



# *Q1'16 Review*

May 2, 2016

## **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, government investigations or litigation, including any significant monetary resolution or other undesirable consequences of the *Clinica de la Mama* qui tam action and criminal investigation, the resolution of which could have a material adverse effect on the Company’s business, financial condition, results of operations or cash flows; 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, healthcare information management, capitation management, and patient communications services businesses of 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 corporate development 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 available (loss attributable) to Tenet Healthcare Corporation common shareholders is included in the financial tables at the end of the Company’s press release dated May 2, 2016.

# Q1'16 Financial Highlights

## ☐ **Adjusted EBITDA was \$613 million in Q1'16, up 15.9%**

- Adjusted EBITDA was above our Outlook range for the first quarter of \$550 million to \$600 million.

## ☐ **Same-hospital patient revenue grew 6.0% in Q1'16**

- Adjusted admissions increased 2.2% on a same-hospital basis in Q1'16.
- Admissions declined 0.1% on a same-hospital basis in Q1'16 due to declines in lower acuity admissions.
- Revenue per adjusted admission increased 3.7% in Q1'16.
- Uncompensated care declined 120 basis points to 20.6% of adjusted revenue in Q1'16, down from 21.8% in Q1'15.
- Hospital segment Adjusted EBITDA increased approximately 8%, after adjusting for acquisitions, divestitures and a decline in electronic health record incentives. Including these items, hospital segment Adjusted EBITDA was \$414 million in Q1'16, down 1.0% from \$418 million in Q1'15.

## ☐ **Ambulatory care same-facility system-wide revenue grew 11.0% on a pro forma basis in Q1'16**

- Cases increased 8.6% and revenue per case increased 2.2% in Q1'16.
- Ambulatory Care Adjusted EBITDA was \$136 million in Q1'16, up 44.7% from \$94 million in Q1'15 on a pro forma basis.
- Ambulatory Care Adjusted EBITDA less facility-level NCI was \$90 million in Q1'16, up 34.3% from \$67 million in Q1'15 on a pro forma basis. Approximately half of this growth was organic.

## ☐ **Conifer's revenue in Q1'16 increased 12.6% to \$385 million driven by a 19.8% increase in third party revenue**

- Adjusted EBITDA was \$63 million, representing a margin of 16.4%.
- Conifer's Adjusted EBITDA was slightly ahead of our expectations.
- Year-over-year comparisons are distorted by a non-recurring benefit in Q1'15 related to the extended and expanded contract with Catholic Health Initiatives.

## ☐ **Adjusted Free Cash Flow was \$11 million in Q1'16, a \$215 million improvement compared to Q1'15**

- Free Cash Flow on a GAAP basis improved significantly as well, up \$180 million.

# Hospital Operations & Other Segment

	Restated <sup>(1)</sup>				As Reported				
	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
Adjusted Admissions	0.1%	3.9%	4.8%	4.3%	5.9%	2.3%	0.7%	0.3%	2.2%
Admissions	-0.9%	2.8%	3.9%	4.0%	4.9%	1.7%	-0.6%	-1.8%	-0.1%
Revenue Per Adjusted Admission	1.7%	-2.8%	-3.4%	7.1%	2.3%	4.5%	5.8%	0.3% <sup>(2)</sup>	3.7%
Inpatient Surgeries	-0.8%	-0.9%	0.4%	2.6%	2.4%	1.9%	-0.2%	-0.9%	0.2%
Outpatient Surgeries	-4.6%	-3.6%	-0.3%	0.2%	0.8%	1.2%	1.5%	0.6%	5.6%
Emergency Department Visits	-0.7%	4.8%	5.1%	7.2%	7.2%	2.4%	1.5%	-0.6%	4.8%
Total Outpatient Visits	2.7%	6.5%	7.7%	9.2%	6.9%	4.6%	3.0%	3.0%	5.2%

(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 (USPI). Prior to the joint venture with USPI, these outpatient revenues and volumes had been included in our hospitals' calculation of adjusted admissions, revenue per adjusted admission, outpatient surgeries and total outpatient visits.

