TheStreet Quant Ratings

HCA HEALTHCARE INC

HCA

NYSE: HCA

October 22, 2023

BUY

RATING SINCE 03/22/2022

TARGET PRICE $320.32

A+ A A- B+ B B- C+ C C- D+ D D- E+ E E- F

Annual Dividend Rate $2.40

Annual Dividend Yield 0.98%

Beta 1.62

Market Capitalization $66.4 Billion

52-Week Range $178.32-$304.86

Price as of 10/19/2023 $244.05

Secto: Health Care and Social Assistance  |  Industry Group: General Medical and Surgical Hospitals

HCA BUSINESS DESCRIPTION

HCA Healthcare, Inc., through its subsidiaries, provides health care services in the United States.

STOCK PERFORMANCE (%)

3 Mo. 1 Yr. 3 Yr (Ann)
Price Change -14.88 16.66 22.02

GROWTH (%)

Last Qtr 12 Mo. 3 Yr CAGR
Revenues 7.02 2.77 7.20
Net Income 3.29 -11.37 19.96
EPS 10.00 -2.22 27.97

RETURN ON EQUITY (%)

HCA Subsector Avg S&P 500
Q2 2023 NA 2.09 17.32
Q2 2022 NA 3.43 19.47
Q2 2021 NA 6.03 16.80

P/E COMPARISON

HCA Subsector Avg S&P 500
12.00 13.66 23.63

EPS ANALYSIS¹ ($)

2021 2022 2023

1 Compustat fiscal year convention is used for all fundamental data items.

RECOMMENDATION

We rate HCA HEALTHCARE INC (HCA) a BUY. This is driven by a number of strengths, which we believe should have a greater impact than any weaknesses, and should give investors a better performance opportunity than most stocks we cover. The company's strengths can be seen in multiple areas, such as its solid stock price performance, revenue growth, good cash flow from operations and increase in net income. We feel its strengths outweigh the fact that the company shows low profit margins.

HIGHLIGHTS

The stock has risen over the past year as investors have generally rewarded the company for its earnings growth and other positive factors like the ones we have cited in this report. Turning our attention to the future direction of the stock, it goes without saying that even the best stocks can fall in an overall down market. However, in any other environment, this stock still has good upside potential despite the fact that it has already risen in the past year.

Despite its growing revenue, the company underperformed as compared with the subsector average of 9.8%. Since the same quarter one year prior, revenues slightly increased by 7.0%. Growth in the company’s revenue appears to have helped boost the earnings per share.

Net operating cash flow has significantly increased by 51.84% to $2,475.00 million when compared to the same quarter last year. Despite an increase in cash flow, HCA HEALTHCARE INC’s average is still marginally south of the subsector average growth rate of 57.45%.

The company, on the basis of net income growth from the same quarter one year ago, has underperformed when compared to that of the S&P 500 and the Hospitals subsector average. The net income increased by 3.3% when compared to the same quarter one year prior, going from $1,155.00 million to $1,193.00 million.

HCA HEALTHCARE INC has improved earnings per share by 10.0% in the most recent quarter compared to the same quarter a year ago. This company has reported somewhat volatile earnings recently. We feel it is likely to report a decline in earnings in the coming year. During the past fiscal year, HCA HEALTHCARE INC reported lower earnings of $19.23 versus $21.25 in the prior year. For the next year, the market is expecting a contraction of 4.1% in earnings ($18.44 versus $19.23).
PEER GROUP ANALYSIS

REVENUE GROWTH AND EBITDA MARGIN*

Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between $877.6 Million and $66.4 Billion. Companies with NA or NM values do not appear.

*EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization.

REVENUE GROWTH AND EARNINGS YIELD

Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between 1.2% and 20.7%. Companies with NA or NM values do not appear.
COMPANY DESCRIPTION
HCA Healthcare, Inc., through its subsidiaries, provides health care services in the United States. It operates general and acute care hospitals that offer medical and surgical services, including inpatient care, intensive care, cardiac care, diagnostic, and emergency services; and outpatient services, such as outpatient surgery, laboratory, radiology, respiratory therapy, cardiology, and physical therapy. The company also operates outpatient health care facilities consisting of freestanding ambulatory surgery centers, freestanding emergency care facilities, urgent care facilities, walk-in clinics, diagnostic and imaging centers, rehabilitation and physical therapy centers, radiation and oncology therapy centers, physician practices, and various other facilities. In addition, it operates psychiatric hospitals, which provide therapeutic programs comprising child, adolescent and adult psychiatric care, adolescent and adult alcohol, drug abuse treatment, and counseling services. The company was formerly known as HCA Holdings, Inc. HCA Healthcare, Inc. was founded in 1968 and is headquartered in Nashville, Tennessee.

HCA HEALTHCARE INC
One Park Plaza
Nashville, TN 37203
USA
Phone: 615.344.9551
http://www.hcahealthcare.com

STOCK-AT-A-GLANCE
Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of HCA shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock’s strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock’s valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR | SCORE |
--- | --- |
Growth | 4.0 out of 5 stars | weak | strong |
Measures the growth of both the company’s income statement and cash flow. On this factor, HCA has a growth score better than 70% of the stocks we rate.

Total Return | 4.0 out of 5 stars | weak | strong |
Measures the historical price movement of the stock. The stock performance of this company has beaten 70% of the companies we cover.

Efficiency | 5.0 out of 5 stars | weak | strong |
Measures the strength and historic growth of a company’s return on invested capital. The company has generated more income per dollar of capital than 90% of the companies we review.

Price volatility | 4.0 out of 5 stars | weak | strong |
Measures the volatility of the company’s stock price historically. The stock is less volatile than 70% of the stocks we monitor.

