



# Healthcare

--SIM Company Presentations

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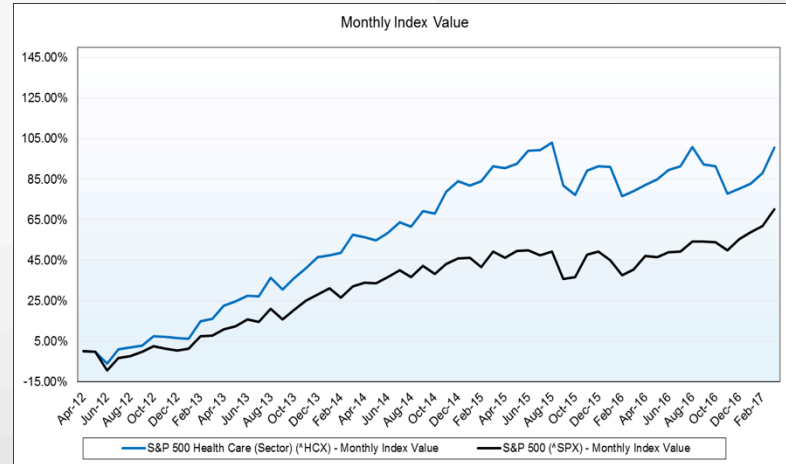
# Agenda

- Sector Overview
- SIM Portfolio Overview
  - Additional Companies Assessed
- Stocks
- Recommendation

# Sector Overview

Increase sector weight relative to S&P 500

- Healthcare Sector:
  - Outperformed the S&P 500 market
    - Strong ROE and ROC
  - Has remained undervalued
- Positives "Tailwinds"
  - Increase demand for healthcare due to aging pool of baby boomers
  - Restructuring and cost cutting initiatives sector wide will increase net margins
  - "Late" portion of business cycle - Healthcare soon to outperform the market
- Risks "Headwinds"
  - Ambiguity in political and regulatory guidance
  - Drug Deflation
  - Trending to be overvalued



Sector	Early	Mid	Late	Recession
Health Care	-		++	++

++ Consistently Overperform   
 -- Consistently Underperform   
   No Clear Pattern  
+ Overperform   
 - Underperform

# SIM Portfolio Overview

Company	Portfolio Weight	Proposed Basis	Current Price As of 10-14 April	Target Price	Upside (Downside)	Recommendation
HCA Holdings (HCA)	4.66%	-	87.72	87.82	0.1%	<b>HOLD</b>
Medtronic (MDT)	2.05%	-100	80.15	79.15	-1.2%	<b>SELL</b>
Gilead Sciences (GILD)	3.51%	+100	66.51	75.85	14.0%	<b>BUY</b>
McKesson (MCK)	4.04%	+96	145.49	213.82	47.0%	<b>BUY</b>

Current S&P 500 Concentration of Healthcare	Current SIM Concentration of Healthcare	Current Under Weight	Over/	Recommended Weight
14.10%	14.26%	+ 0.16%		<b>15.22% (+1.12)</b>

# Additional Companies Assessed

Company	Portfolio Weight	Proposed Basis	Current Price	Target Price	Upside (Downside)	Recommendation
AMGEN (AMGN)	0%	0%	161.61	140.31	-13.2%	Do not buy
Cardinal Health Inc. (CAH)	0%	0%	82.41	93.31	+13.2%	Do not buy
Stryker Corporation (SYK)	0%	0%	130.59	66.55	-49%	Do not buy (Possible Shorting Opportunity)
Allergan (AGN)	0%	0%	237.83	183.39	-29.7%	Do not buy

# HCA Holdings (HCA)

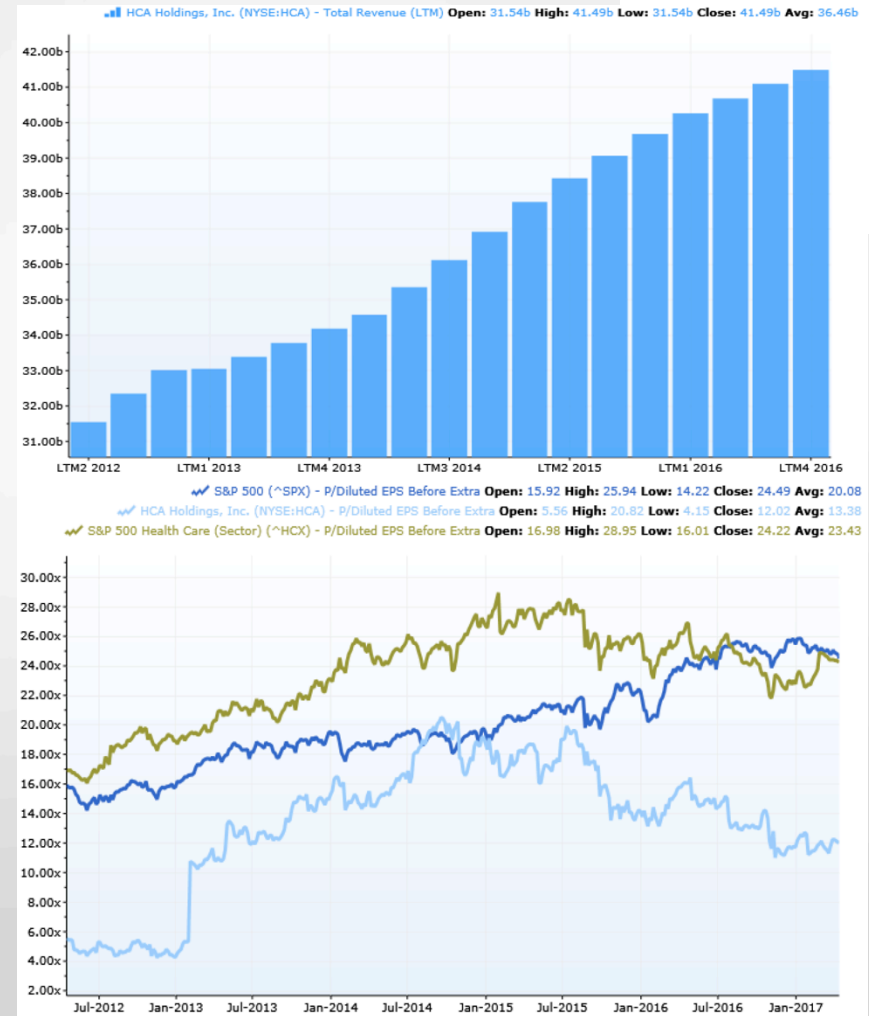
HCA is a leading healthcare services provider that owns and manages acute care hospitals and facilities primarily in large urban markets. It operates across 20 states in the US and UK, headquartered in Nashville, Tennessee.

