Tenet Healthcare Corporation

CFRA

Recommendation	Price	12-Mo. Target Price	Report Currency	Investment Style
HOLD ★★★★★	USD 32.20 (as of Nov 29, 2019 4:00 PM ET)	USD 30.00	USD	Mid-Cap Blend

Equity Analyst Paige Marcus

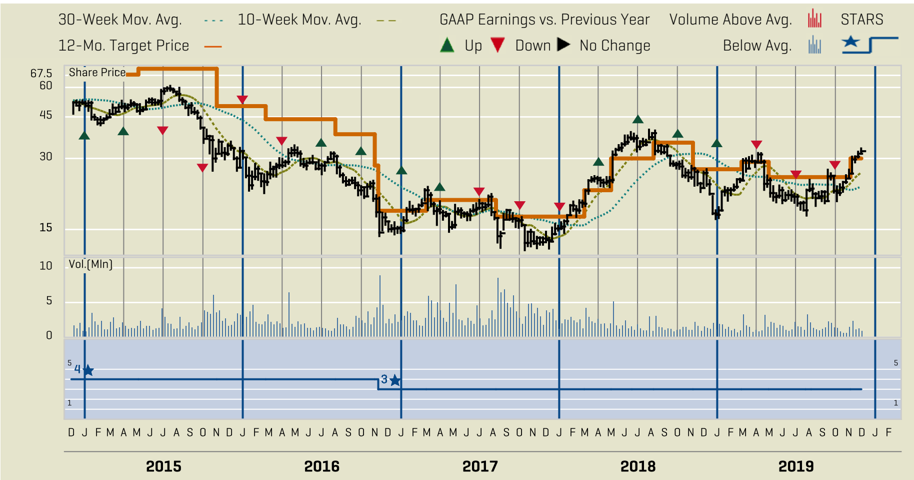
GICS Sector Health Care
Sub-Industry Health Care Facilities

Summary This company is among the largest U.S. for-profit hospital managers.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	**USD 33.08 - 16.61**	Oper. EPS 2019**E**	**USD 2.66**	Market Capitalization[B]	**USD 3.345**	Beta	**1.79**
Trailing 12-Month EPS	**NM**	Oper. EPS 2020**E**	**USD 2.86**	Yield [%]	**NA**	3-Yr Proj. EPS CAGR[%]	**18**
Trailing 12-Month P/E	**NM**	P/E on Oper. EPS 2019**E**	**12.11**	Dividend Rate/Share	**NA**	SPGMI's Quality Ranking	**C**
$10K Invested 5 Yrs Ago	**$6,701**	Common Shares Outstg.[M]	**103.90**	Institutional Ownership [%]	**81**		

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by Equity Analyst **Paige Meyer** on Nov 25, 2019 01:30 PM, when the stock traded at **USD 31.43.**

Highlights

- We estimate 2019 revenue of $18.4 billion, down from $18.3 billion in 2018 because of the divestitures of several hospitals. In 2018 and early 2019, THC divested many of its non-core operations, including 17 hospitals and facilities, generating over $1 billion in proceeds. We look for 2019 EBITDA of $2.7 billion, up from $2.56 billion in 2018. THC's leverage ratio (net debt/EBITDA) remained elevated at 5.6x as of Sep. 2019, up from 5.2x as of June 2019.
- THC's adjusted admissions were essentially flat year-over-year in 2018, which followed a 1.2% decline in 2017. We expect to see low-single-digit growth in adjusted admissions in 2019, assuming economic conditions remain stable. We do not see many positive catalysts for significant volume growth in the near term; although, long-term aging demographics are favorable for hospitals.
- In July 2019, THC announced its intent to spin-off of its Conifer business unit as a separate, publicly traded company. The spin-off is anticipated to be completed by Q2 2021, further out than we originally expected because the company must address a number of things, such as entity structure, leadership team, etc.

