



UCI SMIF: Stock Pitch

UnitedHealth Group, Inc. (NYSE: UNH)

Rating: Buy

Current Price: \$532.51 as of 01/26/2025

Target Price: \$639.17 – 18.78% Upside

52-Week Range: \$436.38 - \$630.73

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UNH positioned for growth with a price target of \$639.17 (+18.78%)



Investment Thesis

UnitedHealth Group is positioned for long-term growth and shareholder returns driven by its diversified business model, market-leading scale, cross-segment synergies, and favorable regulatory conditions. Despite near-term risks such as margin pressures and regulatory challenges, we see large upside within UNH.



Cross-Business Segment Growth: UNH's integration of UnitedHealthcare and Optum enables consistent revenue growth (~16% YOY), driven by MA enrollment, OptumRx (~15% Rev YOY), and cross-segment synergies.



Operational Excellence & Scale: Economies of scale, bargaining power, and rich data analytics drive cost efficiencies, mitigate rising healthcare expenses, and support strong margins.



Strong Financial Positioning: Robust financials (double digit revenue growth, 23.7% ROE) and strategic capital deployment (Mergers & Acquisitions {M&A}, buybacks) underpin long-term shareholder value

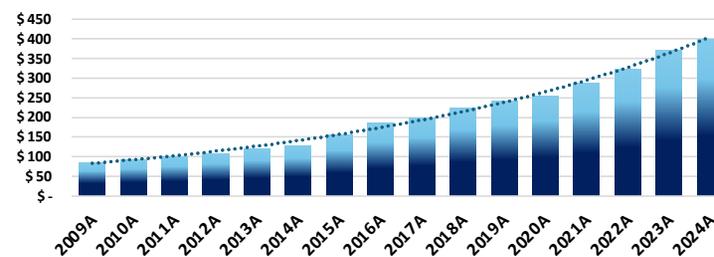
Key Drivers For Investment Thesis:

- Long term growth outlook supported by growing customer base and retention rates
- Diversified business model: Insurance, pharmacy, healthcare Infotech, ambulatory care
- Stable ROE, NI margin, revenue, and dividend growth
- Favorable Policy tailwinds = less regulatory pressures with new administration
- Economies of scale and bargaining power with 60 domestic financially stable suppliers
- Management confidence in ability to improve margins such as MLR

UNH: Company Highlights

NYSE: UNH Annual Revenue

(From 2009 - 2024, In mm Of USD)



0.31 Adjusted Beta

Relative to peers avg.
Adj. Beta of 0.54

52 Millions Customers

2.2 Billion beverage servings daily

33.62% Market Share

For the LTM Ending Q3 2024
(Insurance & Med Services)

12 Acquisitions

and 7 venture Investments in
the the last 5 years

UnitedHealth Group: A Bifurcated Healthcare Giant



NYSE: UNH – UnitedHealthcare & Optum

UnitedHealth Group Inc. operates through UnitedHealthcare and Optum, offering health insurance and care services. It's the world's largest insurer, driven by a diverse portfolio, innovative offerings, and value-based care

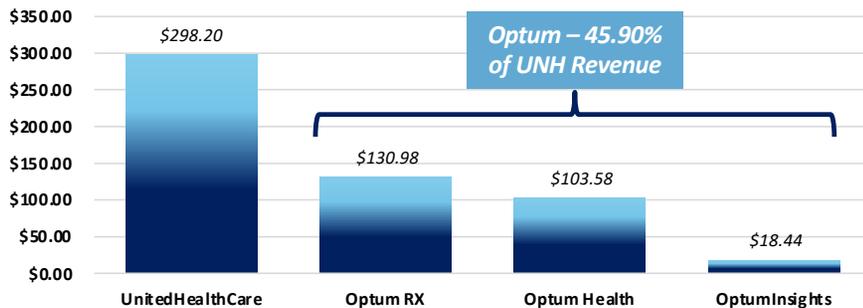
- **Coverage:** Serves the U.S. and 150+ countries with 7,200 facilities
- **Revenue:** 80% from premiums, 20% from other sources

UnitedHealthcare: Provides health benefits via Employer & Individual (27.3M members), Medicare & Retirement (7.7M members), and Community & State plans

Optum: Segmented into three subsidiaries- Optum Rx (pharma), OptumHealth (Medial Care- Primary &), OptumInsights (HCIT)

Revenue by Subsidiary Business

(2024A, In mm of USD)



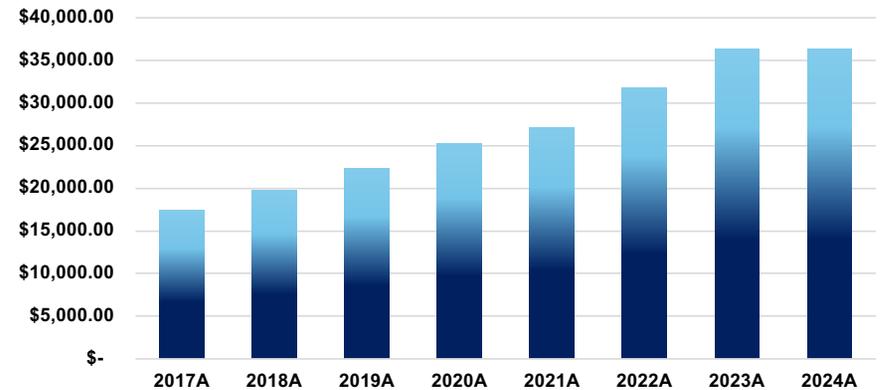
Key Growth Drivers:

- **Corporate Strategy:** Customer retention, medical care cost management
- **Business:** Exposure to payer & provider segments of industry, Size of business
- **Active Initiatives:** Expanding managed coverage business, active M&A strategy

Avg Revenue Growth	Avg EBITDA Growth	Avg Div Growth
16.49% (Last 5 yrs)	10.35% (Last 5yrs)	22.31% (Last 15 yrs)

NYSE: UNH Annual EBITDA

(From 2017-2024, In mns of USD)



UnitedHealth Group: Business Overview



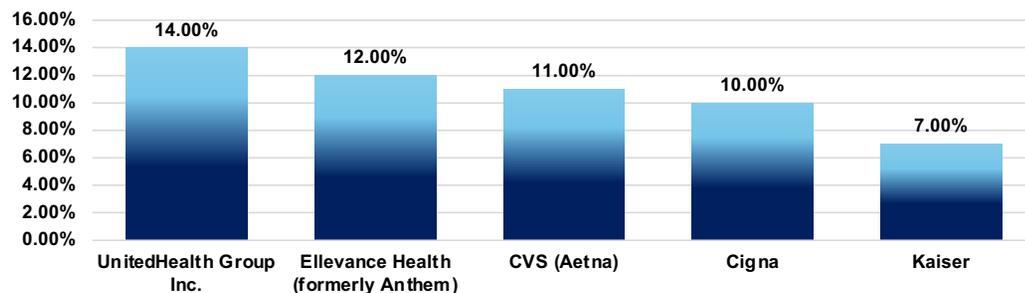
UNH Business Description

UnitedHealth is the Largest health insurance and comprehensive, patient-centered care organization, offering a full range of health benefits, primary, specialty, urgent, and surgical care, data and analytics, and pharmacy care services. Through its subsidiaries, Optum and UnitedHealthcare, the company can provide insurance, benefits, and health care to people of all ages, lifestyles, and budgets.

