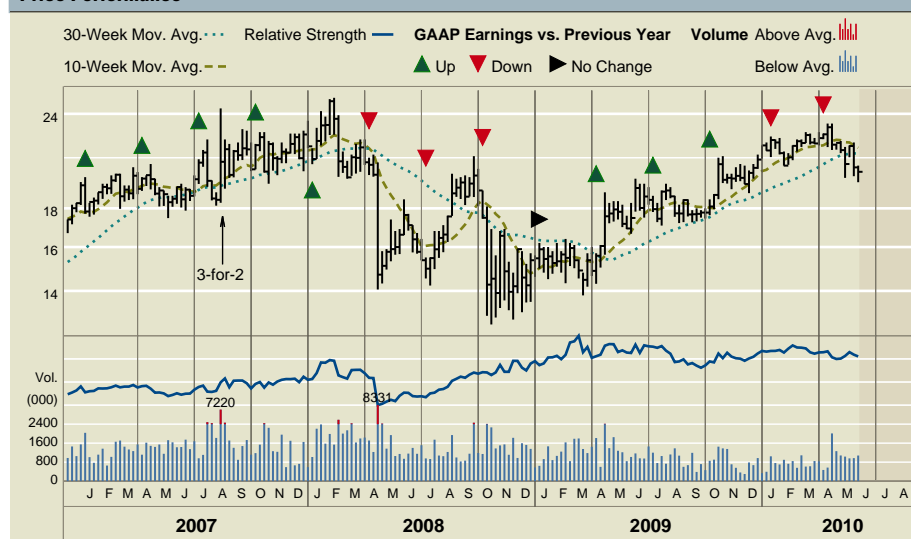


# Healthcare Services Group Inc

**GICS Sector** Industrials  
**Sub-Industry** Diversified Support Services**Summary** This company provides housekeeping, laundry, linen, facility maintenance and food services to hospitals and other health care facilities.**Key Stock Statistics** (Source S&P, company reports, Vickers)

Price as of May 28, 2010	<b>\$20.11</b>	Dividend Rate/Share	<b>\$0.88</b>	\$10K Invested 5 Yrs Ago	<b>\$18,675</b>	Total Shares Outstg. (M)	<b>43.8</b>
52-Wk Range	<b>\$23.35–17.08</b>	Trailing 12-Month P/E	<b>29.6</b>	Beta	<b>0.50</b>	Market Capitalization(B)	<b>\$0.880</b>
Trailing 12-Month EPS	<b>\$0.68</b>	Tangible Book Val/Share	<b>\$4.20</b>	Yield (%)	<b>4.38</b>	Institutional Ownership (%)	<b>91</b>

**Price Performance****Quantitative Evaluations**

<b>S&amp;P Quality Ranking</b>								<b>B+</b>
D	C	B-	B	B+	A-	A	A+	

<b>S&amp;P Fair Value Rank</b>					<b>3-</b>
1	2	3	4	5	
LOWEST					HIGHEST

<b>Fair Value Calculation</b>	<b>\$20.30</b>
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Volatility	Low		
	LOW	AVERAGE	HIGH

<b>Technical Evaluation</b>	<b>NEUTRAL</b>
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Since May, 2010, the technical indicators for HCSG have been NEUTRAL.

<b>Relative Strength Rank</b>	<b>MODERATE</b>
37	
LOWEST = 1	HIGHEST = 99

S&P Financial Writer **Mark Schwiebert****Operational Review** April 27, 2010**Income Statement Analysis & Financial Review**

In the first quarter, revenues were \$183.8 million vs. \$160.4 million in the prior year, growing by 15% year to year. The gross margin narrowed 2%, despite higher revenues. Selling, general & administrative expenses were \$13.9 million, as opposed to \$10.9 million for the same period in 2009, rising 28%. Income before taxes was \$12.1 million vs. \$12.6 million, decreasing 4%. Income taxes were \$4.6 million, against \$4.8 million for last year, and net income was \$7.4 million (\$0.17 a share), vs. \$7.7 million (\$0.18 a share) in the first quarter of 2009.

**Key Operating Information**

In the Housekeeping segment, revenues for the first quarter of 2010 rose 13.7% compared with last year primarily due to service agreements entered into with new clients. Contract Environmental Services, Inc ("CES") accounted for approximately 3.8% of the increase in housekeeping segment revenue.

The Dietary segment reported a 25% increase in revenues primarily as a result the CES acquisition along with providing this service to an increasing number of existing Housekeeping clients. CES accounted for approximately 20.2% of the increase in Dietary segment revenue.

