



## Chemed Reports Third-Quarter 2020 Results

October 29, 2020

CINCINNATI--(BUSINESS WIRE)--Oct. 29, 2020-- Chemed Corporation (Chemed) (NYSE:CHE), which operates VITAS Healthcare Corporation (VITAS), one of the nation's largest providers of end-of-life care, and Roto-Rooter, the nation's largest commercial and residential plumbing and drain cleaning services provider, reported financial results for its third quarter ended September 30, 2020, versus the comparable prior-year period, as follows:

Consolidated operating results:

- Revenue increased 9.9% to \$528 million
- GAAP Diluted Earnings-per-Share (EPS) of \$4.14, an increase of 16.3%
- Adjusted Diluted EPS of \$4.86, an increase of 40.5%

VITAS segment operating results:

- Net Patient Revenue of \$337 million, an increase of 4.8%
- Average Daily Census (ADC) of 19,045, a decline of 0.2%
- Admissions of 17,943 an increase of 4.7%
- Net Income, excluding certain discrete items, of \$55.1 million, an increase of 36.4%
- Adjusted EBITDA, excluding Medicare Cap, of \$68.2 million, an increase of 25.6%
- Adjusted EBITDA margin, excluding Medicare Cap, of 20.5%, an increase of 367-basis points

Roto-Rooter segment operating results:

- Revenue of \$191 million, an increase of 20.4%
- Net Income, excluding certain discrete items, of \$36.2 million, an increase of 25.5%
- Adjusted EBITDA of \$51.8 million, an increase of 30.2%
- Adjusted EBITDA margin of 27.1%, an increase of 205-basis points

### VITAS

VITAS net revenue was \$337 million in the third quarter of 2020, which is an increase of 4.8%, when compared to the prior-year period. This revenue increase is comprised primarily of a geographically weighted average Medicare reimbursement rate increase (including the suspension of sequestration on May 1, 2020) of approximately 5.7%, a 0.2% decline in days-of-care, and acuity mix shift which then reduced the blended average Medicare rate increase 242-basis points. In addition, a reduction in Medicare Cap liability increased revenue growth 162-basis points. The combination of Medicaid net room and board pass-through and other contra revenue activity increased revenue growth approximately 9-basis points in the quarter.

In the third quarter of 2020, VITAS reversed \$4.1 million in Medicare Cap billing limitations recorded in earlier quarters. This compares favorably to the prior-year third quarter Medicare Cap billing limitation of \$1.3 million.

The federal government's Medicare Cap billing limitation fiscal year end is September 30. At September 30, 2020, VITAS had 30 Medicare provider numbers, four of which have an estimated fiscal 2020 Medicare Cap billing limitation liability of \$8.7 million. This compares favorably to the full year fiscal 2019 Medicare Cap billing limitation liability of approximately \$11.4 million.

Of VITAS' 30 Medicare provider numbers, 22 provider numbers have a Medicare Cap cushion of 10% or greater, one provider number has a cap cushion between 5% and 10%, three provider numbers have a cap cushion between 0% and 5%, and four provider numbers have a fiscal 2020 Medicare Cap billing limitation.

Average revenue per patient per day in the third quarter of 2020 was \$194.10, which, including acuity mix shift, is 3.2% above the prior-year period. Reimbursement for routine home care and high acuity care averaged \$166.51 and \$971.71, respectively. During the quarter, high acuity days-of-care were 3.4% of total days of care, 57-basis points less than the prior-year quarter. This 57-basis point mix shift in high acuity days-of-care reduced the increase in average revenue per patient per day from 5.7% to 3.2% in the quarter.

The third quarter 2020 gross margin, excluding Medicare Cap and excluding \$7 million of costs for personal protection equipment (PPE), disinfecting facilities and other incremental expenses directly related to the pandemic, was 28.0%, which is a 465-basis point margin improvement when compared to the third quarter of 2019. This increase in gross margin is attributed to a 2% increase in reimbursement from the temporary suspension of sequestration, a level-of-care mix shift to higher margin, lower reimbursement routine home care and efficiencies from utilizing telehealth when appropriate.

Selling, general and administrative expense was \$21.8 million in the third quarter of 2020, which is a favorable decrease of 0.8% compared to the prior-year quarter. Adjusted EBITDA, excluding Medicare Cap, totaled \$68.2 million in the quarter, an increase of 25.6%. Adjusted EBITDA margin, excluding Medicare Cap, was 20.5% in the quarter, which is a 367-basis point improvement when compared to the prior-year period.

## Roto-Rooter

Roto-Rooter generated quarterly revenue of \$191 million in the third quarter of 2020, an increase of \$32.3 million, or 20.4%, over the prior-year quarter. On a unit-for-unit basis, which excludes the Oakland and HSW acquisitions completed in July 2019 and September 2019, respectively, Roto-Rooter generated quarterly revenue of \$173 million for the third quarter of 2020, an increase of 11.4% over the prior-year quarter.

Total commercial revenue, excluding acquisitions, decreased 11.6%. This aggregate unit-for-unit commercial revenue decline consisted of drain cleaning revenue declining 13.0%, commercial plumbing and excavation declining 11.2%, and commercial water restoration declining 1.6%.

Total residential revenue, excluding acquisitions, increased 24.6%. This aggregate residential revenue growth consisted of residential drain cleaning increasing 22.0%, plumbing and excavation expanding 31.2%, and residential water restoration increasing 16.1%.

Roto-Rooter started the second quarter of 2020 with weak commercial and residential demand when compared to the prior year. Fortunately, service demand began to improve in the later part of April and continued to strengthen throughout the second quarter. This positive trend continued throughout the third quarter with unit-for-unit commercial revenue declining 15.7%, 8.5% and 10.7% in July, August and September 2020, respectively. Unit-for-unit residential revenue sales increased 22.8% in July, increased 24.1% in August, and increased 26.6% in September 2020.

Roto-Rooter's gross margin in the quarter was 51.6%, a 232-basis point increase when compared to the third quarter of 2019. Adjusted EBITDA in the third quarter of 2020 totaled \$51.8 million, an increase of 30.2%. The Adjusted EBITDA margin in the quarter was 27.1% which is a 205-basis point increase when compared to the prior year. The increase in Adjusted EBITDA margin is attributed to strong residential revenue growth which contribute slightly higher margin than commercial revenue, as well as excellent expense management on costs related to managing Roto-Rooter branch infrastructure.

## Chemed Consolidated

As of September 30, 2020, Chemed had total cash and cash equivalents of \$113 million and no long-term debt.

In June 2018, Chemed entered into a five-year Amended and Restated Credit Agreement that consists of a \$450 million revolving credit facility. The interest rate on this facility has a floating rate that is currently LIBOR plus 100-basis points. At September 30, 2020, the Company had \$38 million in outstanding letters of credit resulting in approximately \$412 million of undrawn borrowing capacity under this credit agreement.

