

Deutsche Bank  
Markets Research  
Rating  
Buy  
North America  
United States  
Reuters  
Health Care  
Health Care Facilities  
and Services  
Bloomberg  
HCA.N HCA US  
Exchange  
NYS  
Ticker  
HCA

Price at 3 Feb 2013 (USD)

Price Target

52-week range

Q4 surgery/mix recovering; 2014 /

ACA outlook conservative

Reiterate Buy: HCA's results demonstrate best in breed

Q4 operating metrics were not given at time of early Jan. +ve pre-annmt.

Actual results highlight a recovery in surgical trends, which boosted pricing/mix and helped drive solid Q4 EBITDA growth (+6.7% YoY) despite weaker inpt medical trends and a tough vol comp. HCA provided initial ACA guidance, but mgmt may revisit assumptions on key ACA variables mid-year given how fluid the roll-out is. For 2014, ACA initially guided ~\$100M (+1.5%)

EBITDA benefit underpinned by 7%-9% reduction in uninsured and slight offset by pricing/vol impact for exchange mix. Given strong organic growth trends in recent Qs, we believe 2014 EBITDA guidance should prove conservative.

Q4 CC takeaways (results review in body of note)

'(1) Volume/pricing metrics: surgery the bigger story. Weak SS inpt admits (1.8%)

reflect tough comp, lower flu trends and ~50 bps from 2-midnight rule.

Importantly, HCA does not see 2-midnight rule having material financial impact. The bigger vol story in Q4 (and last 3 Qs) is surgeries; Q4 surg vol (+1.4%) and strength in higher-acuity areas (cardio, ortho, neuro) helped drive

pricing (RPAA) +4.8% YoY. The ratio of inpt surg / inpt admit rose to 30% (from

~29% avg past 2 yrs) and ratio is 200-300 bps below peak. A sustained rebound in surgical mix could be an upside risk to guidance.

'(2) 2014 guidance assumes 1%-4% EBITDA growth. Underlying assumptions (ex. ACA) include 1-2% adj. admit (vol) growth, 2-3% RPAA (pricing) growth and flat margins. Given 2H'13 RPAA growth (+4%) and recovery in surg, RPAA seems conservative. Guidance assumes adj. vols improve vs. 2013 flat. The key headwinds built-into guidance: \$120M lower YoY HITECH and \$55M higher YoY stock comp which impact growth by 300 bps vs. DBe orig est 200 bps. We believe guidance implies 2%-5% base growth ex headwinds and ACA.

'(3) ACA commentary: a reasonable starting point. HCA framed ACA impact as a L-T positive, but key variables remain very fluid this year including: (1) enrollment for exchange and Medicaid; (2) net new lives; (3) networks and plan

selection of exchange products. HCA assumes 7-9% reduction of uninsured (reasonable) but offset somewhat due to leakage and pricing (conservative).

Updated estimates: modest adjustments to reflect HITECH, slower ACA ramp  
2014 EBITDA / EPS are \$7.05B / \$3.92 from \$7.145B / \$4.17. We come out above guidance (\$6.60B-\$6.85B EBITDA / \$3.45-\$3.75 EPS ) due to underlying growth and ACA. Our model now reflects higher S/O, slightly lower HITECH benefit, slightly lower ACA ramp but slightly better rate/mix.

Valuation and risks: PT remains at \$58 or 7.5x 2015 EV/EBITDA

Our target multiple is in-line with group's L-T average of 6.5x-7.5x. Key risks:

implementation of PPACA, payer mix changes, Medicare/Medicaid cuts.

Forecasts And Ratios

Year End Dec 31

FY EPS (USD)

EV/EBITDA

Adjusted EBITDA

Source: Deutsche Bank estimates, company data

1 Includes the impact of FAS123R requiring the expensing of stock options.

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Deutsche Bank Securities Inc.

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CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 054/04/2013.  
2013A

3.42

7.2

6,574

2014E

3.92

7.1

7,048

2015E

4.77

6.2

7,749

Darren Lehrich

Research Analyst

Joshua Kalenderian

Research Associate

[REDACTED]  
Dana Nentin, CFA  
Research Associate

[REDACTED]  
Price/price relative

10

20

30

40

50

60

3/11 9/11 3/12 9/12 3/13 9/13

HCA Holdings, Inc.

S&P 500 INDEX (Rebased)

Performance (%)

1m 3m 12m

Absolute -0.6 2.4 26.8

S&P 500 INDEX

Source: Deutsche Bank

-4.9 -1.1 15.1

48.46

58.00

51.41 - 35.21

Company

HCA Holdings, Inc.

Date

4 February 2014

Results

4 February 2014

Health

Care Facilities and Services

HCA Holdings, Inc.

Model updated:04 February 2014

Running the numbers

North America

United States

Health

HCA Holdings, Inc.

Reuters: HCA.N

Buy

Price (3 Feb 13)

Target Price

52 Week range

Market Cap (m)

Company Profile

HCA operates the largest private health care system in the U.S. through a network of acute care hospitals, outpatient facilities, clinics and other patient care delivery settings.

HCA's operations

freestanding surgery centers across 20 states throughout the U.S. and England.

include 162 hospitals and 112

USD 48.46

USD 58.00

USDm 22,292

EURm 16,491

Fiscal year end 31-Dec

Financial Summary

DB EPS (USD)

Care Facilities and Services

Bloomberg: HCA US

Reported EPS (USD)

DPS (USD)

BVPS (USD)

Valuation Metrics

Price/Sales (x)

P/E (DB) (x)

P/E (Reported) (x)

P/BV (x)

FCF yield (%)

Dividend yield (%)

EV/Sales

2010 2011 2012

2.76

2.76

0.00

-27.27

0.7

17.2

17.2  
nm  
8.7  
0.0  
1.7  
10.8  
2.85  
4.97  
0.00  
-16.65  
0.5  
9.5  
5.4  
nm  
18.9  
0.0  
1.4  
USD 35.21 - 51.41 EV/EBITDA 8.2 6.7  
EV/EBIT  
8.9  
Income Statement (USDm)  
Sales  
Pre-tax profit  
Net income  
3.74  
3.49  
0.00  
-21.03  
0.4  
7.5  
8.0  
nm  
18.2  
0.0  
1.3  
6.4  
8.6  
2013  
3.42  
3.37  
0.00  
-15.00  
0.5  
11.8  
11.9  
nm  
9.5  
0.0  
1.4  
7.2  
9.9

EBITDA 5,868 6,061

EBIT 4,447 4,596

3,561

2,465

2,231

1,207

Cash Flow (USDm)

Cash flow from operations

Net Capex

Free cash flow

Equity raised/(bought back)

Dividends paid

Price Performance

10

20

30

40

50

60

Mar 11 Sep 11 Mar 12 Sep 12 Mar 13 Sep 13

HCA Holdings, Inc.

Margin Trends

14

15

17

18

20

21

10

11

Growth & Profitability

10

12

0

2

4

6

8

10

Solvency

0.2

0.4

0.6

0.8

1

0

10 11 12 13 14E 15E

Net debt/equity (LHS)

Darren Lehrich

+1 212 250-2629

Page 2

Net interest cover (RHS)  
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Deutsche Bank Securities Inc.

