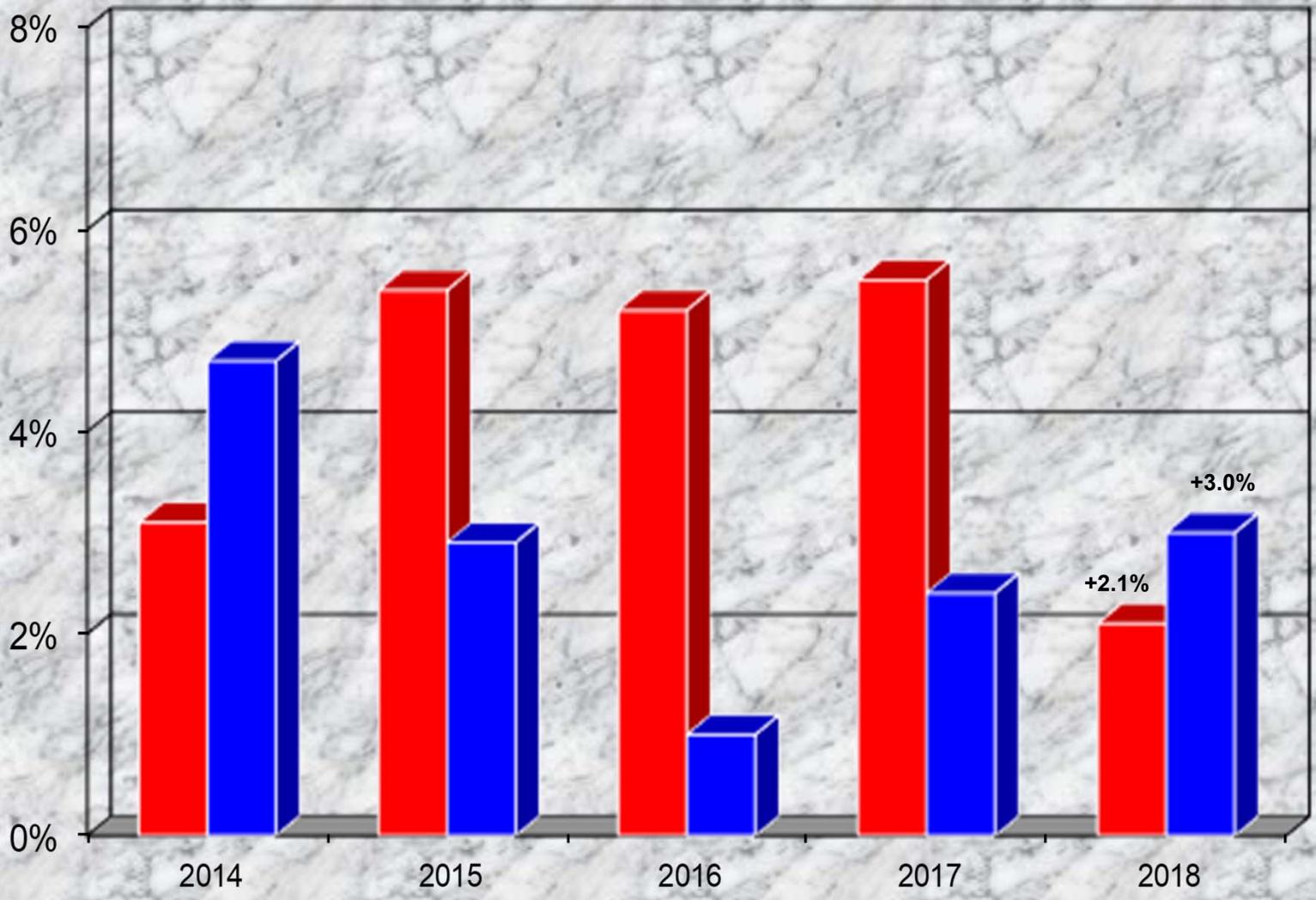
## Number of 65+ Individuals in the United States