During the quarter, the Company repurchased 50,000 shares of Chemed stock for \$25.0 million which equates to a cost per share of \$499.48. As of September 30, 2020, there was approximately \$207 million of remaining share repurchase authorization under this plan.

Chemed restarted its share repurchase program in 2007. Since that time Chemed has repurchased approximately 14.5 million shares, aggregating approximately \$1.4 billion at an average share cost of \$94.17. Including dividends over this period, Chemed has returned approximately \$1.6 billion to shareholders.

## Guidance for 2020

Historically, Chemed earnings guidance has been developed using previous years' key operating metrics which are then modeled and projected out for the calendar year. Critical within these projections is the understanding of traditional patterned correlations among key operating metrics. Once we complete this phase of our projected operating results, we would then modify the projections for the timing of price increases, changes in commission structure, wages, marketing programs and a variety of continuous improvement initiatives that our business segments plan on executing over the coming year. This modeling exercise also takes into consideration anticipated industry and macro-economic issues outside of management's control but are somewhat predictable in terms of timing and impact on our business segments' operating results.

The 2020 pandemic has made accurate modeling and providing meaningful earnings guidance for Chemed exceptionally challenging. Federal, state and local government authorities are forced to make swift decisions within our healthcare system, labor pools and general economy. These governmental decisions have the potential for an immediate and material impact on VITAS and Roto-Rooter operating results.

Over the past seven months, Chemed has been able to successfully navigate within this rapidly changing environment and produce operating results that we believe provide us with the ability to issue guidance for the remainder of the calendar year. However, this guidance should be taken with the recognition the pandemic will continue to materially disrupt all aspects of our healthcare system and general economy to such an extent that future rules, regulations and government mandates could materially impact our ability to achieve this guidance.

Revenue growth for VITAS in 2020, prior to Medicare Cap, is estimated to be 4%. Average Daily Census in 2020 is estimated to expand approximately 1.3%. Full-year Adjusted EBITDA margin, prior to Medicare Cap, is estimated to be 21%. We are currently estimating \$8.7 million for Medicare Cap billing limitations for calendar year 2020. We also anticipate the \$80.2 million of CARES Act funds formulaically calculated by the federal government based upon our 2019 Medicare fee-for-service revenue will be adequate to cover increased costs specifically related to operating our healthcare unit during the pandemic as well as any incremental Medicare Cap billing limitations triggered from declines in Medicare admissions. Chemed's full year adjusted earnings per share guidance eliminates any financial benefit from the CARES Act funds that relate to lost revenue. We anticipate returning any unused CARES Act funds to the federal government at the end of the pandemic measurement period.

Roto-Rooter is forecasted to achieve full-year 2020 revenue growth of 12.5% to 13.0%. Roto-Rooter's Adjusted EBITDA margin for 2020 is estimated to be 26.1%.

Based upon the above, full-year 2020 adjusted earnings per diluted share, excluding non-cash expense for stock options, tax benefits from stock option exercises, costs related to litigation, and other discrete items, is estimated to be in the range of \$18.00 to \$18.15 and compares to Chemed's previous 2020 guidance of \$16.20 to \$16.40. This 2020 guidance assumes an effective corporate tax rate of 25.8%. Chemed's 2019 reported adjusted earnings per diluted share was \$13.95.

## Conference Call

Chemed will host a conference call and webcast at 10 a.m., ET, on Friday, October 30, 2020, to discuss the Company's quarterly results and to provide an update on its business. The dial-in number for the conference call is (844) 743-2500 for U.S. and Canadian participants and +1 (661) 378-9533 for

international participants. The Conference ID is 8376498. A live webcast of the call can be accessed on Chemed's website at [www.chemed.com](http://www.chemed.com) by clicking on Investor Relations Home.

A taped replay of the conference call will be available beginning approximately 24 hours after the call's conclusion. It can be accessed by dialing (855) 859-2056 for U.S. and Canadian callers and +1 (404) 537-3406 for international callers and will be available for one week following the live call. The replay Conference ID is 8376498. An archived webcast will also be available at [www.chemed.com](http://www.chemed.com).

Chemed Corporation operates in the healthcare field through its VITAS Healthcare Corporation subsidiary. VITAS provides daily hospice services to approximately 19,000 patients with severe, life-limiting illnesses. This type of care is focused on making the terminally ill patient's final days as comfortable and pain-free as possible.

Chemed operates in the residential and commercial plumbing and drain cleaning industry under the brand name Roto-Rooter. Roto-Rooter provides plumbing, drain cleaning, and water cleanup services through company-owned branches, independent contractors and franchisees in the United States and Canada. Roto-Rooter also has licensed master franchisees in the republics of Indonesia and Singapore, and the Philippines.

This press release contains information about Chemed's EBITDA, Adjusted EBITDA and Adjusted Diluted EPS, which are not measures derived in accordance with GAAP and which exclude components that are important to understanding Chemed's financial performance. In reporting its operating results, Chemed provides EBITDA, Adjusted EBITDA and Adjusted Diluted EPS measures to help investors and others evaluate the Company's operating results, compare its operating performance with that of similar companies that have different capital structures and evaluate its ability to meet its future debt service, capital expenditures and working capital requirements. Chemed's management similarly uses EBITDA, Adjusted EBITDA and Adjusted Diluted EPS to assist it in evaluating the performance of the Company across fiscal periods and in assessing how its performance compares to its peer companies. These measures also help Chemed's management to estimate the resources required to meet Chemed's future financial obligations and expenditures. Chemed's EBITDA, Adjusted EBITDA and Adjusted Diluted EPS should not be considered in isolation or as a substitute for comparable measures calculated and presented in accordance with GAAP. We calculated Adjusted EBITDA Margin by dividing Adjusted EBITDA by service revenue and sales. A reconciliation of Chemed's net income to its EBITDA, Adjusted EBITDA and Adjusted Diluted EPS is presented in the tables following the text of this press release.

#### Forward-Looking Statements

Certain statements contained in this press release and the accompanying tables are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "hope," "anticipate," "plan" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Chemed does not undertake and specifically disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements are based on current expectations and assumptions and involve various risks and uncertainties, which could cause Chemed's actual results to differ from those expressed in such forward-looking statements.

