

Initiated 2026-10-19 · Price \$184.53 (as of 2026-10-19 intraday, stockanalysis.com; \$185.10 close 2026-10-16) · Mkt cap \$11.1bn (59.91mm diluted shares) · Health care / acute-care hospitals and behavioral health facilities · Model: verified

Rating: Hold — Conviction: Low

UHS is cheap on current earnings (~8x forward P/E, ~6.4x model-basis EV/EBITDA), but the discount is mostly earned: the company itself expects its net benefit from Medicaid supplemental programs to fall by ~\$500mm a year by 2032 under the One Big Beautiful Bill Act, against ~\$2.6bn of EBITDA. With that cut partly absorbed, the base case is worth only a little more than today's price. The bear case sits much further below than the bull case sits above, so there is no edge strong enough for a Buy.

Conviction tests (3a-v-c): T1 fail (Base -5.9% at +1pp reads Hold; +26.5% at -1pp reads Buy, so Hold → Buy at -1pp) · T2 pass (Gordon alone +7.7%, exit-multiple alone +8.6%; Hold on both) · T3 pass (one est. input, the ~\$835mm Talkspace debt, worth ~\$14/sh or ~7% of Base) · T4 pass (no pending deal, ruling or single-contract event worth >25%; OBBBA is law and sits inside the cases)

MODEL VALUE RANGE VS PRICE



Business overview

UHS runs two segments: acute-care hospitals with freestanding EDs and ambulatory sites, and behavioral-health facilities in the US and UK. Talkspace (virtual therapy) closed on 2026-08-17 for an ~\$835mm enterprise value. FY2025 revenue was \$17.36bn (+9.7%) and income from operations \$1.99bn. Same-facility acute care alone was \$4.98bn of H1 2026's \$9.13bn revenue (~55%); behavioral health is most of the rest. Exact facility counts and market mix: n/a (unverified this session). Three variables drive earnings: same-facility volume and pricing (Q2 2026 acute +8.2%, behavioral +7.4%); Medicaid supplemental and state directed payments (DPPs), which swing quarters by \$50–100mm; and wages, which were 46.6% of FY2025 revenue.

Competition

In acute care, UHS competes market by market with HCA, Tenet and nonprofit systems. HCA's Q2 2026 same-facility equivalent admissions grew 2.7% against UHS's 2.9% adjusted admissions, so UHS is holding share. HCA, though, took a ~\$400mm Q2 pre-tax hit as patients who lost exchange coverage showed up uninsured, a mix risk that applies to UHS too. In behavioral health, Acadia is the main listed rival. Its Q2 same-facility patient days rose 0.8% and revenue was flat (+3.2% excluding Florida and Tennessee supplemental-payment timing), against UHS behavioral revenue +7.4% (Q2 2026 releases). Pressure would show up first in payer mix and supplemental-payment revenue, not in price. Tenet, the closest listed comparable, trades at 6.7x aggregator EV/EBITDA against UHS's 5.9x (stockanalysis.com, 2026-10-19).

Bull case

1. **Volume and pricing hold up** — capacity additions keep acute adjusted admissions near +3%, and behavioral revenue per admission keeps rising 5–7%. Revenue grows 5.5–6.5% into 2028 and margin holds near 14.8%. Plays out if same-facility revenue stays above +6% through 2027. *Model: rev_growth, ebitda_margin*
2. **The OBBBA cut is mitigated** — states restructure provider-tax and directed-payment programs, and cost discipline offsets most of the ~\$500mm, so margin is still 14.5% in 2030. Plays out if 2027–28 state plan approvals keep DPP revenue near current levels. *Model: ebitda_margin*
3. **Policy clarity re-rates the stock** — once the phase-down is known and absorbed, the exit multiple moves to 8.0x (between THC and HCA), WACC falls to 7.8% and terminal growth rises to 2.5%. *Model: wacc, terminal_growth, exit_ev_ebitda*

