



SOLUTIONS ● PERFORMANCE ● RESULTS



Year End 2016

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, 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; having several clients who individually contributed over 5%, with one as high as 9.5%, of our total consolidated revenues for the year ended December 31, 2016; 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; continued realization of 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, 2016 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 and/or clients in bankruptcy or clients with which we are in litigation to collect payment, 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, retain and 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 the successful execution of our 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.

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SOLUTIONS ● PERFORMANCE ● RESULTS

Industry Trends

- Legislation
- Cost containment / Managed Care
- The “Graying” of America
- DRGs
- Subacute Care
- Assisted Living
- Prospective Pay System (PPS)

Market Penetration

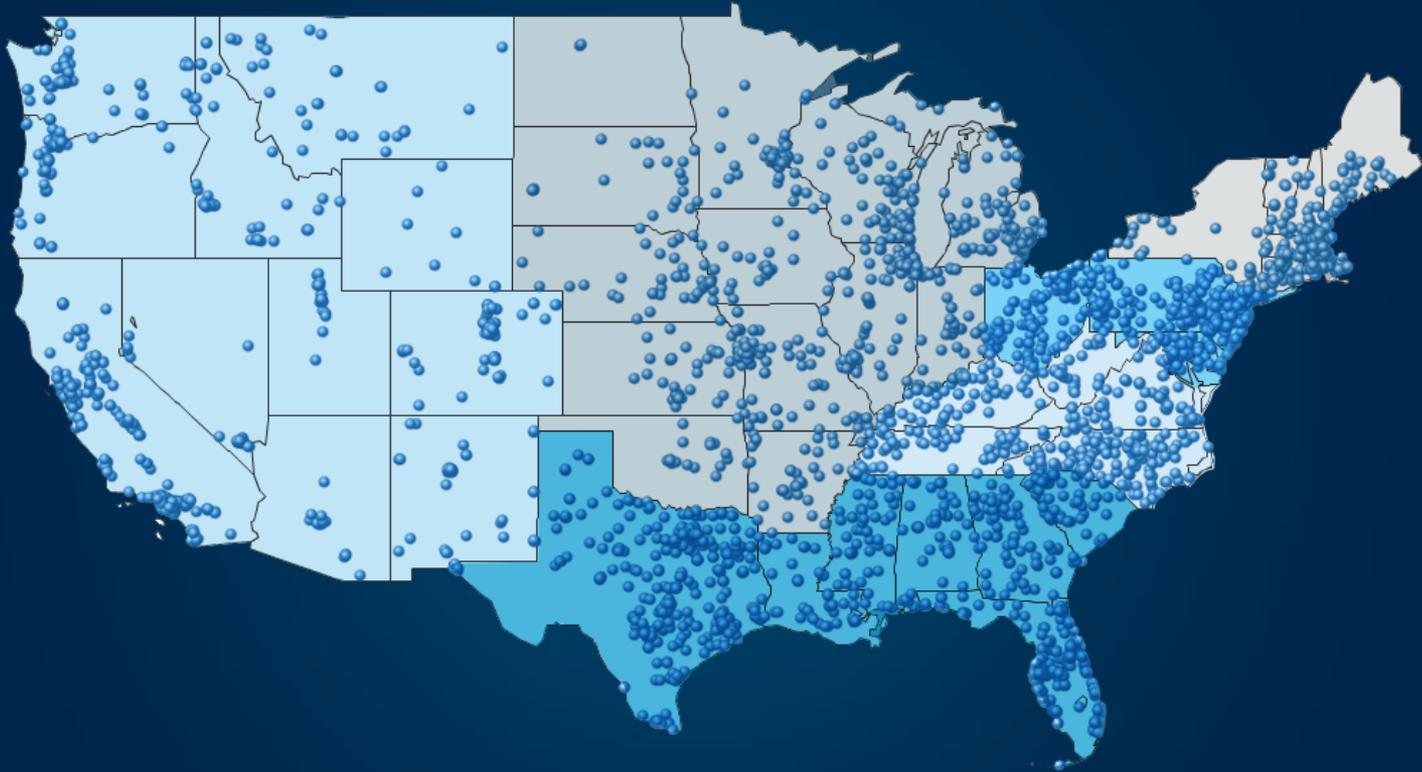
	<u>Hospitals</u>	<u>Long Term & Post Acute Care</u>
Number of Facilities	6,900	23,000
Total Expenditures	\$774.0 Billion	\$149.3 Billion
Housekeeping & Laundry Costs	\$23.2 Billion (3%)	\$9.0 Billion (6%)
Contractual Management	24%	< 18%
Dining & Nutrition Costs	\$46.4 Billion (6%)	\$18.0 Billion (12%)
Contractual Management	28%	< 5%

Sources: American Hospital Association, Dept. of Health and Human Services, Center for Medicare and Medicaid Services, Modern Healthcare Survey

