

HCA Healthcare (NYSE: HCA)

Sector: Healthcare



Target Price	Current Price	52w High	52w Low	P/E	Market Cap	Dividend Yield	Beta
\$117.27	\$90.96	\$151.97	\$58.38	8.88	\$30.27B	1.92%	1.00

Business Description:

Since 1968, HCA Healthcare has remained focused on providing a comprehensive array of healthcare services in the most cost-effective manner possible. HCA is a leading healthcare provider in the United States with 184 general, acute care hospitals, 125 ambulatory service centers (ASCs), 137 urgent care centers, 3 psychiatric hospitals, and 1 rehabilitation hospital. The hospitals typically provide a full range of patient care to accommodate medical specialties such as internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics, obstetrics, diagnostic, and emergency services. The outpatient and healthcare services are provided by general, acute care hospitals, freestanding surgery centers, freestanding emergency care facilities, walk-in clinics, diagnostic centers, and rehabilitation facilities. The psychiatric hospitals provide a full range of mental healthcare services. HCA is committed to growing their business and creating long-term value for stockholders

Industry Trends:

With US unemployment levels at record lows, this means reduced insurance usage through Medicaid, which lowers HCA's margins. However, we realize rising unemployment levels may adversely impact HCA moving forward. Additionally, the proportion of the US population aged 65+ is growing. As the population ages, the demand for healthcare will continue increase. Insurers and patients are increasingly using low-cost urgent care centers and free-standing emergency care facilities. This shift towards low-cost healthcare alternatives in recent years contributes to HCA's rising demand.

Investment Thesis:

HCA holds strong positions in growing markets, robust presence across the continuum of care, and has plans for measured growth in new and existing markets. In Texas and Florida, two of the fastest growing retiree markets, HCA has market share of 31.8% and 43.7%, respectively. HCA's position across the continuum of care allows them to get patients into their ecosystem through low-cost outpatient services and then refer them to their own hospitals. Recent acquisitions in North Carolina and Georgia position HCA well in the rapidly developing urban south. Furthermore, there are growing concerns surrounding healthcare and politics and COVID-19. However, we believe HCA's geographical positioning, inpatient capacity, and quality of care will

allow them to remain competitive during this difficult time.

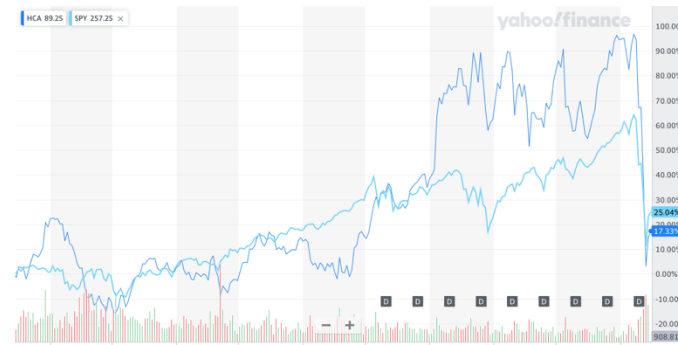
Valuation Assumptions:

WACC: 9.0%

Perpetuity Growth Rate: 4.0%

Margin of Safety: 28.92%

5-Year Share Price Performance:



Competitive Advantage and Analysis

HCA's positioning in top retiree markets, breadth of services, measured growth, and quality of care will allow the Company to remain competitive over the long-term. HCA Healthcare market share ranks first or second in 28 of the 37 markets studied. The Company's enterprise market share is 25.1%.

Risks:

The greatest risks facing HCA which may negatively impact its share price include, but are not limited to:

- Medicare/Medicaid: 40.9% of HCA's revenue is derived from Medicare and Medicaid programs, pressuring margins. Usage of these programs may increase with healthcare reform or rising unemployment levels as a result of COVID-19.
- An aging population pressures margins: Medicare and Medicaid pay \$.87-\$.88 cents per dollar vs. \$1.30-\$1.40 from commercial plans, according to the American Hospital Association.

Corporate Social Responsibility Highlights:

- The HCA Foundation and HCA Healthcare corporate sponsorships help sustain childhood and youth development programs, scholarships, community-based health clinics, and the operating budgets of countless not-for-profit organizations across the country.
- In 2016, HCA Healthcare made \$23.2 million in cash donations to charitable organizations.
- HCA Healthcare seeks to protect and preserve the environment through a broad range of practices memorialized in their Sustainability Plan.