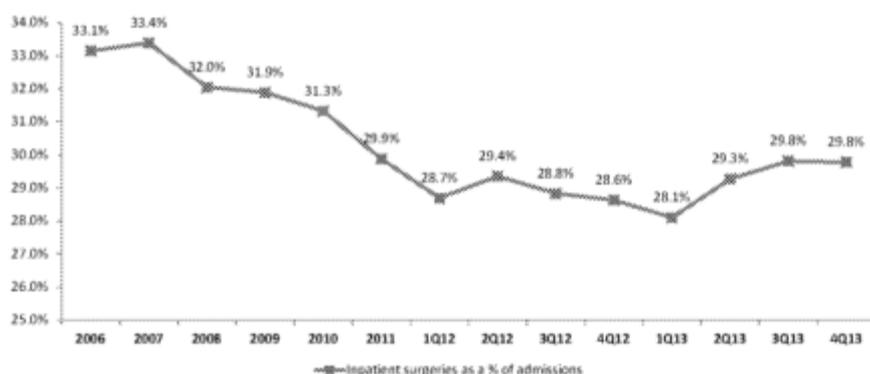




Figure 4: SS inpatient surgeries as a % of SS inpatient admissions



Source: Deutsche Bank, Company reports

**EBITDA & margin trends.** Adjusted EBITDA was \$1.714 billion (+6.7% yoy) vs. Street \$1.647 billion (+2.5% yoy) and DBe \$1.685 billion (+4.9% yoy) On 1/2 HCA previewed its 2013 EBITDA at \$65-\$75 above the high-end of its previously established guidance range of \$6.25 billion to \$6.5 billion which put implied Q4 EBITDA ~1.71 billion, so Q4 was in-line with preview. Adjusted EBITDA margin was 19.4% vs. consensus 18.7% / DBe 19.0%. HCA continues to manage costs well, especially in the context of a softer volume environment.

Figure 5: Margin trends

HCA, Inc. Margin Performance	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
<b>Operating expense ratios (% of cash revenue):</b>												
Salaries and benefits	44.5%	45.3%	44.4%	45.7%	46.9%	45.0%	45.7%	46.4%	46.5%	46.3%	44.0%	45.9%
Supplies	11.7%	12.4%	10.9%	12.5%	12.1%	12.8%	12.3%	12.5%	12.4%	12.2%	12.7%	12.5%
Provision for doubtful accounts	8.0%	8.7%	8.0%	11.4%	9.3%	11.6%	10.2%	8.2%	10.3%	10.1%	11.5%	10.1%
Other operating expenses	17.3%	16.6%	17.0%	15.4%	15.7%	16.4%	15.3%	13.0%	12.3%	13.5%	15.0%	15.2%
<b>Consolidated operating margin data:</b>												
Adjusted EBITDA (\$MM)	\$6,893.0	\$6,201.0	\$1,823.0	\$1,569.0	\$1,533.0	\$1,600.0	\$6,331.0	\$1,568.0	\$1,688.0	\$1,603.0	\$1,714.0	\$6,124.0
Adjusted EBITDA margin (% of cash revenue)	28.3%	26.4%	21.7%	19.3%	19.0%	19.0%	19.8%	18.6%	20.0%	19.0%	19.4%	19.2%
Adjusted EBITDA less HTECH (\$MM)	\$5,951.0		\$1,769.0	\$1,469.0	\$1,402.0	\$1,528.0	\$6,195.0	\$1,520.0	\$1,651.0	\$1,529.0	\$1,684.0	\$6,059.0
Adjusted EBITDA less HTECH margin (% of cash revenue)	25.2%		21.0%	18.5%	17.4%	15.1%	18.0%	18.1%	19.4%	18.1%	18.9%	18.6%
<b>YoY % growth:</b>												
Adjusted EBITDA <sup>(1)</sup>	7.2%	3.3%	54.7%	10.5%	8.6%	-2.0%	7.0%	-14.6%	7.6%	4.6%	6.7%	5.7%
Adjusted EBITDA margin, bps change	48	(31)	22	(25)	(44)	(20)	(64)	(11)	85	(6)	36	(33)
Adjusted EBITDA less HTECH <sup>(1)</sup>	N/A	N/A	N/A	8.5%	3.0%	0.5%	5.9%	-13.5%	9.2%	9.0%	9.0%	2.3%
Adjusted EBITDA less HTECH margin, bps change	N/A	N/A	N/A	(57)	(138)	(140)	(69)	(262)	89	66	74	(16)

Source: Deutsche Bank, Company reports

**Balance Sheet and Cash Flow trends.** Q4 cash flow from operations (CFFO) was \$1.226 billion -2.9% yoy, with Q4'2012 \$1.263 billion. Capex was \$596 million or 6.7% of net revenues vs. Q4'2012 of \$594 million or 7.0% of net revenues. HCA repurchased \$500 million of shares outstanding in Q4.