# Q3’15 Review

November 2, 2015

## *FORWARD LOOKING STATEMENTS*

Certain statements in this presentation constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements are based on management’s current expectations and involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results to be materially different from those expressed or implied by such forward-looking statements, including, among others, changes in laws and regulations affecting the healthcare industry; adverse litigation or regulatory developments; our success in implementing our business development plans and integrating newly acquired businesses, including our United Surgical Partners International joint venture; the ability to continue to expand and realize earnings contributions from the revenue cycle management, health care information management, capitation management, and patient communications services businesses under our Conifer Health Solutions subsidiary; our ability to identify and execute on measures designed to save or control costs or streamline operations; and our success in completing recently announced acquisition and disposition transactions. These and other risks and uncertainties are discussed in the Company’s filings with the Securities and Exchange Commission, including the Company’s annual report on Form 10-K and quarterly reports on Form 10-Q. We disclaim any obligation to update any forward-looking statement in this presentation, whether as a result of changes in underlying factors, new information, future events or otherwise.

## *NON-GAAP FINANCIAL INFORMATION*

A reconciliation of Adjusted EBITDA to net income (loss) attributable to Tenet common shareholders is included in the financial tables at the end of the Company’s press release dated November 2, 2015.

# Financial Highlights – Q3’15

- Adjusted EBITDA of $566 million, up 23.3% compared to $459 million in Q3’14
- Same-Hospital Net Patient Revenue Growth of 6.5%
  - Admissions declined 0.6% due to a decline in lower acuity admissions
  - Adjusted admissions increased 0.7%
  - Revenue per adjusted admission increased 5.8%
    - Driving growth in high acuity inpatient surgical cases – case mix increased 1.4%
    - The California Provider Fee was $41 million on a same-store basis and added 110 basis points to the growth rate – excluding this, revenue per adjusted admission would have increased 4.7%
- Pro Forma Ambulatory Care Same-Facility System-Wide Revenue Growth of 10.1%
  - Ambulatory Care EBITDA was $122 million, up 17% from $104 million in Q3’14 on a pro forma basis
  - Cases increased 6.3%
  - Revenue per case increased 3.5%
- Conifer’s Revenue from Third Parties increased 24.3% to $184 million
  - Conifer’s EBITDA was $61 million, up 29.8% from $47 million in Q3’14
- Maintained the midpoint of our 2015 Adjusted EBITDA Outlook of $2.275 billion
- Raised the midpoint of our Adjusted Free Cash Flow Outlook by $100 million
  - Expect $350 million to $500 million of Adjusted Free Cash Flow in 2015
  - The increase in our Outlook follows a $75 million increase announced last quarter

# Strategic Highlights – Q3'15

- Continued Growth of Industry-Leading Ambulatory Services Platform
  - Strengthened relationships with existing not-for-profit health system partners
  - Since completing the joint venture with USPI, we have acquired or built additional centers in partnership with Baylor Scott & White, Memorial Hermann, Dignity Health, Meridian Health and others
- Delivering on Acquisition and Divestiture Plan
  - Completed transactions
    - Hi-Desert: Acquisition via a long-term lease of Hi-Desert Medical Center in Joshua Tree, California (completed on July 15, 2015)
    - Carondelet: 60/40 joint venture with Dignity and Ascension for the Carondelet Health Network with three hospitals in Tucson, Arizona (completed on August 31, 2015)
    - Saint Louis University Hospital: Sold to Saint Louis University (completed on August 31, 2015)
    - Birmingham: 60/40 joint venture with Baptist Health System with five hospitals in Birmingham, Alabama (completed on October 2, 2015)
  - Transactions that have been announced but have not yet been completed
    - Joint venture with Baylor Scott & White Health in Dallas, Texas
    - Sale of five hospitals in the Atlanta market
    - Sale of two hospitals in North Carolina
- Continue to focus capital (both capital expenditures and acquisition capital) on higher-growth, higher-margin, strong free cash flow generating opportunities

# Capital Deployment and Leverage

- Board approved a new $500 million share repurchase authorization
  - To be funded with proceeds from asset sales; no incremental borrowing will be required
  - Approval for open market transactions, privately negotiated transactions, or otherwise
  - Authorization expires on December 31, 2016
- Continue to target select M&A opportunities
  - Outpatient acquisitions at very favorable (below 6x) EBITDA less NCI multiples by year 2
  - Conifer tuck-in acquisitions
  - Hospital acquisitions in existing markets
- Free cash flow generation expected to be sufficient to self fund:
  - Our surgery center acquisition program
  - An estimated $1.5 billion in payments from 2016 to 2020 to buy the remaining 49.9% interest in USPI that we do not own today – the payment in 2016 is currently expected to be $125 million to $135 million
  - Cash distributions to minority partners
- Target leverage of 4x to 5x EBITDA: De-lever primarily through EBITDA growth
  - Estimate net debt to be in the high 5's at year end 2016
  - Leverage should decline to roughly 5x by the end of 2018
  - Net debt anticipated to remain in the targeted 4x to 5x range thereafter
  - No near-term plan to repay or refinance the $750 million 8% notes due 2020

