



UnitedHealth Group UNH

Overweight



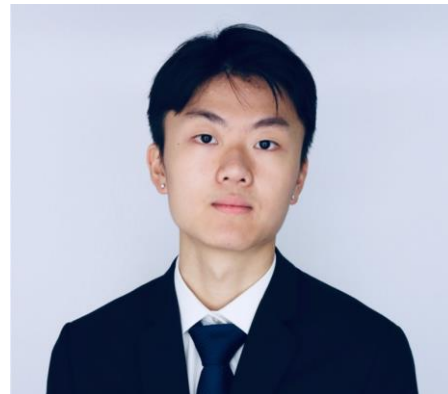
Krissa Dialani
Portfolio Manager



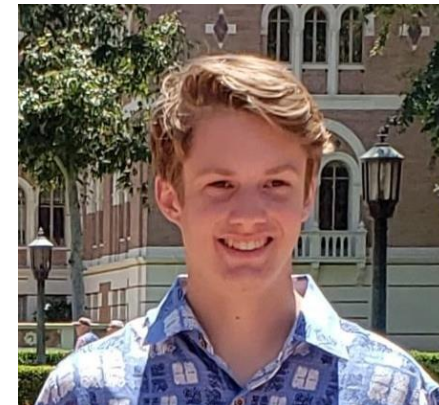
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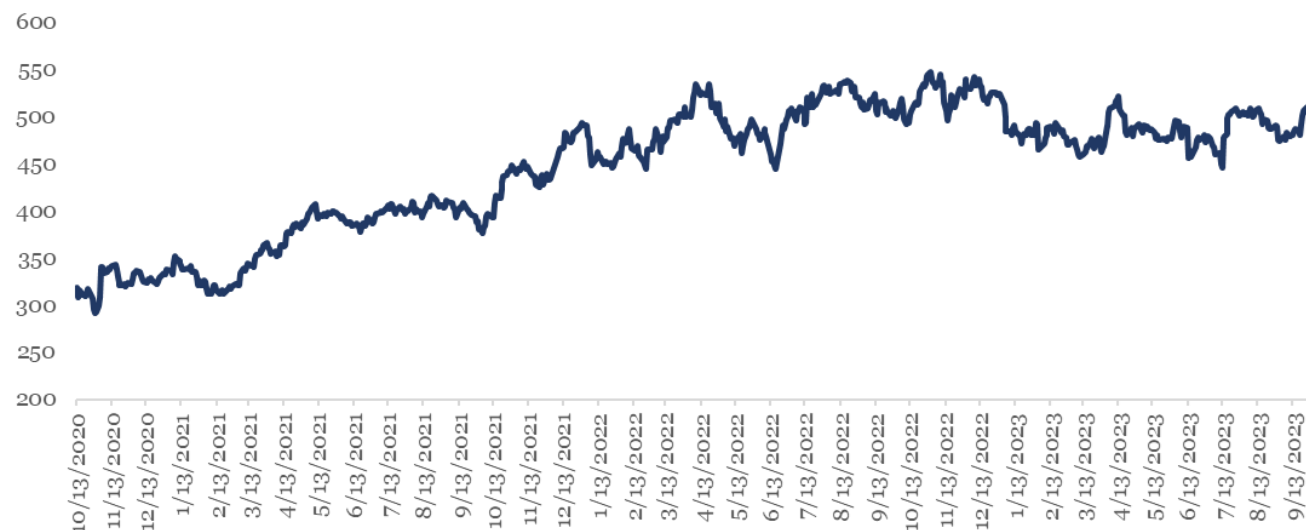
Valuation Summary

Target Price:	\$603.48
2028 (5Yr.) Revenue Projection:	\$598.8 Bn
WACC:	10.68%
Terminal Growth:	4.0%
Assumed Exit Multiple:	11.1x
Comps EV/EBIT Multiple:	15.0x - 17.5x

Key Statistics

Current Stock Price:	\$538.03
52 Week High:	\$558.10
52 Week Low:	\$445.68
LTM Revenue:	\$348.5 Bn
LTM EBITDA:	\$33.3 Bn
P/E:	23.47x
EV/Revenue:	1.42 x

3 Yr. Price History



Key Drivers

- Financial Performance:** UNH's position as a market leader allows it to capitalize on industry tailwinds, specifically regarding their high market share, revenue growth, and strong financials
- Diversified Platform:** UNH has an extremely diversified moat supported by extensive volume, stable revenue sources, and innovative businesses.
- Expansion:** Segments have seen substantial growth as a result of drastic increase in patients which has boosted sales in all segments, with indications of the company aggressively expanding.

Our View



While we echo a similar view with the street based off of significantly robust and strong financial performance, we think that UNH's particularly aggressive strategy in accumulating volume and expanding breadth and coverage of healthcare services will eat into competitors market share. Over the last 4 years, revenue has grown ~10% annually for the last 4 years, FCF has grown 15% YoY, and net income & EPS have grown at 7.5% consistently: as such, we have an average target price of \$603.48, 5.56% higher than the street.

The Street View



As of 2023, UnitedHealth Group (UNH) continues to cement its positioning as a leader in the diversified healthcare sector, driven predominantly by consistent revenue growth and the synergistic interplay between its two segments, UnitedHealthcare and Optum. Acknowledging its resilient financial performance, the street has been favorable, with 19 buy ratings, 1 overweight rating, and 4 hold ratings from 25 analysts and an average target price of \$571.69.

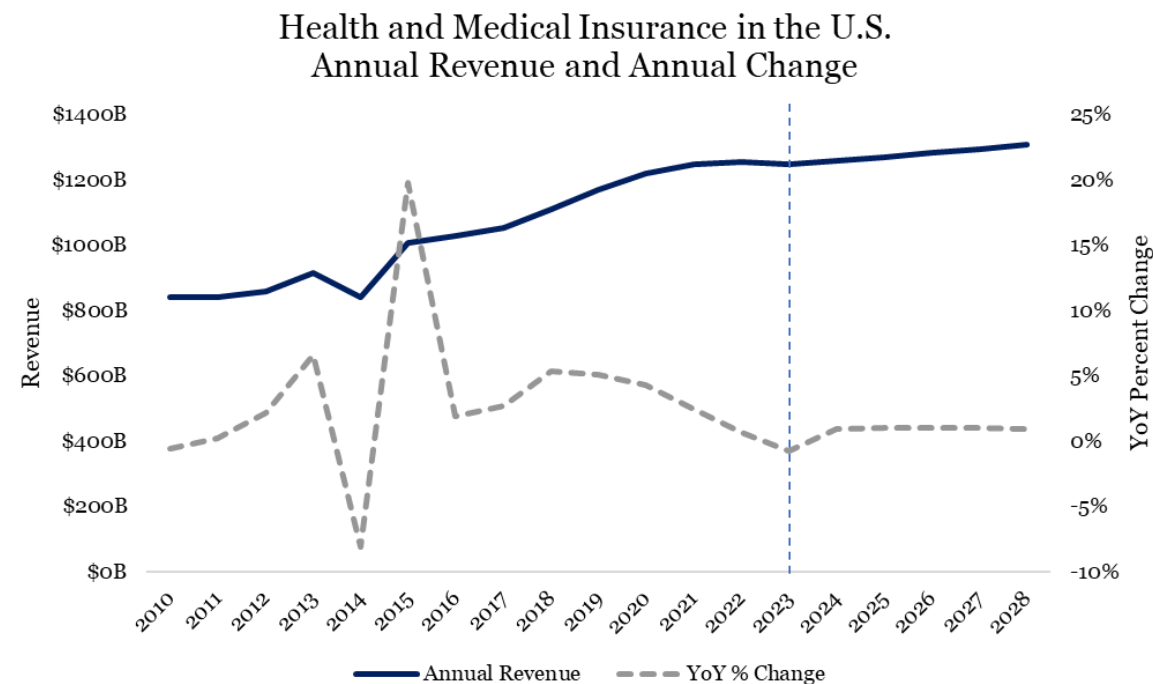
Health Insurance Industry

The health insurance industry serves as an intermediary between healthcare providers and patients, providing financial coverage for medical services and treatments. Health insurance companies collect premiums from policyholders and then pay out claims when these individuals need medical care.