(2) After normalizing for differences related to the timing of the recognition of California Provider Fee revenue in Q4'14 and Q4'15, same hospital revenue per adjusted admission increased 3.2% in Q4'15.

# Uncompensated Care Trends

<i>\$ in millions</i>	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16
Bad Debt Expense	\$380	\$320	\$249	\$356	\$363	\$352	\$371	\$391	\$376
<i>% of revenue before bad debt</i>	8.8%	7.3%	5.6%	7.4%	7.6%	7.3%	7.3%	7.2%	6.9%
<i>% of adjusted revenue <sup>(1)</sup></i>	7.3%	6.1%	4.7%	6.2%	6.4%	6.2%	6.2%	6.1%	5.9%
Charity Care Write-Offs	\$221	\$240	\$254	\$216	\$174	\$199	\$268	\$255	\$220
<i>% of adjusted revenue <sup>(1)</sup></i>	4.2%	4.6%	4.8%	3.8%	3.1%	3.5%	4.5%	4.0%	3.5%
Uninsured Discounts	\$694	\$629	\$600	\$704	\$699	\$675	\$664	\$774	\$713
<i>% of adjusted revenue <sup>(1)</sup></i>	13.3%	12.0%	11.4%	12.3%	12.3%	11.8%	11.1%	12.0%	11.2%
<b>Uncompensated Care <sup>(2)</sup></b>	<b>\$1,295</b>	<b>\$1,189</b>	<b>\$1,103</b>	<b>\$1,275</b>	<b>\$1,236</b>	<b>\$1,226</b>	<b>\$1,303</b>	<b>\$1,420</b>	<b>\$1,309</b>
<b>Uncompensated Care Percentage <sup>(3)</sup></b>	<b>24.8%</b>	<b>22.7%</b>	<b>20.9%</b>	<b>22.2%</b>	<b>21.8%</b>	<b>21.4%</b>	<b>21.7%</b>	<b>22.0%</b>	<b>20.6%</b>

(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, divided by b) Adjusted Revenue.

# Ambulatory Care Segment Volumes

Same-facility system-wide growth <sup>(1)</sup>	<----- USPI only <sup>(2)</sup> ----->				<----- Pro forma <sup>(3)</sup> ----->				
	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Q1 '16
<b>Surgical (ASCs, Surgical Hospitals &amp; Aspen)</b>									
Revenue	-0.3%	3.1%	5.1%	8.9%	8.8%	6.7%	9.9%	12.5%	11.0%
Cases	-3.1%	-0.4%	2.9%	2.7%	4.7%	4.8%	5.3%	6.3%	9.0%
Revenue per case	2.9%	3.5%	2.2%	6.0%	3.9%	1.8%	4.3%	5.9%	1.9%
<b>Non-Surgical (Imaging &amp; Urgent Care)</b>									
Revenue	-	-	-	-	-	12.4%	15.5%	11.5%	10.9%
Cases	-	-	-	-	-	13.9%	9.5%	9.3%	8.1%
Revenue per case	-	-	-	-	-	-1.3%	5.5%	2.0%	2.6%
<b>Ambulatory Segment Total</b>									
Revenue	-	-	-	-	-	6.9%	10.1%	12.5%	11.0%
Cases	-	-	-	-	-	6.8%	6.3%	6.9%	8.6%
Revenue per case	-	-	-	-	-	0.1%	3.5%	5.2%	2.2%

(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, b) CareSpot, and c) the surgery and imaging centers that Tenet contributed to the USPI joint venture.

(3) The pro forma growth rates for the Ambulatory Segment shown for Q2'15, Q3'15, Q4'15 and Q1'16 include: a) USPI facilities, including its ambulatory surgery centers and surgical hospitals, b) Aspen, c) the surgery and imaging centers that Tenet contributed to the USPI joint venture, and d) CareSpot on a same-facility system-wide basis. Note that CareSpot was acquired by USPI on 12/31/2015 and is included in the growth rates starting in Q1'16.