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



# Same Store Adjusted Admissions Growth



■ Acute Care    ■ Behavioral Health



# Same Store Adjusted Admission Trends vs Industry



\*Includes HCA, CYH, THC, & LPNT

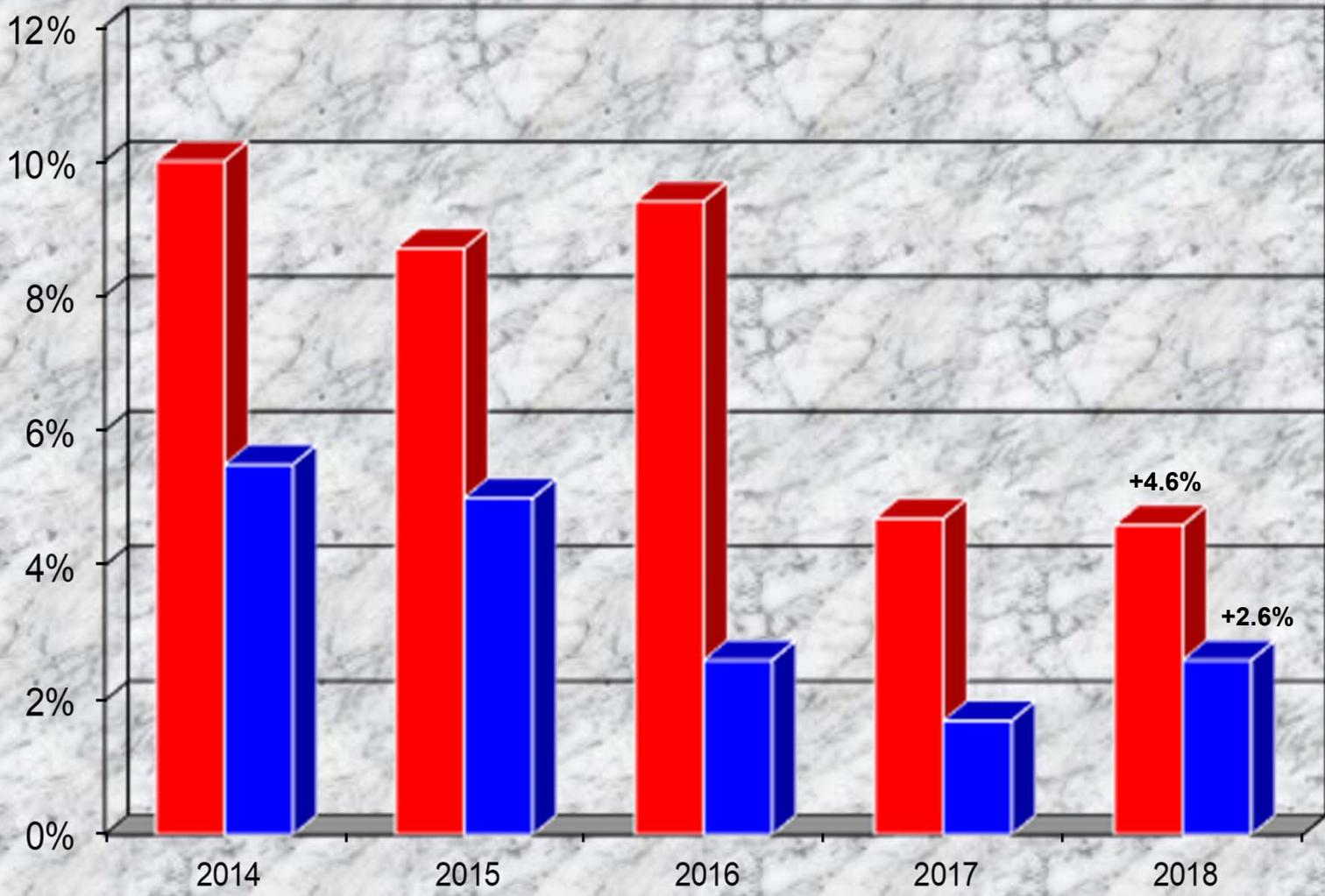
# Revenue Per Adjusted Admission - Acute



# Revenue Per Adjusted Patient Day – Behavioral Health



# Same Store Revenue Growth



■ Acute Care    ■ Behavioral Health



# Behavioral Sector: Highly Attractive Industry Dynamics

- Mental Health and Substance Abuse service industry = approximately \$50.0 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