- U.S. health insurance industry valued at ~\$1.2 trillion (2023)
 - Forecasted CAGR of ~0.9% over the next five years
- The market for health insurance is relatively consolidated
 - The top four companies capture ~73% of total revenues
- Employs ~560 thousand people
- Increasingly regulated by the federal and state governments
- As the healthcare landscape evolves, the industry has to grapple with challenges such as rising medical costs, regulatory changes, and changing societal demographics.

<https://my-ibisworld-com.libproxy1.usc.edu/us/en/industry/52411b/external-environment>

Industry Market Size Projection



Expected 5-Year CAGR of 0.9%

3. Industry Overview – Key Dynamics

NYSE: UNH

Increasing Regulation

- The health insurance industry is highly regulated by both state and federal agencies, and a trend toward universal healthcare as practiced in many other countries may bring further regulation to the industry. Increased regulation with respect to patient coverage and premiums could put pressure on profit margins. On the other hand, increased regulation to the pharmaceutical industry may have the opposite effect - lowering costs for insurers.

Aging Population Demographics

- Aging populations affect the healthcare industry because elderly people require more frequent medical care and increase overall medical spending. The median age in 2010 was 37.2 years, in 2020 it was 38.2 years, and in 2030 it is forecasted to be ~41 years.

Increasing Healthcare Expenditure as % of GDP

- National health expenditure has grown from 5.2% of GDP in 1960 to 19.7% in 2021. Contributors to this trend of increasing healthcare expenditure are new, expensive medical technology developments, increasing demand, increasing prices, and aging population demographics.

<https://my-ibisworld-com.libproxy1.usc.edu/us/en/industry/52411b/external-environment>

3. Industry Overview – Key Competitors

NYSE: UNH



Cigna Group

Market Capitalization: \$85B
LTM Revenue: \$186B
LTM Revenue Growth: 3.8%
Gross Margin: 12.6%
Key Products: Evernorth Health Services, Cigna Healthcare

Company Description: The Cigna Group is a global health company that operates with a dual growth platform comprising of Evernorth Health Services, which offers pharmacy, care, and benefits solutions, and Cigna Healthcare, which serves as the health benefits provider covering U.S. Commercial, U.S. Government, and International Health segments. The company emphasizes a comprehensive and integrated approach to healthcare, using a blend of pharmacy, medical, behavioral, and dental products. Over the years, the company has shifted its focus to prevention and better management of health challenges, providing support through behavioral changes, effective medication options, and targeted medical interventions.

Notes: CapitalIQ, Company Filings



Elevance Health

Market Capitalization: \$105B
LTM Revenue: \$166B
LTM Revenue Growth: 11.1%
Gross Margin: 26.5%
Key Products: Anthem Blue Cross and Blue Shield, Wellpoint, Carelon

Company Description: Elevance Health, formerly known as Anthem, is a leading health insurer in the United States, serving approximately 47.5 million members across the country. As a member of the Blue Cross and Blue Shield Association, it operates in various states under different brand names. Besides offering a wide range of health insurance products to various customer segments, Elevance provides specialty services, such as pharmacy benefit management through CarelonRx, and manages operations across different segments, including commercial, government, and specialty businesses. In 2022, the company embarked on restructuring its brand portfolio and segment presentations to better reflect its mission as a lifetime, trusted health partner.



Humana

Market Capitalization: \$61B
LTM Revenue: \$99B
LTM Revenue Growth: 9.1%
Gross Margin: 18.1%
Key Products: Humana Insurance, CenterWell, Kindred

Company Description: Humana Inc. is a leading health and well-being company offering a range of services from in-home care and behavioral health to pharmacy services, data analytics, and wellness solutions. Humana provides medical benefit plans to around 17 million members and specialty products to 5 million members. A significant portion of its revenue is derived from contracts with the federal government, particularly with the Centers for Medicare and Medicaid Services (CMS). The company's structure was reorganized in 2022 into two main segments: the Insurance segment, which includes retail, group, specialty, and pharmacy benefit management, and the CenterWell segment, which focuses on healthcare services. Its acquisition of Kindred at Home follows the same business model as UNH, merging health insurance with care services at its disposal.



Key Statistics

Valuation

Market Capitalization:	\$485.5 Bn
EV / Sales	1.45x
P / E (TTM)	23.47x

Income

LTM (6/30/23) Revenue:	\$348.5 Bn
2024E Revenue:	\$393.1 Bn
LTM Revenue Growth:	13.7%
LTM EBITDA:	\$33.3 Bn
2024E EBITDA:	\$39.9 Bn
LTM EBITDA Growth:	9.5%
LTM Net Income:	\$21.1 Bn
LTM NI Growth:	15.7%

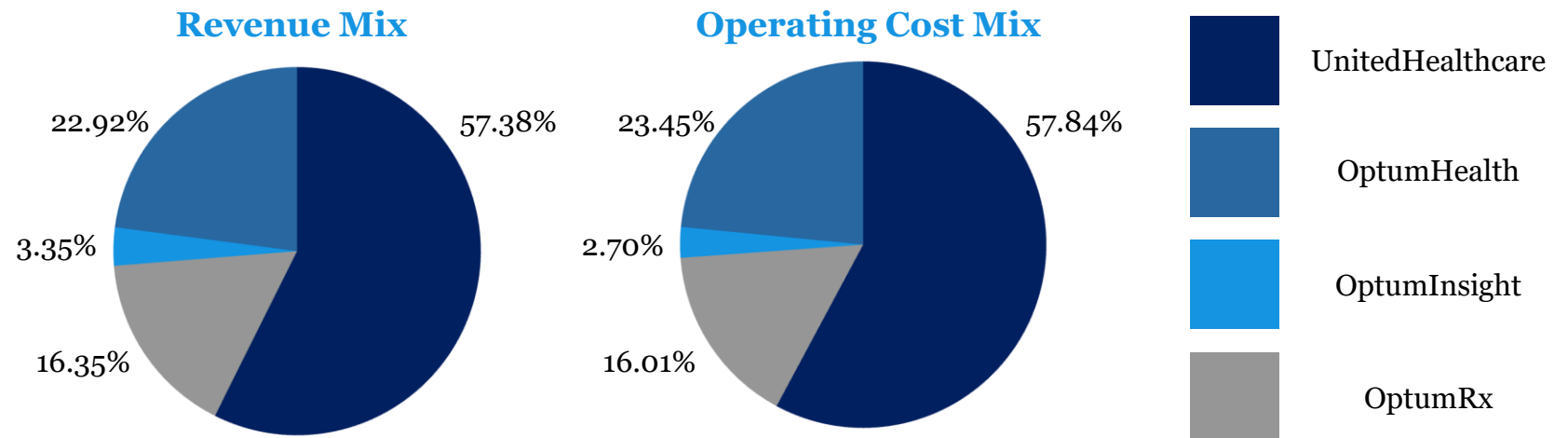
Profitability

Gross Margin:	24.8%
EBITDA Margin	9.6%
Net Income Margin	6.1%

Business Model Overview

UnitedHealth Group, previously known as UnitedHealthCare Corporation, was founded in 1974 as a part of Charter Med Incorporated, based in Minnesota. UnitedHealth Group operates as an aggregate provider of diversified healthcare services and health insurance plans, and works to create an integrated system of care by acquiring healthcare providers, service organizations of niche health needs, and more to broaden scope and scale of care. Currently, their business model revolves around their healthcare insurance plan premiums business, their primary moneymaker, while they've been aggressively expanding and developing their secondary care delivery and health auxiliary service business, Optum.