# Hospital Operations & Other Segment

| | <---------- | | Restated [1] | ----------> | | <--- As Reported ---> | |
|---|---|---|---|---|---|---|---|
| | Q1'14 | Q2'14 | Q3'14 | Q4'14 | Q1'15 | Q2'15 | Q3'15 |
| Admissions | -0.9% | 2.8% | 3.9% | 4.0% | 4.9% | 1.7% | -0.6% |
| Adjusted Admissions | 0.1% | 3.9% | 4.8% | 4.3% | 5.9% | 2.3% | 0.7% |
| Revenue Per Adjusted Admission | 1.7% | -2.8% | -3.4% | 7.1% | 2.3% | 4.5% | 5.8% |
| Inpatient Surgeries | -0.8% | -0.9% | 0.4% | 2.6% | 2.4% | 1.9% | -0.2% |
| Outpatient Surgeries | -4.6% | -3.6% | -0.3% | 0.2% | 0.8% | 1.2% | 1.5% |
| Emergency Department Visits | -0.7% | 4.8% | 5.1% | 7.2% | 7.2% | 2.4% | 1.5% |
| Total Outpatient Visits | 2.7% | 6.5% | 7.7% | 9.2% | 6.9% | 4.6% | 3.0% |

(1) Hospital segment statistics have been restated to exclude the 49 surgery centers and 20 imaging centers that Tenet contributed to the joint venture with United Surgical Partners International. Prior to the joint venture with USPI, these outpatient revenues and volumes had been included in Tenet's calculation of adjusted admissions, revenue per adjusted admission, outpatient surgeries and total outpatient visits.

# Uncompensated Care Trends

| *$ in millions* | Q1'13 | Q2'13 | Q3 '13 | Q4 '13 | Q1 '14 | Q2 '14 | Q3 '14 | Q4 '14 | Q1 '15 | Q2 '15 | Q3 '15 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Bad Debt Expense | $359 | $391 | $415 | $348 | $380 | $320 | $249 | $356 | $363 | $352 | $371 |
| *% of revenue before bad debt* | *8.5%* | *9.0%* | *9.5%* | *8.2%* | *8.8%* | *7.3%* | *5.6%* | *7.4%* | *7.6%* | *7.3%* | *7.3%* |
| *% of adjusted revenue* (1) | *7.0%* | *7.4%* | *7.8%* | *6.6%* | *7.3%* | *6.1%* | *4.7%* | *6.2%* | *6.4%* | *6.2%* | *6.2%* |
| Charity Care Write-Offs | $263 | $229 | $249 | $329 | $221 | $240 | $254 | $216 | $174 | $199 | $268 |
| *% of adjusted revenue* (1) | *5.1%* | *4.3%* | *4.7%* | *6.3%* | *4.2%* | *4.6%* | *4.8%* | *3.8%* | *3.1%* | *3.5%* | *4.5%* |
| Uninsured Discounts | $651 | $727 | $707 | $683 | $694 | $629 | $600 | $704 | $699 | $675 | $664 |
| *% of adjusted revenue* (1) | *12.6%* | *13.8%* | *13.3%* | *13.0%* | *13.3%* | *12.0%* | *11.4%* | *12.3%* | *12.3%* | *11.8%* | *11.1%* |
| **Uncompensated Care** (2) | **$1,273** | **$1,347** | **$1,371** | **$1,360** | **$1,295** | **$1,189** | **$1,103** | **$1,275** | **$1,236** | **$1,226** | **$1,303** |
| **Uncompensated Care Percentage** (3) | **24.7%** | **25.5%** | **25.8%** | **25.9%** | **24.8%** | **22.7%** | **20.9%** | **22.2%** | **21.8%** | **21.4%** | **21.7%** |

(1) Adjusted Revenue equals the sum of: a) Net operating revenues before provision for doubtful accounts, b) Charity Care Write-Offs, and c) Uninsured Discounts.

(2) Uncompensated Care equals the sum of: a) Bad debt, b) Charity Care Write-Offs, and c) Uninsured Discounts.

(3) The Uncompensated Care Percentage equals: a) Uncompensated Care Expense, divided by b) Adjusted Revenue.