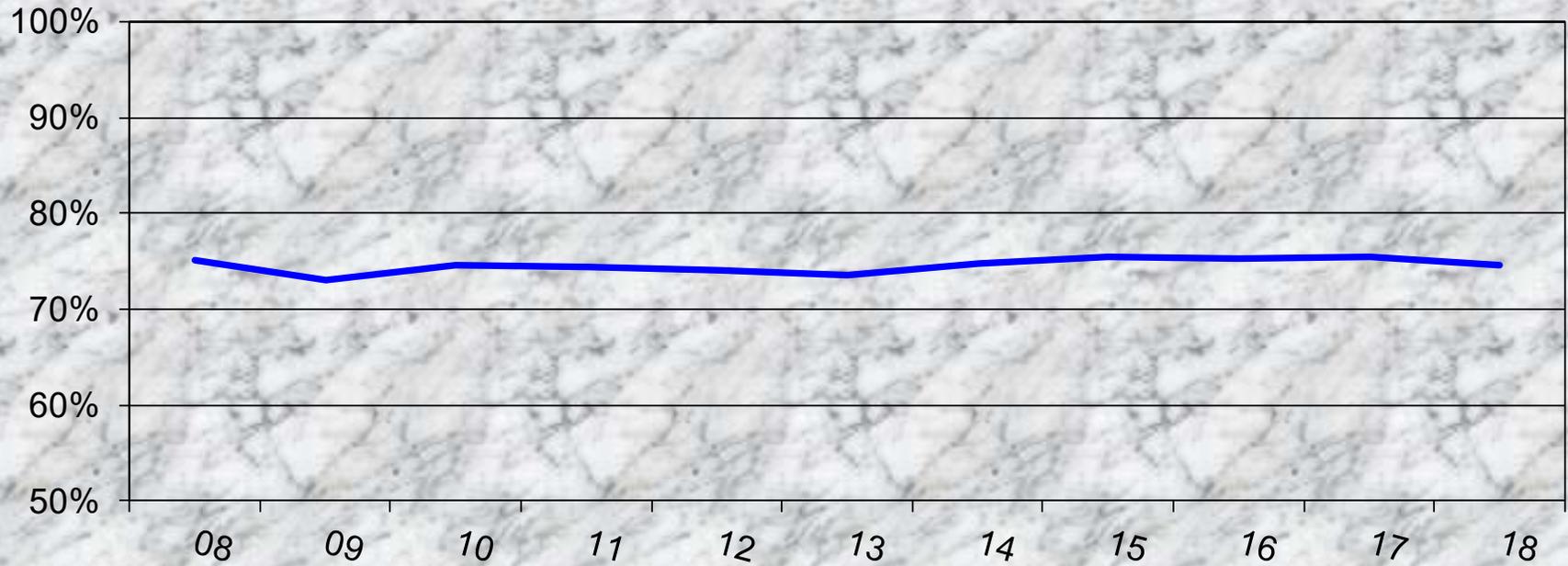


# Behavioral Health Division Overview

- Leading Behavioral Health provider ranked by total hospitals, total beds and net patient revenue
- 324 inpatient facilities and 21 outpatient facilities in 36 states, DC, and Puerto Rico
- 135 facilities in the UK
- 2018 Net Revenue of \$5.0 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

## 135 facilities, 2,669 beds

- Purchased Cygnet Health Care in September 2014
  - 16 facilities with 723 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
- Acquired Alpha Hospital Holdings Limited in August, 2015 adding four (4) hospitals and 308 beds to the Cygnet Family
- Acquired Cambian Group's Adult Services Division in December 2016, adding 81 behavioral facilities with 1,213 beds
- Opened 56 bed de novo hospital in Coventry, West Midlands, England in April, 2017
- Acquired The Danshell Group on 7/31/2018: 23 Facilities, 288 beds
- Opened 65 bed de novo hospital in Maidstone, England



# Behavioral Health Capital Expansions

- 2018: 734 new beds at 23 facilities (including 4 de novo hospitals totaling 365 beds and converted 46 beds from RTC to acute)
- 2017: 471 new beds at 19 facilities (including 2 de novos totaling 129 beds); and converted 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



# Recent Behavioral Health Acquisitions, de Novo and Replacement Facilities

- Inland Northwest Behavioral: 100 bed hospital J.V. with Providence Health in Spokane, WA opened Q/3/2018
- Palm Point: 80 bed hospital in Titusville, FL opened Q/3/2018
- Lancaster Behavioral Health Hospital, a 126 bed hospital in Lancaster, PA under construction and opened July, 2018. J.V. between UHS, Lancaster General Health and Penn Medicine.
- 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