Customers: government agencies, employers, healthcare providers, families, individuals

Market Share: UNH currently makes up 14% of the U.S. health insurance market, leading all other U.S. competitors

US Health Insurance Market Share
(2022 in %)



UNH Financial Summary

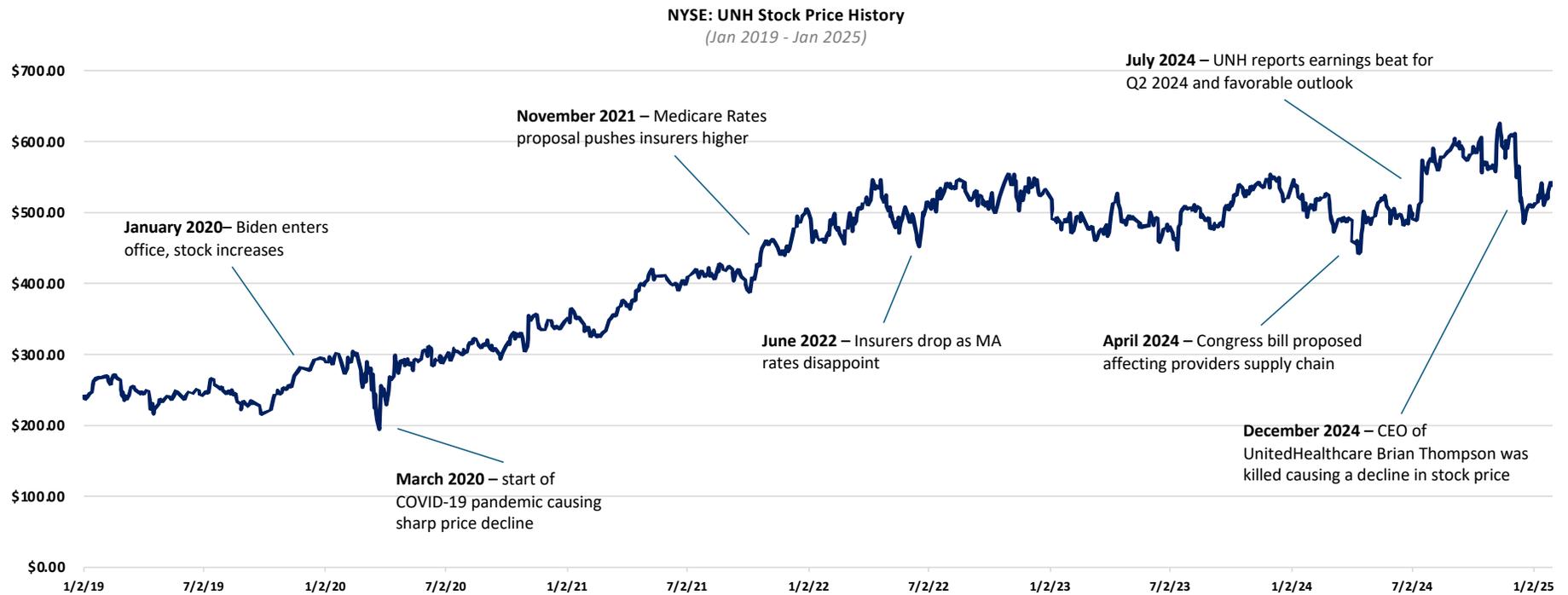
Profile FY 2024	In mns of USD
Market Cap:	465,535.0
Enterprise Value:	552,306.9
Shares Outstanding:	920.28
Float	99.77%
Dividend Yield:	1.55%
Beta: 2 Year:	.31
Revenue:	400,278.0
P/Diluted EPS:	15.16x
PEG Ratio:	1.59
ROE – Prior Year:	26.88%
Debt/Capital	14.8%

Source: Bloomberg Terminal, S&P Capital IQ, and Yahoo Finance 01/25/2025

UnitedHealth Group: Stock Price History



UNH Price History Timeline



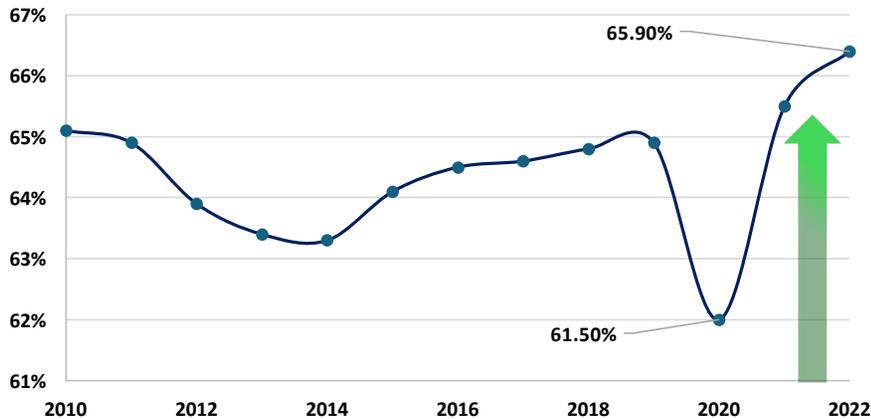
Industry Analysis: Rising Healthcare Demand & Spend



Industry Tailwinds: Increased Spend & Utilization

- **Fundamentals:** Aging population and delayed surgeries continue boosting providers, with Bloomberg Intelligence (BI) projecting growth through 2025
- **Electoral Impact:** Potential Trump policies favor payers by opposing RR cuts and promoting deregulation, aimed at increasing competition between insurers
- **Hospitals & Clinics:** BI and Wall Street remain optimistic due to elevated surgeries and high utilization rates

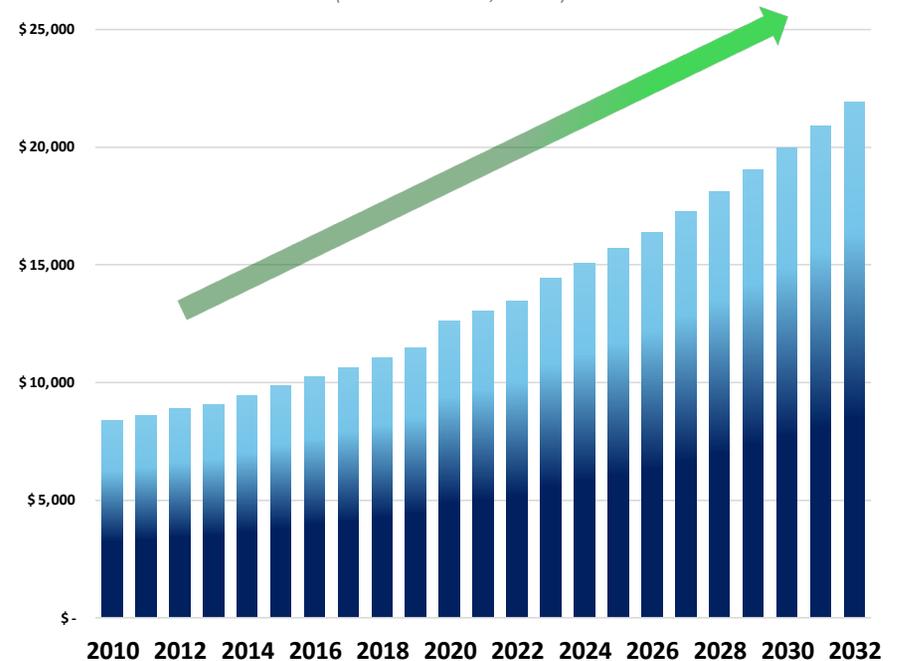
U.S. Hospital Bed Occupancy Rate
(From 2010 - 2022, in %)



U.S Individual Healthcare Expenditures Expected to Continue Rising

U.S. National Health Expenditure Per Capita

(From 1960-2022, In USD)



UNH's Path To Maximizing Competitive Advantage



UNH's Dominant Positioning Within The Market – Porter's 5 Forces

Competition from Rivals: Strength

- Historical industry leader
- Strength in size through margins & bargaining power
- For reference, next largest player in market, ELV, has 55% less revenue for 2024 FY than UNH

Power of Suppliers: Weakness

- **High switching costs:** UNH's long-standing supply chain makes changing suppliers costly.
- **Limited specialized suppliers:** UNH relies on just 31 mostly U.S.-based suppliers for specialized medical products.

Power of Buyers: Weakness

- **Transparency:** Insurance regulations let buyers easily compare providers.
- **Large buyers:** Major clients (e.g., companies, unions) can switch providers, causing substantial business losses.