Investment Rationale/Risk

- We think that shares of THC are trading near fair value because we believe that potential headwinds and tailwinds are appropriately reflected in the shares. Looking ahead, we anticipate headwinds (e.g. labor pressures, weakening consumer sentiment, pressured volume growth, unfavorable payor mix shift) and increased risks (headline risk related to the potential, but unlikely, repeal of the Affordable Care Act and potential for substantial economic slowdown). HCA's adjusted free cash flow (FCF) in 1H 2019 was $43 million; yet, the company guided towards full-year 2019 FCF of $600 million to $800 million. While we are skeptical, management appeared confident in its ability to reach FCF guidance. We think that FCF will be a key metric to pay attention to, especially given the company's concerning level of elevated debt.
- Risks to our recommendation and target price include softer-than-expected admission rates, lower revenue per admissions and unfavorable legislative or regulatory changes.
- Our 12-month target price of $30 is based on a below peer ratio of 7.1x enterprise value (EV) to forward EBITDA, below THC's five-year average of 7.5x.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH

The risk assessment reflects our view of the typically strong and consistent cash flows generated by health care facilities operators like THC, offset by the high debt levels of the company.

Revenue/Earnings Data

Revenue (Million USD)

	1Q	2Q	3Q	4Q	Year
2019	4,545	4,560	4,568	--	--
2018	4,699	4,506	4,489	4,619	18,313
2017	4,813	4,802	4,586	4,978	19,179
2016	5,044	4,868	4,849	4,860	19,621
2015	4,424	4,492	4,692	5,026	18,634
2014	3,926	4,038	4,175	4,465	16,603

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2020	**E** 7.00	**E** 0.66	**E** 0.54	**E** 1.18	**E** 2.86
2019	-0.26	0.14	-2.25	**E** 0.98	**E** 2.66
2018	0.95	0.23	-0.09	-0.05	1.04
2017	-0.52	-0.56	-3.63	-2.28	-7.00
2016	-0.56	-0.44	-0.09	-0.79	-1.88
2015	0.46	-0.60	-0.28	-1.01	-1.43

Fiscal year ended Dec 31. Next earnings report expected: Late Feb. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

No cash dividends have been paid in the last year.

Tenet Healthcare Corporation

Business Summary November 25, 2019

CORPORATE OVERVIEW. Tenet Healthcare (THC) is one of the largest U.S. for-profit hospital operators. THC operates with three business segments: 1) hospital operations and other (81% of FY 18 revenues), 2) ambulatory care segment (11% of FY 18 revenues) and 3) Conifer (8% of FY 18 revenues). At December 31, 2018, THC operated 68 hospitals, 23 short-stay surgical hospitals and over 475 outpatient centers. The Conifer subsidiary provided healthcare business process services in the areas of hospital and physician revenue cycle management and value-based care solutions to healthcare systems, as well as individual hospitals, physician practices, self-insured organizations, health plans and other entities.

THC's largest business segment, hospital operations and other, operated 17,937 licensed beds at December 31, 2018, primarily serving urban and suburban communities in 12 states, with large concentrations in California, Texas and Florida. THC also owned, controlled, or operated five accountable care organizations (ACOs) and 10 clinically integrated networks (CINs) in Alabama, Arizona, California, Florida, Massachusetts, Michigan, Missouri, Tennessee and Texas. In 2017, THC discontinued its health plan business because the company determined that the health plan business was not a core part of THC's long-term strategy. As a result, THC divested many of its health plans and is continuing to wind down operations for its remaining plans as of early 2019.

THC's ambulatory care segment is comprised of operations in its USPI joint venture and its nine European Surgical Partners Limited (ASPEN) facilities in the U.K. At December 31, 2018, THC's USPI joint venture had interests in 255 ambulatory surgery centers, 36 urgent care centers operated under the CareSpot brand, 23 imaging centers and 23 surgical hospitals in 27 states.

At December 31, 2018, THC's Conifer segment provided one or more of the business process services to more than 750 THC and non-THC hospitals and other clients nationwide. Approximately 38% of Conifer's net operating revenues were attributable to its relationship with Tenet and 36% were attributable to its relationship with Catholic Health Initiatives, a company in which THC had a 23.8% ownership position. THC has mentioned plans to divest the Conifer business in 2018 and 2019.

