



UNIVERSAL HEALTH REALTY INCOME TRUST REPORTS 2024 FIRST QUARTER FINANCIAL RESULTS

04/24/2024

Consolidated Results of Operations - Three-Month Periods Ended March 31, 2024 and 2023:

KING OF PRUSSIA, Pa., April 24, 2024 /PRNewswire/ -- Universal Health Realty Income Trust (NYSE:UHT) announced today that for the three-month period ended March 31, 2024, net income was \$5.3 million, or \$.38 per diluted share, as compared to \$4.5 million, or \$.32 per diluted share, during the first quarter of 2023.

The increase in our net income of \$841,000, or \$.06 per diluted share, during the first quarter of 2024, as compared to the comparable quarter of 2023, consisted of the following: (i) an increase of \$1.4 million, or \$.10 per diluted share, resulting from an aggregate net increase in the income generated at various properties, including a reduction of \$193,000, or \$.01 per diluted share, in the building expenses related to vacant facilities, one of which was demolished during 2023 and one of which was divested during the fourth quarter of 2023; (ii) an increase of \$265,000, or \$.02 per diluted share, from demolition expenses incurred during the first quarter of 2023 related to our property located in Chicago, Illinois, partially offset by; (iii) a decrease of \$850,000, or \$.06 per diluted share, resulting from an increase in interest expense due primarily to increases in our average borrowing rate as well as our average outstanding borrowings.

As calculated on the attached Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule"), our funds from operations ("FFO") were \$12.4 million, or \$.90 per diluted share, during the first quarter of 2024, as compared to \$11.4 million, or \$.82 per diluted share during the first quarter of 2023. The increase of \$1.0 million, or \$.08 per diluted share, was due primarily to the above-mentioned increase in our net income during the first quarter of 2024, as compared to the first quarter of 2023, as well as an increase in depreciation and amortization expense.

Dividend Information:

The first quarter dividend of \$.725 per share, or \$10.0 million in the aggregate, was declared on March 6, 2024 and paid on March 29, 2024.

Capital Resources Information:

At March 31, 2024, we had \$333.7 million of borrowings outstanding pursuant to the terms of our \$375 million revolving credit agreement and \$41.3 million of available borrowing capacity as of that date, net of outstanding borrowings.

Construction Project - Sierra Medical Plaza I:

In March, 2023, construction was substantially completed on the Sierra Medical Plaza I, an 86,000 square foot MOB located in Reno, Nevada. This MOB is located on the campus of the Northern Nevada Sierra Medical Center, a hospital that is owned and operated by a wholly-owned subsidiary of UHS, which was completed and opened during April, 2022. The master flex lease agreement in connection with this building, which commenced in March, 2023 and has a ten-year term scheduled to expire on March 31, 2033, covers approximately 68% of the rentable square feet of the MOB at an initial minimum rent of \$1.3 million annually, plus a pro-rata share of the common area maintenance expenses. This master flex lease agreement is subject to reduction based upon the execution of third-party leases. The aggregate cost of the MOB is estimated to be approximately \$35 million, approximately \$29 million of which was incurred as of March 31, 2024.

Vacant Land/Specialty Facility:

Demolition of the former specialty hospital located in Chicago, Illinois, was completed during 2023. The aggregate demolition expenses amounted to approximately \$1.5 million (\$1.1 million of which were incurred during the first and second quarters of 2023 and \$332,000 of which were incurred during the fourth quarter of 2022). In addition, in December, 2023, we sold the vacant specialty facility located in Corpus Christi, Texas.

Operating expenses incurred by us in connection with the above two properties, as well as a vacant specialty facility located in Evansville, Indiana, were \$185,000 during the first quarter of 2024 and \$604,000 during the first quarter of 2023 (or \$339,000 excluding the \$265,000 of demolition costs incurred during the first quarter of 2023).

We continue to market the two remaining above-mentioned vacant properties to third parties. Future operating expenses related to these properties, will be incurred by us during the time they remain owned and unleased.

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, 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, 2023), 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. Future operations and financial results of our tenants, and in turn ours, could be materially impacted by various developments including, but 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 of 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.

In addition, the increase in interest rates has substantially increased our borrowings costs and reduced our ability to access the capital markets on favorable terms. Additional increases in interest rates could have a significant unfavorable impact on our future results of operations and the resulting effect on the capital markets could adversely affect our ability to carry out our strategy.

