



 **J.P. Morgan Healthcare Conference**

January 2019

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 such statements in or during this 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. Without limiting the foregoing, statements including the words "expect," "intend," "will," "plan," "anticipate," "believe," "forecast," "guidance," "outlook," "goals," "target" and similar expressions are intended to identify forward-looking statements.

These forward-looking statements could include but are not limited to statements that identify uncertainties or trends or discuss the possible future effects of uncertainties or trends and statements regarding our future operations, financial condition and prospects, such as our ability to complete the DMG sale and the anticipated timing of the closing of the DMG sale transaction, the expected use of proceeds from the DMG sale transaction and our anticipated liquidity following the closing of the DMG sale transaction, and how we intend to operate our business and the types of investments we might pursue after the DMG sale transaction closes, the expected impact of federal tax reform legislation, expectations regarding changes in patient charitable premium assistance and healthcare policy generally and the impact of such changes, including on our future operating income and other impacts of these policy changes, expectations for potential and proposed federal and/or state legislation, regulation or ballot or other initiatives, including healthcare-related and labor-related legislation, regulation or ballot or other initiatives, our anticipated advocacy costs, our expectations related to our stock repurchase program, expectations for the profitability of our international operations, expectations for home dialysis, our strategic initiatives and integrated care, anticipated cost reductions, expectations for treatment mix, treatment growth rates, revenue per treatment, expense growth, levels of the provision for uncollectible accounts receivable, operating income, adjusted operating income, cash flow, operating cash flow, free cash flow, estimated tax rates, estimated charges and accruals, capital expenditures, leverage ratios, the development of new dialysis centers and dialysis center acquisitions, government and commercial payment rates, Medicare reimbursement outlook, revenue estimating risk and the impact of our level of indebtedness on our financial performance, including earnings per share.

Our actual 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, and are qualified in their entirety by reference to the full text of those risk factors in our SEC filings relating to: 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 of patients under such plans, including 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; the extent to which the ongoing implementation of healthcare exchanges or changes in or new legislation, regulations or guidance, or enforcement thereof, including among other things those regarding the exchanges, results in a reduction in reimbursement rates for our services from and/or the number of patients enrolled in higher-paying commercial plans; a reduction in government payment rates under the Medicare End Stage Renal Disease program or other government-based programs; the impact of the Medicare Advantage benchmark structure; risks arising from potential and proposed federal and/or state legislation, regulation or ballot or other initiatives, including healthcare-related and labor-related legislation, regulation or ballot or other initiatives; the impact of the changing political environment and related developments on the current health care marketplace and on our business, including with respect to the future of the Affordable Care Act, the exchanges and many other core aspects of the current health care marketplace; uncertainties related to the impact of federal tax reform legislation; changes in pharmaceutical practice patterns, reimbursement and payment policies and processes, or pharmaceutical pricing, including with respect to calcimimetics; legal compliance risks, such as our continued compliance with complex government regulations and the provisions of our current Corporate Integrity Agreement ("CIA") and current or potential investigations by various government entities and related government or private party proceedings, and restrictions on our business and operations required by our CIA and other current or potential settlement terms and the financial impact thereof and our ability to recover any losses related to such legal matters from third parties; continued increased competition from dialysis providers and others, and other potential marketplace changes; our ability to reduce administrative expenses while maintaining targeted levels of service and operating performance, including our ability to achieve anticipated savings from our recent restructurings; 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 or dispositions 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 dialysis; noncompliance by us or our business associates with any privacy laws or any security breach by us or a third party involving the misappropriation, loss or other unauthorized use or disclosure of confidential information; the variability of our cash flows; the risk that we may not be able to generate 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, including market conditions, the price of our common stock, our cash flow position, borrowing capacity and leverage ratios, and legal, regulatory and contractual requirements; the risk that we might invest material amounts of capital and incur significant costs in connection with the growth and development of our international operations, yet we might not be able to operate them profitably anytime soon, if at all; risks arising from the use of accounting estimates, judgments and interpretations in our financial statements; impairment of our goodwill, investments or other assets; the risks and uncertainties associated with the timing, conditions and receipt of regulatory approvals and satisfaction of other closing conditions of the DMG sale transaction and continued disruption in connection with the DMG sale transaction making it more difficult to maintain business and operational relationships; risks and uncertainties related to our ability to complete the DMG sale transaction on the terms set forth in the equity purchase agreement or at all; uncertainties related to our liquidity following the close of the DMG sale transaction and our planned subsequent entry into new external financing arrangements, which may be less than we anticipate; uncertainties related to our use of the proceeds from the DMG sale transaction and other available funds, including external financing and cash flow from operations, which may be used in ways that may not improve our results of operations or enhance the value of our common stock; risks related to certain contractual restrictions on the conduct of DMG's business while the DMG sale transaction is pending; the risk that laws regulating the corporate practice of medicine could restrict the manner in which DMG conducts its business; the risk that the cost of providing services under DMG's agreements may exceed our compensation; the risk that any reductions in reimbursement rates, including Medicare Advantage rates, and future regulations may negatively impact DMG's business, revenue and profitability; the risk that DMG may not be able to successfully establish a presence in new geographic regions or successfully address competitive threats that could reduce its profitability; the risk that a disruption in DMG's healthcare provider networks could have an adverse effect on DMG's business operations and profitability; the risk that reductions in the quality ratings of health plans DMG serves or healthcare services that DMG provides could have an adverse effect on DMG's business; the risk that health plans that acquire health maintenance organizations may not be willing to contract with DMG or may be willing to contract only on less favorable terms; risks that we may recognize additional valuation adjustments or goodwill impairments related to DMG; and the other risk factors set forth in our most recent quarterly report on Form 10-Q for the quarter ended September 30, 2018, and the other risks discussed in our subsequent periodic and current reports filed with the SEC from time to time.

