



SOLUTIONS ● PERFORMANCE ● RESULTS



Year End 2014

# Cautionary Statement Regarding Forward-Looking Statements

*This release and any schedules incorporated by reference into it may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, which are not historical facts but rather are based on current expectations, estimates and projections about our business and industry, our beliefs and assumptions. Words such as "believes," "anticipates," "plans," "expects," "will," "goal," and similar expressions are intended to identify forward-looking statements. The inclusion of forward-looking statements should not be regarded as a representation by us that any of our plans will be achieved. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Such forward-looking information is also subject to various risks and uncertainties. Such risks and uncertainties include, but are not limited to, risks arising from our providing services exclusively to the health care industry, primarily providers of long-term care; credit and collection risks associated with this industry; from having several significant clients who each individually contributed at least 3% with two as high as 6% of our total consolidated revenues for the year ended December 31, 2014; risks associated with our acquisition of Platinum Health Services, LLC; our claims experience related to workers' compensation and general liability insurance; the effects of changes in, or interpretations of laws and regulations governing the industry, our workforce and services provided, including state and local regulations pertaining to the taxability of our services and other labor related matters such as minimum wage increases; tax benefits arising from our corporate reorganization and self-funded health insurance program transition; risks associated with the reorganization of our corporate structure; and the risk factors described in our Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2014 in Part I thereof under "Government Regulation of Clients," "Competition" and "Service Agreements/Collections," and under Item IA "Risk Factors".*

*These factors, in addition to delays in payments from clients, have resulted in, and could continue to result in, significant additional bad debts in the near future. Additionally, our operating results would be adversely affected if unexpected increases in the costs of labor and labor-related costs, materials, supplies and equipment used in performing services could not be passed on to our clients.*

*In addition, we believe that to improve our financial performance we must continue to obtain service agreements with new clients, provide new services to existing clients, achieve modest price increases on current service agreements with existing clients and maintain internal cost reduction strategies at our various operational levels. Furthermore, we believe that our ability to sustain the internal development of managerial personnel is an important factor impacting future operating results and successfully executing projected growth strategies.*

*Healthcare Services Group, Inc. is the largest national provider of professional housekeeping, laundry and dietary services to long-term care and related health care facilities.*

## Company Contacts:

Daniel P. McCartney  
Chairman & Chief Executive Officer

Theodore Wahl  
President & Chief Operating Officer

Matthew J. McKee  
Vice President of Strategy

215-639-4274

investor-relations@hcsgrcorp.com



SOLUTIONS ● PERFORMANCE ● RESULTS

# Industry Trends

- Legislation
- Cost containment / Managed Care
- The “Graying” of America
- DRGs
- Subacute Care
- Assisted Living
- Prospective Pay System (PPS)

