DaVita Inc. 2nd Quarter 2023 Results

DENVER, Aug. 3, 2023 /PRNewswire/ -- DaVita Inc. (NYSE: DVA) announced financial and operating results for the quarter ended June 30, 2023.

"Over the first half of the year, DaVita has been focused on innovation in our clinical systems and driving operational improvements throughout our organization," said Javier Rodriguez, CEO of DaVita Inc. "Our second quarter performance reflects strong traction across those initiatives, putting us on a path to deliver strong clinical outcomes and financial results for the year."

Financial and operating highlights for the quarter ended June 30, 2023:

- Consolidated revenues were \$3.0 billion.
- Operating income was \$405 million and adjusted operating income was \$432 million.
- Diluted earnings per share was \$1.91 and adjusted diluted earnings per share was \$2.08.
- Operating cash flow was \$450 million and free cash flow was \$260 million.
- Refinanced existing Term Loan A and revolver with a new\$1.25 billion Term Loan A-1 and revolving line of credit in the aggregate principal amount of up to \$1.5 billion.

	TI	ree mo	nths en	ded	Six months ended June 30,				
•	June 3	0, 2023	March	31, 2023		2023		2022	
Net income attributable to DaVita Inc.:		(dolla	rs in mi	illions, ex	cept	per share	data)	
Net income	\$	179	\$	116	\$	294	\$	387	
Diluted per share	\$	1.91	\$	1.25	\$	3.17	\$	3.90	
Adjusted net incomé ¹⁾	\$	194	\$	146	\$	340	\$	395	
Adjusted diluted per share (1)	\$	2.08	\$	1.58	\$	3.65	\$	3.98	

(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 mor	ended			Six	months e	nde	d June	30,	
-		June 30, 2023 March 31, 2023						202	3	2022		
-	Ar	nount	Margin	Aı	mount	Margin	Am	nount	Margin	Αı	mount	Margin
Operating income					(dollars in r	nillio	ns)				
Operating income	\$	405	13.5 %	\$	312	10.8 %	\$	717	12.2 %	\$	771	13.4 %
Adjusted operating income ⁽¹⁾⁽²⁾	\$	432	14.4 %	\$	352	12.2 %	\$	784	13.3 %	\$	782	13.6 %

⁽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.

U.S. dialysis metrics:

Volume: Total U.S. dialysis treatments for the second quarter of 2023 were 7,231,242, or an average of 92,708 treatments per day, representing a per day increase of 0.3% compared to the first quarter of 2023. Normalized non-acquired treatment growth in the second quarter of 2023 compared to the second quarter of 2022 was (0.2)%.

	Three mo	nths	ended				Six mont	hs e	ended		
	June 30, 2023	ľ	March 31, 2023		Quarter change	,	June 30, 2023		June 30, 2022	Υ	ear to date change
			(dollars in	n mi	llions, exc	ept	per treatme	ent (data)		
Revenue per treatment	\$ 376.73	\$	366.14	\$	10.59	\$	371.48	\$	363.47	\$	8.01
Patient care costs per treatment	\$ 252.57	\$	257.34	\$	(4.77)	\$	254.94	\$	249.85	\$	5.09
General and administrative	\$ 279	\$	259	\$	20	\$	538	\$	458	\$	80

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

Revenue: The quarter change was primarily due to normal seasonal improvements driven by patients meeting their co-insurance and deductibles, increases in average reimbursement rates due to normal annual rate increases and favorable improvements in mix including the continued shift to Medicare Advantage plans, as well as positive impacts from improved cash collections. The quarter change was negatively impacted by a seasonal decrease in hospital inpatient revenues. The year to date change was primarily driven by a net increase in the Medicare rate due to base rate increase in 2023 partially offset by the phased in increase of sequestration of 1% in April 2022 and full 2%

⁽²⁾ Adjusted operating income margin is adjusted operating income divided by consolidated revenues.

beginning July 1, 2022 and thereafter. The year to date increase was also impacted by the continued shift to Medicare Advantage plans and overall favorable mix improvements, increases in hospital inpatient dialysis revenues and other normal annual rate increases.

