Earnings Presentation – 4th Quarter, 2019

CHS Community Health Systems

Disclaimer Statement

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995 that involve risk and uncertainties. All statements in this presentation other than statements of historical fact, including statements regarding projections, expected operating results, and other events that depend upon or refer to future events or conditions or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," "thinks," and similar expressions, are forward-looking statements. 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These factors include, among other things: general economic and business conditions, both nationally and in the regions in which we operate; the impact of current or future federal and state health reform initiatives, including, without limitation, the Affordable Care Act, and the potential for the Affordable Care Act to be repealed or found unconstitutional or otherwise invalidated, or for additional changes to the law, its implementation or its interpretation (including through executive orders and court challenges); the extent to and manner in which states support increases, decreases or changes in Medicaid programs, implement health insurance exchanges or alter the provision of healthcare to state residents through regulation or otherwise; the future and long-term viability of health insurance exchanges and potential changes to the beneficiary enrollment process; risks associated with our substantial indebtedness, leverage and debt service obligations, and the fact that a substantial portion of our indebtedness will mature and become due in the near future, including our ability to refinance such indebtedness on acceptable terms or to incur additional indebtedness, and our ability to remain in compliance with debt covenants; demographic changes; changes in, or the failure to comply with, federal, state or local laws or governmental regulations affecting our business; potential adverse impact of known and unknown government investigations, audits, and federal and state false claims act litigation and other legal proceedings; our ability, where appropriate, to enter into and maintain provider arrangements with payors and the terms of these arrangements, which may be further affected by the increasing consolidation of health insurers and managed care companies and vertical integration efforts involving payors and healthcare providers; changes in, or the failure to comply with, contract terms with payors and changes in reimbursement policies or rates paid by federal or state healthcare programs or commercial payors; any potential additional impairments in the carrying value of goodwill, other intangible assets, or other long-lived assets, or changes in the useful lives of other intangible assets; changes in inpatient or outpatient Medicare and Medicaid payment levels and methodologies; the effects related to the continued implementation of the sequestration spending reductions and the potential for future deficit reduction legislation; increases in the amount and risk of collectability of patient accounts receivable, including decreases in collectability which may result from, among other things, self-pay growth and difficulties in recovering payments for which patients are responsible, including co-pays and deductibles; the efforts of insurers, healthcare providers, large employer groups and others to contain healthcare costs, including the trend toward value-based purchasing; increases in wages as a result of inflation or competition for highly technical positions and rising supply and drug costs due to market pressure from pharmaceutical companies and new product releases; liabilities and other claims asserted against us, including self-insured malpractice claims; competition; our ability to attract and retain, at reasonable employment costs, qualified personnel, key management, physicians, nurses and other healthcare workers; trends toward treatment of patients in less acute or specialty healthcare settings, including ambulatory surgery centers or specialty hospitals; changes in medical or other technology; changes in U.S. generally accepted accounting principles; the availability and terms of capital to fund any additional acquisitions or replacement facilities or other capital expenditures; our ability to successfully make acquisitions or complete divestitures, including the disposition of hospitals and non-hospital businesses pursuant to our portfolio rationalization and deleveraging strategy, our ability to complete any such acquisitions or divestitures on desired terms or at all, the timing of the completion of any such acquisitions or divestitures, and our ability to realize the intended benefits from any such acquisitions or divestitures; the impact that changes in our relationships with joint venture or syndication partners could have on effectively operating our hospitals or ancillary services or in advancing strategic opportunities; our ability to successfully integrate any acquired hospitals, or to recognize expected synergies from acquisitions; the impact of seasonal severe weather conditions, including the timing and amount of insurance recoveries in relation to severe weather events; our ability to obtain adequate levels of insurance, including general liability, professional liability, and directors and officers liability insurance; timeliness of reimbursement payments received under government programs; effects related to pandemics, epidemics, or outbreaks of infectious diseases, including the coronavirus known as COVID-19; the impact of prior or potential future cyber-attacks or security breaches; any failure to comply with the terms of the Corporate Integrity Agreement; the concentration of our revenue in a small number of states; our ability to realize anticipated cost savings and other benefits from our current strategic and operational cost savings initiatives; changes in interpretations, assumptions and expectations regarding the Tax Cuts and Jobs Act; and the other risk factors set forth in our other public filings with the Securities and Exchange Commission.