# Ambulatory Care Segment Volumes

| Same-facility system-wide growth [1] | <---------- USPI only [2] ----------> | | | | | <-- Pro forma [3] --> | |
|---|---|---|---|---|---|---|---|
| | Q1 '14 | Q2 '14 | Q3 '14 | Q4 '14 | Q1 '15 | Q2 '15 | Q3 '15 |
| Revenue | -0.3% | 3.1% | 5.1% | 8.9% | 8.8% | 6.9% | 10.1% |
| Cases | -3.1% | -0.4% | 2.9% | 2.7% | 4.7% | 6.8% | 6.3% |
| Revenue per case | 2.9% | 3.5% | 2.2% | 6.0% | 3.9% | 0.1% | 3.5% |

(1) Same-facility system-wide includes the results of both consolidated and unconsolidated facilities.

(2) The growth rates presented for the quarters in calendar year 2014 and Q1'15 are based on the same-facility system-wide growth rates reported by USPI-only and exclude: a) the results of Aspen, and b) the surgery and imaging centers that Tenet contributed to the USPI joint venture.

(3) The pro forma growth rates shown for Q2'15 and Q3'15 include: a) USPI facilities, b) Aspen, and c) the surgery and imaging centers that Tenet contributed to the USPI joint venture on a same-facility system-wide basis.

# Ambulatory Segment Pro Forma Results

| *$ in millions* | Q1'14 | Q2'14 | Q3'14 | Q4'14 | Q1'15 | Q2'15 | Q3'15 |
|---|---|---|---|---|---|---|---|
| Net operating revenues | $259 | $286 | $287 | $308 | $295 | $322 | $329 |
| Equity in earnings of unconsolidated affiliates | $18 | $28 | $27 | $43 | $21 | $28 | $31 |
| **EBITDA** | **$79** | **$110** | **$104** | **$134** | **$94** | **$115** | **$122** |
| **EBITDA margin** | **30.5%** | **38.5%** | **36.2%** | **43.5%** | **31.9%** | **35.7%** | **37.1%** |

Note: These figures represent the pro forma financial results for Tenet's Ambulatory Care segment, including the results for USPI, Aspen and the surgery and imaging centers contributed by Tenet to the USPI joint venture for all periods shown.

Note: On a pro forma basis, the Ambulatory Care segment recorded net income attributable to noncontrolling interests of $27 million in Q1'14, $49 million in Q2'14, $38 million in Q3'14, $49 million in Q4'14, $38 million in Q1'15, $35 million in Q2'15 and $46 million in Q3'15. A portion of these amounts relate to Welsh Carson's and other pre-existing USPI shareholders' 49.9% ownership interest in the USPI joint venture; neither Tenet nor USPI intend to make cash distributions to Welsh Carson or other pre-existing USPI shareholders.

# Conifer

## Delivered 47% EBITDA growth year-to-date 2015

- Conifer remains on track to meet or slightly exceed $260 million of EBITDA in 2015
- Start-up activities related to the new Dartmouth-Hitchcock contract and other customer implementations, as well as ICD-10 roll-out activities are placing modest pressure on EBITDA and margins

| *$ in millions* | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue from Tenet | $92 | $94 | $92 | $126 | $140 | $138 | $148 | $165 | $160 | $165 | $163 |
| *% growth* | *2.2%* | *4.4%* | *-2.1%* | *29.9%* | *52.2%* | *46.8%* | *60.9%* | *31.0%* | *14.3%* | *19.6%* | *10.1%* |
| Other Customers | $119 | $125 | $133 | $138 | $145 | $147 | $148 | $162 | $182 | $175 | $184 |
| *% growth* | *600.0%* | *594.4%* | *375.0%* | *155.6%* | *21.8%* | *17.6%* | *11.3%* | *17.4%* | *25.5%* | *19.0%* | *24.3%* |
| **Revenue** | **$211** | **$219** | **$225** | **$264** | **$285** | **$285** | **$296** | **$327** | **$342** | **$340** | **$347** |
| *% growth* | *97.2%* | *102.8%* | *83.8%* | *74.6%* | *35.1%* | *30.1%* | *31.6%* | *23.7%* | *20.0%* | *19.3%* | *17.2%* |
| **EBITDA** | **$32** | **$28** | **$36** | **$36** | **$48** | **$44** | **$47** | **$64** | **$82** | **$60** | **$61** |
| *% growth* | *28.0%* | *12.0%* | *50.0%* | *16.1%* | *50.0%* | *57.1%* | *30.6%* | *77.8%* | *70.8%* | *36.4%* | *29.8%* |
| **EBITDA Margin** | **15.2%** | **12.8%** | **16.0%** | **13.6%** | **16.8%** | **15.4%** | **15.9%** | **19.6%** | **24.0%** | **17.6%** | **17.6%** |

Note: Tenet and Catholic Health Initiatives represent approximately 80% of Conifer's revenue in both Q3'15 and Q3'14