# Market Penetration

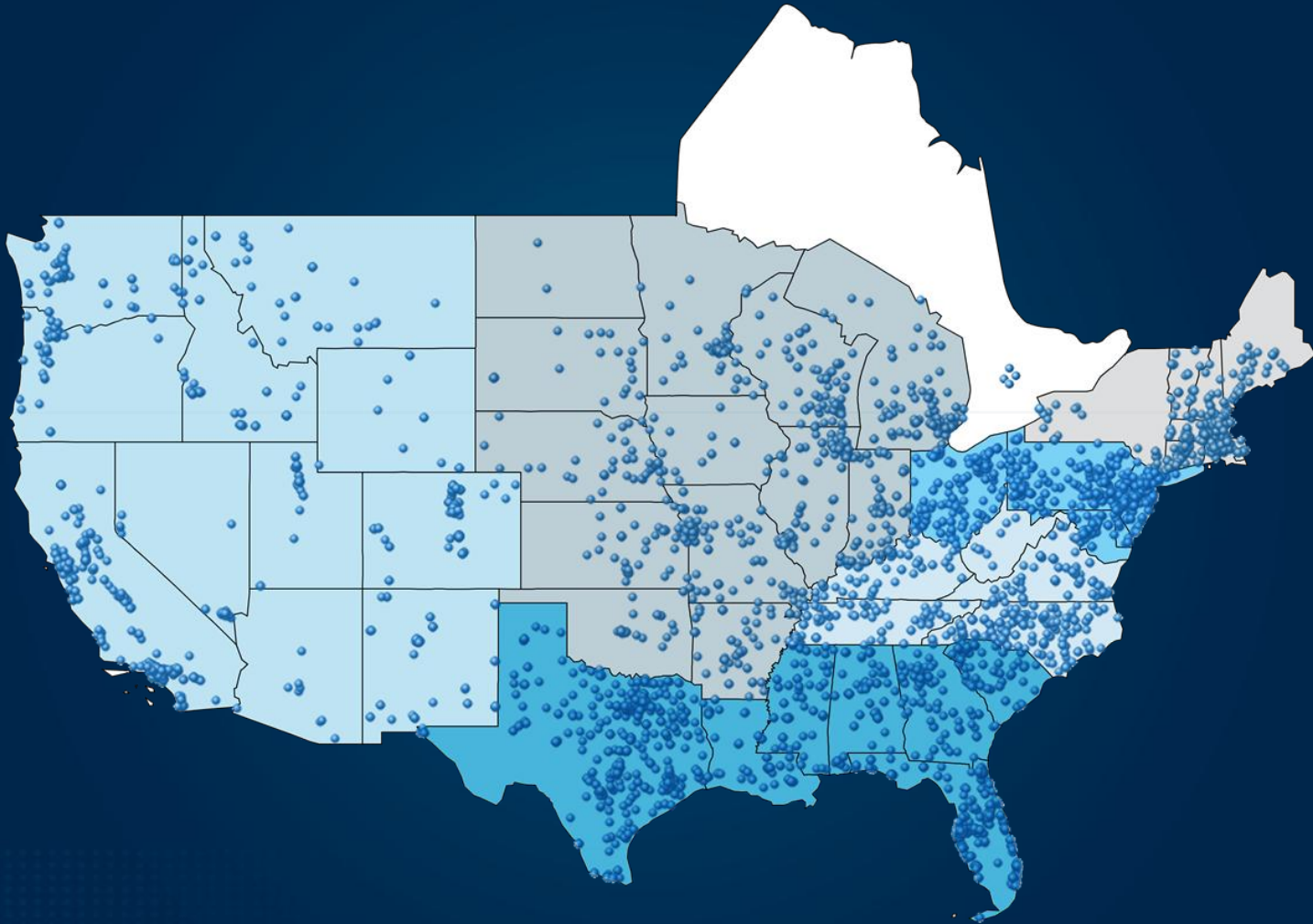
	<u>Hospitals</u>	<u>Long Term &amp; Post Acute Care</u>
Number of Facilities	6,915	23,000
Total Expenditures	\$774.0 Billion	\$149.3 Billion
Housekeeping & Laundry Costs	\$23.2 Billion (3%)	\$9.0 Billion (6%)
Contractual Management	24%	< 18%
Dining & Nutrition Costs	\$46.4 Billion (6%)	\$18.0 Billion (12%)
Contractual Management	28%	< 5%

Sources: American Hospital Association, Dept. of Health and Human Services, Center for Medicare and Medicaid Services, Modern Healthcare Survey

