



Healthcare Services Group, Inc. Reports Results for the Three Months and Year Ended December 31, 2010

BENSALEM, PA -- (MARKET WIRE) -- 02/07/11 -- Healthcare Services Group, Inc. (NASDAQ: HCSG) reported that revenues for the three months ended December 31, 2010 increased 11% to \$202,087,000 compared to \$182,561,000 for the same 2009 period. Net income for the three months ended December 31, 2010 increased 39% to \$9,123,000 or \$.14 per basic and per diluted common share, compared to the 2009 fourth quarter net income of \$6,566,000 or \$.10 per basic and per diluted common share.

The Company also reported that revenues for the year ended December 31, 2010 increased 12% to \$773,956,000 compared to \$692,695,000 for the same 2009 period. Net income for the year ended December 31, 2010 increased 14% to \$34,441,000 or \$.52 per basic and \$.51 per diluted common share compared to the year ended December 31, 2009 net income of \$30,342,000 or \$.46 per basic and per diluted common share.

Additionally, on January 25, 2011, our Board of Directors declared a regular quarterly cash dividend of \$.15625 per common share, payable on March 4, 2011 to shareholders of record at the close of business February 11, 2011. This dividend payment represents a 12% increase over the 2009 same period payment. It is the 31st consecutive regular quarterly cash dividend payment, as well as the 30th consecutive increase since our initiation of regular quarterly cash dividend payments in 2003.

The Company also announced that it will make a presentation on February 8, 2011 regarding the Company at the "UBS Warburg Global Healthcare Services Conference" at the Grand Hyatt in New York City. This presentation will also be audio webcast at www.ibb.ubs.com.

The Company will host a conference call today at 4:30 PM Eastern Time to discuss its results for the three month and twelve month periods ended December 31, 2010. The call in numbers will be 800-406-5345 and 913-312-9312, passcode 3960086.

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; one client accounting for approximately 11% of revenues in the year ended December 31, 2010; risks associated with our acquisition of Contract Environmental Services, Inc., including integration risks or costs, or such business not achieving expected financial results or synergies or failure to otherwise perform as expected; 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 the risk factors described in our Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2009 in Part I thereof under "Government Regulation of Clients", "Competition" and "Service Agreements/Collections", and under Item IA "Risk Factors". Many of our clients' revenues are highly contingent on Medicare and Medicaid reimbursement funding rates, which Congress has affected through the enactment of a number of major laws during the past decade, most recently the March 2010 enactment of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. Currently, the U.S. Congress is considering further changes or revising legislation relating to health care in the United States which, among other initiatives, may impose cost containment measures impacting our clients. These laws and proposed laws and forthcoming regulations have significantly altered, or threaten to alter, overall government reimbursement funding rates and mechanisms. The overall effect of these laws and trends in the long-term care industry has affected and could adversely affect the liquidity of our clients, resulting in their inability to make payments to us on agreed upon payment terms. 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 facilities.

HEALTHCARE SERVICES GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

| | December 31, 2010 | December 31, 2009 |
|----------------------------------|----------------------|----------------------|
| | ----- | ----- |
| Cash and cash equivalents | \$ 39,692,000 | \$ 31,301,000 |
| Marketable securities, net | 43,437,000 | 52,648,000 |
| Accounts receivable, net | 108,426,000 | 104,356,000 |
| Other current assets | 30,220,000 | 23,865,000 |
| | ----- | ----- |
| Total current assets | 221,775,000 | 212,170,000 |
| | | |
| Property and equipment, net | 6,656,000 | 4,391,000 |
| Notes receivable- long term, net | 5,055,000 | 4,623,000 |
| Goodwill, net | 16,955,000 | 17,087,000 |
| Other Intangible Assets, net | 7,262,000 | 8,862,000 |
| Deferred compensation funding | 12,080,000 | 10,783,000 |
| Other assets | 8,151,000 | 7,976,000 |
| | ----- | ----- |
| Total Assets | \$ 277,934,000 | \$ 265,892,000 |
| | ===== | ===== |