All forward-looking statements in this presentation are based on information available to us on the date of this presentation. We undertake no obligation to update or revise any of our guidance, the assessment of the underlying assumptions or other forward-looking statements, whether as a result of changed circumstances, new information, future events or otherwise.

During this presentation we will discuss certain non-GAAP financial measures. We do not provide guidance for Kidney Care consolidated operating income on a GAAP basis nor 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. The following non-GAAP financial measures do not include certain items, including goodwill and other asset impairment charges, restructuring charges, gain (loss) on ownership changes and foreign currency fluctuations.

What is the DMG Transaction Status?

- \$4.34 billion purchase price¹
- FTC review ongoing
- Working towards Q1 2019 close
- Expect substantial OI improvement in 2019

1) Subject to certain adjustments under the purchase agreement

Summary

Industry & Company

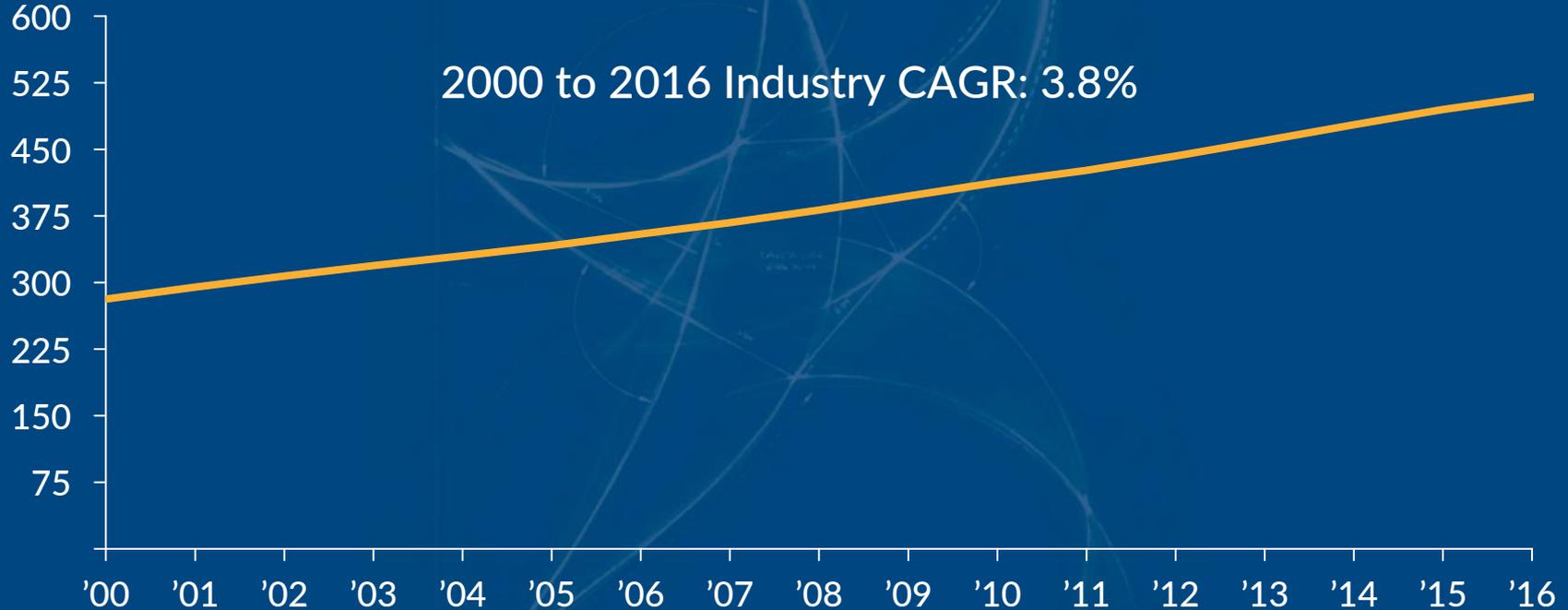
- Essential service
- Steady growth industry
- Integrated care potential
- Strong competitive position
- Clinical & operational excellence
- Strong, consistent cash flow