CORPORATE STRATEGY. THC is committed to enhancing shareholder value by strategically repositioning the company to yield higher margins and better free cash flow. THC aims to achieve this by focusing resources to grow its leadership position in healthcare delivery, accelerate improvement in quality and patient experience, continue to divest non-core markets and assets and sell Conifer (a valuable, but non-core asset). The company has undertaken enterprise-wide cost reduction initiatives and plans to reduce leverage well in advance of any significant debt maturities.

MARKET PROFILE. Hospital revenues depend upon inpatient occupancy levels, the services ordered by physicians, the volume of outpatient procedures and the charges or negotiated payment rates for such services. Charges and reimbursement rates for services vary significantly depending on the type of service and geographic location of the hospital. Hospitals typically receive payment for patient services from the federal government primarily under the Medicare program, state governments under their Medicaid or similar program, HMOs/PPOs and private insurers as well as directly from patients.

In 2018, THC received 20.5% of its net patient service revenues in its hospitals operations segment from Medicare (21.9% in 2017), 9.2% (8.8% in 2017) from Medicaid, 65.4% (64.6% in 2017) from managed care as well as 4.9% (4.7% in 2017) from self-pay, indemnity and other.

FINANCIAL TRENDS. THC had revenue of $18.3 billion in 2018, representing a five-year compound annual growth rate (CAGR) of 8.7%, which includes numerous divestitures and acquisitions. THC's five-year adjusted EPS CAGR was 3.3%. Like other operators of healthcare facilities, THC maintains a high level of debt. As of December 31, 2018, THC's leverage ratio (net debt/EBITDA) was 5.2x and net debt to total capital was 85.1%.

Corporate Information

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Officers

Executive Chairman & CEO
R. A. Rittenmeyer

Executive VP & General Counsel
A. T. Andrews

CFO & Executive VP
D. J. Cancelmi

Chief Accounting Officer, VP & Controller
R. S. Ramsey

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R. A. Rittenmeyer
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R. W. Fisher
T. Romo

Domicile
Nevada

Founded
1967

Employees
102,795

Stockholders
3,839

Auditor
Deloitte & Touche LLP

Tenet Healthcare Corporation

CFRA

Quantitative Evaluations

Fair Value Rank	**NR**	1 2 3 4 5 (LOWEST – HIGHEST) Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).
Fair Value Calculation	**NA**	
Volatility		LOW / AVERAGE / **HIGH**
Technical Evaluation	**BULLISH**	Since October, 2019, the technical indicators for THC have been BULLISH.
Insider Activity		UNFAVORABLE / NEUTRAL / **FAVORABLE**

Expanded Ratio Analysis

	2018	2017	2016	2015
Price/Sales	0.10	0.08	0.08	0.16
Price/EBITDA	0.64	0.60	0.58	1.37
Price/Pretax Income	2.79	-15.10	5.94	20.87
P/E Ratio	16.48	-2.17	-7.88	-21.16
Avg. Diluted Shares Outsg.(M)	103.88	100.59	99.32	99.17

Figures based on fiscal year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years
Sales	-4.52	-0.58	10.56
Net Income	NM	-7.45	-3.70
Ratio Analysis (Annual Avg.)			
Net Margin (%)	NM	NM	NM
% LT Debt to Capitalization	86.48	NA	NA
Return on Equity (%)	20.52	NA	NA