# Ambulatory Segment Pro Forma Results

<i>\$ in millions</i>	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
Net operating revenues	\$259	\$286	\$287	\$308	\$295	\$322	\$329	\$397	\$429
<i>% growth</i>					13.9%	12.6%	14.6%	28.9%	45.4%
Equity in earnings of unconsolidated affiliates	\$18	\$28	\$27	\$43	\$21	\$28	\$30	\$47	\$25
<b>EBITDA</b>	<b>\$79</b>	<b>\$110</b>	<b>\$104</b>	<b>\$134</b>	<b>\$94</b>	<b>\$115</b>	<b>\$122</b>	<b>\$158</b>	<b>\$136</b>
<i>% growth</i>					19.0%	4.5%	17.3%	17.9%	44.7%
Net income attributable to noncontrolling interests <sup>(1)</sup>	\$20	\$28	\$32	\$33	\$27	\$31	\$37	\$48	\$46
<b>EBITDA less NCI (prior to Welsh Carson related NCI) <sup>(2)</sup></b>	<b>\$59</b>	<b>\$82</b>	<b>\$72</b>	<b>\$101</b>	<b>\$67</b>	<b>\$84</b>	<b>\$85</b>	<b>\$110</b>	<b>\$90</b>
<i>% growth</i>					13.6%	2.4%	18.1%	8.9%	34.3%
Net income attributable to Welsh Carson's ownership interest <sup>(2)(3)(4)</sup>	\$4	\$11	\$6	\$16	\$7	\$11	\$11	\$17	\$11
<b>EBITDA less NCI (after Welsh Carson related NCI) <sup>(2)</sup></b>	<b>\$55</b>	<b>\$71</b>	<b>\$66</b>	<b>\$85</b>	<b>\$60</b>	<b>\$73</b>	<b>\$74</b>	<b>\$93</b>	<b>\$79</b>
<i>% growth</i>					9.1%	2.8%	12.1%	9.4%	31.7%
<i>EBITDA margin</i>	30.5%	38.5%	36.2%	43.5%	31.9%	35.7%	37.1%	39.8%	31.7%
<i>EBITDA less NCI Margin (prior to Welsh Carson related NCI)</i>	22.8%	28.7%	25.1%	32.8%	22.7%	26.1%	25.8%	27.7%	21.0%

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.

(1) Represents subsidiary level noncontrolling interest expense prior to Tenet recording additional noncontrolling interest expense related to Welsh Carson's and other USPI shareholders' ownership interest in the USPI joint venture.

(2) The amount labeled as Welsh Carson related NCI represents noncontrolling interest expense related to Welsh Carson's and other USPI shareholders' ownership interest in the USPI joint venture; neither Tenet nor USPI intend to make cash distributions to Welsh Carson or other USPI shareholders.

(3) Welsh Carson related NCI expense was \$37 million in Q4'15, but would have been \$17 million excluding one-time gains. These one-time gains increased USPI's net income by \$41 million and resulted in a corresponding \$20 million increase in net income attributable to noncontrolling interests. The \$41 million of additional net income was due to \$32 million of gains on the consolidation of certain businesses in the fourth quarter of 2015 and a \$9 million favorable tax adjustment; these gains are not included in EBITDA.

(4) Welsh Carson related NCI expense was \$29 million in Q1'16, but would have been \$11 million excluding one-time gains. These one-time gains increased USPI's net income by \$36 million and resulted in a corresponding \$18 million increase in net income attributable to noncontrolling interests. The \$36 million of additional net income was due to \$29 million of gains on the consolidation of certain businesses in the first quarter of 2016 and a \$7 million favorable tax adjustment; these gains are not included in EBITDA.

## Revenue grew 13% in Q1'16 to \$385 million, driven by 20% growth in revenue from non-Tenet customers

- Year-over-year decline in EBITDA in Q1'16 versus Q1'15 was primarily driven by a non-recurring benefit in Q1'15 related to the extended and expanded contract with Catholic Health Initiatives and additional investments in Q1'16 to position the company for additional growth.
- Conifer is making investments in 2016 to position the company for additional growth and is also onboarding Dartmouth-Hitchcock, additional Catholic Health Initiatives hospitals and working on other customer implementations, which are constraining Conifer's EBITDA growth in 2016.
- Reiterating Outlook of approximately \$265 million of EBITDA in 2016.

