Initiating Coverage:

Tenet Healthcare ($THC)

Healing Hospitals, Cutting Costs: Tenet’s Healthy Mix

Key Take-away: Tenet's executing well. The ASC business continues to be a cash machine with nearly 40% margins, and management has finally figured out how to make decent money on the hospital side by focusing on higher-acuity cases. They beat expectations, raised guidance, and the balance sheet is in good shape with over $700 million in free cash flow this quarter. The outpatient volume trends are a bit concerning, and there's always policy risk hanging over the sector, but right now the story is working.

Development 1: Q2 came in strong. Revenue was $5.27 billion with EBITDA of $1.1 billion, putting margins just above 21%. Management raised their full-year outlook, which tells me they're confident this isn't just a one-quarter blip.

The hospital turnaround is gaining traction. Margins went from 12.6% to 15.6% year-over-year, which is a meaningful improvement. Admissions were up slightly at 1.6%, but the better metric is revenue per admission climbing 5.2%. They're clearly succeeding at the mix shift strategy, bringing in more complex cases that reimburse better. The problem is outpatient visits fell 3.2% and ER volume dropped 6.1%. That's two quarters in a row of softer outpatient activity, and it's something I'm keeping an eye on.

Development 2: USPI keeps delivering. The ASC segment did $498 million in EBITDA on $1.27 billion in revenue (39% margins). Same-facility revenue grew 7.7% despite volumes being essentially flat because revenue per case jumped 8.3%. This is exactly what you want to see. They're capturing higher-value procedures and doing it efficiently.

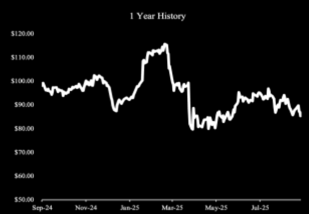
Cash generation was solid at $743 million in the quarter. They bought back stock, paid down some debt, and leverage is now at 2.45× with nothing major due until 2027. That gives them room to be opportunistic.

Valuation: We initiate coverage on Tenet Healthcare (THC) with an **Overweight** rating and a $293 PT.

Consortium Research Group
Healthcare | Hospital & Outpatient Services
October 16, 2025

Stock Rating:	Overweight
Price Target:	$293.00

Price::	$199.30
Potential Upside/Downside:	46.89%
Ticker:	$THC



Healthcare Coverage Team

Analyst
Ryan Patel
Duke University
ryan.patel@duke.edu

Company Overview

Tenet Healthcare Corporation is a large United States healthcare company that operates hospitals and outpatient surgery centers across the country. The company has strengthened its performance by focusing on higher-acuity hospital cases that generate stronger reimbursement and by expanding its network of outpatient facilities. Its outpatient surgery business continues to produce strong margins and steady growth, while disciplined cost management and solid cash generation have improved overall financial flexibility. With lower debt levels and a focus on operational efficiency, Tenet is positioned to continue improving profitability and reinvesting in its core businesses.

The ambulatory surgery business continues to be a cash machine with nearly 40% margins. Tenet has built a network that consistently delivers high-margin growth by shifting procedures out of expensive hospital settings. With 393 facilities and continued expansion, this segment remains the core driver of value for the company.

The hospital turnaround is gaining traction. Margins rose from 12.6% to 15.6% year-over-year, supported by a focus on higher-acuity cases that reimburse better and disciplined cost control. Admissions increased slightly, and revenue per admission climbed 5.2%, showing that Tenet's strategy of improving its case mix is working.

Industry Overview

The healthcare industry is moving steadily toward more convenient and cost-effective outpatient care. Patients and insurers prefer procedures that can be done outside the hospital because they're faster, cheaper, and often just as safe. This shift benefits companies that already have a strong outpatient footprint, like Tenet Healthcare.

At the same time, hospitals are focusing on complex, high-acuity cases that require specialized staff and equipment. Those procedures bring in stronger reimbursement and help offset the loss of simpler cases that are now being done in outpatient centers. Tenet's strategy of targeting higher-margin cases fits neatly into this trend.

Finally, healthcare policy continues to be a major swing factor for the industry. Any change in Medicare or Medicaid reimbursement, or new regulations on billing and pricing, can quickly affect profitability. For companies like Tenet that serve a large share of government-insured and uninsured patients, staying ahead of these shifts is critical to maintaining steady cash flow and long-term stability.