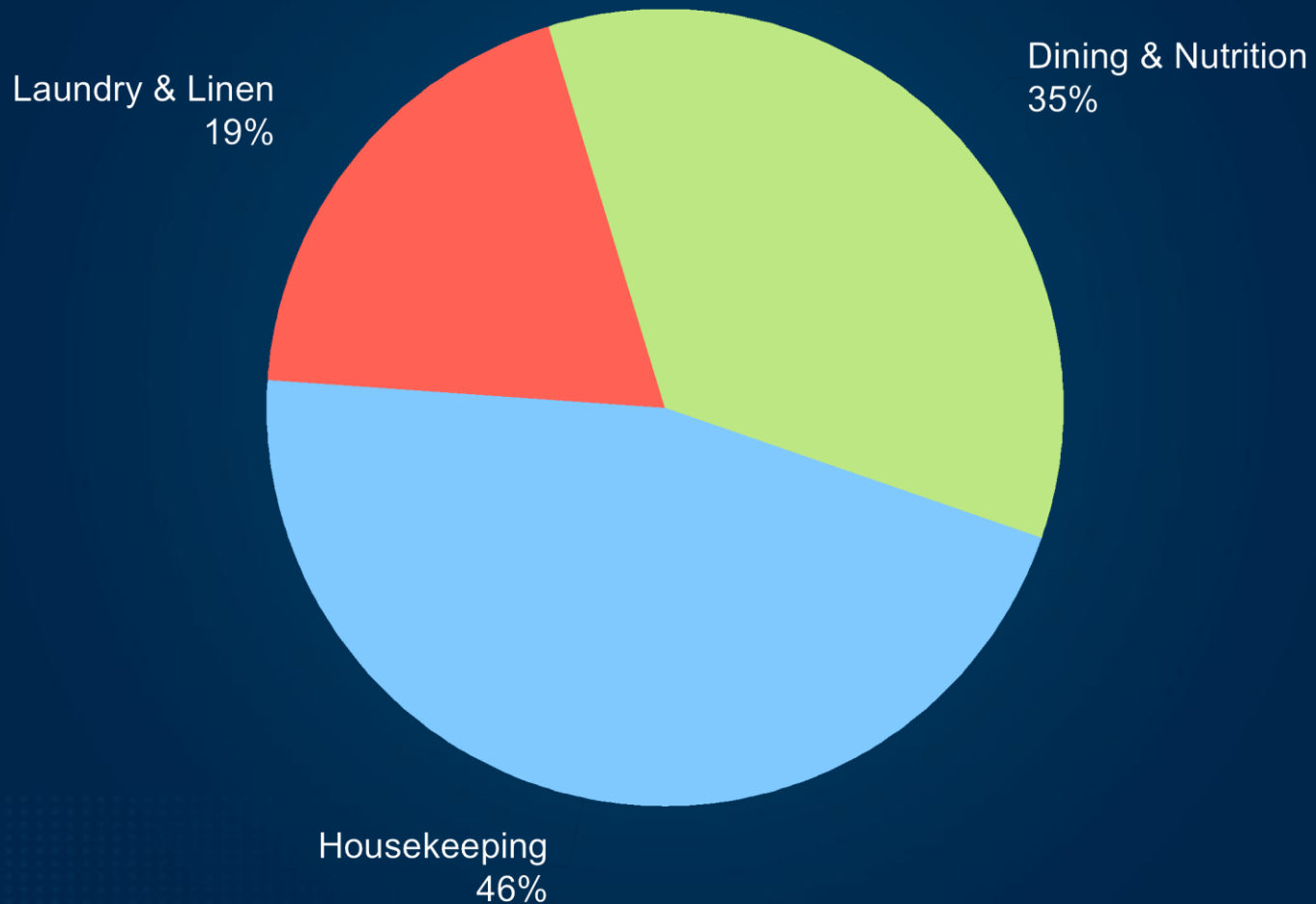
# Market Penetration (con't)

- Largest Housekeeping and Laundry service provider to the health care industry
- Over 3,700 facilities under management
- 90% client retention rate
- Recurring revenue stream