# Updated Outlook for 2015

| *$ in millions, except EPS* | Outlook on 2/23/2015 | Outlook on 8/3/2015 | Outlook on 11/2/2015 |
|---|---|---|---|
| Net Revenue | $17,400 - $17,700 | $18,100 - $18,500 | $18,350 - $18,550 |
| Adjusted EBITDA | $2,050 - $2,150 | $2,225 - $2,325 | $2,250 - $2,300 (1) |
| EBITDA Margin | 11.8% - 12.1% | 12.3% - 12.6% | 12.3% - 12.4% |
| Adjusted E.P.S. | $1.32 - $2.40 | $1.32 - $2.21 | $1.76 - $2.11 |
| Adjusted Cash Flow from Operations (2) | $1,150 - $1,250 | $1,225 - $1,325 | $1,250 - $1,350 |
| Capital Expenditures | $900 - $1,000 | $900 - $1,000 | $850 - $900 |
| Adjusted Free Cash Flow (2) | $150 - $350 | $225 - $425 | $350 - $500 |

| **Assumptions:** | | | |
|---|---|---|---|
| Admissions Growth (3) | 1.5% - 2.5% | 2.0% - 3.0% | 1.5% - 2.0% |
| Adjusted Admissions Growth (3) | 2.5% - 3.5% | 2.0% - 3.0% | 2.0% - 3.0% |
| Net Revenue per Adjusted Admission Growth (3) | 1.0% - 2.0% | 1.5% - 2.5% | 2.0% - 3.0% |
| Bad Debt Ratio | 6.75% - 7.25% | 7.00% - 7.50% | 7.00% - 7.50% |
| Total Hospital Expenses per Adjusted Admission Growth | 1.5% - 2.5% | 2.0% - 3.0% | 2.0% - 2.5% |

(1) The Outlook includes an estimate of $90 million of equity in earnings of unconsolidated affiliates.

(2) Excludes restructuring charges, acquisition-related costs, litigation costs and settlements, and discontinued operations.

(3) Same hospital.

# Pro Forma Outlook for 2015

Our pro forma Outlook for 2015 is intended to be a helpful reference point for analysts and investors when projecting Tenet's financial results in 2016 and beyond.

| *$ in millions* | Pro Forma Outlook for 2015 |
|---|---|
| Net Revenue | $17,300 - $17,700 |
| Equity in earnings of unconsolidated affiliates | $140 - $150 |
| Adjusted EBITDA | $2,250 - $2,350 |
| EBITDA Margin % | 13.0% - 13.3% |
| Depreciation and Amortization | $820 - $840 |
| Net income attributable to noncontrolling interests | $260 - $280 |

- This pro forma Outlook assumes all announced acquisitions and divestitures occurred on January 1, 2015.
- The pro forma Outlook includes the following acquisitions or joint ventures: USPI, Aspen, Hi-Desert, Carondelet and Birmingham. It also includes the additional equity in earnings from unconsolidated affiliates that Tenet will recognize from the joint venture with Baylor Scott & White in Dallas where Tenet will be a minority owner. The pro forma Outlook does not include the benefit of synergies or expected operating improvements at these acquisitions or joint ventures post acquisition.
- The pro forma Outlook excludes the results of the following hospitals that have been or are planned to be sold: Saint Louis University Hospital, Atlanta, North Carolina and the consolidated results of Tenet's four hospitals in Dallas which are being contributed into the joint venture with Baylor Scott & White.

# Summary

- ✓ *Drove solid EBITDA and exceptionally strong Adjusted Free Cash Flow in Q3'15 despite slightly lower-than-anticipated volume growth*
- ✓ *Conifer and USPI continue to drive strong growth, in-line with our expectations*
- ✓ *Making progress on previously announced acquisitions and divestitures*
- ✓ *Announced a $500 million share repurchase authorization*
- ✓ *Reiterated the midpoint of the Company's 2015 Adjusted EBITDA Outlook of $2.275 billion*
- ✓ *Raised the midpoint of the Outlook for Adjusted Free Cash Flow by $100 million – this follows a $75 million increase announced last quarter*

# *Appendix*

# Items Impacting Q3’15 Results

- Adjusted EBITDA was negatively impacted by two unanticipated items:
  - $10 million impact from a water pipe break at Desert Regional Medical Center
  - $7 million of additional expense from a decrease in the interest rate primarily related to discounted malpractice reserves

- Same-Hospital Admissions were approximately 100 basis points lower than Company expectations, with three items explaining the majority of the difference:
  - Water pipe break at Desert Regional resulted in portions of the hospital being closed in the quarter
  - Declines in inpatient psychiatric admissions attributable to physician turnover
  - Declines in low-acuity respiratory admissions, including pneumonia, bronchitis and enterovirus (pediatric)

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