0

1

2

3

4

11

12

13 14E 15E

Sales growth (LHS)

ROE (RHS)

12

EBITDA Margin

13 14E 15E

EBIT Margin

S&P 500 INDEX (Rebased)

Net inc/(dec) in borrowings

Net cash flow

Change in working capital

Balance Sheet (USDm)

Cash and cash equivalents

Property, plant & equipment

Other assets

Total assets

3,085

-1,288

1,797

0

2,533

99

-199

411

3,933

-1,398

2,535

1,003

-1,589

-129

373

Goodwill 2,693 5,251

9,396

8,440

Other liabilities

Total liabilities

Other investing/financing cash flows -4,231 -1,987

-38

28,035 29,682 33,013 34,182

6,531

4,852

2,894  
1,605  
4,175  
-1,832  
2,343  
0  
1,724  
-3,735  
332  
2014E 2015E  
3.92  
3.92  
0.00  
-11.14  
0.6  
12.4  
12.4  
nm  
8.5  
0.0  
1.4  
7.1  
9.5  
4.77  
4.77  
0.00  
-6.21  
0.6  
10.2  
10.2  
nm  
10.5  
0.0  
1.2  
6.2  
8.2  
6,574  
4,821  
2,946  
1,556  
3,680  
-1,910  
1,770  
-500  
36,586 38,655  
7,048  
5,236  
3,440  
1,802  
7,749  
5,812

4,105  
2,228  
4,088  
-2,200  
1,888  
0  
-3,663  
705  
-4,272  
414  
5,903  
8,895  
-1,000  
-494  
394  
-3  
808  
5,903  
9,252  
4,580  
-2,200  
2,380  
0  
0 000 00  
-692  
-869  
-291  
-2,000  
-512  
-132  
-77  
676  
11,352 12,834 13,185 13,619 14,006 14,270  
5,539  
8,646  
5,903  
9,614  
Debt 28,225 27,052 28,930 28,376  
6,421  
6,860  
7,486  
Total shareholders' equity  
Net debt  
Key Company Metrics  
Sales growth (%)  
DB EPS growth (%)  
Payout ratio (%)  
EBITDA Margin (%)  
EBIT Margin (%)  
ROE (%)  
Net debt/equity (%)

Net interest cover (x)  
 DuPont Analysis  
 EBIT margin (%)  
 x Asset turnover (x)  
 x Financial cost ratio (x)  
 x Tax and other effects (x)  
 = ROA (post tax) (%)  
 x Financial leverage (x)  
 = ROE (%)  
 annual growth (%)  
 x NTA/share (avg) (x)  
 = Reported EPS  
 annual growth (%)  
 Source: Company data, Deutsche Bank estimates

-10,794  
 -7,014  
 27,814 26,679  
 4.7  
 13.1  
 0.0  
 20.9  
 15.9  
 nm  
 nm  
 2.1  
 15.9  
 1.2  
 0.5  
 0.5  
 5.0  
 -2.3  
 -11.5  
 -5.4  
 -23.9  
 2.76  
 13.2  
 23,852 26,898 28,075 28,831 29,969 30,463  
 27,376 25,376  
 6,194  
 5,858  
 6,460  
 34,646 33,912 36,416 34,234 33,570 31,836  
 -8,341 -5,403 -3,601 -1,373  
 28,225  
 27,962 26,568 24,700  
 5.9  
 3.3  
 0.0  
 20.4  
 15.5  
 nm

nm  
2.3  
15.5  
1.2  
0.6  
1.0  
9.7  
-2.5  
-24.4  
-111.6  
-20.3  
4.97  
80.1  
11.2  
31.0  
0.0  
19.8  
14.7  
nm  
nm  
2.7  
14.7  
1.2  
0.6  
0.5  
5.8  
-3.1  
-17.9  
26.7  
-19.5  
3.49  
-29.7  
3.5  
-8.5  
0.0  
19.2  
14.1  
nm  
nm  
2.6  
14.1  
1.2  
0.6  
0.5  
5.5  
-3.4  
-18.8  
-4.7  
-18.0  
3.37  
7.0

14.6  
0.0  
19.3  
14.3  
nm  
nm  
2.9  
14.3  
1.2  
0.7  
0.5  
6.1  
-4.9  
-29.9  
-59.4  
-13.1  
3.92  
5.7  
21.8  
0.0  
20.0  
15.0  
nm  
nm  
3.4  
15.0  
1.3  
0.7  
0.5  
7.4  
-7.5  
-55.5  
-85.7  
-8.6  
4.77  
-3.6 16.3 21.8

4 February 2014

Health

Care Facilities and Services

HCA Holdings, Inc.

Q4'2013 Earnings Review

Key points

- Solid results despite challenging volume backdrop. Q4 EBITDA was previewed earlier in January, so the real news in Q4 results was more detail on operating metrics and HCA's outlook. In the context of a very weak volume environment, HCA's Q4 EBITDA growth (+6.7% YoY) is very respectable and reflects strong expense management and improving pricing/mix.
  - We are particularly encouraged by HCA's recent quarterly surgical trends (see Figure 3). While Q4 same-store inpatient admissions and adjusted admissions dipped 1.8% and 1.0% YoY, respectively, HCA's Q4 SS surgeries improved +1.4% YoY (+1.6% outpatient surgery / +0.9% inpatient surgery) and helped drive revenue per adjusted admissions (RPAA) pricing growth of +4.8% YoY. This marks the third consecutive quarter of improving surgeries, and we believe any sustained trend in surgical volume could represent an upside risk to 2014 guidance. DB's Hospital Volume survey has picked up recent strength in surgeries, too.
  - 2014 guidance seems like a reasonable, but conservative starting point. HCA guided for EBITDA of \$6.6-\$6.85 billion (vs. consensus of \$6.82 billion). Guidance reflects SS revenue growth of 3%-5% (vol 1-2% / pricing/mix 2-3%), flat margins and ~300 bps of EBITDA growth headwinds from lower HITECH and higher stock-based comp. ACA adds ~1.5% to growth (at the mid-point) or ~\$100M. Organic/base growth works out to be ~2% to ~5% growth adjusting for the headwinds and ACA.
  - Framework for ACA impact still evolving, with lots of moving parts to HCA's key assumptions. HCA's 2014 outlook assumes ACA benefit of 12% of EBITDA (\$65M-\$135M), although it is back-half (Q3/Q4) weighted. HCA said it would re-visit its key assumptions by mid-year at the earliest, but its high-level base case is for 7-9% reduction in uninsured, but partially offset by declines in pricing/volume from exchange mix. The key variables that HCA is tracking for its reform model are: (1) enrollment figures for exchanges and Medicaid expansion; (2) the proportion of enrollment that is net newly insured; (3) health plan selection (metallic), network design and network participation for the exchanges; and (4) out-of-network activity. Our sense is that the offsets built into HCA's model could prove conservative given the strength of its networks (i.e. less impact from narrow network if its access points such as ED are more convenient). Given the slow ramp of exchange enrollment in key markets (FL / TX) and HCA's lower exposure to Medicaid expansion states, we believe 7-9% reduction of uninsured patient mix seems like a reasonable starting point.
  - Reiterate Buy rating / \$58 price target. We see HCA as a best-in-class operator with strong assets, a flexible balance sheet and a good track record for opportunistic capital deployment.
- HCA's Q4 EBITDA growth (+6.7% YoY) is very

respectable and reflects  
strong expense management  
and improving pricing/mix  
We believe any sustained  
trend in surgical volume could  
represent an upside risk to  
2014 guidance  
Adjusting for certain nonoperating  
headwinds and  
ACA, HCA's 2014 guidance  
assumes organic/base growth  
of ~2% to ~5% growth  
HCA's 2014 outlook assumes  
ACA benefit of 1-2% of  
EBITDA (\$65M-\$135M),  
although it is back-half  
(Q3/Q4) weighted  
Deutsche Bank Securities Inc.  
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Health

Care Facilities and Services

HCA Holdings, Inc.