- Current Price: \$87.72
- Target Price: \$87.82
- Upside: 0.01%
- Recommendation: **Hold**
  - Value stock – low PE ratio compared to sector or market
  - Strong positioning in large urban market
  - Reevaluate if healthcare reform passes
  - Cost control pressure in capital-intensive business



# HCA Holdings (HCA)

- Current Price: 87.72
- Target Price: 87.82
- Market Cap: 32.32 B
- Shares Outstanding: 370.2 M
- Dividend Yield: N/A
- Beta: 0.7
- 52 week range: 67.00-91.03
- Revenue: 43.28 B
- EPS (TTM): 7.32
- P/E (TTM): 11.99
- Analyst Target Price Range: \$82 - \$110  
(Avg. 94.4)



# HCA Holdings (HCA)



## “Tail Winds” - Value Drivers

- Possible new market shares as capacity expands
- Capital deployment as a differentiator
- Strong positioning in large urban market with favorable demographics and business climates

## “Head Winds” - Key Risks

- Business concentration in two states
- Uncertainty of healthcare reform
- Private equity sponsors ownership



# HCA Holdings (HCA)

Multiples	Entity	2012	2013	2014	2015	2016	Current
Price/Earnings	Healthcare	18.1	20.9	25.1	26.8	24.5	<b>24.3</b>
	HCA	4.5	12.5	17.1	15.8	14.3	<b>12.0</b>
Price/Book Value	Healthcare	2.7	3.2	3.8	4.1	3.7	<b>3.8</b>
	HCA	2.1	2.4	2.7	2.8	2.9	<b>2.9</b>
Price/Sales	Healthcare	1.3	1.6	1.9	1.9	1.6	<b>1.6</b>
	HCA	1.3	1.5	1.7	1.8	2.0	<b>0.7</b>
Price/EBITDA	Healthcare	8.1	10.5	13.0	13.7	11.4	<b>11.5</b>
	HCA	7.3	8.5	9.0	10.2	10.7	<b>11.3</b>

- Healthcare sector has expanded over the past five years and outperformed the market
- HCA undervalued based on P/E and P/S ratio

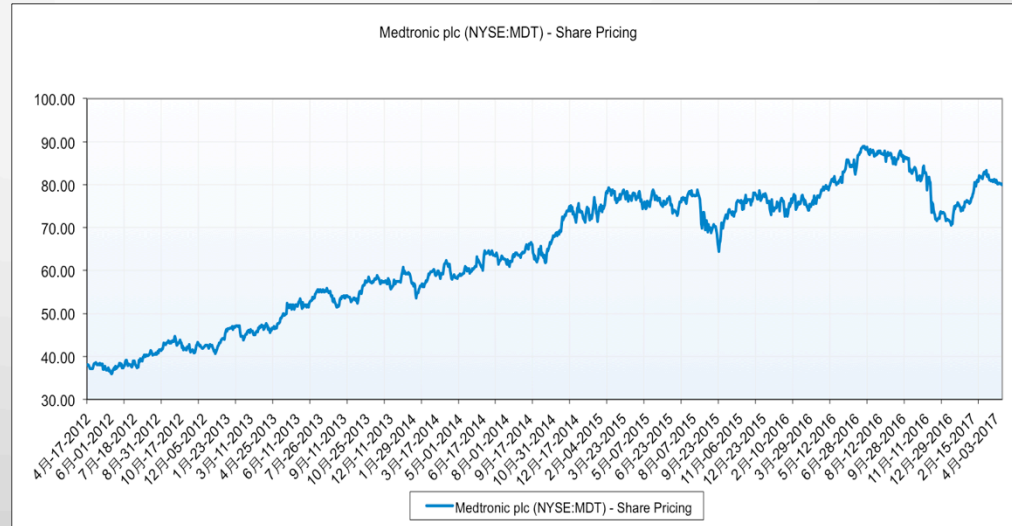


# Medtronic (MDT)



Medtronic is a medical device company headquartered in Dublin, Ireland. It is the world's largest independent medical technology development company. It has four main business lines: Cardiac & Vascular group; Minimally Invasive Therapies group; Restorative and Diabetes group

