DaVita Inc. 1st Quarter 2023 Results

DENVER, May 8, 2023 /PRNewswire/ -- DaVita Inc. (NYSE: DVA) announced financial and operating results for the quarter ended March 31, 2023.

"In the first quarter, we performed well on our key metrics and our results benefited from an improving macro environment," said Javier Rodriguez, CEO of DaVita Inc. "While some external uncertainty remains, 2023 is off to a strong start and the continuation of current trends would put us on a path to deliver strong results for the full year."

Financial and operating highlights for the quarter ended March 31, 2023:

- Consolidated revenues were $2.873 billion.
- Operating income was $312 million and adjusted operating income was $352 million.
- Diluted earnings per share from continuing operations was $1.25 and adjusted diluted earnings per share from continuing operations was $1.58.
- Operating cash flow was $463 million and free cash flow was $265 million.

	Three months ended					
	March 31, 2023		December 31, 2022		March 31, 2022	
Net income attributable to DaVita Inc.:	(dollars in millions, except per share data)					
Net income from continuing operations	$	116	$	55	$	162
Diluted per share	$	1.25	$	0.59	$	1.61
Adjusted net income from continuing operations(1)	$	146	$	102	$	165
Adjusted diluted per share(1)	$	1.58	$	1.11	$	1.65
Net income	$	116	$	68	$	162
Diluted per share	$	1.25	$	0.74	$	1.61

(1) For definitions of non-GAAP financial measures, see the note titled "Note on Non-GAAP Financial Measures" and related reconciliations beginning on page 16.

	Three months ended								
	March 31, 2023			December 31, 2022			March 31, 2022		
	Amount		Margin	Amount		Margin	Amount		Margin
Operating income	(dollars in millions)								
Operating income	$	312	10.8 %	$	256	8.8 %	$	338	12.0 %
Adjusted operating income(1)(2)	$	352	12.2 %	$	317	10.9 %	$	343	12.2 %

(1) For definitions of non-GAAP financial measures, see the note titled "Note on Non-GAAP Financial Measures" and related reconciliations beginning on page 16.
(2) Adjusted operating income margin is adjusted operating income divided by consolidated revenues.

U.S. dialysis metrics:

Volume: Total U.S. dialysis treatments for the first quarter of 2023 were 7,117,427, or an average of 92,434 treatments per day, representing a per day increase of 0.9% compared to the fourth quarter of 2022. Normalized non-acquired treatment growth in the first quarter of 2023 compared to the first quarter of 2022 was 0.0%.

	Three months ended				Quarter change		Three months ended				Year to date change	
	March 31, 2023		December 31, 2022				March 31, 2023		March 31, 2022			
	(dollars in millions, except per treatment data)											
Revenue per treatment	$	366.14	$	366.30	$	(0.16)	$	366.14	$	361.35	$	4.79
Patient care costs per treatment	$	257.34	$	257.60	$	(0.26)	$	257.34	$	252.61	$	4.73
General and administrative	$	259	$	283	$	(24)	$	259	$	217	$	42

Primary drivers of the changes in the table above were as follows:

Revenue: The quarter change was primarily due to a seasonal decline from co-insurance and deductibles, partially offset by an increase in the Medicare base rate in 2023, favorable changes due to the continued shift to Medicare Advantage plans and a seasonal increase from hospital inpatient dialysis treatments. The year to date change was primarily driven by a net increase in the Medicare rate due to base rate in 2023 partially offset by reinstatement of 2% sequestration. The increase was also impacted by the continued shift to Medicare Advantage plans and increases in hospital inpatient dialysis revenues.

Patient care costs: The quarter change was primarily due to decreases in pharmaceutical costs, health benefit expenses, contract wages and insurance expense. These decreases were partially offset by increases in compensation expenses and fixed other direct operating expenses in our dialysis centers due to fewer number of treatments in the first quarter of 2023. Other drivers of this change include increases in center closure costs, as described below, and increases in costs related to management meetings. The year to date change was primarily due to increased compensation expenses including increased wage rates and headcount. Other drivers of the increase include other direct operating expenses associated with our dialysis centers as well as increases in center closure costs, as described below, and travel costs. These increases were partially offset by decreased pharmaceutical costs, contract wages and health benefit expenses.

General and administrative: The quarter change was primarily due to decreased professional fees, a refund received related to 2022 advocacy costs, seasonal decreases in other general and administrative costs, including IT costs and other purchased services as well as health benefit expenses. These decreases were partially offset by increased long-term incentive compensation expense. The year to date change was primarily due to increases in compensation expenses including increased wage rates and severance costs, as described below. Other drivers of this change include increased costs related to travel and management meetings, center closure costs, as described below, and higher IT-related costs. These increases were partially offset by refund received related to 2022 advocacy costs.

Certain items impacting the quarter operating results:

Closure costs. During the third quarter of 2022, we began a strategic review of our outpatient clinic capacity requirements and utilization, which have been impacted both by declines in our patient census in some markets due to the COVID-19 pandemic, as well as by our initiatives toward, and advances in, increasing the proportion of our home dialysis patients. This review has resulted in higher than normal charges for center capacity closures.

During the first quarter of 2023, we incurred charges for U.S. dialysis center closures of approximately $22.2 million, which increased our patient care costs by $12.6 million, our general and administrative expenses by $4.8 million and our depreciation and amortization expense by $4.8 million. These capacity closure costs included net losses on assets retired, lease costs, asset impairments and accelerated depreciation and amortization.

Severance costs and other. During the fourth quarter of 2022, we committed to a plan to increase efficiencies and cost savings in certain general and administrative support functions. As a result of this plan, we recognized expenses related to termination and other benefit commitments in our U.S. dialysis business, integrated kidney care (IKC) business and corporate administrative support of $16.9 million, 0.4 million $0.6 million, respectively, during the first quarter of 2023.

