

## HCA

# Beat and guide raised as vols remain above average on top of strong pricing

Reiterate Rating: BUY | PO: 330.00 USD | Price: 286.73 USD

## 9% EBITDA beat on pricing; guide raised

HCA delivered a strong beat and raised its guide. Adj EBITDA was \$287m or 9% above consensus on much better pricing / higher margins. 2024 EBITDA guidance midpoint of \$13.2bn is 2% above prior comments and consensus. Vols were slightly better and remain above the LT growth (+3.9%). Overall, the beat and better guide confirm the favorable setup for hospitals with above average vols on top of strong pricing (positive readthrough to THC/UHS). Focus for the call is the magnitude of upside from supplemental payments. We reiterate our Buy rating.

## 2024 EBITDA guidance up 2% vs prior comments

Revs expected to grow 4-8% y/y with the midpoint 2% above consensus – we will look for comments on vols vs pricing. Adj EBITDA guide of \$12.85-13.55bn is 2% above prior comments (implied \$12.8-13.0bn) at the midpoint with the higher end \$500m or 4% higher vs prior. The midpoint is 2% above consensus and 1% above our est. Margins of 19.0-19.3%, down 30-60bps y/y. Adj EPS guide midpoint 5% above consensus. HCA announced a new \$6bn share repo authorization, 2x the prior (had \$0.8bn authorization remaining as of 12/31). Capex to increase 10% y/y to \$5.1-5.3bn, well above our est/consensus, implying HCA sees unmet demand in its markets.

## EBITDA beat on much better revs, better margins

Revs were 5% above consensus and 6% above our est, and adjusted EBITDA was 9% above consensus (10% above our est). Margin of 20.9% was 70bps above consensus.

## SS volumes decelerated, but slightly better than expected

Same store (SS) admits were up +3.1% y/y, deceleration from +3.4% in 3Q23. This implies admits were 3.1% above 4Q19. SS adjusted admits grew +3.9% and were better than Visible Alpha consensus est of +3.8%. This implies vols were +5.5% above 4Q19 (vs +5.9% above 2019 as of 3Q23). The decelerating Q3 growth is similar to trends as per Placer – see [our “Traffic Signals: Q4 accelerated, UHS grows fastest” report](#).

## Surgeries decelerated

SS inpatient surgeries grew +1.0% y/y (deceleration from +1.6% in 3Q23) and were -7% below 2019 (worse than -4.9% below 2019 as of 3Q23). Outpatient surgeries also decelerated: +0.7% y/y (vs +0.9% in 3Q23), representing +0.8% vs 2019 (worse than +2.6% above 2019 as of 3Q23). ER vols were up +2.1% y/y (deceleration from +3.5% in 3Q23), and were +7.5% above 2019, better than +6.8% as of 3Q23.

## Margins beat on better SWB

SS pricing of +6.9% y/y improved from +3.6% in 3Q23 and implies +21.4% vs 2019 (better than +20.7% in 3Q23). Margins were above our est as Salaries, wages & benefits ratio (SWB) declined 180bps y/y and was 160bps better than our est. this was partially offset by Other opex which was up 220bps y/y and 120bps worse than our est (physician staffing costs).

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### Stock Data

Price	286.73 USD
Price Objective	330.00 USD
Date Established	15-Dec-2023
Investment Opinion	B-1-7
52-Week Range	215.96 USD - 304.86 USD
Mkt Val (mn) / Shares Out (mn)	79,768 USD / 278.2
Free Float	73.2%
Average Daily Value (mn)	318.46 USD
BofA Ticker / Exchange	HCA / NYS
Bloomberg / Reuters	HCA US / HCA.N
ROE (2023E)	NA
Net Dbt to Eqty (Dec-2022A)	NA
ESGMeter™	Medium

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### Key Terms:

HCA = HCA Healthcare

ER = Emergency Room

SWB = Salaries, Wages, & Benefits

## Price objective basis & risk

### HCA (HCA)

Our \$330 price objective is based on 10.1x our 2024E EBITDA, above the high end of its historical 6-9x multiple range, given what we see as a favorable backdrop for hospitals broadly and a strong balance sheet.

Risks to the downside are that labor costs continue to rise, volumes recover slower than expected, or margins are pressured if payor mix deteriorates as volumes normalize.

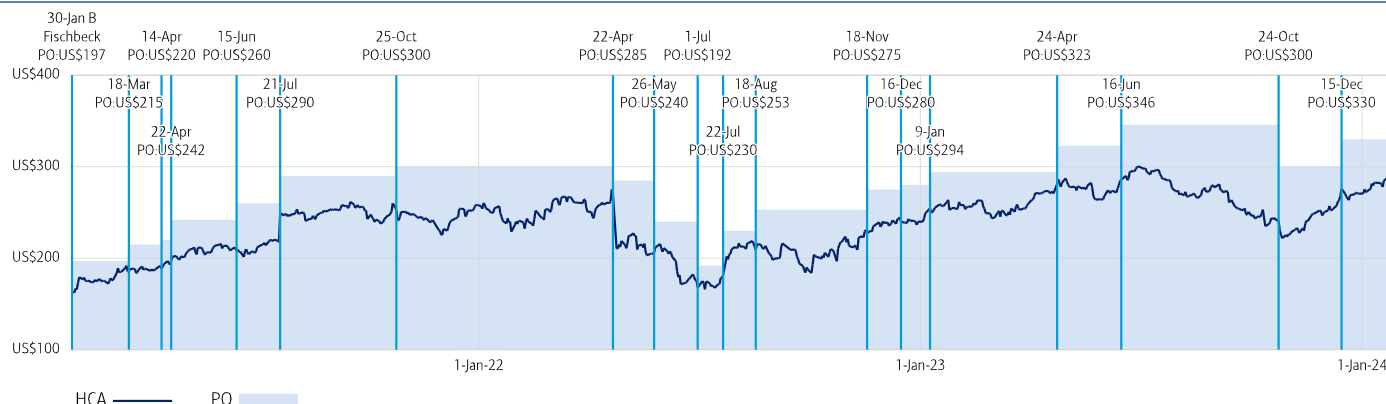
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### HCA Healthcare (HCA) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

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Sell	807	22.84%	Sell	383	47.46%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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