

# Capital Markets

## Investor Presentation

November 16, 2021



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## Context, Non-GAAP Measures and Forward-Looking Statements

**Context.** DaVita is a Fortune 500® health care provider focused on transforming care delivery to improve quality of life for patients. We are committed to patient-centric care and achieving strong clinical outcomes for our patients. This is a presentation for our stockholders and potential investors and thus will focus on the financial aspects of the business.

**Non-GAAP Measures.** During this presentation we will discuss certain non-GAAP financial measures. A reconciliation of historical non-GAAP measures to the most comparable GAAP financial measures can be found elsewhere in this presentation. We do not provide a reconciliation of the 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 that are included in our GAAP results, including items such as impairment charges, (gain) loss on ownership changes, restructuring charges, accruals for legal matters and debt prepayment and refinancing charges, any of which may be significant.

**Forward-Looking Statements.** In addition, 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 presentation, filings with the Securities and Exchange Commission ("SEC"), reports to stockholders and in meetings with investors and analysts. All statements in this presentation, 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. 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 include but are not limited to statements regarding our future operations, financial condition and prospects, such as our financial guidance for future periods and the assumptions underlying such projections; the expected future impacts of the novel coronavirus (COVID-19), including on our revenues, treatment volumes, availability or cost of supplies, mix expectation, such as the percentage or number of patients under commercial insurance, capacity utilization, travel and expenses, the continuing impact on the U.S. and global economies, and overall impact on our patients and teammates; as well as other statements regarding our expectations for integrated and value-based care programs and integrated care economics, including expected growth in the patient population managed by these programs; our anticipated growth of the home dialysis program; plans for acquisitions and other strategic transactions; expected Medicare rate increases and sequestration; expectations for Medicare Advantage Choice; outlook for commercial and government rates and mix; labor cost expectations; costs associated with future ballot initiatives; anticipated international growth; anticipated impacts of investments in innovative transplant care; our goals for environmental and sustainability initiatives, some of which are aspirational; our ongoing stock repurchase program; and debt expenses, among other things.

Our actual results and other events could differ materially from any forward-looking statements due to numerous factors that involve substantial known and unknown risks and uncertainties. These risks and uncertainties include, among other things: the continuing impact of the dynamic and evolving COVID-19 pandemic, including, without limitation, on our patients, teammates, physician partners, suppliers, business, operations, reputation, financial condition and results of operations; the government's response to the COVID-19 pandemic, including, among other things, federal, state and local vaccine mandates or surveillance testing requirements; the availability, acceptance, impact and efficacy of COVID-19 vaccines, treatments and therapies; further spread or resurgence of the virus, including as a result of the emergence of new strains of the virus, such as the Delta variant; the continuing impact of the pandemic on our revenue and non-acquired growth due to lower treatment volumes; the pandemic's continuing impact on the U.S. and global economies, unemployment, labor market conditions, inflation and evolving monetary policies; any potential negative impact on our commercial mix, which may persist even after the pandemic subsides; and continuing COVID-19-related costs, such as increased costs to procure equipment and clinical supplies, and higher salary and wage expense driven in part by 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; the concentration of profits generated by higher-paying commercial payor plans for which there is continued downward pressure on average realized payment rates, and 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, or our making incorrect assumptions about how our patients will respond to any change in financial assistance from charitable organizations; our ability to successfully implement our strategies with respect to home-based dialysis, value-based care and/or integrated kidney care in the desired time frame and in a complex, dynamic and highly regulated environment, including, among other things, maintaining our existing business; 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 agreements and arrangements to comply with evolving rules and regulations; and further developing our integrated care and other capabilities to provide competitive programs at scale; the extent to which the ongoing implementation of healthcare reform, or changes in or new legislation, regulations or guidance, enforcement thereof or related litigation or court decisions result in a reduction in coverage or reimbursement rates for our services, a reduction in the number of patients enrolled in higher-paying commercial plans or that are enrolled in or select Medicare Advantage plans or other material impacts to our business; or our making incorrect assumptions about how our patients will respond to any such developments; a reduction in government payment rates under the Medicare End Stage Renal Disease program or other government-based programs and the impact of the Medicare Advantage benchmark structure; risks arising from potential changes in laws, regulations or requirements applicable to us, such as potential and proposed federal and/or state legislation, regulation, executive action, judicial action or other initiatives, including those related to healthcare and/or labor matters, such as the AB 290 ballot initiative in California or the case pending before the U.S. Supreme Court regarding the scope and interpretation of the Medicare as Secondary Payor Act; 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; our ability to attract, retain and motivate teammates and our ability to manage operating cost increases or productivity decreases whether due to union organizing activities, legislative or other changes, demand for labor, volatility and uncertainty in the labor market, the current highly competitive labor market conditions, or other reasons; 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; changes in pharmaceutical practice patterns, reimbursement and payment policies and processes, or pharmaceutical pricing, including with respect to hypoxia inducible factors, among other things; legal and compliance risks, such as our continued compliance with complex, and at times, evolving government regulations and requirements; continued increased competition from dialysis providers and others, and other potential marketplace changes, including increased investment in and availability of funding to new entrants in the dialysis and pre-dialysis marketplace; our ability to maintain contracts with physician medical directors, changing affiliation models for physicians, and the emergence of new models of care introduced by the government or private sector that may erode our patient base and reimbursement rates, such as accountable care organizations, independent practice associations and integrated delivery systems; our ability to complete acquisitions, mergers, dispositions, joint ventures or other strategic transactions that we might announce or be considering, on terms favorable to us or at all, or to integrate and successfully operate any business we may acquire or have acquired, or to successfully expand our operations and services in markets outside the United States, or to businesses outside of the provision of dialysis; 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; and the other risk factors, trends and uncertainties set forth in our Annual Report on Form 10-K for the year ended December 31, 2020 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2021, June 30, 2021 and September 30, 2021, and the risks and uncertainties discussed in any subsequent reports that we file or furnish with the SEC from time to time.

The forward-looking statements should be considered in light of these risks and uncertainties. All forward-looking statements in this presentation are based solely on information available to us on the date of this presentation. We undertake 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.

**Industry and Market Data.** Market data and certain industry data and forecasts used throughout this presentation were obtained from sources we believe to be reliable, including market research databases, publicly available information, reports of governmental agencies and industry publications and surveys, but we have not independently verified any third-party sources. Forecasts are particularly likely to be inaccurate over long periods of time. These and other factors could cause actual results and other events to differ materially from those expressed in the estimates made by third parties and by us.



# Our journey

Who we are

Where we're going

Key Financial Drivers / Outlook





# Recognizing our heroes





# Longstanding focus on improving outcomes

From 2017-2019:

**7%** reduction in  
Hospitalizations

**4%** reduction in  
Mortality





# Consistent leadership on publicly reported data



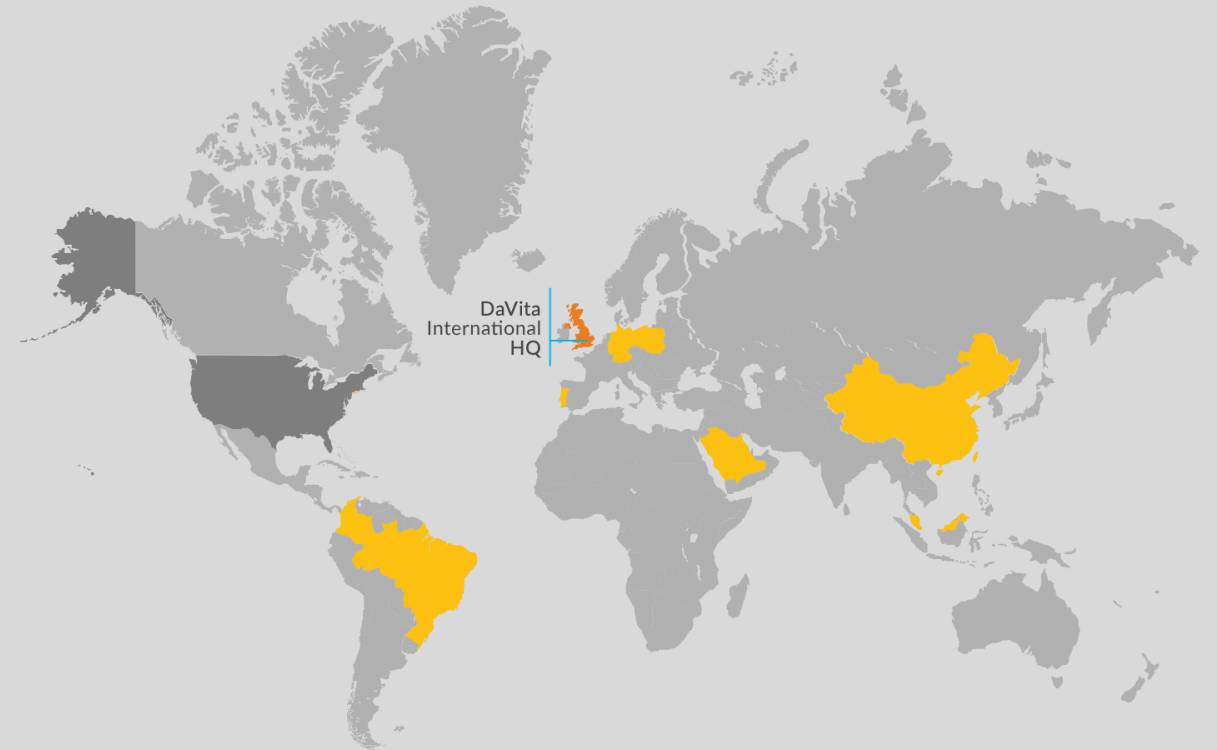
Note: CMS did not report for 2021 due to COVID



# Expanding access to quality care across our global footprint

International clinical outcomes show consistent improvement under DaVita operation:

- Serving **38,000+** patients in **10** countries
- Hospital admissions declined **17%** since 2018<sup>1</sup>
- Patient mortality declined **14%** since 2018<sup>1</sup>



**Brazil, China, Colombia, Germany, Malaysia, Poland, Portugal, Saudi Arabia, Singapore, and United Kingdom.**

1) 2018 to 2020



# Our commitment to ESG



Patient Care



Teammate  
Engagement



Environmental  
Stewardship



Healthy  
Communities



Leading with  
Integrity and  
Accountability

For more information: [DaVita.com/communitycare](https://www.DaVita.com/communitycare)