Solvency | 1.5 out of 5 stars | weak | strong |
Measures the solvency of the company based on several ratios. The company is more solvent than 20% of the companies we analyze.

Income | 3.5 out of 5 stars | weak | strong |
Measures dividend yield and payouts to shareholders. The company’s dividend is higher than 60% of the companies we track.

THESTREET QUANT RATINGS RESEARCH METHODOLOGY
TheStreet Quant Ratings’ stock model projects a stock’s total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock’s valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock’s performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.
HCA HEALTHCARE INC

FINANCIAL ANALYSIS
HCA HEALTHCARE INC's gross profit margin for the second quarter of its fiscal year 2023 has decreased when compared to the same period a year ago. The company has grown sales and net income during the past quarter when compared with the same quarter a year ago, however, it was unable to keep up with the growth of the average competitor within its subsector. HCA HEALTHCARE INC has weak liquidity. Currently, the Quick Ratio is 0.84 which shows a lack of ability to cover short-term cash needs. The company’s liquidity has decreased from the same period last year.

At the same time, stockholders’ equity ("net worth") has greatly increased by 37.41% from the same quarter last year. Overall, the key liquidity measurements indicate that the company is in a position in which financial difficulties could develop in the future.

STOCKS TO BUY: TheStreet Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit www.TheStreetRatings.com.
TheStreet Quant Ratings

HCA HEALTHCARE INC

Sector: Health Care and Social Assistance | General Medical and Surgical Hospitals

<table>
<thead>
<tr>
<th>Annual Dividend Rate</th>
<th>Annual Dividend Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.40</td>
<td>0.98%</td>
</tr>
</tbody>
</table>

RATINGS HISTORY

Our rating for HCA HEALTHCARE INC has not changed since 3/22/2022. As of 10/19/2023, the stock was trading at a price of $244.05 which is 20.0% below its 52-week high of $304.86 and 36.9% above its 52-week low of $178.32.

VALUATION

BUY. This stock’s P/E ratio indicates a discount compared to an average of 13.66 for the Hospitals subsector and a significant discount compared to the S&P 500 average of 23.63. Normally, for additional comparison, we would look at the price-to-book ratio; however, this company’s price-to-book ratio is negative making the value useless for comparisons. The current price-to-sales ratio is well below the S&P 500 average and is also below the subsector average, indicating a discount. After reviewing these and other key valuation criteria, HCA HEALTHCARE INC proves to trade at a discount to investment alternatives.

Price/Earnings

HCA 12.00
• Discount. A lower P/E ratio than its peers can signify a less expensive stock or lower growth expectations.
• HCA is trading at a discount to its peers.

Price/Projected Earnings

HCA 12.07
• Average. An average price-to-projected earnings ratio can signify an subsector neutral stock price and average future growth expectations.
• HCA is trading at a valuation on par with its peers.

Price/Book

HCA NM
• Neutral. A lower price-to-book ratio makes a stock more attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
• HCA’s P/B is negative making this valuation measure meaningless.

Price/Sales

HCA 1.98
• Average. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
• HCA is trading at a valuation on par with its subsector on this measurement.

Price/CashFlow

HCA 6.77
• Discount. The P/CF ratio, a stock’s price divided by the company’s cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
• HCA is trading at a discount to its peers.

Price to Earnings/Growth

HCA NM
• Neutral. The PEG ratio is the stock’s P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
• HCA’s negative PEG ratio makes this valuation measure meaningless.

Earnings Growth

HCA -2.22
• Lower. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
• However, HCA is expected to significantly trail its peers on the basis of its earnings growth rate.

Sales Growth

HCA 2.77
• Lower. A sales growth rate that trails the subsector implies that a company is losing market share.
• HCA significantly trails its peers on the basis of sales growth.

RATINGS DEFINITIONS & DISTRIBUTION OF THE STREET RATINGS

(as of 10/19/2023)

31.12% Buy - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.
30.58% Hold - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.
38.30% Sell - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

The Arena Group
200 Vesey Street, 24th Floor
New York, NY 10281
www.thestreet.com
Research Contact: 212-321-5381
Sales Contact: 866-321-8726

DISCLAIMER:

The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but TheStreet Quant Ratings cannot guarantee its accuracy and completeness, and that of the opinions based thereon. Data is provided via the COMPUSTAT® Xpressfeed product from Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., as well as other third-party data providers.

TheStreet Quant Ratings is a division of TheStreet, Inc., which is a publisher. This research report contains opinions and is provided for informational purposes only. You should not rely solely upon the research herein for purposes of transacting securities or other investments, and you are encouraged to conduct your own research and due diligence, and to seek the advice of a qualified securities professional, before you make any investment. None of the information contained in this report constitutes, or is intended to constitute a recommendation by TheStreet Quant Ratings of any particular security or trading strategy or a determination by TheStreet Quant Ratings that any security or trading strategy is suitable for any specific person.

To the extent any of the information contained herein may be deemed to be investment advice, such information is impersonal and not tailored to the investment needs of any specific person. Your use of this report is governed by TheStreet, Inc.'s Terms of Use found at http://www.thestreet.com/static/about/terms-of-use.html.

NAICS is the North American Industry Classification System which provides the Sector, Subsector, and Industry Group structure used in this report. As many companies are diversified, the companies may also operate in other industry segments than the one listed.

This report is for information purposes only and should not be considered a solicitation to buy or sell any security. Neither TheStreet nor any other party guarantees its accuracy or makes warranties regarding results from its usage. Redistribution is prohibited without the express written consent of TheStreet, Inc. Copyright © 2006-2023. All rights reserved.

Report Date: October 22, 2023 | PAGE 5