



## UNIVERSAL HEALTH REALTY INCOME TRUST REPORTS 2022 SECOND QUARTER FINANCIAL RESULTS

July 25, 2022

### Consolidated Results of Operations - Three-Month Periods Ended June 30, 2022 and 2021:

KING OF PRUSSIA, Pa., July 25, 2022 /PRNewswire/ -- Universal Health Realty Income Trust (NYSE:UHT) announced today that for the three-month period ended June 30, 2022, net income was \$5.2 million, or \$.38 per diluted share, as compared to \$6.6 million, or \$.48 per diluted share, during the second quarter of 2021.

As calculated on the attached Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule"), our funds from operations ("FFO"), were \$12.2 million, or \$.88 per diluted share, during the second quarter of 2022, as compared to \$12.6 million, or \$.92 per diluted share, during the second quarter of 2021.

Our financial results for the three-month period ended June 30, 2021 included a gain of \$1.3 million, or \$.09 per diluted share, related to the sale of certain real estate assets. After adjusting the reported net income for the three-month period ended June 30, 2021 for the \$1.3 million gain, as computed on the Supplemental Schedule, our adjusted net income was \$5.3 million, or \$.39 per diluted share, during the second quarter of 2021.

The decrease in our adjusted net income of \$99,000, or \$.01 per diluted share, during the second quarter of 2022, as compared to the second quarter of 2021, was due primarily to: (i) a decrease of \$737,000, or \$.05 per diluted share, related to a vacant specialty hospital located in Chicago, Illinois, on which, as discussed below, the lease expired on December 31, 2021; (ii) a decrease of \$184,000, or \$.01 per diluted share, resulting from an increase in interest expense primarily due to increased borrowings and an increase in our borrowing rate; partially offset by; (iii) a net increase of \$341,000, or \$.02 per diluted share, resulting from the asset purchase and sale agreement with Universal Health Services, Inc. ("UHS") that occurred on December 31, 2021; (iv) an increase of \$335,000, or \$.02 per diluted share, resulting from the impact of the fair market value lease renewal on Wellington Regional Medical Center, which became effective on January 1, 2022, and; (v) an increase of \$146,000, or \$.01 per diluted share, resulting from an aggregate net increase in the income generated at various properties.

During the second quarter of 2022, as compared to the second quarter of 2021, our FFO decreased \$450,000, or \$.04 per diluted share. The decrease was due to the above-mentioned \$99,000, or \$.01 per diluted share, decrease in adjusted net income experienced during the second quarter of 2022, as compared to the second quarter of 2021, as well as a \$351,000 decrease in depreciation and amortization expense incurred on our consolidated and unconsolidated investments.

### Consolidated Results of Operations - Six-Month Periods Ended June 30, 2022 and 2021:

For the six-month period ended June 30, 2022, net income was \$10.6 million, or \$.77 per diluted share, as compared to \$12.2 million, or \$.89 per diluted share during the first six months of 2021.

As calculated on the Supplemental Schedule, our FFO were \$24.6 million, or \$1.78 per diluted share, during the first six months of 2022, as compared to \$25.4 million, or \$1.84 per diluted share, during the first six months of 2021.

After adjusting the reported results for the six-month period ended June 30, 2021 for the above-mentioned \$1.3 million gain recorded during the second quarter of 2021, as computed on the Supplemental Schedule, our adjusted net income was \$10.9 million, or \$.79 per diluted share during the first six months of 2021.

The decrease in our adjusted net income of \$280,000, or \$.02 per diluted share, during the first six months of 2022, as compared to the comparable period of 2021, was primarily due to: (i) a decrease of \$1.6 million, or \$.12 per diluted share, related to a vacant specialty hospital located in Chicago, Illinois, on which, as discussed below, the lease expired on December 31, 2021; (ii) a decrease of \$273,000, or \$.02 per diluted share, resulting from an increase in interest expense primarily due to increased borrowings and an increase in our borrowing rate; partially offset by; (iii) a net increase of \$666,000, or \$.05 per diluted share, resulting from the asset purchase and sale agreement with UHS that occurred on December 31, 2021; (iv) an increase of \$670,000, or \$.05 per diluted share, resulting from the impact of the fair market value lease renewal on Wellington Regional Medical Center, which became effective on January 1, 2022, and; (v) an increase of \$278,000, or \$.02 per diluted share, resulting from an aggregate net increase in the income generated at various properties.