Patient care costs: The quarter change was primarily due to seasonal decreases in payroll taxes, as well as decreased center closure costs, as described below, travel costs, contract wages and pharmaceutical costs. In addition, our fixed other direct operating expenses positively impacted patient care costs per treatment due to increased treatments in the second quarter of 2023. The quarter change was negatively impacted by increased medical supplies expense and professional fees. The year to date change was primarily due to increased compensation expenses including increased wage rates and headcount. Other drivers of the increase include increases in other direct operating expenses associated with our dialysis centers, medical supplies expense, professional fees, travel costs, as well as center closure costs, as described below. These increases were partially offset by decreased pharmaceutical costs, contract wages and insurance costs.

General and administrative: The quarter change was primarily due to increased compensation expenses, a refund received in the first quarter of 2023 related to 2022 advocacy costs, increased professional fees, long-term incentive compensation and center closure costs, as described below. These increases were partially offset by decreased severance costs, as described below. 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 gains recognized on the sale of our self-developed properties in the second quarter of 2022, center closure costs, as described below, increased travel costs, contract wages related to the deployment of IT projects and other IT-related costs. These increases were partially offset by decreased advocacy costs, including a refund received in 2023 related to 2022 advocacy costs.

Certain items impacting the quarter:

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. These capacity closure costs include net losses on assets retired, lease costs, asset impairments and accelerated depreciation and amortization.

During the three month ended and the six months endedJune 30, 2023, we incurred charges for U.S. dialysis center closures of approximately \$21.1 million and \$43.3 million, respectively. For a breakdown of how these closure costs have impacted our income statement for respective periods, see Note 3 in our Non-GAAP reconciliations that follow.

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. This plan included additional charges of \$5.3 million during the second quarter of 2023 and \$23.3 million during the six months endedJune 30, 2023.

Debt transactions. In April 2023, we entered into the Second Amendment to our senior secured credit agreement. The Second Amendment transitions the interest pricing on Term B-1 to SOFR + 1.75% plus an additional credit spread adjustment (CSA). In addition, we entered into a Third Amendment to our senior secured credit agreement that refinanced Term Loan A and revolving line of credit with a secured Term Loan A-1 facility in aggregate principal amount of \$1.25 billion and a secured revolving line of credit in the aggregate principal amount of up to \$1.5 billion (the foregoing referred to as the new Term Loan A-1 and new revolving line of credit, respectively).

The new Term Loan A-1 and new revolving line of credit initially bear interest at Term SOFR, plus a CSA of 0.10% and an interest margin of 2.0%, which is subject to adjustment depending upon the leverage ratio defined in the agreement and can range from 1.25%-2.25%. We used a portion of the proceeds from the new Term Loan A-1 and initial borrowing of \$400 million on the new revolving line of credit to pay off the remaining principal balance outstanding and accrued interest and fees on its prior Term Loan A and prior revolving line of credit in the amount of \$1,602 million. The remaining borrowings added cash to the balance sheet for general corporate purposes.

Mozarc investment. On April 1 2023, the Company acquired a 50% voting equity interest in Mozarc Medical Holding LLC (Mozarc). At closing, the Company made a cash payment to Medtronic, Inc. (Medtronic) of \$44.7 million, subject to certain customary post-closing adjustments, and contributed certain other non-cash assets to Mozarc. In addition, the Company agreed to pay Medtronic additional consideration of up to \$300 million if certain regulatory, commercial and financial milestones are achieved. At close, the Company and Medtronic also each contributed an additional \$224.4 million in cash to Mozarc to fund its development initiatives. The Company's investment in Mozarc was recorded at an initial estimate of \$371.0 million, subject to finalization of certain post-closing adjustments yet to be completed between the parties and finalization of related third-party valuations. As a result of this transaction the Company recognized a gain of \$14.0 million on the non-cash assets contributed to Mozarc, which was recognized in "Other income (loss), net" in the financial statements along with equity method losses from Mozarc for the quarter.

Financial and operating metrics:

	Three mor	 		Twelve mo June	
-	2023	2022		2023	2022
Cash flow:		(dollars ir	n mi	illions)	
Operating cash flow	\$ 450	\$ 188	\$	1,967	\$ 1,607
Free cash flow ⁽¹⁾	\$ 260	\$ 95	\$	1,100	\$ 890

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

	Three months ended June 30, 2023	Six months ended June 30, 2023
Effective income tax rate on:		
Income	16.5 %	18.2 %
Income attributable to DaVita Inc.(1)	21.3 %	23.9 %
Adjusted income attributable to DaVita Inc.(1)	21.6 %	24.0 %

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

Center activity: As of June 30, 2023, we provided dialysis services to a total of approximately 248,000 patients at 3,056 outpatient dialysis centers, of which 2,703 centers were located in the United States and 353 centers were located in 11 countries outside of the United States. During the second quarter of 2023, we opened a total of 10 new dialysis centers and closed 16 dialysis centers in the United States. We also acquired two dialysis centers, opened two new dialysis centers and closed two dialysis centers outside of the United States during the second quarter of 2023.