# Leading Kidney Platform



**65,000+**  
teammates



**241,000+**  
patients globally



**3,100+**  
clinics



**35M**  
life-saving  
treatments



**60M+**  
Lab results  
per year



**1,750+**  
Home programs

**Track record of clinical focus, quality, cost management**

Note: All data 2021F



# Delivering on our commitments

## 2019 Capital Markets Message

- 1 Growing patient demand
- 2 Strong operators and cost management
- 3 Declining capital expenditure
- 4 Disciplined capital allocation

## Results

- > Treatments declined due to COVID-related mortality
- > Adjusted margins remained stable despite impact from COVID
- > Reduction in CapEx and continued strong free cash flows
- > Adjusted EPS well ahead of 2019 plan





# Our journey

Who we are

Where we're going

Key Financial Drivers / Outlook



# 2021-2025 Outlook (CAGR)

Adjusted OI<sup>1</sup>  
**3-7%** CAGR

Adjusted EPS<sup>1</sup>  
**8-14%** CAGR

1) From the midpoint of 2021 and 2025 adjusted guidance





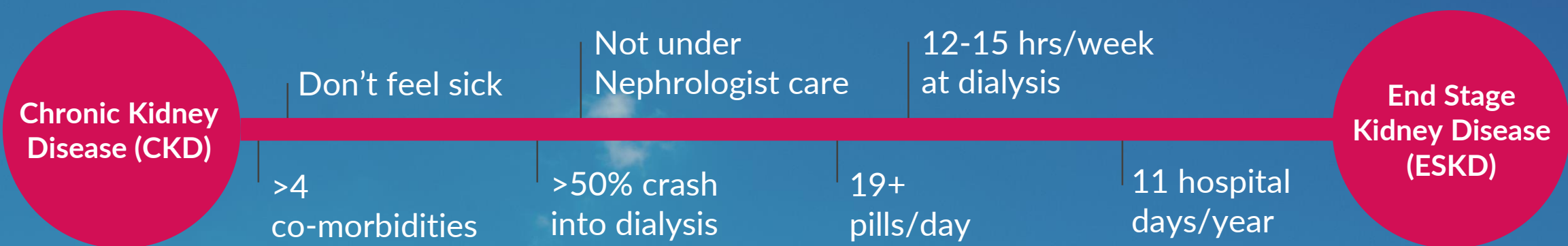
# Meet José.

He is a 25-year-old man who loves cross-country running.

He shares in his family's love for soccer.