Revenue and Cost Mix (Pie Charts)





Use: Healthcare Insurance

Quick Description: Co-pays from care seekers, premiums, deductibles

Customer Profile: Primarily Advanced-age care

Description:

- The comprehensive premium and co-pay revenues amounted to \$257.2Bn of UNH's 2022 revenue, or a 79.3% share, with the United Healthcare share of total revenue at 58.0%
- United Healthcare caters to Individual & Families, Small Businesses, Short-term insurance, Medicare, and Medicaid plans, also offering coverage for dental, vision, and supplementals
- Plans make money from premiums, deductibles, and copays
 - uses these funds to cover outsourced health visit costs for policyholders who "visit doctor offices"
- Manage complex and expansive provider networks to ensure adequate and sufficient coverage for members
- Data & Analytics for healthcare utilization, cost management, patient care metrics, quality improvement



Use: Health Services and Healthcare IT

Quick Description: UNH's Diversified Physician arm

Customer Profile: Healthcare Industry Entities & Players

Description:

- Optum's combined businesses amounted to \$182.8 Bn of revenue in 2022
- OptumHealth, OptumRx, & OptumInsight comprise its main businesses
- OptumHealth provides diverse primary, specialty, & urgent care through its comprehensive medical practices, clinics, and centers
- OptumInsight offers numerous healthcare IT solutions to healthcare providers to streamline EHR systems, management software, clinical and other data analysis
- OptumRx is the pharmacy benefit management subsidiary, managing prescription drug benefits, negotiating drug prices, creating formularies, and facilitating script filling and distribution
- Revenue is also comprised of streams originating from substantial government, like Medicaid, Medicare, and meet eligible beneficiaries' demands

Key Customers

UnitedHealthcare

- Individuals & Families
 - offers health insurance plans for individuals and families seeking coverage
- Employers & Employees
 - provides health insurance benefits to these target customers
- Medicare & Medicaid Beneficiaries

Optum

- Healthcare Providers
 - IT solutions, consulting, & accepting insurance in exchange for services
- Health Insurance Companies
 - Service provider for care quality and cost management
- Employers
 - is a provider network for care to employers and employees
- Government Healthcare Programs
 - partners with government agencies to deliver healthcare to accommodate Medicaid, Medicare
- Healthcare Organizations & Systems
 - consulting and technology partner to enhance patient care
- Patients
 - continually modifies services to improve patient outcomes

Key Suppliers

UnitedHealthcare

- Healthcare Provider Network
 - UnitedHealthcare has amassed an expansive network of providers to service its insurance population
 - all medical costs paid for by the company encompass hospitals, doctors and relevant players in the healthcare service industry
- Insurance Agents & Brokers
 - compensates these “suppliers” of insurance premium revenue
- Administrative
 - customer service, auxiliary support staff

Optum

- Healthcare Providers
 - employ services of its healthcare provider network for its care services, of which include physicians, hospitals, specialists, nurses, auxiliary staff, and more
- Pharmaceutical Companies
 - sources prescription medications, formularies, and drugs
- Administrative & Billing Service Providers
 - outsources claims processing, billing, customer service, and other administrative tasks

4. Company Overview - Management

NYSE: UNH



Andrew Witty
Chief Executive Officer
UnitedHealth Group

As UnitedHealth Group CEO, Witty is responsible for the strategic direction and overall performance of the enterprise and its long-term growth agenda. He is also a member of the UnitedHealth Group Board of Directors. In 2012, Witty was also knighted for contributions and service to the U.K economy.

UNITEDHEALTH GROUP®



Dirk McMahon
President, COO
UnitedHealthGroup

As president and COO, McMahon is responsible for driving performance across the enterprise. He was named chief executive officer of UnitedHealthcare in June 2019 and previously served as president and COO of Optum. Before joining UnitedHealth Group, McMahon was head of airport operations worldwide for Northwest Airlines.

UNITEDHEALTH GROUP® 



Heather Cianfrocco
President
Optum

Cianfrocco is responsible for leading Optum's comprehensive pharmacy and care-delivery capabilities across the entire care continuum with a focus on value-based care and the integration of medical, behavioral and pharmacy services.

Optum



Brian Thompson
Chief Executive Officer
UnitedHealth Group

Brian Thompson was named chief executive officer for UnitedHealthcare in April 2021. Prior to this role, Brian served as chief executive officer of UnitedHealthcare's government programs including Medicare & Retirement. Prior to joining, Thompson was a practicing CPA at PricewaterhouseCoopers LLP.

 **United Healthcare** 



Amar A. Desai, MD, MPH
Chief Executive Officer
Optum Health

A physician, public health advocate and health care executive with decades of experience leading health system transformation to help patients lead healthier, more fulfilled lives, Dr. Desai is focused on accelerating patient-centered, value-based care while lowering total costs. Desai previously served as President for CVS Health Care Delivery

Optum 



Patrick Conway, MD, MSc
Chief Executive Officer
Optum Rx

Conway joined Optum in February 2020 and previously served as the chief executive officer of Care Solutions. Dr. Conway was president and CEO of Blue Shield North Carolina from 2017-19, and is a practicing pediatric hospitalist.

Optum Rx® 

5. Key Driver 1: Financial Performance

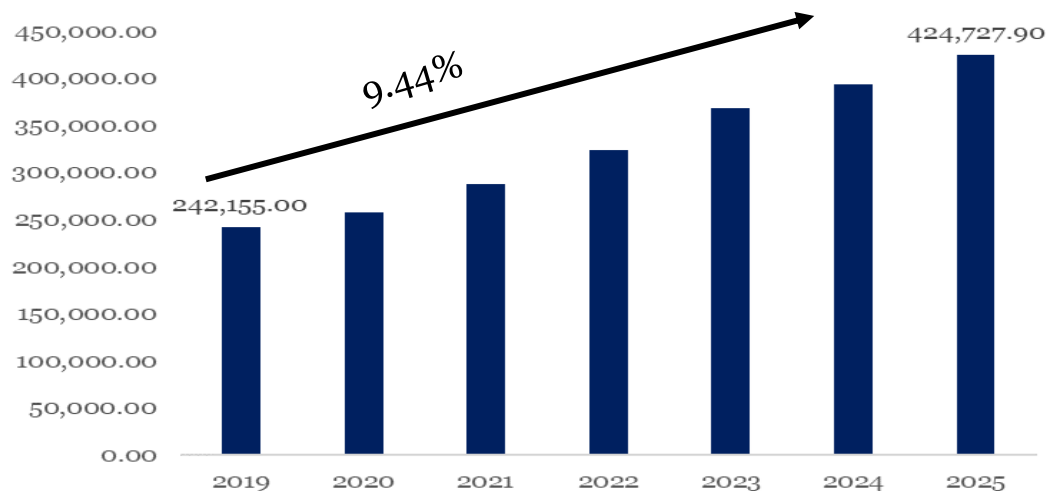
NYSE: UNH

Market Leader: Largest health insurance company by revenue and market share. In the best position to capitalize on industry tailwinds thanks to strong financials

Future Expectations

- UNH adjusted its full-year net earnings projection to \$23.45 to \$23.75 per share and adjusted net earnings to \$24.70 to \$25.00 per share
- Over the past three years, UNH's revenue and EBITDA increased at a CAGR of 12% and 7.9%, respectively.
- Consensus revenue estimate of \$367.77B by the end of 2023 reflecting a 13.5% Y/Y improvement
- Net Income has grown nearly 2x since 2020