The consolidated operating results for the three months and year ended December 31, 2019, are not necessarily indicative of the results that may be experienced for any future periods. The Company cautions that the projections for calendar year 2020 set forth in this presentation are given as of the date hereof based on currently available information. The Company undertakes no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

The hospitals, operations, and businesses described in this document are owned and operated, and management services provided by, distinct and indirect subsidiaries of Community Health Systems, Inc.

Community Health Systems

- Wayne T. Smith
  Chairman and CEO
- Tim L. Hingtgen
  President and COO
- Kevin J. Hammons
  Executive Vice President and CFO
- Lynn T. Simon
  President and CMO

Earnings Presentation – 4th Quarter, 2019

CHS Community Health Systems

Income Summary

(Amounts in millions, except margin and Net Income (Loss) per Share)

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Change	2019	2018	Change
Net Operating Revenues	$ 3,286	$ 3,453	-4.8%	$ 13,210	$ 14,155	-6.7%
Adjusted EBITDA[1]	$ 447	$ 419	6.7%	$ 1,628	$ 1,642	-0.9%
Adjusted EBITDA Margin [1]	13.6%	12.1%	150 BPS	12.3%	11.6%	70 BPS
Net Income (Loss) per Share, Excluding Adjustments [2]	$ 0.40	$ (0.42)		$ (0.89)	$ (1.94)	
Shares Outstanding (Weighted and Fully Diluted)	114	113		114	113	

(1) See the Unaudited Supplemental Information contained in this presentation for a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA, as defined, to net income (loss) attributable to Community Health Systems, Inc. stockholders as derived directly from our consolidated financial statements for the three months and year ended December 31, 2019 and 2018 (slides 18 and 19).

(2) See reconciliation of diluted net income (loss) per share, excluding adjustments, on slide 5.

Margin improvement of 150 basis points for 4Q19.

Diluted EPS – Excluding Adjustments

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net loss, as reported	$ (3.27)	$ (2.91)	$ (5.93)	$ (6.99)
Adjustments:				
Loss (gain) from early extinguishment of debt	0.15	0.02	0.37	(0.20)
Impairment and loss on sale of businesses, net	0.29	2.34	0.89	4.66
Expense from government and other legal settlements and related costs	0.40	0.01	0.64	0.07
Expense from settlement and fair value adjustments and legal expenses related to cases covered by the CVR	0.01	-	0.08	0.09
Expense related to employee termination benefits and other restructuring charges	-	0.02	0.01	0.13
Change in valuation allowances recorded for promissory notes	-	-	0.14	-
Change in estimate for professional liability claims accrual	(0.01)	-	0.62	-
Tax effect related to HMA legal settlement	-	0.10	(0.13)	0.30
Change in tax valuation allowance	2.84	-	2.42	-
Net income (loss), excluding adjustments	$ 0.40	$ (0.42)	$ (0.89)	$ (1.94)

(Total per share amounts may not add due to rounding)

4Q 2019 Highlights

	4Q 2019 compared to 4Q 2018		YE 2019 compared to YE 2018	
	Consolidated	Same Store	Consolidated	Same Store
Net Operating Revenue	-4.8%	3.7%	-6.7%	4.2%
Net Revenue per AA		1.9%		1.9%

Admissions	-9.9%	0.1%	-11.1%	1.3%
Adjusted Admissions	-8.6%	1.8%	-10.6%	2.2%
Surgeries	-7.2%	3.0%	-8.3%	4.1%
ER Visits	-9.4%	3.4%	-13.0%	1.6%

Strong net revenue and volume performance.

Strong Core Performance

($ in millions)