# Fragmented patient experience

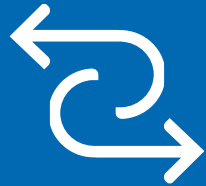




# We support patients across their entire kidney care journey



**Prevention**



**Transition**



**Treatment**



**Transplant**



Where we're going

# Leading Kidney Care Platform

Clinical

Right Site of Care

Integrated Care

Technology



Where we're going

# Leading Kidney Care Platform

Clinical

Right Site of Care

Integrated Care

Technology



# Next-generation predictive analytics

Clinical

## Data Ingestion:



## Suite of predictive models

Undiagnosed CKD patients

Risk of transition to ESKD

Risk of hospitalization

Patient segmentation

Risk of high-cost events

Patients eligible for Home

Risk of Home therapy loss





# Example models

Clinical



Risk of  
Transition  
to ESKD



Hospitalization  
Risk



Where we're going

# Leading Kidney Care Platform

Clinical

Right Site of Care

Integrated Care

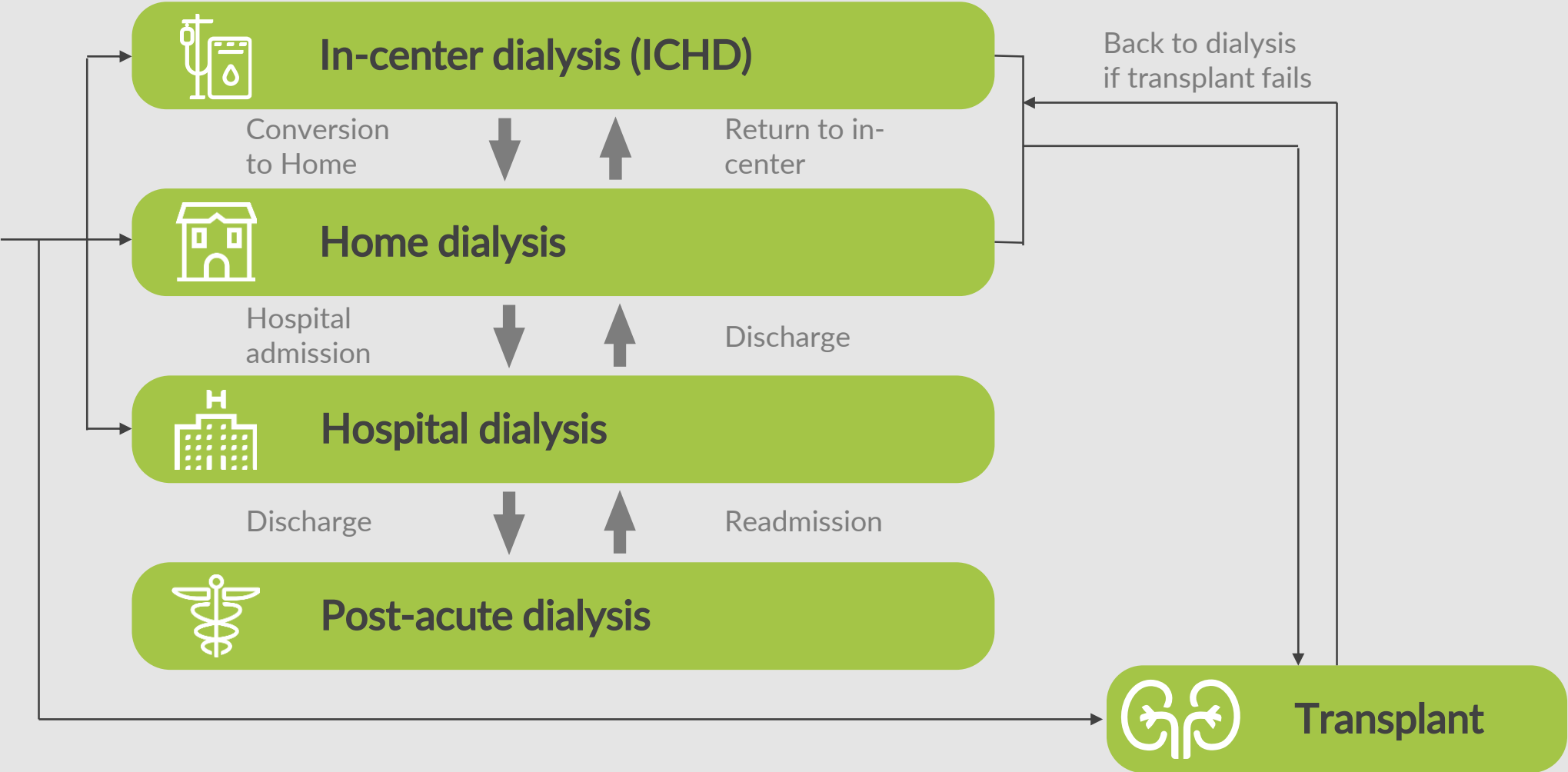
Technology



# Significant movement between sites of care

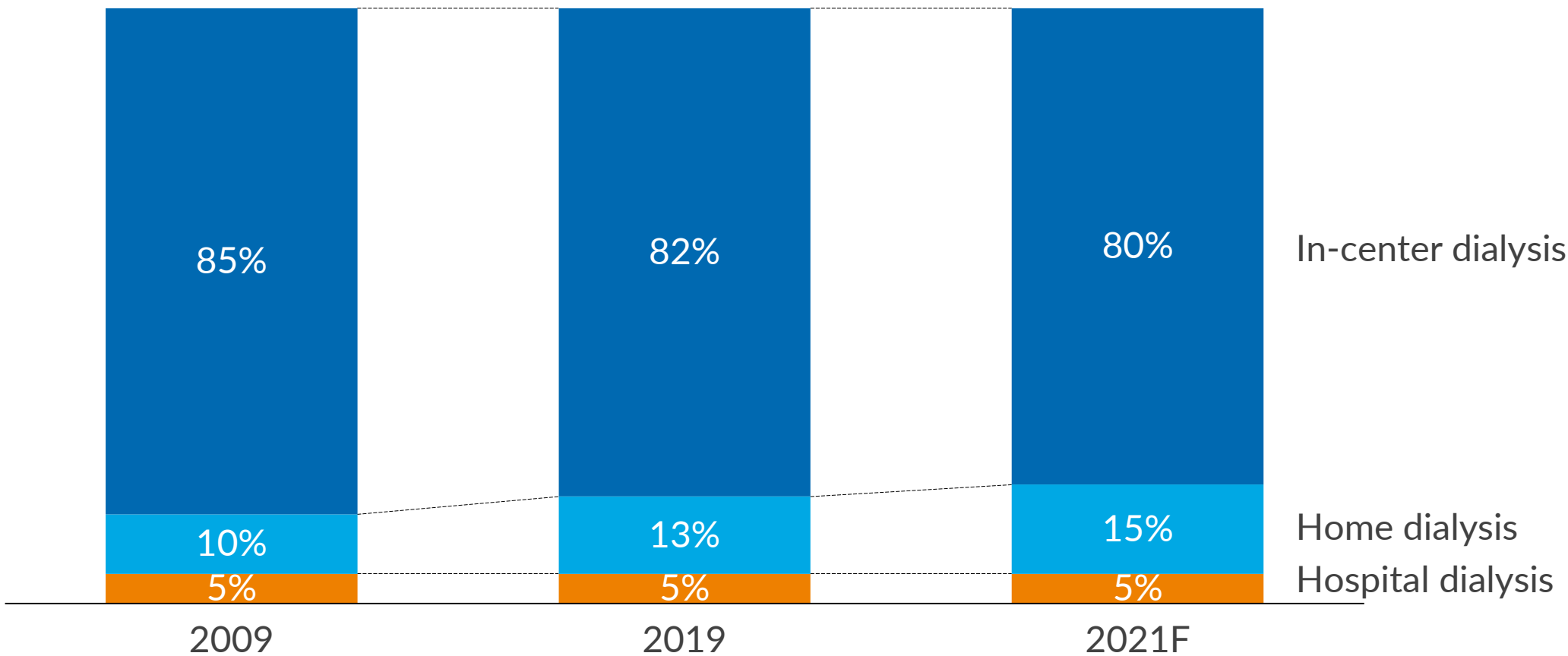
Right Site of Care

ESKD  
treatment  
modalities



# Where do our patients receive care?

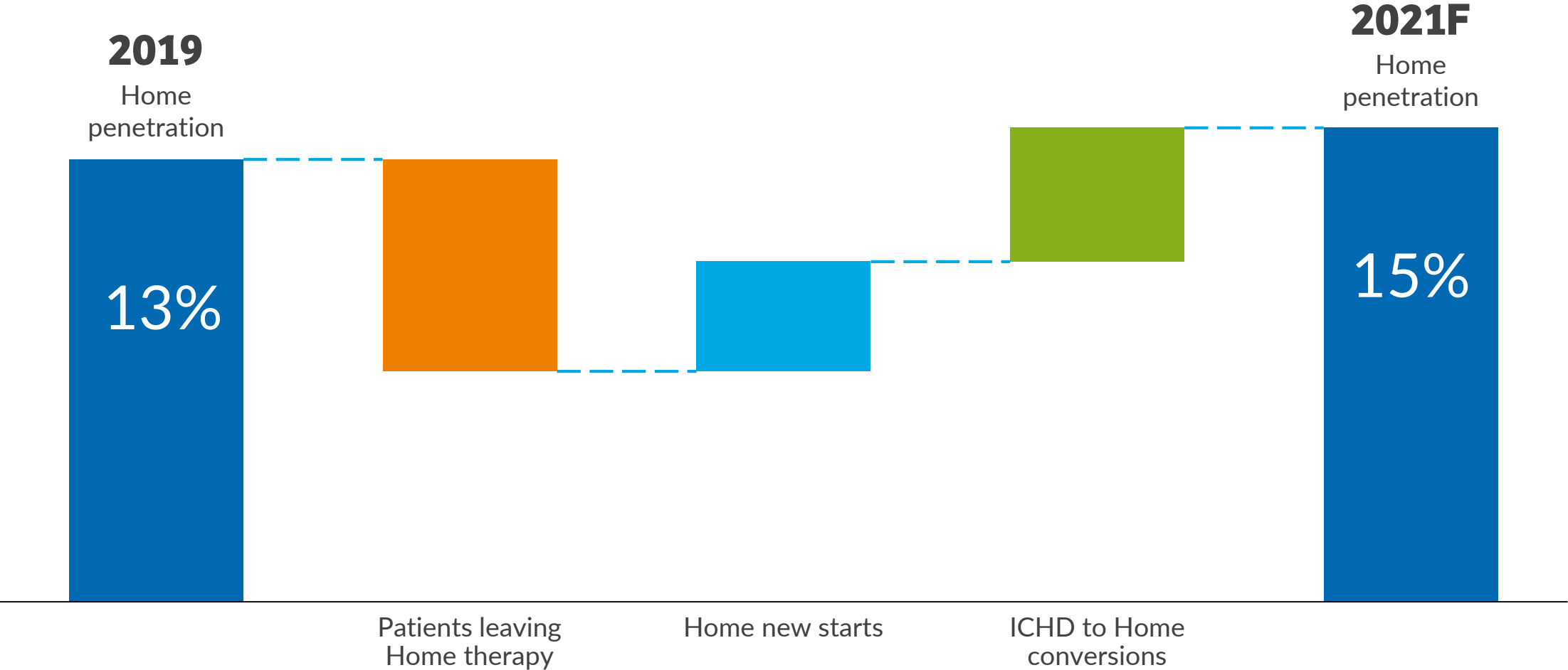
Right Site of Care





# Continued Home growth<sup>1</sup>

Right Site of Care



(1) Modality selections and decisions related to a patient's care are always made by the attending nephrologist and patient, and provided pursuant to a physician's order



# Building the leading home dialysis program

Right Site of Care

Convenient

Confident

Connected

Note: Modality selections and decisions related to a patient's care are always made by the attending nephrologist and patient, and provided pursuant to a physician's order



# Innovation in transplant care

Right Site of Care



Investment in startup to  
create fully transplantable  
bioartificial human kidneys



Investment in innovative lab  
to predict transplant failure to  
enable intervention



Where we're going

# Leading Kidney Care Platform

Clinical

Right Site of Care

Integrated Care

Technology





What is Integrated Care?

## Coordinating the fragmented journey for patients like José



# Focus on reducing total medical cost across the Kidney continuum

Integrated Care

	Population	Total cost per year <sup>1</sup>
Early-stage CKD	91%	\$22K
Late-Stage CKD	7%	\$31K
ESKD – Dialysis	2%	\$91K
ESKD – Transplant	1%	\$24K <sup>2</sup>

1) 2020 USRDS Annual Data Report

2) Excluding costs associated with transplant surgery



# Two main types of programs

Integrated Care

**Payor Partnerships**

**Government  
Innovation Models**





# Uniquely positioned to deliver

Integrated Care

**Access**



**500**  
hours

**Data**



**200K**  
ESKD

**Technology**



**4500**  
nephrologists

**Relationships**



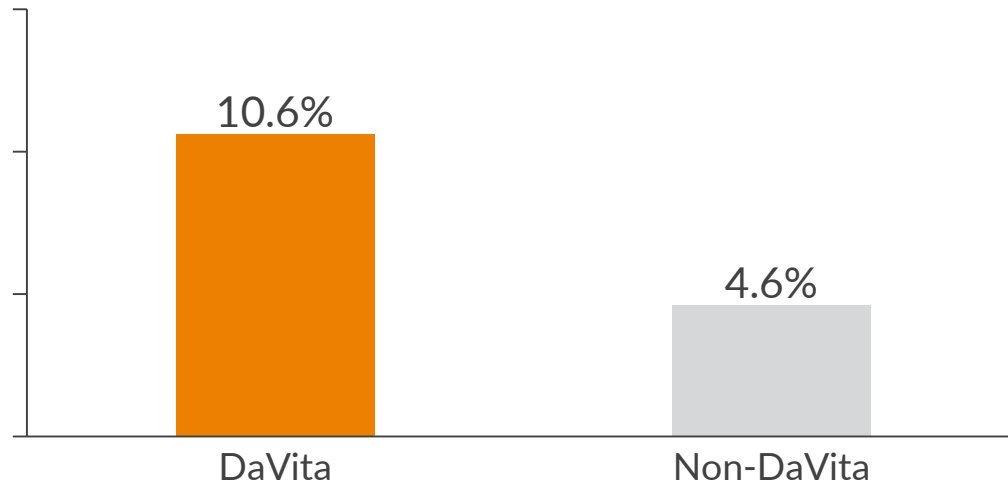
**1000**  
hospitals



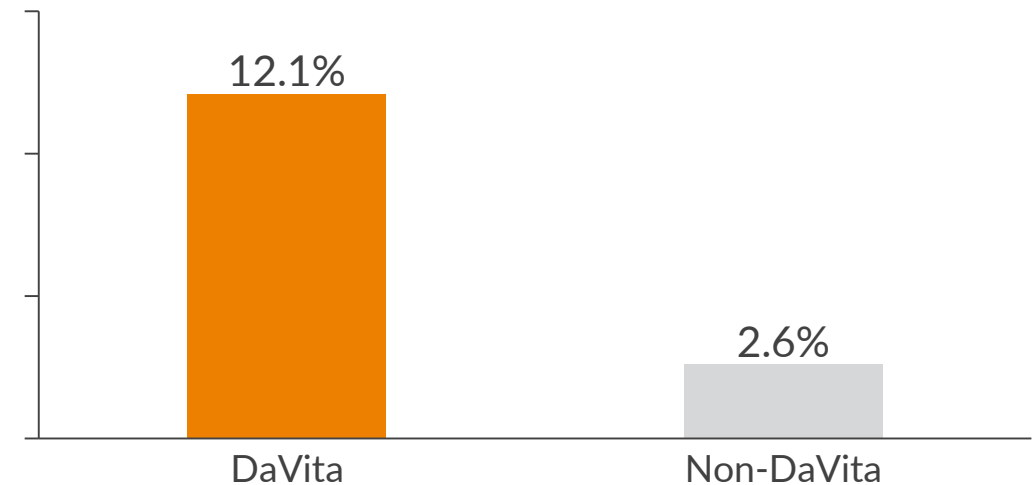
# Demonstrated, industry-leading performance