Bear case

1. **Supplemental payments are cut in full** — the ~\$500mm net-benefit reduction (company estimate, Aug 2026 prospectus) lands roughly pro rata from state fiscal 2028 with no offset. Plays out if states cannot replace provider-tax funding. *Model: ebitda_margin*
2. **Payer mix deteriorates** — Medicaid work requirements and lost exchange coverage push patients into uninsured, and behavioral volume (Q2 adjusted admissions +0.5%) stays flat. Revenue grows 2.5–3% after 2026 and margin falls to 12.0% by 2030, near FY2023's 12.2%. Plays out if uninsured admissions rise in UHS's Q3/Q4 data as they did at HCA. *Model: rev_growth, ebitda_margin*
3. **Permanent policy discount** — reimbursement risk keeps the stock cheap: 9.3% WACC, 1% terminal growth, a 5.5x exit. *Model: wacc, terminal_growth, exit_ev_ebitda*
4. **Capital intensity** — capex stays at 6% of revenue and DPP receivables keep NWC at 6% (June 2026: ~5.9%), absorbing cash. *Model: capex_pct_rev, nwc_pct_rev*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (EV \$16.7bn = mkt cap \$11.06bn – cash \$0.14bn + debt \$4.85bn + Talkspace funding \$0.84bn est. + NCI \$0.14bn; EBITDA after rent)	6.41x FY2025; ~6.1x 2026E	7.39x / 9.60x on FY2024 / FY2023 EBITDA at today's EV	THC 6.7x · CYH 7.8x · HCA 9.5x · ACHC 9.7x (aggregator TTM; UHS 5.9x on that basis)	model-inputs.json ; stockanalysis.com 2026-10-19
P/E	8.1x forward (consensus); ~8.0x on the \$22.28–23.65 2026 adjusted guide	18.0x / 11.0x / 8.0x at today's price on GAAP EPS of \$10.23 / \$16.82 / \$23.10 (FY2023–25)	THC 13.0x · HCA 15.0x · ACHC 17.8x (forward; CYH n/a)	stockanalysis.com 2026-10-19; FY2025 10-K; Q2 release
FCF yield (aggregator TTM)	7.8%	7.7% on FY2025 OCF – capex (\$849mm) at today's mkt cap	THC 14.1% · HCA 6.0% · ACHC –4.8% · CYH –47.4%	stockanalysis.com 2026-10-19; FY2025 10-K