Integrated kidney care (IKC): As of June 30, 2023, we had approximately 64,000 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 202	3 guidance	Prior 2023	guidance
·	Low	High	Low	High
	(dollars in	millions, ex	cept per sh	are data)
Adjusted operating income	\$1,565	\$1,675	\$1,475	\$1,625
Adjusted diluted net income per share attributable to DaVita Inc.	\$7.00	\$7.80	\$6.20	\$7.30
Free cash flow	\$850	\$1,100	\$750	\$1,000

We will be holding a conference call to discuss our results for the second quarter ended June 30, 2023, on August 3, 2023, a5:00 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 atinvestors.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, 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, DaVita's response to and the continuing impact of the coronavirus (COVID-19) pandemic, the continuing impact of the COVID-19 pandemic 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 current macroeconomic and marketplace conditions, and global events, many of which are interrelated and which relate to, among other things, inflation, rising interest rates, labor market conditions, wage pressure, evolving monetary policies, and the continuing impact of the COVID-19 pandemic on our patients, teammates, physician partners, suppliers, business, operations, reputation, financial condition and results of operations; further spread or resurgence of the virus, including as a result of the emergence of new strains of the virus; the continuing 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; 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, 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 as the pandemic continues to subside;
- 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, antitrust matters, including, among others, restrictive covenants, 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, which continue to increase in the dialysis industry, 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;
- Our ability to respond to challenging U.S. and global economic and marketplace 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 governmentbased 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, to successfully integrate any acquired businesses, 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 endedDecember 31, 2022 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, 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 June 30, 2023.

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

	Three months ended June 30,			ed June 30,	Six months ended June 30,				
		2023		2022		2023		2022	
Dialysis patient service revenues	\$	2,890,685	\$	2,810,099	\$	5,650,719	\$	5,526,380	
Other revenues		109,684		116,658		222,349		217,932	
Total revenues		3,000,369		2,926,757		5,873,068		5,744,312	
Operating expenses:									
Patient care costs		2,055,844		2,016,788		4,114,033		4,035,317	
General and administrative		364,016		315,219		695,630		610,039	
Depreciation and amortization		183,672		171,176		361,743		344,120	
Equity investment income, net		(8,454)		(9,141)		(15,274)		(16,187)	
Total operating expenses		2,595,078		2,494,042		5,156,132		4,973,289	
Operating income		405,291		432,715		716,936		771,023	
Debt expense		(103,507)		(82,586)		(204,281)		(156,377)	
Debt prepayment and refinancing charges		(7,962)		_		(7,962)		_	
Other income (loss), net		1,373		(1,284)		5,125		(3,070)	
Income before income taxes		295,195		348,845		509,818		611,576	
Income tax expense		48,818		64,229		92,773		121,242	
Net income		246,377		284,616		417,045		490,334	
Less: Net income attributable to noncontrolling interes	ts	(67,686)		(59,807)		(122,807)		(103,403)	
Net income attributable to DaVita Inc.	\$	178,691	\$	224,809	\$	294,238	\$	386,931	
Earnings per share attributable to DaVita Inc.:									
Basic net income	\$	1.96	\$	2.38	\$	3.24	\$	4.06	
Diluted net income	\$	1.91	\$	2.30	\$	3.17	\$	3.90	
Weighted average shares for earnings per share:									
Basic shares		90,984		94,457		90,742		95,382	
Diluted shares		93,418		97,772		92,952		99,121	