<i>\$ in millions</i>	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15 <sup>(1)</sup>	Q2'15	Q3'15	Q4'15	Q1'16
Revenue from Tenet	\$140	\$138	\$148	\$165	\$160	\$165	\$163	\$178	\$167
<i>% growth</i>	52.2%	46.8%	60.9%	31.0%	14.3%	19.6%	10.1%	7.9%	4.4%
Other Customers	\$145	\$147	\$148	\$162	\$182	\$175	\$184	\$206	\$218
<i>% growth</i>	21.8%	17.6%	11.3%	17.4%	25.5%	19.0%	24.3%	27.2%	19.8%
<b>Revenue</b>	<b>\$285</b>	<b>\$285</b>	<b>\$296</b>	<b>\$327</b>	<b>\$342</b>	<b>\$340</b>	<b>\$347</b>	<b>\$384</b>	<b>\$385</b>
<i>% growth</i>	35.1%	30.1%	31.6%	23.7%	20.0%	19.3%	17.2%	17.4%	12.6%
<b>EBITDA</b>	<b>\$48</b>	<b>\$44</b>	<b>\$47</b>	<b>\$64</b>	<b>\$82</b>	<b>\$60</b>	<b>\$61</b>	<b>\$61</b>	<b>\$63</b>
<i>% growth</i>	50.0%	57.1%	30.6%	77.8%	70.8%	36.4%	29.8%	-4.7%	-23.2%
<b>EBITDA Margin</b>	<b>16.8%</b>	<b>15.4%</b>	<b>15.9%</b>	<b>19.6%</b>	<b>24.0%</b>	<b>17.6%</b>	<b>17.6%</b>	<b>15.9%</b>	<b>16.4%</b>

(1) Conifer's EBITDA in Q1'15 benefitted from approximately \$10 million of non-recurring customer incentive revenue.

Note: Tenet and Catholic Health Initiatives represented approximately 80% of Conifer's revenue in both Q1'15 and Q1'16.

# Tenet Outlook for 2016

<i>\$ in millions, except EPS</i>	<b>2016 Outlook</b>
Net Revenue	\$18,800 - \$19,200
Adjusted EBITDA <sup>(1)</sup>	\$2,400 - \$2,500
EBITDA Margin <sup>(1)</sup>	12.8% - 13.0%
Adjusted E.P.S. <sup>(1)</sup>	\$1.18 - \$2.25
Adjusted Cash Flow from Operations <sup>(1)</sup>	\$1,300 - \$1,450
Capital Expenditures	\$850 - \$900
Adjusted Free Cash Flow <sup>(1)</sup>	\$400 - \$600
<b>Assumptions:</b>	
Bad Debt Ratio	7.0% - 7.5%
Total Hospital Expenses per Adjusted Admission Growth	2.0% - 3.0%
Equity in Earnings of Unconsolidated Affiliates	\$150 - \$170
Electronic Health Record Incentives	\$25 - \$35
Depreciation and Amortization	\$810 - \$850
Interest Expense	\$950 - \$970
Effective Tax Rate <sup>(2)</sup>	21% - 26%
Net Income Attributable to Noncontrolling Interests <sup>(3)</sup>	\$320 - \$340
Fully diluted weighted average shares outstanding	102

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

(2) In order to estimate Tenet's income tax expense in 2016, the following formula should be used: a) start with pre-tax income, which is estimated to be \$580-\$740 million; b) subtract GAAP NCI expense, which is estimated to be \$320-\$340 million in 2016, excluding the extra \$18 million of NCI in Q1'16; c) add back permanent differences and non-deductible items, which are estimated to be approximately \$25-\$35 million in 2016; d) add back approximately \$50 million of non-cash NCI expense that Tenet is recognizing related to the portion of USPI that the company does not own; and, e) multiply the result by a 40% tax rate. The result of this calculation is an effective tax rate of approximately 21%-26% on Tenet's pre-tax income.