Risks / Uncertainties

- Healthcare policy
- Unions
- Commercial profitability

Stable Historical Industry Growth¹

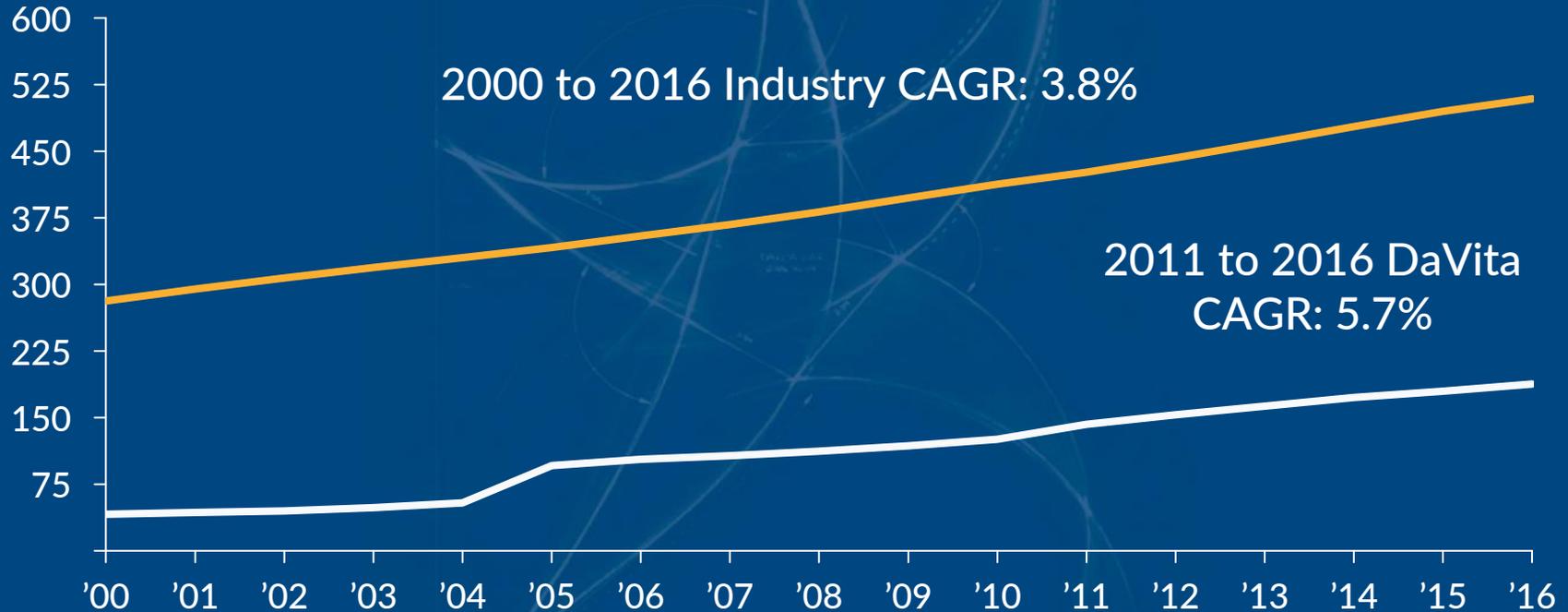
US dialysis
patients (000s)