Financial and operating metrics:

	Three months ended March 31,		Twelve months ended March 31,	
	2023	**2022**	**2023**	**2022**
Cash flow:	(dollars in millions)			
Operating cash flow	$ 463	$ 322	$ 1,705	$ 2,099
Free cash flow[1]	$ 265	$ 147	$ 935	$ 1,297

(1) For definitions of non-GAAP financial measures, see the note titled "Note on Non-GAAP Financial Measures" and related reconciliations beginning on page 16.

	Three months ended March 31, 2023
Effective income tax rate on:	
Income from continuing operations	20.5 %
Income from continuing operations attributable to DaVita Inc.[1]	27.5 %
Adjusted income from continuing operations attributable to DaVita Inc.[1]	27.0 %

(1) For definitions of non-GAAP financial measures, see the note titled "Note on Non-GAAP Financial Measures" and related reconciliations beginning on page 16.

Center activity: As of March 31, 2023, we provided dialysis services to a total of approximately 246,000 patients at 3,058 outpatient dialysis centers, of which 2,707 centers were located in the United States and 351 centers were located in 11 countries outside of the United States. During the first quarter of 2023, we opened a total of three new dialysis centers and closed 20 dialysis centers in the United States. We also opened three dialysis centers and closed two dialysis centers outside of the United States during the first quarter of 2023.

Integrated kidney care (IKC): As of March 31, 2023, we had approximately 67,000 patients in risk-based integrated care arrangements representing approximately $5.2 billion in annualized medical spend. We also had an additional 15,000 patients in other integrated care arrangements; we do not include the medical spend for these patients in this annualized medical spend estimate. See additional description of these metrics at Note 2.

Outlook:

The following forward-looking measures and the underlying assumptions involve significant known and unknown risks and uncertainties, including those described below, and actual results may vary materially from these forward-looking measures. For example, the widespread impact of the COVID-19 pandemic continues to generate significant risk and uncertainty, and as a result, our future results could vary materially from the guidance provided below. We do not provide guidance for operating income or diluted net income per share attributable to DaVita Inc. on a basis consistent with United States generally accepted accounting principles (GAAP) nor a reconciliation of forward-looking non-GAAP financial measures to the most directly comparable GAAP financial measures on a forward-looking basis because we are unable to predict certain items contained in the GAAP measures without unreasonable efforts. These non-GAAP financial measures do not include certain items, including capacity closure charges, severance costs and foreign currency fluctuations, which may be significant. The guidance for our effective income tax rate on adjusted income attributable to DaVita Inc. also excludes the amount of third-party owners' income and related taxes attributable to non-tax paying entities.

	Current 2023 guidance		**Prior 2023 guidance**	
	Low	**High**	**Low**	**High**
	(dollars in millions, except per share data)			
Adjusted operating income from continuing operations	$1,475	$1,625	$1,400	$1,600
Adjusted diluted net income from continuing operations per share attributable to DaVita Inc.	$6.20	$7.30	$5.45	$6.95
Free cash flow	$750	$1,000	$650	$900

We will be holding a conference call to discuss our results for the first quarter ended March 31, 2023, on May 8, 2023, at 5:00 p.m. Eastern Time. To join the conference call, please dial (877) 918-6630 from the U.S. or (517) 308-9042 from outside the U.S., and provide the operator the password 'Earnings'. This call is being webcast and can be accessed at the DaVita Investor Relations website investors.davita.com. A replay of the conference call will also be available at investors.davita.com for the following 30 days.

Forward looking statements

DaVita Inc. and its representatives may from time to time make written and oral forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (PSLRA), including statements in this release, filings with the Securities and Exchange Commission (SEC), reports to stockholders and in meetings with investors and analysts. All statements in this release, during the related presentation or other meetings, other than statements of historical fact, are forward-looking statements and as such are intended to be covered by the safe harbor for "forward-looking statements" provided by the PSLRA. These forward-looking statements could include, among other things, DaVita's response to and the expected future impacts of the coronavirus (COVID-19), including statements about our balance sheet and liquidity, our expenses and expense offsets, revenues, billings and collections, availability or cost of supplies, treatment volumes, mix expectation, such as the percentage or number of patients under commercial insurance, the availability, acceptance, impact, administration and efficacy of COVID-19 vaccines, treatments and therapies, the continuing impact on the U.S. and global economies, labor market conditions, and overall impact on our patients and teammates, as well as other statements regarding our future operations, financial condition and prospects, expenses, strategic initiatives, government and commercial payment rates, expectations related to value-based care, integrated kidney care, and Medicare Advantage (MA) plan enrollment and our ongoing stock repurchase program, and statements related to our guidance and expectations for future periods and the assumptions underlying any such projections. All statements in this release, other than statements of historical fact, are forward-looking statements. Without limiting the foregoing, statements including the words "expect," "intend," "will," "could," "plan," "anticipate," "believe," "forecast," "guidance," "outlook," "goals," and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based on DaVita's current expectations and are based solely on information available as of the date of this release. DaVita undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of changed circumstances, new information, future events or otherwise, except as may be required by law. Actual future events and results could differ materially from any forward-looking statements due to numerous factors that involve substantial known and unknown risks and uncertainties. These risks and uncertainties include, among other things:

- *the continuing impact of the COVID-19 pandemic, current macroeconomic and marketplace conditions, and global events, many of which are interrelated and which relate to, among other things, the impact of the COVID-19 pandemic on our patients, teammates, physician partners, suppliers, business, operations, reputation, financial condition and results of operations; the government's response to the ongoing pandemic, the pandemic's continuing impact on the U.S. and global economies, labor market conditions, interest rates, inflation and evolving monetary policies; the availability, acceptance, impact and efficacy of COVID-19 vaccines, treatments and therapies; further spread or resurgence of the virus, including as a result of the emergence of new strains of the virus; the impact of the pandemic on our revenues and non-acquired growth due to lower treatment volumes; COVID-19's impact on the chronic kidney disease (CKD) population and our patient population including on the mortality of these patients; any potential negative impact on our commercial mix or the number of our patients covered by commercial insurance plans; continued increased COVID-19-related costs; our ability to successfully implement cost savings initiatives; supply chain challenges and disruptions; and elevated teammate turnover and training costs and higher salary and wage expense, including, among other things, increased contract wages, driven in part by persisting labor market conditions and a high demand for our clinical personnel, any of which may also have the effect of heightening many of the other risks and uncertainties discussed below, and in many cases, the impact of the pandemic and the aforementioned global economic conditions on our business may persist even after the pandemic subsides;*
- *the concentration of profits generated by higher-paying commercial payor plans for which there is continued downward pressure on average realized payment rates; a reduction in the number or percentage of our patients under such plans, including, without limitation, as a result of restrictions or prohibitions on the use and/or availability of charitable premium assistance, which may result in the loss of revenues or patients, as a result of our making incorrect assumptions about how our patients will respond to any change in financial*

assistance from charitable organizations; or as a result of payors' implementing restrictive plan designs, including, without limitation, actions taken in response to the U.S. Supreme Court's decision in Marietta Memorial Hospital Employee Health Benefit Plan, et al. v. DaVita Inc. et al. (Marietta); how and whether regulators and legislators will respond to the Marietta decision including, without limitation, whether they will issue regulatory guidance or adopt new legislation; how courts will interpret other anti-discriminatory provisions that may apply to restrictive plan designs; whether there could be other potential negative impacts of the Marietta decision; and the timing of each of these items;

- *the extent to which the ongoing implementation of healthcare reform, or changes in or new legislation, regulations or guidance, enforcement thereof or related litigation result in a reduction in coverage or reimbursement rates for our services, a reduction in the number of patients enrolled in or that select higher-paying commercial plans, including for example MA plans or other material impacts to our business or operations; or our making incorrect assumptions about how our patients will respond to any such developments;*
- *risks arising from potential changes in laws, regulations or requirements applicable to us, such as potential and proposed federal and/or state legislation, regulation, ballot, executive action or other initiatives, including, without limitation, those related to healthcare and/or labor matters;*
- *our ability to attract, retain and motivate teammates and our ability to manage operating cost increases or productivity decreases whether due to union organizing activities, legislative or other changes, demand for labor, volatility and uncertainty in the labor market, the current challenging and highly competitive labor market conditions, or other reasons;*
- *U.S. and global economic and marketplace conditions, interest rates, inflation, unemployment, labor market conditions, and evolving monetary policies, and our ability to respond to these challenging conditions, including among other things our ability to successfully identify cost savings opportunities and to implement cost savings initiatives such as ongoing initiatives that increase our use of third party service providers to perform certain activities, initiatives that relate to clinic optimization and capacity utilization improvement, and procurement opportunities, among other things;*
- *our ability to successfully implement our strategies with respect to integrated kidney care and value-based care initiatives and home based dialysis in the desired time frame and in a complex, dynamic and highly regulated environment, including, among other things, maintaining our existing business; meeting growth expectations; recovering our investments; entering into agreements with payors, third party vendors and others on terms that are competitive and, as appropriate, prove actuarially sound; structuring operations, agreements and arrangements to comply with evolving rules and regulations; finding, training and retaining appropriate staff; and further developing our integrated care and other capabilities to provide competitive programs at scale;*
- *a reduction in government payment rates under the Medicare End Stage Renal Disease program, state Medicaid or other government-based programs and the impact of the Medicare Advantage benchmark structure;*
- *noncompliance by us or our business associates with any privacy or security laws or any security breach by us or a third party involving the misappropriation, loss or other unauthorized use or disclosure of confidential information;*
- *legal and compliance risks, such as our continued compliance with complex, and at times, evolving government regulations and requirements;*
- *the impact of the political environment and related developments on the current healthcare marketplace and on our business, including with respect to the Affordable Care Act, the exchanges and many other core aspects of the current healthcare marketplace, as well as the composition of the U.S. Supreme Court and the current presidential administration and congressional majority;*
- *changes in pharmaceutical practice patterns, reimbursement and payment policies and processes, or pharmaceutical pricing, including with respect to hypoxia inducible factors, among other things;*
- *our ability to develop and maintain relationships with physicians and hospitals, changing affiliation models for physicians, and the emergence of new models of care or other initiatives introduced by the government or private sector that, among other things, may erode our patient base and impact reimbursement rates;*
- *our ability to complete acquisitions, mergers, dispositions, joint ventures or other strategic transactions that we might announce or be considering, on terms favorable to us or at all, or to successfully integrate any acquired businesses, or to successfully operate any acquired businesses, joint ventures or other strategic transactions, or to successfully expand our operations and services in markets outside the United States, or to businesses or products outside of dialysis services;*
- *continued increased competition from dialysis providers and others, and other potential marketplace changes, including without limitation increased investment in and availability of funding to new entrants in the dialysis and pre-dialysis marketplace;*
- *the variability of our cash flows, including without limitation any extended billing or collections cycles; the risk that we may not be able to generate or access sufficient cash in the future to service our indebtedness or to fund our other liquidity needs; and the risk that we may not be able to refinance our indebtedness as it becomes due, on terms favorable to us or at all;*
- *factors that may impact our ability to repurchase stock under our stock repurchase program and the timing of any such stock repurchases, as well as our use of a considerable amount of available funds to repurchase stock;*
- *risks arising from the use of accounting estimates, judgments and interpretations in our financial statements;*
- *impairment of our goodwill, investments or other assets;*
- *our aspirations, goals and disclosures related to environmental, social and governance (ESG) matters, including, among other things, evolving regulatory requirements affecting ESG standards, measurements and reporting requirements; the availability of suppliers that can meet our sustainability standards; and our ability to recruit, develop and retain diverse talent in our labor markets; and*
- *the other risk factors, trends and uncertainties set forth in our Annual Report on Form 10-K for the year ended December 31, 2022 and the risks and uncertainties discussed in any subsequent reports that we file or furnish with the SEC from time to time.*

The financial information presented in this release is unaudited and is subject to change as a result of subsequent events or adjustments, if any, arising prior to the filing of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023.