These risks and uncertainties arise from, among other things, possible changes in regulations governing the hospice care or plumbing and drain cleaning industries; periodic changes in reimbursement levels and procedures under Medicare and Medicaid programs; difficulties predicting patient length of stay and estimating potential Medicare reimbursement obligations; challenges inherent in Chemed's growth strategy; the current shortage of qualified nurses, other healthcare professionals and licensed plumbing and drain cleaning technicians; Chemed's dependence on patient referral sources; and other factors detailed under the caption "Description of Business by Segment" or "Risk Factors" in Chemed's most recent report on form 10-Q or 10-K and its other filings with the Securities and Exchange Commission. You are cautioned not to place undue reliance on such forward-looking statements and there are no assurances that the matters contained in such statements will be achieved.

#### CHEMED CORPORATION AND SUBSIDIARY COMPANIES CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)(unaudited)

|   | Three Months Ended September 30, Nine Months Ended September 30, |            |              |              |
|---|--|------------|--------------|--------------|
|   | 2020   | 2019       | 2020         | 2019         |
| Service revenues and sales                        | \$ 528,297   | \$ 480,613 | \$ 1,546,294 | \$ 1,416,231 |
| Cost of services provided and goods sold          | 339,240  | 328,183    | 1,043,148    | 973,771      |
| Selling, general and administrative expenses (aa) | 88,317   | 76,836     | 243,413      | 222,421      |
| Depreciation                                      | 11,714   | 10,147     | 34,761       | 29,744       |
| Amortization                                      | 2,511  | 441        | 7,476        | 1,366        |
| Other operating (income)/expenses                 | 12,207   | 78         | (28,935)     | 9,001        |
| Total costs and expenses                          | 453,989  | 415,685    | 1,299,863    | 1,236,303    |
| Income from operations                            | 74,308   | 64,928     | 246,431      | 179,928      |

|                                      |           |           |            |            |
|--------------------------------------|-----------|-----------|------------|------------|
| Interest expense                     | (379 )    | (1,041 )  | (2,005 )   | (3,402 )   |
| Other income--net (bb)               | 7,675     | 3,036     | 5,723      | 5,488      |
| Income before income taxes           | 81,604    | 66,923    | 250,149    | 182,014    |
| Income taxes                         | (13,882 ) | (7,976 )  | (44,435 )  | (27,671 )  |
| Net income                           | \$ 67,722 | \$ 58,947 | \$ 205,714 | \$ 154,343 |
| <b>Earnings Per Share</b>            |           |           |            |            |
| Net income                           | \$ 4.25   | \$ 3.69   | \$ 12.90   | \$ 9.68    |
| Average number of shares outstanding | 15,940    | 15,970    | 15,948     | 15,952     |
| <b>Diluted Earnings Per Share</b>    |           |           |            |            |
| Net income                           | \$ 4.14   | \$ 3.56   | \$ 12.53   | \$ 9.35    |
| Average number of shares outstanding | 16,373    | 16,555    | 16,419     | 16,514     |

(aa) Selling, general and administrative ("SG&A") expenses comprise (in thousands):

|   | Three Months Ended September 30, |           | Nine Months Ended September 30, |            |
|---|----------------------------------|-----------|---------------------------------|------------|
|   | 2020                             | 2019      | 2020                            | 2019       |
| SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation plans | \$ 79,287                        | \$ 72,273 | \$ 232,797                      | \$ 212,775 |
| Market value adjustments related to deferred compensation trusts  | 7,256                            | 2,886     | 5,093                           | 5,094      |
| Long-term incentive compensation  | 1,774                            | 1,677     | 5,523                           | 4,552      |
| Total SG&A expenses   | \$ 88,317                        | \$ 76,836 | \$ 243,413                      | \$ 222,421 |

(bb) Other income--net comprises (in thousands):

|  | Three Months Ended September 30, |          | Nine Months Ended September 30, |          |
|--|----------------------------------|----------|---------------------------------|----------|
|  | 2020                             | 2019     | 2020                            | 2019     |
| Market value adjustments related to deferred compensation trusts | \$ 7,256                         | \$ 2,886 | \$ 5,093                        | \$ 5,094 |
| Interest income  | 423                              | 173      | 647                             | 387      |
| Other  | (4 )                             | (23 )    | (17 )                           | 7        |
| Total other income--net  | \$ 7,675                         | \$ 3,036 | \$ 5,723                        | \$ 5,488 |

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share data)(unaudited)

September 30,

|   | 2020         | 2019         |
|---|--------------|--------------|
| <b>Assets</b>   |              |              |
| Current assets  |              |              |
| Cash and cash equivalents                                       | \$ 112,765   | \$ 9,066     |
| Accounts receivable less allowances                             | 110,839      | 114,480      |
| Inventories   | 7,546        | 7,354        |
| Prepaid income taxes  | 14,224       | 10,745       |
| Prepaid expenses  | 25,222       | 26,150       |
| Total current assets  | 270,596      | 167,795      |
| Investments of deferred compensation plans held in trust        | 86,865       | 73,714       |
| Properties and equipment, at cost less accumulated depreciation | 181,386      | 172,932      |
| Lease right of use asset  | 120,382      | 103,286      |
| Identifiable intangible assets less accumulated amortization    | 120,401      | 129,276      |
| Goodwill  | 578,519      | 576,600      |
| Other assets  | 8,805        | 8,982        |
| Total Assets  | \$ 1,366,954 | \$ 1,232,585 |
| <b>Liabilities</b>  |              |              |
| Current liabilities   |              |              |
| Accounts payable  | \$ 39,268    | \$ 44,027    |
| Accrued insurance   | 50,727       | 47,726       |
| Accrued compensation  | 101,868      | 75,208       |
| Accrued legal   | 9,561        | 7,283        |
| Short-term lease liability                                      | 33,311       | 33,761       |
| Unutilized CARES Act grant                                      | 48,041       | -            |
| Other current liabilities                                       | 46,387       | 43,496       |
| Total current liabilities                                       | 329,163      | 251,501      |
| Deferred income taxes   | 19,222       | 15,512       |
| Long-term debt  | -            | 130,000      |
| Deferred compensation liabilities                               | 86,875       | 73,335       |

|  |                     |              |
|--|---------------------|--------------|
| Long-term lease liability                      | <b>99,241</b>       | 82,012       |
| Other liabilities                              | <b>31,045</b>       | 7,845        |
| Total Liabilities                              | <b>565,546</b>      | 560,205      |
| <b>Stockholders' Equity</b>                    |                     |              |
| Capital stock                                  | <b>36,137</b>       | 35,738       |
| Paid-in capital                                | <b>925,271</b>      | 841,837      |
| Retained earnings                              | <b>1,615,465</b>    | 1,365,303    |
| Treasury stock, at cost                        | <b>(1,777,809)</b>  | (1,572,844)  |
| Deferred compensation payable in Company stock | <b>2,344</b>        | 2,346        |
| Total Stockholders' Equity                     | <b>801,408</b>      | 672,380      |
| Total Liabilities and Stockholders' Equity     | <b>\$ 1,366,954</b> | \$ 1,232,585 |