# Market Penetration (con't)



# Services (% of Revenues)



# Operational Structure





# Sales & Marketing Structure



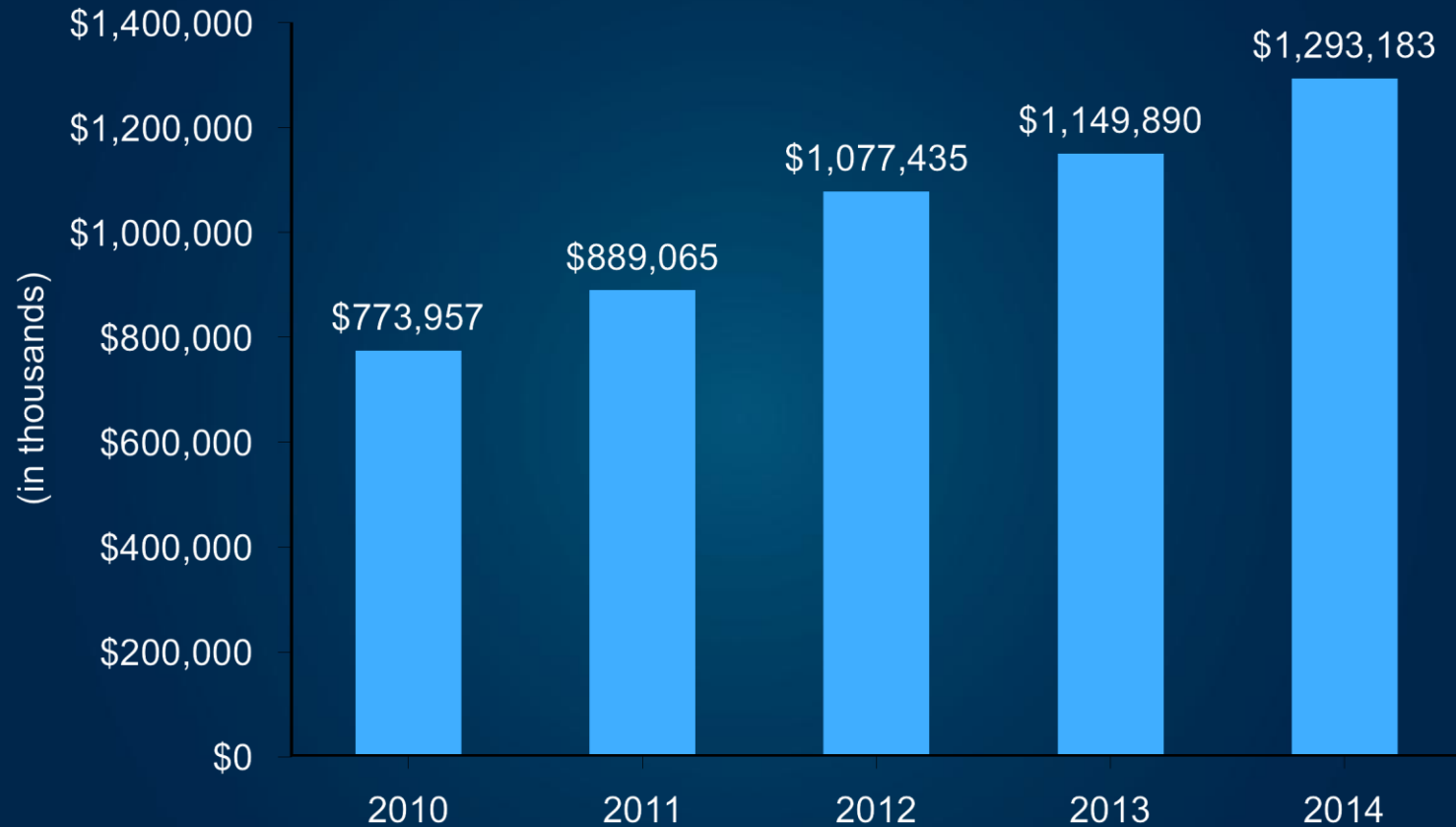
# Sources of Growth

- Geographic expansion of regional and local clients
- National chains
- New facilities with existing clients
- Sale of Laundry & Linen services to new and existing clients
- Sale of Dining & Nutrition services to new and existing clients