Integrated Care

*ESCO Non-dialysis Savings Rate –  
Cumulative PY1-PY4*



*ESCO Non-dialysis Savings Rate –  
2019 (PY4)*



DaVita achieved **>2X per patient savings** vs. rest of industry

**Consistent performance** with our payor programs



# Where are we on our journey?

Integrated Care

2015-2020

Establishing the model

2021-2022

Rapid growth

2023+

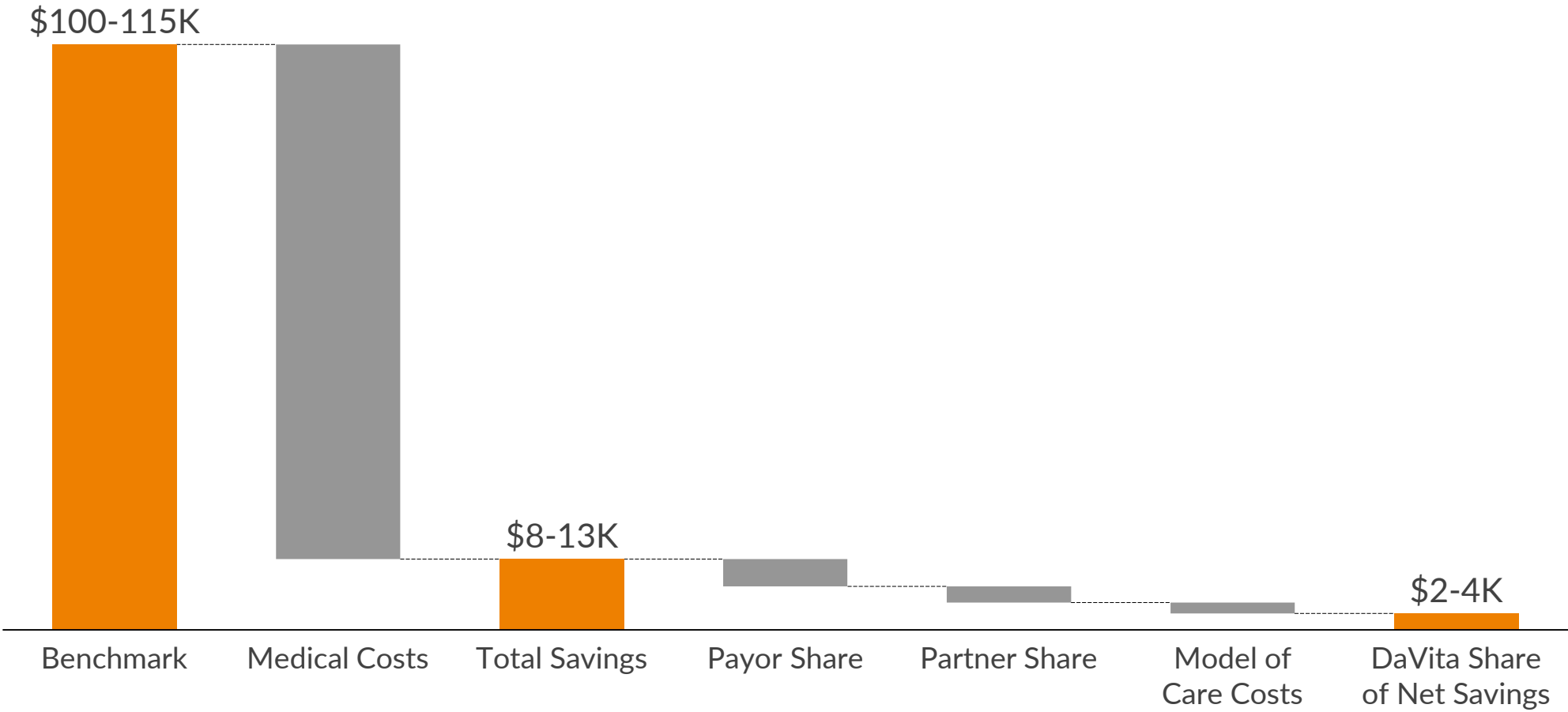
Tipping point



# Single ESKD patient economics

Integrated Care

Illustrative steady state IKC economics, \$ per patient per year



# What could this look like?

Integrated Care

## 2025

**90,000-140,000**  
Patients

**(\$50M)-\$50M**  
Annual Adjusted OI

## Long-term

**200,000-300,000**  
Patients

**\$150M-300M**  
Annual Adjusted OI





# Success factors<sup>1</sup>

## Volume

Continued CMMI  
support for IKC

Payor adoption

Patient enrollment

## Revenue

Payor engagement

Program funding  
levels

## Cost

Clinical  
performance

Physician  
engagement

(1) List not exhaustive. For more information about the risks and uncertainties associated with our integrated care program, see our Quarterly Report on Form 10-Q filed with the SEC on October 28, 2021.



Where we're going

# Leading Kidney Care Platform

Clinical

Right Site of Care

Integrated Care

Technology



# Lack of information connectivity

Technology



Hospital  
Systems



Integrated  
Care Teams



Schedule  
Optimization



Patient  
Admissions



Mobile  
Patient  
Engagement  
Tools



Modality  
Choice



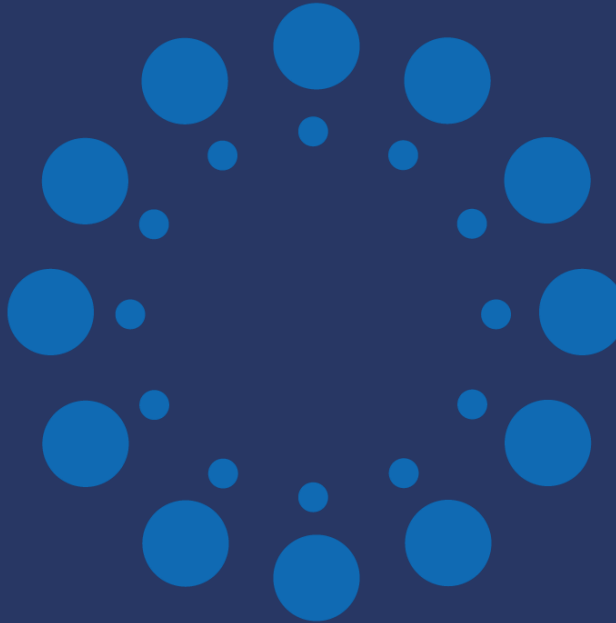
Nephrologist



# Purpose built for Kidney Care

Technology

Clinical workflows



Outpatient scale



Where we're going

# Leading Kidney Care Platform

Clinical

Right Site of Care

Integrated Care

Technology





# Our journey

Who we are

Where we're going

Key Financial Drivers / Outlook



# Our journey

Who we are

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# Components of Long Term Forecast<sup>1</sup>

Consistent operating  
income growth

COVID recovery

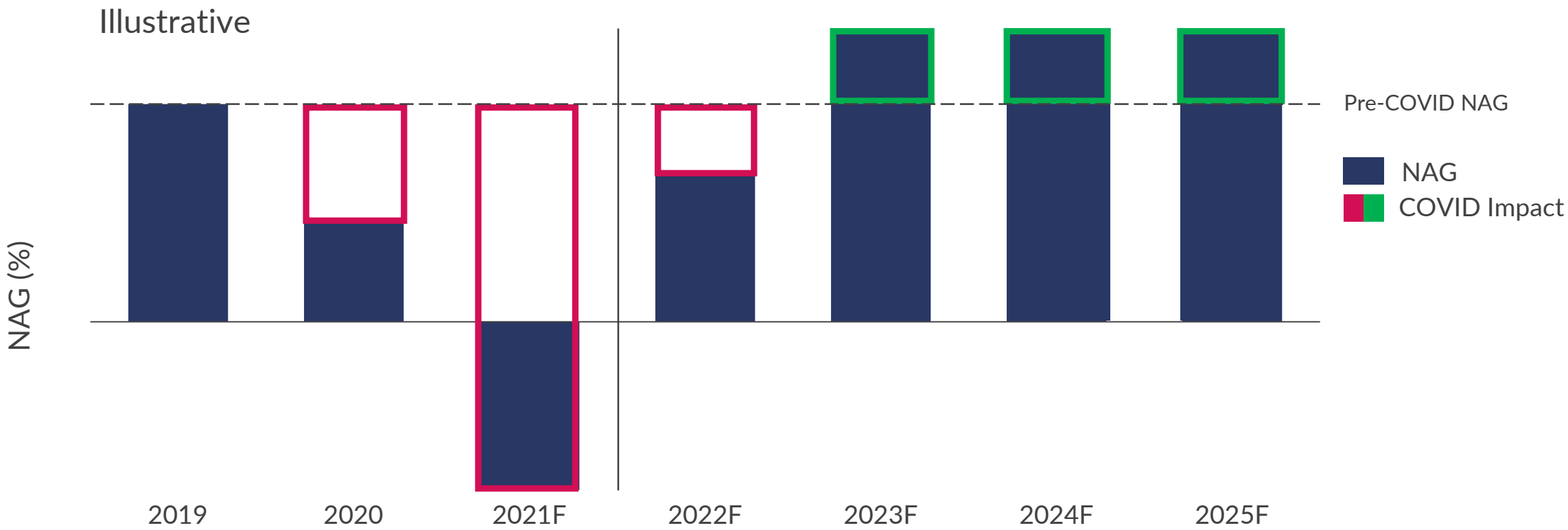
Anticipated growth in IKC

Capital discipline

1) 2021-2025 adjusted guidance



# Improving volume outlook



Expect higher growth relative to pre-COVID level



# Revenue per treatment (RPT) dynamics expected in the future

## Typical Dynamics

- + Annual rate increases
- Aging population reducing commercial mix

## Other Dynamics

- Sequestration
- Expected mix normalization post-COVID
- + Accelerated MA penetration
- ? Inflation

RPT Outlook: **0.5% - 1.5%<sup>1</sup>**

1) From the midpoint of 2021 and 2025 adjusted guidance  
Note: applicable to US dialysis region



# Expect continued cost management strength

## Typical Dynamics

- + Facility cost management
- Inflation (incl. wage rate)
- + Home growth

## Other Dynamics

- Technology implementation
- + Expected net COVID impact  
(PPE, T&E, capacity utilization)

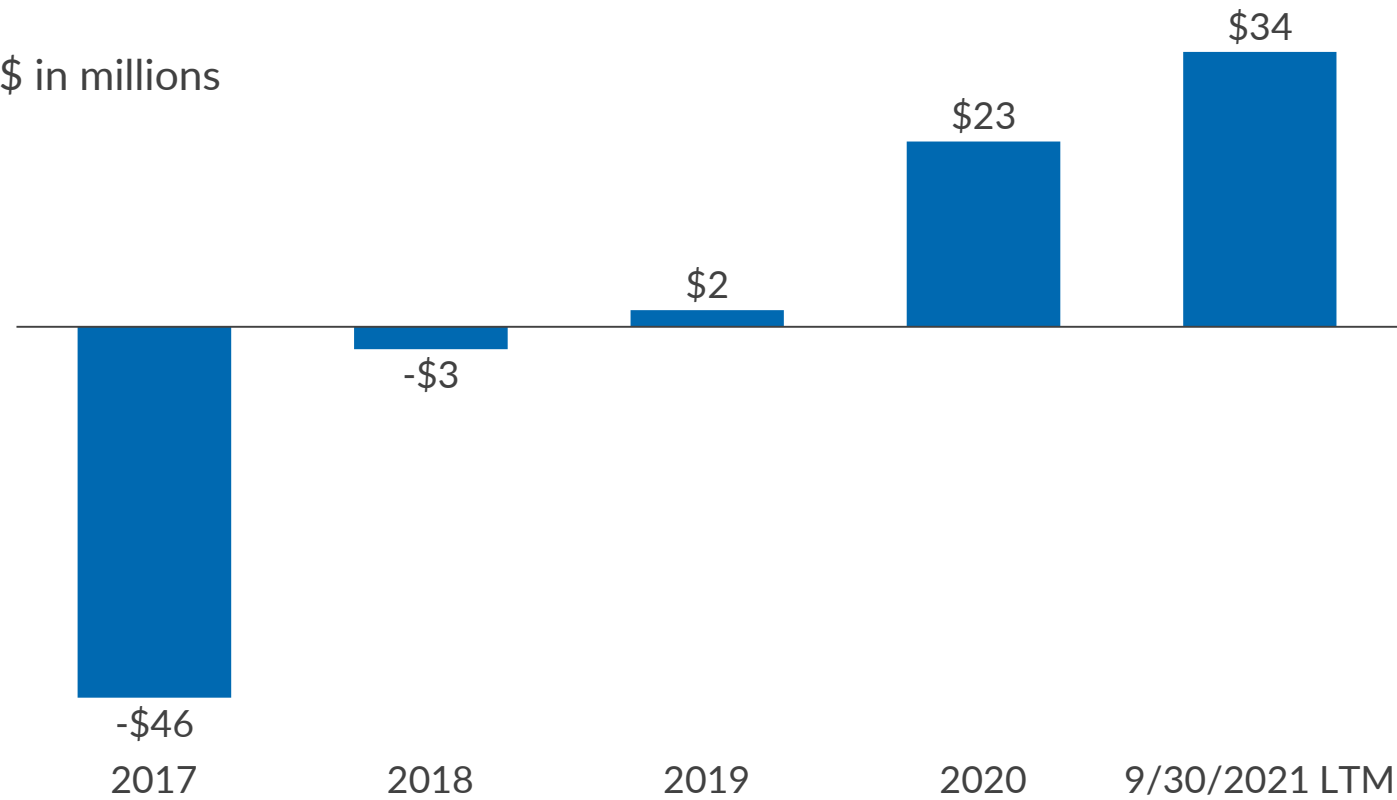
CPT Outlook: **1.0% - 2.0%**<sup>1</sup>