Cost of services provided, on a consolidated basis, as a percentage of revenues for the 2010 first quarter increased to 86.3% from 86.0% in the corresponding 2009 quarter. Cost of services provided for Housekeeping, as a percentage of Housekeeping revenues decreased to 89.5% from 90.1% compared to the corresponding 2009 quarter. Cost of services provided for Dietary, decreased to 94.9% from 96.2% in the corresponding 2009 quarter.

Capital expenditures for the remainder of 2010 are estimated to be approximately \$3 million to \$3.5 million in connection with housekeeping equipment purchases and laundry and linen equipment installations in clients' facilities, as well as expenditures relating to internal data processing hardware and software requirements.

**Recent Developments**

At March 31, 2010, the company had cash and cash equivalents, and marketable securities of \$72.5 million and working capital of \$178.4 million compared to December 31, 2009 cash and cash equivalents, and marketable securities of \$84 million and working capital of \$177.5 million. The current ratio at March 31, 2010 increased to 8.8 to 1 compared to 6.1 to 1 at December 31, 2009.

**Revenue/Earnings Data**

<b>Revenue (Million \$)</b>					
	1Q	2Q	3Q	4Q	Year
2010	183.8	--	--	--	--
2009	160.4	170.9	178.8	182.6	692.7
2008	147.3	147.9	153.0	154.6	602.7
2007	140.7	142.4	146.1	148.6	577.7
2006	118.9	122.8	130.1	139.8	511.6
2005	114.7	116.1	117.7	117.9	466.3

<b>Earnings Per Share (\$)</b>					
	1Q	2Q	3Q	4Q	Year
2010	0.17	--	--	--	--
2009	0.18	0.18	0.19	0.15	0.69
2008	0.16	0.16	0.13	0.17	0.60
2007	0.17	0.17	0.17	0.17	0.68
2006	0.13	0.15	0.15	0.17	0.59
2005	0.10	0.11	0.11	0.13	0.45

Fiscal year ended Dec. 31. Next earnings report expected: Mid July

**Dividend Data** (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.190	07/14	07/22	07/24	08/07/09
0.200	10/13	10/21	10/23	11/06/09
0.210	01/29	02/10	02/12	03/05/10
0.220	04/13	04/21	04/23	05/14/10

Dividends have been paid since 2003. Source: Company reports.

All of the views expressed in this research report accurately reflect our quantitative research models regarding any and all of the subject securities or issuers. No part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report. This report is for information purposes and should not be considered a solicitation to buy or sell any security. Neither S&P nor any other party guarantees its accuracy or makes warranties regarding results from its usage. S&P receives compensation from the issuer or an agent thereof for initiating coverage, and for distribution including licensed redistribution of this report, and/or for inclusion in other S&P publications, generally in amounts up to U.S. \$14,175 per year. Redistribution is prohibited without written permission.

**Healthcare Services Group Inc****Business Summary** April 27, 2010

Healthcare Services Group, Inc. (HCSG) provides housekeeping, laundry, linen, facility maintenance and food services to the health care industry, including nursing homes, retirement complexes, rehabilitation centers and hospitals located throughout the United States. As of December 31, 2009, the company provided services to approximately 2,300 client facilities in 47 states.

On April 30, 2009, the company acquired essentially all of the assets of Contract Environmental Services, Inc., a South Carolina based corporation which is a provider of professional housekeeping, laundry and dietary services to long-term care and related facilities.

As of December 31, 2009, The company operates a wholly-owned subsidiary, Huntingdon Holdings, Inc. ("Huntingdon"). Huntingdon invests HCSG's cash and cash equivalents and manages its portfolio of marketable securities. On March 1, 2009, the company sold its wholly-owned subsidiary HCSG Supply, Inc. ("Supply") for approximately \$1.1 million.

In 2009, the Housekeeping segment accounted for approximately 52% of consolidated revenues, Laundry and linen segment 24%, the Food segment 23%, and other 1%.

Healthcare Services Group conducts its operations in two segments: housekeeping, laundry, linen and other services (Housekeeping); and food services (Food).

The services provided by Housekeeping consist primarily of the cleaning, disinfecting and sanitizing resident areas in the company's clients' facilities.

Laundry services involve the laundering and processing of residents' personal clothing. The company provides laundry service to all of its housekeeping clients. Linen services involve providing, laundering and processing the sheets, pillow cases, blankets, towels, uniforms and assorted linen items used by clients' facilities.

Maintenance services consist of repair and maintenance of laundry equipment, plumbing and electrical systems, as well as carpentry and painting.

Healthcare Services Group, as a distributor of laundry equipment, sells laundry installations to its clients.

Food services consist of the development of menus that meet residents' dietary needs, purchasing and preparing the food to assure that residents receive an appetizing meal, and participation in monitoring residents' on-going nutritional status. The company also provides consulting services to facilities to assist them in cost containment, as well as the updating of their food service operations.