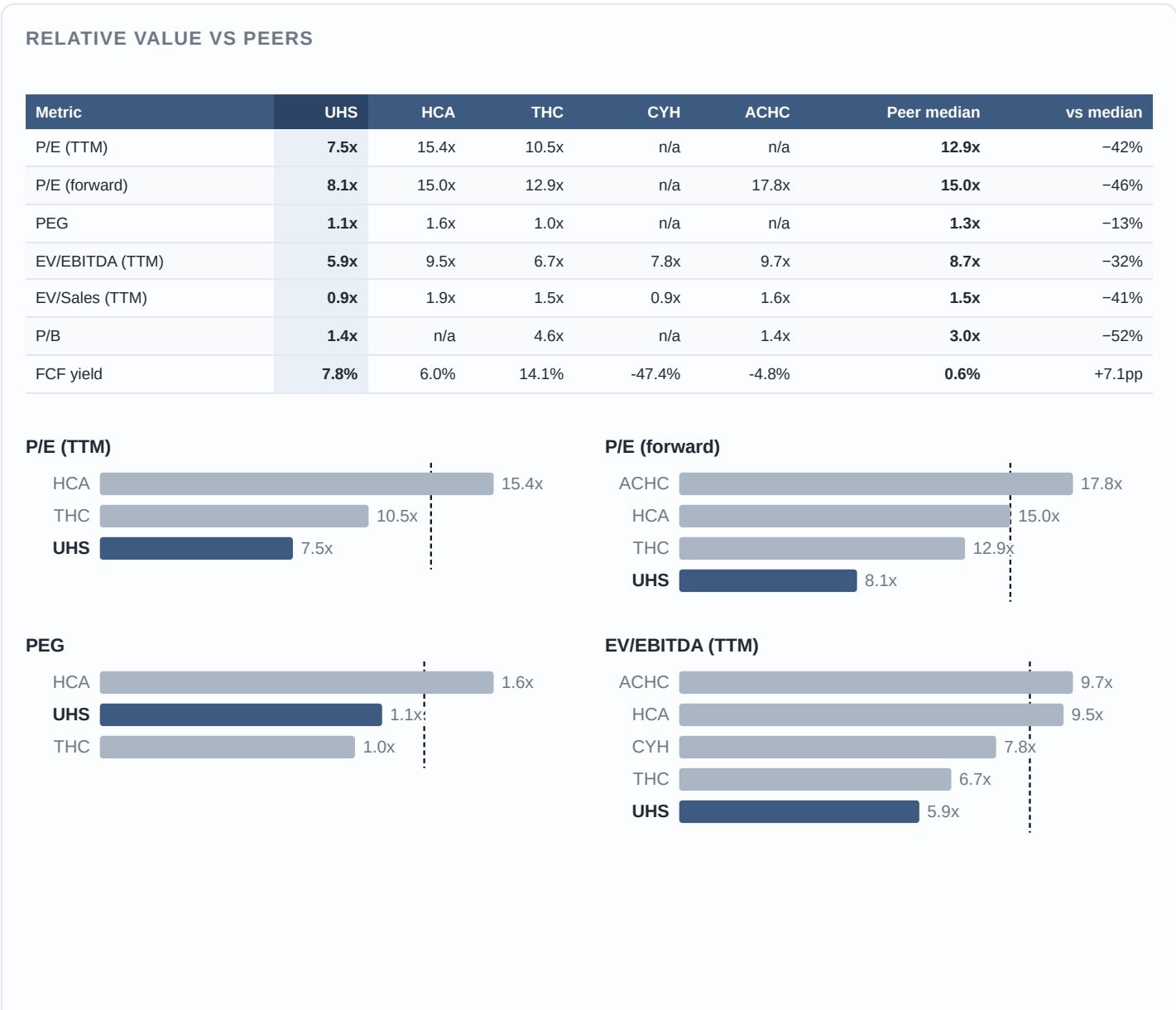
Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$86.53 · Base \$199.61 · Bull \$314.85 per share, i.e. implied returns of –53.1% / +8.2% / +70.6% vs \$184.53. *These ranges show how the bull and bear drivers translate into value; they are not price targets.*

- **What's priced in.** The price sits ~87% of the way from Bear to Base: the market already prices most of the base-case OBBBA cut, but nothing of the bull case's mitigation.
- **Re-rating.** The Base exit of 6.5x is a ~1% re-rating from today's 6.41x. The methods agree within 1% (Gordon \$198.83, exit \$200.38), so Base embeds essentially no re-rating.
- **Why the bear is so deep.** At ~34% debt in the capital structure, a 3pp margin loss plus a 5.5x exit takes a large share of equity value. That is leverage working on the downside, not distress: net leverage stays near 2x in Base.

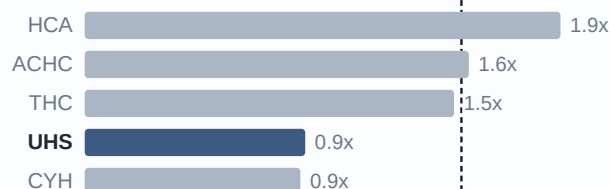
Balance sheet: net leverage 2.1x model-basis FY2025 EBITDA, including the estimated Talkspace debt (company-defined debt/adjusted EBITDA net of NCI 1.81x at June 2026, before Talkspace). Coverage 9.6x. Liquidity: \$1.27bn undrawn revolver at June 2026, plus a \$700mm 364-day delayed-draw term loan. Nearest material maturity: the \$700mm 1.650% notes due 2026-09-01, refinanced in August with \$600mm 5.500% 2031 and \$500mm 6.000% 2036 secured notes. Ratings: n/a (unverified); the prospectus expected investment-grade ratings from Moody's and S&P on the new notes.