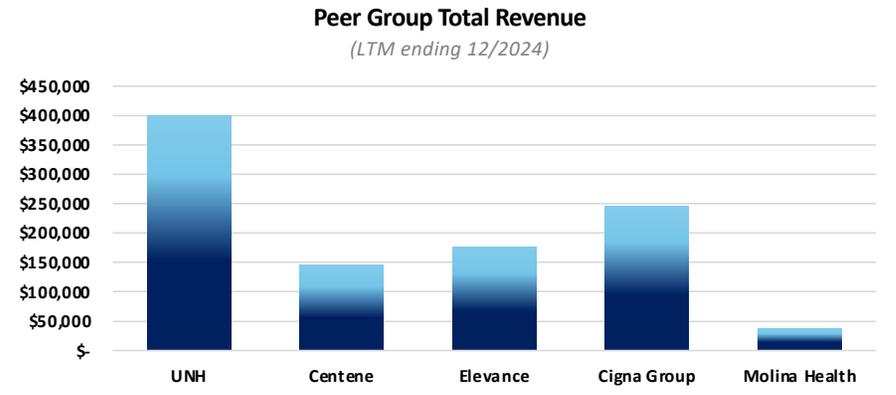
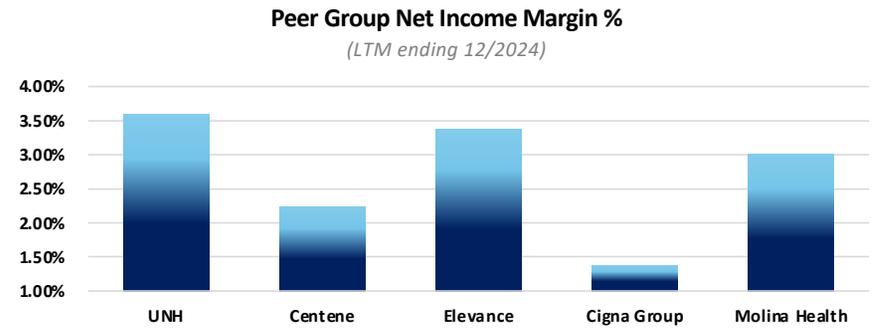
Threat of Substitutes: Strength

- **Broad brand offerings:** Spanning insurance and medical services, allowing cross-selling and reducing substitute appeal.
- **Innovate and data-rich business:** Through Optum Insights, they use advanced analytics to improve service and discourage switching.

Threat of New Entrants: Strength

- **Capital intensive:** Large-scale medical operations require significant funding, deterring new entrants.
- **Highly regulated:** Strict compliance in insurance concentrates the market and limits new competition.

UNH's Strength in Size Relative to its Competitors



Comprehensive Valuation Analysis: UNH's Road to \$639.17

Valuation Rationale & Methodology

Blended Valuation Upside
= 18.78%

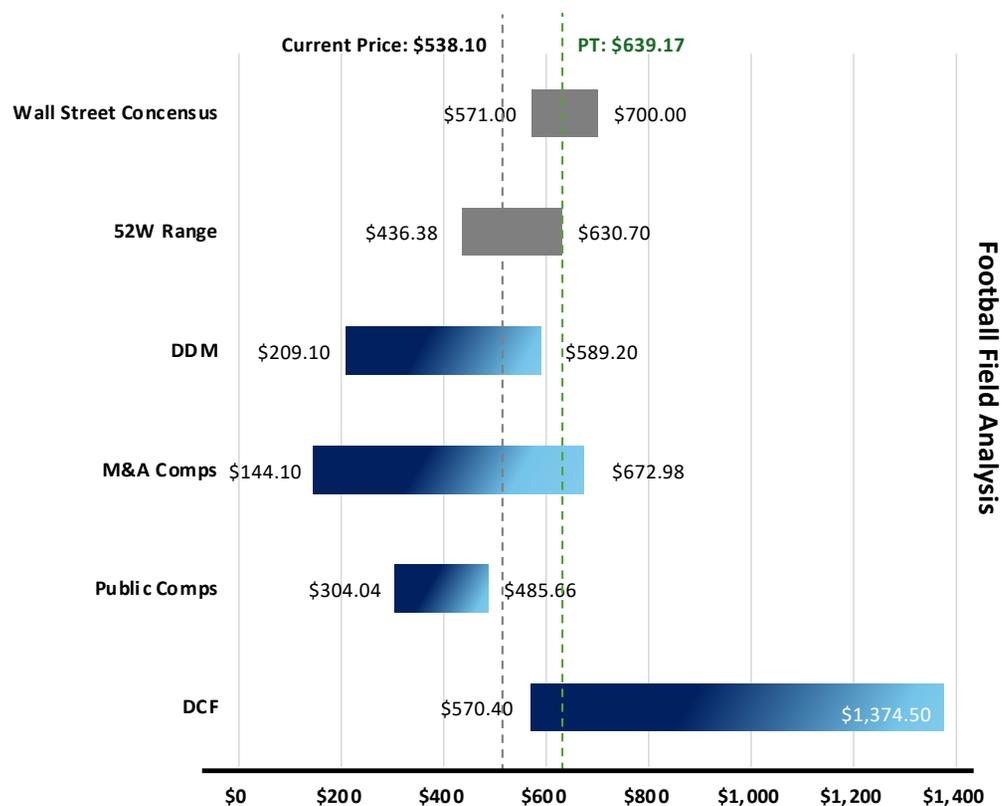
- Valuation Summary:** Our **\$666.68 price target** derived through a blended valuation approach is driven by: strong intrinsic value, a diversified business model, sustained growth, strategic capital allocation, divestments of low-growth assets, and favorable external factors positioning UNH to enhance margins, drive growth, and maintain strong shareholder returns.

DCF: A highly relevant approach to valuing UNH, exit multiple method struggles from limited comp group, but perpetuity method captures UNH's future value well.

DDM: A sound approach, however given UNH's high dividend growth, and that most of UNH's expected value is from capital gains and not dividends given its sector & growth rate, this a less relevant approach compared to others.

Public Comparables: Limited true comparable peer companies given UNH's size and diversified segments of business make this a weaker approach to valuation.

M&A Comparables: Not an appropriate valuation method given company's positioning and UCI's fund investment strategy.



Valuation: Navigating a Limited Peer Group & High Intrinsic Value



Public Comparable Company Analysis

- **Public Comps Rationale:** UNH is simply too broad and large in size to have any true compatible peer companies. However based on size, industry, and location, we identified four comps we felt were most relevant to UNH: ELV, CI, CNC, MOH
- **Valuation:** P/E multiple (13.2x) chosen over EV/EBITDA and EV/Revenue due to comparable tax, capital expenditures, and depreciation policies
- **Implied Share Price:** \$395.91 (-26.42% downside), though this suggests UNH is overvalued, the projected downside may stem from peers' mispricing and inefficiencies, which UNH largely avoids.

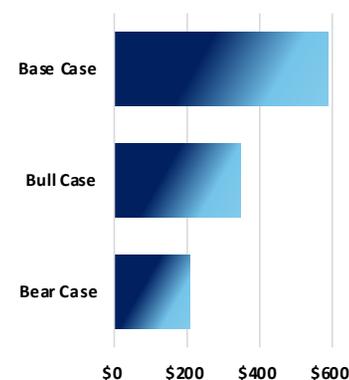
DDM Analysis

Key Assumptions (Base Case):

- Stage 1 Growth: 9.56%
- Stage 2 Growth: 6.00%
- Cost of Equity: 9.06%

→ Bear Case: \$209.10
 → Base Case: \$348.69
 → Bull Case: \$589.29

DDM Implied Share price



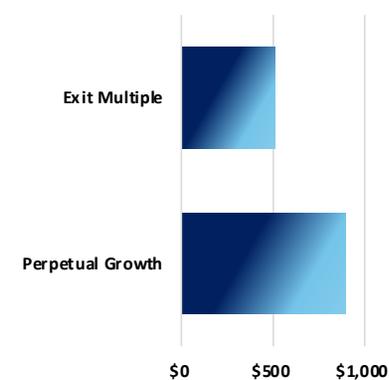
DCF Analysis (Perpetuity)

Key Assumptions (Base Case):

- WACC: 8.01%
- Revenue Growth: 8.23%
- Terminal Value: 2.00%
- COGS as % of Rev: 75.50%