The market for the company's services consists of a number of facilities involved in various aspects of the health care industry, including nursing homes, retirement complexes, rehabilitation centers and hospitals. The market for the company's services is expected to continue to grow as the elderly population increases as a percentage of the United States population and as government reimbursement policies require increased cost control or containment by the constituents that comprise HCSG's targeted market.

Healthcare Services Group's major customer is GGNHC Holdings LLC (doing business as Golden Horizons) which accounted for 12% of total revenues in 2009. HCSG derived 13% and 11% of Housekeeping and Food revenues, respectively, from this customer.

The company was incorporated in 1976.

**Corporate Information****Investor Contact**

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**Officers****Chairman & CEO**

D.P. McCartney

**CFO, Chief Accounting Officer & Secretary**

R.W. Hudson

**General Counsel**

T.B. Carpenter

**Board Members**

J. M. Briggs

T. A. Cook

R. L. Frome

D. P. McCartney

J. F. McCartney

R. J. Moss

D. D. Ottaviano

**Domicile**

Pennsylvania

**Founded**

1976

**Employees**

27,200

**Stockholders**

4,600

## Healthcare Services Group Inc

## Key Stock Statistics

Price as of May 28, 2010	<b>\$20.11</b>	Dividend Rate/Share	<b>\$0.88</b>	\$10K Invested 5 Yrs Ago	<b>\$18,675</b>	Total Shares Outstg. (M)	<b>43.8</b>
52-Wk Range	<b>\$23.35-17.08</b>	Trailing 12-Month P/E	<b>29.6</b>	Beta	<b>0.50</b>	Market Capitalization(B)	<b>\$0.880</b>
Trailing 12-Month EPS	<b>\$0.68</b>	Tangible Book Val/Share	<b>\$4.20</b>	Yield (%)	<b>4.38</b>	Institutional Ownership (%)	<b>91</b>

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	14.93	9.98	9.36	11.55
Net Income	14.02	4.29	14.60	22.52
<b>Ratio Analysis (Annual Avg.)</b>				
Net Margin (%)	4.38	4.64	4.60	3.81
% LT Debt to Capitalization	NA	NA	Nil	Nil
Return on Equity (%)	14.78	14.87	14.90	12.38

## Expanded Ratio Analysis

	2009	2008	2007	2006
Price/Sales	1.37	1.16	1.61	1.63
Price/EBITDA	NA	15.66	19.72	21.85
Price/Pretax Income	19.27	16.20	19.31	20.46
P/E Ratio	31.32	26.36	31.37	32.73
Avg. Diluted Shares Outstg (M)	44.3	44.0	43.8	43.1

Figures based on calendar year-end price

## Company Financials Fiscal Year Ended Dec. 31

Per Share Data (\$)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Tangible Book Value	4.20	4.20	4.08	3.49	3.61	3.34	3.12	2.82	2.60	2.41
Cash Flow	NA	0.67	0.74	0.64	0.49	0.40	0.32	0.28	0.25	0.21
Earnings	0.69	0.60	0.67	0.59	0.45	0.36	0.27	0.22	0.19	0.15
Dividends	0.74	0.58	0.42	0.31	0.15	0.12	0.04	Nil	Nil	Nil
Payout Ratio	107%	97%	63%	52%	34%	33%	14%	Nil	Nil	Nil
Prices:High	22.00	25.25	24.45	19.52	14.45	9.96	6.04	4.73	3.08	2.87
Prices:Low	13.81	12.64	17.47	11.90	8.07	5.56	3.29	2.80	1.59	1.04
P/E Ratio:High	32	42	36	33	32	28	22	22	16	19
P/E Ratio:Low	20	21	26	20	18	16	12	13	8	7

## Income Statement Analysis (Million \$)

Revenue	693	603	578	512	466	443	380	329	284	255
Operating Income	NA	44.8	47.1	38.1	29.5	24.2	18.0	15.5	12.5	10.4
Depreciation	3.23	2.85	3.00	2.31	1.87	1.87	1.91	2.03	2.24	2.21
Interest Expense	NA	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Pretax Income	49.3	43.3	48.1	40.7	30.8	23.7	17.5	14.3	11.5	9.14
Effective Tax Rate	38.5%	Nil	38.5%	37.5%	38.0%	38.0%	38.0%	39.5%	39.0%	38.9%
Net Income	30.3	26.6	29.6	25.5	19.1	14.7	10.9	8.63	7.04	5.59