1) Source: USRDS

Stable Historical Industry Growth¹

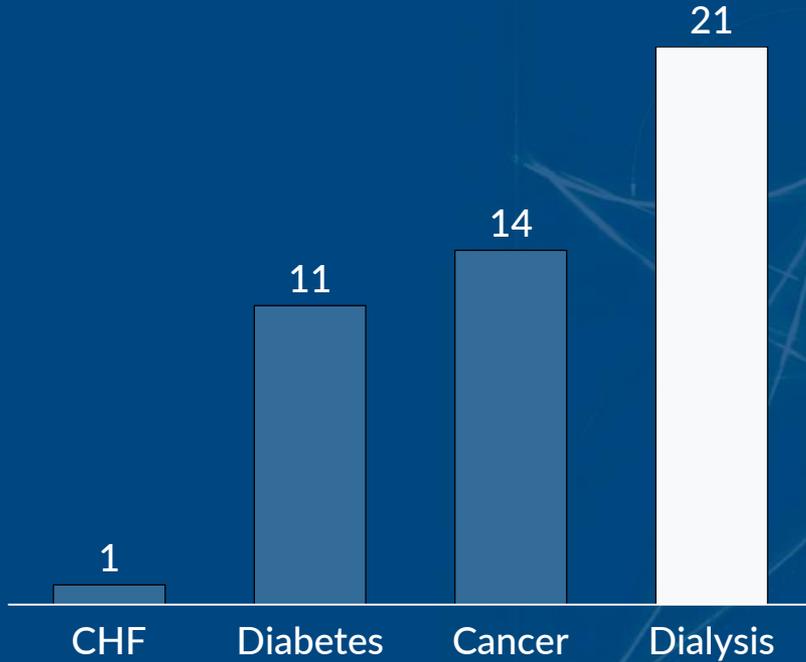
US dialysis
patients (000s)



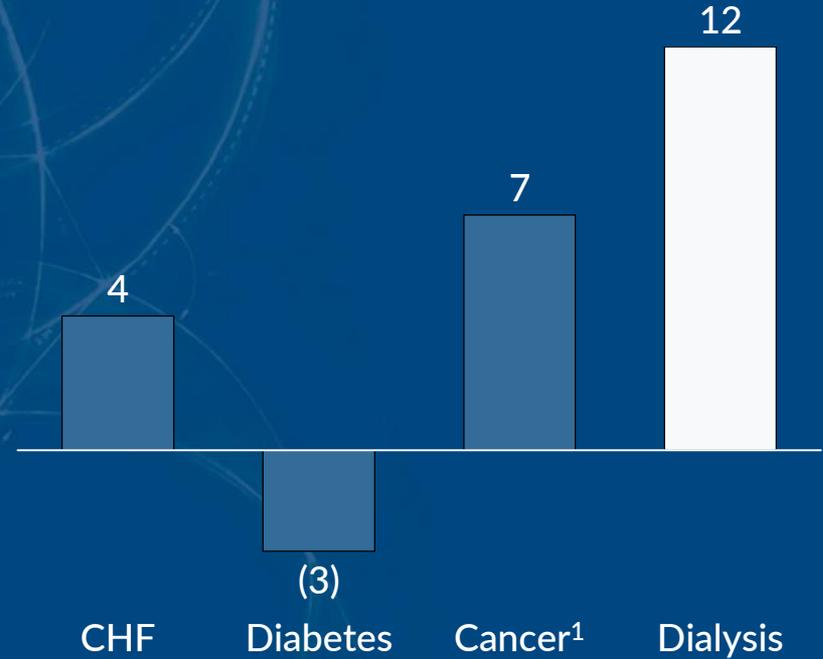
1) Source: USRDS

Distinctive Outcomes

10-Year % Mortality Improvement



10-Year % Cost Improvement



Source: USRDS 2017 report; adjusted mortality (deaths per 1,000 patient-years) among ESRD patients and comorbidity-specific Medicare populations aged 65 & older; per capita cost of care adjusted by National Health Expenditure inflation