→ Bear Case: \$570.40
 → Base Case: \$896.06
 → Bull Case: \$1,374.50

DCF Base Case Share Price



Valuation Statistics:	Capitalization		Enterprise Value / Revenue FY 24	Enterprise Value / EBITDA FY 24	P/E P/E Multiple FY 24
	Equity Value	Enterprise Value			
Company Name					
Elevance health	\$95,375.90	\$92,037.90	0.5x	7.8x	13.1x
The Cigna Group	85,036.80	111,289.80	0.5x	8.6x	13.2x
Centene Corp	33,265.60	33,403.60	0.2x	7.8x	10.4x
Molina Healthcare	17,839.50	11,154.50	0.3x	5.8x	15.8x
UnitedHealth Group	\$500,192.90	\$552,306.90	1.4x	15.2x	16.1x
Mean			0.4x	7.5x	13.2x

Financial Excellence: Leading Metrics, Increasing EPS Growth, and ROE



Leading The Pack: Dominating At The Top And Bottom Lines

1.9x
Peer Group Avg. LTM EBITDA Margin

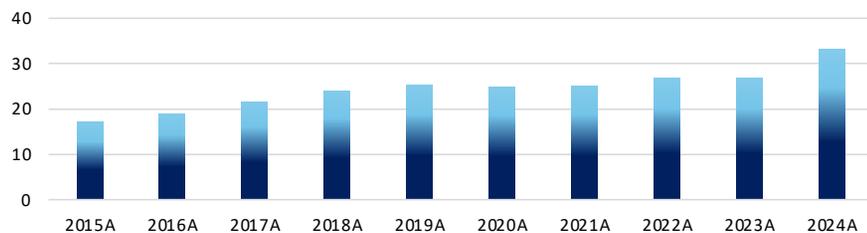
1.46x
Peer Group Avg. LTM NI Margin

1.34x
Peer Group Avg. NTM EPS Growth

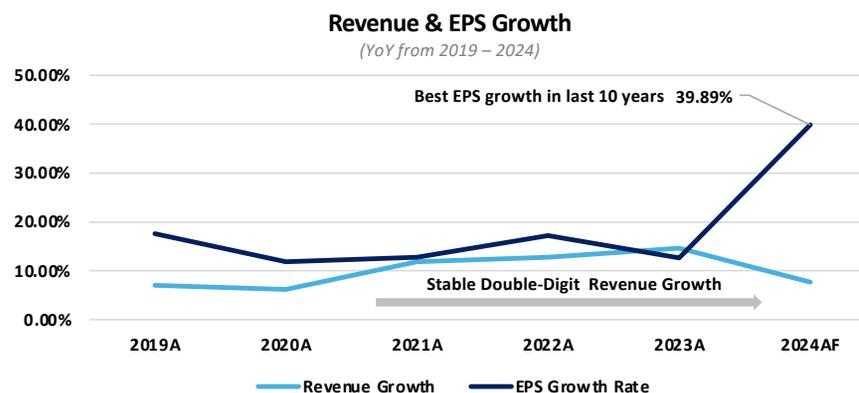
15 Earnings Beats
Out of Last 15 Quarters

- **DuPont Analysis:** ROE has steadily increased YOY, largest contribution to ROE seen from improved EGIT margin and % of NI available to Common Shareholders

Adjusted Return on Equity (YoY 2015 – 2024)



Highlighted Financials: EPS & Revenue Growth, EPS, P/E



Financial Metric	2019A	2020A	2021A	2022A	2023A	2024A
Revenue	242,155.0	257,141.0	287,579.0	324,162.0	371,622.0	400,278.0
EBITDA Margins	9.67%	10.27%	9.83%	10.22%	10.15%	9.09%
EPS	14.33	16.03	18.08	21.18	23.86	33.38
FCFF Yield	5.88	6.07	4.21	4.73	5.28	4.45
Payout Ratio	60.66	48.00	51.63	58.34	59.91	52.75
P/E Ratio-TTM	20.52	21.88	27.77	25.03	22.06	15.16

UNH Poised For Double Digit Return: UCI SMIF In Line With Street



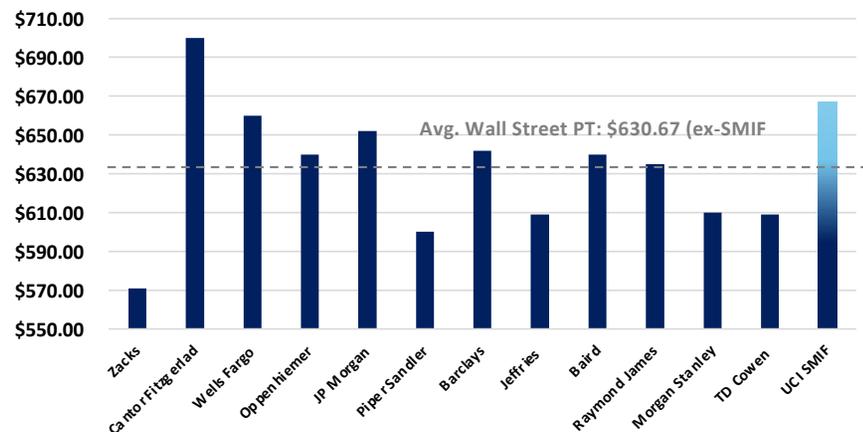
Sanity Checking Our Fair Value Share Price

When looking at Wall Street Firm's current stance on UNH, we see a 96.70% buy rating with a 0% hold. This consensus is quite favorable relative to UNH's peer group with an average Wall Street buy rating of 60.40%

- When comparing our team's analysis to the average Wall Street analyst price target of \$630.67, we reaffirm our PT as it falls within about one standard deviation (\$33.50) of the Wall Street average price target

Wall Street Analysts Price Targets

(Jan 2025)



Blended Valuation Methodology

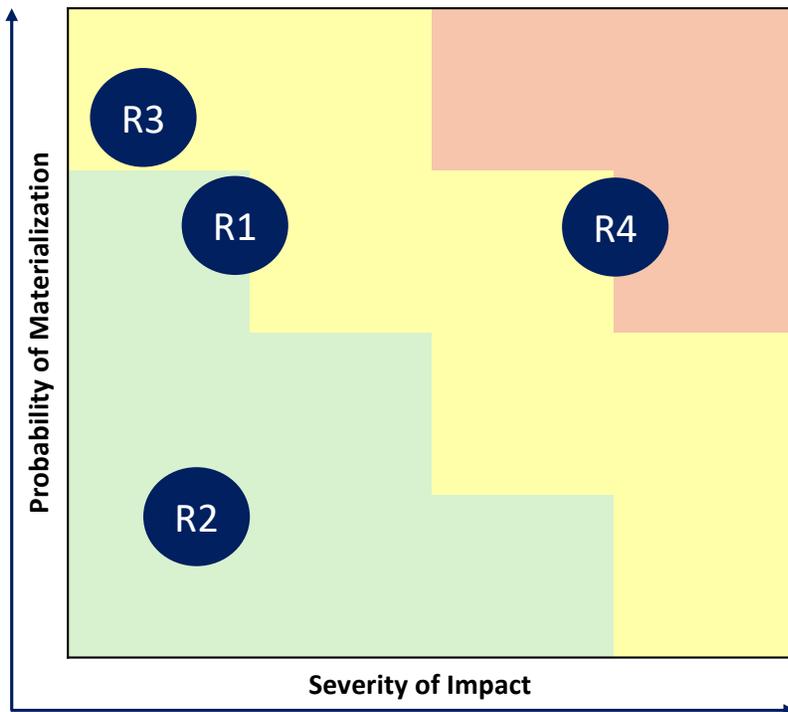
Method	Implied Share Price (Base)	Method Weight
DCF	\$896.60	0.5
Public Comps	\$395.91	0.35
M&A Comps	\$672.98	0
DDM	\$348.69	0.15
Price Target		\$639.17
Current Price		\$538.10
Upside/Downside		18.78%

- Approach:** We chose to utilize a blended valuation approach to derive a fair value share price as we believe a singular modeling technique does not fully account for the real value of a business as well as the businesses value relative to its competitors
- Intrinsic Valuation Methods:** We opted to drastically overweight the DCF analysis (50%) relative to the DDM analysis (15%) given UNH's low non-dividend centric business, high top-line growth, and future reinvestment needs
- Relative Valuation Methods:** As mentioned, peer companies/transactions were exceptionally difficult to identify, however we cannot disregard the heightened multiples UNH trades at relative to its peers— however justified we believe them to be. Thus Public Comps holds 35% weight within our blended valuation.