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

	Th	ree months	ende	ed June 30,	S	ix months e	ended June 30,		
		2023		2022		2023		2022	
Net income	\$	246,377	\$	284,616	\$	417,045	\$	490,334	
Other comprehensive income (loss), net of tax:									
Unrealized gains on interest rate cap agreements:									
Unrealized gains		24,849		13,217		21,310		54,349	
Reclassifications of net realized (gains) losses into net income		(18,956)		1,033		(34,698)		2,066	
Unrealized gains (losses) on foreign currency translation:		41,961		(91,176)		75,522		(28,964)	
Other comprehensive income (loss)		47,854		(76,926)		62,134		27,451	
Total comprehensive income		294,231		207,690		479,179		517,785	
Less: Comprehensive income attributable to noncontrolling interests	;	(67,686)		(59,807)		(122,807)		(103,403)	
Comprehensive income attributable to DaVita Inc.	\$	226,545	\$	147,883	\$	356,372	\$	414,382	

Six months ended June 30,

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

	2023			2022
Cash flows from operating activities:			_	
Net income	\$ 417	,045	\$	490,334
Adjustments to reconcile net income to net cash provided by operating activities:	004	- 40		044400
Depreciation and amortization		,743		344,120
Debt prepayment and refinancing charges		,132		
Stock-based compensation expense		,197		50,109
Deferred income taxes	•	,178)		9,069
Equity investment loss, net		,571		90
Other non-cash charges, net		,160)		(32,858)
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures				
Accounts receivable	141	,503		(132,043)
Inventories		(116)		(1,927)
Other receivables and prepaid and other current assets	33	,182		(61,811)
Other long-term assets	((607)		(49,093)
Accounts payable	(40	,615)		24,517
Accrued compensation and benefits	(68	,800)		(102,513)
Other current liabilities	17	,242		42,517
Income taxes	5	,200		(63,638)
Other long-term liabilities	(8	,675)		(6,557)
Net cash provided by operating activities	912	,664		510,316
Cash flows from investing activities:				
Additions of property and equipment	(272	,204)		(265,461)
Acquisitions	(2	,575)		(9,491)
Proceeds from asset and business sales	21	,198		114,829
Purchase of debt investments held-to-maturity	(30	,419)		(89,530)
Purchase of other debt and equity investments	(6	,366)		(3,010)
Proceeds from debt investments held-to-maturity	94	,414		8,415
Proceeds from sale of other debt and equity investments	3	,873		3,775
Purchase of equity method investments	(273	,336)		(23,806)
Distributions from equity method investments		,758		1,047
Net cash used in investing activities	(463	,657)		(263,232)
Cash flows from financing activities:				
Borrowings	2,136	,873		1,182,911
Payments on long-term debt	(2,347	,120)		(841,687)
Deferred and debt related financing costs	•	,009)		
Purchase of treasury stock		_		(617,432)
Distributions to noncontrolling interests	(124	,178)		(118,315)
Net payments related to stock purchases and awards	•	,612)		(47,866)
Contributions from noncontrolling interests		,946		9,116
Proceeds from sales of additional noncontrolling interests		,962		3,673
Purchases of noncontrolling interests		,610)		(15,365)
Purchases of noncontrolling interests	(7	,610)		(15,365)

Net cash used in financing activities	 (372,748)	 (444,965)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	6,922	(1,342)
Net increase (decrease) in cash, cash equivalents and restricted cash	 83,181	 (199,223)
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	\$ 422,170	\$ 355,737

DAVITA INC. CONSOLIDATED BALANCE SHEETS (unaudited)

(dollars and shares in thousands, except per share data)

