UNIVERSAL HEALTH REALTY INCOME TRUST REPORTS 2023 FIRST QUARTER FINANCIAL RESULTS

April 25, 2023

Consolidated Results of Operations - Three-Month Periods Ended March 31, 2023 and 2022:

KING OF PRUSSIA, Pa., April 25, 2023 /PRNewswire/ -- Universal Health Realty Income Trust (NYSE:UHT) announced today that for the three-month period ended March 31, 2023, net income was $4.5 million, or $.32 per diluted share, as compared to $5.4 million, or $.39 per diluted share, during the first quarter of 2022.

The decrease in our net income of $946,000, or $.07 per diluted share, during the first quarter of 2023, as compared to the comparable quarter of 2022, consisted of the following: (i) a decrease of $1.5 million, or $.11 per diluted share, resulting from an increase in interest expense due primarily to an increase in our average borrowing rate as well as an increase in our average outstanding borrowings; (ii) a decrease of $265,000, or $.02 per diluted share, from demolition expenses incurred during the first quarter of 2023 related to a vacant facility located in Chicago, Illinois, partially offset by; (iii) an increase of $794,000, or $.06 per diluted share, resulting from an aggregate net increase in the income generated at various properties, including a reduction of $342,000, or $.02 per diluted share, in the building expenses related to the above-mentioned vacant facility located in Chicago.

As calculated on the attached Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule"), our funds from operations ("FFO") were $11.4 million, or $.82 per diluted share, during the first quarter of 2023, as compared to $12.4 million, or $.90 per diluted share during the first quarter of 2022. The decrease of $1.0 million, or $.08 per diluted share, was due to the above-mentioned $946,000, or $.07 per diluted share, decrease in our net income during the first quarter of 2023, as compared to the first quarter of 2022, as well as a $93,000, or $.01 per diluted share, decrease in depreciation and amortization expense incurred on our consolidated and unconsolidated investments.

Dividend Information:

The first quarter dividend of $.715 per share, or $9.9 million in the aggregate, was declared on March 8, 2023 and paid on March 31, 2023.

Capital Resources Information:

At March 31, 2023, we had $308.4 million of borrowings outstanding pursuant to the terms of our $375 million revolving credit agreement and $63.5 million of available borrowing capacity as of that date, net of outstanding borrowings and letters of credit.

New Construction Project - Sierra Medical Plaza I:

In January 2022, we entered into a ground lease and master flex-lease agreement with a wholly-owned subsidiary of Universal Health Services, Inc. ("UHS") to develop, construct and own the real property of Sierra Medical Plaza I, a medical office building ("MOB") located in Reno, Nevada, consisting of approximately 86,000 rentable square feet. This MOB is located on the campus of the Northern Nevada Sierra Medical Center, a newly constructed hospital that is owned and operated by a wholly-owned subsidiary of UHS, which was completed and opened during April of 2022. Construction of this MOB, for which we engaged a non-related third party to act as construction manager, commenced in January, 2022, and was substantially completed in March, 2023. The cost of the MOB is estimated to be approximately $34.6 million, approximately $22.3 million of which was incurred as of March 31, 2023. The master flex lease agreement in connection with this building, which commenced in March, 2023, is for approximately 68% of the rentable square feet of the MOB at an initial minimum rent of $1.3 million annually, and is subject to reduction based upon the execution of third-party leases.

Vacant Specialty Facilities:

As previously disclosed, after evaluation of the most suitable future uses for a vacant specialty hospital located in Chicago, Illinois, as well as an effort to reduce its ongoing operating and maintenance expenses, we decided to raze the building. Demolition, which commenced during the fourth quarter of 2022 and is expected to be completed during the second quarter of 2023, is expected to cost approximately $1.4 million. Approximately $265,000 of demolition costs were incurred during the first quarter of 2023, and are included in our other operating expenses in our consolidated statements of income. As of March 31, 2023, an aggregate of $597,000 of demolition expenses have been incurred related to this project.

Including the above-mentioned demolition costs incurred during the first quarter of 2023, the operating expenses incurred by us in connection with the property located in Chicago, Illinois, were $417,000 during the three months ended March 31, 2023 (or $152,000 excluding the $265,000 of demolition costs) as compared to $494,000 of operating expenses during the three month period ended March 31, 2022.

In addition, the aggregate operating expenses for the two vacant specialty facilities located in Evansville, Indiana, and Corpus Christi, Texas, were approximately $187,000 and $175,000 during the three-month periods ended March 31, 2023 and 2022, respectively.