DAVITA INC.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(dollars and shares in thousands, except per share data)

	Three months ended March 31,	
	2023	**2022**
Dialysis patient service revenues	$ 2,760,034	$ 2,716,281
Other revenues	112,665	101,274
Total revenues	2,872,699	2,817,555
Operating expenses:		
Patient care costs	2,058,189	2,018,529
General and administrative	331,614	294,820
Depreciation and amortization	178,071	172,944
Equity investment income, net	(6,820)	(7,046)
Total operating expenses	2,561,054	2,479,247
Operating income	311,645	338,308
Debt expense	(100,774)	(73,791)
Other income (loss), net	3,752	(1,786)
Income before income taxes	214,623	262,731
Income tax expense	43,955	57,013
Net income	170,668	205,718
Less: Net income attributable to noncontrolling interests	(55,121)	(43,596)
Net income attributable to DaVita Inc.	$ 115,547	$ 162,122
Earnings per share attributable to DaVita Inc.:		
Basic net income	$ 1.28	$ 1.68
Diluted net income	$ 1.25	$ 1.61
Weighted average shares for earnings per share:		
Basic shares	90,497	96,342
Diluted shares	92,483	100,503

DAVITA INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(dollars in thousands)

	Three months ended March 31,	
	2023	**2022**
Net income	$ 170,668	$ 205,718
Other comprehensive income, net of tax:		
Unrealized (losses) gains on interest rate cap agreements:		
Unrealized (losses) gains	(3,539)	41,132
Reclassifications of net realized (gains) losses into net income	(15,742)	1,033
Unrealized gains on foreign currency translation:	33,561	62,212
Other comprehensive income	14,280	104,377
Total comprehensive income	184,948	310,095
Less: Comprehensive income attributable to noncontrolling interests	(55,121)	(43,596)
Comprehensive income attributable to DaVita Inc.	$ 129,827	$ 266,499

DAVITA INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)
(dollars in thousands)

	Three months ended March 31,	
	2023	**2022**
Cash flows from operating activities:		

Net income	$ 170,668	$ 205,718
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	178,071	172,944
Stock-based compensation expense	25,373	24,904
Deferred income taxes	(3,621)	(41)
Equity investment loss, net	3,044	664
Other non-cash charges, net	5,864	4,714
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
Accounts receivable	81,850	(66,270)
Inventories	2,758	849
Other receivables and prepaid and other current assets	66,595	(17,966)
Other long-term assets	(615)	3,520
Accounts payable	(20,535)	21,402
Accrued compensation and benefits	(74,144)	(95,927)
Other current liabilities	(6,486)	26,912
Income taxes	39,251	52,473
Other long-term liabilities	(5,516)	(11,701)
Net cash provided by operating activities	462,557	322,195
Cash flows from investing activities:		
Additions of property and equipment	(147,705)	(123,108)
Acquisitions	—	(5,166)
Proceeds from asset and business sales	13,474	11,353
Purchase of debt investments held-to-maturity	(25,000)	(5,070)
Purchase of other debt and equity investments	(4,643)	(2,726)
Proceeds from debt investments held-to-maturity	50,258	5,070
Proceeds from sale of other debt and equity investments	3,856	3,773
Purchase of equity method investments	(7,904)	(2,962)
Distributions from equity method investments	1,120	470
Net cash used in investing activities	(116,544)	(118,366)
Cash flows from financing activities:		
Borrowings	611,829	354,285
Payments on long-term debt	(880,552)	(398,990)
Deferred financing and debt redemption costs	(7)	—
Purchase of treasury stock	—	(236,232)
Distributions to noncontrolling interests	(54,837)	(65,452)
Net payments related to stock purchases and awards	(7,902)	(501)
Contributions from noncontrolling interests	4,725	4,929
Proceeds from sales of additional noncontrolling interests	50,832	3,673
Purchases of noncontrolling interests	—	(3,283)
Net cash used in financing activities	(275,912)	(341,571)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2,307	3,363
Net increase (decrease) in cash, cash equivalents and restricted cash	72,408	(134,379)
Cash, cash equivalents and restricted cash at beginning of the year	338,989	554,960
Cash, cash equivalents and restricted cash at end of the period	$ 411,397	$ 420,581

DAVITA INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)
(dollars and shares in thousands, except per share data)

	March 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	$ 317,132	$ 244,086
Restricted cash and equivalents	94,265	94,903
Short-term investments	49,965	77,693
Accounts receivable	2,057,809	2,132,070
Inventories	106,770	109,122
Other receivables	324,405	413,976
Prepaid and other current assets	89,393	78,839
Income tax receivable	—	4,603
Total current assets	3,039,739	3,155,292
Property and equipment, net of accumulated depreciation of $5,395,966 and $5,265,372, respectively	3,216,373	3,256,397