	Ju	ıne 30, 2023	De	ecember 31, 2022
ASSETS		-		-
Cash and cash equivalents	\$	327,443	\$	244,086
Restricted cash and equivalents		94,727		94,903
Short-term investments		12,484		77,693
Accounts receivable		2,009,692		2,132,070
Inventories		110,299		109,122
Other receivables		354,921		413,976
Prepaid and other current assets		90,061		78,839
Income tax receivable		2,341		4,603
Total current assets		3,001,968		3,155,292
Property and equipment, net of accumulated depreciation of \$5,503,439 and \$5,265,372, respectively	/	3,158,450		3,256,397
Operating lease right-of-use assets		2,547,053		2,666,242
Intangible assets, net of accumulated amortization of \$39,766 and \$49,772, respectively		191,849		182,687
Equity method and other investments		593,269		231,108
Long-term investments		46,005		44,329
Other long-term assets		314,009		315,587
Goodwill		7,106,242		7,076,610
docum.	\$	16,958,845	\$	16,928,252
LIABILITIES AND EQUITY	Ψ	10,000,040	Ψ	10,320,232
	\$	407 904	\$	470 700
Accounts payable	Φ	427,894	Φ	479,780
Other liabilities		817,608		802,469 692,654
Accrued compensation and benefits		630,289		*
Current portion of operating lease liabilities		394,465		395,401
Current portion of long-term debt		101,113		231,404
Income tax payable		32,049		18,039
Total current liabilities		2,403,418		2,619,747
Long-term operating lease liabilities		2,384,471		2,503,068
Long-term debt		8,598,162		8,692,617
Other long-term liabilities		183,137		105,233
Deferred income taxes		760,038		782,787
Total liabilities		14,329,226		14,703,452
Commitments and contingencies				
Noncontrolling interests subject to put provisions		1,423,549		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; 91,271 and 90,411 shares issued				
and outstanding at June 30, 2023 and December 31, 2022, respectively)		91		90
Additional paid-in capital		555,680		606,935
Retained earnings		468,725		174,487
Accumulated other comprehensive loss		(7,052)		(69,186)
Total DaVita Inc. shareholders' equity		1,017,444		712,326
Noncontrolling interests not subject to put provisions		188,626		163,566
Total equity		1,206,070		875,892
	\$	16,958,845	\$	16,928,252

DAVITA INC.
SUPPLEMENTAL FINANCIAL DATA
(unaudited)

(dollars in millions and shares in thousands, except per treatment data)

	-	Three mor	nths	ended	Six months		
	J	une 30, 2023	Ma	arch 31, 2023		June 30, 023	
1. Consolidated business metrics:							
Operating margin		13.5 %		10.8 %		12.2 %	
Adjusted operating margin excluding certain items ⁽¹⁾⁽²⁾		14.4 %		12.2 %		13.3 %	
General and administrative expenses as a percent of consolidated revenues (3)		12.1 %		11.5 %		11.8 %	
Effective income tax rate on income		16.5 %		20.5 %		18.2 %	
Effective income tax rate on income attributable to DaVita Inc.(1)		21.3 %		27.5 %		23.9 %	
Effective income tax rate on adjusted income attributable to DaVita Inc.(1)		21.6 %		27.0 %		24.0 %	
2. Summary of financial results:							
Revenues:							
U.S. dialysis patient services and other	\$	2,731	\$	2,612	\$	5,343	
Other—Ancillary services							
Integrated kidney care		94		98		193	
Other U.S. ancillary		7		7		14	
International dialysis patient service and other		190		179		369	
		292		284		575	
Eliminations		(22)		(23)		(45)	
Total consolidated revenues	\$	3,000	\$	2,873	\$	5,873	
Operating income (loss):			-			<u></u>	
U.S. dialysis	\$	461	\$	361	\$	822	
Other—Ancillary services							
Integrated kidney care		(39)		(37)		(77)	
Other U.S. ancillary		(2)		(3)		(5)	
International ⁽⁴⁾		20		15		35	
		(22)		(25)	-	(46)	
Corporate administrative support expenses		(34)	-	(25)		(58)	
Total consolidated operating income	\$	405	\$	312	\$	717	

DAVITA INC. SUPPLEMENTAL FINANCIAL DATA - continued (unaudited)

(dollars in millions and shares in thousands, except per treatment data)

	1	Three mo	Six months			
	June 30, 2023		, March 31, 2023			June 30, 023
3. Summary of reportable segment financial results and metrics: U.S. dialysis	:					
Financial results						
Revenue:						
Dialysis patient service revenues	\$	2,724	\$	2,606	\$	5,330
Other revenues		6		6		13
Total operating revenues		2,731		2,612		5,343
Operating expenses:			<u> </u>		·	
Patient care costs		1,826		1,832		3,658
General and administrative		279		259		538
Depreciation and amortization		172		167		339
Equity investment income		(8)		(6)		(14)
Total operating expenses		2,270		2,251		4,521
Segment operating income	\$	461	\$	361	\$	822
Reconciliation for non-GAAP measure:			·			
Closure charges		21		22		43
Severance and other costs		5		17		22
Adjusted segment operating income ⁽¹⁾	\$	487	\$	400	\$	887
Metrics						