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)(unaudited)

For the Nine Months Ended September 30,

|   | <b>2020</b>       | 2019       |
|---|-------------------|------------|
| <b>Cash Flows from Operating Activities</b>                                       |                   |            |
| Net income  | <b>\$ 205,714</b> | \$ 154,343 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                   |            |
| Unutilized CARES Act grant  | <b>48,041</b>     | -          |
| Depreciation and amortization   | <b>42,237</b>     | 31,110     |
| Deferred payroll taxes  | <b>22,941</b>     | -          |
| Stock option expense  | <b>13,296</b>     | 10,729     |
| Noncash long-term incentive compensation  | <b>5,301</b>      | 4,184      |
| Litigation settlement   | <b>2,684</b>      | 6,000      |
| Noncash directors' compensation   | <b>1,171</b>      | 767        |
| Deferred tax provision/(benefit)  | <b>831</b>        | (6,085)    |
| Amortization of debt issuance costs   | <b>229</b>        | 229        |
| Asset impairment loss   | -                 | 2,266      |
| Changes in operating assets and liabilities, excluding                            |                   |            |

amounts acquired in business combinations:

|  |                 |   |          |   |
|--|-----------------|---|----------|---|
| Decrease in accounts receivable                                    | <b>27,993</b>   |   | 10,558   |   |
| Increase in inventories  | <b>(84</b>      | ) | (1,649   | ) |
| Increase in prepaid expenses                                       | <b>(2,072</b>   | ) | (6,836   | ) |
| Increase in accounts payable and<br>other current liabilities      | <b>34,526</b>   |   | 28,622   |   |
| Change in current income taxes                                     | <b>(4,366</b>   | ) | (81      | ) |
| Net change in lease assets and liabilities                         | <b>1,583</b>    |   | 1,311    |   |
| Increase in other assets   | <b>(9,646</b>   | ) | (8,145   | ) |
| Increase in other liabilities                                      | <b>10,735</b>   |   | 9,045    |   |
| Other sources  | <b>1,298</b>    |   | 1,277    |   |
| Net cash provided by operating activities                          | <b>402,412</b>  |   | 237,645  |   |
| <b>Cash Flows from Investing Activities</b>                        |                 |   |          |   |
| Capital expenditures   | <b>(42,670</b>  | ) | (39,753  | ) |
| Business combinations  | <b>(3,600</b>   | ) | (138,010 | ) |
| Other sources  | <b>672</b>      |   | 101      |   |
| Net cash used by investing activities                              | <b>(45,598</b>  | ) | (177,662 | ) |
| <b>Cash Flows from Financing Activities</b>                        |                 |   |          |   |
| Payments on revolving line of credit                               | <b>(264,900</b> | ) | (359,900 | ) |
| Proceeds from revolving line of credit                             | <b>174,900</b>  |   | 400,700  |   |
| Purchases of treasury stock  | <b>(147,123</b> | ) | (71,926  | ) |
| Proceeds from exercise of stock options                            | <b>31,498</b>   |   | 23,383   |   |
| Capital stock surrendered to pay taxes on stock-based compensation | <b>(18,707</b>  | ) | (26,108  | ) |
| Dividends paid   | <b>(15,639</b>  | ) | (14,657  | ) |
| Change in cash overdrafts payable                                  | <b>(9,849</b>   | ) | (7,535   | ) |
| Other (uses)/sources   | <b>(387</b>     | ) | 295      |   |
| Net cash used by financing activities                              | <b>(250,207</b> | ) | (55,748  | ) |
| <b>Increase in Cash and Cash Equivalents</b>                       | <b>106,607</b>  |   | 4,235    |   |
| Cash and cash equivalents at beginning of year                     | <b>6,158</b>    |   | 4,831    |   |

Cash and cash equivalents at end of year \$ 112,765 \$ 9,066

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATING STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(in thousands)(unaudited)

|  | VITAS      | Roto-Rooter | Corporate   | Chemed<br>Consolidated |
|--|------------|-------------|-------------|------------------------|
| <b>2020 (a)</b>                              |            |             |             |                        |
| Service revenues and sales                   | \$ 337,097 | \$ 191,200  | \$ -        | \$ 528,297             |
| Cost of services provided and goods sold     | 246,636    | 92,604      | -           | 339,240                |
| Selling, general and administrative expenses | 21,799     | 48,074      | 18,444      | 88,317                 |
| Depreciation                                 | 5,592      | 6,089       | 33          | 11,714                 |
| Amortization                                 | 18         | 2,493       | -           | 2,511                  |
| Other operating expense                      | 9,052      | 3,155       | -           | 12,207                 |
| Total costs and expenses                     | 283,097    | 152,415     | 18,477      | 453,989                |
| Income/(loss) from operations                | 54,000     | 38,785      | (18,477 )   | 74,308                 |
| Interest expense                             | (47 )      | (80 )       | (252 )      | (379 )                 |
| Intercompany interest income/(expense)       | 5,337      | 1,651       | (6,988 )    | -                      |
| Other income—net                             | 381        | 38          | 7,256       | 7,675                  |
| Income/(loss) before income taxes            | 59,671     | 40,394      | (18,461 )   | 81,604                 |
| Income taxes                                 | (13,934 )  | (9,218 )    | 9,270       | (13,882 )              |
| Net income/(loss)                            | \$ 45,737  | \$ 31,176   | \$ (9,191 ) | \$ 67,722              |
| <b>2019 (b)</b>                              |            |             |             |                        |
| Service revenues and sales                   | \$ 321,748 | \$ 158,865  | \$ -        | \$ 480,613             |
| Cost of services provided and goods sold     | 247,551    | 80,632      | -           | 328,183                |
| Selling, general and administrative expenses | 21,965     | 41,758      | 13,113      | 76,836                 |
| Depreciation                                 | 5,105      | 5,003       | 39          | 10,147                 |
| Amortization                                 | 18         | 423         | -           | 441                    |
| Other operating expense/(income)             | 97         | (19 )       | -           | 78                     |
| Total costs and expenses                     | 274,736    | 127,797     | 13,152      | 415,685                |



|  |           |           |             |           |
|--|-----------|-----------|-------------|-----------|
| Income/(loss) from operations          | 47,012    | 31,068    | (13,152 )   | 64,928    |
| Interest expense                       | (48 )     | (80 )     | (913 )      | (1,041 )  |
| Intercompany interest income/(expense) | 4,618     | 2,234     | (6,852 )    | -         |
| Other income—net                       | 121       | 31        | 2,884       | 3,036     |
| Income/(loss) before income taxes      | 51,703    | 33,253    | (18,033 )   | 66,923    |
| Income taxes                           | (11,930 ) | (7,113 )  | 11,067      | (7,976 )  |
| Net income/(loss)                      | \$ 39,773 | \$ 26,140 | \$ (6,966 ) | \$ 58,947 |