1) Source: Milliman 2016 report for cancer cost of care; cost trend available for 2004-2014

★ Typical Dialysis Center

- 80 patients
- 17 teammates
 - 5 nurses
 - 8 techs
 - 4 other
- Medical Director
- 18 machines & chairs
- \$4M revenue



Kidney Care at a Glance

• Facilities ¹	2,876
• Treatments ²	31.9M
• Kidney Care Net Revenue ²	\$11.4B
• 2018 Adjusted OI Guidance ³	\$1.5 - \$1.525B

1) As of September 30, 2018

2) LTM as of September 30, 2018

3) Excludes certain items including: goodwill and other asset impairment charges, restructuring charges, gain/(loss) on ownership changes

What are expectations for 2019?

- OI: \$1.54B - \$1.64B
- CF guidance to be provided on Q4 2018 earnings call
- Capex: \$800M - \$840M
 - Self-development capex: ~\$100M

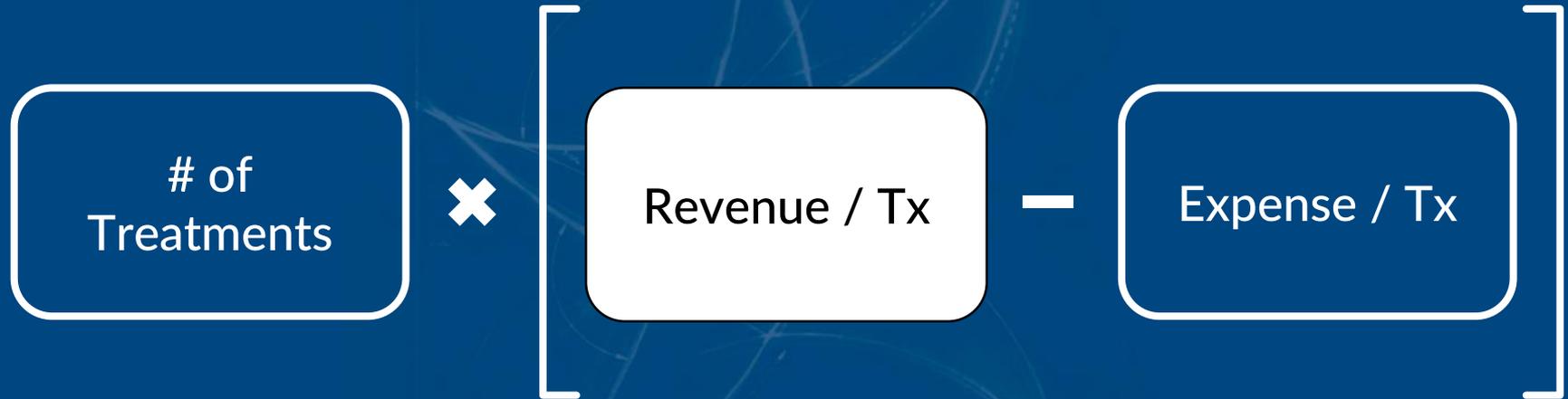
Components of 2019 Guidance



2019 Volume Outlook: 3-4% Growth

- Total treatment growth: 3% - 4%
- Non-acquired growth: 2.5% - 3.5%
- Limited tuck-in acquisitions

Components of 2019 Guidance



2019 RPT Outlook: 0-1% Growth¹

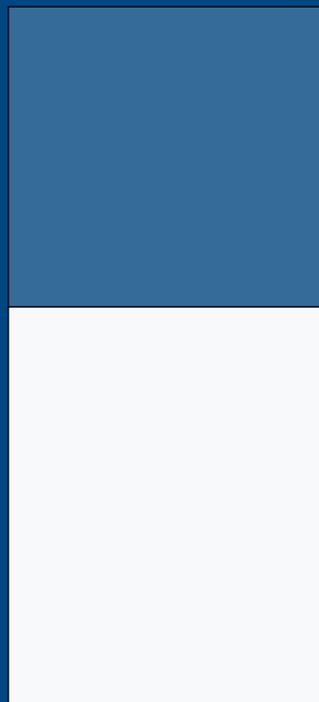
- Treatment mix: +/- 5 basis points
- Commercial RPT: (1)% – 0.5%
 - Rate increases for large majority of patients
 - Offset by decline in OON and outliers
- Government RPT: 1% – 2%
 - Medicare FFS rate increase of 1.2%
 - Continued shift to higher rate MA