1) From the midpoint of 2021 and 2025 adjusted guidance  
Note: applicable to US dialysis region





# International continues to deliver adjusted OI<sup>1</sup> growth



Expect continued adjusted operating income **growth of \$10-20M per year<sup>2</sup>**

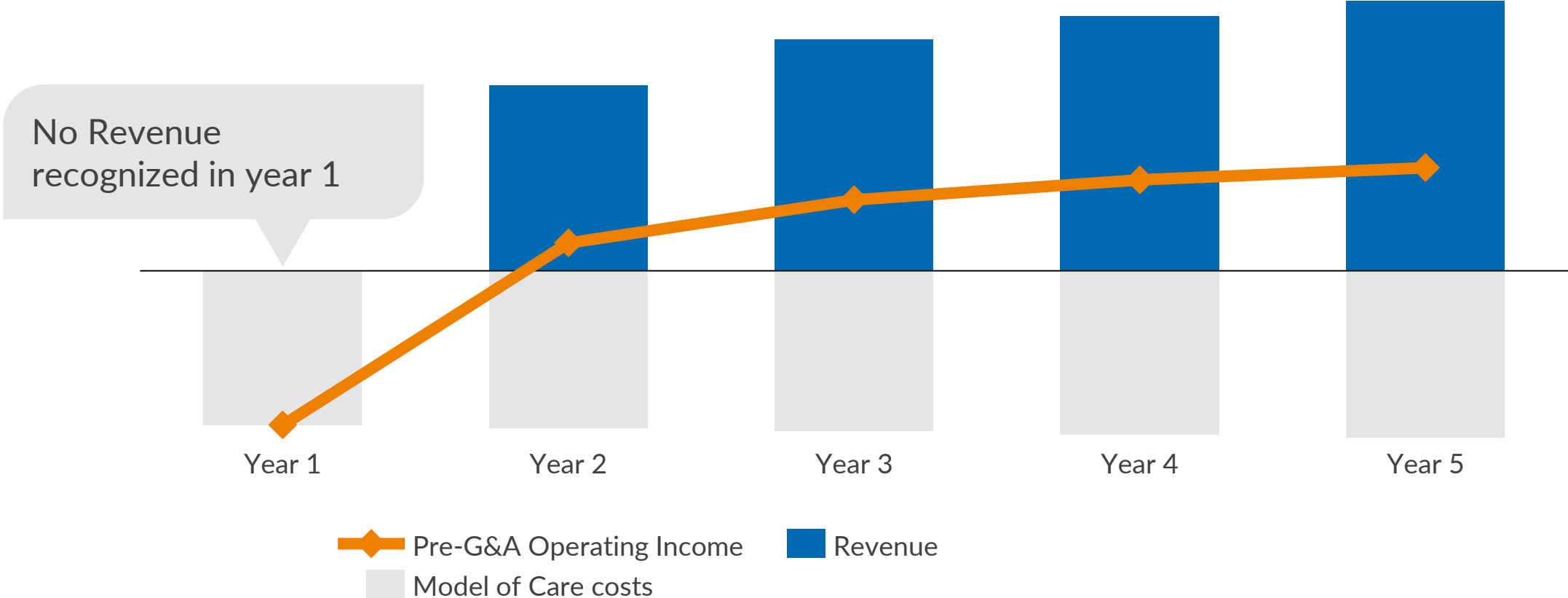
1) Non-GAAP measure. See appendix for reconciliation of this non-GAAP measure to the most comparable GAAP measure.

2) From the midpoint of 2021 and 2025 adjusted guidance

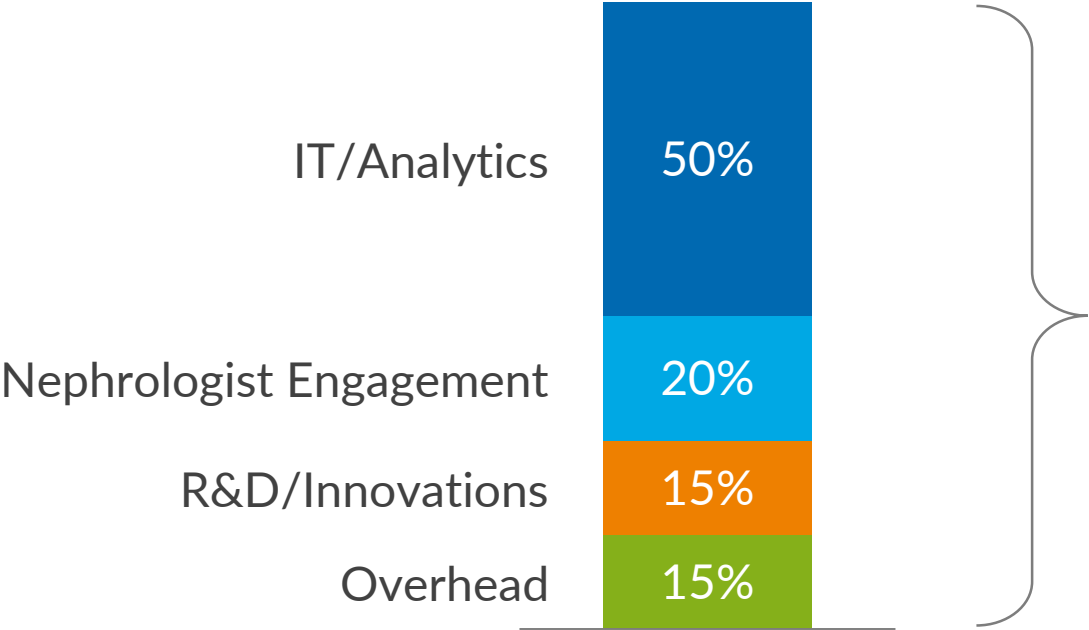


# Illustrative IKC program economics by year

## Pre-G&A Operating Income



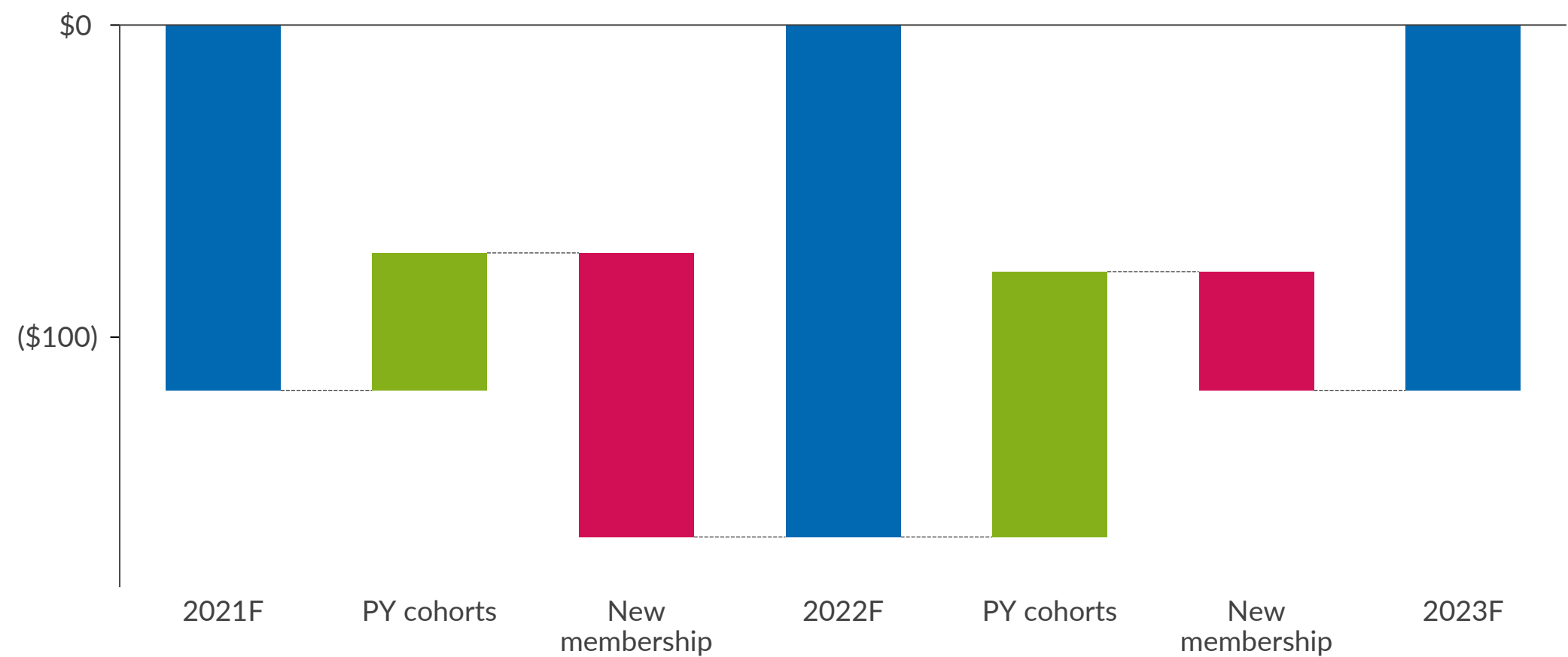
# Supported by fixed costs



Expected annual run-rate IKC fixed costs  
**\$100 – 125M**



# Illustrative US Ancillary<sup>1</sup> adjusted operating income bridge



(1) Including IKC  
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# What could this look like?

