



# Third Quarter 2020 Earnings Release

October 20, 2020



# Cautionary Statements

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This presentation includes “forward-looking statements.” These statements relate to future events, including, but not limited to, statements regarding our liquidity, operating results, future earnings, financial position, operational and strategic initiatives, and developments in legislation, regulation, and the healthcare industry more generally. These forward-looking statements represent management’s expectations, based on currently available information, as to the outcome and timing of future events, but, by their nature, address matters that are uncertain, particularly with regard to developments related to COVID-19. Actual results, performance or achievements could differ materially from those expressed in any forward-looking statement.

Examples of uncertainties that may cause our actual results, performance or achievements to be materially different from those expressed or implied by forward-looking statements include, but are not limited to, developments related to COVID-19 and the factors described under “Forward-Looking Statements” and “Risk Factors” in our Form 10-K for the year ended December 31, 2019, subsequent Form 10-Q filings and other filings with the Securities and Exchange Commission.

We assume no obligation to update any forward-looking statements or information subsequent to the dates such statements are made. Investors are cautioned not to place undue reliance on our forward-looking statements.

## NON-GAAP FINANCIAL INFORMATION

This presentation contains financial measures that are not in accordance with Generally Accepted Accounting Principles (GAAP). Reconciliations of these non-GAAP measures to the most comparable GAAP measures and management’s reasoning for using these non-GAAP measures are included in our earnings press release dated October 20, 2020. GAAP to non-GAAP reconciliations are also included at the end of this slide presentation.

# 3Q20 Quarterly Highlights

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- **Q3 operational execution solid**
  - ✓ Recovery continuing to progress at all levels
  - ✓ Facilities managing well through COVID surges in certain markets
- **Operational Enhancements in Prior Quarters Continuing to Show Benefits Across the System**
  - ✓ Enhanced analytical decision support tools
  - ✓ Continuing to evolve and share best practices on COVID safety and care – staff infection rate ~3.75% vs. CDC avg. of 13.4%
  - ✓ Labor management tightly controlled
  - ✓ Our Global Business Center in Manila continues to play a key role in providing enhanced operations support
- **Conifer Continues to Execute Well Despite the Pandemic**
  - ✓ Unwavering focus on client cash collection performance
  - ✓ Responsive workforce adjustments and strong operating expense control

# 3Q20 Quarterly Highlights, *continued*

- **Proactively Issued \$2.5 Billion of 8 Year Unsecured Notes at 6.125%**

- ✓ Attractive high-yield market conditions allowed us to:
  - Use proceeds to early retire all of our 2022 maturities
  - Nearest significant debt maturity is June 2023
  - Reduces annual future cash interest expense by ~\$50 million
  - Enhances future free cash flow

- **Stimulus Funding**

- ✓ CARES Act grants
  - Mitigated but did not solve losses from shutdowns earlier in the year
  - Allowed focus to be on patient vs. financial crisis created by shutdowns
  - Grant guidance from HHS changed dramatically in September, which was not helpful to providers
- ✓ Medicare advances provided emergency liquidity bridge
  - Revised terms extend repayment period ~17 months to September 2022 and provide a more reasonable interest rate if advances are not repaid by September 2022

# 3Q20 Financial Results - Summary

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- Net loss from continuing operations attributable to common shareholders in 3Q20 of \$197 million primarily due to the early retirement of debt discussed above compared to a net loss from continuing operations of \$227 million in 3Q19.
- Consolidated Adjusted EBITDA in 3Q20 of \$621 million excluding a \$70 million reversal of COVID stimulus grant income from 2Q20 based on revised guidance from the federal government in September 2020, or \$551 million including the grant income reversal, versus \$639 million in 3Q19.
- Hospital segment net patient service revenue per adjusted admission increased 17% on a same-hospital basis versus 3Q19; Ambulatory segment same-facility system-wide revenue per surgical case increased 13% versus the prior year.
- Ambulatory segment Adjusted EBITDA growth of 10% compared to 3Q19 excluding the impact of a \$13 million reversal of grant income.
- Continued focus on strategic cost reduction measures and corporate efficiencies helped mitigate the impact of COVID surges in certain markets during the quarter, including the impact of higher temporary labor and premium pay.
- Net cash from operations of \$593 million in 3Q20 versus \$419 million in 3Q19, growth of 42%; Free cash flow in 3Q20 of \$507 million, or \$331 million excluding \$174 million of stimulus grants and \$2 million of Medicare advances received in the quarter, compared to \$263 million in 3Q19, growth of 26%