(3) This represents GAAP NCI expense to be recorded on the income statement, excluding the \$18 million of NCI recorded by USPI in Q1'16 related to \$29 million of gains on consolidation of certain businesses in Q1'16 and an associated \$7 million favorable income tax adjustment. Cash distributions paid to noncontrolling interests are expected to be \$220 - \$240 million.

# Segment Outlook for 2016

Hospital Operations and Other Segment		Ambulatory Segment		Conifer Segment	
<b>2016 EBITDA</b>	<b>~\$1.6 billion</b>	<b>2016 EBITDA</b>	<b>~\$585 million</b>	<b>2016 EBITDA</b>	<b>~\$265 million</b>
2016 Noncontrolling Interest <sup>(1)</sup>	~\$30 million	2016 Noncontrolling Interest <sup>(1)</sup>	~\$250 million	2016 Noncontrolling Interest <sup>(1)</sup>	~\$50 million
Net Revenue Growth <sup>(2)</sup>	3% - 4%	Net Revenue Growth <sup>(2)</sup>	5% - 6%	Net Revenue Growth <sup>(2)</sup>	10% - 15%
Pro forma EBITDA Growth <sup>(3)</sup>	3% - 5%	EBITDA Growth <sup>(3)</sup>	15% - 20%	EBITDA Growth <sup>(3)</sup>	~4%
Adjusted Admissions Growth <sup>(2)</sup>	0.0% - 2.0%	EBITDA less NCI Growth <sup>(3)</sup>	15% - 20%		
Net Revenue per Adjusted Admission <sup>(2)</sup>	2.0% - 3.0%	Case Growth <sup>(2)</sup>	2.0% - 3.0%		
Admissions Growth <sup>(2)</sup>	(1.0%) - 1.0%	Net Revenue per Case Growth <sup>(2)</sup>	2.0% - 3.0%		
(1) Based on GAAP NCI expense.		(1) Based on GAAP NCI expense. Cash NCI distributions will be lower. Excludes \$18 million of NCI expense recorded by USPI in Q1'16 related to a \$29 million gain on consolidation and an associated \$7 million favorable income tax adjustment.		(1) Based on GAAP NCI expense. Cash NCI distributions will be zero.	
(2) Growth rates on a same hospital basis.		(2) Growth rates on a same facility system wide basis.		(2) Conifer's revenue growth is benefitting from new customer wins.	
(3) EBITDA in the hospital segment is expected to decline in 2016 versus the \$1.653 billion of reported EBITDA in 2015 as a result of divestitures.		(3) EBITDA growth in the ambulatory segment is based on pro forma Ambulatory segment EBITDA of \$489 million and NCI of \$206 million in 2015. The growth rate in 2016 is benefitting from the annualization of acquisitions that were completed in 2015.		(3) Conifer's EBITDA growth in 2016 is based on \$255 million of EBITDA in 2015 after subtracting a non-recurring benefit of approximately \$10 million during the first quarter of 2015.	

# Summary

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- ✓ *Delivering on our commitment to reposition our portfolio for improved growth, margin expansion and free cash flow generation*
- ✓ *Adjusted EBITDA increased 15.9% to \$613 million in Q1'16, above our Outlook range of \$550-600 million for the quarter*
- ✓ *Hospital segment had a strong start to the year*
  - *Revenue increased 6.0% on a same-hospital basis*
  - *Adjusted admissions increased 2.2%*
  - *Strong acuity contributed to the 3.7% increase in revenue per adjusted admission*
- ✓ *Drove exceptionally strong revenue and EBITDA growth within the Ambulatory segment*
- ✓ *Conifer is delivering solid results while actively onboarding new healthcare systems*
- ✓ *Adjusted free cash flow was \$11 million, a \$215 million improvement compared to Q1'15*
- ✓ *Reiterated Outlook for 2016*