# 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



# 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



# 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
- Health Insurance Plan (NV/TX)

# Acute Care Development and Expansions

- Opened 14 new beds at Aiken and 144 new beds in Las Vegas: 36 at Henderson Hospital, 72 at Spring Valley, 31 at Summerlin, and 5 at Valley Hospital (Q/4/2018)
- Opened 52 new beds at Texoma in Denison, TX (Q/2/2018)
- Opened 24 new beds at Centennial Hills in Las Vegas, NV (Q/1/2018)
- Opened 27 new beds at Palmdale Regional Medical Center in Palmdale, CA in Q/3/2017
- Opened 22 new beds at Edinburg Regional Medical Center in Edinburg, TX (Q/1/17)
- Construction underway of 30,000 sf addition to Temecula Valley Hospital to expand cardiovascular, stroke and surgical services. Scheduled to open late Summer, 2018.
- 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)



# Acute Care FEDs and Urgent Care

- Nine Freestanding Emergency Departments (FEDs) and Six Urgent Care Clinics open and operational
- Four FEDs under construction and scheduled to open in 2019
- Six additional FED sites approved and in various stages of development expected to open in 2020

# Green Valley Ranch FED – Henderson, NV



# **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

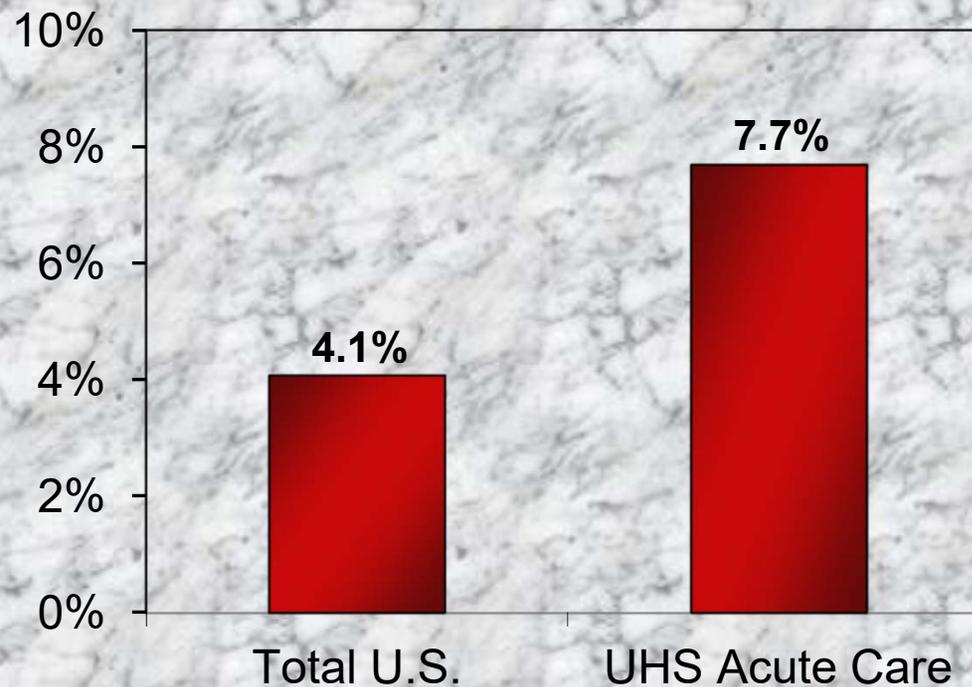
- 92% of UHS's EBITDA is produced by hospitals ranked #1 or #2 in their markets
- UHS acute care hospitals average 237 licensed beds



# UHS Focus on Rapid Growth Areas

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

## Estimated Growth in Population 2017-2022



Source: Spatial Insights



# Las Vegas Market

- UHS is market share leader in Las Vegas
- 6 acute care hospitals; 1,864 licensed beds
- 2 behavioral health hospitals; 140 licensed beds
- Added 168 new beds to existing hospitals in 2018
- One FED opened in 2018. Two more in various stages of development
- Opened 6<sup>th</sup> acute care hospital in Las Vegas market on 10/31/2016: 130 bed hospital located in Henderson, NV (Southeast quadrant of Las Vegas)
- Acquired Desert View Medical Center, a 25 bed critical care access hospital in Pahrump, NV in third quarter, 2016
- Continued economic improvement – 4.7% unemployment down from 14% in 2011



# Henderson Hospital (Henderson, NV)



## South Texas Market

- Hildago County population approximately 865,000; Region population of about 1.25 million
- A Market Share leader with 26% of the market
- Three Acute Care hospitals (including a Children's Hospital) and one Behavioral Health hospital with a total of 870 beds
- Three free standing emergency departments: three more in development for planned openings in 2018 and 2019
- Physician Integration Model