Risks To Our Price Target: Margins, Competition, Regulation, and Cyber



Probability of Risk Relative to Risks Impact on Business



Key Risks & Mitigants

Risk One (R1) – Margin Pressures: High MLR requirements and rising healthcare costs put pressure on operating margins

Mitigant One: Tailwinds that help mitigate these pressures include promised deregulation under the Trump Administration and UNH’s bargaining power as an economy of scale

Risk Two (R2) – Competitive Pressure: The health benefits and care services industry is saturated, with competitors such as The Cigna Group, Elevance Health, Centene Corp, and Molina Healthcare. Effecting the prices UNH can charge

Mitigant Two: While there are competitors, UNH’s scale and innovation with their products and services allows to them to dominate as the leader in the health benefits and care services industry.

Risk Three (R3) – Regulatory Challenges: Regulations put for by the ACA, HIPPA, and HITECH have potential to compress net margins and increase expense on security, with the threat of fines for non-compliance

Mitigant Three: The new Admin acts as a mitigant through deregulation, while UNH’s commitment to provide fair and high-quality service to their customers aligns with existing regulations

Risk Four (R4) – Cybersecurity Risks: UNH has faced previous cyberattacks, including one on its subsidiary Change Healthcare (2024). In response, systems were down, security measures rebuilt, & over \$1.7 billion was spent ameliorating the breach

Mitigant Four: UNH’s previous cyber breach made their team aware of this risk. Coupled with spending after the breach on security, we find it unlikely for another breach to occur in the near term



Buy – \$639.17 or 18.78% upside

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Appendix

UCI SMIF: Stock Pitch

UnitedHealth Group, Inc. (NYSE: UNH)

Appendix I. Technical Analysis

Technical Analysis

Summary and Recommendation:

UNH currently presents a stable entry point for long-term investors. Key market traps, such as liquidity sweeps and FVG imbalances, have been resolved, creating a clean environment for potential upward momentum. Institutional support near \$500 reinforces the stock's ability to maintain its position in the near term.

For short-term options traders, however, I do not see significant near-term volatility or large price movements, as momentum is still building. Long-term investors can benefit from the current market structure, while short-term gains may require patience.

Fair Value Gap (FVG) Analysis



Appendix II. Valuation Tables



Relative Valuation – Public Comps Peer Group Data

Peer Group Financial Data:						
Ticker	UNH	ELV	CI	CNC	MOH	
Company Name	UnitedHealth Group	Elevance health	The Cigna Group	Centene Corp	Molina Healthcare	
Period	2024 A	2024 A	2023 A	2023 A	2023 A	2023 A
52-Week High	630.7	567.26	370.83	81.42	423.92	
52-Week Low	436.38	362.21	262.03	55.03	272.69	
Current Price:	543.52	411.24	305.72	65.89	311.88	
52-Week High % Change	-13.8%	-27.5%	-17.6%	-19.1%	-26.4%	
52-Week Low % Change	24.6%	13.5%	16.7%	19.7%	14.4%	
Total Common Shares (M)	920.28	231.9	279.8	510.1	57.0	
Market Capitalization	500,192.9	95,375.9	85,036.8	33,265.6	17,839.5	
Total Debt	76,904.0	31,232.0	32,802.0	17,605.0	82,704.0	
Preferred Stock	-	-	-	-	-	
Minority Interest	4,323.0	111.0	203.0	102.0	-	
- Cash & Cash Equivalents	29,113.0	34,681.0	6,752.0	17,569.0	9,214.0	
Enterprise Value	552,306.9	92,037.9	111,289.8	33,403.6	11,154.5	
Company Metric						
Total Revenue	FY	400,278.0	177,011.0	232,586.0	161,726.0	39,199.0
	FY+1	450,216.3	192,261.6	243,289.6	161,480.6	40,347.0
	FY+2	486,390.1	206,633.1	251,802.9	168,899.1	43,527.6
EBITDA	FY	36,386.0	11,746.0	12,929.0	4,287.0	1,916.0
	FY+1	41,812.8	11,506.9	12,551.3	4,817.4	2,027.1
	FY+2	46,329.2	12,865.9	13,508.6	4,832.8	2,221.2
EPS	FY	33.4	31.2	23.2	6.2	20.8
	FY+1	29.7	34.3	28.5	6.8	23.5
	FY+2	33.5	39.3	31.5	7.2	25.6
Net Income	FY	31,009.1	7,259.7	6,428.4	3,190.9	1,128.0
	FY+1	27,282.9	7,684.7	8,068.2	3,583.8	1,359.9
	FY+2	30,380.3	8,690.9	8,453.9	3,530.1	1,457.8

Source: Bloomberg XLTP XCVA, FA Key Metrics

Appendix II. Valuation Tables (Continued)



Relative Valuation (Continued) – Public Comps Multiples

Operating Statistics:	Capitalization		Revenue			EBITDA			Net Income			EBITDA Margin		
	Equity Value	Enterprise Value	FY	FY+1	FY+2	FY	FY+1	FY+2	FY	FY+1	FY+2	FY	FY+1	FY+2
Elevance health	\$ 95,375.9	\$ 92,037.9	\$ 177,011.0	\$ 192,261.6	\$ 206,633.1	\$ 11,746.0	\$ 11,506.9	\$ 12,865.9	\$ 7,259.70	\$ 7,684.70	\$ 8,690.90	6.64%	5.99%	6.23%
The Cigna Group	85,036.8	111,289.8	232,586.0	243,289.6	251,802.9	12,929.0	12,551.3	13,508.6	6,428.4	8,068.2	8,453.9	5.56%	5.16%	5.36%
Centene Corp	33,265.6	33,403.6	161,726.0	161,480.6	168,899.1	4,287.0	4,817.4	4,832.8	3,190.9	3,583.8	3,530.1	2.65%	2.98%	2.86%
Molina Healthcare	17,839.5	11,154.5	39,199.0	40,347.0	43,527.6	1,916.0	2,027.1	2,221.2	1,128.0	1,359.9	1,457.8	4.89%	5.02%	5.10%
Maximum		111,289.8	232,586.0	243,289.6	251,802.9	12,929.0	12,551.3	13,508.6	7,259.7	8,068.2	8,690.9	6.64%	5.99%	6.23%
Median	\$ 62,720.8	\$ 169,368.5	\$ 176,871.1	\$ 187,766.1	\$ 8,016.5	\$ 8,162.2	\$ 8,849.4	\$ 4,809.7	\$ 5,634.3	\$ 5,992.0	\$ 5,225.2	5.22%	5.09%	5.23%
Mean	\$ 61,971.5	\$ 152,630.5	\$ 159,344.7	\$ 167,715.7	\$ 7,719.5	\$ 7,725.7	\$ 8,357.1	\$ 4,501.8	\$ 5,174.2	\$ 5,533.2	\$ 4,933.2	4.93%	4.79%	4.89%
Minimum		11,154.5	39,199.0	40,347.0	43,527.6	1,916.0	2,027.1	2,221.2	1,128.0	1,359.9	1,457.8	2.65%	2.98%	2.86%

UnitedHealth Group	\$500,192.9	\$ 552,306.9	\$ 400,278.0	\$ 450,216.3	\$ 486,390.1	\$ 36,386.0	\$ 41,812.8	\$ 46,329.2	\$ 31,009.10	\$ 27,282.90	\$ 30,380.30	9.09%	9.29%	9.53%
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Valuation Statistics:	Capitalization		Enterprise Value / Revenue			Enterprise Value / EBITDA			P/E Multiple		
	Equity Value	Enterprise Value	FY	FY+1	FY+2	FY	FY+1	FY+2	FY	FY+1	FY+2
Elevance health	\$ 95,375.9	\$ 92,037.9	0.5x	0.5x	0.4x	7.8x	8.0x	7.2x	13.1x	12.4x	11.0x
The Cigna Group	85,036.8	111,289.8	0.5x	0.5x	0.4x	8.6x	8.9x	8.2x	13.2x	10.5x	10.1x
Centene Corp	33,265.6	33,403.6	0.2x	0.2x	0.2x	7.8x	6.9x	6.9x	10.4x	9.3x	9.4x
Molina Healthcare	17,839.5	11,154.5	0.3x	0.3x	0.3x	5.8x	5.5x	5.0x	15.8x	13.1x	12.2x
Maximum		111,289.8	0.5x	0.5x	0.4x	8.6x	8.9x	8.2x	15.8x	13.1x	12.2x
Median	\$ 62,720.8	\$ 169,368.5	0.4x	0.4x	0.3x	7.8x	7.5x	7.0x	13.2x	11.5x	10.5x
Mean	\$ 61,971.5	\$ 152,630.5	0.4x	0.4x	0.3x	7.5x	7.3x	6.8x	13.2x	11.3x	10.7x
Minimum		11,154.5	0.2x	0.2x	0.2x	5.8x	5.5x	5.0x	10.4x	9.3x	9.4x