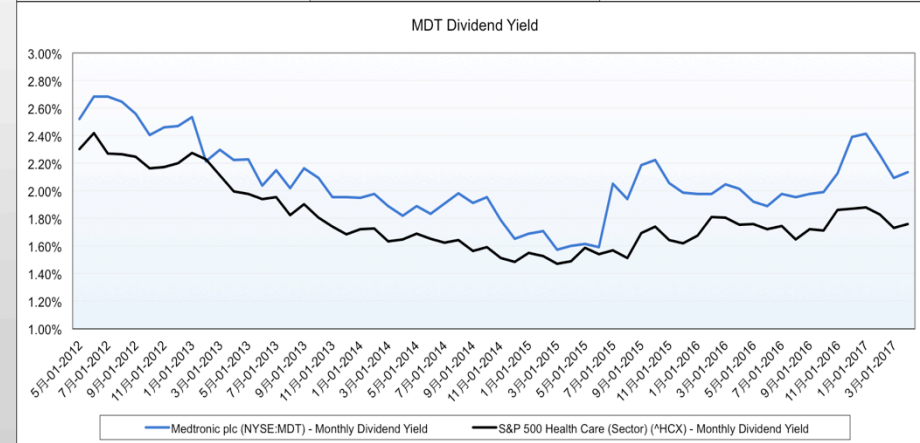
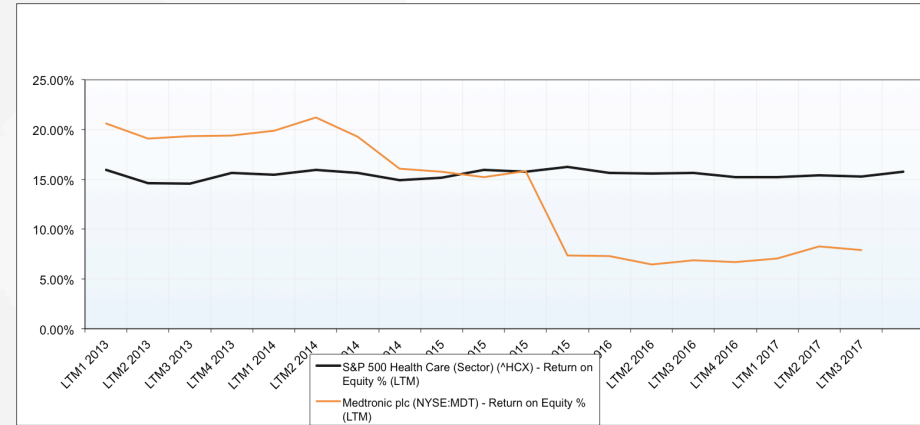
- Current Price: \$80.15
- Target Price: \$79.15
- Downside: -1.2%
- Recommendation: **Sell**
  - -1.2% Downside
  - Compared to other healthcare stocks in the portfolio, it is better to reduce position in this stock and increase position in stocks with stronger growth opportunities and dividends



# Medtronic (MDT)



- Current Price: \$80.15
- Target Price: \$79.15
- Market Cap: \$109.52 B
- Shares Outstanding: 1.37 B
- Dividend Yield: 2.08%
- Beta: 0.87
- 52 week range: \$69.35-\$89.27
- Revenue: \$29.36 B
- EPS (TTM): 2.83
- P/E (TTM): 28.24



# Medtronic (MDT)



## “Tail Winds” - Value Drivers

- World largest medical technology, services and solutions company
- Diversified incomes: 61% of sales from the U.S., 39% from rest of the world
- Large and good acquisitions: Covidien(2015), HeartWare(2016)

## “Head Winds” - Key Risks

- Increasing healthcare regulatory
- High leverage ratio
- Increasing prices of raw materials (COGS takes 30% of sales)
- Intensive competition and relatively saturated market
- Low ROE might keep investors away

# Medtronic (MDT)



Multiples	Entity	2012	2013	2014	2015	2016	Current
Price/Earnings	Healthcare	13.63	17.20	22.04	23.02	18.02	<b>19.48</b>
	Medtronic	10.57	14.99	20.75	40.56	33.17	<b>22.39</b>
Price/Book Value	Healthcare	2.65	3.23	3.76	4.00	3.48	<b>3.46</b>
	Medtronic	2.23	2.78	3.27	2.04	2.25	<b>2.05</b>
Price/Sales	Healthcare	1.29	1.59	1.85	1.92	1.61	<b>1.56</b>
	Medtronic	2.36	3.13	3.74	5.36	4.07	<b>3.51</b>
Price/EBITDA	Healthcare	8.09	10.46	12.94	13.65	11.40	<b>11.53</b>
	Medtronic	8.69	9.44	12.42	22.94	15.92	<b>13.15</b>

- Healthcare sector has expanded over the past five years and outperformed the market
- Medtronic is overvalued compared to the industry in terms of the P/E; P/S; P/EBITDA.