## Balance Sheet &amp; Other Financial Data (Million \$)

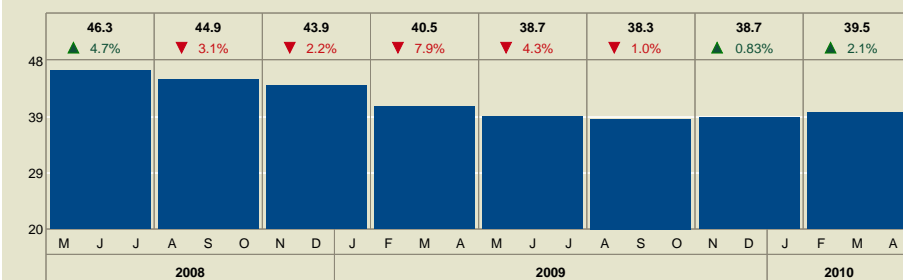
Cash	84.0	86.9	92.5	73.0	91.0	74.8	64.2	48.3	34.3	22.8
Current Assets	212	207	195	168	166	145	138	115	101	88.1
Total Assets	266	249	243	216	188	167	158	134	121	108
Current Liabilities	34.7	29.0	27.9	27.6	23.1	20.3	24.7	20.6	17.5	14.1
Long Term Debt	NA	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Common Equity	209	202	195	165	148	131	121	108	98.9	90.8
Total Capital	209	202	195	165	148	131	121	108	98.9	90.8
Capital Expenditures	2.15	1.58	1.51	1.85	1.90	2.39	2.31	1.86	2.05	1.80
Cash Flow	NA	29.5	32.6	27.8	21.0	16.6	12.8	10.7	9.28	7.80
Current Ratio	6.1	7.1	7.0	6.1	7.2	7.2	5.6	5.6	5.7	6.2
% Long Term Debt of Capitalization	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
% Net Income of Revenue	4.4	4.4	5.1	5.0	4.1	3.3	2.9	2.6	2.5	2.2
% Return on Assets	11.8	10.8	12.9	12.6	10.7	9.0	7.4	6.8	6.1	5.4
% Return on Equity	14.8	13.4	16.4	16.2	13.7	11.6	9.5	8.3	7.4	6.3

Data as orig repled.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

## Healthcare Services Group Inc

## Institutional Holdings

Shares Held by All Institutions (M)



## Company Details

Primary Shares Outstanding (M)	43.8
Market Capitalization (M)	\$880.4
Price as of 05/27/10	\$20.22
Institutional Ownership (%)	91

## Institutional Holdings Analysis as of 05/15/10

	Holders	Shares (000)
Total Shares Held	147	39,659
New Positions	12	227
Increased Positions	41	2,701
Decreased Positions	74	2,669

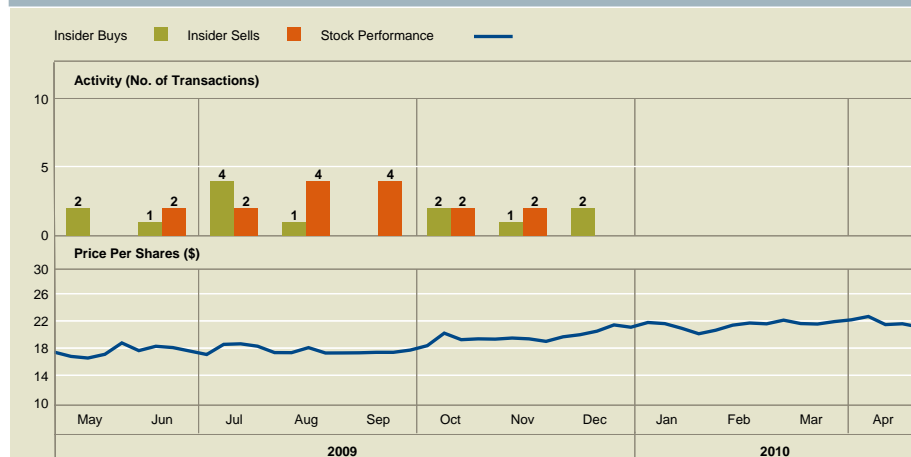
## Top Ten Institutional Holders (excluding Mutual Funds)

Holder	Reported	Shares (M)	% Shares Outstg.	% Change from Prev. Period	Current Mkt. Value (M\$)
NEUBERGER BERMAN GROUP, LLC	Mar'10	5.34	12.19	10.9 ▲	108
ADVISORY RESEARCH, INC.	Mar'10	2.61	5.96	-3.38 ▼	52.8
Argyll Research, LLC	Mar'10	1.95	4.45	2.63 ▲	39.4
VANGUARD GROUP, INC. (THE)	Mar'10	1.90	4.34	1.66 ▲	38.4
BlackRock Fund Advisors	Mar'10	1.85	4.22	-3.09 ▼	37.3
WELLS FARGO & COMPANY	Dec'09	1.57	3.59	-9.95 ▼	31.8
SCHRODER INVESTMENT MANAGEMENT GROUP	Mar'10	1.31	3.00	4.11 ▲	26.5
BlackRock Institutional Trust Company, N.A.	Mar'10	1.13	2.58	-3.45 ▼	22.9
Bank of New York Mellon Corporation	Mar'10	1.06	2.43	44.6 ▲	21.5
Sentinel Asset Management, Inc.	Mar'10	1.04	2.37	-0.31 ▼	20.9
<b>Total</b>		<b>19.8</b>	<b>45.13</b>	<b>3.22 ▲</b>	<b>399</b>