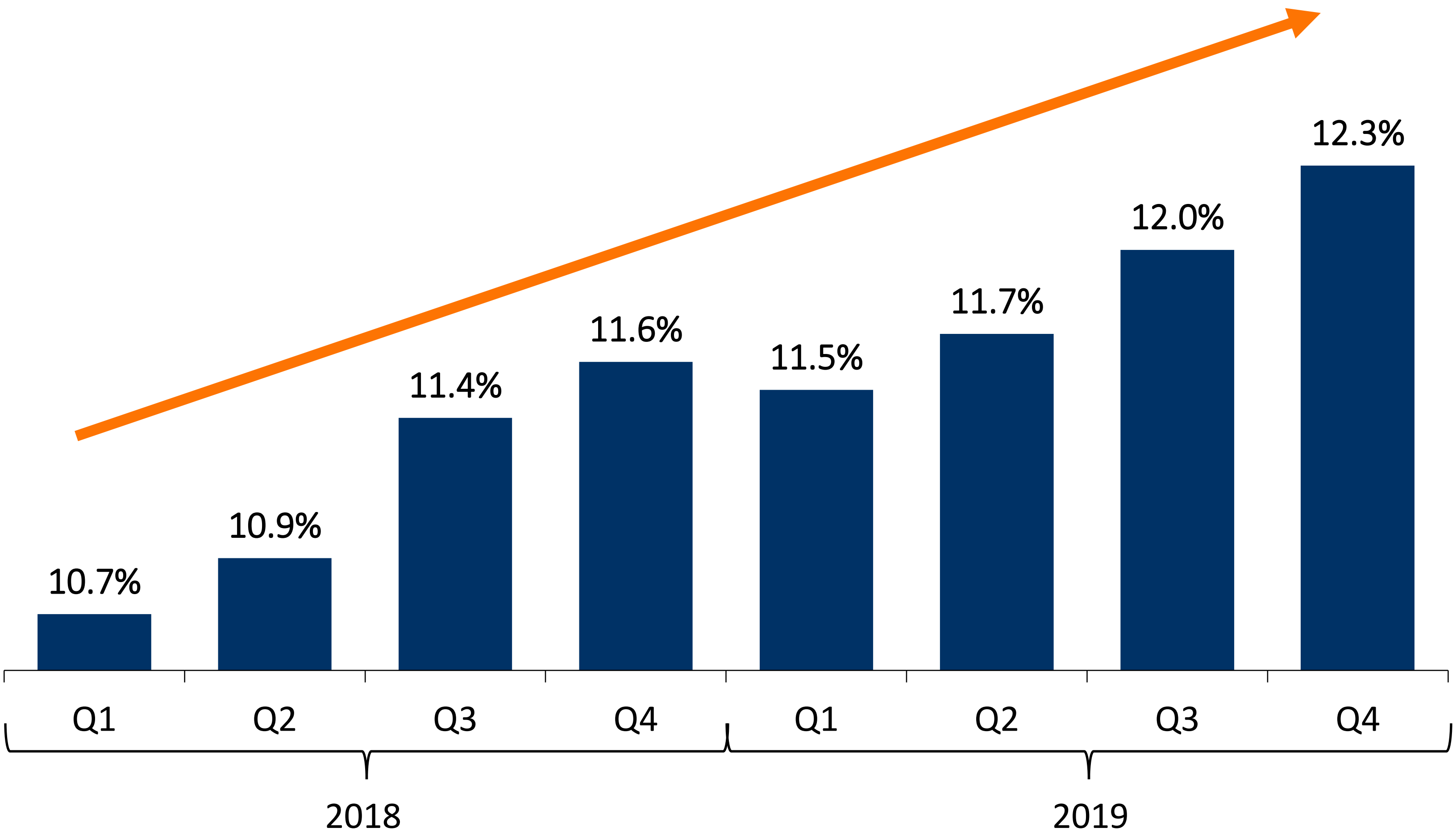
	1Q18	2Q18	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19
Net Operating Revenue	$3,083	$3,023	$3,043	$3,152	$12,301	$3,198	$3,185	$3,167	$3,269	$12,819
Net Operating Revenue Growth	2.5%	3.8%	4.7%	2.9%	3.5%	3.7%	5.4%	4.1%	3.7%	4.2%
Net Revenue per AA Growth	4.1%	3.0%	3.9%	2.1%	3.3%	2.3%	3.3%	0.4%	1.9%	1.9%

Admissions	-1.9%	-0.7%	-0.2%	0.4%	-0.6%	0.4%	2.5%	2.5%	0.1%	1.3%
Adjusted Admissions	-1.5%	0.8%	0.8%	0.8%	0.2%	1.4%	2.0%	3.7%	1.8%	2.2%
Surgeries	-3.5%	-0.6%	0.4%	1.1%	-0.7%	4.2%	4.3%	4.9%	3.0%	4.1%
ER Visits	1.0%	-1.3%	-0.7%	-2.5%	-0.9%	-1.5%	2.3%	2.5%	3.4%	1.6%

Recast with core 101 hospitals in each period.

Improving EBITDA Margins

Rolling 12 Month Adjusted EBITDA Margin



Consolidated LTM Adjusted EBITDA margin highlights continued improvements.

Note: See slide 20 for a reconciliation of Adjusted EBITDA to net loss attributable to Community Health Systems, Inc. stockholders.