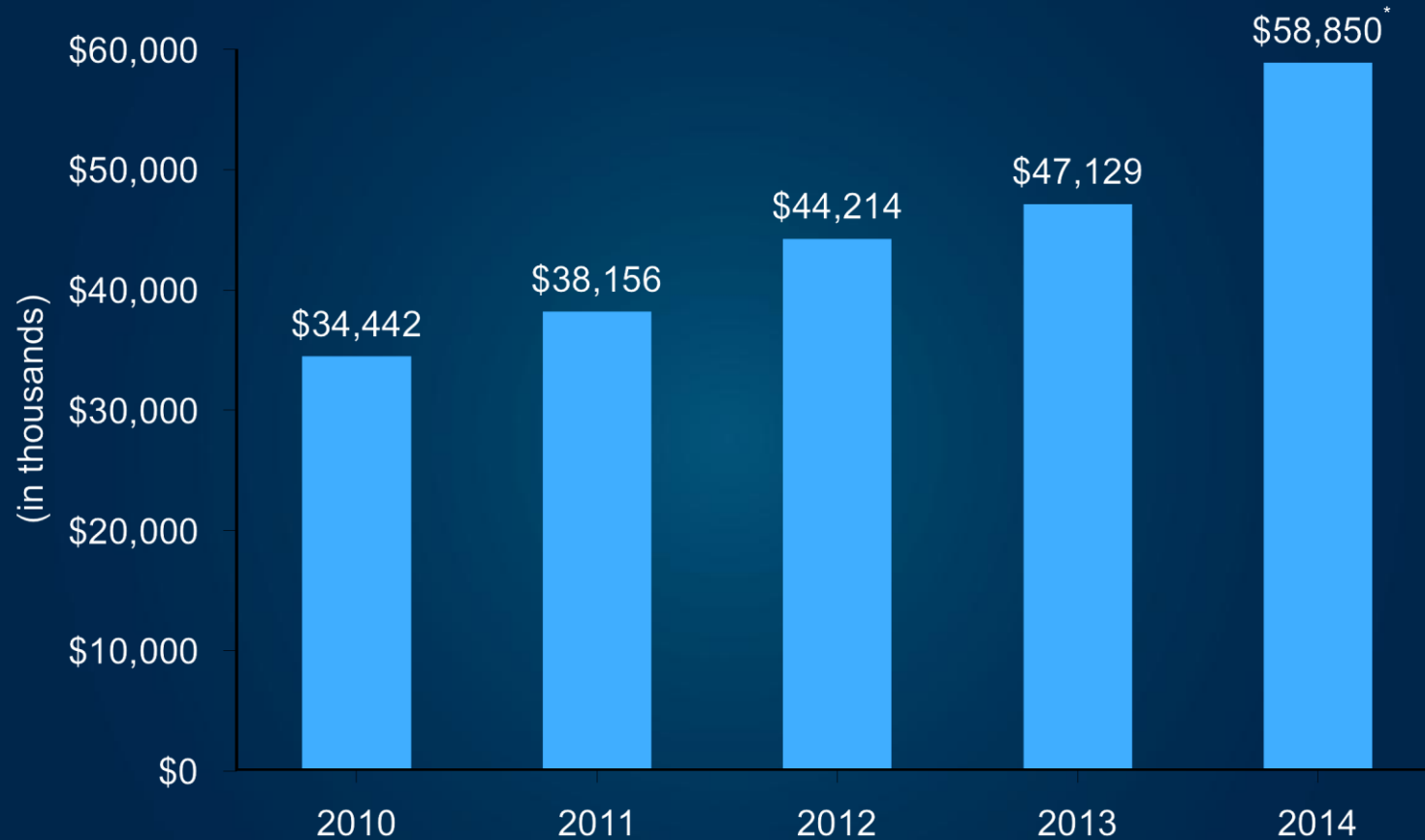
# The Advantage

- Demonstrated cost savings to health care industry
- Superior professional management system
- Operational structure to service local, regional and national accounts
- Substantial capacity to absorb incremental business within existing infrastructure