# Medtronic (MDT)



Medtronic											
Analyst: Rachel Wang			Terminal Discount Rate =			9.0%					
Date: 4/11/2017			Terminal FCF Growth =			4.0%					
Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Revenue</b>	29,986	30,886	31,812	32,767	33,750	34,762	35,805	36,879	37,986	39,125	40,299
% Growth		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Operating Income</b>	6,735	6,937	7,146	7,360	7,581	7,808	8,042	8,284	8,532	8,788	9,052
Operating Margin	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%
<b>Interest</b>	269	277	286	294	303	312	322	331	341	352	362
Interest % of Sales	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
<b>Taxes</b>	1,252	1,290	1,329	1,482	1,527	1,573	1,620	1,669	1,719	1,770	1,823
Tax Rate	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%
<b>Net Income</b>	5,214	5,370	5,531	5,583	5,750	5,923	6,101	6,284	6,472	6,666	6,866
% Growth		3.0%	3.0%	0.9%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Add Depreciation/Amort</b>	1,649	1,699	1,750	1,802	1,856	1,912	1,969	2,028	2,089	2,152	2,216
% of Sales	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
<b>Plus/(minus) Changes W/C</b>	-1,539	-208	-274	-282	-291	-299	-308	-318	-327	-337	-347
% of Sales	-5.1%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%
<b>Subtract Cap Ex</b>	871	897	924	952	980	1,010	1,040	1,071	1,103	1,136	1,170
Capex % of sales	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
<b>Free Cash Flow</b>	4,453	5,906	6,083	6,151	6,336	6,526	6,722	6,924	7,131	7,345	7,566
% Growth		32.6%	3.0%	1.1%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>NPV of Cash Flows</b>	41,970	39%									
<b>NPV of terminal value</b>	66,472	61%									
<b>Projected Equity Value</b>	108,442	100%								<b>Terminal Value</b>	157,363
<b>Free Cash Flow Yield</b>	4.06%									<b>Free Cash Yield</b>	4.81%
<b>Current P/E</b>	21.1	20.4	19.9							<b>Terminal P/E</b>	22.9
<i>Projected P/E</i>	20.8	20.2	19.6								
<b>Current EV/EBITDA</b>	16.5	16.0	15.5							<b>Terminal EV/EBITDA</b>	16.5
<i>Projected EV/EBITDA</i>	16.3	15.8	15.4								
<b>Shares Outstanding</b>	1,370.0										
<b>Current Price</b>	\$ 80.15										
<b>Implied equity value/share</b>	\$ 79.15										
<b>Upside/(Downside) to DCF</b>	-1.2%										
<b>Debt</b>	31,240										
<b>Cash</b>	2,876										
<b>Cash/share</b>	2.10										

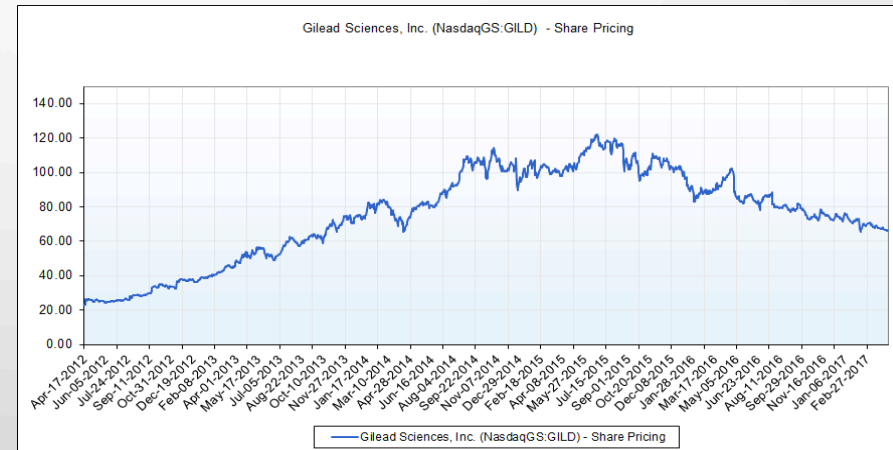
# Gilead Sciences (GILD)



Gilead Sciences is a leading biotechnology/biopharmaceutical company in the United States. Gilead is research-based and specializes in the discovery, development, and commercialization of medicines. Gilead has operations in over 30 countries worldwide and is headquartered in Foster City, California. Gilead's revenue stream comes the main segments of Antiviral, Other Medicines, and the revenue stream they realize from royalty, contracts, and other revenues. Diversification of Product Lines include: HCV, HIV, HBV, Oncology, Cardiovascular and respiratory disease medicines

- Current Price: \$66.51
- Target Price: \$75.85
- Upside: 14.0%
- Recommendation: **BUY**
  - Undervalued
  - Significant adverse sales in HCV line incorporated into Target Price
  - Growth opportunities in new product lines
  - Holds 2 Review Vouchers