| | | |
|--|----------------|----------------|
| Accrued insurance claims- current | \$ 5,076,000 | \$ 4,844,000 |
| Other current liabilities | 35,455,000 | 29,873,000 |
| | ----- | ----- |
| Total current liabilities | 40,531,000 | 34,717,000 |
| Accrued insurance claims- long term | 11,845,000 | 11,302,000 |
| Deferred compensation liability | 12,479,000 | 11,099,000 |
| Stockholders' equity | 213,079,000 | 208,774,000 |
| | ----- | ----- |
| Total Liabilities and Stockholders' Equity | \$ 277,934,000 | \$ 265,892,000 |
| | ===== | ===== |

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

| | | |
|-------------------------------------|----------------------------|----------------|
| | For the Three Months Ended | |
| | December 31, | |
| | 2010 | 2009 |
| | ----- | ----- |
| Revenues | \$ 202,087,000 | \$ 182,561,000 |
| Operating costs and expenses: | | |
| Cost of services provided | 172,952,000 | 158,765,000 |
| Selling, general and administrative | 15,771,000 | 13,941,000 |
| | ----- | ----- |

| | | |
|---|--------------|--------------|
| Income from operations | 13,364,000 | 9,855,000 |
| Other income: | | |
| Investment and interest income | 1,073,000 | 821,000 |
| | ----- | ----- |
| Income before income taxes | 14,437,000 | 10,676,000 |
| Income taxes | 5,314,000 | 4,110,000 |
| | ----- | ----- |
| Net income | \$ 9,123,000 | \$ 6,566,000 |
| | ===== | ===== |
| Basic earnings per common share | \$.14 | \$.10 |
| | ===== | ===== |
| Diluted earnings per common share | \$.14 | \$.10 |
| | ===== | ===== |
| Cash dividends per common share | \$.155 | \$.13 |
| | ===== | ===== |
| Basic weighted average number of common shares outstanding | 66,074,000 | 65,572,000 |
| | ===== | ===== |
| Diluted weighted average number of common shares outstanding | 67,232,000 | 66,705,000 |
| | ===== | ===== |

(Unaudited)

| | For the Year Ended | |
|-------------------------------------|--------------------|----------------|
| | December 31, | |
| | 2010 | 2009 |
| | ----- | ----- |
| Revenues | \$ 773,956,000 | \$ 692,695,000 |
| Operating costs and expenses: | | |
| Cost of services provided | 665,149,000 | 597,715,000 |
| Selling, general and administrative | 57,310,000 | 50,269,000 |
| | ----- | ----- |
| | 51,497,000 | 44,711,000 |
| Other income: | | |
| Investment and interest income | 2,622,000 | 4,624,000 |
| | ----- | ----- |
| Income before income taxes | 54,119,000 | 49,335,000 |
| Income taxes | 19,678,000 | 18,993,000 |
| | ----- | ----- |
| Net income | \$ 34,441,000 | \$ 30,342,000 |
| | ===== | ===== |
| Basic earnings per Common Share | \$.52 | \$.46 |
| | ===== | ===== |
| Diluted earnings per Common Share | \$.51 | \$.46 |
| | ===== | ===== |
| Cash dividends per common share | \$.60 | \$.49 |
| | ===== | ===== |

Basic weighted average number of

| | | |
|---------------------------|------------|------------|
| common shares outstanding | 65,917,000 | 65,376,000 |
|---------------------------|------------|------------|

=====

Diluted weighted average number of

| | | |
|---------------------------|------------|------------|
| common shares outstanding | 67,008,000 | 66,429,000 |
|---------------------------|------------|------------|

=====

Company Contact:

Daniel P. McCartney

Chairman and Chief Executive Officer

215-639-4274

Source: Healthcare Services Group, Inc.

News Provided by Acquire Media