

UNIVERSITY GENERAL HEALTH SYSTEM, INC.

Major Bounce Expected As Recent Initiatives Are Bearing Fruit

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UNIVERSITY GENERAL HEALTH SYSTEM, INC (NASDAQ - UGHS - \$0.105)

Price Target: \$0.42

Rating: Speculative Buy

COMPANY SNAPSHOT

University General Health System, Inc. operates integrated, multi-specialty hospitals and their surrounding networks consisting of ambulatory surgery centers, diagnostic imaging facilities, sleep disorder clinics, and centers for physical therapy, endoscopy, weight loss and wound care. Delivered under a physician-centric model, this 'eco-system' has three divisions: Hospital, Senior Living, and Support Services. In recent years, University General has made a series of strategic acquisitions to strengthen its geographic reach, increasing the number of physicians on staff and patient referrals, resulting in significant revenue gains.

KEY STATISTICS

Price as of 7/22/14	\$0.105
52 Week High – Low	\$0.09 – \$0.64
Est. FD Shares Outstanding	400M
Market Capitalization	\$42M
3 Mo Avg Vol	202,000
Exchange	OTCQB

COMPANY INFORMATION

University General Health System, Inc.
7501 Fannin Street
Houston, TX 77054
www.ughsystem.com

IR : RJ Falkner & Company, Inc.
P.O. Box 310
Spicewood, TX 78669
800- 377-9893

INVESTMENT HIGHLIGHTS

Conclusion: The recent sell-off in UGHS has created an unusual opportunity for a quick return to the \$0.14 - \$0.16 level. In our view, investors that have sold stock in recent days have spent too much time looking in the rear view mirror at fiscal 2013 results and thus can't see the forest for the trees. While admittedly the 2013 financials were in shambles, recent initiatives are starting to bear fruit for the Company which should ultimately right-size the valuation. After all, stocks are valued based on future performance, not past results.

Better to Buy Now Than Wait for Another Catalyst: The 2013 financials reflected all of the inherent problems with no tangible evidence of a turn in the Company's financial status. Essentially, everything but the kitchen sink was outlined in charges, high debt levels, and operating losses outside of the flagship. In fact, the Houston facility generated \$19.7M in EBITDA and that figure could be higher this year. Yesterday, management announced that the 2013/2014 initiatives are already scoring a positive impact on financials and operations----and there is more to come.

In the core business, adjusted patient days at UGH-Houston and UGH-Dallas grew by a combined 15% in 1H14 over 1H13. Plus, the \$1M monthly expense reduction in Houston, elimination of non-core assets and the suspension of unprofitable activities and other financial measures are favorable steps toward solidifying the difficult balance sheet. Plus, they add value in a sum of the parts valuation and can serve as catalysts going forward. These steps, combined with growth in the core business, reduced losses in Dallas, and the potential in the Houston suburbs, indicate to us that the worst is behind the company and the future is bright.

We continue to rate these shares Speculative Buy and project that UGHS returns to its base in the mid-teens, ahead of the next quarterly financials.

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Recent Trading History For UGHS

(Source: Stockta.com)





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Senior Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

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