We continue to market the three above-mentioned properties to third parties. Future operating expenses related to these properties, which are estimated to be approximately $1.3 million in the aggregate during the full year of 2023 (excluding the demolition costs to be incurred in connection with the property in Chicago, Illinois), will be incurred by us during the time they remain owned and unleased. Should these properties continue to remain owned and unleased for an extended period of time, or should we incur substantial renovation or additional demolition costs to make the properties suitable for other operators/tenants/buyers, 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, 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, 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 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 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, 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 Months Ended March 31, 2023 and 2022
(amounts in thousands, except share information)
(unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Revenues:		
Lease revenue - UHS facilities (a.)	$ 7,787	$ 7,426
Lease revenue - Non-related parties	13,361	12,895
Other revenue - UHS facilities	231	229
Other revenue - Non-related parties	481	255
Interest income on financing leases - UHS facilities	1,366	1,370
	23,226	22,175
Expenses:		
Depreciation and amortization	6,618	6,709
Advisory fees to UHS	1,302	1,224

	2023	2022
Other operating expenses	7,521	6,867
	15,441	14,800
Income before equity in income of unconsolidated limited liability companies ("LLCs") and interest expense	7,785	7,375
Equity in income of unconsolidated LLCs	371	252
Interest expense, net	(3,697)	(2,222)
Net income	$ 4,459	$ 5,405
Basic earnings per share	$ 0.32	$ 0.39
Diluted earnings per share	$ 0.32	$ 0.39
Weighted average number of shares outstanding - Basic	13,778	13,764
Weighted average number of shares outstanding - Diluted	13,803	13,785

(a.) Includes bonus rental on McAllen Medical Center, a UHS acute care hospital facility of $764 and $678 for the three-month periods ended March 31, 2023 and 2022, respectively.

Universal Health Realty Income Trust
Schedule of Non-GAAP Supplemental Information ("Supplemental Schedule")
For the Three Months Ended March 31, 2023 and 2022
(amounts in thousands, except share information)
(unaudited)

Calculation of Adjusted Net Income

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
	Amount	**Per Diluted Share**	**Amount**	**Per Diluted Share**
Net income	$ 4,459	$ 0.32	$ 5,405	$ 0.39
Adjustments	-	-	-	-
Subtotal adjustments to net income	-	-	-	-
Adjusted net income	$ 4,459	$ 0.32	$ 5,405	$ 0.39

Calculation of Funds From Operations ("FFO")

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
	Amount	**Per Diluted Share**	**Amount**	**Per Diluted Share**
Net income	$ 4,459	$ 0.32	$ 5,405	$ 0.39
Plus: Depreciation and amortization expense:				
Consolidated investments	6,618	0.48	6,709	0.49
Unconsolidated affiliates	293	0.02	295	0.02
FFO	$ 11,370	$ 0.82	$ 12,409	$ 0.90
Dividend paid per share		$ 0.715		$ 0.705

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

	March 31, 2023	**December 31, 2022**
Assets:		
Real Estate Investments:		
Buildings and improvements and construction in progress	$ 645,509	$ 641,338
Accumulated depreciation	(254,590)	(248,772)
	390,919	392,566

Land	56,631	56,631
Net Real Estate Investments	447,550	449,197
Financing receivable from UHS	83,525	83,603
Net Real Estate Investments and Financing receivable	531,075	532,800
Investments in and advances to limited liability companies ("LLCs")	9,599	9,282
Other Assets:		
Cash and cash equivalents	8,120	7,614
Lease and other receivables from UHS	5,755	5,388
Lease receivable - other	8,611	8,445
Intangible assets (net of accumulated amortization of $14.1 million and $15.4 million, respectively)	8,877	9,447
Right-of-use land assets, net	11,836	11,457
Deferred charges and other assets, net	20,439	23,107
Total Assets	$ 604,312	$ 607,540
Liabilities:		
Line of credit borrowings	$ 308,400	$ 298,100
Mortgage notes payable, non-recourse to us, net	40,119	44,725
Accrued interest	337	373
Accrued expenses and other liabilities	10,360	12,873
Ground lease liabilities, net	11,836	11,457
Tenant reserves, deposits and deferred and prepaid rents	11,090	10,911
Total Liabilities	382,142	378,439
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: 2023 - 13,804,142; 2022 - 13,803,335	138	138
Capital in excess of par value	269,698	269,472
Cumulative net income	815,120	810,661
Cumulative dividends	(873,050)	(863,181)
Accumulated other comprehensive income	10,264	12,011
Total Equity	222,170	229,101
Total Liabilities and Equity	$ 604,312	$ 607,540

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