Revenue Growth



Key statistics

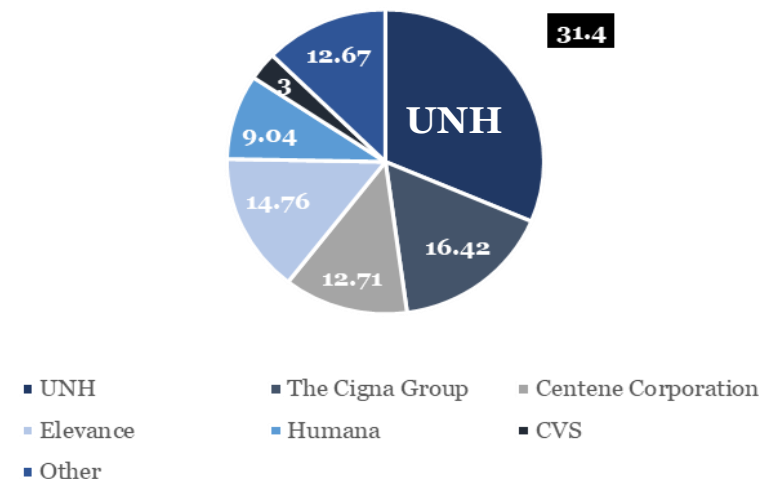
Dividend annual increase of **16.7%** in last 5 years

\$7B stock repurchase in 2023, grown 50% in last 5 years

FCF consistently growing at CAGR of **15.1%**

Net income and EPS growth of **7.3%** and **7.9%** respectively

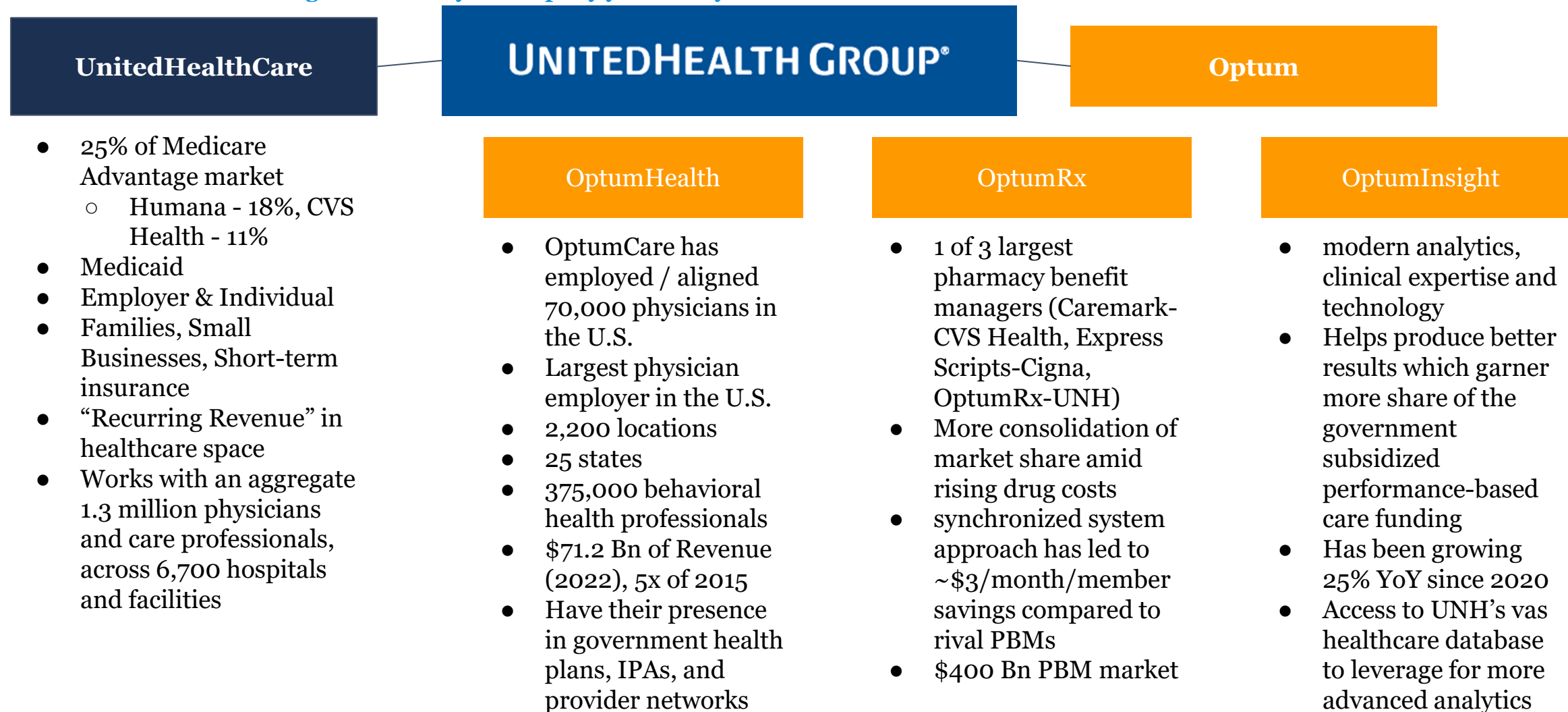
Healthcare Insurance Market Share



5. Key Driver 2: Diversified Platform

NYSE: UNH

Diversified Platform: UNH's significant market share in both healthcare insurance and services is backed by an extremely diversified, volume-oriented business that has grown steadily and rapidly year over year



5. Key Driver 3: Expansion

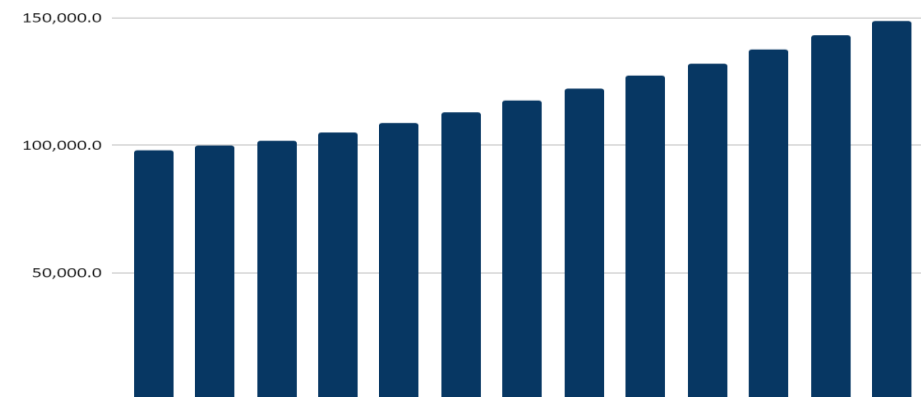
NYSE: UNH

Patient/Customer Growth: UNH has seen consistent growth in patients for every segment of their business model. Heavily focused on growth currently with huge acquisitions and developing facilities.