4Q 2019 Financial and Operating Results

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Year-Over-Year Change as a % of Same Store Net Operating Revenues

Same Store	
▪ **Salaries and benefits** • Driven by FTE management.	**-10BPS**
▪ **Supplies expense** • Driven by lower implant and pharmaceutical expense.	**-60BPS**
▪ **Other operating expenses** • Driven by higher IT, vendor related expenses, and insurance costs.	**+10BPS**

Progress from Strategic Margin Improvement Program.

Payor Mix (Consolidated)

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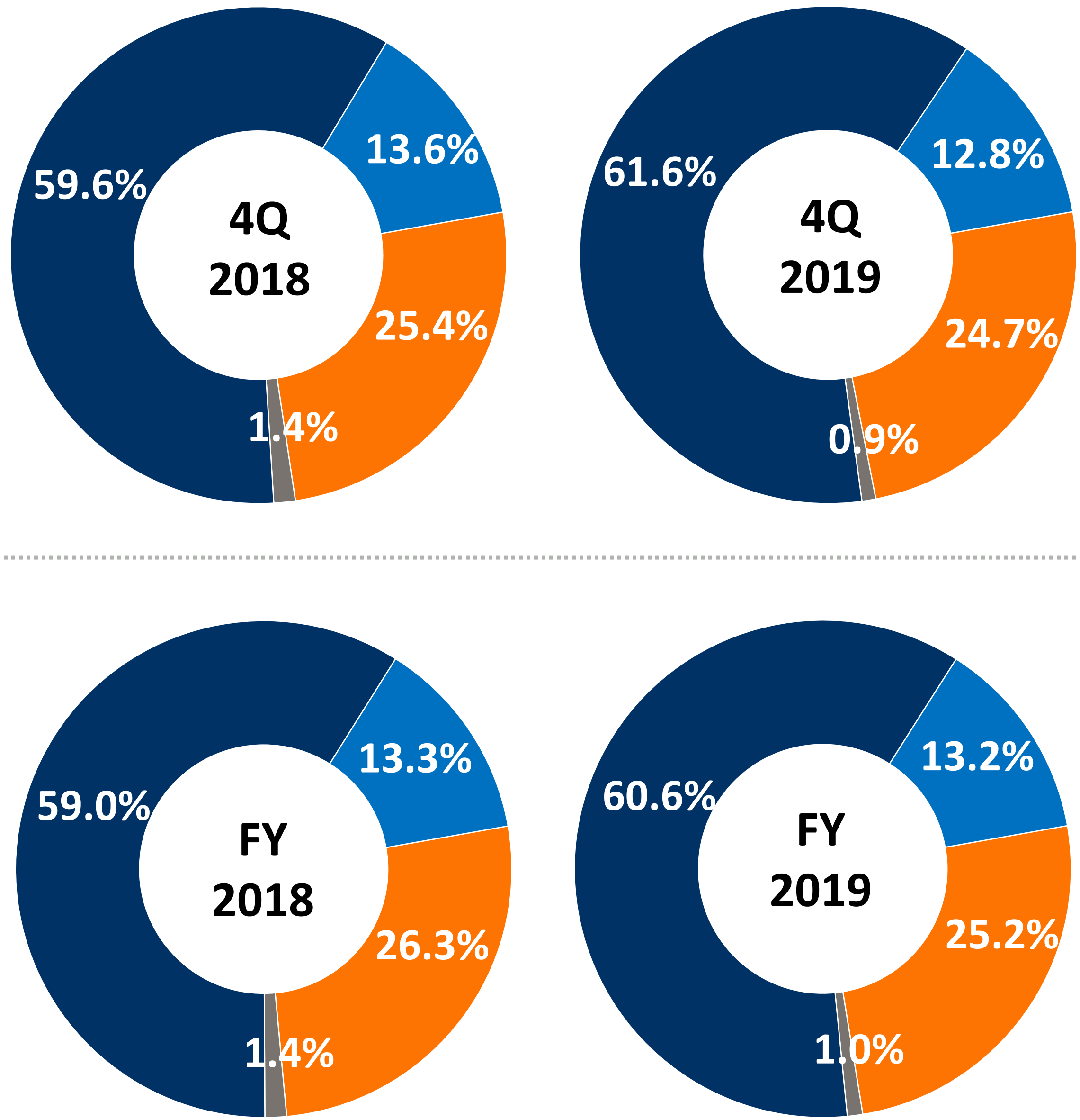