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 or losses 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, 2023. 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, 2024 and 2023
(amounts in thousands, except share information)
(unaudited)

	Three Months Ended	
	March 31,	
	2024	2023
Revenues:		
Lease revenue - UHS facilities (a.)	\$ 8,664	\$ 7,787
Lease revenue - Non-related parties	14,487	13,361
Other revenue - UHS facilities	220	231
Other revenue - Non-related parties	409	481
Interest income on financing leases - UHS facilities	1,361	1,366
	<u>25,141</u>	<u>23,226</u>
Expenses:		
Depreciation and amortization	6,809	6,618
Advisory fees to UHS	1,338	1,302
Other operating expenses	7,531	7,521
	<u>15,678</u>	<u>15,441</u>
Income before equity in income of unconsolidated limited liability companies ("LLCs") and interest expense	9,463	7,785
Equity in income of unconsolidated LLCs	384	371
Interest expense, net	(4,547)	(3,697)
Net income	<u>\$ 5,300</u>	<u>\$ 4,459</u>
Basic earnings per share	<u>\$ 0.38</u>	<u>\$ 0.32</u>
Diluted earnings per share	<u>\$ 0.38</u>	<u>\$ 0.32</u>

Weighted average number of shares outstanding - Basic	<u>13,792</u>	<u>13,778</u>
Weighted average number of shares outstanding - Diluted	<u>13,824</u>	<u>13,803</u>

(a.) Includes bonus rental on McAllen Medical Center, a UHS acute care hospital facility, of \$783 and \$764 for the three-month periods ended March 31, 2024 and 2023, respectively.

Universal Health Realty Income Trust
Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule")
For the Three Months Ended March 31, 2024 and 2023
(amounts in thousands, except share information)
(unaudited)

Calculation of Adjusted Net Income

	<u>Three Months Ended</u> <u>March 31, 2024</u>		<u>Three Months Ended</u> <u>March 31, 2023</u>	
	<u>Per</u>		<u>Per</u>	
	<u>Amount</u>	<u>Diluted Share</u>	<u>Amount</u>	<u>Diluted Share</u>
Net income	\$ 5,300	\$ 0.38	\$ 4,459	\$ 0.32
Adjustments	-	-	-	-
Subtotal adjustments to net income	-	-	-	-
Adjusted net income	<u>\$ 5,300</u>	<u>\$ 0.38</u>	<u>\$ 4,459</u>	<u>\$ 0.32</u>

Calculation of Funds From Operations ("FFO")

	<u>Three Months Ended</u> <u>March 31, 2024</u>		<u>Three Months Ended</u> <u>March 31, 2023</u>	
	<u>Per</u>		<u>Per</u>	
	<u>Amount</u>	<u>Diluted Share</u>	<u>Amount</u>	<u>Diluted Share</u>
Net income	\$ 5,300	\$ 0.38	\$ 4,459	\$ 0.32
Plus: Depreciation and amortization expense:				
Consolidated investments	6,809	0.50	6,618	0.48
Unconsolidated affiliates	304	0.02	293	0.02
FFO	<u>\$ 12,413</u>	<u>\$ 0.90</u>	<u>\$ 11,370</u>	<u>\$ 0.82</u>
Dividend paid per share		<u>\$ 0.725</u>		<u>\$ 0.715</u>

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

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Assets:		
Real Estate Investments:		
Buildings and improvements and construction in progress	\$ 650,622	\$ 649,374
Accumulated depreciation	(268,544)	(262,449)
	<u>382,078</u>	<u>386,925</u>
Land	56,870	56,870
Net Real Estate Investments	438,948	443,795
Financing receivable from UHS	83,162	83,279
Net Real Estate Investments and Financing receivable	<u>522,110</u>	<u>527,074</u>
Investments in and advances to limited liability companies ("LLCs")	14,632	9,102
Other Assets:		
Cash and cash equivalents	7,697	8,212
Lease and other receivables from UHS	6,645	6,180
Lease receivable - other	8,219	8,166

Intangible assets (net of accumulated amortization of \$11.0 million and \$12.5 million, respectively)	8,653	9,110
Right-of-use land assets, net	10,939	10,946
Deferred charges, notes receivable and other assets, net	17,294	17,579
Total Assets	<u>\$ 596,189</u>	<u>\$ 596,369</u>
Liabilities:		
Line of credit borrowings	\$ 333,650	\$ 326,600
Mortgage notes payable, non-recourse to us, net	32,506	32,863
Accrued interest	1,088	490
Accrued expenses and other liabilities	10,189	13,500
Ground lease liabilities, net	10,939	10,946
Tenant reserves, deposits and deferred and prepaid rents	11,359	11,036
Total Liabilities	<u>399,731</u>	<u>395,435</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: 2024 - 13,824,063; 2023 - 13,823,899	138	138
Capital in excess of par value	270,454	270,398
Cumulative net income	831,361	826,061
Cumulative dividends	(912,998)	(902,975)
Accumulated other comprehensive income	7,503	7,312
Total Equity	<u>196,458</u>	<u>200,934</u>
Total Liabilities and Equity	<u>\$ 596,189</u>	<u>\$ 596,369</u>

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