Changing Demographics and Chronic Disease Prevalence

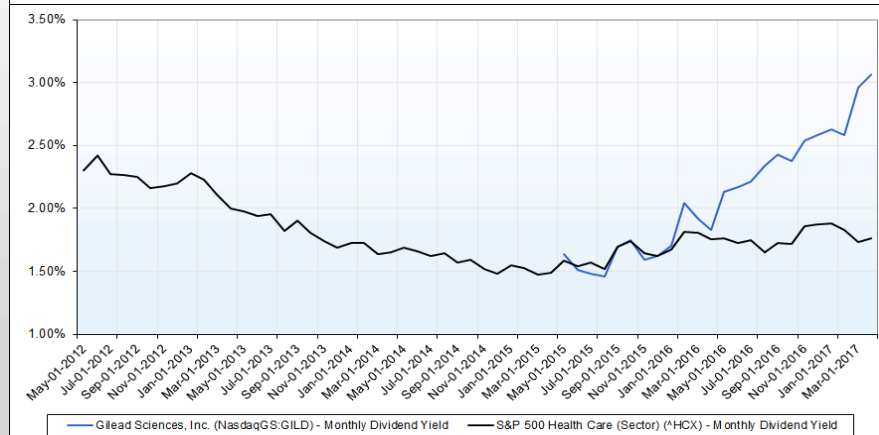
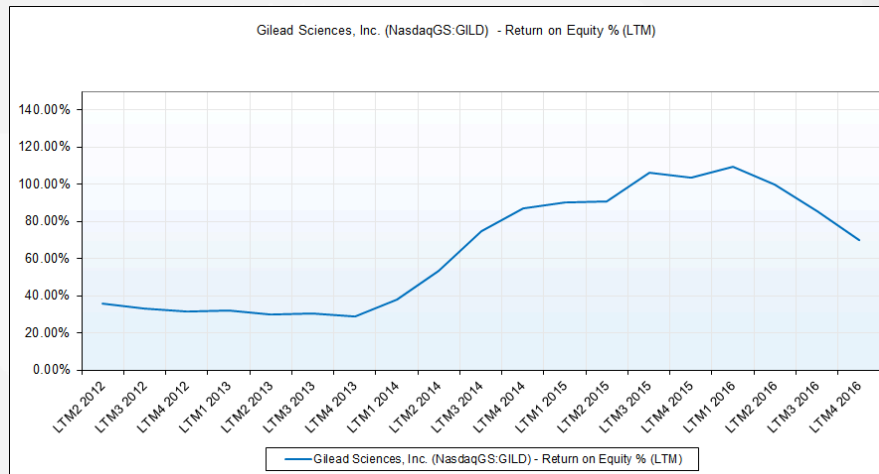




# Gilead Sciences (GILD)



- Current Price: \$66.51
- Target Price: \$75.85
- Market Cap: 86.94 Billion
- Shares Outstanding: 1.3B
- Dividend Yield: 3.13%
- Beta: 0.99
- 52 week range: \$65.38 - \$103.10
- 2016 Revenue: 30.4 Billion
- EPS (TTM): 9.94
- P/E (TTM): 6.69
- Analyst Target Price Range: \$61 - \$95  
(Avg \$79)



# Gilead Sciences (GILD)



## “Tail Winds” - Value Drivers

- Significant improvement to HCV care
- Economies of scale for R&D
- Increasing product diversification
- Products with reduced side effects
- Finding more convenient means of treatment
- High quality of products

## “Head Winds” - Key Risks

- Drug price regulation
- Intense competition
- Risk of obsolescence/short product life cycle
- Failure to effectively commercialize new products
- Risk of litigation - patent infringement (ex: Merck case)

# Gilead Sciences (GILD)



Multiples	Entity	2012	2013	2014	2015	2016	Current
Price/Earnings	Healthcare	13.63	17.20	22.04	23.02	18.02	<b>19.48</b>
	GILD	21.18	40.58	12.72	8.49	6.83	6.32
Price/Book Value	Healthcare	2.65	3.23	3.76	4.00	3.48	<b>3.46</b>
	GILD	6.00	10.13	9.16	7.76	4.97	4.64
Price/Sales	Healthcare	1.29	1.59	1.85	1.92	1.61	<b>1.56</b>
	GILD	5.73	10.25	5.76	4.54	3.16	2.95
EV/EBITDA	Healthcare	8.09	10.46	12.94	13.65	11.40	<b>11.53</b>
	GILD	14.38	24.57	8.73	6.02	4.70	4.36

- Healthcare sector has expanded over the past five years and outperformed the market
- GILD is undervalued when compared to the industry in terms of EV/EBITDA and P/E

## Stock Price Sensitivity Table

	11.25%	11.50%	11.75%	12%	12.25%	12.50%	12.75%
1.00%	\$78.41	\$76.54	\$74.75	\$73.05	\$71.42	\$69.86	\$68.37
1.25%	\$79.20	\$77.28	\$75.45	\$73.70	\$72.03	\$70.43	\$68.91
1.50%	\$80.04	\$78.06	\$76.18	\$74.38	\$72.67	\$71.03	\$69.47
1.75%	\$80.93	\$78.89	\$76.94	\$75.10	\$73.34	\$71.66	\$70.05
2%	\$81.86	\$79.75	\$77.75	\$ 75.85	\$74.04	\$72.31	\$70.67
2.25%	\$82.84	\$80.66	\$78.60	\$76.64	\$74.77	\$73.00	\$71.31
2.50%	\$83.88	\$81.63	\$79.49	\$77.47	\$75.55	\$73.72	\$71.98
2.75%	\$84.98	\$82.64	\$80.44	\$78.35	\$76.36	\$74.48	\$72.69
3.00%	\$86.14	\$83.72	\$81.43	\$79.27	\$77.22	\$75.28	\$73.43