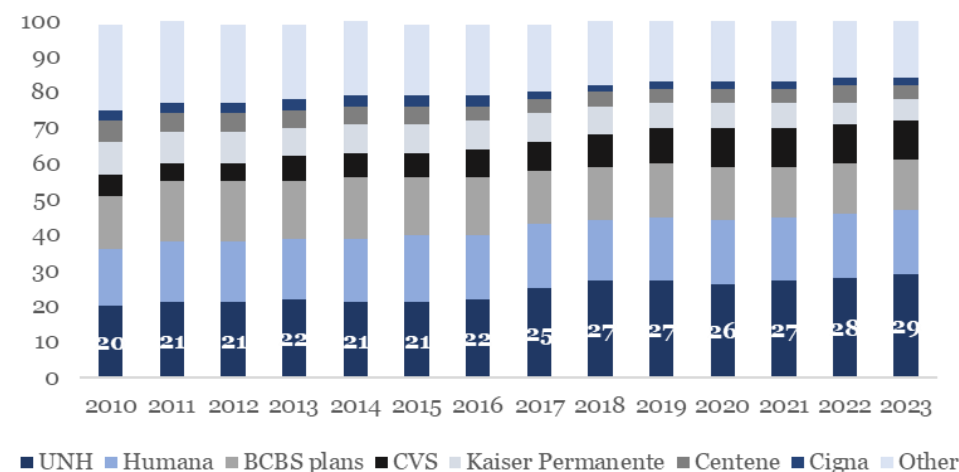
UNH Segment Growth

- Optumrx segment of UNH is one of the fastest growing with 15.5% growth in sales in most recent quarter with a steady 4.2% margin
 - 10% growth in scripts filled (2020-2022) from 1.3B to 1.438B
- ~28 million participants in Employer & Individual Plans
- Growing through new sides of the business (Medicare Advantage, centered around efficiency, focus on more effective customer service, etc.)
 - 1.1 million added patients YTD for UnitedHealthcare
- OptumHealth sales increased by more than 36.0% Y/Y in the second quarter, continuing to show extraordinary growth
- UNH expectations to expand coverage to 110 new counties through 2024
- Margins fell a bit but intentionally to capture the large influx of roughly 100M patients
- Large number of recent acquisitions to diversify product line and grow business brand
 - LHC group : Improves in home capabilities to match demand
 - Crystal run healthcare : Value based care + physician group

Optum Patient Growth Rate



Insurance Enrollee Growth



6. Financials – Income Statement Highlights

NYSE: UNH

Income Statement Highlights

- 2022 Revenue Growth - 12.7%
 - This continues a consistent, positive trend through the company's history
- 2022 Gross Profit Margin - 24.6%
- 2022 EBITDA - 30,835,000,000
- 2022 EBITDA Margin - 9.5%
- 2022 Net Income Margin - 6.2%

Income Statement						
For the Fiscal Period Ending	12 months Dec-31-2018	12 months Dec-31-2019	12 months Dec-31-2020	12 months Dec-31-2021	12 months Dec-31-2022	LTM 12 months Jun-30-2023
Currency	USD	USD	USD	USD	USD	USD
Premiums and Annuity Rev.	178,087.0	189,699.0	201,477.0	226,233.0	257,157.0	274,451.0
Total Interest And Dividend Income	1,376.0	1,886.0	1,502.0	2,324.0	2,030.0	3,281.0
Asset Management Fee	-	-	-	-	-	-
Non-Insurance Activities Revenue	29,601.0	31,597.0	34,145.0	34,437.0	37,424.0	39,506.0
Other Revenue	17,183.0	18,973.0	20,016.0	24,603.0	27,551.0	31,277.0
Total Revenue	226,247.0	242,155.0	257,141.0	287,597.0	324,162.0	348,515.0
Policy Benefits	145,403.0	156,440.0	159,396.0	186,911.0	210,842.0	226,339.0
Policy Acq. and Underwriting Costs	-	-	-	-	-	-
Depreciation & Amort.	2,428.0	2,720.0	2,891.0	3,103.0	3,400.0	3,801.0
Amort. of Goodwill and Intangibles	-	-	-	-	-	-
Selling General & Admin Exp., Total	34,074.0	35,193.0	41,704.0	42,579.0	47,782.0	52,106.0
Other Operating Exp.	-	-	-	-	-	-
Non-Insurance Activities Exp.	26,998.0	28,117.0	30,745.0	31,034.0	33,703.0	35,773.0
Total Operating Exp.	208,903.0	222,470.0	234,736.0	263,627.0	295,727.0	318,019.0
Operating Income	17,344.0	19,685.0	22,405.0	23,970.0	28,435.0	30,496.0
Interest Expense, Total	(1,400.0)	(1,704.0)	(1,663.0)	(1,660.0)	(2,092.0)	(2,774.0)
EBT Excl. Unusual Items	15,944.0	17,981.0	20,742.0	22,310.0	26,343.0	27,722.0
Impairment of Goodwill	-	-	-	-	-	-
Other Unusual Items	-	-	-	-	-	-
EBT Incl. Unusual Items	15,944.0	17,981.0	20,742.0	22,310.0	26,343.0	27,722.0
Income Tax Expense	3,562.0	3,742.0	4,973.0	4,578.0	5,704.0	5,999.0
Earnings from Cont. Ops.	12,382.0	14,239.0	15,769.0	17,732.0	20,639.0	21,723.0
Earnings of Discontinued Ops.	-	-	-	-	-	-
Extraord. Item & Account. Change	-	-	-	-	-	-
Net Income to Company	12,382.0	14,239.0	15,769.0	17,732.0	20,639.0	21,723.0
Minority Int. in Earnings	(396.0)	(400.0)	(366.0)	(447.0)	(519.0)	(615.0)
Net Income	11,986.0	13,839.0	15,403.0	17,285.0	20,120.0	21,108.0

Notes

6. Financials – Balance Sheet Highlights

NYSE: UNH

Balance Sheet Highlights

- Has ~42 Billion USD in Cash
- Major Assets
 - 102 Billion in Goodwill
 - 34 Billion in Receivables
- Upcoming liabilities
 - 29.5 billion in accounts payable
 - 31.9 billion in unpaid claims
 - 14.9 billion in unearned premiums

Balance Sheet	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Jun-30-2023
Balance Sheet as of:	USD	USD	USD	USD	USD	USD
ASSETS						
Investment In Debt Securities	-	-	-	-	-	-
Total Other Investments	34,980.0	39,069.0	42,502.0	43,846.0	46,674.0	50,454.0
Total Investments	34,980.0	39,069.0	42,502.0	43,846.0	46,674.0	50,454.0
Cash And Equivalents	10,866.0	10,985.0	16,921.0	21,375.0	23,365.0	41,813.0
Reinsurance Recoverable	-	-	-	-	-	-
Other Receivables	18,250.0	21,462.0	25,404.0	28,082.0	30,450.0	34,083.0
Separate Account Assets	3,032.0	3,076.0	4,076.0	4,449.0	4,087.0	3,623.0
Gross Property, Plant & Equipment	8,545.0	9,061.0	8,846.0	9,249.0	10,422.0	-
Accumulated Depreciation	(2,787.0)	(3,328.0)	(3,364.0)	(3,857.0)	(4,499.0)	-
Net Property, Plant & Equipment	5,758.0	5,733.0	5,482.0	5,392.0	5,923.0	10,926.0
Goodwill	58,910.0	65,659.0	71,337.0	75,795.0	93,352.0	101,669.0
Other Intangibles	12,025.0	13,320.0	14,000.0	13,621.0	18,606.0	15,643.0
Other Current Assets	3,086.0	3,851.0	4,457.0	5,320.0	6,621.0	5,884.0
Other Long-Term Assets	5,314.0	10,734.0	13,110.0	14,326.0	16,627.0	16,069.0
Total Assets	152,221.0	173,889.0	197,289.0	212,206.0	245,705.0	280,164.0
LIABILITIES						
Accounts Payable	16,705.0	19,005.0	22,495.0	24,643.0	27,715.0	29,516.0
Unpaid Claims	19,891.0	21,690.0	21,872.0	24,483.0	29,056.0	31,947.0
Unearned Premiums	2,396.0	2,622.0	2,842.0	2,571.0	3,075.0	14,852.0
Curr. Port. of LT Debt	1,973.0	3,470.0	3,523.0	3,620.0	2,310.0	-
Curr. Port. of Leases	-	-	-	-	997.0	-
Short-term Borrowings	-	400.0	1,296.0	-	800.0	6,321.0
Long-Term Debt	34,581.0	36,808.0	38,648.0	42,383.0	54,513.0	59,268.0
Long-Term Leases	-	-	-	-	3,833.0	-
Other Current Liabilities	12,244.0	14,595.0	20,392.0	22,975.0	25,284.0	30,345.0
Def. Tax Liability, Non-Curr.	2,474.0	2,993.0	3,367.0	3,265.0	2,769.0	2,498.0
Other Non-Current Liabilities	5,730.0	10,144.0	12,315.0	11,787.0	9,006.0	13,261.0
Total Liabilities	95,994.0	111,727.0	126,750.0	135,727.0	159,358.0	188,008.0
Common Stock	10.0	9.0	10.0	10.0	9.0	9.0
Additional Paid In Capital	-	7.0	-	-	-	-
Retained Earnings	55,846.0	61,178.0	69,295.0	77,134.0	86,156.0	89,994.0
Treasury Stock	-	-	-	-	-	-
Comprehensive Inc. and Other	(4,160.0)	(3,578.0)	(3,814.0)	(5,384.0)	(8,393.0)	(7,650.0)
Total Common Equity	51,696.0	57,616.0	65,491.0	71,760.0	77,772.0	82,353.0
Minority Interest	4,531.0	4,546.0	5,048.0	4,719.0	8,575.0	9,803.0
Total Equity	56,227.0	62,162.0	70,539.0	76,479.0	86,347.0	92,156.0
Total Liabilities And Equity	152,221.0	173,889.0	197,289.0	212,206.0	245,705.0	280,164.0