Volume:			
Treatments	7,231,242	7,117,427	14,348,669
Number of treatment days	78.0	77.0	155.0
Average treatments per day	92,708	92,434	92,572
Per day year-over-year (decrease) increase	(0.5) %	0.1 %	(0.2) %
Normalized year-over-year non-acquired treatment growth (5)	(0.2) %	—%	
Operating net revenues:			
Average patient service revenue per treatment	\$ 376.73	\$ 366.14	\$ 371.48
Expenses:			
Patient care costs per treatment	\$ 252.57	\$ 257.34	\$ 254.94
General and administrative expenses per treatment	\$ 38.60	\$ 36.39	\$ 37.50
Depreciation and amortization expense per treatment	\$ 23.76	\$ 23.46	\$ 23.62
Accounts receivable:			
Receivables	\$ 1,700	\$ 1,769	
DSO	57	62	

DAVITA INC. SUPPLEMENTAL FINANCIAL DATA - continued (unaudited)

(dollars in millions and shares in thousands, except per treatment data)

	-	Three mor	nths	Six months		
_	J	une 30, 2023	Ma	arch 31, 2023		June 30, 023
4. Cash flow:			-		-	
Operating cash flow	\$	450	\$	463	\$	913
Operating cash flow, last twelve months	\$	1,967	\$	1,705		
Free cash flow ⁽¹⁾	\$	260	\$	265	\$	525
Free cash flow, last twelve months ⁽¹⁾ Capital expenditures:	\$	1,100	\$	935		
Routine maintenance/IT/other	\$	86	\$	109	\$	194
Development and relocations	\$	39	\$	39	\$	78
Acquisition expenditures	\$	3	\$	_	\$	3
Proceeds from sale of self-developed properties	\$	2	\$	_	\$	2
5. Debt and capital structure:						
Total debt ⁽⁶⁾	\$	8,760	\$	8,701		
Net debt, net of cash and cash equivalents ⁽⁶⁾	\$	8,432	\$	8,384		
Leverage ratio ⁽⁷⁾		3.69x		3.89x		
Weighted average effective interest rate:						
During the quarter		4.67 %		4.55 %		
At end of the quarter		4.66 %		4.53 %		
On the senior secured credit facilities at end of the quarter Debt with fixed and capped rates as a percentage of total debt:		4.90 %		4.60 %		
Debt with rates fixed by its terms		52 %		53 %		
Debt with rates fixed by its terms or capped by cap agreements		92 %		93 %		

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 June 30, 2023, and March 31, 2023 and for the six months ended June 30, 2023 includes foreign currency gains (losses) embedded in equity method income recognized from our Asia Pacific joint venture of approximately \$1.2, \$(0.7) and \$0.5, 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 June 30, 2023 and March 31, 2023 presented exclude approximately \$60.6 and \$41.5, 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 amended senior secured credit facilities (the Amended Credit Agreement) dated April 28, 2023, and our prior senior secured credit agreement (the Prior Agreement) the leverage ratio is defined as (a) all funded debt, minus unrestricted cash and cash equivalents (including short-term investments) not to exceed \$750 divided by (b) "Consolidated EBITDA." The Prior Credit Agreement also included the face amount of all letters of credit issued as debt. The leverage ratio determines the interest rate margin payable by the Company for its Term Loan A-1 and new revolving line of credit under the Amended Credit Agreement by establishing the margin over the base interest rate (SOFR plus credit spread adjustment) that is applicable. The following leverage ratios were calculated using the last 12 months of "Consolidated EBITDA" and "Consolidated net debt" at the end of each reported period, each as defined in the credit agreement that was in effect at the end of each such period (the Applicable Credit Agreement). The calculation of "Consolidated EBITDA" below sets forth, among other things, certain pro forma adjustments described in the Applicable Credit Agreement, including, as applicable, pro forma adjustments for acquisitions or divestitures that occurred during the period and certain projected net cost savings, expense reductions and cost synergies. These pro forma adjustments are determined according to specified criteria set forth in the Applicable Credit Agreement, and as a result, the total adjustments calculated pursuant to the Applicable Credit Agreement may not be comparable to the Company's estimates for other purposes, including as operating performance measures. The Company's management believes the presentation of "Consolidated EBITDA" as defined in the Applicable Credit Agreement is useful to investors to enhance their understanding of the Company's leverage ratio under the Applicable Credit Agreement and should not be evaluated for any other purpose. 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							
	Jı	une 30, 2023	Ma	arch 31, 2023				
Net income from continuing operations attributable to DaVita Inc.	\$	454	\$	500				
Income taxes		170		185				
Interest expense		367		350				
Depreciation and amortization		750		738				
Net income attributable to noncontrolling interests		241		233				
Stock-settled stock-based compensation		99		95				
Debt prepayment and refinancing charges		8						
Expected cost savings and expense reductions		73						
Severance and other related costs		49		44				
Other		71		37				
"Consolidated EBITDA"	\$	2,281	\$	2,182				
	Jı	une 30, 2023	Ma	arch 31, 2023				
Total debt, excluding debt discount and other deferred financing								
costs ⁽¹⁾	\$	8,760	\$	8,701				
Letters of credit issued		_		151				
		8,760		8,853				
Less: Cash and cash equivalents including short-term investments ⁽²⁾		(336)		(364)				
				8,489				
Consolidated net debt	\$	8,424	\$	-,				
Consolidated net debt Last twelve months "Consolidated EBITDA"	\$	8,424 2,281	\$	2,182				
Last twelve months "Consolidated EBITDA"		2,281		2,182				