Operating lease right-of-use assets	2,617,018	2,666,242
Intangible assets, net of accumulated amortization of $40,945 and $49,772, respectively	186,758	182,687
Equity method and other investments	241,747	231,108
Long-term investments	44,520	44,329
Other long-term assets	291,321	315,587
Goodwill	7,090,311	7,076,610
	$ 16,727,787	$ 16,928,252
LIABILITIES AND EQUITY		
Accounts payable	$ 447,969	$ 479,780
Other liabilities	796,742	802,469
Accrued compensation and benefits	618,931	692,654
Current portion of operating lease liabilities	394,607	395,401
Current portion of long-term debt	242,193	231,404
Income tax payable	64,651	18,039
Total current liabilities	2,565,093	2,619,747
Long-term operating lease liabilities	2,455,144	2,503,068
Long-term debt	8,417,532	8,692,617
Other long-term liabilities	100,229	105,233
Deferred income taxes	771,087	782,787
Total liabilities	14,309,085	14,703,452
Commitments and contingencies		
Noncontrolling interests subject to put provisions	1,398,829	1,348,908
Equity:		
Preferred stock ($0.001 par value, 5,000 shares authorized; none issued)	—	—
Common stock ($0.001 par value, 450,000 shares authorized; 90,650 and 90,411 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively)	91	90
Additional paid-in capital	590,251	606,935
Retained earnings	290,034	174,487
Accumulated other comprehensive loss	(54,906)	(69,186)
Total DaVita Inc. shareholders' equity	825,470	712,326
Noncontrolling interests not subject to put provisions	194,403	163,566
Total equity	1,019,873	875,892
	$ 16,727,787	$ 16,928,252

DAVITA INC.
SUPPLEMENTAL FINANCIAL DATA
(unaudited)
(dollars in millions and shares in thousands, except per treatment data)

	Three months ended		
	March 31, 2023	**December 31, 2022**	**March 31, 2022**
1. Consolidated business metrics:			
Operating margin	10.8 %	8.8 %	12.0 %
Adjusted operating margin excluding certain items(1)(2)	12.2 %	10.9 %	12.2 %
General and administrative expenses as a percent of consolidated revenues(3)	11.5 %	13.0 %	10.5 %
Effective income tax rate on income from continuing operations	20.5 %	23.3 %	21.7 %
Effective income tax rate on income from continuing operations attributable to DaVita Inc.(1)	27.5 %	38.5 %	26.0 %
Effective income tax rate on adjusted income from continuing operations attributable to DaVita Inc.(1)	27.0 %	31.7 %	26.0 %
2. Summary of financial results:			
Revenues:			
U.S. dialysis patient services and other	$ 2,612	$ 2,658	$ 2,575
Other—Ancillary services			
Integrated kidney care	98	102	87
Other U.S. ancillary	7	7	5
International dialysis patient service and other	179	177	173
	284	285	265
Eliminations	(23)	(27)	(22)

Total consolidated revenues	$ 2,873	$ 2,917	$ 2,818
Operating income (loss):			
U.S. dialysis	$ 361	$ 335	$ 406
Other—Ancillary services			
Integrated kidney care	(37)	(34)	(37)
Other U.S. ancillary	(3)	(1)	(3)
International[4]	15	(4)	8
	(25)	(40)	(32)
Corporate administrative support expenses	(25)	(38)	(36)
Total consolidated operating income	$ 312	$ 256	$ 338

DAVITA INC.
SUPPLEMENTAL FINANCIAL DATA - continued
(unaudited)
(dollars in millions and shares in thousands, except per treatment data)

	Three months ended		
	March 31, 2023	**December 31, 2022**	**March 31, 2022**
3. Summary of reportable segment financial results and metrics:			
U.S. dialysis			
Financial results			
Revenue:			
Dialysis patient service revenues	$ 2,606	$ 2,652	$ 2,569
Other revenues	6	6	6
Total operating revenues	2,612	2,658	2,575
Operating expenses:			
Patient care costs	1,832	1,865	1,796
General and administrative	259	283	217
Depreciation and amortization	167	184	162
Equity investment income	(6)	(8)	(6)
Total operating expenses	2,251	2,324	2,169
Segment operating income	$ 361	$ 335	$ 406
Reconciliation for non-GAAP measure:			
Closure charges	22	35	4
Severance and other costs	17	17	—
Adjusted segment operating income[1]	$ 400	$ 387	$ 411
Metrics			
Volume:			
Treatments	7,117,427	7,239,660	7,109,788
Number of treatment days	77.0	79.0	77.0
Average treatments per day	92,434	91,641	92,335
Per day year-over-year increase (decrease)	0.1 %	(2.9) %	(2.4) %
Normalized year-over-year non-acquired treatment growth[5]	— %	(2.1) %	(1.9) %
Operating net revenues:			
Average patient service revenue per treatment	$ 366.14	$ 366.30	$ 361.35
Expenses:			
Patient care costs per treatment	$ 257.34	$ 257.60	$ 252.61
General and administrative expenses per treatment	$ 36.39	$ 39.07	$ 30.50
Depreciation and amortization expense per treatment	$ 23.46	$ 25.36	$ 22.79
Accounts receivable:			
Receivables	$ 1,769	$ 1,899	$ 1,837
DSO	62	66	65

DAVITA INC.
SUPPLEMENTAL FINANCIAL DATA - continued
(unaudited)
(dollars in millions and shares in thousands, except per treatment data)