During the first six months of 2022, as compared to the comparable period of 2021, our FFO decreased \$776,000, or \$.06 per diluted share. The decrease was due to the above-mentioned \$280,000, or \$.02 per diluted share, decrease in adjusted net income experienced during the first six months of 2022, as compared to the first six months of 2021, as well as a \$496,000 decrease in depreciation and amortization expense incurred on our consolidated and unconsolidated investments.

### Dividend Information:

The second quarter dividend of \$.71 per share, or \$9.8 million in the aggregate, was declared on June 8, 2022 and paid on June 30, 2022.

### Capital Resources Information:

At June 30, 2022 we had \$284.3 million of borrowings outstanding pursuant to the terms of our \$375 million revolving credit agreement and \$87.5 million of available borrowing capacity as of that date, net of outstanding borrowings and letters of credit.

### Vacant Specialty Facilities:

As previously disclosed, the lease on the specialty hospital located in Chicago, Illinois, expired on December 31, 2021 and the facility is currently vacant. During the three and six-months ended June 30, 2021, we earned \$390,000 and \$780,000, respectively, of lease revenue in connection with this property. The operating expenses incurred by us in connection with this facility during the three and six-months ended June 30, 2022 were \$347,000 and \$840,000, respectively. Prior to 2022, the former tenant was responsible for the operating expenses on this facility. Pursuant to the terms of the lease that expired in December, 2021, we earned approximately \$1.6 million of lease revenue during the 2021 full year.

We estimate that the aggregate operating expenses for the three vacant specialty facilities, including the facility located in Chicago, Illinois, as well as facilities located in Evansville, Indiana, and Corpus Christi, Texas (which have been vacant since 2019), will approximate \$1.3 million during the remaining six months of 2022. Future operating expenses related to these facilities will be incurred by us during the time they remain owned and vacant. We continue to market these specialty facilities to potential interested parties. However, should these properties continue to remain vacant for an extended period of time, or should we incur substantial renovation costs to make the properties suitable for other operators/tenants, our future results of operations could be materially unfavorably impacted.

### 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, behavioral health care hospitals, specialty facilities, medical/office buildings, free-standing emergency departments and childcare centers. We have investments or commitments in seventy-six properties located in twenty-one states.

This press release contains forward-looking statements based on current management expectations. Numerous factors, including those disclosed herein, those related to the potential impact of COVID-19 on our financial results, as well as the operations and financial results of each of our tenants, 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* in our Form 10-K for the year ended December 31, 2021 and in *Item 7-Forward-Looking Statements and Certain Risk Factors* in our Form 10-Q for the quarter ended March 31, 2022), may cause the results to differ materially from those anticipated in the forward-looking statements. 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.

Many of the factors that could affect our future results are beyond our control or ability to predict, including the impact of the COVID-19 pandemic. Future operations and financial results of our tenants, and in turn ours, could be materially impacted by various developments including those related to COVID-19. Such developments include, but are not limited to, decreases in staffing availability and related increases to wage expense experienced by our tenants resulting from the nationwide shortage of nurses and other clinical staff and support personnel, the impact of government and administrative regulation and stimulus on the health care industry; declining patient volumes and unfavorable changes in payer mix caused by deteriorating macroeconomic conditions (including increases in uninsured and underinsured patients as the result of business closings and layoffs); potential disruptions related to supplies required for our tenants' employees and patients; and potential increases to other expenditures. Due to COVID-19 restrictions and its impact on the economy, we may experience a decrease in prospective tenants which could unfavorably impact the volume of new leases, as well as the renewal rate of existing leases. The COVID-19 pandemic may delay our construction projects which could result in increased costs and delay the timing of opening and rental payments from those projects, although no such delays have yet occurred. The COVID-19 pandemic could also impact our indebtedness and the ability to refinance such indebtedness on acceptable terms, as well as risks associated with disruptions in the financial markets and the business of financial institutions as the result of the COVID-19 pandemic, which could impact us from a financing perspective; and changes in general economic conditions nationally and regionally in the markets where our properties are located resulting from the COVID-19 pandemic. We are not able to quantify the impact that these factors will have on our future operations, but developments related to the COVID-19 pandemic could have a material adverse impact on our future financial results.