# Revenues



# Net Income



\* Excludes non-recurring charges

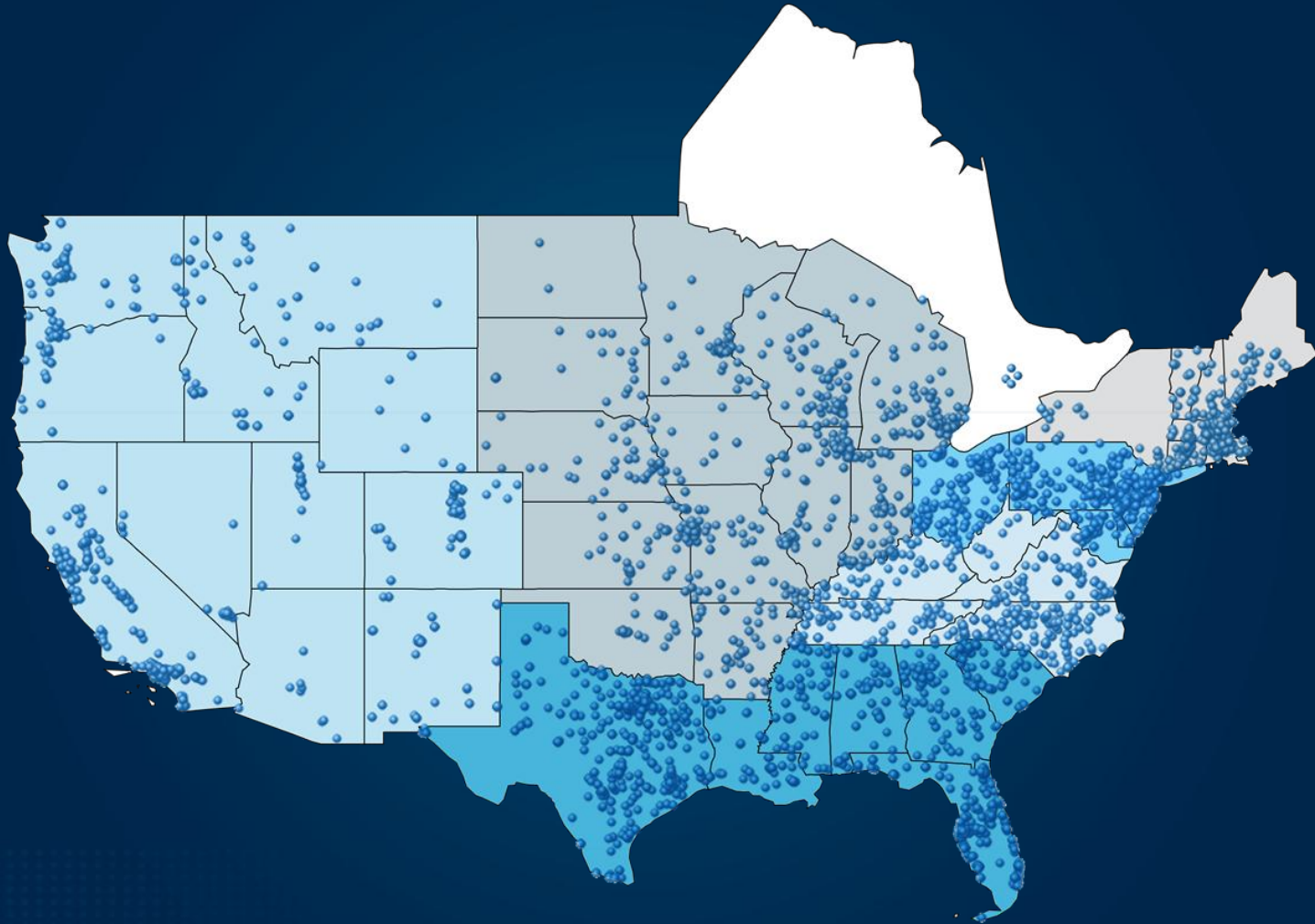
# Investment Considerations

- Cash & Marketable Securities - \$87.1 million
- Current Assets - \$334.8 million
- Current Ratio - 3:1
- Stockholder Equity - \$275.8 million
- Dividend - \$0.70 per share (annualized, post 3:2 split)
  - Over \$320 million of dividend payouts since 2003
- Book Value - \$3.91 (split adjusted)

# Growth Objectives

- Expand established regions
  - Local operators
  - National chains
- Expand Dining & Nutrition services to client base
- 90% client retention rate

# Growth Objectives (con't)





# Opportunity

- “Graying” of America
- Cost containment
- Growing market with little competition
- Organization in place for growth