	Three months ended		
	March 31, 2023	December 31, 2022	March 31, 2022
4. Cash flow:			
Operating cash flow	$ 463	$ 344	$ 322
Operating cash flow, last twelve months	$ 1,705	$ 1,565	$ 2,099
Free cash flow(1)	$ 265	$ 75	$ 147
Free cash flow, last twelve months(1)	$ 935	$ 817	$ 1,297
Capital expenditures:			
Routine maintenance/IT/other	$ 109	$ 147	$ 84
Development and relocations	$ 39	$ 47	$ 39
Acquisition expenditures	$ —	$ 13	$ 5
Proceeds from sale of self-developed properties	$ —	$ 1	$ 8
5. Debt and capital structure:			
Total debt(6)	$ 8,701	$ 8,969	$ 8,927
Net debt, net of cash and cash equivalents(6)	$ 8,384	$ 8,724	$ 8,599
Leverage ratio(7)	3.89x	4.03x	3.50x
Weighted average effective interest rate:			
During the quarter	4.55 %	4.49 %	3.35 %
At end of the quarter	4.53 %	4.52 %	3.52 %
On the senior secured credit facilities at end of the quarter	4.60 %	4.59 %	2.54 %
Debt with fixed and capped rates as a percentage of total debt:			
Debt with rates fixed by its terms	53 %	51 %	52 %
Debt with rates fixed by its terms or capped by cap agreements	93 %	90 %	91 %
Amount spent on share repurchases	$ —	$ —	$ 233
Number of shares repurchased	—	—	2,104

Certain columns, rows or percentages may not sum or recalculate due to the presentation of rounded numbers.

(1) These are non-GAAP financial measures. For a reconciliation of these non-GAAP financial measures to their most comparable measure calculated and presented in accordance with GAAP, and for a definition of adjusted amounts, see attached reconciliation schedules.
(2) Adjusted operating income margin is adjusted operating income divided by consolidated revenues.
(3) General and administrative expenses include certain corporate support, long-term incentive compensation and advocacy costs.
(4) The reported operating income for the three months ended March 31, 2023, December 31, 2022 and March 31, 2022 includes foreign currency (losses) gains embedded in equity method income recognized from our Asia Pacific joint venture of approximately $(0.7), $(5.0) and $0.3, respectively.
(5) Normalized non-acquired treatment growth reflects year-over-year growth in treatment volume, adjusted to exclude acquisitions and other similar transactions, and further adjusted to normalize for the number and mix of treatment days in a given quarter versus the prior year quarter.
(6) The debt amounts as of March 31, 2023, December 31, 2022 and March 31, 2022 presented exclude approximately $41.5, $44.5 and $53.6, respectively, of debt discount, premium and other deferred financing costs related to our senior secured credit facilities and senior notes in effect or outstanding at that time.
(7) See Note 1: Calculation of the Leverage Ratio on page 14.

DAVITA INC.
SUPPLEMENTAL FINANCIAL DATA-continued
(unaudited)
(dollars in millions)

Note 1: Calculation of the Leverage Ratio

Under our senior secured credit facilities (the Credit Agreement) dated August 12, 2019, the leverage ratio is defined as (a) all funded debt plus the face amount of all letters of credit issued, minus unrestricted cash and cash equivalents (including short-term investments) not to exceed $750 divided by (b) "Consolidated EBITDA." The leverage ratio determines the interest rate margin payable by the Company for its Term Loan A and revolving line of credit under the Credit Agreement by establishing the margin over the base interest rate (LIBOR) that is applicable. The calculation below is based on the last twelve months of "Consolidated EBITDA," as of the end of the reported period and pro forma for acquisitions or divestitures that occurred during the period, and "Consolidated net debt" at the end of the reported period, each as defined in the Credit Agreement. The Company's management believes the presentation of "Consolidated EBITDA" is useful to investors to enhance their understanding of the Company's leverage ratio under its Credit Agreement. The leverage ratio calculated by the Company is a non-GAAP measure and should not be considered a substitute for the ratio of total debt to operating income, determined in accordance with GAAP. The Company's calculation of its leverage ratio might not be calculated in the same manner as, and thus might not be comparable to, similarly titled measures of other companies.

	Twelve months ended		
	March 31, 2023	December 31, 2022	March 31, 2022

Net income from continuing operations attributable to DaVita Inc.	$ 500	$ 547	$ 903
Income taxes	185	198	279
Interest expense	350	326	268
Depreciation and amortization	738	733	688
Noncontrolling interests and equity investment income, net	233	221	223
Stock-settled stock-based compensation	95	95	102
Other	81	55	20
"Consolidated EBITDA"	$ 2,182	$ 2,175	$ 2,481

	March 31, 2023	December 31, 2022	March 31, 2022
Total debt, excluding debt discount and other deferred financing costs(1)	$ 8,701	$ 8,969	$ 8,927
Letters of credit issued	151	109	108
	8,853	9,077	9,035
Less: Cash and cash equivalents including short-term investments(2)	(364)	(318)	(344)
Consolidated net debt	$ 8,489	$ 8,759	$ 8,691
Last twelve months "Consolidated EBITDA"	$ 2,182	$ 2,175	$ 2,481
Leverage ratio	3.89x	4.03x	3.50x
Maximum leverage ratio permitted under the Credit Agreement	5.00x	5.00x	5.00x

Certain columns or rows may not sum or recalculate due to the presentation of rounded numbers.

(1) The debt amounts as of March 31, 2023, December 31, 2022 and March 31, 2022 presented exclude approximately $41.5, $44.5 and $53.6, respectively, of debt discount, premium and other deferred financing costs related to our senior secured credit facilities and senior notes in effect or outstanding at that time.

(2) This excludes amounts not readily convertible to cash related to the Company's non-qualified deferred compensation plans for all periods presented. The Credit Agreement limits the amount deducted for cash and cash equivalents, including short-term investments, to the lesser of all unrestricted cash and cash equivalents, including short-term investments of the Company or $750.

DAVITA INC.
INTEGRATED CARE METRICS
(unaudited)

Note 2: Integrated Care Metrics

Our integrated kidney care (IKC) business is party to a variety of risk-based integrated care and disease management arrangements, including value-based care (VBC) contracts under which we assume full or shared financial risk for the total medical cost of care for patients below or above a benchmark.