The "Footnotes to Financial Statements" are integral parts of this financial information.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATING STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**  
(in thousands)(unaudited)

|  | VITAS        | Roto-Rooter | Corporate    | Chemed<br>Consolidated |
|--|--------------|-------------|--------------|------------------------|
| <b>2020 (a)</b>                              |              |             |              |                        |
| Service revenues and sales                   | \$ 1,002,477 | \$ 543,817  | \$ -         | \$ 1,546,294           |
| Cost of services provided and goods sold     | 772,880      | 270,268     | -            | 1,043,148              |
| Selling, general and administrative expenses | 65,141       | 138,587     | 39,685       | 243,413                |
| Depreciation                                 | 16,622       | 18,035      | 104          | 34,761                 |
| Amortization                                 | 53           | 7,423       | -            | 7,476                  |
| Other operating (income)/expense             | (31,661 )    | 2,725       | 1            | (28,935 )              |
| Total costs and expenses                     | 823,035      | 437,038     | 39,790       | 1,299,863              |
| Income/(loss) from operations                | 179,442      | 106,779     | (39,790 )    | 246,431                |
| Interest expense                             | (137 )       | (272 )      | (1,596 )     | (2,005 )               |
| Intercompany interest income/(expense)       | 14,463       | 4,422       | (18,885 )    | -                      |
| Other income—net                             | 549          | 68          | 5,106        | 5,723                  |
| Income/(loss) before income taxes            | 194,317      | 110,997     | (55,165 )    | 250,149                |
| Income taxes                                 | (47,055 )    | (26,031 )   | 28,651       | (44,435 )              |
| Net income/(loss)                            | \$ 147,262   | \$ 84,966   | \$ (26,514 ) | \$ 205,714             |

2019 (b)

|  |            |            |              |              |
|--|------------|------------|--------------|--------------|
| Service revenues and sales                   | \$ 941,279 | \$ 474,952 | \$ -         | \$ 1,416,231 |
| Cost of services provided and goods sold     | 728,397    | 245,374    | -            | 973,771      |
| Selling, general and administrative expenses | 65,182     | 120,736    | 36,503       | 222,421      |
| Depreciation                                 | 14,644     | 14,983     | 117          | 29,744       |
| Amortization                                 | 53         | 1,313      | -            | 1,366        |
| Other operating expense                      | 6,521      | 214        | 2,266        | 9,001        |
| Total costs and expenses                     | 814,797    | 382,620    | 38,886       | 1,236,303    |
| Income/(loss) from operations                | 126,482    | 92,332     | (38,886 )    | 179,928      |
| Interest expense                             | (150 )     | (273 )     | (2,979 )     | (3,402 )     |
| Intercompany interest income/(expense)       | 13,395     | 6,609      | (20,004 )    | -            |
| Other income—net                             | 309        | 86         | 5,093        | 5,488        |
| Income/(loss) before income taxes            | 140,036    | 98,754     | (56,776 )    | 182,014      |
| Income taxes                                 | (33,636 )  | (22,452 )  | 28,417       | (27,671 )    |
| Net income/(loss)                            | \$ 106,400 | \$ 76,302  | \$ (28,359 ) | \$ 154,343   |

The "Footnotes to Financial Statements" are integral parts of this financial information.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATING SUMMARIES OF EBITDA**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**  
(in thousands)(unaudited)

|  | VITAS     | Roto-Rooter | Chemed<br>Corporate | Consolidated |
|--|-----------|-------------|---------------------|--------------|
| <b>2020</b>                            |           |             |                     |              |
| Net income/(loss)                      | \$ 45,737 | \$ 31,176   | \$ (9,191 )         | \$ 67,722    |
| Add/(deduct):                          |           |             |                     |              |
| Interest expense                       | 47        | 80          | 252                 | 379          |
| Income taxes                           | 13,934    | 9,218       | (9,270 )            | 13,882       |
| Depreciation                           | 5,592     | 6,089       | 33                  | 11,714       |
| Amortization                           | 18        | 2,493       | -                   | 2,511        |
| EBITDA                                 | 65,328    | 49,056      | (18,176 )           | 96,208       |
| Add/(deduct):                          |           |             |                     |              |
| Intercompany interest expense/(income) | (5,337 )  | (1,651 )    | 6,988               | -            |

|                                       |           |           |             |            |
|---------------------------------------|-----------|-----------|-------------|------------|
| Interest income                       | (385 )    | (38 )     | -           | (423 )     |
| CARES Act grant                       | 8,805     | -         | -           | 8,805      |
| Direct costs related to COVID-19      | 6,945     | 1,321     | -           | 8,266      |
| Stock option expense                  | -         | -         | 3,182       | 3,182      |
| Litigation settlement                 | -         | 3,095     | -           | 3,095      |
| COVID-19 related Medicare cap         | (2,250 )  | -         | -           | (2,250 )   |
| Long-term incentive compensation      | -         | -         | 1,774       | 1,774      |
| Medicare cap sequestration adjustment | (852 )    | -         | -           | (852 )     |
| Adjusted EBITDA                       | \$ 72,254 | \$ 51,783 | \$ (6,232 ) | \$ 117,805 |

2019

|  |           |           |             |           |
|--|-----------|-----------|-------------|-----------|
| Net income/(loss)                      | \$ 39,773 | \$ 26,140 | \$ (6,966 ) | \$ 58,947 |
| Add/(deduct):                          |           |           |             |           |
| Interest expense                       | 48        | 80        | 913         | 1,041     |
| Income taxes                           | 11,930    | 7,113     | (11,067 )   | 7,976     |
| Depreciation                           | 5,105     | 5,003     | 39          | 10,147    |
| Amortization                           | 18        | 423       | -           | 441       |
| EBITDA                                 | 56,874    | 38,759    | (17,081 )   | 78,552    |
| Add/(deduct):                          |           |           |             |           |
| Intercompany interest expense/(income) | (4,618 )  | (2,234 )  | 6,852       | -         |
| Interest income                        | (139 )    | (34 )     | -           | (173 )    |
| Acquisition expense                    | -         | 3,281     | -           | 3,281     |
| Stock option expense                   | -         | -         | 2,711       | 2,711     |
| Long-term incentive compensation       | -         | -         | 1,677       | 1,677     |
| Medicare cap sequestration adjustment  | 859       | -         | -           | 859       |
| Adjusted EBITDA                        | \$ 52,976 | \$ 39,772 | \$ (5,841 ) | \$ 86,907 |