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

⁽¹⁾ The debt amounts as of June 30, 2023 and March 31, 2023 presented exclude approximately \$60.6 and \$41.5, 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 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 attributable to DaVita Inc. and adjusted diluted net income per share 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 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 - continued
(unaudited)
(dollars in millions, except per share data)

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

		Three mor	nths ende	d				
-		ne 30,	e 30, March 31,			ne 30,		ne 30,
	2	023	2	023	2	023	2	2022
	Dollars	Per share	Dollars	Per share	Dollars	Per share	Dollars	Per share
Consolidated:				·				
Net income attributable to DaVita Inc.	\$ 179	\$ 1.91	\$ 116	\$ 1.25	\$ 294	\$ 3.17	\$ 387	\$ 3.90
Closure charges impacting:								
Patient care costs	6	0.06	13	0.14	18	0.20	8	0.08
General and administrative:	8	0.08	5	0.05	13	0.14	2	0.02
Depreciation and amortization	8	0.08	5	0.05	12	0.13	1	0.01
Total closure charges	21	0.23	22	0.24	43	0.47	11	0.11
Severance and other costs	5	0.06	18	0.19	23	0.25	_	_
Other income (loss), net — Mozarc gain	(14)	(0.15)	_	_	(14)	(0.15)	_	_
Debt prepayment and refinancing charges	8	0.09		_	8	0.09	_	_
Related income tax	(5)	(0.05)	(10)	(0.11)	(15)	(0.16)	(3)	(0.03)
Adjusted net income attributable to DaVita Inc.	\$ 194	\$ 2.08	\$ 146	\$ 1.58	\$ 340	\$ 3.65	\$ 395	\$ 3.98

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

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

Note 4: Adjusted operating income

	Three months ended				Six months ended					
	,), June 202			
Consolidated:										
Operating income	\$	405	\$	312	\$	717	\$	771		
Closure charges impacting:										
Patient care costs		6		13		18		8		
General and administrative:		8		5		13		2		
Depreciation and amortization		8		5		12		1		
Total closure charges		21		22		43		11		
Severance and other costs		5		18		23		_		
Adjusted operating income	\$	432	\$	352	\$	784	\$	782		
		ree moi	nths e	ended		Six mont	hs en	ded		
		ne 30, 023		rch 31, 2023	J	une 30, 2023		ne 30, 2022		
Consolidated:										
U.S. dialysis:										
Segment operating income	\$	461	\$	361	\$	822	\$	879		
Closure charges		21		22		43		11		
Severance and other costs		5		17		22		_		
Adjusted U.S. dialysis operating income		487		400		887		890		
Other - Ancillary services:										
U.S.										
Integrated kidney care		(39)		(37)		(77)		(59)		
Other U.S. ancillary		(2)		(3)		(5)		(6)		
Segment operating loss		(42)		(40)		(82)		(64)		
Severance and other costs										
Adjusted operating loss		(42)		(39)		(81)		(64)		
International										
Segment operating income		20		15		35		23		
Other - Ancillary services operating loss		(22)		(24)		(46)		(41)		
Corporate administrative support expenses:										
Segment expenses		(34)		(25)		(58)		(67)		
Severance and other costs				1		1				
Adjusted Corporate administrative support expenses		(33)		(24)	_	(57)		(67)		
Adjusted operating income	\$	432	\$	352	\$	784	\$	782		