Company Financials Fiscal year ending Dec. 31

Per Share Data (USD)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Tangible Book Value	-89.05	-88.45	-88.81	-80.76	-44.22	-38.37	-3.27	-0.61	3.36	-5.15
Free Cash Flow	4.23	4.90	-3.19	1.86	-2.52	-1.00	0.70	0.05	0.02	-0.25
Earnings	1.04	-7.00	-1.88	-1.43	0.34	-1.21	1.70	0.56	8.03	1.72
Earnings (Normalized)	3.48	1.07	1.79	1.38	1.54	1.70	1.96	1.70	0.99	0.67
Dividends	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Payout Ratio (%)	NA	NA	NA	NA	NA	NA	9	29	2	NA
Prices: High	39.74	22.72	34.08	60.93	63.61	49.48	33.86	30.80	27.44	25.56
Prices: Low	14.50	12.25	14.06	26.60	37.95	33.00	17.24	13.84	15.68	3.12
P/E Ratio: High	38.2	NM	NM	NM	NM	NM	19.9	55.0	3.4	14.9
P/E Ratio: Low	13.9	NM	NM	NM	NM	NM	10.1	24.7	2.0	1.8
Income Statement Analysis (Million USD)										
Revenue	18,313	19,179	19,621	18,634	16,603	11,087	9,119	8,654	8,265	8,318
Operating Income	1,989	1,661	1,713	1,401	1,091	782	773	720	656	596
Depreciation + Amortization	802	870	850	797	849	545	430	398	380	386
Interest Expense	1,004	1,028	979	912	754	474	412	375	424	445
Pretax Income	639	-101	248	144	147	-158	334	164	158	205
Effective Tax Rate	27.5	-216.8	27.0	47.2	33.3	41.1	37.4	37.2	-618.4	-11.2
Net Income	111	-704	-192	-140	12	-134	152	82	1,143	187
Net Income (Normalized)	361	107	178	137	154	173	213	207	138	84
Balance Sheet and Other Financial Data (Million USD)										
Cash	411	611	716	356	193	113	364	113	405	703
Current Assets	4,636	5,573	5,257	5,171	3,970	3,692	2,681	2,357	2,311	2,472
Total Assets	22,409	23,385	24,701	23,682	17,951	16,450	9,044	8,462	8,500	7,953
Current Liabilities	3,857	4,332	4,034	4,308	3,577	3,093	1,763	1,815	1,725	1,783
Long Term Debt	14,644	14,791	15,064	14,383	11,505	10,696	5,158	4,294	3,997	4,272
Total Capital	16,933	17,342	18,730	17,734	12,803	12,067	6,486	5,868	6,126	4,971
Capital Expenditures	617	707	875	842	933	691	506	467	446	455
Cash from Operations	1,049	1,200	558	1,026	687	589	593	497	472	425
Current Ratio	1.20	1.29	1.30	1.20	1.11	1.19	1.52	1.30	1.34	1.39
% Long Term Debt of Capitalization	86.5	85.3	80.4	81.1	89.9	88.6	79.5	73.2	65.2	85.9
% Net Income of Revenue	0.606	-3.671	-0.979	-0.751	0.072	-1.209	1.667	0.948	13.829	2.248
% Return on Assets	5.43	4.32	4.43	4.21	3.96	3.83	5.52	5.31	4.98	4.62
% Return on Equity	20.52	-10.88	5.40	3.45	8.15	-7.59	15.24	6.19	90.22	54.03

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Tenet Healthcare Corporation

Sub-Industry Outlook

Our fundamental outlook for health care facilities over the next 12 months is negative. This sub-industry performed well in 2018 on the strength of the US economy, which resulted in a lower number of uninsured individuals, better health care coverage and higher employment. The strong economy also resulted in a tight labor market, which caused staffing difficulties and higher wage expenses at some facilities. U.S. unemployment reached a 50-year low of 3.6% as of May 2019. The outlook for 2019 and beyond appears less promising as the individual mandate has rolled off, companies are no longer enjoying a short-term boost from tax reform, trade tensions are heightened and regulatory scrutiny has increased. In addition, we have seen mounting concerns of a potential slowdown in US economic activity, which we believe would negatively impact health care facilities more so than other health care sub-industries. If US economic activity slowed, hospital utilization and admissions would likely fall as consumers would likely opt to delay elective procedures.