## Top Ten Mutual Fund Holders

Holder	Reported	Shares (000)	% Shares Outstg.	% Change from Prev. Period	Current Mkt. Value (M\$)
NEUBERGER & BERMAN GENESIS FUND	Mar'10	3,897	8.90	6.48 ▲	78.8
SENTINEL SMALL COMPANY FUND	Mar'10	990	2.26	Nil	20.0
COLUMBIA ACORN FD	Dec'09	850	1.94	Nil	17.2
Wells Fargo Advantage Small Cap Value Fd	Feb'10	731	1.67	Nil	14.8
VANGUARD EXPLORER FUND, INC.	Jan'10	662	1.51	-22.4 ▼	13.4
ISHARES RUSSELL 2000 INDEX FD	Feb'10	618	1.41	9.10 ▲	12.5
FRANKLIN VALUE INVESTORS TRUST-FRANKLIN MICROCAP VALUE F	Mar'10	581	1.33	-0.84 ▼	11.7
ISHARES S&P SMALLCAP 600 INDEX FD	Feb'10	573	1.31	-1.33 ▼	11.6
VANGUARD SMALL-CAP INDEX FUND	Dec'09	557	1.27	7.60 ▲	11.3
PENNSYLVANIA MUTUAL FUND INC	Dec'09	435	0.99	Nil	8.79
<b>Total</b>		<b>9,893</b>	<b>22.60</b>	<b>1.27 ▲</b>	<b>200</b>

## Insider Trading Activity



## Most Recent Insider Trades

Holder	Reported	Shares
HUDSON, RICHARD W.	05/19/10	1,200 ▼
BRIGGS, JOHN M.	04/28/10	2,280 ▲
MCCARTNEY, JOSEPH F.	04/20/10	15,000 ▲
BRIGGS, JOHN M.	03/03/10	10,000 ▼
HUDSON, RICHARD W.	03/01/10	10,914 ▼
HUDSON, RICHARD W.	03/01/10	10,914 ▲
HUDSON, RICHARD W.	02/24/10	602 ▼
HUDSON, RICHARD W.	02/24/10	602 ▲
MOSS, ROBERT J.	02/19/10	6,000 ▲
MOSS, ROBERT J.	02/19/10	6,000 ▼

Shares are "as reported" as of the transaction date. ▲ Buy ▼ Sell

**Healthcare Services Group Inc****Sub-Industry Outlook**

Our fundamental outlook for the diversified support services sub-industry is neutral. These companies provide a variety of services to other businesses, from laundry and equipment rentals to advertising and accounting support. In general, we see limited growth for the group as its client companies remain wary of adding costs, and continue to do work in-house. Recent quarterly results support this, with organic revenue growth negative year-on-year. Earnings variance among component companies has increased, reflecting different cost structures. Natural gas and gasoline are very large costs for the uniform companies, whereas they have limited impact on storage providers. Still, we consider certain niches served by companies in this sub-industry as being less exposed to the current economic environment, such as laundry services targeted at hospitals and healthcare providers, as well as auctioneers of used equipment and vehicles.

Recent economic data suggest the U.S. economy is stabilizing. S&P sees domestic real GDP growing by 3.0% in 2010, after declining 2.4% in 2009. We expect the national unemployment rate to average 9.6% in 2010, up from 9.3% during 2009 and just 5.8% in 2008. The 9.7% reported for March was down from the 10.1% in October, which appears to have been the peak and was the highest unemployment rate since 1983. Some industries have been impacted more than others by the recession. For example, manufacturing employment has declined over the past 12 months, due partly to structural factors in addition to the previously noted cyclical ones. In contrast, the health care industry continues to show growth in employment, over both the past six months and the past year. We note, however, that manufacturing employment on a seasonally adjusted basis rose over the first three months of this year.

Based on these factors, we also have a neutral investment outlook for the Diversified Support Services subindustry. Year to date through April 30, the S&P Diversified Support Services Index increased 5.1%, versus a 7.3% rise in the S&P 1500. Although valuations have generally risen over the past 10 months, we believe there are factors, like potential for market share gains or rising operating costs, unique to each situation. Only one component company carries a buy recommendation.