The "Footnotes to Financial Statements" are integral parts of this financial information.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATING SUMMARIES OF EBITDA**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**  
(in thousands)(unaudited)

|  | VITAS      | Roto-Rooter | Chemed<br>Corporate | Consolidated |
|--|------------|-------------|---------------------|--------------|
| <b>2020</b>                            |            |             |                     |              |
| Net income/(loss)                      | \$ 147,262 | \$ 84,966   | \$ (26,514 )        | \$ 205,714   |
| Add/(deduct):                          |            |             |                     |              |
| Interest expense                       | 137        | 272         | 1,596               | 2,005        |
| Income taxes                           | 47,055     | 26,031      | (28,651 )           | 44,435       |
| Depreciation                           | 16,622     | 18,035      | 104                 | 34,761       |
| Amortization                           | 53         | 7,423       | -                   | 7,476        |
| EBITDA                                 | 211,129    | 136,727     | (53,465 )           | 294,391      |
| Add/(deduct):                          |            |             |                     |              |
| Intercompany interest expense/(income) | (14,463 )  | (4,422 )    | 18,885              | -            |
| Interest income                        | (566 )     | (68 )       | (13 )               | (647 )       |
| Direct costs related to COVID-19       | 32,184     | 3,299       | -                   | 35,483       |
| CARES Act grant                        | (32,184 )  | -           | -                   | (32,184 )    |
| Stock option expense                   | -          | -           | 13,296              | 13,296       |
| Long-term incentive compensation       | -          | -           | 5,523               | 5,523        |
| Litigation settlement costs            | -          | 3,095       | -                   | 3,095        |
| Medicare cap sequestration adjustment  | 619        | -           | -                   | 619          |
| Adjusted EBITDA                        | \$ 196,719 | \$ 138,631  | \$ (15,774 )        | \$ 319,576   |
| <b>2019</b>                            |            |             |                     |              |
| Net income/(loss)                      | \$ 106,400 | \$ 76,302   | \$ (28,359 )        | \$ 154,343   |
| Add/(deduct):                          |            |             |                     |              |
| Interest expense                       | 150        | 273         | 2,979               | 3,402        |
| Income taxes                           | 33,636     | 22,452      | (28,417 )           | 27,671       |
| Depreciation                           | 14,644     | 14,983      | 117                 | 29,744       |
| Amortization                           | 53         | 1,313       | -                   | 1,366        |
| EBITDA                                 | 154,883    | 115,323     | (53,680 )           | 216,526      |
| Add/(deduct):                          |            |             |                     |              |
| Intercompany interest expense/(income) | (13,395 )  | (6,609 )    | 20,004              | -            |

|   |            |            |              |            |
|---|------------|------------|--------------|------------|
| Interest (income)/expense                   | (296 )     | (91 )      | -            | (387 )     |
| Stock option expense                        | -          | -          | 10,729       | 10,729     |
| Litigation settlement costs                 | 6,000      | -          | -            | 6,000      |
| Long-term incentive compensation            | -          | -          | 4,552        | 4,552      |
| Acquisition expense                         | -          | 3,377      | 120          | 3,497      |
| Medicare cap sequestration adjustment       | 3,063      | -          | -            | 3,063      |
| Impairment loss on transportation equipment | -          | -          | 2,266        | 2,266      |
| Non cash ASC 842 expenses/(benefit)         | 656        | 55         | (163 )       | 548        |
| Adjusted EBITDA                             | \$ 150,911 | \$ 112,055 | \$ (16,172 ) | \$ 246,794 |

The "Footnotes to Financial Statements" are integral parts of this financial information.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**

**RECONCILIATION OF ADJUSTED NET INCOME**

(in thousands, except per share data)(unaudited)

|   | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            |
|---|-------------------------------------|-----------|------------------------------------|------------|
|   | 2020                                | 2019      | 2020                               | 2019       |
| Net income as reported                          | \$ 67,722                           | \$ 58,947 | \$ 205,714                         | \$ 154,343 |
| Add/(deduct) pre-tax cost of:                   |                                     |           |                                    |            |
| Direct costs related to COVID-19                | 8,266                               | -         | 35,483                             | -          |
| CARES Act grant                                 | 8,805                               | -         | (32,184 )                          | -          |
| Stock option expense                            | 3,182                               | 2,711     | 13,296                             | 10,729     |
| Amortization of reacquired franchise agreements | 2,352                               | 331       | 7,056                              | 1,103      |
| Long-term incentive compensation                | 1,774                               | 1,677     | 5,523                              | 4,552      |
| Litigation settlement                           | 3,095                               | -         | 3,095                              | 6,000      |
| Medicare cap sequestration adjustments          | (852 )                              | 859       | 619                                | 3,063      |
| COVID-19 Medicare cap                           | (2,250 )                            | -         | -                                  | -          |
| Impairment loss on transportation equipment     | -                                   | -         | -                                  | 2,266      |
| Acquisition expense                             | -                                   | 3,281     | -                                  | 3,497      |
| Non cash ASC 842 expenses                       | -                                   | -         | -                                  | 548        |
| Add/(deduct) tax impacts:                       |                                     |           |                                    |            |

|   |           |           |            |            |
|---|-----------|-----------|------------|------------|
| Tax impact of the above pre-tax adjustments (1) | (5,351 )  | (1,801 )  | (6,165 )   | (6,761 )   |
| Excess tax benefits on stock compensation       | (7,187 )  | (8,792 )  | (19,943 )  | (18,737 )  |
| Adjusted net income                             | \$ 79,556 | \$ 57,213 | \$ 212,494 | \$ 160,603 |
| Diluted Earnings Per Share As Reported          |           |           |            |            |
| Net income                                      | \$ 4.14   | \$ 3.56   | \$ 12.53   | \$ 9.35    |
| Average number of shares outstanding            | 16,373    | 16,555    | 16,419     | 16,514     |
| Adjusted Diluted Earnings Per Share             |           |           |            |            |
| Adjusted net income                             | \$ 4.86   | \$ 3.46   | \$ 12.94   | \$ 9.73    |
| Average number of shares outstanding            | 16,373    | 16,555    | 16,419     | 16,514     |

(1) The tax impact of pre-tax adjustments was calculated using the effective tax rate of the operating unit for which each adjustment is associated.