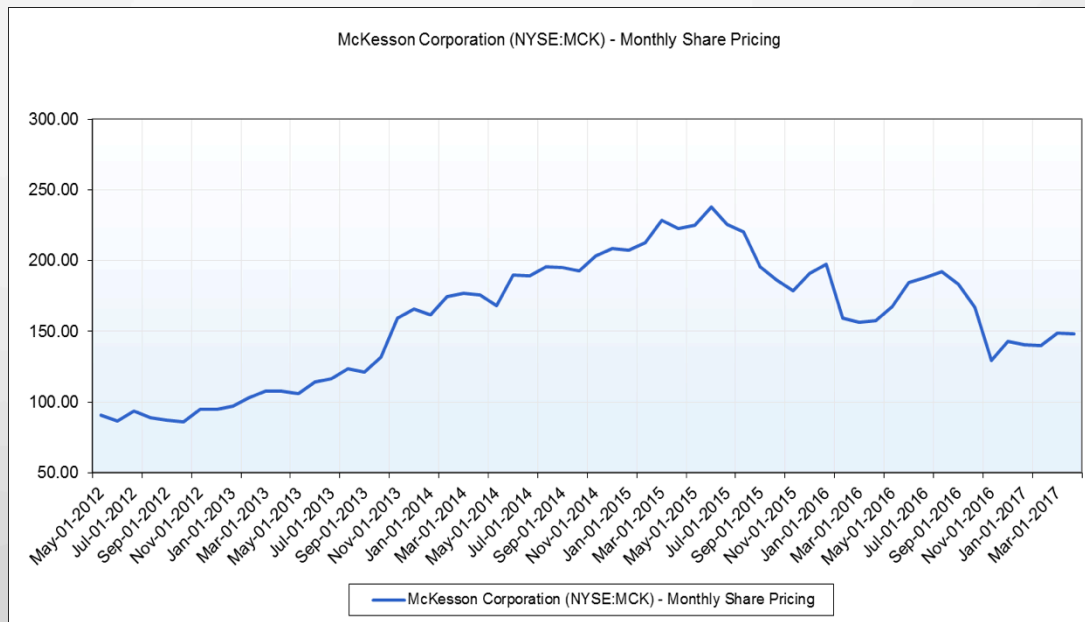


# McKesson Corporation (MCK)



McKesson Corporation (McKesson) is engaged in delivering pharmaceuticals, medical supplies and healthcare information technology. The Company operates through two segments: McKesson Distribution Solutions and Technology Solutions

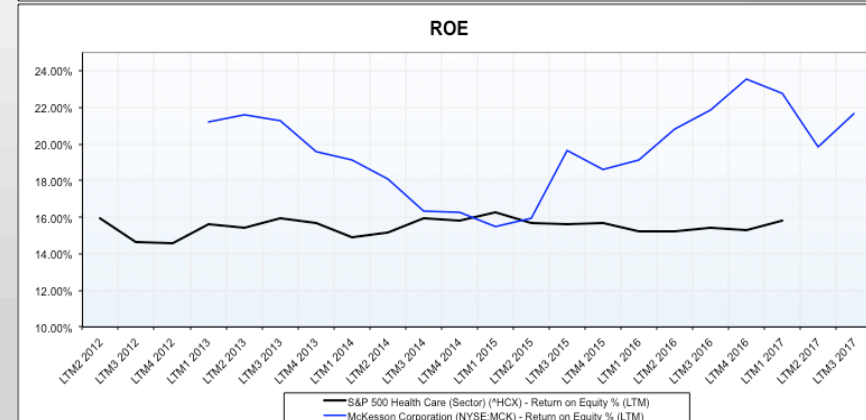
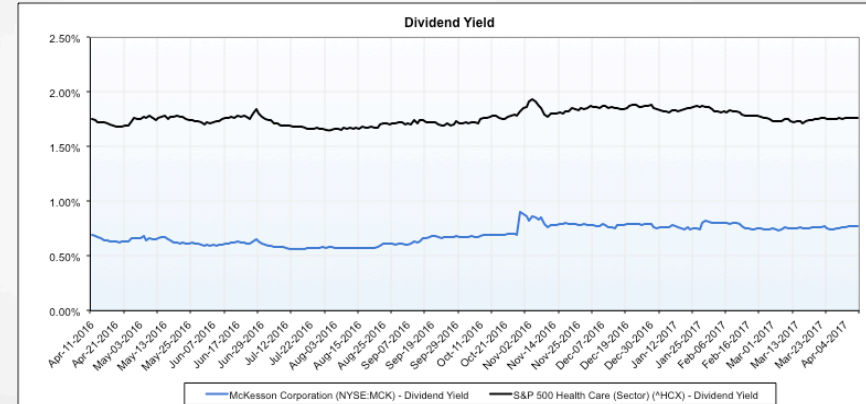
- Current Price: \$145.49
- Target Price: \$213.82
- Upside: 47.0%
- Recommendation: **Buy**
  - Strong Management
  - Undervalued Growth Stock
  - Keep until it reaches target price  
"Ring the Register"