Model note: tier `full` , status `built` , verification `verified` (3,207 formula cells matched in LibreOffice). One unverified input: the Talkspace acquisition debt, set at the \$835mm deal enterprise value until the Q3 10-Q reports actual borrowings. No assumptions without a basis. Scenario consistency is `OK` on all 14 rows.

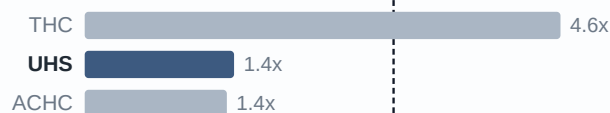
- Sourcing.** EDGAR XBRL revenue and FY2025/FY2024 10-K statements for historicals; Q2 10-Q for cash, debt, NCI and diluted shares (59.91mm weighted, above the 58.94mm outstanding at 2026-07-31).
- Debt.** Long-term debt is one aggregated \$4.08bn tranche at an estimated 4.5% blend with a placeholder 2030 maturity; the ladder is not tranche-accurate.
- EPS vs guidance.** Base Y1 EPS \$23.17 is within 1% of the \$22.97 midpoint of the adjusted guide.
- WACC.** 8.3% = cost of equity 10.24% (CAPM: 10Y 5.09% + beta 1.03 × 5% ERP, no adjustment) and 4.40% after-tax debt at a 34% weight; computes to 8.26%.
- Revenue.** Talkspace revenue is not separately sourced; Y1 growth adds ~0.2pp for its partial year (judgment).



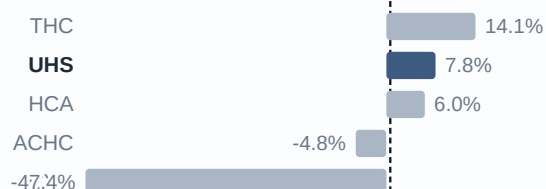
EV/Sales (TTM)



P/B



FCF yield



As of 2026-10-19. One source and one definition for every company: aggregator TTM and consensus-forward multiples, EV netting all reported cash. Not the model's own EV basis (see the report's valuation table). Quotes taken 2026-10-19 between 09:47 and 10:03 ET with the market open. Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-19.

Notes. PEG as given by the source, resting on its consensus growth estimates; n/a at the source for CYH and ACHC. CYH's 1.56x TTM P/E is distorted by non-operating gains on a \$390mm equity value and is left null; ACHC shows n/a (TTM loss). n/a at the source for CYH. n/a at the source for HCA and CYH (negative or near-zero common equity). UHS's 5.94x uses the source's EBITDA (\$2.70bn TTM); on the model's basis (EBITDA after rent, Talkspace funding added to debt, NCI at book) it is 6.41x FY2025.