A wave of support for the Democratic party in the November 2018 US mid-term elections resulted in Democrats taking control of the House of Representatives; although, the Senate and Presidency both remain under Republican control. For the 2020 U.S. presidential election, a few key Democratic candidates appear to be endorsing a Medicare For All (MFA) type of health care system. MFA, if passed into law, would likely lower average hospital rates and hence, negatively impact health care facilities. Although we think that MFA has little chance of becoming a reality in the next several years, headlines related to MFA could nonetheless impact stocks. In addition, as of September 2019, we think that it is increasingly likely that we see regulatory or congressional action in the near future related to price transparency or surprise billing, both of which we believe would adversely impact hospitals.

Another headline risk is the potential repeal of the Affordable Care Act (ACA) because a judge in Texas ruled the ACA to be unconstitutional. We currently expect the ACA to be upheld upon appeal; although, this decision could take a couple years to reach. If the ACA were to be repealed, we'd expect the impact to be negative to health care facilities, which have benefitted from the increased insurance coverage of the past several years under the ACA. In late March 2019, the U.S. Department of Justice (DOJ), in a reversal of opinion, indicated that it supported the elimination of the ACA.

In December 2017, Congress approved the Tax Cut and Jobs Act (TCJA), which included a repeal of the individual mandate component of the ACA, effective January 2019. The individual mandate required most people to have health insurance or pay a fine. Approximately 8.4 million people signed up for health insurance through the public exchanges for the 2019 fiscal year, down from 8.8 million in 2018 and 9.2 million in 2017. The roll-off of the individual mandate could result in higher uncompensated care rates at hospitals.

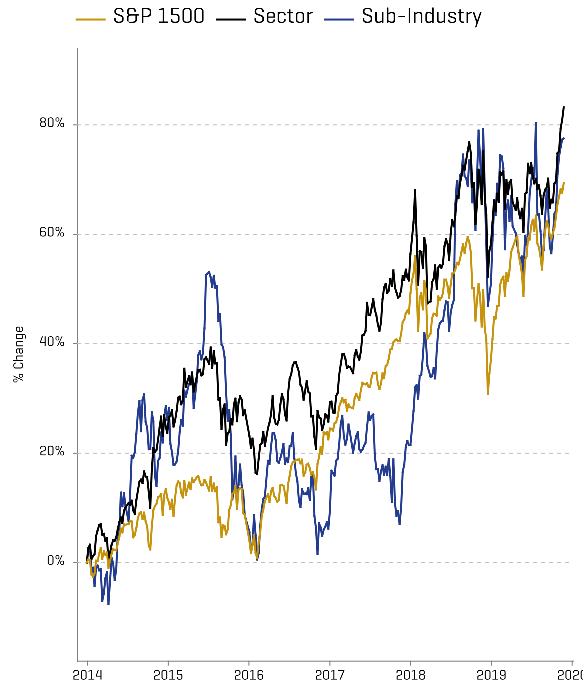
Year-to-date September 20, 2019, the S&P 1500 Health Care Facilities Index rose 9.4%, below the 19.0% gain of the S&P 1500 Composite Index. In 2018, the S&P 1500 Health Care Facilities Index rose an impressive 23.9% vs. a 6.8% decrease in the S&P 1500 Composite Index.

/Kevin Huang, CFA

Industry Performance

GICS Sector: Health Care
Sub-Industry: Health Care Facilities

Based on S&P 1500 Indexes
Five-Year market price performance through Nov 30, 2019



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.
Source: S&P Global Market Intelligence