1) Excludes \$36M in Medicare bad debt recoveries recognized in 2018 due to implementation of new revenue accounting standards; excludes impact of calcimimetics

Components of 2019 Guidance



★ 2019 CPT Outlook: 0.5-1.5% Growth¹



Component

Outlook

- Teammate costs

- 2.5% - 3.5% wage rate

- Other costs

- ~Flat²

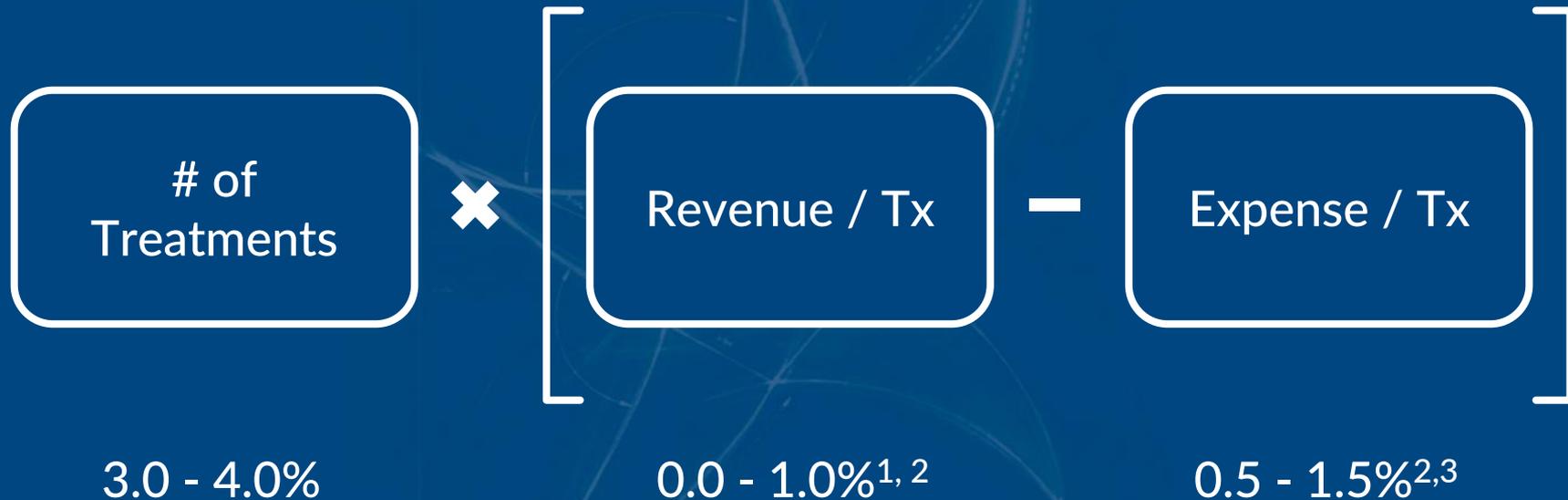
1) Excludes impact of calcimimetics

2) Excludes costs to defeat Prop 8 in 2018, or other potential ballot initiatives in subsequent years