Key

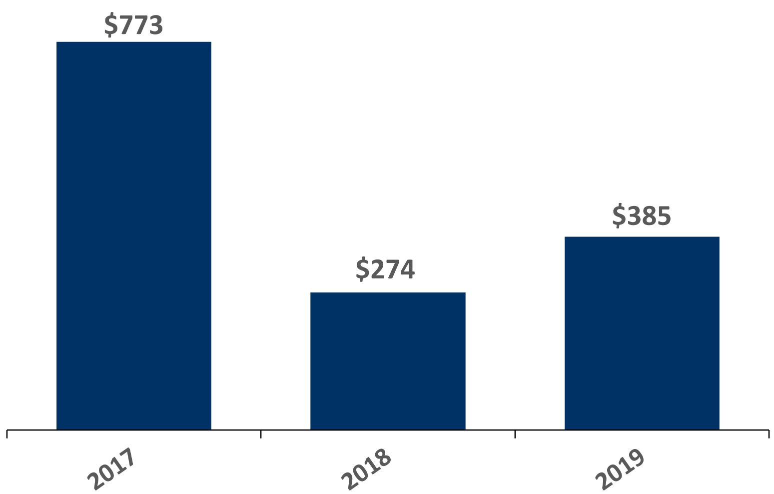
- Managed Care & Other
- Medicaid
- Medicare
- Self-Pay

- Payor mix as % of net revenue after provision for uncollectible revenue.
- Total consolidated uncompensated care as % of adjusted net revenue (net revenue before provision for uncollectible revenue + charity care + administrative self pay discount) was flat at 31.1% for both 4Q19 and 4Q18.

Cash Flow & Capital Expenditures

Cash Flows from Operations

($ in millions)



QTD Impacts

- The 2018 period included $266 million paid for the HMA legal settlement.
- Cash interest payments for 4Q19 were ~$98 million lower due in part to timing of payments.
- Other increases and decreases, including EBITDA growth, were offsets.

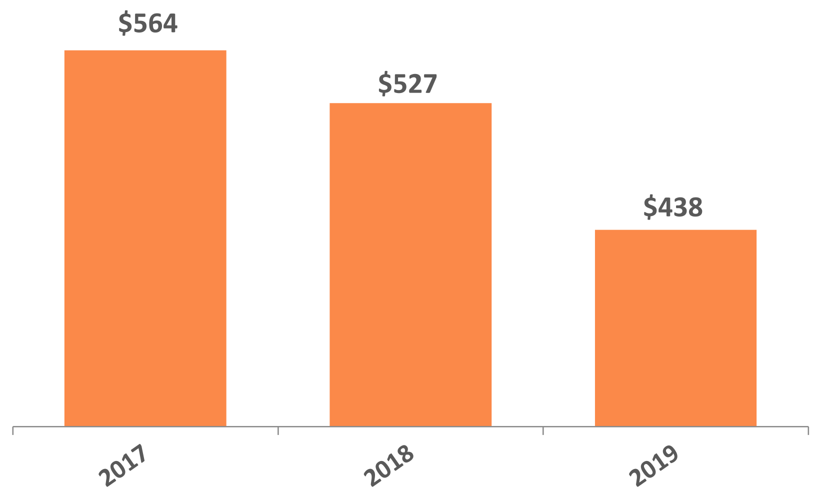
YTD Impacts

- The 2018 period included $266 million paid for the HMA legal settlement.
- Timing of interest payments due in part to recent refinancing activity contributed higher outflows of ~$75 million.
- Malpractice claims payments contributed higher outflows of ~$90 million.

Expect improvement in 2020.

Capital Expenditures

($ in millions)



	2017	2018	2019
CapEx % of Net Revenue (includes Replacement Hospitals)	3.5%	3.7%	3.3%
Replacement Hospitals % of Net Revenue	0.0%	0.0%	0.4%

Capex supports high opportunity markets.