The "Footnotes to Financial Statements" are integral parts of this financial information.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**

**OPERATING STATISTICS FOR VITAS SEGMENT**

(unaudited)

| OPERATING STATISTICS  | Three Months Ended September 30, |            | Nine Months Ended September 30, |            |
|---|----------------------------------|------------|---------------------------------|------------|
|   | 2020                             | 2019       | 2020                            | 2019       |
| Net revenue (\$000) (c)   |                                  |            |                                 |            |
| Homecare  | \$ 278,856                       | \$ 274,746 | \$ 826,954                      | \$ 800,059 |
| Inpatient   | 27,633                           | 23,599     | 85,983                          | 69,063     |
| Continuous care   | 30,699                           | 29,446     | 105,836                         | 92,476     |
| Other   | 2,910                            | 2,356      | 8,175                           | 6,598      |
| Subtotal  | \$ 340,098                       | \$ 330,147 | \$ 1,026,948                    | \$ 968,196 |
| Room and board, net   | (3,289 )                         | (2,846 )   | (9,317 )                        | (8,098 )   |
| Contractual allowances  | (3,784 )                         | (4,236 )   | (10,976 )                       | (10,904 )  |
| Medicare cap allowance  | 4,072                            | (1,317 )   | (4,178 )                        | (7,915 )   |
| Net Revenue   | \$ 337,097                       | \$ 321,748 | \$ 1,002,477                    | \$ 941,279 |
| Net revenue as a percent of total before Medicare cap allowance |                                  |            |                                 |            |
| Homecare  | 82.0                             | % 83.2     | % 80.5                          | % 82.6     |
| Inpatient   | 8.1                              | 7.1        | 8.4                             | 7.1        |
| Continuous care   | 9.0                              | 8.9        | 10.3                            | 9.6        |

|  |                  |           |                  |           |
|--|------------------|-----------|------------------|-----------|
| Other                                  | <b>0.9</b>       | 0.8       | <b>0.8</b>       | 0.7       |
| Subtotal                               | <b>100.0</b>     | 100.0     | <b>100.0</b>     | 100.0     |
| Room and board, net                    | <b>(1.0 )</b>    | (0.9 )    | <b>(0.9 )</b>    | (0.8 )    |
| Contractual allowances                 | <b>(1.1 )</b>    | (1.3 )    | <b>(1.1 )</b>    | (1.2 )    |
| Medicare cap allowance                 | <b>1.2</b>       | (0.4 )    | <b>(0.4 )</b>    | (0.8 )    |
| Net Revenue                            | <b>99.1</b>      | % 97.4    | % <b>97.6</b>    | % 97.2    |
| Days of care                           |                  |           |                  |           |
| Homecare                               | <b>1,426,191</b> | 1,361,508 | <b>4,192,681</b> | 3,961,261 |
| Nursing home                           | <b>261,396</b>   | 315,566   | <b>844,232</b>   | 909,318   |
| Respite                                | <b>4,566</b>     | 8,582     | <b>15,416</b>    | 21,552    |
| Subtotal routine homecare and respite  | <b>1,692,153</b> | 1,685,656 | <b>5,052,329</b> | 4,892,131 |
| Inpatient                              | <b>27,017</b>    | 30,553    | <b>84,907</b>    | 89,366    |
| Continuous care                        | <b>33,013</b>    | 39,670    | <b>110,200</b>   | 125,397   |
| Total                                  | <b>1,752,183</b> | 1,755,879 | <b>5,247,436</b> | 5,106,894 |
| Number of days in relevant time period | <b>92</b>        | 92        | <b>274</b>       | 273       |
| Average daily census ("ADC") (days)    |                  |           |                  |           |
| Homecare                               | <b>15,502</b>    | 14,799    | <b>15,302</b>    | 14,510    |
| Nursing home                           | <b>2,841</b>     | 3,430     | <b>3,081</b>     | 3,331     |
| Respite                                | <b>50</b>        | 93        | <b>56</b>        | 79        |
| Subtotal routine homecare and respite  | <b>18,393</b>    | 18,322    | <b>18,439</b>    | 17,920    |
| Inpatient                              | <b>294</b>       | 332       | <b>310</b>       | 327       |
| Continuous care                        | <b>358</b>       | 432       | <b>402</b>       | 460       |
| Total                                  | <b>19,045</b>    | 19,086    | <b>19,151</b>    | 18,707    |
| Total Admissions                       | <b>17,943</b>    | 17,131    | <b>53,368</b>    | 52,380    |
| Total Discharges                       | <b>18,205</b>    | 16,915    | <b>51,281</b>    | 51,274    |
| Average length of stay (days)          | <b>97.1</b>      | 92.6      | <b>92.9</b>      | 91.6      |
| Median length of stay (days)           | <b>14.0</b>      | 17.0      | <b>14.0</b>      | 16.0      |
| ADC by major diagnosis                 |                  |           |                  |           |

|   |       |   |       |   |       |   |       |   |
|---|-------|---|-------|---|-------|---|-------|---|
| Cerebro   | 35.1  | % | 35.7  | % | 35.7  | % | 35.9  | % |
| Neurological  | 22.1  |   | 20.7  |   | 21.7  |   | 20.4  |   |
| Cancer  | 12.5  |   | 12.9  |   | 12.6  |   | 12.9  |   |
| Cardio  | 16.1  |   | 16.6  |   | 15.9  |   | 16.7  |   |
| Respiratory   | 8.0   |   | 8.1   |   | 8.2   |   | 8.1   |   |
| Other   | 6.2   |   | 6.0   |   | 5.9   |   | 6.0   |   |
| Total   | 100.0 | % | 100.0 | % | 100.0 | % | 100.0 | % |
| Admissions by major diagnosis                                     |       |   |       |   |       |   |       |   |
| Cerebro   | 21.4  | % | 21.1  | % | 21.2  | % | 20.8  | % |
| Neurological  | 13.2  |   | 12.7  |   | 13.0  |   | 12.6  |   |
| Cancer  | 27.4  |   | 30.5  |   | 27.8  |   | 29.2  |   |
| Cardio  | 13.6  |   | 14.8  |   | 14.5  |   | 15.7  |   |
| Respiratory   | 9.9   |   | 10.2  |   | 10.6  |   | 11.3  |   |
| Other   | 14.5  |   | 10.7  |   | 12.9  |   | 10.4  |   |
| Total   | 100.0 | % | 100.0 | % | 100.0 | % | 100.0 | % |
| Estimated uncollectible accounts as a percent of revenues         |       |   |       |   |       |   |       |   |
|   | 1.1   | % | 1.3   | % | 1.1   | % | 1.1   | % |
| Accounts receivable --  |       |   |       |   |       |   |       |   |
| Days of revenue outstanding-excluding unapplied Medicare payments | 33.4  |   | 32.7  |   | n.a.  |   | n.a.  |   |
| Days of revenue outstanding-including unapplied Medicare payments | 22.1  |   | 21.0  |   | n.a.  |   | n.a.  |   |

The "Footnotes to Financial Statements" are integral parts of this financial information.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**FOOTNOTES TO FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**  
(unaudited)