Notes

7. Valuation – Public Comparables

NYSE: UNH

PCA Profile

Selection Criteria:

- Large Cap Insurance / Healthcare companies with market values above \$35 Bn
- Similar leverage and capital structure with Debt/EBITDA 1.5x – 3.6x
- Similar business model, verticals, margins

Company	Ticker	Primary Operation	Market Values			Profitability		Revenue Multiples		EBIT Multiples		Leverage
			Share Price (2)	Equity Market Value	Enterprise Value	Operating Margin (LTM)	EBITDA Margin (LTM)	EV/Revenue (2022)	EV/Revenue (2023E)	EV/EBIT (2022)	EV/EBIT (2023E)	
The Cigna Group	CI	Insurance	295.8	87,550.9	110,779.9	4.3%	5.3%	0.7x	0.6x	13.8x	13.9x	2.8x
Humana	HUM	Insurance	499.8	61,929.8	57,973.8	4.9%	5.2%	0.8x	0.7x	15.4x	12.1x	2.0x
CVS Health Corporation	CVS	Pharmaceutical	70.9	91,089.6	156,614.6	4.2%	5.4%	0.6x	0.5x	13.5x	11.1x	2.5x
Elevance Health	ELV	Insurance	453.5	106,873.4	123,008.4	5.7%	6.4%	0.9x	0.8x	15.0x	13.1x	2.6x
Centene Corporation	CNC	Insurance	71.0	38,423.4	42,722.4	3.5%	4.6%	0.5x	0.3x	14.4x	9.4x	3.6x
Cencora	COR	Healthcare	187.6	37,674.2	42,872.6	1.0%	1.3%	0.2x	0.2x	12.7x	15.2x	1.9x
Mckesson Corporation	MCK	Healthcare	459.2	61,949.9	67,151.9	1.6%	1.8%	0.2x	0.2x	18.5x	13.7x	1.5x

Selection Criteria:

Insurance/Healthcare

Similar leverage and structure

Similar business model & margins

Relative multiples

Median	\$296	\$61,950	\$67,152	4.2%	5.2%	0.6x	0.5x	14.4x	13.1x	2.5x
Min	\$71	\$37,674	\$42,722	1.0%	1.3%	0.2x	0.2x	12.7x	9.4x	1.5x
Max	\$500	\$106,873	\$156,615	5.7%	6.4%	0.9x	0.8x	18.5x	15.2x	3.6x
25th	\$129	\$50,177	\$50,423	2.6%	3.2%	0.3x	0.3x	13.6x	11.6x	1.9x
75th	\$456	\$89,320	\$116,894	4.6%	5.4%	0.7x	0.6x	15.2x	13.8x	2.7x
Mean	\$291	\$69,356	\$85,875	3.6%	4.3%	0.5x	0.5x	14.8x	12.6x	2.4x
St Dev	\$185	\$26,713	\$44,429	1.7%	1.9%	0.3x	0.2x	1.9x	1.9x	0.7x

UnitedHealth Group	Representative Level	Min	Median	Max	Std Dev	Chosen Range	Implied Enterprise Value
EV/EBIT (2023 LTM)	\$30,496.00	9.4x	13.1x	18.5x	1.9x	16.0x - 17.5x	487,936 – 533,680
						Implied Share Price	505.81 - 553.97

(1) Values in \$US million

(2) Price data as of market close on Thursday, October 13th, 2023

Key Points

UnitedHealth Group Inc. - DCF Assumptions & Output:

Company Name:	UnitedHealth Group Inc.
Ticker:	UNH
Current Share Price:	\$ 504.19
Diluted Shares Outstanding:	956,000
<small>(as of 09/29/23)</small>	
Effective Tax Rate:	20.1%
Discount Rate (WACC):	10.07%
Conversion Units:	1,000
Last Fiscal Year:	2022-12-31

Current Equity Value:	\$482,005.6
(-) Cash & Cash-Equivalents:	(41,813.0)
(-) Equity Investments:	(4,466.0)
(-) Other Non-Core Assets, Net:	(15,027.0)
(-) Net Operating Losses:	(540.0)
(+) Total Debt:	65,589.0
(+) Preferred Stock:	-
(+) Noncontrolling Interests:	3,678.0
(+) Unfunded Pension Obligations:	-
(+) Capital Leases:	-
(+) Restructuring & Other Liabilities:	-
Current Enterprise Value:	489,426.6

Terminal Value - Multiples Method:

Median EV / EBITDA of Comps:	11.1 x
Baseline Terminal EBITDA Multiple:	11.1 x
Baseline Terminal Value:	\$922,378.3
Implied Terminal FCF Growth Rate:	3.5%
(+) PV of Terminal Value:	353,439.1
(+) Sum of PV of Free Cash Flows:	226,904.5
Implied Enterprise Value:	\$580,343.5

% of Implied EV from Terminal Value: 60.9%

(+) Cash & Cash-Equivalents:	\$ 41,813.0
(+) Equity Investments:	4,466.0
(+) Other Non-Core Assets, Net:	15,027.0
(+) Net Operating Losses:	540.0
(-) Total Debt:	(65,589.0)
(-) Preferred Stock:	-
(-) Noncontrolling Interests:	(3,678.0)
(-) Unfunded Pension Obligations:	-
(-) Capital Leases:	-
(-) Restructuring & Other Liabilities:	-
Implied Equity Value:	572,922.5

Diluted Shares Outstanding: 950,000

Implied Share Price from DCF:	\$ 603.08
Premium / (Discount) to Current:	19.6%

Terminal Value - Perpetuity Growth Method:

Expected Long-Term GDP Growth:	3.0%
Baseline Terminal FCF Growth Rate:	4.0%
Baseline Terminal Value:	\$999,703.4
Implied Terminal EBITDA Multiple:	12.0 x
(+) PV of Terminal Value:	383,068.7
(+) Sum of PV of Free Cash Flows:	226,904.5
Implied Enterprise Value:	\$609,973.2

% of Implied EV from Terminal Value: 62.8%

(+) Cash & Cash-Equivalents:	\$ 41,813.0
(+) Equity Investments:	4,466.0
(+) Other Non-Core Assets, Net:	15,027.0
(+) Net Operating Losses:	540.0
(-) Total Debt:	(65,589.0)
(-) Preferred Stock:	-
(-) Noncontrolling Interests:	(3,678.0)
(-) Unfunded Pension Obligations:	-
(-) Capital Leases:	-
(-) Restructuring & Other Liabilities:	-
Implied Equity Value:	602,552.2