The aggregate amount of medical spend associated with risk-based integrated care arrangements that we disclose includes both medical costs included in our reported expenses for certain risk-based arrangements (such as its special needs plans), as well as the aggregate estimated benchmark amount above or below which we will incur profit or loss on for VBC arrangements under which third-party medical costs are not included in our reported results. This metric is an annualization of our estimate of this amount for the most recent quarter.

A number of our VBC contracts are subject to complex or novel patient attribution mechanics and benchmark adjustments, some of which are based on information not reported to us until periods after we report our quarterly results. As a result, our estimates of our patients under, and the dollar amount of, our value-based contracts remain subject to estimation uncertainty.

DAVITA INC.
RECONCILIATIONS FOR NON-GAAP MEASURES
(unaudited)

Note on Non-GAAP Financial Measures

As used in this press release, the term "adjusted" refers to non-GAAP measures as follows, each as reconciled to its most comparable GAAP measure as presented in the non-GAAP reconciliations in the notes to this press release: (i) for income and expense measures, the term "adjusted" refers to operating performance measures that exclude certain items such as impairment charges, (gain) loss on ownership changes, capacity closure charges, restructuring charges, accruals for legal matters and debt prepayment and refinancing charges; and (ii) the term "effective income tax rate on adjusted income from continuing operations attributable to DaVita Inc." represents the Company's effective tax rate excluding applicable non-GAAP items and the tax associated with them as well as noncontrolling owners' income, which primarily relates to non-tax paying entities. Note that the non-GAAP measures presented for prior periods below have been conformed to the non-GAAP measures presented for the current period.

These non-GAAP or "adjusted" measures are presented because management believes these measures are useful adjuncts to GAAP results. However, these non-GAAP measures should not be considered alternatives to the corresponding measures determined under GAAP.

Specifically, management uses adjusted measures of operating expenses for its U.S. dialysis business, adjusted U.S. dialysis patient care costs per treatment, adjusted operating income, adjusted net income from continuing operations attributable to DaVita Inc. and adjusted diluted net income per share from continuing operations attributable to DaVita Inc. to compare and evaluate our performance period over period and relative to competitors, to analyze the underlying trends in our business, to establish operational budgets and forecasts and for incentive compensation purposes. We believe these non-GAAP measures also are useful to investors and analysts in evaluating our performance over time and relative to competitors, as well as in analyzing the underlying trends in our business. Furthermore, we believe these presentations enhance a user's understanding of our normal consolidated results by excluding certain items which we do not believe are indicative of our ordinary results of operations. As a result, adjusting for these amounts allows for comparison to our normalized prior period results.

The effective income tax rate on adjusted income from continuing operations attributable to DaVita Inc. excludes noncontrolling owners' income and certain non-deductible and other charges which we do not believe are indicative of our ordinary results. Accordingly, we believe these adjusted effective income tax rates are useful to management, investors and analysts in evaluating our performance and establishing expectations for income taxes incurred on our ordinary results attributable to DaVita Inc.

Finally, free cash flow represents net cash provided by operating activities less distributions to noncontrolling interests and all capital expenditures (including development capital expenditures, routine maintenance and information technology); plus contributions from noncontrolling interests and proceeds from the sale of self-developed properties. Management uses this measure to assess our ability to fund acquisitions and meet our debt service obligations and we believe this measure is equally useful to investors and analysts as an adjunct to cash flows from operating activities and other measures under GAAP.

It is important to bear in mind that these non-GAAP "adjusted" measures are not measures of financial performance or liquidity under GAAP and should not be considered in isolation from, nor as substitutes for, their most comparable GAAP measures.

The following Notes 3 through 7 provide reconciliations of the non-GAAP financial measures presented in this press release to their most comparable GAAP measures.

DAVITA INC.
RECONCILIATIONS FOR NON-GAAP MEASURES
(unaudited)
(dollars in millions, except per share data)

Note 3: Adjusted net income from continuing operations and adjusted diluted net income from continuing operations per share attributable to DaVita Inc.

	Three months ended					
	March 31, 2023		December 31, 2022		March 31, 2022	
	Dollars	Per share	Dollars	Per share	Dollars	Per share
Consolidated:						
Net income from continuing operations attributable to DaVita Inc.	$ 116	$ 1.25	$ 55	$ 0.59	$ 162	$ 1.61
Closure charges impacting:						
Patient care costs	13	0.14	6	0.07	3	0.03
General and administrative:	5	0.05	8	0.09	1	0.01
Depreciation and amortization	5	0.05	24	0.26	—	—
Total closure charges	22	0.24	38	0.42	4	0.04
Severance and other costs	18	0.19	23	0.25	—	—
Related income tax	(10)	(0.11)	(13)	(0.15)	(1)	(0.01)
Adjusted net income from continuing operations attributable to DaVita Inc.	$ 146	$ 1.58	$ 102	$ 1.11	$ 165	$ 1.65

Certain columns, rows or percentages may not sum or recalculate due to the presentation of rounded numbers.