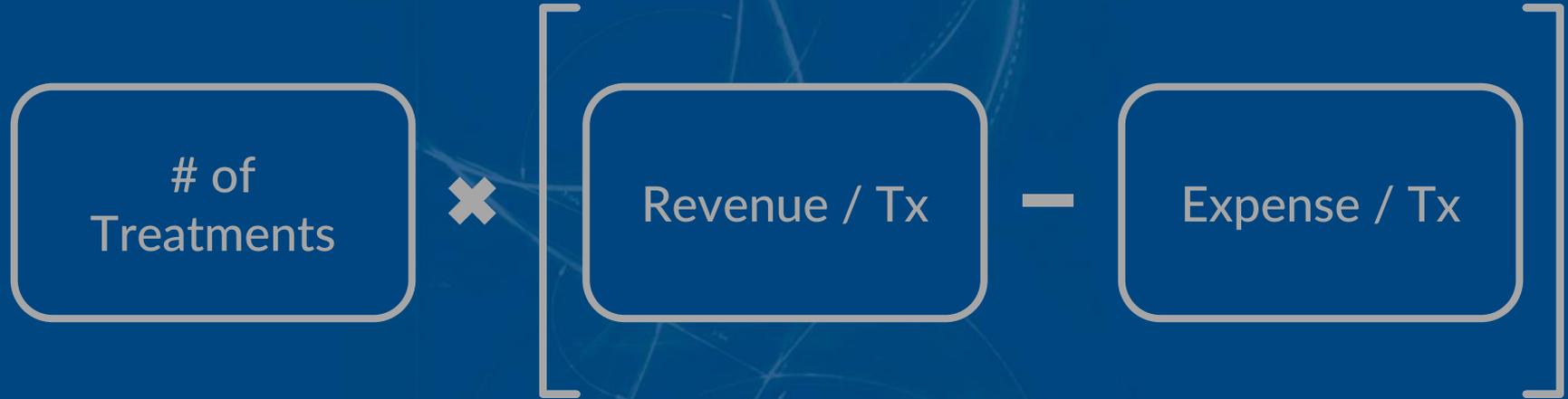
Outlook for SEIU-UHW Initiatives

- Prop 8 victory
- UHW will persist
- Proactive legislation
- Continued focus on being a great place for teammates

Components of 2019 Dialysis Guidance



- 1) Excludes \$36M in Medicare bad debt recoveries recognized in 2018 due to implementation of new revenue accounting standards
- 2) Excludes impact of calcimimetics
- 3) Excludes costs to defeat Prop 8 in 2018, or other potential ballot initiatives in subsequent years



Cash Flow Foundation

Private Pay Rates in Context

- 1 in 10
- Medicare eligibility regardless of age
- 30-month MSP period
- Safety net

Charitable Premium Assistance

- 20+ year equilibrium
- Intentional design
- Economic benefits to commercial payors dramatically exceed incremental cost

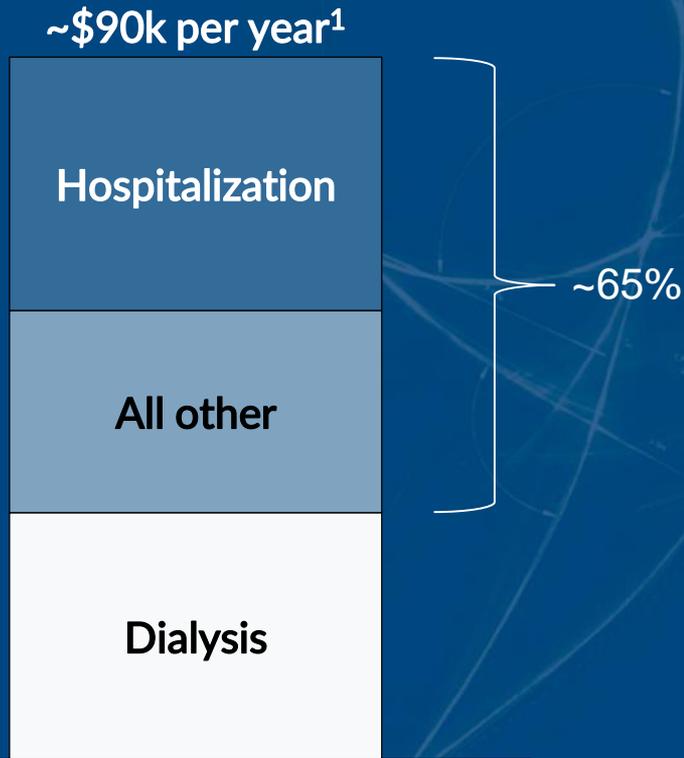
Innovation to Create More Aligned Ecosystem

- CKD
- Home
- Integrated Kidney Care (IKC)

Home Dialysis Growth

- Largest PD / HHD provider; growing 3-4x faster than ICHD
- PD product supply available again
- Clinical / lifestyle benefit for many patients
- Capital efficient growth

Integrated Care Opportunity



- Need for care coordination
- Opportunity to reduce non-dialysis costs
- Improved clinical outcomes

1) 2015 claims data for Medicare dialysis patients; 2017 Annual Data Report by USRDS



Closing Thoughts



 **J.P. Morgan Healthcare Conference**
January 2019