Figure 1: 4Q13 Earnings Variance table

HCA Holdings, Inc.

Quarterly Variance Report

(\$ in MMs)

4Q13 Income Statement

Cash revenue

YoY % growth

Adjusted EBITDA

YoY % growth

HITECH payments

Diluted EPS, excl. one-time charges

YoY % growth

4Q13 Margin Analysis

Adjusted EBITDA margin

Salaries and benefits ratio

Supplies ratio

Other operating expenses ratio

Bad debt ratio

4Q13 Revenue Metrics

SS revenue growth

SS admissions growth

SS adjusted admissions growth

SS rev per adjusted admission growth

Source: Deutsche Bank, company research, Thomson Reuters

DB Estimate Consensus Actual Variance (1)

\$8,889

\$8,822

\$1,685

5.4% 4.6%

\$1,647

4.9% 2.5%

(60)

\$0.89

\$0.86

-3.0% -7.1%

NA

\$8,836

\$1,714

0.2%

4.8% 16 bps

4.1%

6.7% 418 bps

(50)

\$0.92

0.4% 746 bps

DB Estimate Consensus Actual Variance

19.0% 18.7% 19.4% 73 bps

45.7%  
17.8%  
18.3%  
11.1%  
NA 44.9% -84 bps  
NA 17.7% -8 bps  
NA 18.6% 24 bps  
NA 11.3% 23 bps  
DB Estimate Consensus Actual Variance  
3.5%  
0.5%  
1.0%  
2.5%  
NA  
NA  
NA

Notes:

(1). Variance is calculated Actual vs. Consensus, unless Consensus is NA

3.8%  
-1.8%  
25 bps  
-230 bps  
NA -1.0% -200 bps  
4.8% 230 bps  
-16.7%  
8.0%

Results review in brief

Revenue trends

Q4 revenues were \$8.836 billion vs. \$8.822 billion / DBe \$8.889 billion. Q4 revenue growth was +4.8% yoy, with SS growth +3.8% driven by SS adj. admit of -1.0%, SS inpatient admissions -1.8%, and better SS revenue per adj. admit of +4.8% yoy (vs. Q3'2013 +3.4%). Pricing growth was driven by acuity (+3%) and payor mix. HCA indicated that Q4 admissions declines were driven primarily by a reduction in pulmonary admissions due to the lighter flu season (-9% yoy), and short-stay admissions due to implementation of the twomidnight rule (Medicare -12% yoy; other payors -4% yoy). Mgt noted that Medicare one-day stays accounted for 50 bps of total admissions declines as a result of the two-midnight rule.

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Health

Care Facilities and Services

HCA Holdings, Inc.

Figure 2: Same-store trends (yoy % change)

HCA, Inc.

Same-Store Trends (Y/Y % change)

2010 2011 1Q12 2Q12 3Q12 4Q12 2012 1Q13 2Q13 3Q13 4Q13 2013

Revenue

Net revenue\*

Volume:

Admissions

Adjusted admissions

Inpatient surgeries

Outpatient surgeries

Total surgeries

ER Visits

Rate:

Revenue/adjusted admission\*

2.0%	3.3%	5.1%	3.8%	3.3%	5.5%	4.5%	0.1%	3.9%	4.5%	3.8%	3.1%
0.1%	2.3%	3.2%	2.5%	2.1%	4.3%	3.0%	0.1%	1.3%	0.7%	-1.8%	0.1%
1.4%	3.0%	4.8%	3.9%	2.6%	5.0%	4.1%	-0.7%	1.1%	1.1%	-1.0%	0.1%
-1.4%	-1.7%	1.5%	-0.7%	-2.2%	0.9%	-0.1%	-2.6%	0.2%	2.9%	0.9%	0.3%
-1.2%	-0.6%	2.7%	0.3%	-0.8%	1.8%	0.9%	-4.3%	0.0%	0.4%	1.6%	-0.5%
-1.3%	-1.0%	2.3%	-0.1%	-1.3%	1.4%	0.5%	-3.6%	0.1%	1.3%	1.4%	-0.2%
2.1%	6.2%	5.3%	8.8%	7.4%	12.7%	8.6%	3.8%	0.8%	0.9%	-2.4%	0.7%
0.6%	0.3%	0.3%	-0.1%	0.7%	0.5%	0.3%	0.8%	2.9%	3.4%	4.8%	3.0%

\*1Q12 SS revenue and revenue/adjusted admission includes a \$188M one-time favorable impact from Medicare settlement; ex-items SS net rev +2.8% and rev/aa -2

Source: Company reports

Source: Deutsche Bank, Company reports

Surgical trends. Q4 surgical trends were solid, with total SS surgeries up +1.4% split between SS inpatient surgeries +0.9% and SS outpatient surgeries +1.6%. These trends led to a greater ratio SS inpatient surgeries to total SS inpatient admissions at 29.8% (vs. 29% in the prior yr period), an important driver of the increased pricing (+4.8%) and acuity (+3%) in the qtr. Prior to the downturn this ratio had been running closer to 32%-33%, and it has picked up in recent quarters after reaching a low of ~28%. On the CC, mgt attributed these trends to (1) recent investments in the surgical departments (e.g. "O.R. of Choice" initiative), offset by (2) a slow-down in ER volumes vs. historical trends.

HCA remains optimistic about the surgical front in 2014.

Figure 3: Surgical trends (yoy % change)

- 5.0%
- 4.0%
- 3.0%
- 2.0%
- 1.0%

0.0%

1.0%

2.0%

3.0%

4.0%

1Q10 2Q10 3Q10 4Q10 1Q11 2Q11 3Q11 4Q11 1Q12 2Q12 3Q12 4Q12 1Q13 2Q13 3Q13  
4Q13

Inpatient surgeries

Outpatient surgeries

Source: Deutsche Bank, Company reports

Total surgeries

Deutsche Bank Securities Inc.

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Health

Care Facilities and Services

HCA Holdings, Inc.

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

33.1%

25.0%

26.0%

27.0%

28.0%

29.0%

30.0%

31.0%

32.0%

33.0%

34.0%

33.4%

32.0% 31.9%

31.3%

29.9%

29.4%

28.7%

28.8%

28.6%

28.1%

29.3%

29.8% 29.8%

2006 2007 2008 2009 2010 2011 1Q12 2Q12 3Q12 4Q12 1Q13 2Q13 3Q13 4Q13

Inpatient surgeries as a % of 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 1/12 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

Operating expense ratios (% of cash revenue):

Salaries and benefits

Supplies

Provision for doubtful accounts

Other operating expenses

Consolidated operating margin data:

Adjusted EBITDA (\$MMs)<sup>1</sup>

Adjusted EBITDA margin (% of cash revenue)

Adjusted EBITDA less HITECH (\$MMs)1

YoY % growth:

Adjusted EBITDA 1

Adjusted EBITDA margin, bps change

Adjusted EBITDA less HITECH 1

Adjusted EBITDA less HITECH margin, bps change

Source: Deutsche Bank, Company reports

1Q13 2Q13 3Q13 4Q13 2013

44.5% 45.3% 44.4% 45.7% 46.9% 45.8% 45.7% 46.4% 45.5% 46.3% 44.9% 45.8%

17.7% 17.4% 16.9% 17.5% 17.1% 17.8% 17.3% 17.5% 17.4% 17.2% 17.7% 17.5%

8.6% 8.7% 8.6% 11.4% 9.3% 11.6% 10.2%

17.8% 18.4% 17.8% 18.4% 18.7% 18.4% 18.3% 18.0% 17.8% 18.5% 18.6% 18.2%

\$5,868.0 \$6,061.0 \$1,823.0 \$1,569.0 \$1,533.0 \$1,606.0 \$6,531.0 \$1,568.0

\$1,689.0 \$1,603.0 \$1,714.0 \$6,574.0

20.9% 20.4% 21.7% 19.3% 19.0% 19.0% 19.8% 18.6% 20.0% 19.0% 19.4% 19.2%

Adjusted EBITDA less HITECH margin (% of cash revenue)

\$5,851.0 \$1,768.0 \$1,499.0 \$1,402.0 \$1,526.0 \$6,195.0 \$1,529.0 \$1,637.0

\$1,528.0 \$1,664.0 \$6,358.0

19.7% 21.0% 18.5% 17.4% 18.1% 18.8% 18.1% 19.4% 18.1% 18.8% 18.6%

7.2% 3.3% 14.7% 10.5% 8.6% -2.0% 7.8% -14.0% 7.6% 4.6% 6.7% 0.7%

(51)

49

N/A N/A

N/A N/A

(1) EBITDA after equity in earnings of affiliates, but before minority interest.

22

(25)

(44)

(205)

(64)

(95)

(311)

(292)

65

89

(6)

68

36

74

8.2% 10.8% 10.1% 11.3% 10.1%

(55)

N/A 8.5% 3.0% 0.5% 5.9% -13.5% 9.2% 9.0% 9.0% 2.6%

N/A (57) (136) (146)

(16)

Balance Sheet and Cash Flow trends. Q4 cash flow from operations (CFF0) 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.

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Health

Care Facilities and Services

HCA Holdings, Inc.

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

HCA, Inc.

Balance Sheet and Cash Flow Analysis

(\$ in MMs, except per share data)

2010

Cash flows from operating activities (CFFO):

Net income

Depreciation and amortization

Changes in working capital

Other

Net cash provided by operating activities (CFFO):

Capital expenditures:

Capital expenditures (excluding acquisitions)

Acquisitions and proceeds from asset sales, net

Capital expenditures as % of net revenue

Free cash flow:

Free cash flow (excluding acquisition capex)

Free cash flow, net of non-controlling interest

Balance sheet data:

Cash at end of period

Net debt at end of period

Net leverage

DSO

2011	1Q12	2Q12	3Q12	4Q12	2012
------	------	------	------	------	------

\$1,573	\$2,842				
---------	---------	--	--	--	--

1,421					
-------	--	--	--	--	--

(199)					
-------	--	--	--	--	--

290					
-----	--	--	--	--	--

3,085					
-------	--	--	--	--	--

1,465					
-------	--	--	--	--	--

(129)					
-------	--	--	--	--	--

3,933					
-------	--	--	--	--	--

\$639	\$485	\$455	\$427	\$2,006	
-------	-------	-------	-------	---------	--

417					
-----	--	--	--	--	--

420					
-----	--	--	--	--	--

(245)	1,125	1,098			
-------	-------	-------	--	--	--

797	1,460				
-----	-------	--	--	--	--

(1,325)	(1,679)				
---------	---------	--	--	--	--

(196)	(1,401)				
-------	---------	--	--	--	--

417					
-----	--	--	--	--	--

(1,384)	(543)	(996)			
---------	-------	-------	--	--	--

425	1,679				
-----	-------	--	--	--	--

(740)	(3,663)				
-------	---------	--	--	--	--

779	1,151	4,153			
-----	-------	-------	--	--	--

655	1,263	4,175			
-----	-------	-------	--	--	--

(335)	(449)	(484)			
-------	-------	-------	--	--	--

(111)					
-------	--	--	--	--	--

(22)  
(17)  
(594) (1,862)  
(78) (228)  
4.7% 5.7% 4.0% 5.5% 6.0% 7.0% 5.6%  
\$1,760 \$2,254  
\$1,394 \$1,877  
\$411  
4.7x  
45.1  
\$373  
4.4x  
48.9  
\$462 \$1,011 \$171 \$669 \$2,313  
\$363 \$917  
\$471 \$518 \$472 \$705 \$705  
4.0x  
4.3x  
4.3x  
48.3 44.6 47.1 44.6 44.6  
1Q13 2Q13 3Q13  
\$438 \$537 \$467  
424  
425  
(1,294) (1,041)  
1,172  
740  
893  
814  
(404)  
(21)  
(492)  
29  
443  
(984)  
974  
900  
(451)  
(440)  
4Q13 2013  
\$554 \$1,996  
461 1,753  
(953) (4,272)  
1,164 4,203  
1,226 3,680  
(596) (1,943)  
(16) (448)  
4.8% 5.8% 5.3% 6.7% 5.7%  
\$76 \$556 \$1,912  
\$336 \$322 \$449  
\$242 \$208 \$347

\$594 \$462 \$484

4.5x

4.3x

4.3x

48.3

47.2

48.1

\$630 \$1,737

\$500 \$1,297

\$414 \$414

\$27,814 \$26,679 \$27,431 \$26,523 \$26,461 \$28,225 \$28,225 \$28,014 \$27,738

\$27,893 \$27,962 \$27,962

4.4x 4.1x

4.3x 4.3x

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

Guidance DB Estimate Consensus

2014

Revenues

Adjusted EBITDA

PPACA Benefit\*

Adjusted EPS

Capex

\$35.50B - \$36.50B \$36.586B

\$6.60B - \$6.85B \$7.048B

\$66M - \$137M \$150M - \$200M

\$3.45 - \$3.75

Approx. \$2.2B

\$3.92

\$2.2B

\$36.138B

\$6.821B

NA

\$3.78

\$2.0B

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

Source: Deutsche Bank, company reports, Thomson Reuters



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Care Facilities and Services

HCA Holdings, Inc.

Figure 8: 2014 EBITDA Bridge (\$ in MM)

Base EBITDA Bridge

2013 Adjusted EBITDA Reported

Net HITECH impact

Increase in stock-based comp

ACA benefit

2014 Organic EBITDA Growth (1)

Low Mid High

\$6,574 \$6,574 \$6,574

(\$120) (\$120) (\$120)

(\$55)

\$66

(\$55)

\$102

(\$55)

\$137

2014 Adjusted EBITDA Guidance \$6,600 \$6,725 \$6,850

\$135 \$225 \$314

Note: (1) Adjusted for headwinds / ACA.

Source: Deutsche Bank, Company reports

Health Care Reform Framework. HCA noted that the framework for its ACA analysis is still evolving, but highlighted 4 key variables that drove their estimated 2014 net benefit from health care reform of 1%-2% of adjusted EBITDA:

(1) Health Insurance Exchange (HIX) enrollment and Medicaid lives.

Management indicated that its model builds from the latest reported base of HIX enrollees (~3M as indicated by CMS on Jan 24th). It also takes into consideration HCA's exposure to states expanding Medicaid in 2014 (CA, CO, KY, and NV).