Sub-Industry: Health Care Facilities   Peer Group*: Health Care Facilities

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. (M)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Fair Value Calc.	Yield (%)	Return on Equity (%)	LTD to Cap (%)
Tenet Healthcare Corporation	**THC**	**NYSE**	**USD**	**32.20**	**3,345**	**22.0**	**23.5**	**NM**	**NA**	**Nil**	**20.5**	**86.5**
Acadia Healthcare Company, Inc.	ACHC	NasdaqGS	USD	32.16	2,848	6.2	-4.9	NM	NA	Nil	-7.1	56.9
Brookdale Senior Living Inc.	BKD	NYSE	USD	7.140	1,325	-7.0	-14.5	NM	NA	Nil	-41.5	60.5
Chartwell Retirement Residences	CSH.UN	TSX	CAD	14.56	3,121	-1.3	-3.5	NM	NA	4.1	1.9	63.9
Extendicare Inc.	EXE	TSX	CAD	8.490	757	-5.4	24.3	30	4.830	5.7	6.3	58.2
National HealthCare Corporation	NHC	AMEX	USD	85.00	1,302	3.4	2.1	18	NA	2.4	8.2	6.8
Select Medical Holdings Corporation	SEM	NYSE	USD	22.11	2,970	22.9	16.1	21	23.35	Nil	10.8	64.8
Sienna Senior Living Inc.	SIA	TSX	CAD	18.75	1,250	-1.7	11.9	NM	NA	5.0	2.1	57.0
Surgery Partners, Inc.	SGRY	NasdaqGS	USD	13.78	682	73.8	-1.8	NM	NA	Nil	-5.1	53.2
The Ensign Group, Inc.	ENSG	NasdaqGS	USD	43.43	2,317	3.8	-5.0	22	51.96	0.4	16.8	27.6
U.S. Physical Therapy, Inc.	USPH	NYSE	USD	116.86	1,493	-18.4	-3.4	50	98.91	1.0	14.8	9.8

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.
NA-Not Available NM-Not Meaningful.
Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Analyst Research Notes and other Company News

November 05, 2019
04:48 pm ET... CFRA Maintains Hold Opinion on Shares of Tenet Healthcare Corporation (28.11***): We lift our 12-month target by $5 to $30, a 7.1x enterprise value to our '20 EBITDA estimate and a discount to THC's historical forward average. We lift our 2019 EPS estimate to $2.66 from $2.32 and 2020's to $2.86 from $2.79. THC posts Q3 EPS of $0.58 vs. $0.29, beating consensus by $0.26. Revenue exceeded expectations by 2.5% driven by higher same-hospital admissions (+3.6% YoY) in the Hospital Operations segment and higher surgical cases (+4.4% YoY) in the Ambulatory segment, partially offset by hospital divestitures. THC lifted its 2019 EPS outlook by 10% given YTD performance and volume growth expectations. We anticipate growth in the Ambulatory segment (five surgical facilities added to the platform in the third quarter) and expect progress on the Conifer spin-off given the recently announced addition of the new Chief Commercial and Strategy Officer at Conifer, Jeff Jones, who has 30 years of strategy, operations and revenue cycle experience in the health care sector. /Paige Marcus

August 06, 2019
04:35 pm ET... CFRA Keeps Hold Opinion on Shares of Tenet Healthcare Corporation (21.51***): We keep our 12-month target at $25, based on a multiple of 7.1x enterprise value to our forward EBITDA estimate, below THC's 5-year average of 7.5x. Q2 EPS of $0.56 vs. $0.49 surpassed the consensus estimate by $0.12. We lower our 2019 EPS estimate to $2.32 from $2.55 and our 2020 EPS to $2.79 from $2.94. Adjusted EBITDA in Q2 was $657 million, slightly above expectations. In the hospital segment, same-hospital net patient service revenues grew 5.7%, driven by revenue per adjusted admission growth of 3.4% and adjusted admissions growth of 2.2%. The ambulatory care segment's same-facility sales grew 5.3%, as case volumes increased 3.2% and revenue per case increased 2.0%. THC's adjusted free cash flow (FCF) in 1H 2019 was $43 million; yet, the company maintained adjusted FCF guidance of $600 million to $800 million for 2019. We think that this will be a key metric to pay attention to, especially given the company's high debt level (net debt to EBITDA was 5.3x at Q2-end). /Kevin Huang, CFA

July 24, 2019
03:53 pm ET... CFRA Keeps Hold Opinion on Shares of Tenet Healthcare Corporation (20.13***): THC announced today its intention to do a tax-free spin-off of its Conifer business unit as a separate, publicly traded company. The spin-off is anticipated to be completed by Q2 2021, which is further out than we expected because the company must address a number of things (e.g. entity structure, leadership team, etc.). In addition, THC pre-announced Q2 results, commenting that adjusted EBITDA is within its outlook range and consistent with consensus estimates. Management also commented that the hospital business saw increases in both admissions and adjusted admissions. THC will report its full Q2 earnings results on August 5. We maintain our price target and estimates. /Kevin Huang, CFA

