



February 3, 2015

Healthcare Services Group, Inc. Reports Results for the Three Months and Year Ended December 31, 2014

BENSALEM, Pa., Feb. 3, 2015 (GLOBE NEWSWIRE) -- Healthcare Services Group, Inc. (Nasdaq:HCSG) reported that revenues for the three months ended December 31, 2014 increased over 12% to \$341,624,000 compared to \$303,833,000 for the same 2013 period. Net income for the three months ended December 31, 2014 was \$15,472,000 or \$0.22 per basic and per diluted common share, compared to the three months ended December 31, 2013 net income of \$5,452,000 or \$0.08 per basic and per diluted common share.

Revenues for the year ended December 31, 2014 increased over 12% to \$1,293,183,000 compared to \$1,149,890,000 for the same 2013 period. Inclusive of the non-recurring charges announced as part of the third quarter results, net income for the year ended December 31, 2014 was \$21,850,000 or \$0.31 per basic and per diluted common share, compared to the year ended December 31, 2013 net income of \$47,129,000 or \$0.68 per basic and \$0.67 per diluted common share.

As previously announced, on January 27th our Board of Directors declared a quarterly cash dividend of \$0.17625 per common share, payable on March 27, 2015 to shareholders of record at the close of business on February 20, 2015. This represents the 47th consecutive quarterly cash dividend payment, as well as the 46th consecutive increase since our initiation of quarterly cash dividend payments in 2003.

The Company will host a conference call on Wednesday, February 4, 2015 at 8:30 a.m. Eastern Time to discuss its results for the three months and year ended December 31, 2014. The call may be accessed via phone at 800-893-5360. The call will be simultaneously webcast under the "Events & Presentations" section of the investor relations page on our website, www.hcsg.com. A replay of the webcast will also be available on our website through approximately 10:00 p.m. Eastern Time on Wednesday, February 4th.

The Company also announced that it will present at several upcoming conferences, including the RBC Capital Markets Global Healthcare Conference on February 24th at the New York Palace Hotel in New York City, the Sidoti & Company, LLC 19th Annual Small-Cap Equity Conference on March 16th at the Grand Hyatt Hotel in New York City and the UBS Global Healthcare Conference on May 19th at the Sheraton New York Times Square Hotel in New York City .

Cautionary Statement Regarding Forward-Looking Statements

This release and any schedules incorporated by reference into it may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, which are not historical facts but rather are based on current expectations, estimates and projections about our business and industry, our beliefs and assumptions. Words such as "believes," "anticipates," "plans," "expects," "will," "goal," and similar expressions are intended to identify forward-looking statements. The inclusion of forward-looking statements should not be regarded as a representation by us that any of our plans will be achieved. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Such forward-looking information is also subject to various risks and uncertainties. Such risks and uncertainties include, but are not limited to, risks arising from our providing services exclusively to the health care industry, primarily providers of long-term care; credit and collection risks associated with this industry; from having several significant clients who each individually contributed at least 3% with two as high as 6% of our total consolidated revenues for the year ended December 31, 2014; risks associated with our acquisition of Platinum Health Services, LLC; our claims experience related to workers' compensation and general liability insurance; the effects of changes in, or interpretations of laws and regulations governing the industry, our workforce and services provided, including state and local regulations pertaining to the taxability of our services and other labor related matters such as minimum wage increases; tax benefits arising from our corporate reorganization and self-funded health insurance program transition; risks associated with the reorganization of our corporate structure; and the risk factors described in our Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2013 in Part I thereof under "Government Regulation of Clients," "Competition" and "Service Agreements/Collections," and under Item IA "Risk Factors".

These factors, in addition to delays in payments from clients, have resulted in, and could continue to result in, significant additional bad debts in the near future. Additionally, our operating results would be adversely affected if unexpected increases in the costs of labor and labor-related costs, materials, supplies and equipment used in performing services could not be passed on to our clients.

In addition, we believe that to improve our financial performance we must continue to obtain service agreements with new clients, provide new services to existing clients, achieve modest price increases on current service agreements with existing clients and maintain internal cost reduction strategies at our various operational levels. Furthermore, we believe that our ability to sustain the internal development of managerial personnel is an important factor impacting future operating results and successfully executing projected growth strategies.

Healthcare Services Group, Inc. is the largest national provider of professional housekeeping, laundry and dietary services to long-term care and related health care facilities.

HEALTHCARE SERVICES GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Three Months Ended		For the Year Ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Revenues	\$ 341,624,000	\$ 303,833,000	\$ 1,293,183,000	\$ 1,149,890,000
Operating costs and expenses:				
Cost of services provided	296,350,000	269,347,000	1,155,293,000	995,104,000
Selling, general and administrative	24,149,000	29,269,000	107,810,000	91,998,000
Income from operations	21,125,000	5,217,000	30,080,000	62,788,000
Other income:				
Investment and interest	494,000	1,264,000	1,628,000	3,701,000
Income before income taxes	21,619,000	6,481,000	31,708,000	66,489,000
Income taxes	6,147,000	1,029,000	9,858,000	19,360,000
Net income	<u>\$ 15,472,000</u>	<u>\$ 5,452,000</u>	<u>\$ 21,850,000</u>	<u>\$ 47,129,000</u>
Basic earnings per common share	<u>\$ 0.22</u>	<u>\$ 0.08</u>	<u>\$ 0.31</u>	<u>\$ 0.68</u>
Diluted earnings per common share	<u>\$ 0.22</u>	<u>\$ 0.08</u>	<u>\$ 0.31</u>	<u>\$ 0.67</u>
Cash dividends per common share	<u>\$ 0.18</u>	<u>\$ 0.17</u>	<u>\$ 0.69</u>	<u>\$ 0.67</u>
Basic weighted average number of common shares outstanding	<u>71,023,000</u>	<u>70,037,000</u>	<u>70,616,000</u>	<u>69,206,000</u>
Diluted weighted average number of common shares outstanding	<u>71,722,000</u>	<u>70,898,000</u>	<u>71,341,000</u>	<u>70,045,000</u>

HEALTHCARE SERVICES GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 2014	December 31, 2013
Cash and cash equivalents	\$ 75,280,000	\$ 64,155,000
Marketable securities, at fair value	11,799,000	11,445,000
Accounts and notes receivable, net	198,128,000	189,107,000
Other current assets	<u>49,621,000</u>	<u>44,485,000</u>
Total current assets	334,828,000	309,192,000

Property and equipment, net	12,772,000	11,304,000
Notes receivable - long term, net	5,179,000	5,779,000
Goodwill	44,438,000	40,183,000
Other intangible assets, net	20,349,000	23,372,000
Deferred compensation funding	24,742,000	22,200,000
Other assets	<u>27,271,000</u>	<u>13,312,000</u>
Total Assets	<u>\$ 469,579,000</u>	<u>\$ 425,342,000</u>
Accrued insurance claims - current	\$ 17,748,000	\$ 7,853,000
Other current liabilities	<u>100,211,000</u>	<u>91,250,000</u>
Total current liabilities	117,959,000	99,103,000
Accrued insurance claims - long term	50,514,000	18,325,000
Deferred compensation liability	25,276,000	22,771,000
Stockholders' equity	<u>275,830,000</u>	<u>285,143,000</u>
Total Liabilities and Stockholders' Equity	<u>\$ 469,579,000</u>	<u>\$ 425,342,000</u>

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Source: Healthcare Services Group, Inc.

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