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

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

(dollars in millions, except per share data)

Note 5: Adjusted U.S. dialysis expense measures

Three months ended June 30, 2023 March 31, 2023 Non-GAAP Non-GAAP **GAAP** adjustment Adjusted **GAAP** adjustment Adjusted (dollars in millions) U.S. dialysis Treatments 7,231,242 7,231,242 7,117,427 7,117,427 Operating expenses: Patient care costs 1,826 \$ (6)1,821 1,832 \$ (13)1,819 General and administrative 279 266 259 237 (13)(22)Depreciation and amortization 172 164 162 (8)167 (5) Equity investment income (6)(8)(8)(6)(39)2,270 \$ (26)2,244 2,251 \$ 2,212 Total operating expenses \$ \$ \$ 252.57 \$ 251.78 \$ 257.34 \$ 255.56 Patient care costs per treatment⁽¹⁾

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

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

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

	TI	nree mo	nths e	Six months		
		ne 30, 2023		ch 31, 023	Jun	ded e 30,)23
Income before income taxes	\$	295	\$	215	\$	510
Noncontrolling owners' income primarily attributable to non-tax paying entities	3	(68)		(55)		(123)
Income before income taxes attributable to DaVita Inc.	\$	227	\$	159	\$	386
Income tax expense Income tax attributable to noncontrolling interests Income tax expense attributable to DaVita Inc.	\$	49 — 48	\$	44 — 44	\$	93 (1) 92
Effective income tax rate on income attributable to DaVita Inc.		21.3 %	:	27.5 %		23.9 %

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

	Three me	onths ended	Six months
	June 30, 2023	March 31, 2023	ended June 30, 2023
Income before income taxes	\$ 295	\$ 215	\$ 510
Closure charges impacting:			
Patient care costs	6	13	18
General and administrative:	8	5	13
Depreciation and amortization	8	5	12
Severance and other costs	5	18	23

⁽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.

Other income (loss), net — Mozarc gain Debt prepayment and refinancing charges		(14) 8		_	(14) 8
Noncontrolling owners' income primarily attributable to non-tax paying entitie	s	(68)		(55)	 (123)
Adjusted income before income taxes attributable to DaVita Inc.	\$	247	\$	200	\$ 447
Income tax expense	\$	49	\$	44	\$ 93
Plus income tax related to:					
Closure charges impacting:					
Patient care costs		1		3	5
General and administrative:		2		1	3
Depreciation and amortization		2		1	3
Severance and other costs		1		4	6
Other income (loss), net — Mozarc gain		(3)		_	(3)
Debt prepayment and refinancing charges		2		_	2
Less income tax related to:					
Noncontrolling interests		_		_	(1)
Income tax on adjusted income attributable to DaVita Inc.	\$	53	\$	54	\$ 107
Effective income tax rate on adjusted income attributable to DaVita Inc.	- 2	21.6 %	2	27.0 %	24.0 %

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

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

Note 7: Free cash flow

		Thr							
		ne 30, 2023	,		June 30, 2022		Six mont June 3		
Net cash provided by operating activities	\$	450	\$	463	\$	188	\$	913	
Adjustments to reconcile net cash provided by operating activities to free cash flow:)								
Distributions to noncontrolling interests		(69)		(55)		(53)		(124)	
Contributions from noncontrolling interests		2		5		4		7	
Expenditures for routine maintenance and information technology		(86)		(109)		(96)		(194)	
Expenditures for development and relocations		(39)		(39)		(46)		(78)	
Proceeds from sale of self-developed properties		2		_		98		2	
Free cash flow	\$	260	\$	265	\$	95	\$	525	

	Twelve months ended							
	June 30, 2023			March 31, 2023		une 30, 2022		
Net cash provided by operating activities	\$	1,967	\$	1,705	\$	1,607		
Adjustments to reconcile net cash provided by operating activities to free cash flow	:							
Distributions to noncontrolling interests		(274)		(257)		(263)		
Contributions from noncontrolling interests		13		15		25		
Expenditures for routine maintenance and information technology		(445)		(455)		(421)		
Expenditures for development and relocations		(165)		(173)		(192)		
Proceeds from sale of self-developed properties		4		100		133		
Free cash flow	\$	1,100	\$	935	\$	890		

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

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SOURCE DaVita