Balance Sheet Data

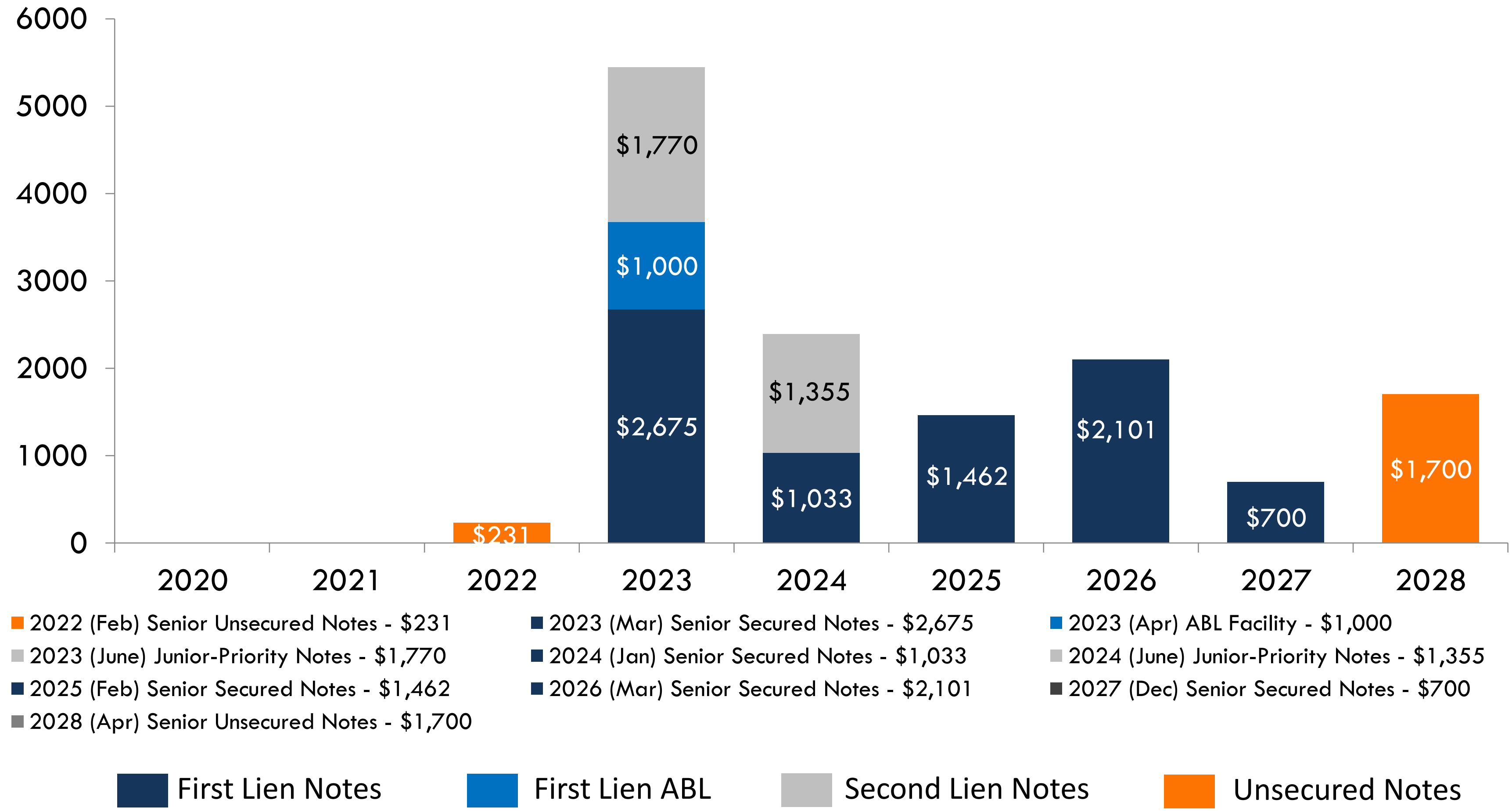
($ in millions)	December 31, 2019	December 31, 2018
Working Capital	$ 1,145	$ 1,157
Total Assets	$ 15,609	$ 15,859
Total Long Term Debt	$ 13,405	$ 13,596
Stockholders' Deficit	$ (2,218)	$ (1,535)

- At December 31, 2019, approximately all of our debt was fixed, including swaps.
- Days revenue outstanding for same-store hospitals, adjusted for the impact of receivables for state Medicaid supplemental payment programs, was 58 days at both December 31, 2019 and December 31, 2018.

Net debt has been reduced by $1.8 billion since December 31, 2016.

Debt Maturity Profile

($ in millions)



Note: Balances reflect full commitment amount under ABL Facility.

Recent refinancing transactions significantly improve CHS's maturity profile and provide runway to execute growth strategy.