# 2020 Volume Statistics

Initial Outperformance vs. Initial COVID Impact <i>Percent Change from Prior Year</i>					Recovery <i>Percent of pre-COVID Levels (b)</i>					
Volume Statistics(a)	YTD February	March – full month	2H March	April	May	June	July	Aug	Sep	3Q20
Admissions	1.1%	(15.2%)	(~25%)	(~33%)	~80%	~90%	~90%	~87%	~88%	~89%
OP visits (c)	5.5%	(22.3%)	(~35%)	(~61%)	~60%	~77%	~86%	~82%	~83%	~84%
ER visits (d)	6.0%	(16.2%)	(~27%)	(~48%)	~65%	~77%	~80%	~76%	~74%	~77%
Hospital surgeries	0.4%	(21.1%)	(~38%)	(~55%)	~80%	~90%	~87%	~88%	~92%	~89%
USPI surgical cases	2.0%	(28.6%)	(~53%)	(~80%)	~70%	~90%	~94%	~93%	~96%	~94%

(a) Same-hospital basis for hospital statistics; USPI surgical cases are on a same-facility system-wide basis

(b) Same-business-day basis

(c) Includes ER visits

(d) Includes both inpatient admissions through the ER and outpatient ER visits.

# Adjusted EBITDA with and without Grant Income

<i>In millions</i>	1Q20	2Q20	Jul	Aug	Sep	3Q20	YTD 3Q20
<b>Adjusted EBITDA Excluding Grant Income</b>							
Hospital Segment	\$342	\$18	\$112	\$75	\$110	\$297	\$657
Ambulatory Segment	156	118	77	76	75	228	502
Conifer Segment	87	73	31	30	35	96	256
<b>Consolidated, Excluding Grant Income</b>	<b>\$585</b>	<b>\$209</b>	<b>\$220</b>	<b>\$181</b>	<b>\$220</b>	<b>\$621</b>	<b>\$1,415</b>
<b>Grant Income</b>							
Hospital Segment	-	\$474	\$62	\$53	(\$172)	(\$57)	\$417
Ambulatory Segment	-	37	1	0	(10)	(9)	28
Ambulatory Segment Grants in Equity Earnin	-	12	1	0	(5)	(4)	8
Conifer Segment	-	-	-	-	-	-	-
<b>Consolidated Operations</b>	<b>-</b>	<b>\$523</b>	<b>\$64</b>	<b>\$53</b>	<b>(\$187)</b>	<b>(\$70)</b>	<b>\$453</b>
<b>Adjusted EBITDA Including Grant Income</b>							
Hospital Segment	\$342	\$492	\$174	\$128	(\$62)	\$240	\$1,074
Ambulatory Segment	156	167	79	76	60	215	538
Conifer Segment	87	73	31	30	35	96	256
<b>Consolidated, Including Grant Income</b>	<b>\$585</b>	<b>\$732</b>	<b>\$284</b>	<b>\$234</b>	<b>\$33</b>	<b>\$551</b>	<b>\$1,868</b>