Peer Comparisons

Comparable Companies Analysis
Tenet Healthcare Corporation
Full Table

Financial Data	
Debt	$88
Cash	$2,625
# of Shares Outstanding	88

Comparable Companies
$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
HCA	$101,448	$149,928	18.3x	$72,698	$14,499
UHS	$13,163	$18,149	10.9x	$16,460	$2,412
CYH	$413	$11,979	0.0x	$12,647	$1,256
SGRY	$2,596	$8,068	0.0x	$3,237	$645
Tenet Healthcare Corporation	$18,107	$33,735	12.9x	$20,683	$4,000

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margi	EBIT Margin l	Yr Rev Growth Rate LF
HCA	10.3x	0.0%	19.9%	15.2%	5.3%
UHS	7.5x	0.0%	14.7%	11.0%	6.8%
CYH	9.5x	0.0%	9.9%	7.0%	(1.7%)
SGRY	12.5x	0.0%	19.9%	15.0%	8.3%
Tenet Healthcare Corporation	8.4x	0.0%	19.3%	15.6%	0.1%
High	12.51x	0.0%	19.9%	15.6%	8.3%
75th Percentile	10.34x	0.0%	19.9%	15.2%	6.8%
Average	9.67x	0.0%	16.7%	12.8%	3.8%
Median	9.54x	0.0%	19.3%	15.0%	5.3%
25th Percentile	8.43x	0.0%	14.7%	11.0%	0.1%
Low	7.52x	0.0%	9.9%	7.0%	-1.7%

Tenet Healthcare Corporation Relative Valuation		
Implied Enterprise Value (25th Percentile)	$	33,735
Implied Enterprise Value (Median)	**$**	**38,150**
Implied Enterprise Value (75th Percentile)	$	41,362
Implied Share Price (25th Percentile)	$	410.54
Implied Share Price (Median)	**$**	**460.51**
Implied Share Price (75th Percentile)	$	496.87

Source: CapIQ

Investment Theses

Thesis 1: The ASC platform is the core of the investment case
The ASC platform is the core of the investment case. These margins paint a clear picture. Tenet has built a network that can consistently deliver high-margin growth by moving procedures out of expensive hospital settings. With 393 facilities now and steady expansion, this segment continues to drive value for the next several years. The secular shift to outpatient care isn't slowing down. The primary risk is CMS cutting reimbursement rates, but given how much money ASCs save the system versus inpatient procedures, it doesn’t seem likely.

Thesis 2: Hospital margins are improving, but more evidence is needed

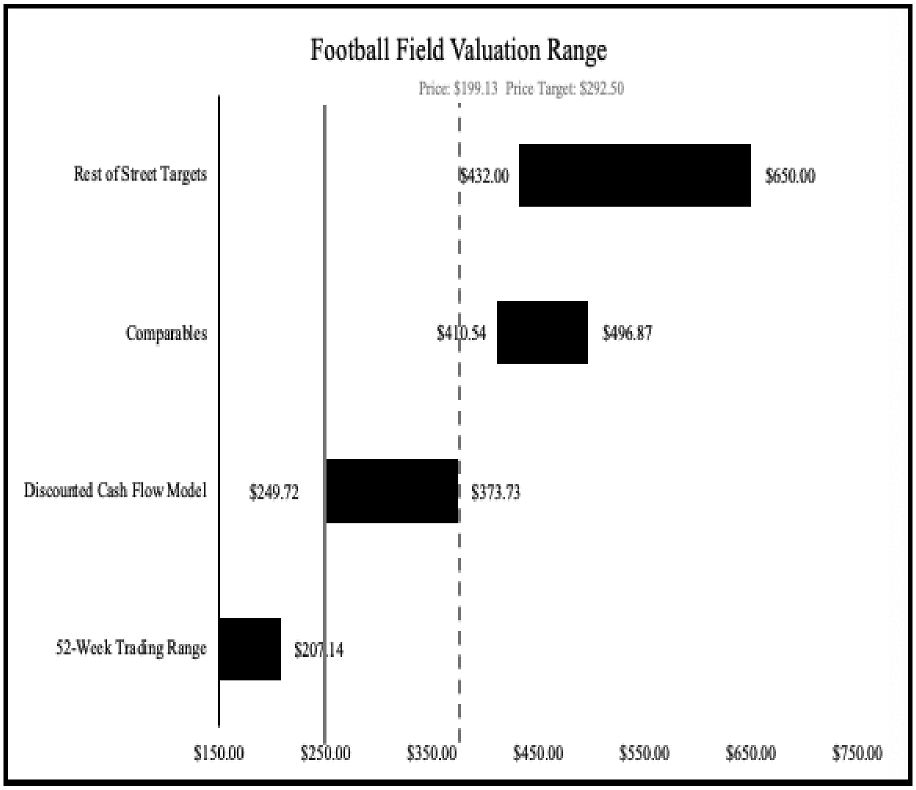
Hospital margins are improving, but more evidence is needed. Management has done a good job pivoting to higher-acuity patients and controlling costs. The 5%+ revenue per admission growth is real. But those outpatient and ER declines are worrying. It's unclear whether this is the result of intentional rationalization of low-margin volume or the loss of patients to competitors.