April 30, 2019
02:35 pm ET... CFRA Keeps Hold Opinion on Shares of Tenet Healthcare Corporation (22.7***): We lower our 12-month target by $4 to $25 based on 7. 2x enterprise value to our forward EBITDA estimate, below THC's 5-year average of 7.7x. Q1 EPS of $0.54 vs. $0.57 was higher than our estimate of $0.37. We raise our 2019 EPS by $0.34 to $2.55 and our 2020 EPS by $0.37 to $2.94. Adjusted EBITDA declined 7.8% to $613 million due to several anticipated headwinds, such as the divestiture of the company's former U.K. operations. In the hospital operations and other segment, adjusted admissions increased 0.6%, while revenue per adjusted admission grew 1.3%. On the ambulatory care side, case volumes increased 2.8% and surgical revenue per case increased 1.4%, leading to same-facility revenue growth of 4.2% for the segment. THC maintained its 2019 adjusted EBITDA guidance, which implies that THC would have to grow 2H 2019 adjusted EBITDA by 13% YoY to meet the midpoint of its full-year guidance. This could be achievable with THC's operational efficiency initiatives. /Kevin Huang, CFA

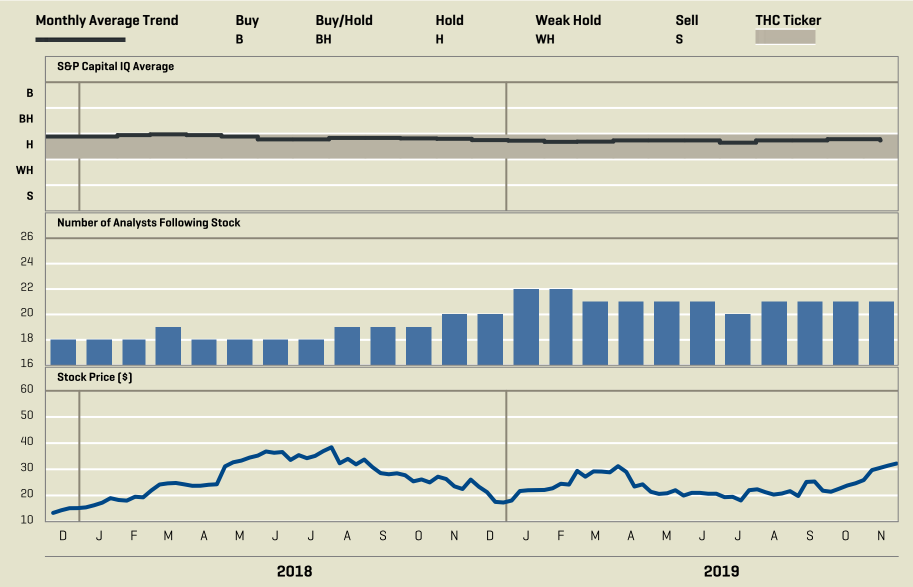
February 26, 2019
02:34 pm ET... CFRA Keeps Hold Opinion on Shares of Tenet Healthcare Corporation (26.42***): We lift our 12-month target $2 to $29 based on 7.3x enterprise value (EV) to our forward EBITDA estimate. Q4 EPS of $0.51 vs. $1. 40 was $0.13 higher than our estimate. We raise our 2019 EPS by $0.29 to $2. 21 and initiate our 2020 EPS at $2.57. Shares of THC surged today on a rosy 2019 outlook in which management lifted its EBITDA growth expectations by 1.5% at the midpoint. Q4 sales declined 7.2% to $4.62 billion, primarily due to hospital divestitures. In the hospital operations and other segment, adjusted admissions declined 0.8% in Q4, while revenue per adjusted admission declined 0.6%. On the ambulatory care side, case volumes increased 0.9% in Q4 and revenue per case increased 2.8%, leading to segment same-facility revenue growth of 3.8%. THC also announced a new savings initiative, on top of 2018's $250 million in annual savings, to reduce run-rate expenses by $200 million by 2019-end; although, it's unclear how much will be coming from the likely-to-be divested Conifer unit. /Kevin Huang, CFA