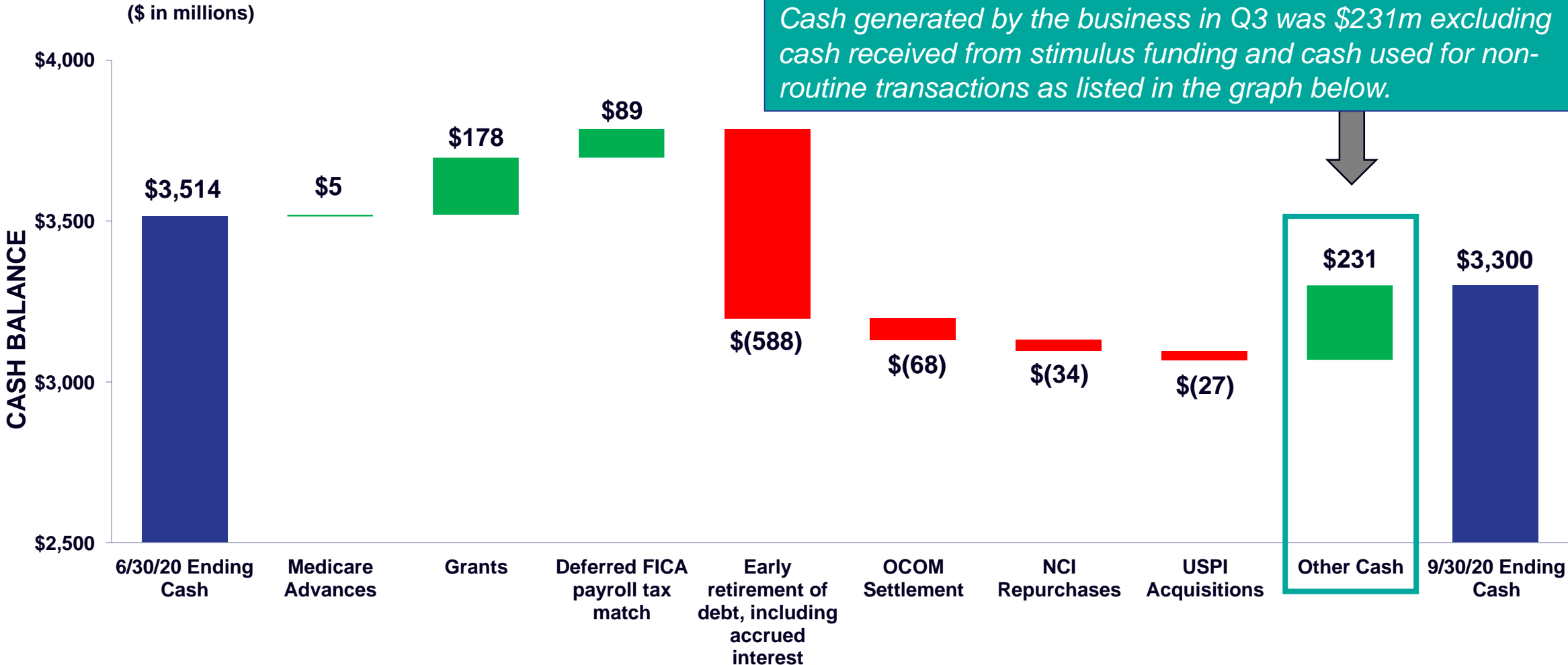
# Liquidity Update

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- **We have sufficient cash resources and available liquidity under our line-of-credit facility**
- **As of October 19, 2020, we had approximately \$3.3 billion of cash on hand**
  - ✓ We had no borrowings outstanding under our \$1.9 billion line of credit facility
- **Repayment period for ~\$1.5 billion of Medicare advances has been extended by the government**
- **Application for and receipt of federal stimulus grant monies**
  - ✓ To date, we have received ~\$890 million of federal grant aid earmarked for healthcare providers from stimulus legislation, including the CARES Act
  - ✓ We've been able to recognize only \$453 million of the funds as grant income so far
- **Additional near term liquidity enhancement opportunities include:**
  - ✓ Anticipated proceeds from the sale of our Memphis hospitals (~\$350 million)



# 3Q20 Cash Analysis *(in millions)*



# Questions and Answers

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**Ron Rittenmeyer**

*Executive Chairman and CEO*

**Saum Sutaria**

*President and COO*

**Dan Cancelmi**

*EVP and Chief Financial Officer*

# GAAP to Non-GAAP Reconciliations

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## NON-GAAP FINANCIAL INFORMATION

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# Tenet Healthcare Corporation

## Additional Supplemental Non-GAAP disclosures

**Table #1 – Reconciliations of Net Loss Attributable to Tenet Healthcare Corporation Common Shareholders to Adjusted Net Income Available from Continuing Operations to Common Shareholders for 2020**

(Unaudited)

(Dollars in millions except per share amounts)