Thesis 3: They have financial flexibility, but policy is the wildcard

They have financial flexibility, but policy is the wildcard. With $2.6 billion in cash and no near-term maturities, Tenet can buy more ASCs, invest in their hospitals, or keep returning capital. The challenge is they're heavily exposed to government decisions. Medicaid cuts, changes to ACA subsidies, or new surprise billing regulations could all hit cash flow. That 26% uncompensated care number reminds one of how many uninsured patients they're treating.

Price Target & Valuation

Our analysis gives Tenet Healthcare (THC) a price target of $293 and an Overweight rating.



Potential Downsides to Our Rating

Downside 1: Softness in emergency rooms and outpatient settings may continue. Tenet has had worse outpatient trends for the past two quarters, although it's unclear if this is due to competition pressure or deliberate volume optimization. Hospital revenue growth may be constrained and recent margin gains may be negated if outpatient and emergency room visits continue to drop.

Downside 2: The risk of policy and reimbursement is still high. Tenet's cash flow could be negatively impacted by any changes to payment arrangements, ACA subsidies, or new surprise billing regulations due to its heavy reliance on Medicare, Medicaid, and government-regulated reimbursement. An additional degree of unpredictability is introduced by the company's exposure to underinsured and uninsured patients.

Downside 3: Execution risk in maintaining hospital profitability. While Tenet's shift toward higher-acuity cases has boosted margins, sustaining that improvement requires consistent patient mix management and disciplined cost control. A slowdown in case growth,

Our Price Target: $293.00

Our price target reflects confidence in Tenet's ability to sustain strong margins in its outpatient surgery business and continued improvement in hospital profitability. The target assumes steady execution on cost controls, a modest recovery in outpatient volume, and no major policy headwinds.

Our Upside Case: $374.00

Our upside case assumes a faster rebound in outpatient and emergency room volumes, further margin expansion across hospitals, and continued strength in Tenet's ambulatory network. Stronger-than-expected procedure mix and favorable reimbursement trends could drive this scenario.

Our Downside Case: $250.00

Our downside case assumes persistent softness in outpatient activity, potential reimbursement pressure from CMS, or policy changes that negatively impact hospital profitability. Slower growth in high-acuity admissions or higher uncompensated care could also weigh on earnings.

staffing challenges, or rising expenses could reverse recent operational progress.

Projections

Income Statement ($mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	20,665	21,182	22,029	22,855	23,655	4.6%
EBITDA	6,418	4,087	3,855	4,011	4,163	-13.4%
EBIT	3,218	3,240	2,974	3,114	3,253	0.4%
NOPAT	1,666	2,151	2,141	2,489	2,034	6.9%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	31.1%	19.3%	17.5%	17.6%	17.6%	20.6%
EBIT Margin	15.6%	15.3%	13.5%	13.6%	13.8%	14.3%
Revenue Growth	0.6%	2.5%	4.0%	3.8%	3.5%	2.9%
EBIT Growth	15.1%	0.7%	-8.2%	4.7%	4.4%	3.4%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	2.9x	7.5x	8.2x	7.9x	7.6x	6.8x
EV/Sales	#VALUE!	0.7x	0.7x	0.7x	0.6x	#VALUE!
EV/EBITDA	2.3x	3.7x	3.9x	3.8x	3.6x	3.5x
FCF Yield	34.4%	13.4%	12.2%	12.7%	13.2%	#REF!

About $THC

Tenet Healthcare Corporation (NYSE: THC), founded in 1969, operates as a diversified healthcare services company providing acute care hospital and outpatient surgical services across the United States.

Disclosures & Ratings

Consortium Research Group is a not for profit and is not a registered investment advisory corporation. Analysts and leadership are current college students pursuing careers in finance and are not registered investment advisors. This is not investment advice. The group does not hold any professional relationships with any reported equities unless otherwise stated. All information contained in reports is public information. **Overweight** means the analyst team believes the stock price will materially outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Comparable Companies Analysis
Tenet Healthcare Corporation
Full Table

Financial Data	
Debt	$88
Cash	$2,625
# of Shares Outstanding	88

Comparable Companies
$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
HCA	$101,448	$149,928	18.3x	$72,698	$14,499
UHS	$13,163	$18,149	10.9x	$16,460	$2,412
CYH	$413	$11,979	0.0x	$12,647	$1,256
SGRY	$2,596	$8,068	0.0x	$3,237	$645
Tenet Healthcare Corporation	$18,107	$33,735	12.9x	$20,683	$4,000