November 06, 2018
04:39 pm ET... CFRA MAINTAINS HOLD OPINION ON SHARES OF TENET HEALTHCARE CORPORATION (24.76***): We lower our 12-month target by $8 to $27 on a below-peer 7.5X enterprise value (EV) to forward EBITDA. Q3 EPS of $0.29 vs. $(0.17) was $0.17 higher than our estimate. We raise our '18 EPS by $0.05 to $1.73 and lower our '19 EPS by $0.26 to $1.92. Q3 sales declined 2. 1% to $4.489 billion, primarily due to hospital divestitures. In the hospital operations and other segment, adjusted admissions declined 0.3% in Q3, while revenue per adjusted admission increased 5.7%. On the ambulatory care side, case volumes increased 5.0% in Q3 and revenue per case increased 1.6%, leading to segment revenue growth of 6.7%. The Conifer business, which THC has been looking to divest, is now also being considered for other strategic alternatives, such as a merger or a spin-off. THC also reduced its 2018 EBITDA guidance by $50 million, primarily due to risk-based contract losses and additional malpractice expenses. On the other hand, THC expects 3%-5% EBITDA growth in 2019, in line with our expectations. /Kevin Huang, CFA

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

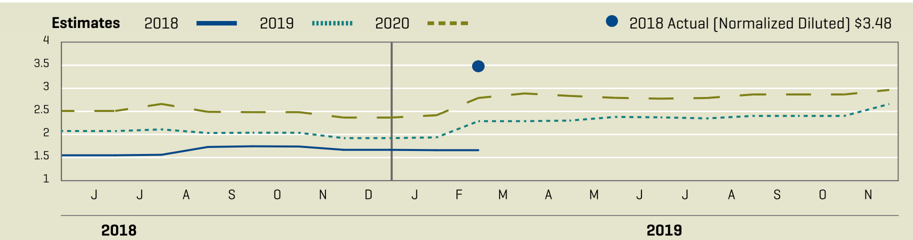
Tenet Healthcare Corporation

Analysts' Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	2	10	3	2
Buy/Hold	2	10	1	2
Hold	16	76	16	16
Weak Hold	1	5	1	1
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	**21**	**100**	**21**	**21**

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est	Low Est.	# of Est.	Est. P/E
2020	2.97	3.92	2.40	19	10.9
2019	2.66	2.87	2.33	17	12.1
2020 vs. 2019	**▲12%**	**▲37%**	**▲3%**	**▲ 12%**	**▼-10%**
Q4'20	1.16	1.42	0.83	11	27.8
Q4'19	0.98	1.17	0.80	18	32.8
Q4'20 vs. Q4'19	**▲18%**	**▲21%**	**▲4%**	**▼ -39%**	**▼-15%**

Forecasts are not reliable indicator of future performance.
Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Wall Street Consensus Opinion

HOLD

Wall Street Consensus vs. Performance

For fiscal year 2019, analysts estimate that THC will earn USD $2.66. For the 3rd quarter of fiscal year 2019, THC announced earnings per share of USD $-2.25, representing -84.6% of the total revenue estimate. For fiscal year 2020, analysts estimate that THC's earnings per share will grow by 12% to USD $2.97.

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research

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Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D - Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ **5-STARS (Strong Buy):**
Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):**
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):**
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):**
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

★☆☆☆☆ **1-STAR (Strong Sell):**
Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of March 31, 2019

Ranking	North America	Europe	Asia	Global
Buy	35.5%	32.4%	39.4%	35.4%
Hold	54.8%	54.4%	41.7%	53.2%
Sell	9.7%	13.2%	18.9%	11.3%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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