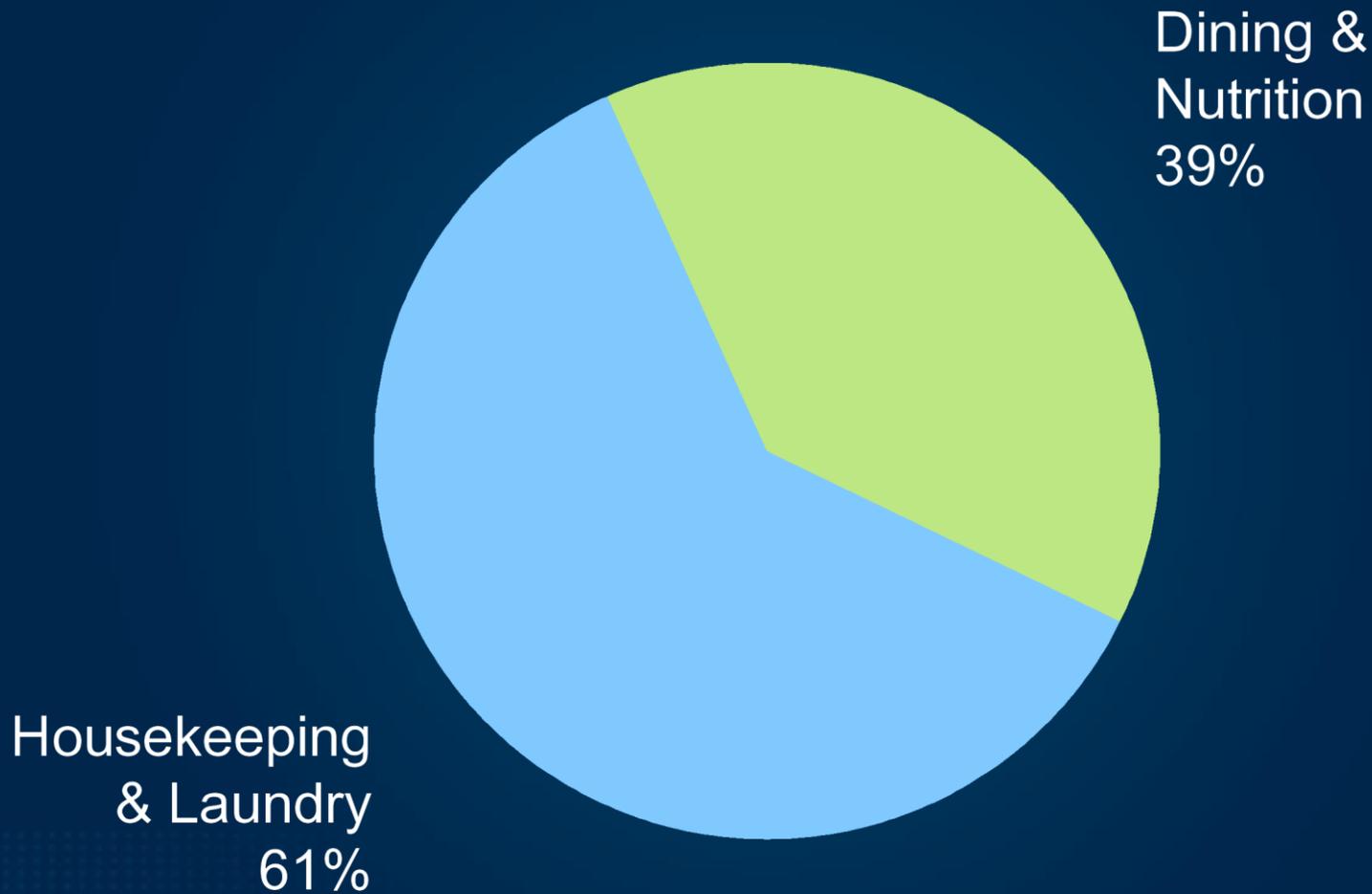
Market Penetration (con't)

- One of the largest Housekeeping & Laundry and Dining & Nutrition service providers to the health care industry
- Over 3,800 facilities under management
- >90% client retention rate
- Recurring revenue stream

Market Penetration (con't)



Services (% of Revenues)



Operational Structure

Vice President of Operations

Director of Operations

District Manager

Training Manager

Facility Manager / Assistant
Facility Manager

Over 3,800 Facilities

Sales & Marketing Structure



Sources of Growth

- Geographic expansion of regional and local clients
- National chains
- Sale of Housekeeping & Laundry services to new and existing clients
- Sale of Dining & Nutrition services to new and existing clients

The Advantage

- Demonstrated cost savings and cost containment to health care industry
- Superior professional management system
- Operational structure to service local, regional and national accounts
- Substantial capacity to absorb incremental business within existing infrastructure

Revenues



Net Income



* Excludes non-recurring charges

Investment Considerations

- Cash & Marketable Securities - \$91.6 million
- Current Assets - \$414.6 million
- Current Ratio - 4.1:1
- Stockholders Equity - \$338.8 million
- Dividend - \$0.75 per share (annualized, post 3:2 split)
 - Over \$427.9 million of dividend payouts since 2003
- Book Value - \$4.66 (split adjusted)

Growth Objectives

- Expand established regions
 - Local operators
 - National chains
- Expand Dining & Nutrition services to client base
- >90% client retention rate

Opportunity

- “Graying” of America
- Cost containment
- Growing market with little competition
- Organization in place for growth