--Kevin Kirkeby, CFA

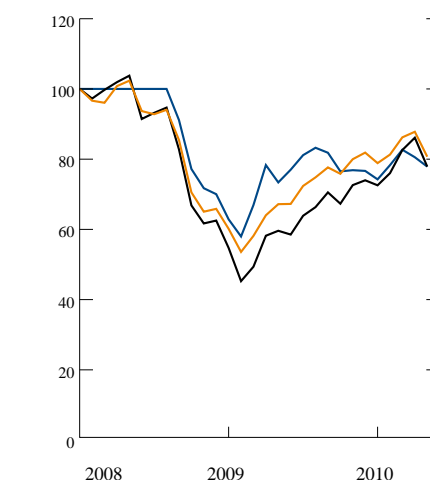
**Stock Performance**

**GICS Sector: Industrials**

**Sub-Industry: Diversified Support Services**

Based on S&P 1500 Indexes

Month-end Price Performance as of 05/28/10



Sub-Industry      Sector      S&P 1500

**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

The Sub-Industry was created recently; therefore no historical index data exists yet to display a performance line.

**Sub-Industry : Diversified Support Services** Peer Group\*: Based on market capitalizations within GICS Sub-Industry

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Healthcare Svcs Group</b>	<b>HCSG</b>	<b>880</b>	<b>20.11</b>	<b>23.35/17.08</b>	<b>0.50</b>	<b>4.4</b>	<b>30</b>	<b>20.30</b>	<b>B+</b>	<b>80</b>	<b>4.4</b>	<b>NA</b>
AMREP Corp	AXR	81	13.44	16.94/9.70	1.15	Nil	NM	NA	B	39	NA	9.1
ATC Technology	ATAC	376	18.70	24.98/13.05	1.32	Nil	32	16.70	B-	70	2.4	NA
Boyd Group Income Fd	BYD.UN	44	4.60	5.84/3.20	NA	7.2	12	NA	NR	NA	NA	0.5
EnerNOC Inc	ENOC	692	28.10	37.00/17.65	1.68	Nil	NM	25.70	NR	40	NA	Nil
G & K Services'A'	GKSR	449	24.19	28.83/19.32	0.90	1.2	22	24.90	B+	84	NA	33.9
Game Trading Technologies	GMTD	144	4.00	5.40/3.00	NA	Nil	NM	NA	NR	NA	NA	NA
Intersections Inc	INTX	76	4.35	6.74/2.93	0.15	Nil	NM	NA	NR	31	NA	23.8
McGrath RentCorp	MGRC	559	23.36	27.41/17.01	1.33	3.9	17	21.90	A-	84	12.1	48.1
Mobile Mini	MINI	582	16.00	18.25/12.71	1.36	Nil	32	17.30	B	38	7.4	54.1
North Amer Galvanizing & Coatings	NGA	125	7.49	7.85/4.61	2.19	Nil	16	NA	B-	52	12.5	NA
Pollex Inc	PLLX	128	25.00	0.16/0.02	2.08	Nil	NM	NA	NR	NA	NA	NA
Schawk Inc'A'	SGK	428	16.93	20.01/6.44	1.27	0.9	17	NA	B+	94	4.3	21.4
Superior Uniform Group	SGC	59	9.92	10.85/6.21	0.60	5.4	20	NA	B-	27	1.9	NA
Viad Corp	VVI	476	23.16	25.40/14.91	1.25	0.7	NM	18.10	NR	79	NA	NA

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

**Healthcare Services Group Inc****S&P Analyst Research Notes and other Company News****April 14, 2010**

HCSG posts \$0.17 vs. \$0.18 Q1 EPS as higher costs and expenses offset 15% revenue rise. Street was looking for EPS of \$0.21.

**April 14, 2010**

08:47 am ET ... HEALTHCARE SERVICES GROUP, INC. (HCSG 23.32) UNCHANGED, HEALTHCARE SVC (HCSG) Q1 EPS MISSES. MORGAN KEEGAN CUTS EST., KEEPS OUTPERFORM... Analyst Robert Mains tells salesforce \$0.17 Q1 EPS missed his \$0.20 est., but key variance was selling, general, administrative expenses, which comprised 7.6% of revs vs. his 6.8% est., costing \$0.02. Says this was caused by longer-than-expected process of moving payroll functions to corp. level from co.'s 7 divisions after last year's Labor Dept. settlement. With process now considered done, sees no further costs lying ahead. As such, cuts \$0.86 '10 EPS est. to \$0.82, but keeps ests for next 7 Qs. Views any weakness as buying opportunity./B.Egli