Diluted Shares Outstanding: 950,000

Implied Share Price from DCF:	\$ 634.27
Premium / (Discount) to Current:	25.8%

7. Valuation – DCF Analysis

NYSE: UNH

Discounted Cash Flow Projections

UnitedHealth Group Inc. - FCF Projections:	Units:	Historical			Projected									
		FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Revenue:	\$ M	\$257,141.0	\$287,597.0	\$324,162.0	\$367,119.8	\$410,488.5	\$453,997.5	\$497,825.9	\$545,951.4	\$598,821.0	\$656,930.6	\$720,830.6	\$791,131.8	\$868,512.6
Revenue Growth Rate:	%	3,427.2%	11.8%	12.7%	13.3%	11.8%	10.6%	9.7%	9.7%	9.7%	9.7%	9.7%	9.8%	9.8%
Operating Income (EBIT):	\$ M	22,449.8	24,036.6	28,511.7	31,530.7	34,605.5	37,798.7	41,626.2	45,842.0	50,488.5	55,612.9	61,267.9	67,512.3	74,412.0
Operating Margin:	%	8.7%	8.4%	8.8%	8.6%	8.4%	8.3%	8.4%	8.4%	8.4%	8.5%	8.5%	8.5%	8.6%
Growth Rate:	%	5,639.2%	7.1%	18.6%	10.6%	9.8%	9.2%	10.1%	10.1%	10.1%	10.1%	10.2%	10.2%	10.2%
(-) Taxes, Excluding Effect of Interest:	\$ M	(4,505.7)	(4,824.1)	(5,722.3)	(6,328.2)	(6,945.3)	(7,586.2)	(8,354.4)	(9,200.5)	(10,133.1)	(11,161.5)	(12,296.5)	(13,549.7)	(14,934.5)
Net Operating Profit After Taxes (NOPAT):	\$ M	17,944.1	19,212.4	22,789.4	25,202.5	27,660.2	30,212.5	33,271.8	36,641.5	40,355.5	44,451.4	48,971.4	53,962.6	59,477.5
Adjustments for Non-Cash Charges:														
(+) Depreciation & Amortization:	\$ M	2,891.0	3,103.0	3,400.0	3,671.2	4,104.9	4,540.0	4,978.3	5,459.5	5,988.2	6,569.3	7,208.3	7,911.3	8,685.1
% Revenue:	%	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
(+/-) Change in Accounts & Other Receivables:	\$ M	688.0	1,000.0	2,523.0										
(+/-) Change in Inventory & Other Assets:	\$ M	2,195.0	1,031.0	1,374.0										
(+/-) Change in Accounts Payable & Accrued Liabilities:	\$ M	5,348.0	1,162.0	1,964.0										
(+/-) Change in Unearned Revenues:	\$ M	278.0	(310.0)	126.0										
(+/-) Change in Medical Costs Payable:	\$ M	152.0	2,701.0	4,053.0										
(-) Net Change in Working Capital:	\$ M	2,895.0	1,522.0	2,246.0	2,577.5	2,385.3	2,175.4	1,972.3	1,925.0	1,586.1	1,743.3	1,917.0	2,109.0	2,321.4
% Change in Revenue:	%	4.3%	5.0%	6.1%	6.0%	5.5%	5.0%	4.5%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
% Revenue:	%	1.1%	0.5%	0.7%	0.7%	0.6%	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%
(-) Capital Expenditures:	\$ M	(2,813.0)	(3,446.0)	(4,559.0)	(5,139.7)	(5,746.8)	(6,356.0)	(6,969.6)	(7,643.3)	(8,383.5)	(9,197.0)	(10,091.6)	(11,075.8)	(12,159.2)
% Revenue:	%	1.1%	1.2%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Unlevered Free Cash Flow:	\$ M	\$ 20,917.1	\$ 20,391.4	\$ 23,876.4	\$ 26,311.5	\$ 28,403.5	\$ 30,572.0	\$ 33,252.8	\$ 36,382.8	\$ 39,546.3	\$ 43,567.0	\$ 48,005.1	\$ 52,907.1	\$ 58,324.9
Growth Rate:	%	N/A	(2.5%)	17.1%	10.2%	8.0%	7.6%	8.8%	9.4%	8.7%	10.2%	10.2%	10.2%	10.2%
Discount Period:	#				1	2	3	4	5	6	7	8	9	10
Discount Rate (WACC):	%				10.07%	10.07%	10.07%	10.07%	10.07%	10.07%	10.07%	10.07%	10.07%	10.07%
Cumulative Discount Factor:	#				0.909	0.825	0.750	0.681	0.619	0.562	0.511	0.464	0.422	0.383
PV of Unlevered FCF:	\$ M				\$ 23,904.8	\$ 23,445.1	\$ 22,926.9	\$ 22,656.4	\$ 22,521.6	\$ 22,240.7	\$ 22,260.8	\$ 22,285.0	\$ 22,314.1	\$ 22,349.1

7. Valuation – DCF Analysis

NYSE: UNH

Sensitivity Analysis

		Weighted Average Cost of Capital (WACC):										
		8.82%	9.07%	9.32%	9.57%	9.82%	10.07%	10.32%	10.57%	10.82%	11.07%	11.32%
Terminal FCF Growth Rate (Terminal Value Calculated Using the Gordon Growth Method):	4.40%	\$ 869.22	\$ 819.30	\$ 774.51	\$ 734.10	\$ 697.45	\$ 664.08	\$ 633.56	\$ 605.55	\$ 579.75	\$ 555.92	\$ 533.85
	4.30%	854.86	806.69	763.36	724.20	688.62	656.16	626.44	599.13	573.94	550.64	529.03
	4.20%	841.12	794.59	752.65	714.67	680.10	648.52	619.56	592.90	568.29	545.51	524.35
	4.10%	827.96	782.98	742.35	705.48	671.88	641.13	612.89	586.87	562.82	540.52	519.80
	4.00%	815.35	771.82	732.44	696.63	663.94	633.99	606.44	581.03	557.51	535.68	515.38
	3.90%	803.25	761.10	722.89	688.09	656.27	627.08	600.19	575.35	552.35	530.97	511.07
	3.80%	791.63	750.79	713.69	679.85	648.86	620.38	594.13	569.85	547.33	526.40	506.88
	3.70%	780.47	740.85	704.81	671.88	641.69	613.90	588.25	564.51	542.46	521.94	502.80
	3.60%	769.74	731.29	696.25	664.19	634.75	607.62	582.55	559.32	537.72	517.61	498.82

		Weighted Average Cost of Capital (WACC):										
		8.82%	9.07%	9.32%	9.57%	9.82%	10.07%	10.32%	10.57%	10.82%	11.07%	11.32%
Terminal FCF Growth Rate (Terminal Value Calculated Using the Gordon Growth Method):	4.40%	\$ 869.22	\$ 819.30	\$ 774.51	\$ 734.10	\$ 697.45	\$ 664.08	\$ 633.56	\$ 605.55	\$ 579.75	\$ 555.92	\$ 533.85
	4.30%	854.86	806.69	763.36	724.20	688.62	656.16	626.44	599.13	573.94	550.64	529.03
	4.20%	841.12	794.59	752.65	714.67	680.10	648.52	619.56	592.90	568.29	545.51	524.35
	4.10%	827.96	782.98	742.35	705.48	671.88	641.13	612.89	586.87	562.82	540.52	519.80
	4.00%	815.35	771.82	732.44	696.63	663.94	633.99	606.44	581.03	557.51	535.68	515.38
	3.90%	803.25	761.10	722.89	688.09	656.27	627.08	600.19	575.35	552.35	530.97	511.07
	3.80%	791.63	750.79	713.69	679.85	648.86	620.38	594.13	569.85	547.33	526.40	506.88
	3.70%	780.47	740.85	704.81	671.88	641.69	613.90	588.25	564.51	542.46	521.94	502.80
	3.60%	769.74	731.29	696.25	664.19	634.75	607.62	582.55	559.32	537.72	517.61	498.82

8. Risks and Mitigants

NYSE: UNH

Competition

- Optum has received criticism for its quality of service as a result of being volume-focused, at least when compared to other service providers like Kaiser Permanente, who offer a much more integrated and organized approach to patient care.
- Consolidation of healthcare services and insurance has been on the rise as of late - i.e. CVS-Aetna and more - leading to more volume competitors who can cut costs of insurance plans and offerings.