# Washington D.C. Market

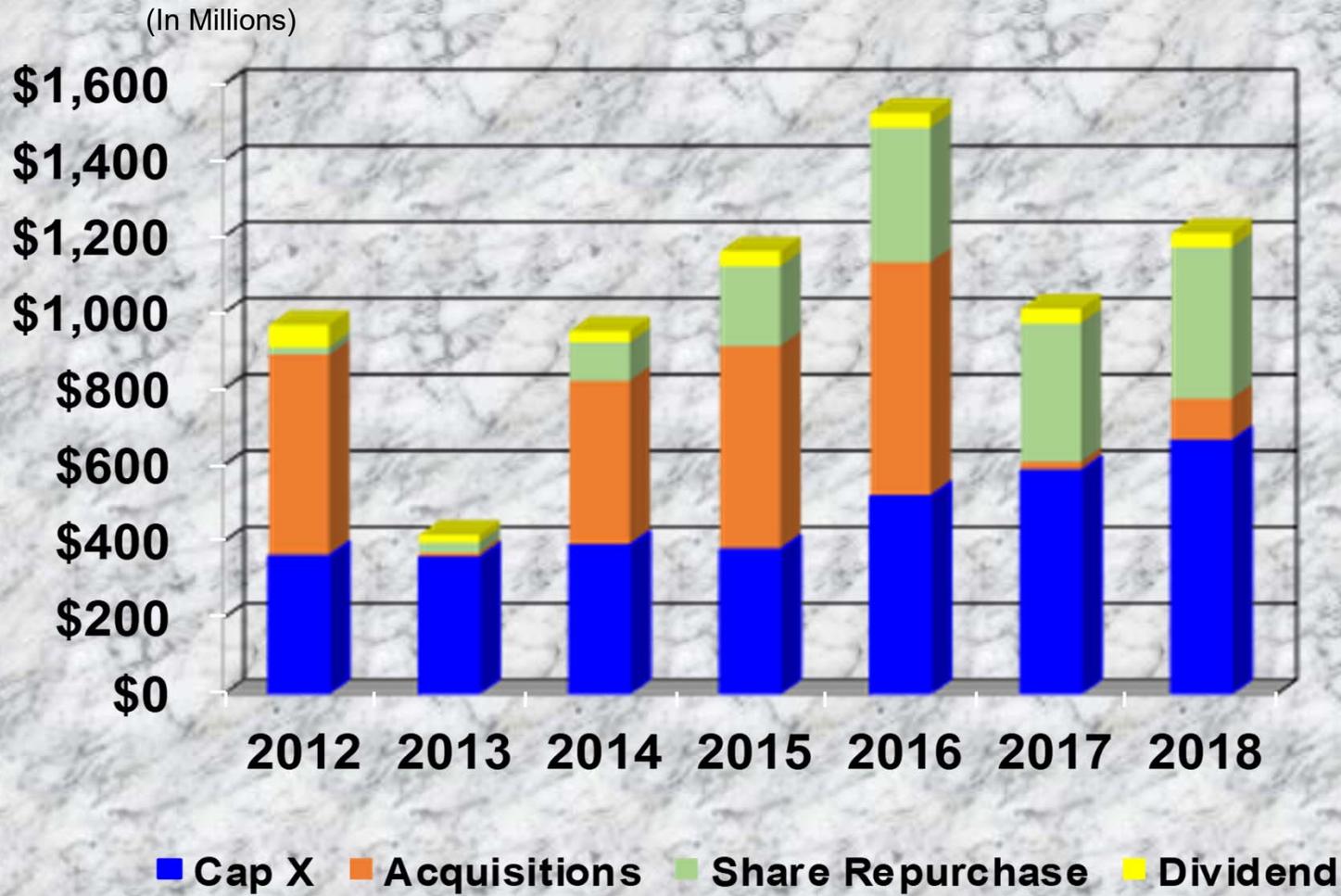
- 385 bed hospital: George Washington University Hospital
- Strong population and economic growth in Washington, DC.
- National brand name recognition and reputation
- Level 1 Trauma Center and Destination for many of the District's VIP population
- Planned bed expansion of approximately 40 beds
- Kidney transplant center dedicated November, 2015 and completed 100<sup>th</sup> kidney transplant in August, 2017.
- Psychiatric Institute of Washington ("PIW") a 124 bed behavioral health care facility and outpatient treatment center acquired April, 2014