(2) The portion of HIX and Medicaid enrollees that was previously uninsured vs. insured;

(3) HCA's HIX network participation, network design, and plan selection. HCA disclosed that 97% of its facilities participate in an HIX product, with 64% of its facilities having access to the lowest priced Bronze plan and 54% having access to the lowest priced Silver plan; and

(4) out-of-network treatment and reimbursement levels; HCA assumes it will not capture a portion of the population gaining coverage as a result of business getting directed away from its network

HCA said it would re-visit its key assumptions by mid-year at the earliest, but

its high-level base case is for 7-9% reduction in uninsured, partially offset by

declines in pricing/volume from exchange mix. Our sense is that the offsets built into HCA's model could prove conservative given the strength of its networks (i.e. less impact from narrow network if its access points such as ED

are more convenient). Given the slow ramp of exchange enrollment in key markets (FL / TX) and HCA's lower exposure to Medicaid expansion states, we believe 7-9% reduction of uninsured patient mix seems like a reasonable starting point

As a % of 2013 Adj EBITDA

Low Mid High

-1.8% -1.8% -1.8%

-0.8% -0.8% -0.8%

1.0% 1.5% 2.1%

0.4% 2.3% 4.2%

2.1% 3.4% 4.8%

New estimates. We are making modest adjustments to our estimates to reflect lower HITECH and slower ACA ramp. 2014 EBITDA and EPS move to \$7.05B / \$3.92 from \$7.145B / \$4.17, putting us above HCA guidance ranges

(\$6.60B-\$6.85B

EBITDA / \$3.45-\$3.75 EPS ) due to underlying growth and ACA. Our model now reflects higher S/O (+1% higher), slightly lower HITECH benefit

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(~\$50M lower), and slightly lower ACA ramp (~\$100M lower) offset by slightly better rate/mix due to recent strength in acuity mix +3% vs. prior +2.5%.

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Care Facilities and Services

HCA Holdings, Inc.

Figure 9: HCA model summary

HCA Holdings, Inc. - Earnings Model Summary

Fiscal Year Ends December 31

(\$ in MMs, except per share data)

2008

Income statement summary

Revenues before provision for doubtful accounts

\$28,374

Cash revenue (net revenue less provision for doubtful accounts) \$24,965

HITECH meaningful use incentive payments

Adjusted EBITDA

Adjusted EBITDA less HITECH

Non-controlling interest (NCI) expense

EBITDA less NCI, net of HITECH (DB uses for valuation)

Operating EPS, excluding extraordinary items

Growth rates - YOY % change:

Net revenue

Cash revenue

Adjusted EBITDA

Operating EPS

Margin analysis:

Adjusted EBITDA margin as % of net revenue

Adjusted EBITDA margin as % of cash revenue

Adjusted EBITDA margin less HITECH as % of cash revenue

Revenue model summary

Number of hospitals, end of period

Number of beds, end of period

Admissions

YOY % growth

Equivalent admissions

YOY % growth

Revenue per equivalent admission

YOY % growth

Same-facility YoY % change:

Same-store revenues

Same-store admissions

Same-store equivalent admissions

Same-store revenue per equivalent admission

Balance sheet summary

Assets:

Cash and equivalents

Total debt

Net debt

Leverage statistics:

Net debt to adjusted EBITDA

Adj. EBITDA / Interest

Cash flow summary

Cash flow from operations (excluding non-controlling interests)

Capital expenditures

Capex as % of revenue

Non-controlling interests

Free cash flow (CFF0 - capex - non-controlling interests)

Free cash flow margin

Revenue Mix Summary

Inpatient mix

Outpatient mix

Payer mix (% of total revenue):

Medicare

Managed Medicare

Medicaid

Managed Medicaid

Managed care and other discounted

Uninsured

Source: Deutsche Bank, company reports

N/A

\$4,574

\$4,574

\$229

\$4,345

\$1.56

5.6%

5.2%

2009

\$30,052

\$26,776

N/A

\$5,472

\$5,472

\$321

\$5,151

\$2.44

5.9%

7.3%

-0.4% 19.6%

2010

\$30,683

\$28,035

N/A

\$5,868

\$5,868

\$366

\$5,502

\$2.76

2.1%

4.7%

7.2%

-22.9% 56.2% 13.1%

16.1% 18.2% 19.1%

18.3% 20.4% 20.9%

N/A

N/A

158

38,504

155

38,839

1.0%

2011

\$32,506

\$29,682

\$210

\$6,061

\$5,851

\$377

\$5,474

\$2.85

2012

\$36,783

\$33,013

\$336

\$6,531

\$6,195

\$401

\$5,794

\$3.74

5.9% 13.2%

5.9% 11.2%

3.3%

3.3%

N/A

156

38,827

-0.1%

1.2%

18.6%

20.4%

19.7%

163

41,594

4.2%

2013

\$38,040

\$34,182

\$216

\$6,574

\$6,358

\$440

\$5,918

\$3.42

7.8%

31.0%  
3.4%  
3.5%  
0.7%  
-8.5%  
17.8% 17.3%  
19.8% 19.2%  
18.8% 18.6%  
162  
41,804  
7.4%  
165  
42,896  
0.2%  
2014E  
\$40,587  
\$36,586  
\$120  
\$7,048  
\$6,928  
\$494  
\$6,434  
\$3.92  
6.7%  
7.0%  
7.2%  
2015E  
\$42,646  
\$38,655  
\$100  
\$7,749  
\$7,649  
\$512  
\$7,137  
\$4.77  
5.1%  
5.7%  
9.9%  
14.6% 21.8%  
17.4% 18.2%  
19.3% 20.0%  
18.9% 19.8%  
165  
42,896  
2.3%  
165  
42,896  
1,541,800 1,556,500 1,554,400 1,620,400 1,740,700 1,744,100 1,784,863  
1,798,250  
-0.7%  
0.7%

2,363,600 2,439,000 2,468,400 2,595,900 2,832,100 2,844,700 2,947,377  
3,014,025  
0.5%  
3.2%  
\$12,006  
5.2%  
7.0%  
0.9%  
1.9%  
5.1%  
2008  
\$465  
26,989  
\$26,524  
5.8x  
2.3x  
\$1,990  
(\$1,600)  
5.6%  
\$229  
\$161  
0.6%  
\$12,322  
2.6%  
6.0%  
1.2%  
3.4%  
2.6%  
2009  
\$312  
25,670  
\$25,358  
4.6x  
2.8x  
\$2,747  
(\$1,317)  
\$1,109  
3.7%  
\$12,360  
0.3%  
2.0%  
0.1%  
1.4%  
0.6%  
2010  
\$411  
28,225  
\$27,814  
4.7x  
2.8x  
\$3,085

(\$1,325)  
4.4% 4.3%  
\$321  
\$366  
\$1,394  
4.5%  
62.6% 62.2% 62.3%  
37.4% 37.8% 37.7%  
23.0% 23.0% 24.0%  
6.0%  
5.0%  
3.0%  
7.0%  
6.0%  
4.0%  
8.0%  
53.0% 52.0% 53.0%  
10.0%  
6.0%  
5.2%  
\$12,522  
1.3%  
3.3%  
2.3%  
3.0%  
0.3%  
2011  
\$373  
27,052  
\$26,679  
4.4x  
3.0x  
\$3,933  
(\$1,679)  
5.2%  
\$377  
\$1,877  
5.8%  
63.0%  
37.0%  
7.0%  
6.0%  
4.0%  
23.5%  
7.5%  
5.7%  
3.9%  
51.2%  
8.2%  
9.1%  
\$12,987