UnitedHealth Group	\$500,192.9	\$ 552,306.90	1.4x	1.2x	1.1x	15.2x	13.2x	11.9x	16.1x	18.3x	16.5x
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Appendix II. Valuation Tables (Continued)



Relative Valuation (Continued) – Public Comps Implied Per Share Value Range

Valuation Summary - UnitedHealth group										
Trading Multiple	UnitedHealth Group - Range of Valuation Multiples / Premiums				Applicable Company Figure	UnitedHealth Group - Implied Per Share Value Range				
	Maximum Multiple	Mean Multiple	Median Multiple	Minimum Multiple		Minimum Multiple	Median Multiple	Mean Multiple	Maximum Multiple	
Public Company Comparables:										
FY EV / Revenue:	0.5x	0.4x	0.4x	0.2x	\$400,278.0	\$42.60	\$118.71	\$107.12	\$178.92	
FY+1 EV / Revenue:	0.5x	0.4x	0.4x	0.2x	450,216.3	\$53.97	\$132.29	\$126.37	\$186.96	
FY+2 EV / Revenue:	0.4x	0.3x	0.3x	0.2x	486,390.1	\$57.29	\$137.28	\$130.01	\$188.18	
FY EV / EBITDA:	8.6x	7.5x	7.8x	5.8x	36,386.0	\$182.95	\$261.71	\$249.87	\$293.10	
FY+1 EV / EBITDA:	8.9x	7.3x	7.5x	5.5x	41,812.8	\$202.78	\$291.99	\$285.60	\$355.63	
FY+2 EV / EBITDA:	8.2x	6.8x	7.0x	5.0x	46,329.2	\$205.58	\$306.81	\$296.68	\$367.51	
FY P/E:	15.8x	13.2x	13.2x	10.4x	31,009.1	\$304.04	\$396.97	\$395.91	\$485.66	
FY+1 P/E:	13.1x	11.3x	11.5x	9.3x	27,282.9	\$227.95	\$292.97	\$288.89	\$341.67	
FY+2 P/E:	12.2x	10.7x	10.5x	9.4x	30,380.3	\$263.85	\$299.94	\$305.12	\$356.74	
Implied Enterprise Value:			\$82,675.18		Implied Enterprise Value or Equity Value at a Range of Multiples:					
(+) Cash & Cash-Equivalents:			29,113.00		Enterprise Value -->	\$ 82,675.2	\$ 152,716.0	\$ 142,045.8	\$ 208,126.9	
(+) Equity Investments:			-		Enterprise Value -->	93,131.0	165,207.3	159,767.3	215,523.9	
(+) Other Non-Core Assets, Net:			-		Enterprise Value -->	96,194.6	169,807.2	163,113.9	216,646.4	
(+) Net Operating Losses:			-		Enterprise Value -->	211,830.7	284,311.4	273,413.9	313,202.2	
(-) Total Debt:			(76,904.00)		Enterprise Value -->	230,082.8	312,183.7	306,298.9	370,745.5	
(-) Preferred Stock:			-		Enterprise Value -->	232,657.6	325,821.3	316,495.1	381,680.4	
(-) Noncontrolling Interests:			4,323.0		Equity Value -->	323,274.4	408,793.3	407,818.7	490,413.9	
(-) Unfunded Pension Obligations:			-		Equity Value -->	253,245.7	313,083.4	309,329.1	357,903.7	
(-) Capital Leases:			-		Equity Value -->	286,286.2	319,496.1	324,262.6	371,772.1	
(-) Restructuring & Other Liabilities:			-							
Implied Equity Value:			39,207.2							
Diluted Shares Outstanding:			920.28							

Appendix II. Valuation Tables (Continued)



Relative Valuation (Continued) – M&A Comps Peer Group Information

Precedent Transactions - Deal Multiples											
Company Name	Key Transaction Metrics			Valuation/ Revenue	Valuation/ EBITDA	Deal Date	Deal Type	Investor	Deal Location		
	Valuation	Revenue	EBITDA								
Magellan Health	\$ 2,566.0	\$ 4,821.5	\$ 116.9	0.5x	21.9x	4/1/2022	M&A	Centene	Columbia, MD		
Signify Health	8,000.0	805.5	(56.90)	9.9x	NM	29/03/2023	M&A	CVS Health	Dallas, TX		
Diplomat Pharmacy	300.0	5,206.3	(530.11)	0.1x	NM	7/2/2020	M&A	Optum	Flint, MI		
Doctor's Medical Center	300.7	194.0	22.00	1.6x	13.7x	2/7/2021	M&A	Cano Health	Miami, FL		
AlerisLife	46.7	708.0	(21.45)	0.1x	NM	20/03/2023	M&A	ABP Acquisition	Netwon, MA		
Oak Street Health	10,600.0	2,160.9	(471.80)	4.9x	NM	2/5/2023	M&A	CVS Health	Chicago, IL		
Tivity Health	3,200.0	500.7	157.71	6.4x	20.3x	28/05/2022	LBO/Buyout	StonePoint Capital	Franklin, TN		
One Medical	3,500.0	1,045.6	(328.51)	3.3x	NM	22/02/2023	M&A	Amazon Inc	San Francisco, CA		
CareMax	811.0	106.1	9.20	7.6x	88.2x	8/5/2021	Reverse Merger	Deerfield Healthca	Miami, FL		
WellCare Health Plans	19,555.0	26,983.3	1,211.50	0.7x	16.1x	23/01/2020	M&A	Centene	Tampa, FL		
Babylon Health	4,135.0	244.2	(205.56)	16.9x	NM	21/10/2021	Reverse Merger	Alkuri Global Acqu	Austin, TX		
Cano Health	4,859.0	970.9	(21.93)	5.0x	NM	4/5/2021	Reverse Merger	Jaws Acquisition	Miami, FL		
Community Family Care Medical Group	121.0	190.0	25.00	0.6x	4.8x	31/01/2024	M&A	Astrana Health	Gardena, CA		
Hydreight Technologies	2.7	0.3	(0.17)	7.8x	NM	10/2/2021	M&A	Vitcory Square Tec	Las Vegas, NV		
											Source: Pitchbook
				Maximum	16.9x	88.2x					
				Median	4.1x	18.2x					
				Mean	4.7x	27.5x					
				Minimum	0.1x	4.8x					
UnitedHealth Group	\$552,306.90	\$400,278.00	\$36,386.00	1.4x	15.2x						

Appendix II. Valuation Tables (Continued)



Relative Valuation (Continued) – M&A Comps Implied Per Share Value Range

Valuation Summary - UnitedHealth Group					Implied Per Share Value Range				
Valuation Multiple	Range of Valuation Multiples				Applicable Company Figure	Minimum Multiple	Median Multiple	Mean Multiple	Maximum Multiple
	Maximum Multiple	Mean Multiple	Median Multiple	Minimum Multiple					
Precedent Transaction Comparables:									
EV / Revenue	16.9x	4.7x	4.1x	0.1x	\$ 400,278.0	-\$22.17	\$1,747.57	\$1,989.21	\$7,318.05
EV / EBITDA	88.2x	27.5x	18.2x	4.8x	\$ 36,386.0	\$144.10	\$672.98	\$1,040.28	\$3,438.12
Implied Enterprise Value:					Implied Enterprise Value at a Range of Multiples:				
			\$ 662,799.3		Enterprise Value -->	\$ 23,065.2	\$ 1,651,723.9	\$ 1,874,102.0	\$ 6,778,121.7
(+) Cash & Cash-Equivalents:			29,113.00		Enterprise Value -->	\$ 176,079.1	\$ 662,799.3	\$ 1,000,821.1	\$ 3,207,505.0
(+) Equity Investments:			-						
(+) Other Non-Core Assets, Net:			-						
(+) Net Operating Losses:			-						
(-) Total Debt:			(76,904.00)						
(-) Preferred Stock:			-						
(-) Noncontrolling Interests:			4,323.0						
(-) Unfunded Pension Obligations:			-						
(-) Capital Leases:			-						
(-) Restructuring & Other Liabilities:			-						
Implied Equity Value:			619,331.3						
Diluted Shares Outstanding:			920.28						