## 2025

**90,000-140,000**  
Patients

**(\$50M)-\$50M**  
Annual Adjusted OI

## Long-term

**200,000-300,000**  
Patients

**\$150M-300M**  
Annual Adjusted OI



# 2021-2025 adjusted OI outlook (CAGR)

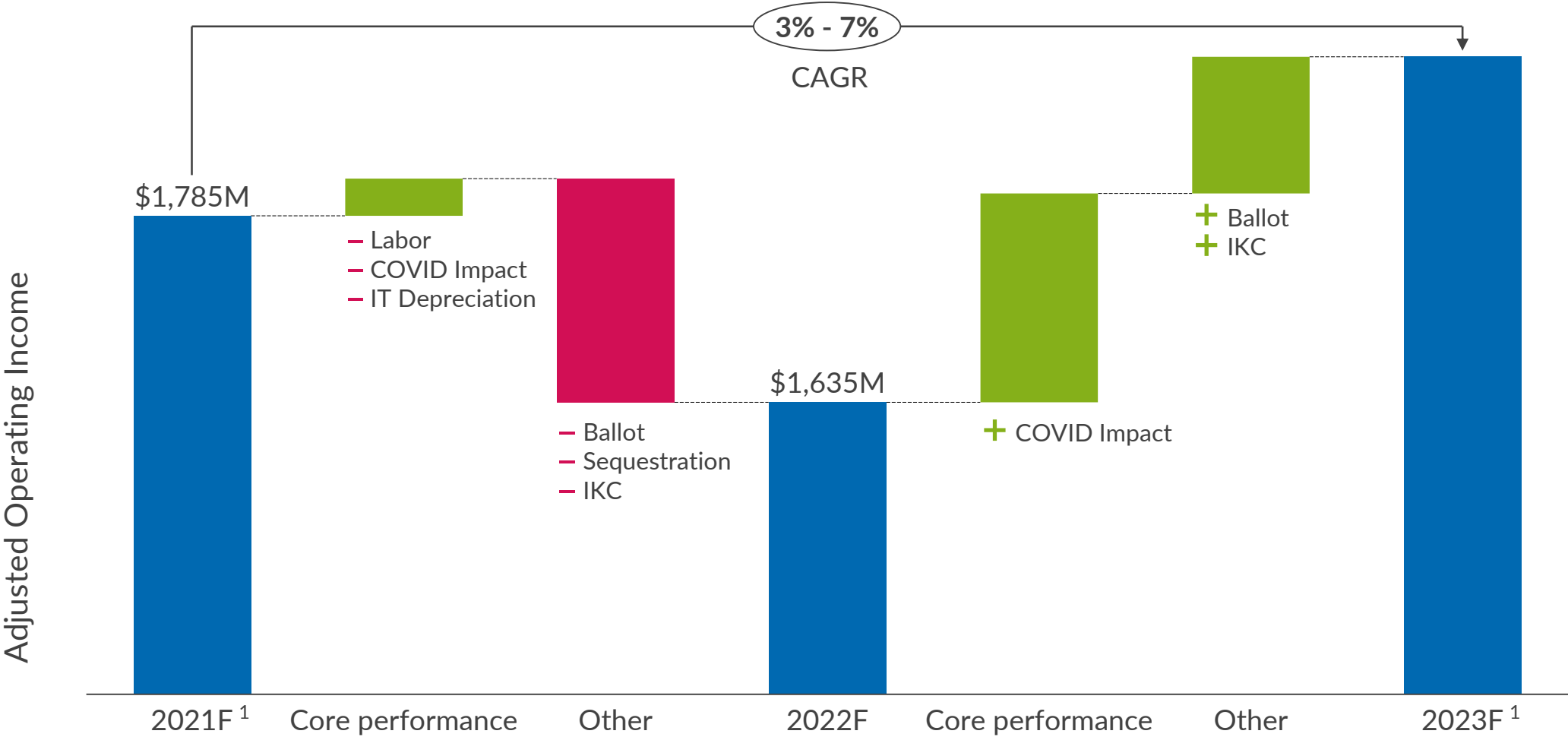
	Low	High
US Dialysis <sup>1,2</sup>	2%	4%
International <sup>2</sup>	0%	1%
US Ancillary (including IKC) <sup>2</sup>	1%	2%
Overall	3%	7%

1) Includes the estimated impact of COVID  
2) From the midpoint of 2021 and 2025 adjusted guidance





# 2021 to 2023 adjusted operating income bridge



1) From midpoint of 2021 and 2023 adjusted guidance range



# 2021-2025 outlook on other items

## Debt Expense

Higher rates due to increasing benchmark

## Tax Rate

Assumed effective tax rate of 25% to 27%

## Non-controlling Interest

Expected to grow with US Dialysis Operating Income

## Share Repurchases

Consistent standards – expect continued use of a significant portion of FCF for share repurchases

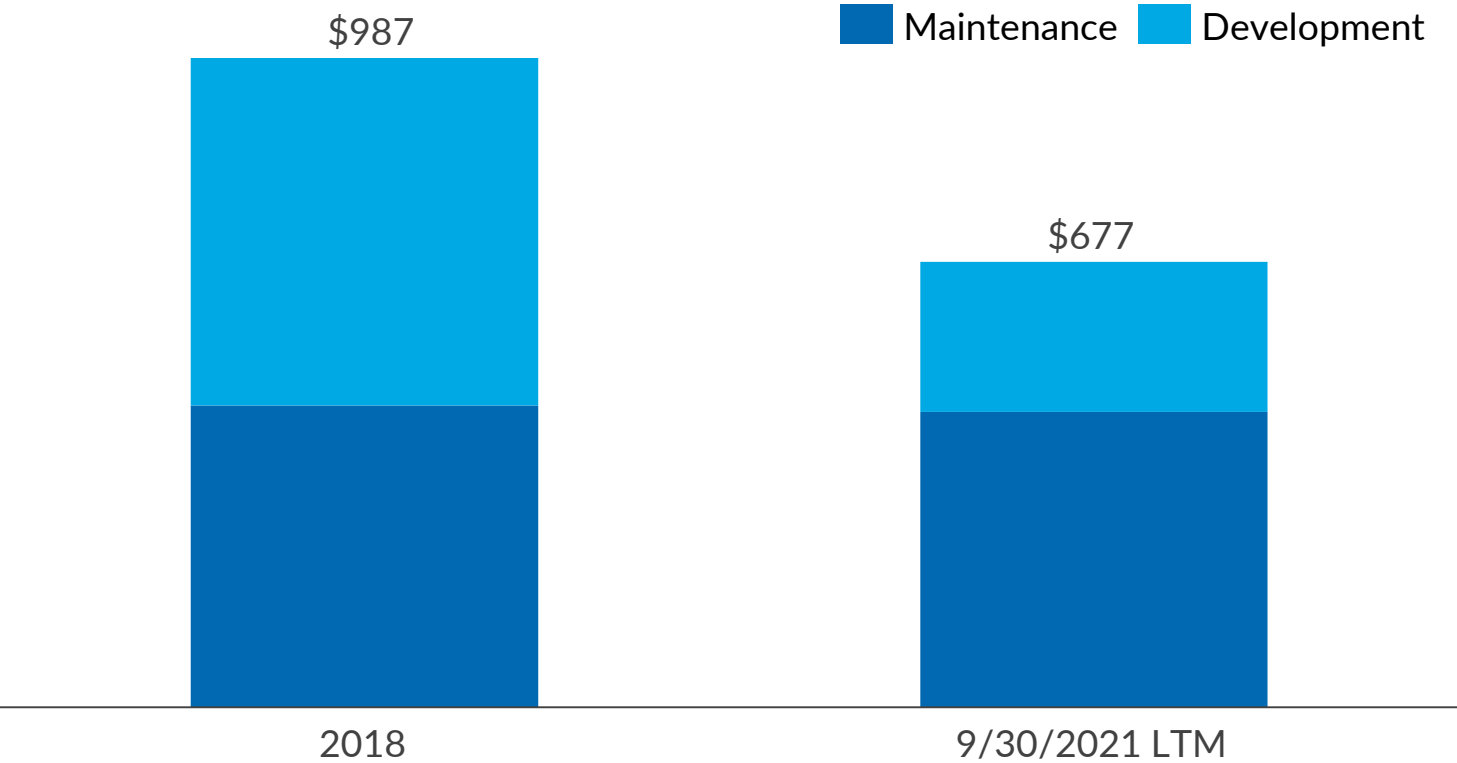
## Other Income/(Loss)

No net impact expected



# CapEx

CapEx, \$ in millions

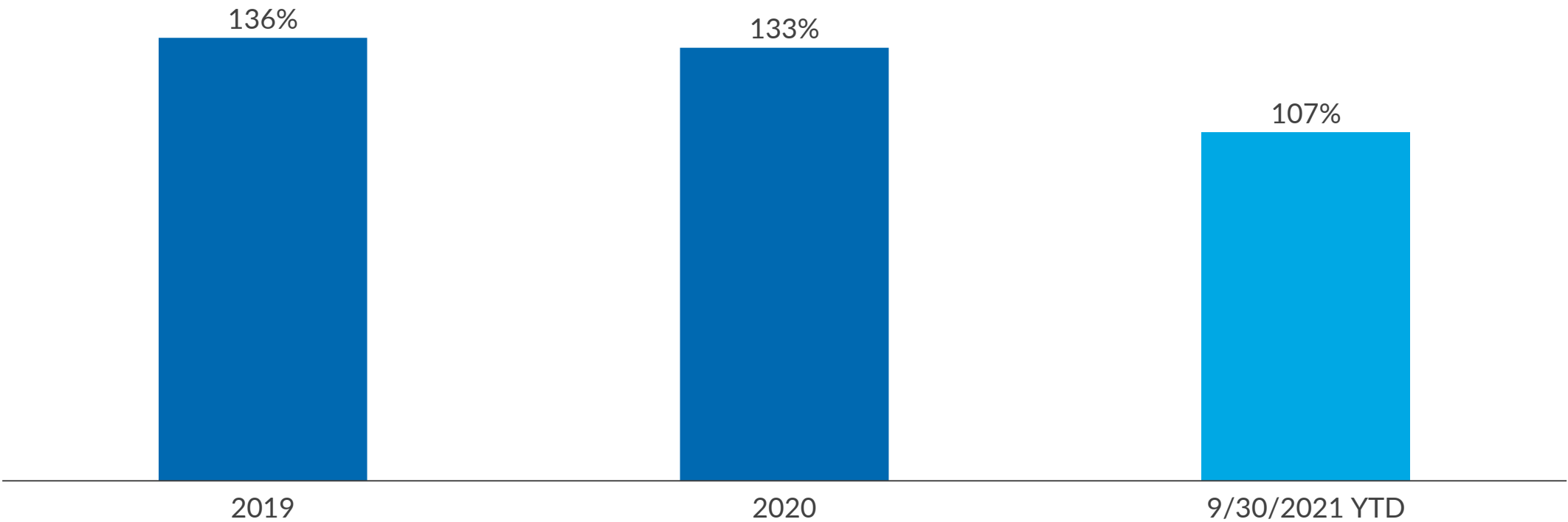


Expect CapEx to be  
**stable through 2025**



# Free cash flow<sup>1</sup> (FCF)

*FCF as a proportion of Adjusted Net Income<sup>1,2</sup>*



FCF **expected to remain above Adjusted Net Income<sup>1</sup>** with difference contracting over time<sup>3</sup>

