



Figure 6: Balance sheet & Cash flow analysis (\$ in MM, except per share data)

HCA, Inc. Balance Sheet and Cash Flow Analysis (\$ in MM, except per share data)												
	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
Cash flows from operating activities (CFO):												
Net income	\$1,575	\$2,842	\$650	\$495	\$455	\$427	\$2,066	\$458	\$597	\$407	\$554	\$1,990
Depreciation and amortization	1,421	1,895	417	420	417	425	1,679	424	425	403	481	1,733
Changes in working capital	(199)	(129)	(1,394)	(543)	(966)	(740)	(3,663)	(1,204)	(1,041)	(894)	(875)	(4,272)
Other	200	(248)	1,126	1,398	770	1,181	4,153	1,172	893	974	1,184	4,203
Net cash provided by operating activities (CFO):	3,005	5,353	797	1,662	695	1,263	4,175	760	814	902	1,226	3,693
Capital expenditures:												
Capital expenditures (excluding acquisitions)	(1,325)	(1,678)	(395)	(448)	(484)	(594)	(1,862)	(404)	(492)	(451)	(596)	(1,943)
Acquis. fees and proceeds from asset sales, net	(196)	(1,401)	(115)	(22)	(17)	(78)	(228)	(21)	29	(442)	(16)	(448)
Capital expenditures as % of net revenue	4.7%	5.7%	4.0%	5.5%	6.0%	7.0%	5.6%	4.0%	5.0%	5.5%	6.7%	5.7%
Free cash flow:												
Free cash flow (excluding acquisition capex)	\$1,780	\$2,254	\$402	\$1,011	\$171	\$669	\$2,313	\$356	\$322	\$449	\$630	\$1,737
Free cash flow, net of non-controlling interest	\$1,534	\$1,871	\$303	\$917	\$16	\$550	\$1,912	\$242	\$209	\$347	\$500	\$1,297
Balance sheet data:												
Cash at end of period	\$411	\$575	\$471	\$503	\$472	\$705	\$705	\$594	\$492	\$494	\$414	\$414
Net debt at end of period	\$27,814	\$26,079	\$27,431	\$26,523	\$26,461	\$28,225	\$28,225	\$28,014	\$21,750	\$27,895	\$27,962	\$27,962
Net leverage	4.7x	4.4x	4.4x	4.1x	4.0x	4.3x	4.3x	4.5x	4.3x	4.3x	4.3x	4.3x
COO	49.1	48.9	48.3	44.8	41.1	44.0	44.0	48.3	47.2	48.1	48.1	48.1

Source: Deutsche Bank, Company reports

Guidance. HCA issued 2014 guidance as follows: revenue \$35.50-\$36.50 billion, adjusted EBITDA \$6.60-\$6.85 billion, adjusted EPS \$3.45-\$3.75, capex approx. \$2.2 billion. 2014 guidance includes a benefit to adjusted EBITDA from PPACA of approx. 1%-2%, which implies \$65-\$135 million benefit. HCA expects 2013 adj. admits to range from +1% to +2% and rev/ adj. admits +2% to +3%. Guidance also includes HITECH incentive payments \$110-\$130 million and HITECH related expenses of \$110-\$130 million. We believe guidance was very conservatively established, but not unexpected. EBITDA guidance represents growth of flat to +4% and relative to consensus EBITDA of \$6.82 billion we believe HCA's outlook provides a reasonable start. Recall HCA finished 2013 with EBITDA ~1% above the top-end of its original guidance range.

Figure 7: HCA 2014 Guidance vs. DBE and Consensus

	2014		
	Guidance	DB Estimate	Consensus
Revenues	\$35.50B - \$36.50B	\$36.586B	\$36.138B
Adjusted EBITDA	\$6.60B - \$6.85B	\$7.048B	\$6.821B
PPACA Benefit*	\$66M - \$137M	\$150M - \$200M	NA
Adjusted EPS	\$3.45 - \$3.75	\$3.92	\$3.78
Capex	Approx. \$2.2B	\$2.2B	\$2.0B

*HCA guidance for 2014 PPACA benefit approx. 1% - 2% of adjusted EBITDA

Source: Deutsche Bank, company reports, Thomson Reuters