**April 14, 2010**

Healthcare Services Group Inc. reported unaudited consolidated earnings results for the three months ended March 31, 2010. For the period, the company reported revenues increased 15% to \$183,801,000 compared to \$160,409,000 for the same 2009 period. Net income was \$7,428,000 or \$0.17 per basic and per diluted common share, compared to the 2009 first quarter net income of \$7,736,000 or \$0.18 per basic and per diluted common share. Income from operations of \$11,327,000 compared to \$11,641,000 a year ago. Income before income taxes of \$12,077,000 compared to \$12,578,000 a year ago. Additionally, the company Board of Directors declared a regular quarterly cash dividend of \$0.22 per common share, payable on May 14, 2010 to shareholders of record at the close of business April 23, 2010. This represents a 5% increase over the dividend declared for the 2009 fourth quarter and a 22% increase over the dividend declared for the same 2009 period payment.

**February 10, 2010**

Healthcare Services Group Inc. reported consolidated unaudited earnings results for the fourth quarter and full year ended December 31, 2009. For the quarter, the company reported revenues increased 18% to \$182,561,000 compared to \$154,563,000 for the same 2008 period. Net income was \$6,566,000 or \$0.15 per basic and per diluted common share, compared to the 2008 fourth quarter net income of \$7,283,000 or \$0.17 per basic and per diluted common share. Income from operations was \$9,855,000 and income before income taxes was \$10,676,000 as compared to income from operations was \$11,246,000 and income before income taxes was \$11,842,000 for the same period last year. For the full year, the company reported revenues increased 15% to \$692,695,000 compared to \$602,718,000 for the same 2008 period. In addition, net income increased over 14% to \$30,342,000 or \$0.70 per basic and \$0.69 per diluted common share compared to the year ended December 31, 2008 net income of \$26,614,000 or \$0.62 per basic and \$0.60 per diluted common share. Income before income taxes was \$49,335,000 as compared to income before income taxes was \$43,275,000 for the same period last year.

**October 14, 2009**

Healthcare Services Group Inc. reported unaudited consolidated earnings results for the third quarter and nine months ended September 30, 2009. The company's revenues for the three months ended September 30, 2009 increased 17% to \$178,829,000 compared to \$152,978,000 for the same 2008 period. Net income for the three months ended September 30, 2009 increased 49% to \$8,225,000 or \$0.19 per basic and per diluted common share, compared to the 2008 third quarter net income of \$5,522,000 or \$0.13 per basic and per diluted common share. Income from operations was \$11,665,000 against \$9,135,000 for the same period in the last year. Income before income taxes was \$13,374,000 against \$8,978,000 for the same period in the last year. Revenues for the nine months ended September 30, 2009 increased 14% to \$510,134,000 compared to \$448,155,000 for the same 2008 period. Net income for the nine months ended September 30, 2009 increased 23% to \$23,776,000 or \$0.55 per basic and \$0.54 per diluted common share compared to the 2008 nine month period net income of \$19,331,000 or \$0.45 per basic and \$0.44 per diluted common share. Income from operations was \$34,856,000 against \$30,680,000 for the same period in the last year. Income before income taxes was \$38,659,000 against \$31,433,000 for the same period in the last year. The Board of Directors has declared a third quarter 2009 regular quarterly cash dividend of \$0.20 per common share, payable on November 6, 2009 to shareholders of record at the close of business October 23, 2009. This represents over a 5% increase over the dividend declared for the 2009 second quarter and a 25% increase over

the 2008 same period payment.

**July 29, 2009**

Healthcare Services Group Inc. reported earnings results for the second quarter ended June 30, 2009. Net income for the quarter was \$15.55 million, up from \$13.81 million for the same quarter the previous year.