1) Free cash flow and adjusted net income are non-GAAP measures. See appendix for reconciliation of these non-GAAP measure to the most comparable GAAP measure  
2) FCF as a proportion of adjusted net income is FCF divided by adjusted net income attributable to DaVita Inc. both from continuing operations  
3) From the midpoint of 2021 and 2025 adjusted guidance

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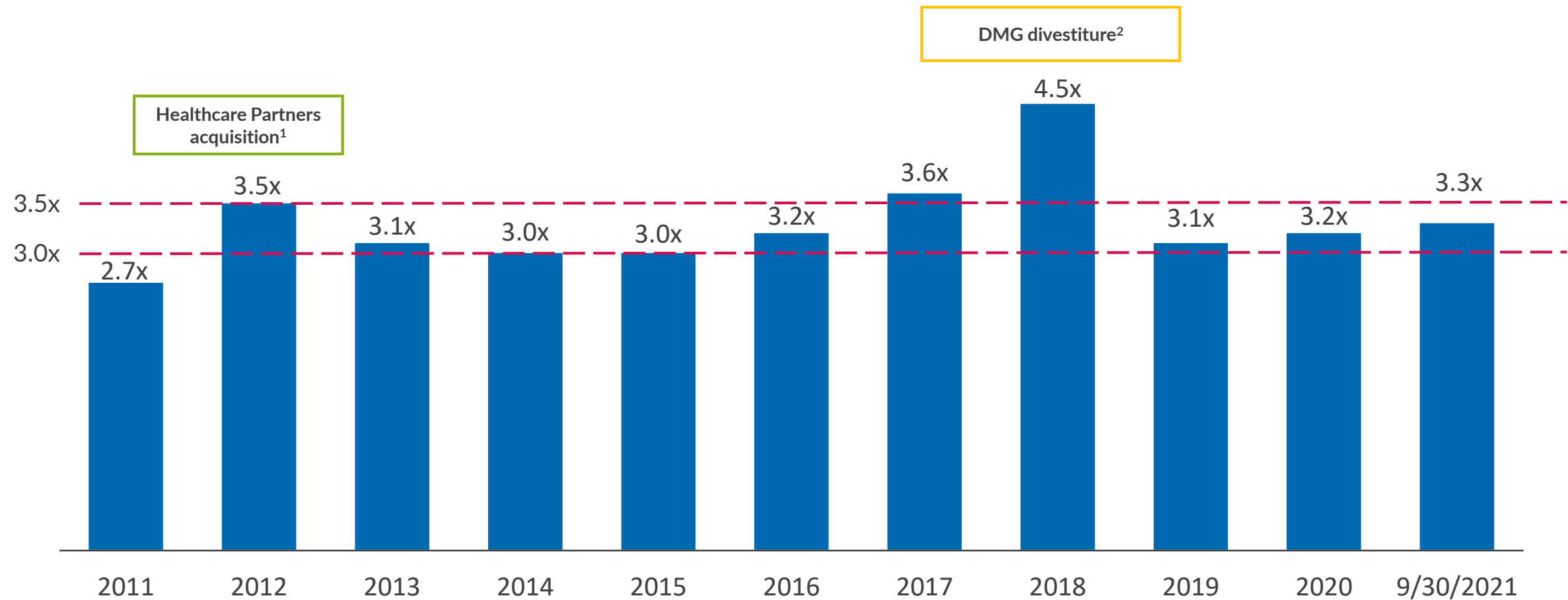
# M&A<sup>1</sup>

**Disciplined approach  
to acquisitions and  
capital allocation**

**Investing in strategic  
innovation and growth  
in kidney**



# Commitment to Prudent Leverage



Note: Leverage Ratio as defined in Credit Agreement, which is a non-GAAP measure, and is based on net debt. See appendix for reconciliation of this non-GAAP measure to the most comparable GAAP measure

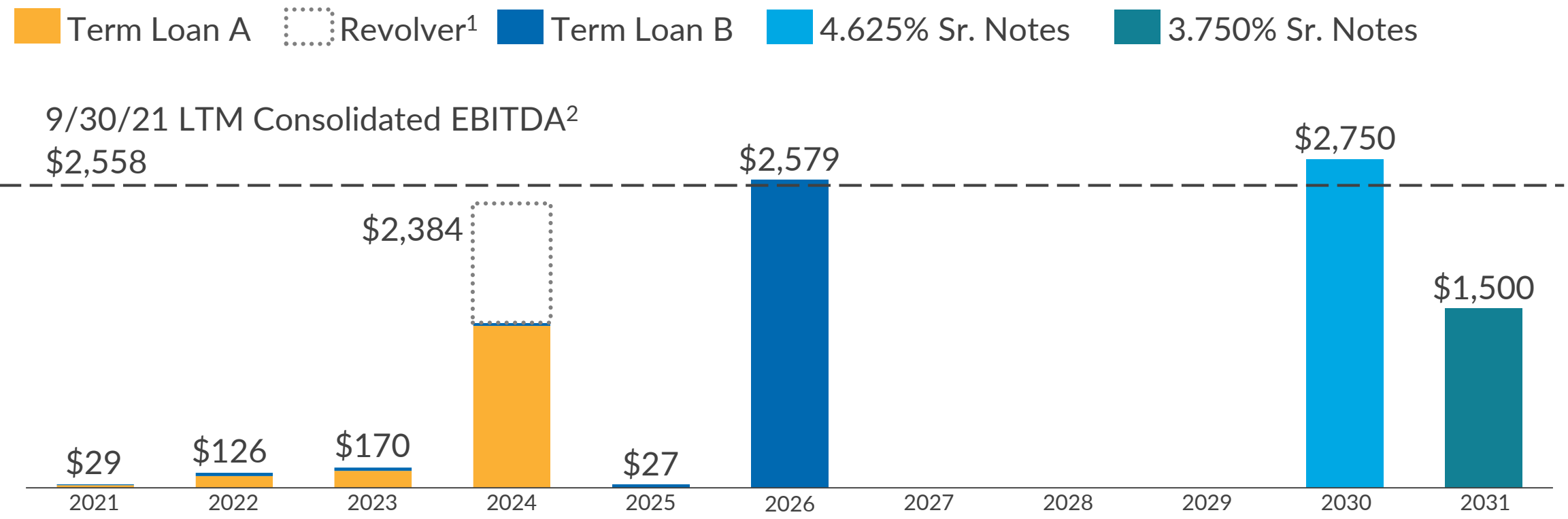
1) Healthcare Partners (renamed DaVita Medical Group, or DMG) acquisition completed in November 2012

2) DMG divestiture announced in December 2017 and closed in June 2019.



# Debt Maturity Schedule

Credit Agreement and Bond Debt outstanding, \$ in millions

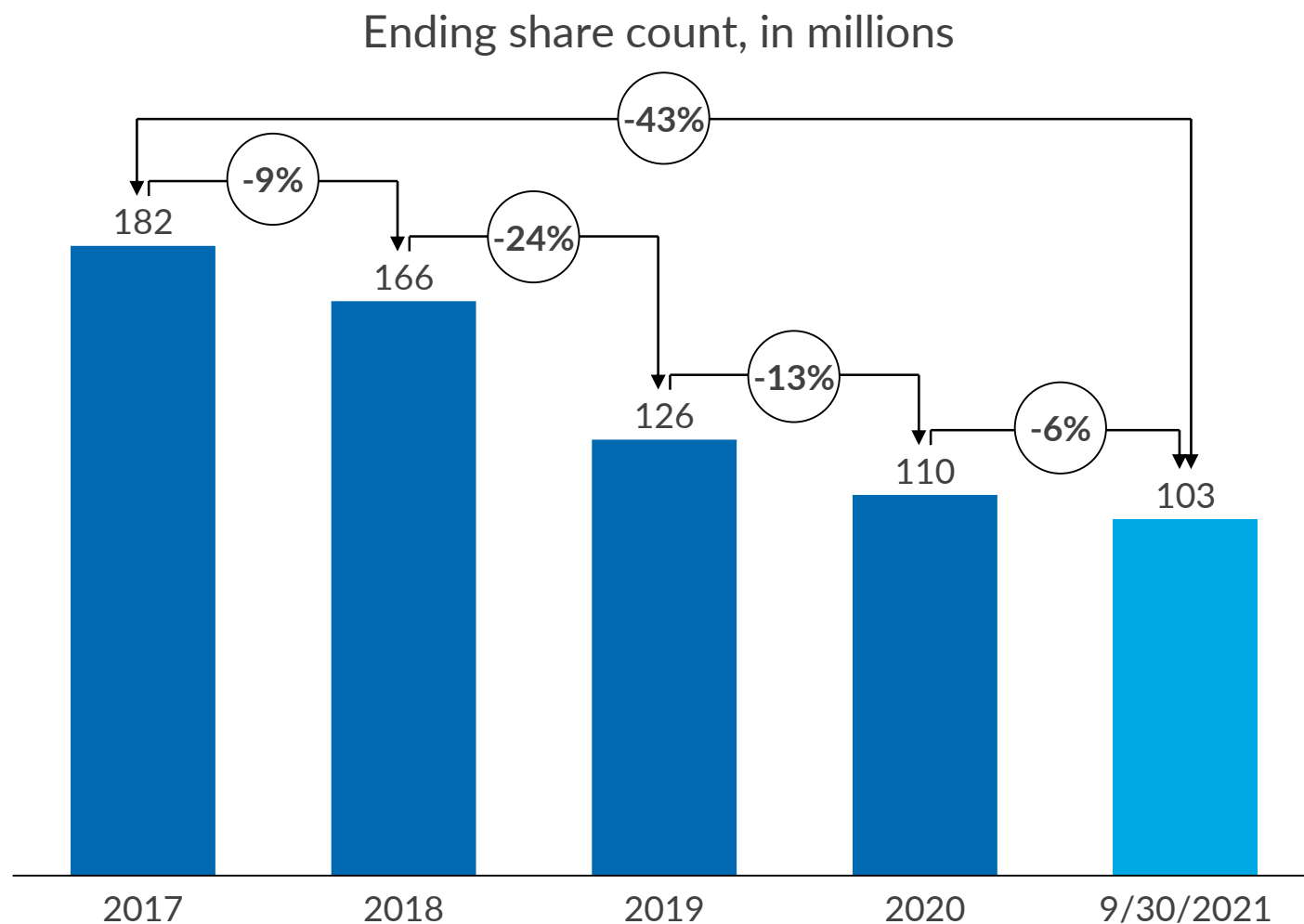


Note: Excludes other debt and deferred financing cost  
1) \$1,000 revolver expires in 2024  
2) Consolidated EBITDA as defined per Credit Agreement, which is a non-GAAP measure. See appendix for reconciliation of this non-GAAP measure to the most comparable GAAP measure





# Share repurchase program



Consistent standards -  
expect continued  
use of a significant  
portion of FCF for  
share repurchases



# 2021-2025 Outlook (CAGR)

Adjusted OI<sup>1</sup>  
**3-7%** CAGR

Adjusted EPS<sup>1</sup>  
**8-14%** CAGR

1) From the midpoint of 2021 and 2025 adjusted guidance



# Closing



# Non-GAAP Financial Measures

As used in this presentation, 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 this appendix. For income measures, the term “adjusted” refers to operating performance measures that exclude certain items such as impairment charges, (gain) loss on ownership changes, restructuring charges, accruals for legal matters and debt prepayment and refinancing charges.

