



February 2, 2016

Healthcare Services Group, Inc. Reports Results for the Three Months and Year Ended December 31, 2015

BENSALEM, Pa., Feb. 02, 2016 (GLOBE NEWSWIRE) -- Healthcare Services Group, Inc. (NASDAQ:HCSG) reported that revenues for the three months ended December 31, 2015 increased to \$366,082,000 compared to \$341,624,000 for the same 2014 period. Revenues for the year ended December 31, 2015 increased to \$1,436,849,000 compared to \$1,293,183,000 for the same 2014 period.

Inclusive of the previously announced settlement costs, net income for the three months ended December 31, 2015 was \$9,134,000 or \$0.13 per basic and per diluted common share. Net income for the year ended December 31, 2015 was \$58,024,000 or \$0.81 per basic and \$0.80 per diluted common share.

As previously announced, on January 26th our Board of Directors declared a quarterly cash dividend of \$0.18125 per common share, payable on March 25, 2016 to shareholders of record at the close of business on February 19, 2016. This represents the 51st consecutive quarterly cash dividend payment, as well as the 50th consecutive increase since our initiation of quarterly cash dividend payments in 2003. The Company also reported that it continued its strong top line momentum from 2015 and entered into new service agreements, to be phased in during the first quarter of 2016, with annual revenues of over \$70 million.

The Company will host a conference call on Wednesday, February 3, 2016 at 8:30 a.m. Eastern Time to discuss its results for the three months and year ended December 31, 2015. 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 3rd.

The Company also announced that it will present at the RBC Capital Markets Global Healthcare Conference on February 24th at the New York Palace 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 one as high as 9% of our total consolidated revenues for the year ended December 31, 2015; 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; perceived or real risks related to the food industry; and the risk factors described in our Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2014 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 December 31,		For the Twelve Months Ended December 31,	
	2015	2014	2015	2014
Revenues	\$ 366,082,000	\$ 341,624,000	\$ 1,436,849,000	\$ 1,293,183,000
Operating costs and expenses:				
Costs of services provided	319,310,000	296,350,000	1,236,108,000	1,155,293,000
Selling, general and administrative	36,357,000	24,149,000	111,689,000	107,810,000
Income from operations	10,415,000	21,125,000	89,052,000	30,080,000
Other income:				
Investment and interest	1,297,000	494,000	712,000	1,628,000
Income before income taxes	11,712,000	21,619,000	89,764,000	31,708,000
Income taxes	2,578,000	6,147,000	31,740,000	9,858,000
Net income	<u>\$ 9,134,000</u>	<u>\$ 15,472,000</u>	<u>\$ 58,024,000</u>	<u>\$ 21,850,000</u>
Basic earnings per common share	<u>\$ 0.13</u>	<u>\$ 0.22</u>	<u>\$ 0.81</u>	<u>\$ 0.31</u>
Diluted earnings per common share	<u>\$ 0.13</u>	<u>\$ 0.22</u>	<u>\$ 0.80</u>	<u>\$ 0.31</u>
Cash dividends per common share	<u>\$ 0.18</u>	<u>\$ 0.18</u>	<u>\$ 0.72</u>	<u>\$ 0.69</u>
Basic weighted average number of common shares outstanding	<u>72,161,000</u>	<u>71,023,000</u>	<u>71,826,000</u>	<u>70,616,000</u>
Diluted weighted average number of common shares outstanding	<u>72,903,000</u>	<u>71,722,000</u>	<u>72,512,000</u>	<u>71,341,000</u>

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

	December 31, 2015	December 31, 2014
Cash and cash equivalents	\$ 33,189,000	\$ 75,280,000
Marketable securities, at fair value	69,496,000	11,799,000
Accounts and notes receivable, net	214,854,000	198,128,000
Other current assets	48,407,000	49,621,000
Total current assets	<u>365,946,000</u>	<u>334,828,000</u>
Property and equipment, net	13,086,000	12,772,000
Notes Receivable - long term, net	2,972,000	5,179,000
Goodwill	44,438,000	44,438,000
Other Intangible assets, net	17,108,000	20,349,000
Deferred compensation funding	25,391,000	24,742,000
Other assets	<u>12,008,000</u>	<u>27,271,000</u>

Total Assets	\$ 480,949,000	\$ 469,579,000
Accrued insurance claims	\$ 19,740,000	\$ 17,748,000
Other current liabilities	76,325,000	100,211,000
Total current liabilities	96,065,000	117,959,000
Accrued insurance claims - long term	62,510,000	50,514,000
Deferred compensation liability	25,918,000	25,276,000
Stockholders' equity	296,456,000	275,830,000
Total Liabilities and Stockholders' Equity	\$ 480,949,000	\$ 469,579,000

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 Primary Logo

Source: Healthcare Services Group, Inc.

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