# McKesson Corporation (MCK)



- Current Price: \$145.49
- Target Price: \$213.82
- Market Cap: 30.86 B
- Shares Outstanding: 212.1 M
- Dividend Yield: .78%
- Beta: 1.05
- 52 week range: \$114.53 - \$199.43
- Revenue: 190.8 B
- EPS (TTM): 9.06
- P/E (TTM): 16.05
- Analyst Target Price Range: \$139-\$175  
(Avg. 157)



# McKesson Corporation (MCK)



## “Tail Winds” - Value Drivers

- Strong Management
  - Cost Cutting and divestitures improving efficiency
  - Effectively responds to changes in environment
  - Acquisitions and expanding market share are driving revenue growth
- Strong market share Canada, Europe, U.S.
- Systemic increase in drug utilization expected

## “Head Winds” - Key Risks

- Increased competition and consolidation within the retail pharmacy industry
- Increased use of direct to pharmacy distribution model by manufacturers
- Generic Drug Deflation
- Regulation Uncertainty
- Foreign Exchange Risk



# McKesson Corporation (MCK)

**MCKESSON**

Multiples	Entity	2012	2013	2014	2015	2016	Current
Price/Earnings	Healthcare	13.63	17.20	22.04	23.02	18.02	19.48
	Company	<b>15.73</b>	<b>23.33</b>	<b>24.79</b>	<b>19.86</b>	<b>12.27</b>	<b>12.04</b>
Price/Book Value	Healthcare	2.65	3.23	3.76	4.00	3.48	3.46
	Company	<b>2.95</b>	<b>4.62</b>	<b>5.30</b>	<b>5.09</b>	<b>3.87</b>	<b>3.79</b>
Price/Sales	Healthcare	1.29	1.59	1.85	1.92	1.61	1.56
	Company	<b>.1943</b>	<b>.3107</b>	<b>.3460</b>	<b>.2556</b>	<b>.1606</b>	<b>.1570</b>
Price/EBITDA	Healthcare	8.09	10.46	12.94	13.65	11.40	11.53
	Company	<b>7.92</b>	<b>11.85</b>	<b>12.30</b>	<b>10.37</b>	<b>7.88</b>	<b>7.72</b>

- Healthcare sector has expanded over the past five years and outperformed the market
- MCK is undervalued when compared to the industry

# McKesson Corporation (MCK)



Year	2016	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
(Dollars in millions)												
<b>Total Revenue</b>	\$190,884.00	\$196,697.95	\$202,694.04	\$208,878.08	\$222,252.72	\$236,498.73	\$251,673.13	\$267,836.70	\$285,054.19	\$303,394.62	\$322,931.51	\$343,743.24
% Growth		3.0%	3.0%	3.1%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
<b>Operating Income (EBIT)</b>	\$2,660.00	\$3,427.59	\$4,844.39	\$3,947.80	\$5,311.84	\$5,652.32	\$6,014.99	\$6,401.30	\$6,812.80	\$7,251.13	\$7,718.06	\$8,215.46
Operating Margin		1.7%	2.4%	1.9%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
<b>Interest</b>	(\$353.00)	(\$529.33)	(\$581.33)	(\$599.06)	(\$770.77)	(\$820.18)	(\$872.80)	(\$928.86)	(\$988.57)	(\$1,052.17)	(\$1,119.93)	(\$1,192.10)
Interest % of Sales		-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%
<b>Taxes</b>	(\$908.00)	(\$1,037.14)	(\$1,160.11)	(\$1,194.81)	(\$1,612.12)	(\$1,714.00)	(\$1,822.51)	(\$1,938.10)	(\$2,061.23)	(\$2,192.39)	(\$2,332.10)	(\$2,480.93)
Tax Rate		35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
<b>Net Income</b>	\$2,258.00	\$1,761.12	\$2,154.48	\$2,218.93	\$2,993.94	\$3,183.14	\$3,384.67	\$3,599.34	\$3,828.00	\$4,071.57	\$4,331.04	\$4,607.44
% Growth		-22.0%	22.3%	3.0%	34.9%	6.3%	6.3%	6.3%	6.4%	6.4%	6.4%	6.4%
<b>EBIT *(1-Tax Rate)</b>	\$1,153.75	\$1,588.67	\$2,490.10	\$1,887.21	\$2,730.37	\$2,905.39	\$3,091.80	\$3,290.37	\$3,501.89	\$3,727.20	\$3,967.21	\$4,560.05
<b>Add Depreciation/Amort</b>	\$885.00	\$983.49	\$1,013.47	\$1,044.39	\$1,111.26	\$1,182.49	\$1,258.37	\$1,339.18	\$1,425.27	\$1,516.97	\$1,614.66	\$1,200.00
% of Sales		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.3%
<b>Plus/(minus) Changes WC</b>	\$314.00	(\$1,623.34)	(\$193.67)	(\$199.74)	(\$432.00)	(\$460.15)	(\$490.13)	(\$522.08)	(\$556.13)	(\$592.40)	(\$631.04)	(\$672.22)
% of Sales		-0.8%	-0.1%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
<b>Subtract Cap Ex</b>	(\$677.00)	(\$629.43)	(\$648.62)	(\$668.41)	(\$711.21)	(\$756.80)	(\$805.35)	(\$857.08)	(\$912.17)	(\$970.86)	(\$1,033.38)	(\$1,200.00)
Capex % of sales		-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%
<b>FCFF</b>	\$319.38	\$2,661.27	\$2,063.45	\$2,698.43	\$2,870.94	\$3,054.68	\$3,250.40	\$3,458.86	\$3,680.92	\$3,917.45	\$3,887.83	
% Growth		733.3%	-22.5%	30.8%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	-0.8%
<b>NPV of Cash Flows</b>		\$18,800.03	40%									
<b>NPV of Terminal Value</b>		\$28,123.56	60%									
<b>Firm Value</b>		\$46,923.59	100%									
<b>Plus Cash</b>		\$6,535.00										
<b>Less Debt</b>		\$8,107.00										
<b>Equity Value</b>		\$45,351.59										
<b>Free Cash Flow Yield</b>		1.03%										
		2017	2018	2019								
<b>Current P/E</b>		17.5	14.3	13.9								
<b>Projected P/E</b>		25.8	21.0	20.4								
<b>Current EV/EBITDA</b>		7.4	5.5	6.5								
<b>Projected EV/EBITDA</b>		10.6	8.0	9.4								
<b>Shares Outstanding</b>		212.1										
<b>Current Price</b>		\$ 145.49	42,835	\$ 68.33								
<b>Implied equity value/share</b>		\$ 213.82										
<b>Upside/(Downside) to DCF</b>		47.0%										
<b>Debt</b>		8,107										
<b>Cash</b>		6,535										
<b>Cash/share</b>		30.81										

