Universal Health Realty Income Trust Reports 2019 First Quarter Financial Results

April 26, 2019

Consolidated Results of Operations - Three-Month Periods Ended March 31, 2019 and 2018:

KING OF PRUSSIA, Pa., April 26, 2019 /PRNewswire/ -- Universal Health Realty Income Trust (NYSE: UHT) announced today that for the three-month period ended March 31, 2019, reported net income was $4.2 million, or $.31 per diluted share, as compared to $9.6 million, or $.70 per diluted share, during the first quarter of 2018.

As reflected on the attached Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule"), our financial results for the three-month period ended March 31, 2019 included a gain of $250,000, or $.02 per diluted share, related to the sale of a parcel of land located at one of our buildings. Our financial results for the three-month period ended March 31, 2018 included $4.5 million of hurricane insurance recoveries in excess of damaged property write-downs received in connection with damage sustained from Hurricane Harvey which occurred in August, 2017. Excluding the impact of these items from each respective quarter, and as calculated on the Supplemental Schedule, our adjusted net income was $4.0 million, or $.29 per diluted share during the first quarter of 2019, as compared to $5.1 million, or $.37 per diluted share during the first quarter of 2018.

Our net income and adjusted net income for the three months ended March 31, 2019 was unfavorably impacted by $355,000, or $.03 per diluted share, resulting from net asset write offs recorded in connection with early lease terminations or relocations that occurred during the first quarter of 2019 at three of our multi-tenant medical office buildings. Our net income and adjusted net income for the three months ended March 31, 2018 were favorably impacted by $968,000, or $.07 per diluted share, as a result of the business interruption insurance recovery proceeds received during the first quarter of 2018. Included in this amount, which covered the period of late August, 2017 through March, 2018 (after satisfaction of the applicable deductibles), was approximately $500,000, or $.04 per diluted share, related to the period of August, 2017 through December 31, 2017.

As calculated on the Supplemental Schedule, our funds from operations ("FFO"), were $11.0 million, or $.80 per diluted share during the first quarter of 2019, as compared to $11.5 million, or $.84 per diluted share during the first quarter of 2018. Our FFO for the three months ended March 31, 2018 were favorably impacted by the $968,000, or $.07 per diluted share, resulting from the above-mentioned business interruption insurance recovery proceeds.

Dividend Information:

The first quarter dividend of $.675 per share, or $9.3 million in the aggregate, was declared on March 6, 2019 and paid on March 29, 2019.

Capital Resources Information:

At March 31, 2019, we had $200.3 million of borrowings outstanding pursuant to the terms of our $300 million credit agreement and $99.7 million of available borrowing capacity. The credit agreement has a scheduled maturity date of March, 2022, however, we have the option to extend the maturity date for up to two additional six-month periods.

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 lessees to, among other things, recognize right-of-use assets and lease liabilities on the balance sheet. As a result of our adoption of ASU 2016-02, in connection with ground leases where we are the lessee, our consolidated balance sheet as of March 31, 2019 includes right-of-use land assets ($8.8 million) and ground lease liabilities ($8.8 million). 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:

Universal Health Realty Income Trust, a real estate investment trust, invests in healthcare and human service related facilities including acute care hospitals, rehabilitation hospitals, sub-acute care facilities, medical/office buildings, free-standing emergency departments and childcare centers. We have investments in sixty-nine properties located in twenty states.

This press release contains forward-looking statements based on current management expectations. Numerous factors, including those disclosed herein, those related to healthcare and healthcare real estate 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, 2018) 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 and adjusted net income per diluted share (as reflected on the attached Supplemental Schedules), 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 that are nonrecurring or non-operational in nature including items such as, but not limited to, gains on transactions and hurricane proceeds in excess of damaged property write-downs.

Funds from operations ("FFO") is a widely recognized measure of performance for Real Estate Investment Trusts ("REITs"). We believe that FFO and FFO per diluted share, which are non-GAAP financial measures, are helpful to our investors as measures of our operating performance. We compute

FFO, as reflected on the attached Supplemental Schedules, in accordance with standards established by the National Association of Real Estate Investment Trusts ("NAREIT"), which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we interpret the definition. FFO adjusts for the effects of gains, such as gains on transactions and hurricane recovery proceeds in excess of damaged property write-downs during the periods presented. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income determined in accordance with GAAP. In addition, FFO should not be used as: (i) an indication of our financial performance determined in accordance with GAAP; (ii) an alternative to cash flow from operating activities determined in accordance with GAAP; (iii) a measure of our liquidity, or; (iv) an indicator of funds available for our cash needs, including our ability to make cash distributions to shareholders. A reconciliation of our reported net income to FFO is reflected on the Supplemental Schedules included below.