Appendix II. Valuation Tables (Continued)



Intrinsic Valuation – DCF Assumptions With Base Case in Context

Discounted Cash Flow Analysis - UnitedHealth Group

Ticker	UNH	Implied price per share (perp)	\$896.06
Date	1/27/25	Current Share Price	538.1
Year-End	12/31/2024	Implied upside / (downside)	66.52%

Assumptions

Switch

Bear Switch 1

Assumptions	
Revenue Growth	6.00%
COGs as % of Revenue	77.00%

Base Switch 2

Assumptions	
Revenue Growth	8.23%
COGs as % of Revenue	75.50%

Bull Switch 3

Assumptions	
Revenue Growth	10.00%
COGs as % of Revenue	74.00%

WACC	8.01%
TGR	2.00%

WACC	9.00%
TGR	2.00%

WACC	8.01%
TGR	2.00%

WACC	7.00%
TGR	2.00%

Bear Assumptions

- Revenue Growth Decreases to 6% (in case of revenue miss)
- COGS increases to 77% & SG&A increases to 15.5% (unexpected increase in MLR or rising healthcare costs)
- WACC rises to 9% (fluctuations in WACC over past 5 years between 6-10%, average of 7.934)

Base Assumptions

- expect to improve MLR numbers, which would affect COGS (medical + benefits exp), was 150bps above guidance in 2024 so reasonable to subtract 1.5% from average of 76% COGs as revenue.
- Trump Administration is speculated to put more favorable regulations on the health insurance industry, a further tailwind supporting growth

Bull Assumptions

- Revenue Growth Decreases to 10% (able to accomplish double digit revenue growth)
- COGS decreases to 74.5% (improve margins with Trump admin, control MLR, rebate rates = 100%)
- WACC of 7% (fluctuations in WACC over past 10 years between 6-10%, average of 7.996)

Appendix II. Valuation Tables (Continued)



Intrinsic Valuation (Continued) – DCF Revenue and Tax Assumptions

Revenue CAGR Calculation (Base Case)				Revenue Weight Calculation			
\$ in Millions	Revenue	Revenue Weight		Revenue Weight	Base	Bear	Bull
UnitedHealthcare	\$298.20	54.10%		UnitedHealthcare	54.10%	6.00%	6.00%
Optum	\$253.00	45.90%		Optum	45.90%	10.85%	10.00%
Total Revenue	\$551.20			UNH CAGR		8.23%	
			Revenue Growth				
Optum Rx	\$133,231.00	51.77%	13.00%				
Optum Health	\$105,358.00	40.94%	9.00%				
Optum Insight	\$18,757.00	7.29%	6.00%				
Optum CAGR	\$257,346.00		10.85%				

Tax as % of EBIT					
	2019	2020	2021	2022	2023
EBIT	\$19,685.00	\$22,405.00	\$23,970.00	\$28,435.00	\$32,358.00
Tax Expense	\$3,742.00	\$4,973.00	\$4,578.00	\$5,704.00	\$5,968.00
	19.01%	22.20%	19.10%	20.06%	18.44%
Average tax as % of EBIT:					19.76%

Appendix II. Valuation Tables (Continued)



Intrinsic Valuation (Continued) – DCF Unlevered Free Cash Flow Projection With Base Case in Context

Projected Free Cashflow:									
Fiscal Year Ending December 31	Historical				Projected				
	2021 A	2022 A	2023 A	2024 A	1 2025 E	2 2026 E	3 2027 E	4 2028 E	5 2029 E
Revenue	\$287,597.00	\$324,162.00	\$371,622.00	\$400,278.00	\$433,209.46	\$471,016.29	\$514,477.65	\$564,521.65	\$613,788.28
Revenue Growth %		12.71%	14.64%	7.71%	8.23%	8.73%	9.23%	9.73%	8.73%
Cost of Goods Sold	\$217,945.00	\$244,545.00	\$280,664.00	\$310,879.00	\$327,073.14	\$355,617.30	\$388,430.63	\$426,213.84	\$463,410.15
% of Revenue	75.78%	75.44%	75.52%	77.67%	75.50%	75.50%	75.50%	75.50%	75.50%
Gross Profit	\$69,652.00	\$79,617.00	\$90,958.00	\$89,399.00	\$106,136.32	\$115,398.99	\$126,047.02	\$138,307.80	\$150,378.13
SG&A	\$42,579.00	\$47,782.00	\$54,628.00	\$53,013.00	\$62,262.14	\$67,695.85	\$73,942.25	\$81,134.72	\$88,215.46
% of Revenue	14.81%	14.74%	14.70%	13.24%	14.37%	14.37%	14.37%	14.37%	14.37%
EBITDA	\$27,073.00	\$31,835.00	\$36,330.00	\$36,386.00	\$43,874.17	\$47,703.14	\$52,104.78	\$57,173.09	\$62,162.66
less D&A	\$3,103.00	\$3,400.00	\$3,972.00	\$4,099.00	\$4,142.25	\$4,185.96	\$4,230.13	\$4,274.76	\$4,319.87
% of Revenue	1.08%	1.05%	1.07%	1.02%	1.06%	1.06%	1.06%	1.06%	1.06%
EBIT	\$23,970.00	\$28,435.00	\$32,358.00	\$32,287.00	\$39,731.92	\$43,517.18	\$47,874.65	\$52,898.32	\$57,842.80
Less Taxes at 24.06%	\$4,578.00	\$5,704.00	\$5,968.00	\$4,829.00	\$7,851.64	\$8,599.66	\$9,460.76	\$10,453.52	\$11,430.62
% of EBIT	19.10%	20.06%	18.44%	14.96%	19.76%	19.76%	19.76%	19.76%	19.76%
EBIAT	\$19,392.00	\$22,731.00	\$26,390.00	\$27,458.00	\$31,880.29	\$34,917.52	\$38,413.89	\$42,444.80	\$46,412.17
plus: D&A	\$3,103.00	\$3,400.00	\$3,972.00	\$4,099.00	\$4,142.25	\$4,185.96	\$4,230.13	\$4,274.76	\$4,319.87
less: Capital Expenditures	\$2,454.00	\$2,802.00	\$3,386.00	\$3,499.00	\$3,793.77	\$4,124.86	\$4,505.47	\$4,943.72	\$5,375.16
% of Revenue	0.85%	0.86%	0.91%	0.87%	0.88%	0.88%	0.88%	0.88%	0.88%
less: Change in Net Working Capital	-\$3,858.00	-\$5,772.00	\$23.00	\$5,730.00	-\$1,824.20	-\$1,983.40	-\$2,166.41	-\$2,377.14	-\$2,584.60
% of Revenue	-1.34%	-1.78%	0.01%	1.43%	-0.42%	-0.42%	-0.42%	-0.42%	-0.42%
Unlevered FCF	\$28,477.00	\$34,805.00	\$32,921.00	\$27,157.00	\$41,904.60	\$45,561.68	\$49,765.72	\$54,606.51	\$59,372.10
PV of Unlevered FCF					\$38,798.37	\$39,057.38	\$39,498.94	\$40,128.35	\$40,396.24

Appendix II. Valuation Tables (Continued)



Intrinsic Valuation (Continued) – Implied Value Per Share Range With Base Case in Context