Terminal Discount Rate (WACC) =	35.00%
Terminal FCF Growth =	2.00%
Terminal Value	62,616
Free Cash Yield	6.21%
Terminal P/E	13.6
Terminal EV/EBITDA	6.8

Forecasting Estimates (Income Statement, Balance Sheet, and Cash Flows)	Forecast Period	2020-2027	Average	2019-2017
North American PD&S Growth Per Year		6.50%	10.81%	3.00%
International PD&S Growth Per Year		7.00%	104.60%	4.00%
Medical/Surgical PD&S Growth Per Year		4.00%	19.49%	1.75%
Technology Solution Growth Per Year		0.50%	-3.29%	0.50%
Cost of Sales Growth/Total Revenue		93.85%	-94.10%	94.10%
Selling, distribution and administrative expenses/Total Revenue %		3.00%	-3.74%	3.25%
Research and development/Total Revenue %		0.20%	-0.30%	0.20%
Restructuring charges/Total Revenue %		N/A	-0.02%	N/A
Claim and Litigation Charges/Total Revenue %		0.06%	-0.06%	0.06%
Other Income, Net Growth Per Year %		12.00%	36.76%	12.00%
Interest Expense / Operating Income		35.00%	11.38%	35.00%
Tax Rate		35.00%	43.35%	35.00%
Receivables / Total Revenue %		8.99%	8.98%	8.99%
Inventories / Total Revenue %		8.46%	8.47%	8.46%
Accounts Payable / Total Revenue %		14.22%	14.19%	14.22%
Depreciation/Total Revenue %		0.14%	0.14%	0.14%
Amortization/Revenue %		0.36%	0.36%	0.36%
Total Payment for Property, Plant and Equipment/Total Revenue %		-0.32%	-0.32%	-0.32%

WACC Calculation (Millions)	
<b>Target Capital Structure</b>	
Debt-to-Total Capitalization	20.81%
Equity-to-Total Capitalization	79.19%
Debt to Equity	26.27%
Debt	\$8,107
Equity	\$30,858
<b>Cost of Debt</b>	
Cost of Debt(3)	3.85%
Tax Rate	35.00%
After-tax Cost of Debt	2.50%
<b>Cost of Equity</b>	
Risk-free Rate <sup>(1)</sup>	4.09%
Market Risk Premium <sup>(2)</sup>	5.50%
Levered Beta (5-year Avg)	1.05
<b>Cost of Equity</b>	9.87%
<b>WACC</b>	8.33%

\*Figures from 3rd QTR 2017 From 10-Q  
 (1) Average Long Term U.S. Treasury  
 (2) S&P 500 Returns - Risk free rate  
 (3) McKesson Corporate Bond Avg

# SIM Portfolio Recommendation

Company	Portfolio Weight	Proposed Basis	Current Price As of 10-14 April	Target Price	Upside (Downside)	Recommendation
HCA Holdings (HCA)	4.66%	-	87.72	87.82	0.1%	<b>HOLD</b>
Medtronic (MDT)	2.05%	-100	80.15	79.15	-1.2%	<b>SELL</b>
Gilead Sciences (GILD)	3.51%	+100	66.51	75.85	14.0%	<b>BUY</b>
McKesson (MCK)	4.04%	+96	145.49	213.82	47.0%	<b>BUY</b>

Current S&P 500 Concentration of Healthcare	Current SIM Concentration of Healthcare	Current Under Weight	Over/	Recommended Weight
14.10%	14.26%	+ 0.16%		<b>15.22% (+1.12)</b>



Questions