	2020	
	3rd Qtr	YTD
<b>Net loss attributable to Tenet Healthcare Corporation common shareholders</b>	<b>\$ (196)</b>	<b>\$ (15)</b>
Net income from discontinued operations	1	—
Net loss from continuing operations	<b>(197)</b>	<b>(15)</b>
Less: Impairment and restructuring charges, and acquisition-related costs	(57)	(166)
Litigation and investigation costs	(9)	(13)
Net gains on sales, consolidation and deconsolidation of facilities	1	4
Loss from early extinguishment of debt	(312)	(316)
Tax impact of above items	112	140
<b>Adjusted net income available from continuing operations to common shareholders</b>	<b>\$ 68</b>	<b>\$ 336</b>
<b>Diluted loss per share from continuing operations</b>	<b>\$ (1.87)</b>	<b>\$ (0.14)</b>
Less: Impairment and restructuring charges, and acquisition-related costs	(0.54)	(1.57)
Litigation and investigation costs	(0.08)	(0.12)
Net gains on sales, consolidation and deconsolidation of facilities	0.01	0.04
Loss from early extinguishment of debt	(2.93)	(2.98)
Tax impact of above items	1.05	1.32
<b>Adjusted diluted earnings per share from continuing operations</b>	<b>\$ 0.64</b>	<b>\$ 3.17</b>
<b>Weighted average basic shares outstanding (in thousands)</b>	<b>105,263</b>	<b>104,803</b>
<b>Weighted average dilutive shares outstanding (in thousands)</b>	<b>106,503</b>	<b>105,938</b>

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(Unaudited)

(Dollars in millions except per share amounts)

	2019	
	3rd Qtr	YTD
<b>Net loss attributable to Tenet Healthcare Corporation common shareholders</b>	<b>\$ (226)</b>	<b>\$ (212)</b>
Net income from discontinued operations	1	11
Net loss from continuing operations	(227)	(223)
Less: Impairment and restructuring charges, and acquisition-related costs	(46)	(101)
Litigation and investigation costs	(84)	(115)
Net losses on sales, consolidation and deconsolidation of facilities	(1)	(3)
Loss from early extinguishment of debt	(180)	(227)
Loss from divested and closed businesses	(1)	(2)
Noncontrolling interest impact	4	4
Tax impact of above items	14	23
<b>Adjusted net income available from continuing operations to common shareholders</b>	<b>\$ 67</b>	<b>\$ 198</b>
<b>Diluted loss per share from continuing operations</b>	<b>\$ (2.19)</b>	<b>\$ (2.16)</b>
Less: Impairment and restructuring charges, and acquisition-related costs	(0.44)	(0.97)
Litigation and investigation costs	(0.80)	(1.10)
Net losses on sales, consolidation and deconsolidation of facilities	(0.01)	(0.03)
Loss from early extinguishment of debt	(1.72)	(2.17)
Loss from divested and closed businesses	(0.01)	(0.02)
Noncontrolling interest impact	0.04	0.04
Tax impact of above items	0.13	0.22
<b>Adjusted diluted earnings per share from continuing operations</b>	<b>\$ 0.64</b>	<b>\$ 1.89</b>
<b>Weighted average basic shares outstanding (in thousands)</b>	<b>103,558</b>	<b>103,181</b>
<b>Weighted average dilutive shares outstanding (in thousands)</b>	<b>104,582</b>	<b>104,584</b>

# Tenet Healthcare Corporation

## Additional Supplemental Non-GAAP disclosures

**Table #2 – Reconciliations of Net Loss Attributable to Tenet Healthcare Corporation  
Common Shareholders to Adjusted EBITDA for 2020**

(Unaudited)

(Dollars in millions)

	2020	
	3rd Qtr	YTD
<b>Net loss attributable to Tenet Healthcare Corporation common shareholders</b>	<b>\$ (196)</b>	<b>\$ (15)</b>
Less: Net income available to noncontrolling interests	(90)	(237)
Income from discontinued operations, net of tax	1	—
(Loss) income from continuing operations	(107)	222
Income tax benefit	197	227
Loss from early extinguishment of debt	(312)	(316)
Other non-operating income, net	—	3
Interest expense	(263)	(761)
Operating income	271	1,069
Litigation and investigation costs	(9)	(13)
Net gains on sales, consolidation and deconsolidation of facilities	1	4
Impairment and restructuring charges, and acquisition-related costs	(57)	(166)
Depreciation and amortization	(215)	(624)
<b>Adjusted EBITDA</b>	<b>\$ 551</b>	<b>\$ 1,868</b>
<b>Net operating revenues</b>	<b>\$ 4,557</b>	<b>\$ 12,725</b>
<b>Net loss attributable to Tenet Healthcare Corporation common shareholders as a % of net operating revenues</b>	<b>(4.3)%</b>	<b>(0.1)%</b>
<b>Adjusted EBITDA as a % of net operating revenues (Adjusted EBITDA margin)</b>	<b>12.1 %</b>	<b>14.7 %</b>