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margi	EBIT Margin	Yr Rev Growth Rate LF
HCA	10.3x	0.0%	19.9%	15.2%	5.3%
UHS	7.5x	0.0%	14.7%	11.0%	6.8%
CYH	9.5x	0.0%	9.9%	7.0%	(1.7%)
SGRY	12.5x	0.0%	19.9%	15.0%	8.3%
Tenet Healthcare Corporation	8.4x	0.0%	19.3%	15.6%	0.1%

High	12.51x	0.0%	19.9%	15.6%	8.3%
75th Percentile	10.34x	0.0%	19.9%	15.2%	6.8%
Average	9.67x	0.0%	16.7%	12.8%	3.8%
Median	9.54x	0.0%	19.3%	15.0%	5.3%
25th Percentile	8.43x	0.0%	14.7%	11.0%	0.1%
Low	7.52x	0.0%	9.9%	7.0%	-1.7%

Tenet Healthcare Corporation Relative Valuation		
Implied Enterprise Value (25th Percentile)	$	33,735
Implied Enterprise Value (Median)	**$**	**38,150**
Implied Enterprise Value (75th Percentile)	$	41,362
Implied Share Price (25th Percentile)	$	410.54
Implied Share Price (Median)	**$**	**460.51**
Implied Share Price (75th Percentile)	$	496.87

Discounted Cash Flow Analysis of Tenet Healthcare Corporation

		Valuation	
Stock	Tenet Healthcare Corporation	Current Share Price	$199.13
Date	10/17/25	Calculated Price	$373.83
End Date	12/31/30	**Return**	**87.73%**
Analyst	Ryan Patel		

Assumptions

Switches	
Case	3
WACC	11.00%
Dilution	Basic
Terminal Value	Exit Multiple
Exit Multiple (if needed)	EV/EBIT

Conservative	2026 %	2030 %
Total Revenue	0.5%	0.8%
0	0.0%	0.0%
0	0.0%	0.0%
EBIT 2030	10.5%	11.0%
TGR		1.0%
Exit Multiple		7.5x

Street/ Base	2026 %	2030 %
Total Revenue	2.0%	2.0%
0	0.0%	0.0%
0	0.0%	0.0%
EBIT 2030	12.0%	12.0%
TGR		1.5%
Exit Multiple		8.0x

Optimistic	2026 %	2030 %
Total Revenue	4.0%	3.0%
0	0.0%	0.0%
0	0.0%	0.0%
EBIT 2030	13.5%	14.0%
TGR		2.0%
Exit Multiple		9.0x

Other Assumptions	2025 %	2030 %
Tax Rate	24.0%	24.0%
D&A	4.0%	3.7%
Capex	4.5%	4.5%
Change in NWC	0.0%	0.0%

2025 Projections	2025 #s		2025 #s		2025 #s
Total Revenue	21,182	EBIT	3,240	D&A	847
0		Taxes	778	CapEx	953
0				Change in NWC	0

Income Statement	2020A	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Total Revenue	17,640	19,485	19,174	20,548	20,665	21,182	22,029	22,855	23,655	24,424	25,157
% growth		10.5%	-1.6%	7.2%	0.6%	2.5%	4.0%	3.8%	3.5%	3.3%	3.0%
0	-	-	-	-	-	-	-	-	-	-	-
% growth		#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
0						-	-	-	-	-	-
% growth		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total Revenue	17,640	19,485	19,174	20,548	20,665	**21,182**	**22,029**	**22,855**	**23,655**	**24,424**	**25,157**
% growth		**10.5%**	**-1.6%**	**7.2%**	**0.6%**	**2.5%**	**4.0%**	**3.8%**	**3.5%**	**3.3%**	**3.0%**
EBIT	1,569	2,562	2,485	2,795	3,218	3,240	2,974	3,114	3,253	3,389	3,522
% of Sales	8.9%	13.1%	13.0%	13.6%	15.6%	15.3%	13.5%	13.6%	13.8%	13.9%	14.0%
Taxes	(97)	411	344	306	1,184	778	714	747	781	813	845
Tax Rate	-6.2%	16.0%	13.8%	10.9%	36.8%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%

Cash Flow Items	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	#REF!	#REF!
D&A	399	914	411	611	3,200	847	881	897	911	922	931
% of Sales	2.26%	4.69%	2.14%	2.97%	15.49%	4.00%	4.00%	3.93%	3.85%	3.78%	3.70%
CapEx	-1,302	584	898	-215	30	953	991	1,028	1,064	1,099	1,132
% of Sales	-7.38%	3.00%	4.68%	-1.05%	0.15%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Change in NWC	-757	-249	1061	504	-854	0	0	0	0	0	0
% of Sales	-4.29%	-1.28%	5.53%	2.45%	-4.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%