(a) Included in the results of operations for 2020 are the following significant credits/(charges) which may not be indicative of ongoing operations (in thousands):

|                                  | Three Months Ended September 30, 2020 |             |           |              |
|----------------------------------|---------------------------------------|-------------|-----------|--------------|
|                                  | VITAS                                 | Roto-Rooter | Corporate | Consolidated |
| CARES Act grant                  | \$ (8,805 )                           | \$ -        | \$ -      | \$ (8,805 )  |
| Direct costs related to COVID-19 | (6,945 )                              | (1,321 )    | -         | (8,266 )     |
| Stock option expense             | -                                     | -           | (3,182 )  | (3,182 )     |



|   |           |        |           |       |          |            |   |
|---|-----------|--------|-----------|-------|----------|------------|---|
| Litigation settlement                           | -         | (3,095 | )         | -     | (3,095   | )          |   |
| Amortization of reacquired franchise agreements | -         | (2,352 | )         | -     | (2,352   | )          |   |
| COVID-19 Medicare cap                           | 2,250     | -      | -         | -     | 2,250    |            |   |
| Long-term incentive compensation                | -         | -      | (1,774    | )     | (1,774   | )          |   |
| Medicare cap sequestration adjustment           | 852       | -      | -         | -     | 852      |            |   |
| Pretax impact on earnings                       | (12,648   | )      | (6,768    | )     | (4,956   | )          |   |
| Excess tax benefits on stock compensation       | -         | -      | -         | 7,187 | 7,187    |            |   |
| Income tax benefit on the above                 | 3,253     | 1,794  | -         | 304   | 5,351    |            |   |
| After-tax impact on earnings                    | \$ (9,395 | )      | \$ (4,974 | )     | \$ 2,535 | \$ (11,834 | ) |

**Nine Months Ended September 30, 2020**

|   | <b>VITAS</b> | <b>Roto-Rooter</b> | <b>Corporate</b> | <b>Consolidated</b> |          |            |   |
|---|--------------|--------------------|------------------|---------------------|----------|------------|---|
| Direct costs related to COVID-19                            | \$ (32,184   | )                  | \$ (3,299        | )                   | \$ -     | \$ (35,483 | ) |
| CARES Act grant   | 32,184       | -                  | -                | -                   | 32,184   |            |   |
| Stock option expense  | -            | -                  | (13,296          | )                   | (13,296  | )          |   |
| Amortization of acquired and cancelled franchise agreements | -            | (7,056             | )                | -                   | (7,056   | )          |   |
| Long-term incentive compensation                            | -            | -                  | (5,523           | )                   | (5,523   | )          |   |
| Litigation settlement                                       | -            | (3,095             | )                | -                   | (3,095   | )          |   |
| Medicare cap sequestration adjustment                       | (619         | )                  | -                | -                   | (619     | )          |   |
| Pretax impact on earnings                                   | (619         | )                  | (13,450          | )                   | (18,819  | )          |   |
| Excess tax benefits on stock compensation                   | -            | -                  | -                | 19,943              | 19,943   |            |   |
| Income tax benefit on the above                             | 157          | 3,564              | -                | 2,444               | 6,165    |            |   |
| After-tax impact on earnings                                | \$ (462      | )                  | \$ (9,886        | )                   | \$ 3,568 | \$ (6,780  | ) |

(b) Included in the results of operations for 2019 are the following significant credits/(charges) which may not be indicative of ongoing operations (in thousands):

**Three Months Ended September 30, 2019**

|                      | <b>VITAS</b> | <b>Roto-Rooter</b> | <b>Corporate</b> | <b>Consolidated</b> |           |   |
|----------------------|--------------|--------------------|------------------|---------------------|-----------|---|
| Acquisition expense  | \$ -         | \$ (3,281          | )                | \$ -                | \$ (3,281 | ) |
| Stock option expense | -            | -                  | (2,711           | )                   | (2,711    | ) |

|   |         |      |           |   |          |          |
|---|---------|------|-----------|---|----------|----------|
| Long-term incentive compensation                | -       | -    | (1,677    | ) | (1,677   | )        |
| Medicare cap sequestration adjustment           | (859    | )    | -         | - | (859     | )        |
| Amortization of reacquired franchise agreements | -       | (331 | )         | - | (331     | )        |
| Pretax impact on earnings                       | (859    | )    | (3,612    | ) | (4,388   | )        |
| Excess tax benefits on stock compensation       | -       | -    | 8,792     |   | 8,792    |          |
| Income tax benefit on the above                 | 220     | 957  | 624       |   | 1,801    |          |
| After-tax impact on earnings                    | \$ (639 | )    | \$ (2,655 | ) | \$ 5,028 | \$ 1,734 |

**Nine Months Ended September 30, 2019**

|   | <b>VITAS</b> | <b>Roto-Rooter</b> | <b>Corporate</b> | <b>Consolidated</b> |          |           |
|---|--------------|--------------------|------------------|---------------------|----------|-----------|
| Stock option expense                            | \$ -         | \$ -               | \$ (10,729       | ) \$ (10,729        |          |           |
| Litigation settlement                           | (6,000       | )                  | -                | (6,000              |          |           |
| Long-term incentive compensation                | -            | -                  | (4,552           | ) (4,552            |          |           |
| Acquisition expense                             | -            | (3,377             | ) (120           | ) (3,497            |          |           |
| Medicare cap sequestration adjustment           | (3,063       | )                  | -                | (3,063              |          |           |
| Impairment loss on transportation equipment     | -            | -                  | (2,266           | ) (2,266            |          |           |
| Amortization of reacquired franchise agreements | -            | (1,103             | )                | (1,103              |          |           |
| Non cash ASC 842 (expenses)/benefit             | (656         | ) (55              | ) 163            | (548                |          |           |
| Pretax impact on earnings                       | (9,719       | ) (4,535           | ) (17,504        | ) (31,758           |          |           |
| Excess tax benefits on stock compensation       | -            | -                  | 18,737           | 18,737              |          |           |
| Income tax benefit on the above                 | 2,474        | 1,202              | 3,085            | 6,761               |          |           |
| After-tax impact on earnings                    | \$ (7,245    | )                  | \$ (3,333        | )                   | \$ 4,318 | \$ (6,260 |

VITAS has 11 large (greater than 450 ADC), 21 medium (greater than 200 but less than 450 ADC) and 17 small (less than 200 ADC) hospice programs. Of Vitas' 30 Medicare provider numbers, for the current cap year, 22 provider numbers have a Medicare cap cushion of 10% or greater, one provider numbers have a cap cushion between 5% and 10%, three provider numbers have a cap cushion between 0% and 5%, and four provider numbers have a Medicare cap liability.

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