Portfolio Rationalization Program

CHS Community Health Systems

Transactions Completed in 2017

- Completed the sale of 30 hospitals
  - Annualized revenue: ~$3.4 billion, with mid-single digit EBITDA margins
  - Gross proceeds, excluding working capital: ~$1.7 billion

2018 – 2020 Divestiture Plan

- Total contemplated divestitures accounted for at least $2.3 billion of annualized net revenue, with mid-single digit EBITDA margins
- Total estimated gross proceeds, excluding working capital of ~$1.3 billion
- Expect the remainder of these divestitures to close by mid-2020

Hospital Closures in 2018

- Closed 3 hospitals

Transactions Completed in 2018 and 2019

- Completed the sale of 26 hospitals
  - Annualized net revenue: ~$2.3 billion, with low-single digit EBITDA margins
  - Gross proceeds, excluding working capital: ~$1 billion

Allowing for greater investments in stronger markets as well as debt reduction.

2020 Guidance issued February 19, 2020

	2020 Projection Range
• Net operating revenues (in millions)	$12,400 to $12,800
• Adjusted EBITDA (in millions)	$1,650 to $1,800
• Same-store adjusted admissions	1.5% to 2.5%
• Depreciation and amortization as a percentage of net operating revenues	4.7%
• Interest expense as a percentage of net operating revenues	8.4%
• Loss from continuing operations per share – diluted	$(1.30) to $(0.60)
• Weighted-average diluted share (in millions)	115.0 to 115.5
• Net cash provided by operating activities (in millions)	$600 to $700
• Capital expenditures (in millions)	$400 to $500

Our comprehensive 2020 guidance has been provided on pages 16 and 17 on Form 8-K dated February 19, 2020 and includes important assumptions and exclusions.

The 2020 projections include the impact of completed divestitures and the planned divestitures subject to definitive agreements which are expected to close in 2020.

CHS Strategic Imperatives

Our Strategic Imperatives are the most highly-prioritized, high-impact areas of focus for our organization.

APPENDIX: Other Financial Information

Unaudited Supplemental Information

EBITDA is a non-GAAP financial measure which consists of net loss attributable to Community Health Systems, Inc. before interest, income taxes, and depreciation and amortization. Adjusted EBITDA, also a non-GAAP financial measure, is EBITDA adjusted to add back net income attributable to noncontrolling interests and to exclude the effect of discontinued operations, loss (gain) from early extinguishment of debt, impairment and loss on sale of businesses, expense incurred related to the sale of a majority ownership interest in the Company's home care division, expense (income) related to government and other legal settlements and related costs, expense related to employee termination benefits and other restructuring charges, expense (income) from settlement and fair value adjustments on the CVR agreement liability related to the HMA legal proceedings and related legal expenses, the overall impact of the change in estimate related to net patient revenue recorded in the fourth quarter of 2017 resulting from the increase in contractual allowances and the provision for bad debts, the impact of changes in estimate to increase the professional liability claims accrual recorded during the second quarter of 2019 (which estimate was further revised in the third quarter of 2019 based on updated actuarial analysis) with respect to claims incurred in 2016 and prior years, and expense related to the valuation allowance recorded in the second quarter of 2019 to reserve the outstanding balance of a promissory note received from the buyer in connection with the sale of two of the Company's hospitals in 2017, as well as income from a reduction of the valuation allowance on the outstanding balance of a promissory note from the buyer of another hospital. The Company has from time to time sold noncontrolling interests in certain of its subsidiaries or acquired subsidiaries with existing noncontrolling interest ownership positions. The Company believes that it is useful to present Adjusted EBITDA because it adds back the portion of EBITDA attributable to these third-party interests and clarifies for investors the Company's portion of EBITDA generated by continuing operations. The Company reports Adjusted EBITDA as a measure of financial performance. Adjusted EBITDA is a key measure used by management to assess the operating performance of the Company's hospital operations and to make decisions on the allocation of resources. Adjusted EBITDA is also used to evaluate the performance of the Company's executive management team and is one of the primary metrics used in connection with determining short-term cash incentive compensation and the achievement of vesting criteria with respect to performance-based equity awards. In addition, management utilizes Adjusted EBITDA in assessing the Company's consolidated results of operations and operational performance and in comparing the Company's results of operations between periods. The Company believes it is useful to provide investors and other users of the Company's financial statements this performance measure to align with how management assesses the Company's results of operations. Adjusted EBITDA also is comparable to a similar metric called Consolidated EBITDA, as defined in the Company's asset-based loan facility (the "ABL Facility"), which is a key component in the determination of the Company's compliance with some of the covenants under the ABL Facility (including the Company's ability to service debt and incur capital expenditures), and is used to determine the interest rate and commitment fee payable under the ABL Facility (although Adjusted EBITDA does not include all of the adjustments described in the ABL Facility).