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(Unaudited)

(Dollars in millions)

	2019	
	3rd Qtr	YTD
<b>Net loss attributable to Tenet Healthcare Corporation common shareholders</b>	<b>\$ (226)</b>	<b>\$ (212)</b>
Less: Net income available to noncontrolling interests	(80)	(259)
Income from discontinued operations, net of tax	1	11
(Loss) income from continuing operations	(147)	36
Income tax expense	(22)	(75)
Loss from early extinguishment of debt	(180)	(227)
Other non-operating expense, net	(3)	(3)
Interest expense	(244)	(742)
Operating income	302	1,083
Litigation and investigation costs	(84)	(115)
Net losses on sales, consolidation and deconsolidation of facilities	(1)	(3)
Impairment and restructuring charges, and acquisition-related costs	(46)	(101)
Depreciation and amortization	(205)	(627)
Loss from divested and closed businesses	(1)	(2)
<b>Adjusted EBITDA</b>	<b>\$ 639</b>	<b>\$ 1,931</b>
Net operating revenues	\$ 4,568	\$ 13,673
Less: Net operating revenues from health plans	—	1
<b>Adjusted net operating revenues</b>	<b>\$ 4,568</b>	<b>\$ 13,672</b>
<b>Net loss attributable to Tenet Healthcare Corporation common shareholders as a % of net operating revenues</b>	<b>(4.9)%</b>	<b>(1.6)%</b>
<b>Adjusted EBITDA as a % of adjusted net operating revenues (Adjusted EBITDA margin)</b>	<b>14.0 %</b>	<b>14.1 %</b>

# Tenet Healthcare Corporation

## Additional Supplemental Non-GAAP disclosures

**Table #3 – Reconciliations of Net Cash Provided by Operating Activities to Free Cash Flow and Adjusted Free Cash Flow from Continuing Operations for 2020**

(Unaudited)

(Dollars in millions)

	2020	
	3rd Qtr	YTD
<b>Net cash provided by operating activities</b>	<b>\$ 593</b>	<b>\$ 2,961</b>
Purchases of property and equipment	(86)	(374)
<b>Free cash flow</b>	<b>\$ 507</b>	<b>\$ 2,587</b>
<b>Net cash used in investing activities</b>	<b>\$ (117)</b>	<b>\$ (406)</b>
<b>Net cash (used in) provided by financing activities</b>	<b>\$ (690)</b>	<b>\$ 483</b>
<b>Net cash provided by operating activities</b>	<b>\$ 593</b>	<b>\$ 2,961</b>
Less: Payments for restructuring charges, acquisition-related costs, and litigation costs and settlements	(138)	(252)
Net cash used in operating activities from discontinued operations	(1)	(1)
<b>Adjusted net cash provided by operating activities from continuing operations</b>	<b>732</b>	<b>3,214</b>
Purchases of property and equipment	(86)	(374)
<b>Adjusted free cash flow – continuing operations</b>	<b>\$ 646</b>	<b>\$ 2,840</b>



# Tenet Healthcare Corporation

## Additional Supplemental Non-GAAP disclosures

**Table #3 – Reconciliations of Net Cash Provided by Operating Activities to Free Cash Flow and Adjusted Free Cash Flow from Continuing Operations for 2019**

(Unaudited)

(Dollars in millions)

	2019	
	3rd Qtr	YTD
<b>Net cash provided by operating activities</b>	<b>\$ 419</b>	<b>\$ 713</b>
Purchases of property and equipment	(156)	(492)
<b>Free cash flow</b>	<b>\$ 263</b>	<b>\$ 221</b>
<b>Net cash used in investing activities</b>	<b>\$ (123)</b>	<b>\$ (426)</b>
<b>Net cash used in financing activities</b>	<b>\$ (231)</b>	<b>\$ (384)</b>
<b>Net cash provided by operating activities</b>	<b>\$ 419</b>	<b>\$ 713</b>
Less: Payments for restructuring charges, acquisition-related costs, and litigation costs and settlements	(56)	(136)
Net cash provided by (used in) operating activities from discontinued operations	1	(4)
<b>Adjusted net cash provided by operating activities from continuing operations</b>	<b>474</b>	<b>853</b>
Purchases of property and equipment	(156)	(492)
<b>Adjusted free cash flow – continuing operations</b>	<b>\$ 318</b>	<b>\$ 361</b>