3.7%  
4.5%  
3.0%  
4.1%  
0.3%  
2012  
\$705  
28,930  
\$28,225  
4.3x  
3.6x  
\$4,175  
(\$1,862)  
5.1%  
\$401  
\$1,912  
5.2%  
0.4%  
\$13,371  
3.0%  
3.1%  
0.1%  
0.1%  
3.0%  
2013  
\$414  
28,376  
\$27,962  
4.3x  
3.6x  
\$3,680  
(\$1,943)  
5.1%  
\$440  
\$1,297  
61.8% 62.2%  
38.2% 37.8%  
22.5% 22.5%  
8.0%  
4.0%  
4.1%  
51.8% 51.8%  
9.5%  
9.5%  
3.6%  
\$13,772  
3.0%  
4.8%  
0.5%  
1.8%  
3.0%

2014E  
\$808  
27,376  
\$26,568  
3.9x  
3.9x  
\$4,088  
(\$2,200)  
5.4%  
\$494  
\$1,394  
3.4% 3.4%  
2.3%  
\$14,151  
2.8%  
5.0%  
0.7%  
2.2%  
2.8%  
2015E  
\$676  
25,376  
\$24,700  
3.5x  
4.5x  
\$4,580  
(\$2,200)  
5.2%  
\$512  
\$1,868  
4.4%  
15.4% 14.5%  
8.9%  
8.0%  
4.0%  
4.1%  
22.5% 22.5%  
8.0%  
4.0%  
4.1%  
51.8% 51.8%  
9.5%  
9.5%  
9.1%  
8.0%  
4.0%  
4.1%

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HCA Holdings, Inc.

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Figure 10: Income Statement

HCA Holdings, Inc.

Consolidated Income Statements

Fiscal Year ending December 31

(Dollars in millions, except per share amounts and equivalent admissions statistics)

2008

2009

Revenues before provision for doubtful accounts

Provision for doubtful accounts

Net revenue (cash revenue)

YoY % growth

Expenses:

Salaries and benefits

Supplies

Other operating expenses

HITECH meaningful use incentive payments

Equity in earnings of affiliates

Depreciation and amortization

Interest expense

Losses (gains) on sales of facilities

Insurance subsidiary losses (gains) and impairments

Total expenses

Income before income taxes

Provision for income taxes

Net income from continuing operations

Net income attributable to noncontrolling interests

\$28,374

3,409

\$24,965

5.2%

11,440

4,620

4,554

N/A

(223)

1,416

2,021

(97)

64

23,795

\$1,170

268

\$902

229

\$673  
\$30,052  
3,276  
\$26,776  
7.3%  
11,958  
4,868  
4,724  
N/A  
(246)  
1,425  
1,987  
15  
43  
24,774  
\$2,002  
627  
\$1,375  
321  
\$1,054  
2010  
\$30,683  
2,648  
\$28,035  
4.7%  
12,484  
4,961  
5,004  
N/A  
(282)  
1,421  
2,097  
(4)  
123  
25,804  
\$2,231  
658  
\$1,573  
366  
\$1,207  
2011  
\$32,506  
2,824  
\$29,682  
5.9%  
13,440  
5,179  
5,470  
(\$210)  
(258)  
1,465

2,037  
(142)  
(860)  
26,121  
\$3,561  
719  
\$2,842  
377  
\$2,465  
2012  
\$36,783  
3,770  
\$33,013  
11.2%  
15,089  
5,717  
6,048  
(\$336)  
(36)  
1,679  
1,798  
(15)  
175  
30,119  
\$2,894  
888  
\$2,006  
401  
\$1,605  
1Q13  
2Q13  
3Q13  
955  
4Q13  
1,126  
2013  
\$9,194 \$9,473 \$9,411 \$9,962 \$38,040  
754 1,023  
3,858  
\$8,440 \$8,450 \$8,456 \$8,836 \$34,182  
0.4% 4.2% 4.9% 4.8% 3.5%  
3,917 3,848  
1,479 1,470  
1,523 1,507  
(\$39)  
(8)  
424  
472  
16  
17  
201

\$438  
94  
\$344  
(\$52)  
(12)  
425  
462  
0  
(4)  
7,801 7,644  
\$639  
\$537  
114  
\$423  
\$806  
269  
3,916  
1,457  
1,564  
(\$75)  
(9)  
443  
458  
1  
0  
7,755  
\$701  
234  
\$467  
102  
\$365  
3,965 15,646  
1,564  
1,643  
0  
461  
456  
(3)  
0  
246  
5,970  
6,237  
(\$50) (\$216)  
(29)  
1,753  
1,848  
14  
13  
8,036 31,236  
\$800 \$2,946  
950

\$554 \$1,996  
130  
440  
\$424 \$1,556  
1Q14E 2Q14E 3Q14E 4Q14E 2014E  
\$9,873 \$10,179 \$10,073 \$10,462 \$40,587  
800  
1,079  
992 1,130  
4,001  
\$9,073 \$9,100 \$9,081 \$9,332 \$36,586  
7.5% 7.7% 7.4% 5.6% 7.0%  
4,186  
1,604  
1,634  
(\$15)  
(8)  
442  
455  
0  
0  
8,296  
\$777  
258  
\$519  
122  
\$396  
4,145 4,181 4,154 16,665  
1,587 1,559 1,635  
1,629 1,672 1,715  
(\$35)  
(13)  
(\$35)  
(9)  
449  
451  
0  
0  
295  
\$592  
123  
\$469  
457  
447  
0  
0  
\$809  
269  
(\$35)  
(11)  
465

443  
0  
0  
6,385  
6,649  
(\$120)  
(41)  
1,813  
1,795  
8,213 8,272 8,365 33,146  
\$886  
\$967 \$3,440  
322  
\$540  
123  
\$418  
\$646 \$2,296  
126  
494  
\$520 \$1,802  
1,144  
1Q15E 2Q15E 3Q15E 4Q15E 2015E  
\$10,374 \$10,695 \$10,584 \$10,993 \$42,646  
789  
1,080  
989  
1,133 3,991  
\$9,585 \$9,615 \$9,594 \$9,860 \$38,655  
5.6% 5.7% 5.7% 5.7% 5.7%  
4,376  
1,681  
1,703  
(\$20)  
(9)  
473  
437  
8,642  
\$630  
127  
\$503  
4,333  
1,664  
1,699  
(\$20)  
(13)  
480  
430  
8,573  
\$944 \$1,042  
314  
346

\$695  
 127  
 \$568  
 4,371  
 1,635  
 1,743  
 (\$25)  
 (10)  
 488  
 423  
 8,626  
 \$647  
 127  
 \$519  
 4,343 17,424  
 1,713 6,692  
 1,788 6,934  
 (\$35)  
 (12)  
 496 1,937  
 417 1,708  
 0 00000  
 0 00000  
 8,710 34,551  
 \$969 \$1,150 \$4,105  
 322  
 131  
 383 1,365  
 \$768 \$2,740  
 512  
 Income (loss) from discontinued operations 00000 0 0000 000 00 00000  
 Net income attributable to HCA Holdings, Inc.  
 Earnings per share:  
 Diluted earnings per share, adjusted for one-time item \$1.56  
 YoY % growth  
 Diluted earnings per share  
 Diluted sharecount (in thousands)  
 Income statement ratios:  
 Salaries and benefits (as % of net revenue)  
 Supplies (as % of net revenue)  
 Other operating expenses (as % of net revenue)  
 Provision for doubtful accounts (as % of revenue before doub  
 Equity in earnings of affiliates (as % of net revenue)  
 Depreciation and amortization (as % of net revenue)  
 Interest expense (as % of net revenue)  
 Net income attributable to noncontrolling interests (as % of  
 Income taxes (as % of income before taxes)  
 Margin analysis:  
 Adjusted EBITDA  
 YoY % growth  
 Adjusted EBITDA margin (% of revenue before bad deb