Regulatory/ Legal and Compliance Risks:

- The healthcare industry is a contentious issue in politics and may face increased debate and regulatory reforms. For instance, the company's stock recently decreased by over 5.7% due to proposed lower-than-expected Medicare Advantage Rates for 2024.
- Litigation: UNH may face lawsuits pertaining to insurance claims, pricing practices, or other operational aspects which could result in financial liabilities and damage to its reputation.

Margins

- UnitedHealth Group operates in a low-margin industry and has prioritized becoming more efficient by acquiring other businesses and integrating them into its existing ecosystem. This should allow the company to provide better services and improve margins.

Appendix

A. Revenue Build for DCF (Bottom-Up)

NYSE: UNH

UnitedHealth Group Inc. - Revenue and Expenses:	Units:	Historical			Projected									
		FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Net Sales by Segment:														
UnitedHealthcare	\$ 000	\$200,875.0	\$222,899.0	\$249,741.0	\$280,324.2	\$314,652.5	\$351,486.7	\$390,736.1	\$434,368.3	\$482,872.8	\$536,793.6	\$596,735.5	\$663,371.0	\$737,447.4
Optum Health	\$ 000	39,808.0	54,065.0	71,174.0	89,301.0	105,475.0	118,740.9	129,371.1	140,661.6	152,648.4	165,369.1	178,863.3	193,172.3	208,339.9
Optum Insight	\$ 000	10,802.0	12,199.0	14,581.0	16,622.3	18,949.5	21,602.4	24,626.7	28,074.5	32,004.9	36,485.6	41,593.6	47,416.7	54,055.0
Optum Rx	\$ 000	87,498.0	91,314.0	99,773.0	105,693.0	110,977.7	116,526.5	122,352.9	128,470.5	134,894.0	141,638.7	148,720.7	156,156.7	163,964.5
Optum Eliminations	\$ 000	(1,800.0)	(2,013.0)	(2,760.0)	(3,671.2)	(4,104.9)	(4,540.0)	(4,978.3)	(5,459.5)	(5,988.2)	(6,569.3)	(7,208.3)	(7,911.3)	(8,685.1)
Other Eliminations	\$ 000	(80,042.0)	(90,867.0)	(108,347.0)	(121,149.5)	(135,461.2)	(149,819.2)	(164,282.6)	(180,164.0)	(197,610.9)	(216,787.1)	(237,874.1)	(261,073.5)	(286,609.2)
Total Consolidated Sales:	\$ 000	\$257,141.0	\$287,597.0	\$324,162.0	\$367,119.8	\$410,488.5	\$453,997.5	\$497,825.9	\$545,951.4	\$598,821.0	\$656,930.6	\$720,830.6	\$791,131.8	\$868,512.6
Annual Growth Rate:	%	6.2%	11.8%	12.7%	13.3%	11.8%	10.6%	9.7%	9.7%	9.7%	9.7%	9.7%	9.8%	9.8%
Patients Served by Segment														
UnitedHealthcare	# 000 Patients	48,435.0	50,630.0	51,695.0	53,762.8	55,913.3	57,870.3	59,606.4	61,394.6	63,236.4	65,133.5	67,087.5	69,100.1	71,173.1
Optum Health	# 000 Patients	98,000.0	100,000.0	102,000.0	105,060.0	108,737.1	113,086.6	117,610.0	122,314.4	127,207.0	132,295.3	137,587.1	143,090.6	148,814.2
Total Patients Served:	# 000 Patients	146,435.0	150,630.0	153,695.0	158,822.8	164,650.4	170,956.9	177,216.4	183,709.0	190,443.4	197,428.8	204,674.6	212,190.7	219,987.4
Annual Growth Rate:	%		2.9%	2.0%	3.3%	3.7%	3.8%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Patient Enrollee Growth by Segment:														
UnitedHealthcare	%	(1.5%)	4.5%	2.1%	4.0%	4.0%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Optum Health	%	2.1%	2.0%	2.0%	3.0%	3.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Eliminations Growth														
Optum Eliminations	%	8.4%	11.8%	37.1%	33.0%	11.8%	10.6%	9.7%	9.7%	9.7%	9.7%	9.7%	9.8%	9.8%
Other Eliminations	%	23.8%	13.5%	19.2%	11.8%	11.8%	10.6%	9.7%	9.7%	9.7%	9.7%	9.7%	9.8%	9.8%
Optum Insight & Rx Growth														
Optum Rx Scripts Filled	# M Scripts Filled	1,300.0	1,368.0	1,438.0	1,509.9	1,585.4	1,664.7	1,747.9	1,835.3	1,927.1	2,023.4	2,124.6	2,230.8	2,342.4
Optum Rx Script Growth Rate	%	-3.0%	5.2%	5.1%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Optum Insight	%	8.0%	12.9%	19.5%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Average Revenue Per Unit:														
UnitedHealthcare	\$ / Patient	\$4.15	\$4.40	\$4.83	\$ 5.21	\$ 5.63	\$ 6.07	\$ 6.56	\$ 7.08	\$ 7.64	\$ 8.24	\$ 8.89	\$ 9.60	\$ 10.36
Optum Health	\$ / Patient	0.41	0.54	0.70	0.85	0.97	1.05	1.10	1.15	1.20	1.25	1.30	1.35	1.40
Optum Rx	\$ / 000 Scripts	67.31	66.75	69.38	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00
Optum Eliminations % Revenue	%	0.7%	0.7%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Other Eliminations % Revenue:	%	31.1%	31.6%	33.4%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
Operating Income by Segment:														
UnitedHealthcare	\$ M	12,454.3	12,036.5	14,485.0	15,417.8	16,361.9	17,574.3	19,536.8	21,718.4	24,143.6	26,839.7	29,836.8	33,168.5	36,872.4
Optum Health	\$ M	3,423.5	4,487.4	6,049.8	7,367.3	8,701.7	9,796.1	10,673.1	11,604.6	12,593.5	13,643.0	14,756.2	15,936.7	17,188.0
Optum Insight	\$ M	2,722.1	3,403.5	3,586.9	3,989.4	4,547.9	5,184.6	5,910.4	6,737.9	7,681.2	8,756.5	9,982.5	11,380.0	12,973.2
Optum Rx	\$ M	3,849.9	4,109.1	4,390.0	4,756.2	4,994.0	5,243.7	5,505.9	5,781.2	6,070.2	6,373.7	6,692.4	7,027.1	7,378.4
Total Operating Income:	\$ M	22,449.8	24,036.6	28,511.7	31,530.7	34,605.5	37,798.7	41,626.2	45,842.0	50,488.5	55,612.9	61,267.9	67,512.3	74,412.0
Operating Margin by Segment:														
UnitedHealthcare	%	6.2%	5.4%	5.8%	5.5%	5.2%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Optum Health	%	8.6%	8.3%	8.5%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Optum Insight	%	25.2%	27.9%	24.6%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Optum Rx	%	4.4%	4.5%	4.4%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%