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

Free cash flow from continuing operating represents net cash provided by operating activities from continuing operations 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 from continuing operations 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.





# Adjusted net income from continuing operations attributable to DaVita Inc.

(in millions)

Net income from continuing operations attributable to DaVita Inc.

*Operating charges:*

Goodwill impairment charges

Loss on changes in ownership interests, net

*General and administrative:*

Accruals for legal matters

Debt prepayment, refinancing and redemption charges

Related income tax

Adjusted net income from continuing operations attributable to DaVita Inc.

	2019	2020	Nine months ended September 30, 2021
Net income from continuing operations attributable to DaVita Inc.	\$ 707	\$ 783	\$ 791
<i>Operating charges:</i>			
Goodwill impairment charges	—	16	—
Loss on changes in ownership interests, net	125	—	—
<i>General and administrative:</i>			
Accruals for legal matters	—	35	—
Debt prepayment, refinancing and redemption charges	33	89	—
Related income tax	(35)	(33)	—
Adjusted net income from continuing operations attributable to DaVita Inc.	<u>\$ 830</u>	<u>\$ 890</u>	<u>\$ 791</u>



# Free cash flow from continuing operations

(in millions)

Net cash provided by continuing operating activities

Less: Distributions to noncontrolling interests

Plus: Contributions to noncontrolling interests

Cash provided by continuing operating activities attributable to DaVita Inc.

Less: Expenditures for routine maintenance and information technology

Less: Expenditures for development

Plus: Proceeds from sale of self-developed properties

Free cash flow from continuing operations

	2019	2020	Nine months ended September 30, 2021
Net cash provided by continuing operating activities	\$ 1,973	\$ 1,979	\$ 1,401
Less: Distributions to noncontrolling interests	(233)	(253)	(177)
Plus: Contributions to noncontrolling interests	57	43	28
Cash provided by continuing operating activities attributable to DaVita Inc.	1,797	1,769	1,252
Less: Expenditures for routine maintenance and information technology	(355)	(399)	(289)
Less: Expenditures for development	(373)	(275)	(163)
Plus: Proceeds from sale of self-developed properties	58	93	43
Free cash flow from continuing operations	<u>\$ 1,127</u>	<u>\$ 1,188</u>	<u>\$ 843</u>



# International adjusted operating income

(in millions)	2017	2018	2019	2020	Rolling twelve months ended September 30, 2021
Operating (loss) income from continuing operations	\$ (329.2)	\$ (23.4)	\$ (122.8)	\$ 23.2	\$ 34.4
Goodwill and other asset impairment charges		3.1	124.9		
Impairment of investment	280.1				
Restructuring charges	1.7				
(Gain) loss on ownership changes	(6.3)	1.2			
<i>Equity investment loss (income):</i>					
Loss due to impairments in APAC JV	6.3	7.5			
Loss related to restructuring charges	1.0				
Loss due to business sale in APAC JV		8.7			
Adjusted operating (loss) income from continuing operations	<u>\$ (46.4)</u>	<u>\$ (2.8)</u>	<u>\$ 2.1</u>	<u>\$ 23.2</u>	<u>\$ 34.4</u>





# Leverage ratio

Under our new senior secured credit facilities (the New Credit Agreement) dated August 12, 2019 and our prior senior secured credit facilities (the Prior Credit Agreement), the leverage ratio is defined as all funded debt plus the face amount of all letters of credit issued, minus cash and cash equivalents, not to exceed certain limits under the New Credit Agreement, including short-term investments, divided by "Consolidated EBITDA". The leverage ratio determines the interest rate margin payable by the Company for its new Term Loan A and new revolving line of credit under the New Credit Agreement by establishing the margin over the base interest rate (LIBOR) that is applicable. The following leverage ratios were calculated using "Consolidated EBITDA" as defined in the credit agreement that was in effect at the end of each period. The calculation below is based on the last twelve months of "Consolidated EBITDA", as of the end of the reported period and pro forma for routine acquisitions that occurred during the period. The Company's management believes the presentation of "Consolidated EBITDA" is useful to users to enhance their understanding of the Company's leverage ratio under its credit agreement in effect at that time. The leverage ratio calculated by the Company is a non-GAAP measure and should not be considered a substitute for debt to net income attributable to DaVita Inc., net income attributable to DaVita Inc. or total debt as determined in accordance with United States generally accepted accounting principles (GAAP). For the periods ended June 30, 2019 and September 30, 2018, as allowed by our Prior Credit Agreement, the Company elected to calculate debt using GAAP in effect at the commencement of the Prior Credit Agreement; therefore, the Company did not adjust its debt balance to include the lease liabilities under ASC Topic 842. 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 by other companies.

(in millions)	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>	2013 <sup>(1)</sup>	2014 <sup>(1)</sup>	2015 <sup>(1)</sup>	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	2019 <sup>(2)</sup>	2020 <sup>(2)</sup>	Rolling twelve months ended September 30, 2021
Net income <sup>(3)</sup>	\$ 478	\$ 536	\$ 633	\$ 723	\$ 270	\$ 880	\$ 664	\$ 159	\$ 707	\$ 783	\$ 984
Income taxes	316	360	381	446	296	456	(41)	358	280	314	315
Interest expense	225	269	398	383	383	385	395	451	398	272	250
Depreciation and amortization	267	344	529	591	638	720	777	591	615	630	667
Goodwill and other asset impairment charges	24				210	296	982	62	125		
Noncontrolling interests and equity investment income, net	96	109	127	162	173	171	196	184	223	235	241
Stock-settled stock-based compensation	49	45	60	57	57	38	35	73	63	90	98
Loss contingency reserve			397	17							
Debt prepayment, refinancing and redemption charges		11		98	48				33	89	
Settlement charge					495						
(Gain) loss on changes in ownership interest, net						(404)	(23)	(86)		16	
Gain on settlement, net							(530)				
Valuation adjustment on disposal group								317			
Other	80	659	(13)	26	(29)	43	5	41	(12)	29	2
"Consolidated EBITDA"	<u>\$ 1,534</u>	<u>\$ 2,332</u>	<u>\$ 2,511</u>	<u>\$ 2,502</u>	<u>\$ 2,540</u>	<u>\$ 2,585</u>	<u>\$ 2,460</u>	<u>\$ 2,151</u>	<u>\$ 2,432</u>	<u>\$ 2,460</u>	<u>\$ 2,558</u>
Total debt, excluding debt discount and other deferred financing costs	\$ 4,513	\$ 8,576	\$ 8,434	\$ 8,520	\$ 9,226	\$ 9,192	\$ 9,438	\$ 10,191	\$ 8,181	\$ 8,164	\$ 8,997
Letters of credit issued	48	116	71	96	94	97	105	37	73	65	69
	<u>\$ 4,561</u>	<u>\$ 8,692</u>	<u>\$ 8,504</u>	<u>\$ 8,616</u>	<u>\$ 9,320</u>	<u>\$ 9,289</u>	<u>\$ 9,543</u>	<u>\$ 10,228</u>	<u>\$ 8,254</u>	<u>\$ 8,228</u>	<u>\$ 9,067</u>
Less: Cash and cash equivalents including short-term investments (excluding DMG's physician owned entities cash) <sup>(4)</sup>	(394)	(534)	(826)	(1,190)	(1,817)	(1,108)	(619)	(502)	(750)	(333)	(750)
Consolidated net debt	<u>\$ 4,167</u>	<u>\$ 8,158</u>	<u>\$ 7,678</u>	<u>\$ 7,426</u>	<u>\$ 7,503</u>	<u>\$ 8,181</u>	<u>\$ 8,923</u>	<u>\$ 9,726</u>	<u>\$ 7,504</u>	<u>\$ 7,895</u>	<u>\$ 8,317</u>
Last twelve months "Consolidated EBITDA"	<u>\$ 1,534</u>	<u>\$ 2,332</u>	<u>\$ 2,511</u>	<u>\$ 2,502</u>	<u>\$ 2,540</u>	<u>\$ 2,585</u>	<u>\$ 2,460</u>	<u>\$ 2,151</u>	<u>\$ 2,432</u>	<u>\$ 2,460</u>	<u>\$ 2,558</u>
Leverage ratio	<u>2.7x</u>	<u>3.5x</u>	<u>3.1x</u>	<u>3.0x</u>	<u>3.0x</u>	<u>3.2x</u>	<u>3.6x</u>	<u>4.5x</u>	<u>3.1x</u>	<u>3.2x</u>	<u>3.3x</u>

1) Amounts presented in this table represent the respective elements of and total for "Consolidated EBITDA" as defined and measured for the respective periods under the terms of the credit agreement governing our senior secured credit facilities. For certain line items, these amounts will differ from the amounts presented for the same line items in our most recently filed consolidated financial statements for the same periods because those financial statement line items are presented on a continuing operations basis, while the calculation of "Consolidated EBITDA" provided in our credit agreement is on a consolidated basis and as such also includes certain line items included in net (loss) income from discontinued operations.

2) The credit agreement governing our new senior secured credit facilities requires divestitures to be excluded from the calculation of "Consolidated EBITDA," as a result, the 2019 and 2020 amounts presented in this table give pro forma effect to the DMG sale as if it had occurred on January 1, 2020.

3) The reported net income for 2019 and 2020 is our reported net income from continuing operations attributable to DaVita Inc. as the New Credit Agreement requires divestitures to be reflected on a pro forma basis, as such DMG is excluded from our leverage ratio calculation. The reported net income for all prior years is our reported net income attributable to DaVita Inc.

4) This excludes amounts not readily convertible to cash related to the Company's non-qualified deferred compensation plans for all periods presented. The New 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 million.