Adjusted EBITDA margin (% of cash revenue)  
 Adjusted EBITDA less noncontrolling interests  
 Adjusted EBITDA less HITECH  
 EBIT  
 EBIT margin (% of net revenue)  
 Net margin (% of net revenue)  
 \$2.44  
 -22.9%  
 \$1.56  
 430,982  
 45.8%  
 18.5%  
 18.2%  
 12.0%  
 432,227  
 \$2.76  
 56.2% 13.1%  
 \$2.44  
 \$2.76  
 437,347  
 44.7% 44.5%  
 18.2% 17.7%  
 17.6% 17.8%  
 -0.9% -0.9%  
 5.7%  
 5.3%  
 1.2%  
 22.9%  
 Income taxes (as % of income before taxes - noncontrolling 28.5%)  
 \$4,574  
 \$2.85  
 3.3%  
 \$4.97  
 495,943  
 \$3.74  
 31.0%  
 \$3.49  
 459,403  
 45.3% 45.7%  
 17.4% 17.3%  
 18.4% 18.3%  
 10.9% 8.6% 8.7% 10.2%  
 4.9% 5.1%  
 \$0.79 \$0.91 \$0.79  
 \$0.92  
 \$0.92  
 \$3.42  
 -32.6% 7.1% 0.5% 0.4% -8.5%  
 \$0.74 \$0.91 \$0.79  
 \$3.37  
 462,368 463,184 463,569 458,535 461,914

46.4% 45.5% 46.3% 44.9% 45.8%  
 17.5% 17.4% 17.2% 17.7% 17.5%  
 18.0% 17.8% 18.5% 18.6% 18.2%  
 8.2% 10.8% 10.1% 11.3% 10.1%  
 5.0% 5.0% 5.2% 5.2% 5.1%  
 \$0.87  
 \$0.87  
 \$1.02  
 \$0.91 \$1.12 \$3.92  
 9.2% 11.8% 15.0% 21.4% 14.6%  
 \$1.02  
 \$0.91 \$1.12 \$3.92  
 457,002 459,002 461,002 463,002 460,002  
 \$1.08 \$1.22  
 \$1.11  
 \$1.11  
 \$1.36  
 \$1.36  
 \$4.77  
 24.8% 19.3% 22.7% 21.1% 21.8%  
 \$1.08 \$1.22  
 \$4.77  
 464,502 466,002 467,502 469,002 466,752  
 46.1% 45.5% 46.0% 44.5% 45.6% 45.7% 45.1% 45.6% 44.0% 45.1%  
 17.7% 17.4% 17.2% 17.5% 17.5% 17.5% 17.3% 17.0% 17.4% 17.3%  
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 7.6% 10.1% 9.3% 10.3%  
 4.9% 4.9% 5.0% 5.0% 5.0% 4.9% 5.0% 5.1% 5.0%  
 1.4%  
 31.3% 29.5%  
 37.3% 35.3%  
 \$5,472  
 -0.4% 19.6%  
 16.1% 18.2%  
 18.3%  
 \$4,345  
 Adjusted EBITDA margin less HITECH (% of cash revenue less HITECH)  
 \$3,158  
 12.6%  
 2.7%  
 Cash revenue analysis:  
 Net revenue - provision for doubtful accounts = cash revenue \$24,965  
 YoY % growth  
 Salaries and benefits (% of cash revenue)  
 Supplies (% of cash revenue)  
 Other operating expenses (% of cash revenue)  
 Per equivalent admission analysis:  
 Equivalent admissions (consolidated)  
 YoY % growth

Cash revenue per equivalent admission  
 YoY % growth  
 Salaries and benefits per equivalent admission  
 YoY % growth  
 Supplies per equivalent admission  
 YoY % growth  
 Other operating expenses per equivalent admission  
 YoY % growth  
 Controllable costs per equivalent admission  
 YoY % growth  
 Uncompensated care analysis:  
 Charity and discounts  
 Uncompensated care ratio  
 Source: Deutsche Bank, Company reports  
 5.2%  
 45.8%  
 18.5%  
 18.2%  
 \$5,868  
 7.2%  
 20.4% 20.9%  
 \$5,151  
 \$5,502  
 \$4,047  
 \$4,447  
 15.1% 15.9%  
 3.9%  
 \$26,776  
 7.3%  
 \$28,035  
 4.7%  
 44.7% 44.5%  
 18.2% 17.7%  
 17.6% 17.8%  
 3.2%  
 1.2%  
 4.3%  
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 33.3% 33.3% 33.3% 33.3% 33.2%  
 \$1,674 \$1,786 \$1,713 \$1,875 \$7,048  
 6.7% 5.8% 6.9% 9.4% 7.2%  
 \$1,551 \$1,663 \$1,590 \$1,749 \$6,554  
 \$1,659 \$1,751 \$1,678 \$1,840 \$6,928  
 \$1,232 \$1,337 \$1,256 \$1,410 \$5,236  
 1.3% 1.3% 1.3% 1.3%  
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 9.4%  
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4.6% 4.5% 4.4% 4.2% 4.4%  
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22.6% 35.6%  
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3.3%  
19.1% 18.6%  
20.4%  
\$5,684  
\$5,851  
19.7%  
\$4,596  
\$6,531  
7.8%  
17.8%  
\$6,130  
\$6,195  
15.5% 14.7%  
8.3% 4.9%  
\$29,682  
5.9%  
\$33,013  
11.2%  
45.3% 45.7%  
17.4% 17.3%  
18.4% 18.3%  
2,363,600 2,439,000 2,468,400 2,595,900 2,832,100  
0.5%  
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\$10,562  
4.7%  
\$4,840  
6.3%  
\$1,955  
4.6%  
\$1,927  
6.9%  
\$8,721  
6.0%  
3,600  
21.9%  
\$10,978  
3.9%  
\$4,903  
1.3%  
\$1,996  
2.1%  
\$1,937  
0.5%

\$8,836  
1.3%  
5,086  
\$11,358  
3.5%  
\$5,058  
3.2%  
\$2,010  
0.7%  
\$2,027  
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\$9,095  
2.9%  
6,978  
23.8% 25.6%  
\$11,434  
0.7%  
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2.4%  
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-0.7%  
\$2,107  
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\$9,280  
2.0%  
8,390  
27.4%  
9.1%  
\$11,657  
1.9%  
\$5,328  
2.9%  
\$2,019  
1.2%  
\$2,136  
1.3%  
\$9,482  
2.2%  
10,071  
29.5%  
1.1% 1.3% 1.2% 1.5% 1.3%  
33.4% 33.4% 30.8% 32.2%  
36.9% 38.9% 39.1% 36.7% 37.9%  
\$1,568 \$1,689 \$1,603 \$1,714 \$6,574  
-14.0% 7.6% 4.6% 6.7% 0.7%  
17.1% 17.8% 17.0% 17.2% 17.3% 17.0% 17.5% 17.0% 17.9% 17.4%  
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\$1,474 \$1,575 \$1,501 \$1,584 \$6,134  
\$1,529 \$1,637 \$1,528 \$1,664 \$6,358  
18.8% 18.1% 19.4% 18.1% 18.8% 18.6% 18.3% 19.2% 18.5% 19.7% 18.9%  
\$4,852