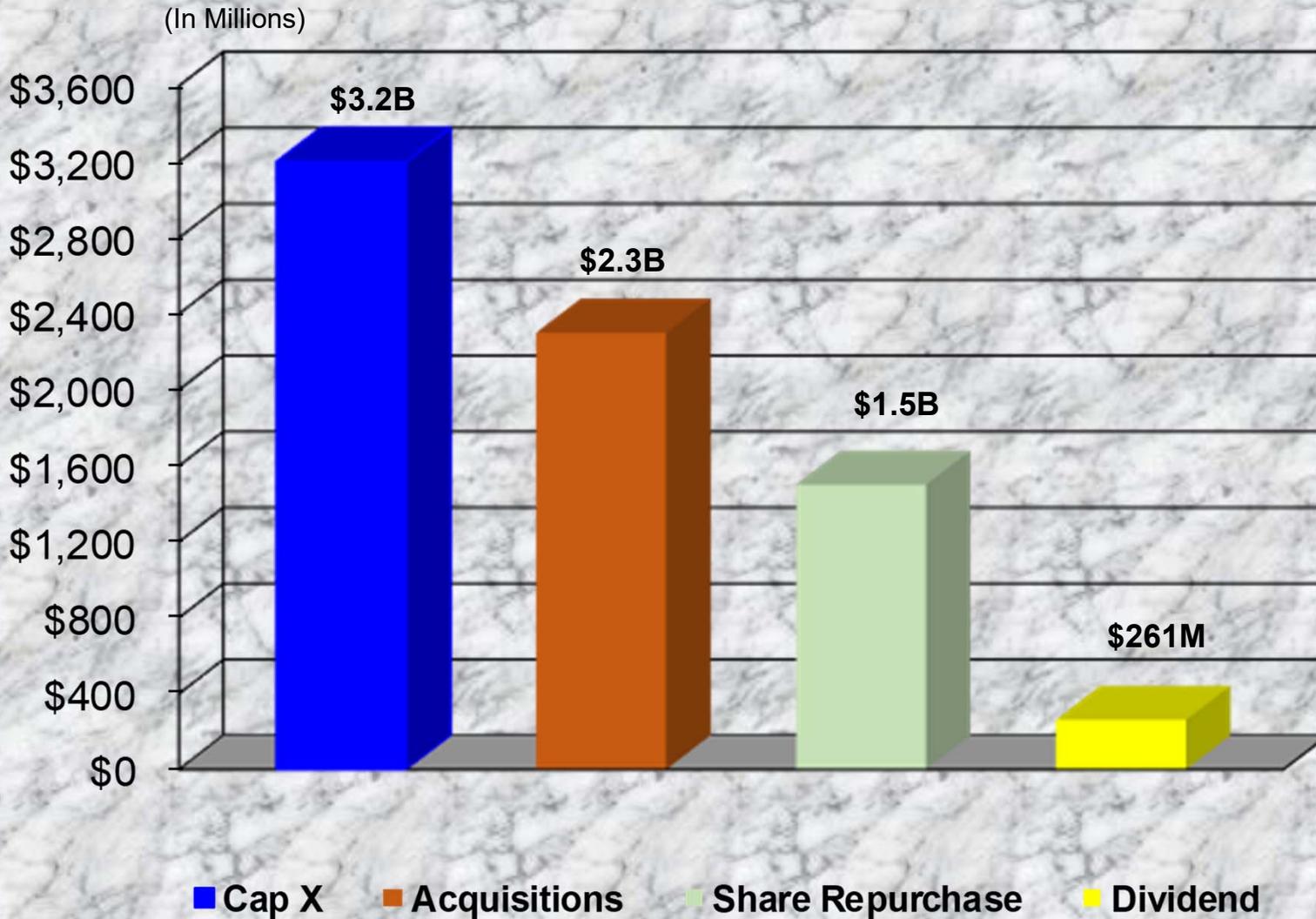
# George Washington University Hospital



# Capital Allocation



# Capital Deployment



(7 years 2012 - 2018)



# Full Year Results

## December 31, 2018

	\$ <u>(Millions)</u>	% <u>Growth</u>
Net Revenues	\$10,772	3.5%
EBITDA	\$1,762	3.1%
Net Income	\$894	23.3%
EPS	\$9.53	26.6%
Debt/Total Capitalization		42.6%
Debt/EBITDA		2.46

\*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.**

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