We believe that, if and when applicable, adjusted net income and adjusted net income per diluted share (as reflected on the Supplemental Schedule), 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 non-recurring or non-operational in nature including items such as, but not limited to, gains on transactions.

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 certain items, such as gains on transactions that occurred 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, 2021 and our Report on Form 10-Q for the quarter ended March 31, 2022. 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 and Six Months Ended June 30, 2022 and 2021  
(amounts in thousands, except share information)  
(unaudited)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Revenues:</b>				
Lease revenue - UHS facilities (a.)	\$ 7,394	\$ 7,265	\$ 14,820	\$ 14,397
Lease revenue - Non-related parties	12,933	13,117	25,828	26,209
Other revenue - UHS facilities	233	207	462	433
Other revenue - Non-related parties	242	287	497	536
Interest income on financing leases - UHS facilities	1,369	-	2,739	-
	<u>22,171</u>	<u>20,876</u>	<u>44,346</u>	<u>41,575</u>
<b>Expenses:</b>				
Depreciation and amortization	6,679	6,951	13,388	13,738
Advisory fees to UHS	1,266	1,089	2,490	2,151
Other operating expenses	6,986	5,903	13,853	11,505
	<u>14,931</u>	<u>13,943</u>	<u>29,731</u>	<u>27,394</u>
Income before equity in income of unconsolidated limited liability companies ("LLCs"), gain on sale and interest expense	7,240	6,933	14,615	14,181
Equity in income of unconsolidated LLCs	345	567	597	1,038
Gain on sale of real estate assets	-	1,304	-	1,304
Interest expense, net	(2,367)	(2,183)	(4,589)	(4,316)
Net income	<u>\$ 5,218</u>	<u>\$ 6,621</u>	<u>\$ 10,623</u>	<u>\$ 12,207</u>
Basic earnings per share	<u>\$ 0.38</u>	<u>\$ 0.48</u>	<u>\$ 0.77</u>	<u>\$ 0.89</u>
Diluted earnings per share	<u>\$ 0.38</u>	<u>\$ 0.48</u>	<u>\$ 0.77</u>	<u>\$ 0.89</u>
Weighted average number of shares outstanding - Basic	<u>13,768</u>	<u>13,753</u>	<u>13,766</u>	<u>13,751</u>
Weighted average number of shares outstanding - Diluted	<u>13,789</u>	<u>13,776</u>	<u>13,788</u>	<u>13,773</u>

(a.) Includes bonus rental on McAllen Medical Center, a UHS acute care hospital facility of \$643 and \$1,321 for the three and six-month periods ended June 30, 2022, respectively, and includes bonus rental on three UHS acute care hospital facilities of \$1,648 and \$3,343 for the three and six-month periods ended June 30, 2021, respectively.

**Universal Health Realty Income Trust**  
Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule")  
For the Three Months Ended June 30, 2022 and 2021  
(amounts in thousands, except share information)  
(unaudited)

**Calculation of Adjusted Net Income**

	<b>Three Months Ended June 30, 2022</b>		<b>Three Months Ended June 30, 2021</b>	
	<b>Per</b>		<b>Per</b>	
	<b>Amount</b>	<b>Diluted Share</b>	<b>Amount</b>	<b>Diluted Share</b>
Net income	\$ 5,218	\$ 0.38	\$ 6,621	\$ 0.48
Adjustments:				
Less: Gain on sale of real estate assets	-	-	(1,304)	(0.09)
Subtotal adjustments to net income	-	-	(1,304)	(0.09)
Adjusted net income	<u>\$ 5,218</u>	<u>\$ 0.38</u>	<u>\$ 5,317</u>	<u>\$ 0.39</u>

**Calculation of Funds From Operations ("FFO")**

	<b>Three Months Ended June 30, 2022</b>		<b>Three Months Ended June 30, 2021</b>	
	<b>Per</b>		<b>Per</b>	
	<b>Amount</b>	<b>Diluted Share</b>	<b>Amount</b>	<b>Diluted Share</b>
Net income	\$ 5,218	\$ 0.38	\$ 6,621	\$ 0.48
Plus: Depreciation and amortization expense:				