Scenario stress test

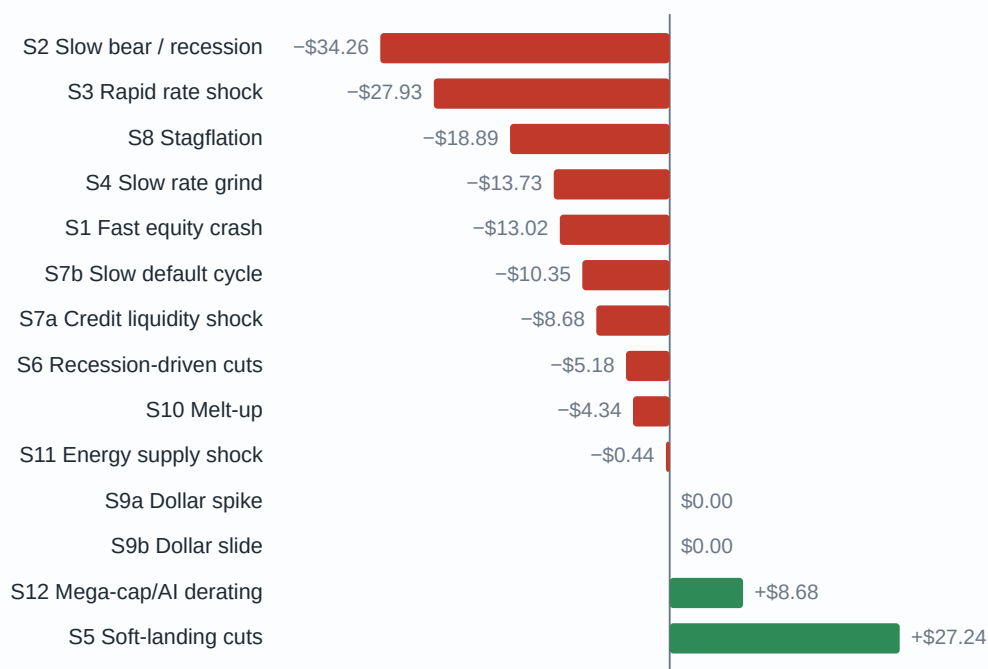
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	-	Liquidity de-rating of a beta-1 mid-cap; patient volumes unaffected	Med	-\$13.02
S2 Slow bear / recession	-	Job losses move commercial patients to Medicaid and uninsured, elective volume falls, bad debt rises. Milder than the bear case, which is a permanent policy cut, not a cycle	High	-\$34.26
S3 Rapid rate shock	-	Higher discount rate on a ~34%-debt capital structure; pricier refinancing	High	-\$27.93
S4 Slow rate grind	-	Grinding discount-rate drag	Med	-\$13.73
S5 Soft-landing cuts	+	Lower rates re-rate the equity; commercial mix intact	High	+\$27.24
S6 Recession-driven cuts	-	Rate relief outweighed by payer-mix deterioration	Low	-\$5.18
S7a Credit liquidity shock	-	Spreads gap; ~1.8x-levered secured issuer sold modestly	Med	-\$8.68
S7b Slow default cycle	-	Pricier refinancing; higher bad debt as households default	Med	-\$10.35
S8 Stagflation	-	Wages ~46% of revenue while government rates reset with a lag; higher rates	Med	-\$18.89
S9a Dollar spike	0	no material effect, not modeled	Low	\$0.00
S9b Dollar slide	0	no material effect, not modeled	Low	\$0.00
S10 Melt-up	-	Momentum leadership leaves low-multiple hospitals behind	Low	-\$4.34

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S11 Energy supply shock	-	Utility, supply and second-round wage costs	Low	-\$0.44
S12 Mega-cap/AI derating	+	Rotation into domestic, non-AI defensives	Med	+\$8.68

Currently active/on watch per the playbook: S3 partially active (price-level leg only); S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: management quantifies OBBBA mitigation (state program redesigns, CMS approval of the larger Florida DPP beyond 2025-09-30) that keeps the 2027 margin near 14.5%, while same-facility revenue stays above +6%; or the price falls toward the bear case without new evidence. **Downgrades if:** Q3/Q4 data show HCA-style uninsured mix shift, 2027 guidance implies margin below 14%, or behavioral volume turns negative.

Watch items

- W1:** Q3 2026 results — adjusted EPS guide (\$22.28–23.65) held or raised; uninsured and self-pay admissions trend — Q3 release — ~2026-10-27 (date not verified) — *Model: ebitda_margin*
- W2:** Talkspace debt — actual post-close borrowings, replacing the \$835mm estimate — Q3 10-Q — November 2026 — *Model: none (balance-sheet fact, debt tranche)*
- W3:** 2027 guidance — revenue growth and EBITDA margin, plus any quantified OBBBA/DPP outlook — Q4 2026 release — ~late February 2027 — *Model: rev_growth, ebitda_margin*
- W4:** Florida DPP — CMS approval of the larger program for periods after 2025-09-30 — 8-K or quarterly release — date unknown — *Model: ebitda_margin*

Sources

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- HCA, THC, CYH, ACHC statistics, stockanalysis.com — <https://stockanalysis.com/stocks/hca/statistics/> (and /thc/, /cyh/, /achc/) — accessed 2026-10-19
- 10Y Treasury 5.09% (2026-10-16) — logs/macro-2026-10.md (Treasury.gov par curve)

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.