Adjusted EBITDA is not a measurement of financial performance under U.S. GAAP. It should not be considered in isolation or as a substitute for net income, operating income, or any other performance measure calculated in accordance with U.S. GAAP. The items excluded from Adjusted EBITDA are significant components in understanding and evaluating financial performance. The Company believes such adjustments are appropriate as the magnitude and frequency of such items can vary significantly and are not related to the assessment of normal operating performance. Additionally, this calculation of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

Unaudited Supplemental Information

CHS Community Health Systems

The following table reflects the reconciliation of Adjusted EBITDA, as defined, to net loss attributable to Community Health Systems, Inc. stockholders as derived directly from the condensed consolidated financial statements (in millions):

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net loss attributable to Community Health Systems, Inc. stockholders	$ (373)	$ (328)	$ (675)	$ (788)
Adjustments:				
Provision for (benefit from) income taxes	231	(70)	160	(11)
Depreciation and amortization	152	169	608	700
Net income attributable to noncontrolling interests	27	29	85	84
Interest expense, net	259	257	1,041	976
Loss (gain) from early extinguishment of debt	23	1	54	(31)
Impairment and loss on sale of businesses, net	68	354	138	668
Expense from government and other legal settlements and related costs	58	2	93	11
Expense from settlement and fair value adjustments and legal expenses related to cases covered by the CVR	1	1	11	13
Expense related to employee termination benefits and other restructuring charges	1	4	2	20
Change in valuation allowances recorded for promissory notes	-	-	21	-
Change in estimate for professional liability claims accrual	-	-	90	-
Adjusted EBITDA	$ 447	$ 419	$ 1,628	$ 1,642

Unaudited Supplemental Information

CHS Community Health Systems

The following table reflects the reconciliation of Adjusted EBITDA, as defined, to net loss attributable to Community Health Systems, Inc. stockholders as derived directly from the condensed consolidated financial statements (in millions):

	2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net loss attributable to Community Health Systems, Inc. stockholders	$ (199)	$ (137)	$ (110)	$ (2,013)	$ (25)	$ (110)	$ (325)	$ (328)	$ (118)	$ (167)	$ (17)	$ (373)
Adjustments:												
(Benefit from) provision for income taxes	-	(15)	(59)	(375)	(7)	(38)	104	(70)	7	(3)	(74)	231
Depreciation and amortization	236	223	206	196	181	177	173	169	153	153	151	152
Net income attributable to noncontrolling interests	22	15	20	6	19	19	17	29	17	21	19	27
Loss from discontinued operations	1	6	2	3	-	-	-	-	-	-	-	-
Interest expense, net	229	239	238	225	228	235	256	257	257	265	259	259
Loss (gain) from early extinguishment of debt	21	10	4	5	4	(64)	27	1	31	-	-	23
Impairment and (gain) loss on sale of businesses, net	250	80	33	1,760	28	174	112	354	38	33	(1)	68
Change in estimate for contractual allowances and provision for bad debts	-	-	-	591	-	-	-	-	-	-	-	-
Expense from government and other legal settlements and related costs	(41)	7	1	1	5	1	2	2	5	4	26	58
Expense from settlement and fair value adjustments and legal expenses related to cases covered by the CVR	7	5	(6)	-	5	4	4	1	1	2	7	1
Expense related to the sale of a majority interest in home care division	1	-	-	-	-	-	-	-	-	-	-	-
Expense related to employee termination benefits and other restructuring charges	-	2	2	10	2	13	2	4	-	1	-	1
Change in valuation allowances recorded for promissory notes	-	-	-	-	-	-	-	-	-	23	(2)	-
Change in estimate for professional liability claims accrual	-	-	-	-	-	-	-	-	-	70	20	-
Adjusted EBITDA	$ 527	$ 435	$ 331	$ 409	$ 440	$ 411	$ 372	$ 419	$ 391	$ 402	$ 388	$ 447
Net Revenue	$ 4,486	$ 4,144	$ 3,666	$ 3,650	$ 3,689	$ 3,562	$ 3,451	$ 3,453	$ 3,376	$ 3,302	$ 3,246	$ 3,286