Note 4: Adjusted operating income

	Three months ended		
	March 31, 2023	December 31, 2022	March 31, 2022
Consolidated:			
Operating income	$ 312	$ 256	$ 338
Closure charges impacting:			
Patient care costs	13	6	3
General and administrative:	5	8	1
Depreciation and amortization	5	24	—
Total closure charges	22	38	4
Severance and other costs	18	23	—
Adjusted operating income	$ 352	$ 317	$ 343

Three months ended

	March 31, 2023	December 31, 2022	March 31, 2022
Consolidated:			
U.S. dialysis:			
Segment operating income	$ 361	$ 335	$ 406
Closure charges	22	35	4
Severance and other costs	17	17	—
Adjusted U.S. dialysis operating income	400	387	411
Other - Ancillary services:			
U.S.			
Integrated kidney care	(37)	(34)	(37)
Other U.S. ancillary	(3)	(1)	(3)
Segment operating loss	(40)	(36)	(41)
Severance and other costs	—	—	—
Adjusted operating loss	(39)	(35)	(41)
International			
Segment operating income	15	(4)	8
Closure charges	—	3	—
Severance and other costs	—	5	—
Adjusted operating income	15	3	8
Other - Ancillary services operating loss	(24)	(32)	(32)
Corporate administrative support expenses:			
Segment expenses	(25)	(38)	(36)
Severance and other costs	1	1	—
Adjusted Corporate administrative support expenses	(24)	(38)	(36)
Adjusted operating income	$ 352	$ 317	$ 343

Certain columns, rows or percentages may not sum or recalculate due to the presentation of rounded numbers.

Note 5: Adjusted U.S. dialysis expense measures

	Three months ended					
	March 31, 2023			December 31, 2022		
	GAAP	Non-GAAP adjustment	Adjusted	GAAP	Non-GAAP adjustment	Adjusted
	(dollars in millions)					
U.S. dialysis						
Treatments	7,117,427	—	7,117,427	7,239,660	—	7,239,660
Operating expenses:						
Patient care costs	$ 1,832	$ (13)	$ 1,819	$ 1,865	$ (6)	$ 1,859
General and administrative	259	(22)	237	283	(22)	261
Depreciation and amortization	167	(5)	162	184	(24)	160
Equity investment income	(6)	—	(6)	(8)	—	(8)
Total operating expenses	$ 2,251	$ (39)	$ 2,212	$ 2,324	$ (52)	$ 2,271
Patient care costs per treatment	$ 257.34		$ 255.56	$ 257.60		$ 256.74

Certain columns, rows, per treatment amounts or percentages may not sum or recalculate due to the presentation of rounded numbers.

(1) Patient care costs per treatment and adjusted patient care costs per treatment are patient care costs or adjusted patient care costs divided by number of U.S. dialysis treatments, respectively.

DAVITA INC.
RECONCILIATIONS FOR NON-GAAP MEASURES - continued
(unaudited)
(dollars in millions)

Note 6: Effective income tax rates on income from continuing operations attributable to DaVita Inc.

	Three months ended		
	March 31, 2023	December 31, 2022	March 31, 2022
Income from continuing operations before income taxes	$ 215	$ 147	$ 263
Noncontrolling owners' income primarily attributable to non-tax paying entities	(55)	(59)	(44)

Income from continuing operations before income taxes attributable to DaVita Inc.	$ 159	$ 89	$ 219
Income tax expense for continuing operations	$ 44	$ 34	$ 57
Income tax attributable to noncontrolling interests	—	—	—
Income tax expense for continuing operations attributable to DaVita Inc.	$ 44	$ 34	$ 57
Effective income tax rate on income from continuing operations attributable to DaVita Inc.	27.5 %	38.5 %	26.0 %

The effective income tax rate on adjusted income from continuing operations attributable to DaVita Inc. is computed as follows:

	Three months ended		
	March 31, 2023	**December 31, 2022**	**March 31, 2022**
Income from continuing operations before income taxes	$ 215	$ 147	$ 263
Closure charges impacting:			
Patient care costs	13	6	3
General and administrative:	5	8	1
Depreciation and amortization	5	24	—
Severance and other costs	18	23	—
Noncontrolling owners' income primarily attributable to non-tax paying entities	(55)	(59)	(44)
Adjusted income from continuing operations before income taxes attributable to DaVita Inc.	$ 200	$ 150	$ 223
Income tax expense	$ 44	$ 34	$ 57
Plus income tax related to:			
Closure charges impacting:			
Patient care costs	3	2	1
General and administrative:	1	1	—
Depreciation and amortization	1	6	—
Severance and other costs	4	5	—
Less income tax related to:			
Noncontrolling interests	—	—	—
Income tax on adjusted income from continuing operations attributable to DaVita Inc.	$ 54	$ 48	$ 58
Effective income tax rate on adjusted income from continuing operations attributable to DaVita Inc.	27.0 %	31.7 %	26.0 %

Certain columns, rows or percentages may not sum or recalculate due to the presentation of rounded numbers.

Note 7: Free cash flow

	Three months ended		
	March 31, 2023	**December 31, 2022**	**March 31, 2022**
Net cash provided by operating activities	$ 463	$ 344	$ 322
Adjustments to reconcile net cash provided by operating activities to free cash flow:			
Distributions to noncontrolling interests	(55)	(79)	(65)
Contributions from noncontrolling interests	5	3	5
Expenditures for routine maintenance and information technology	(109)	(147)	(84)
Expenditures for development and relocations	(39)	(47)	(39)
Proceeds from sale of self-developed properties	—	1	8
Free cash flow	$ 265	$ 75	$ 147

	Twelve months ended		
	March 31, 2023	**December 31, 2022**	**March 31, 2022**
Net cash provided by operating activities	$ 1,705	$ 1,565	$ 2,099
Adjustments to reconcile net cash provided by operating activities to free cash flow:			
Distributions to noncontrolling interests	(257)	(268)	(256)
Contributions from noncontrolling interests	15	15	26
Expenditures for routine maintenance and information technology	(455)	(431)	(416)
Expenditures for development and relocations	(173)	(172)	(204)
Proceeds from sale of self-developed properties	100	109	48
Free cash flow	$ 935	$ 817	$ 1,297

Certain columns or rows may not sum or recalculate due to the presentation of rounded numbers.

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