\$1,144 \$1,264 \$1,160 \$1,253 \$4,821  
13.6% 15.0% 13.7% 14.2% 14.1%  
4.1% 5.0% 4.3% 4.8% 4.6%  
\$8,440 \$8,450 \$8,456 \$8,836 \$34,182  
0.4% 4.2% 4.9% 4.8% 3.5%  
46.4% 45.5% 46.3% 44.9% 45.8%  
17.5% 17.4% 17.2% 17.7% 17.5%  
18.0% 17.8% 18.5% 18.6% 18.2%  
708,000 708,700 711,800 716,200 2,844,700  
-0.4% 1.1% 0.9% 0.2% 0.4%  
\$11,921 \$11,923 \$11,880 \$12,337 \$12,016  
0.9% 3.0% 3.9% 4.6% 3.1%  
\$5,532 \$5,430 \$5,502 \$5,536 \$5,500  
5.3% 2.6% 2.6% 2.4% 3.2%  
\$2,089 \$2,074 \$2,047 \$2,184 \$2,099  
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\$9,773 \$9,630 \$9,746 \$10,014 \$9,791  
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2852  
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2815 N/A N/A N/A  
N/AN/A  
N/A  
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5.0%  
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\$1,854 \$1,952 \$1,880 \$2,063 \$7,749  
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17.9% 18.3% 17.8% 18.8% 18.2%  
19.3% 20.3%  
19.6% 20.9% 20.0%  
\$1,727 \$1,825 \$1,753 \$1,932 \$7,237  
\$1,834 \$1,932 \$1,855 \$2,028 \$7,649  
19.1% 20.1% 19.3% 20.6% 19.8%  
\$1,381 \$1,472 \$1,392 \$1,567 \$5,812  
13.6% 14.7% 13.8% 15.1% 14.3% 14.4% 15.3% 14.5% 15.9% 15.0%  
4.4% 5.2% 4.6% 5.6% 4.9% 5.2% 5.9% 5.4% 6.5% 5.8%  
\$9,073 \$9,100 \$9,081 \$9,332 \$36,586  
7.5% 7.7% 7.4% 5.6% 7.0%  
\$9,585 \$9,615 \$9,594 \$9,860 \$38,655  
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46.1% 45.5% 46.0% 44.5% 45.6% 45.7% 45.1% 45.6% 44.0% 45.1%  
17.7% 17.4% 17.2% 17.5% 17.5% 17.5% 17.3% 17.0% 17.4% 17.3%  
18.0% 17.9% 18.4% 18.4% 18.2% 17.8% 17.7% 18.2% 18.1% 17.9%  
738,141 739,312 739,665 730,259 2,947,377  
4.3% 4.3% 3.9% 2.0% 3.6%  
\$12,292 \$12,308 \$12,277 \$12,779 \$12,413

3.1% 3.2% 3.3% 3.6% 3.3%  
\$5,657 \$5,593 \$5,639 \$5,675 \$5,654  
2.3% 3.0% 2.5% 2.5%  
\$2,173 \$2,147 \$2,108 \$2,238 \$2,166  
4.0% 3.5% 3.0% 2.5%  
\$2,200 \$2,190 \$2,247  
2.3% 3.0% 2.3% 1.8%  
2.8%  
3.2%  
\$2,334 \$2,256  
2.9%  
\$10,029 \$9,930 \$9,994 \$10,247 \$10,076  
2.6% 3.1% 2.5% 2.3% 2.9%  
N/A N/A N/A N/A N/A  
N/A  
N/AN/A  
N/AN/A  
754,832 756,030 756,390 746,772 3,014,025  
2.3% 2.3% 2.3% 2.3% 2.3%  
\$12,699 \$12,718 \$12,685 \$13,204 \$12,825  
3.3% 3.3% 3.3% 3.3% 3.3%  
\$5,784 \$5,718 \$5,766 \$5,802 \$5,781  
2.3% 2.3% 2.3% 2.3%  
\$2,244 \$2,234 \$2,292 \$2,381 \$2,301  
2.0% 2.0% 2.0% 2.0%  
2.2%  
\$2,227 \$2,200 \$2,161 \$2,294 \$2,220  
2.5% 2.5% 2.5% 2.5%  
2.5%  
2.0%  
\$10,255 \$10,153 \$10,219 \$10,477 \$10,302  
2.2% 2.2% 2.2% 2.2% 2.2%  
N/A N/A N/A N/A N/A  
N/AN/A  
N/AN/A  
N/A  
\$637 \$2,228  
(\$100)  
(44)

4 February 2014

Health

Care Facilities and Services

HCA Holdings, Inc.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company Ticker

HCA.N

HCA Holdings, Inc.

Recent price\*

48.46 (USD) 3 Feb 14

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14. Deutsche Bank and/or its affiliate(s) has received non-investment banking related compensation from this company within the past year.

15. This company has been a client of Deutsche Bank Securities Inc. within the past year, during which time it received non-investment banking securities-related services.

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The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive

any compensation for providing a specific recommendation or view in this report. Darren Lehrich

Disclosure

7,8,14,15,17

\*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies

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Deutsche Bank Securities Inc.

4 February 2014

Health

Care Facilities and Services

HCA Holdings, Inc.

Historical recommendations and target price: HCA Holdings, Inc. (HCA.N)

(as of 2/3/2014)

60.00

14

50.00

12

40.00

12

30.00

5 6

3 4

20.00

10.00

0.00

Mar 11 Jun 11 Sep 11 Dec 11 Mar 12 Jun 12 Sep 12 Dec 12 Mar 13 Jun 13 Sep 13

Dec 13

Date

1.

2.

3.

4.

5.

6.

7.

04/19/2011:

05/05/2011:

09/13/2011:

10/05/2011:

11/01/2011:

12/07/2011:

02/06/2012:

Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield ) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.

2. Ratings definitions prior to 27 January, 2007 were:

Buy: Expected total return (including dividends)  
of 10% or more over a 12-month period

Hold: Expected total  
dividends) between -10% and 10% over a 12month  
period

Sell: Expected total return (including dividends)  
of -10% or worse over a 12-month period

return (including

Upgrade to Buy, Target Price Change USD41.00

Buy, Target Price Change USD42.00

Buy, Target Price Change USD33.00

8.

9.

10.

12.

13.

14.

02/23/2012:

05/04/2012:

11/07/2012:

Downgrade to Hold, Target Price Change USD23.00 11. 01/30/2013:

Hold, Target Price Change USD25.00

Hold, Target Price Change USD26.00

Hold, Target Price Change USD32.00

05/02/2013:

10/07/2013:

01/08/2014:

Upgrade to Buy, USD32.00

Buy, Target Price Change USD33.00

Buy, Target Price Change USD40.00

Buy, Target Price Change USD44.00

Buy, Target Price Change USD46.00

Buy, Target Price Change USD56.00

Buy, Target Price Change USD58.00

Equity rating dispersion and banking relationships

50 %

100

150

200

250

300

350

400

450

500

50

0

Buy

Hold

48 %

56 %  
42 %  
3 %33 %  
Sell  
Companies Covered Cos. w/ Banking Relationship  
North American Universe  
78  
9  
Buy  
Hold  
Sell  
Not Rated  
Suspended Rating  
\*New Recommendation Structure  
as of September 9,2002  
10  
11  
13  
Previous Recommendations  
Strong Buy  
Buy  
Market Perform  
Underperform  
Not Rated  
Suspended Rating  
Current Recommendations  
Deutsche Bank Securities Inc.  
Page 13  
Security Price

4 February 2014

Health

Care Facilities and Services

HCA Holdings, Inc.

Regulatory Disclosures

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Equity Research  
Andreas Neubauer  
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Americas Research  
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