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, 2018. 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.

Universal Health Realty Income Trust
Consolidated Statements of Income
For the Three Months Ended March 31, 2019 and 2018
(amounts in thousands, except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Revenues:		
Lease revenue - UHS facilities (a.)	$ 5,793	$ 5,735
Lease revenue- Non-related parties	12,731	12,507
Other revenue - UHS facilities	213	62
Other revenue - Non-related parties	375	235
	19,112	18,539
Expenses:		
Depreciation and amortization	6,708	6,287
Advisory fees to UHS	970	904
Other operating expenses	5,210	5,208
	12,888	12,399
Income before equity in income of unconsolidated limited liability companies ("LLCs"), interest expense, hurricane insurance recovery proceeds and gain	6,224	6,140
Equity in income of unconsolidated LLCs	430	429
Hurricane insurance recovery proceeds in excess of damaged property write-downs	-	4,535
Hurricane business interruption insurance recovery proceeds	-	968
Gain on sale of land	250	-
Interest expense, net	(2,692)	(2,468)
Net income	$ 4,212	$ 9,604
Basic and diluted earnings per share	$ 0.31	$ 0.70
Weighted average number of shares outstanding - Basic and Diluted	13,728	13,718

(a.) Includes bonus rental on UHS hospital facilities of $1,394 and $1,326 for the three-month periods ended March 31, 2019 and 2018, respectively.

Universal Health Realty Income Trust
Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule")
For the Three Months Ended March 31, 2019 and 2018
(in thousands, except per share amounts)
(unaudited)

Calculation of Adjusted Net Income

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2018	
	Amount	**Per Diluted Share**	**Amount**	**Per Diluted Share**
Net income	$ 4,212	$ 0.31	$ 9,604	$ 0.70

Adjustments:				
Less: Hurricane insurance recoveries	-	-	(4,535)	(0.33)
Gain on sale of land	(250)	(0.02)	-	-
Subtotal adjustments to net income	(250)	(0.02)	(4,535)	(0.33)
Adjusted net income	$ 3,962	$ 0.29	$ 5,069	$ 0.37

Calculation of Funds From Operations ("FFO")

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2018	
	Amount	Per Diluted Share	Amount	Per Diluted Share
Net income	$ 4,212	$ 0.31	$ 9,604	$ 0.70
Plus: Depreciation and amortization expense:				
Consolidated investments	6,708	0.49	6,151	0.45
Unconsolidated affiliates	283	0.02	271	0.02
Less: Hurricane insurance recovery proceeds in excess of damaged property write-downs	-	-	(4,535)	(0.33)
Gain on sale of land	(250)	(0.02)	-	-
FFO	$ 10,953	$ 0.80	$ 11,491	$ 0.84
Dividend paid per share		$ 0.675		$ 0.665

Universal Health Realty Income Trust

Consolidated Balance Sheets

(dollar amounts in thousands, except share data)

(unaudited)

	March 31, 2019	December 31, 2018
Assets:		
Real Estate Investments:		
Buildings and improvements and construction in progress	$ 558,414	$ 557,650
Accumulated depreciation	(178,481)	(173,316)
	379,933	384,334
Land	53,396	53,396
Net Real Estate Investments	433,329	437,730
Investments in limited liability companies ("LLCs")	4,944	5,019
Other Assets:		
Cash and cash equivalents	6,032	5,036
Base and bonus rent and other receivables from UHS	4,145	2,739
Rent receivable - other	7,031	7,469
Intangible assets (net of accumulated amortization of $25.4 million and $27.6 million, respectively)	16,565	17,407
Right-of-use land assets	8,848	-
Deferred charges and other assets, net	8,156	8,356
Total Assets	$ 489,050	$ 483,756
Liabilities:		
Line of credit borrowings	$ 200,300	$ 196,400
Mortgage notes payable, non-recourse to us, net	64,456	64,881
Accrued interest	488	450
Accrued expenses and other liabilities	10,164	11,765
Ground lease liabilities	8,848	-
Tenant reserves, deposits and deferred and prepaid rents	11,167	11,650
Total Liabilities	295,423	285,146
Equity:		
Preferred shares of beneficial interest, $.01 par value; 5,000,000 shares authorized; none issued and outstanding	-	-
Common shares, $.01 par value; 95,000,000 shares authorized; issued and outstanding: 2019 - 13,747,567; 2018 - 13,746,803	137	137
Capital in excess of par value	266,247	266,031
Cumulative net income	646,528	642,316
Cumulative dividends	(719,285)	(710,006)
Accumulated other comprehensive income	-	132
Total Equity	193,627	198,610

Total Liabilities and Equity	$ 489,050	$ 483,756

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SOURCE Universal Health Realty Income Trust

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