Consolidated investments	6,679	0.48	6,951	0.50
Unconsolidated affiliates	295	0.02	374	0.03
Less: Gain on sale of real estate assets	-	-	(1,304)	(0.09)
FFO	<u>\$ 12,192</u>	<u>\$ 0.88</u>	<u>\$ 12,642</u>	<u>\$ 0.92</u>
Dividend paid per share		<u>\$ 0.710</u>		<u>\$ 0.700</u>

**Universal Health Realty Income Trust**  
Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule")  
For the Six Months Ended June 30, 2022 and 2021  
(amounts in thousands, except share information)  
(unaudited)

**Calculation of Adjusted Net Income**

	<u>Six Months Ended June 30, 2022</u>		<u>Six Months Ended June 30, 2021</u>	
	<u>Amount</u>	<u>Per Diluted Share</u>	<u>Amount</u>	<u>Per Diluted Share</u>
Net income	\$ 10,623	\$ 0.77	\$ 12,207	\$ 0.89
Adjustments:				
Less: Gain on sale of real estate assets	-	-	(1,304)	(0.10)
Subtotal adjustments to net income	-	-	(1,304)	(0.10)
Adjusted net income	<u>\$ 10,623</u>	<u>\$ 0.77</u>	<u>\$ 10,903</u>	<u>\$ 0.79</u>

**Calculation of Funds From Operations ("FFO")**

	<u>Six Months Ended June 30, 2022</u>		<u>Six Months Ended June 30, 2021</u>	
	<u>Amount</u>	<u>Per Diluted Share</u>	<u>Amount</u>	<u>Per Diluted Share</u>
Net income	\$ 10,623	\$ 0.77	\$ 12,207	\$ 0.89
Plus: Depreciation and amortization expense:				
Consolidated investments	13,388	0.97	13,738	1.00
Unconsolidated affiliates	590	0.04	736	0.05
Less: Gain on sale of real estate assets	-	-	(1,304)	(0.10)
FFO	<u>\$ 24,601</u>	<u>\$ 1.78</u>	<u>\$ 25,377</u>	<u>\$ 1.84</u>
Dividend paid per share		<u>\$ 1.415</u>		<u>\$ 1.395</u>

**Universal Health Realty Income Trust**  
Consolidated Balance Sheets  
(amounts in thousands, except share information)  
(unaudited)

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
<b><u>Assets:</u></b>		
<b>Real Estate Investments:</b>		
Buildings and improvements and construction in progress	\$ 630,220	\$ 608,836
Accumulated depreciation	<u>(237,268)</u>	<u>(225,584)</u>
	392,952	383,252
Land	<u>56,631</u>	<u>54,897</u>
Net Real Estate Investments	449,583	438,149
Financing receivable from UHS	<u>83,697</u>	<u>82,439</u>
Net Real Estate Investments and Financing receivable	533,280	520,588
Investments in and advances to limited liability companies ("LLCs")	<u>9,713</u>	<u>10,139</u>
<b>Other Assets:</b>		
Cash and cash equivalents	8,399	22,504
Lease and other receivables from UHS	4,696	4,641
Lease receivable - other	7,767	7,109
Intangible assets (net of accumulated amortization of \$14.3 million and \$14.2 million, respectively)	10,548	9,972
Right-of-use land assets, net	11,476	11,495
Deferred charges and other assets, net	<u>17,934</u>	<u>11,971</u>
Total Assets	<u>\$ 603,813</u>	<u>\$ 598,419</u>

**Liabilities:**

Line of credit borrowings	\$ 284,300	\$ 271,900
Mortgage notes payable, non-recourse to us, net	50,729	56,866
Accrued interest	323	346
Accrued expenses and other liabilities	12,286	12,157
Ground lease liabilities, net	11,476	11,495
Tenant reserves, deposits and deferred and prepaid rents	10,053	10,328
Total Liabilities	<u>369,167</u>	<u>363,092</u>

**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: 2022 - 13,800,694; 2021 - 13,783,442	138	138
Capital in excess of par value	269,039	268,515
Cumulative net income	800,182	789,559
Cumulative dividends	(843,515)	(823,998)
Accumulated other comprehensive income	8,802	1,113
Total Equity	<u>234,646</u>	<u>235,327</u>
Total Liabilities and Equity	<u>\$ 603,813</u>	<u>\$ 598,419</u>

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SOURCE Universal Health Realty Income Trust

Charles Boyle, Chief Financial Officer, (610) 768-3300