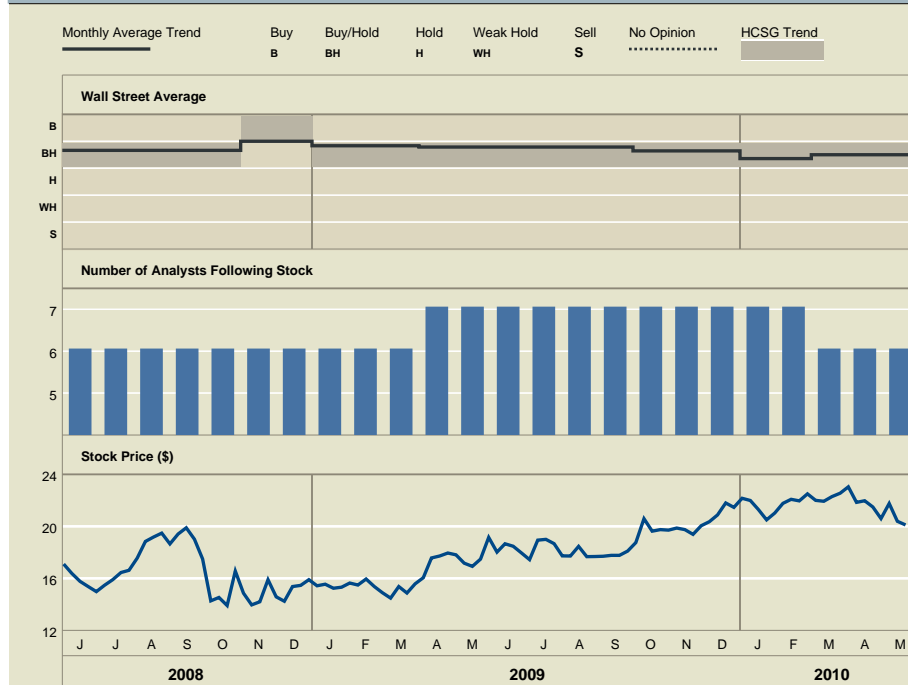
**July 15, 2009**

Healthcare Services Group Inc. announced unaudited consolidated earnings results for the second quarter and first half ended June 30, 2009. For the quarter, the company reported revenues increased 16% to \$170,896,000 compared to \$147,918,000 for the same 2008 period. Net income for the three months ended June 30, 2009 increased over 12% to \$7,815,000 or \$0.18 per basic and per diluted common share, compared to the 2008 second quarter net income of \$6,953,000 or \$0.16 per basic and per diluted common share. The company reported income from operations of \$11,550,000 and income before income taxes of \$12,707,000 compared to income from operations of \$10,720,000 and income before income taxes of \$11,305,000 for the same period last year. For the six months ended June 30, 2009, the company reported revenue increased over 12% to \$331,305,000 compared to \$295,177,000 for the same 2008 period. Net income for the six months ended June 30, 2009 increased 13% to \$15,551,000 or \$0.36 per basic and \$0.35 per diluted common share compared to the 2008 six month period net income of \$13,810,000 or \$0.32 per basic and \$0.31 per diluted common share. The company reported income from operations of \$23,191,000 and income before income taxes of \$25,285,000 compared to income from operations of \$21,546,000 and income before income taxes of \$22,455,000 for the same period last year. The board of directors has declared a second quarter 2009 regular quarterly cash dividend of \$0.19 per common share, payable on August 7, 2009 to shareholders of record at the close of business July 24, 2009. This represents a 6% increase over the dividend declared for the 2009 first quarter and a 27% increase over the 2008 same period payment. It is the 25th consecutive regular quarterly cash dividend payment, as well as the 24th consecutive increase since initiation of regular quarterly cash dividend payments in 2003.



## Healthcare Services Group Inc

## Analysts' Recommendations



Of the total 6 companies following HCSG, 6 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	3	50	3	3
Buy/Hold	0	0	0	0
Hold	3	50	3	4
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>6</b>	<b>100</b>	<b>6</b>	<b>7</b>

## Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2011	0.99	1.02	0.94	5	20.3
2010	0.83	0.86	0.80	6	24.2
<b>2011 vs. 2010</b>	<b>▲ 19%</b>	<b>▲ 19%</b>	<b>▲ 17%</b>	<b>▼ -17%</b>	<b>▼ -16%</b>
Q2'11	0.24	0.25	0.24	6	83.8
Q2'10	0.21	0.22	0.19	6	95.8
<b>Q2'11 vs. Q2'10</b>	<b>▲ 14%</b>	<b>▲ 14%</b>	<b>▲ 26%</b>	<b>0%</b>	<b>▼ -13%</b>

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

## Wall Street Consensus Opinion

## BUY/HOLD

## Companies Offering Coverage

CL King & Associates  
Davenport & Co Of Virginia  
Duncan Williams INC  
Morgan, Keegan & Company, Inc.  
Sidoti & Company  
William Blair & Company

## Wall Street Consensus vs. Performance

For fiscal year 2010, analysts estimate that HCSG will earn \$0.83. For the 1st quarter of fiscal year 2010, HCSG announced earnings per share of \$0.17, representing 20% of the total annual estimate. For fiscal year 2011, analysts estimate that HCSG's earnings per share will grow by 19% to \$0.99.

# Healthcare Services Group Inc

## Glossary

### Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

### S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

### S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following:

- 5-Stock is significantly undervalued
- 4-Stock is moderately undervalued
- 3-Stock is fairly valued
- 2-Stock is modestly overvalued
- 1-Stock is significantly overvalued

### S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

### Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

### Funds From Operations (FFO)

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

### Volatility

Rates the volatility of the stock's price over the past year.

### Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

### Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

### Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

### Exchange Type

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

**Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).**