Equity Value Per Share Calculation (Perpetuity Growth)		Equity Value Per Share Calculation (Exit Multiple)	
NPV UFCF	\$197,879.28	NPV UCFC	\$197,879.28
Terminal Value	\$1,008,300.56	Exit Multiple (EV / EBITDA)	7.8
PV Terminal Value	\$686,038.65	Terminal Value	\$484,868.78
		PV Terminal Value	\$329,900.37
Enterprise Value	\$883,917.93	Enterprise Value	\$527,779.65
(+) Cash	\$25,427.00	(+) Cash	\$25,427.00
(-) Debt	\$76,904.00	(-) Debt	\$76,904.00
Equity Value	\$832,440.93	Equity Value	\$476,302.65
Number of Shares Outstanding (in millions)	929	Number of Shares Outstanding (in millions)	929
Implied Share Price	\$896.06	Implied Share Price	\$512.70

Sensitivity Analysis: Equity Value Per Share Calculation (Perpetuity Growth given Base Assumption)

		WACC								
		6.00%	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%
TGR	1.20%	\$1,176.96	\$1,057.55	\$958.78	\$875.74	\$804.95	\$743.90	\$690.71	\$643.96	\$602.56
	1.40%	\$1,222.82	\$1,094.31	\$988.80	\$900.64	\$825.88	\$761.69	\$705.98	\$657.19	\$614.09
	1.60%	\$1,272.84	\$1,134.07	\$1,021.05	\$927.24	\$848.12	\$780.52	\$722.08	\$671.08	\$626.18
	1.80%	\$1,327.63	\$1,177.21	\$1,055.78	\$955.70	\$871.80	\$800.47	\$739.08	\$685.70	\$638.85
	2.00%	\$1,387.89	\$1,224.19	\$1,093.28	\$986.23	\$897.06	\$821.65	\$757.05	\$701.09	\$652.16
	2.20%	\$1,454.50	\$1,275.53	\$1,133.91	\$1,019.06	\$924.05	\$844.17	\$776.07	\$717.33	\$666.15
	2.40%	\$1,528.51	\$1,331.89	\$1,178.07	\$1,054.47	\$952.98	\$868.17	\$796.25	\$734.48	\$680.88
	2.60%	\$1,611.22	\$1,394.03	\$1,226.25	\$1,092.77	\$984.05	\$893.80	\$817.68	\$752.63	\$696.40
	2.80%	\$1,704.28	\$1,462.88	\$1,279.02	\$1,134.33	\$1,017.51	\$921.22	\$840.50	\$771.86	\$712.79
	3.00%	\$1,809.74	\$1,539.61	\$1,337.06	\$1,179.58	\$1,053.64	\$950.64	\$864.84	\$792.28	\$730.11

Appendix II. Valuation Tables (Continued)



Intrinsic Valuation (Continued) – DDM

Unitedhealth Group Inc Dividend Discount Model

Ticker	UNH	Implied price per share	\$209.10
Date	1/27/25	Current Share Price	538.1
Year-End	12/31/2024	Implied upside / (downside)	-61.14%

Two-Stage Model Assumptions

Switch	Bear	Switch 1	Base	Switch 2	Bull	Switch 3
Assumptions	Assumptions		Assumptions		Assumptions	
g (stage 1)	8.00%		9.56%		12.00%	
g (stage 2)	5.00%		6.00%		6.00%	
Cost of Equity	10%		9.06%		8%	

Dividends Per Share (DPS) - Current Period

Dividend Growth Rate (g):
 Stage 1 Stage 2

Cost of Equity

Stage 1 Dividends	Year	0	1	2	3	4	5
Dividends Per Share (DPS)		\$8.40	\$9.07	\$9.80	\$10.58	\$11.43	\$12.34
Cost of Equity (Ke)		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Present Value (PV) of Dividend		\$8.40	\$8.25	\$8.10	\$7.95	\$7.81	\$7.66

Share Price Calculation

PV of Sum of Stage 1 Dividends	\$48.16
Year 5 Dividend × (1 + Stage 2 Growth Rate)	\$12.96
Stage 2 Terminal Value	\$259.19
PV of Stage 2 Terminal Value	\$160.94
Value Per Share (\$)	\$209.10

Appendix III. Supplemental Financial & Accounting Analysis



S&P Capital IQ - Ratios

Financial Analysis-Capital IQ/Financial/Ratios:

Ratios						
For the Fiscal Period Ending	12 months Dec-31-2019	12 months Dec-31-2020	12 months Dec-31-2021	12 months Dec-31-2022	12 months Dec-31-2023	Press Release 12 months Dec-31-2024
Profitability						
Return on Assets %	7.5%	7.5%	7.3%	7.8%	7.8%	7.1%
Return on Capital %	12.6%	12.9%	12.7%	13.3%	13.0%	11.7%
Return on Equity %	24.1%	23.8%	24.1%	25.4%	25.0%	15.1%
Return on Common Equity %	25.3%	25.0%	25.2%	26.9%	26.9%	15.4%
Margin Analysis						
Gross Margin %	23.8%	26.1%	24.2%	24.6%	24.5%	22.3%
SG&A Margin %	14.5%	16.2%	14.8%	14.7%	14.7%	13.2%
EBITDA Margin %	9.0%	9.5%	9.1%	9.5%	9.5%	9.1%
EBITA Margin %	8.5%	9.1%	8.8%	9.2%	9.1%	8.5%
EBIT Margin %	8.1%	8.7%	8.3%	8.8%	8.7%	8.1%
Earnings from Cont. Ops Margin %	5.9%	6.1%	6.2%	6.4%	6.2%	3.8%
Net Income Margin %	5.7%	6.0%	6.0%	6.2%	6.0%	3.6%
Net Income Avail. for Common Margin	5.7%	6.0%	6.0%	6.2%	6.0%	3.6%
Normalized Net Income Margin %	4.5%	4.9%	4.7%	4.9%	4.7%	4.2%
Levered Free Cash Flow Margin %	6.4%	7.8%	6.7%	7.3%	5.3%	3.4%
Unlevered Free Cash Flow Margin %	6.8%	8.2%	7.1%	7.7%	5.9%	4.0%

Appendix III. Supplemental Financial & Accounting Analysis



S&P Capital IQ – Ratios (Continued)

Asset Turnover						
Total Asset Turnover	1.5x	1.4x	1.4x	1.4x	1.4x	1.4x
Fixed Asset Turnover	42.1x	45.9x	52.9x	57.3x	60.0x	NA
Accounts Receivable Turnover	19.2x	19.2x	19.4x	18.6x	17.3x	16.7x
Inventory Turnover	NA	NA	NA	NA	89.1x	NA
Short Term Liquidity						
Current Ratio	0.6x	0.7x	0.7x	0.7x	0.8x	0.8x
Quick Ratio	0.6x	0.6x	0.7x	0.7x	0.7x	0.5x
Cash from Ops. to Curr. Liab.	0.3x	0.3x	0.3x	0.3x	0.3x	0.2x
Avg. Days Sales Out.	19.0	19.1	18.9	19.6	21.1	21.9
Avg. Days Inventory Out.	NA	NA	NA	NA	4.1	NA
Avg. Days Payable Out.	76.4	81.9	78.3	NA	79.0	NA
Avg. Cash Conversion Cycle	NA	NA	NA	NA	(53.8)	NA
Long Term Solvency						
Total Debt/Equity	65.4%	61.6%	60.2%	66.7%	68.2%	75.0%
Total Debt/Capital	39.6%	38.1%	37.6%	40.0%	40.5%	42.8%
LT Debt/Equity	59.2%	54.8%	55.4%	63.1%	62.8%	70.5%
LT Debt/Capital	35.8%	33.9%	34.6%	37.9%	37.3%	40.3%
Total Liabilities/Total Assets	64.3%	64.2%	64.0%	64.9%	63.9%	65.6%

Financial Ratio Observations:

No significant observations here. We like UNH for its stable strong performance, and despite its earnings miss in Q4 and voluntarily for the cyberattack incident in 2024, its 2024 CY numbers maintain this stable strong performance. Cash was likely used to pay expenses related to the cyber attack, thus UNH took on more debt in 2024 than they did in previous years. We also believe this increase in debt is one contributor to its current WACC relative to historical numbers.

Appendix IV. Corporate Governance



ESG & Board Governance Overview

Understanding the relationship between Board, Management, and Shareholders:

1. Separation Between Ownership and Management:

- Yes, there is separation of ownership and management. UnitedHealth Group is traded publicly and owned primarily by institutional investors including Vanguard Group (9.23%), Blackrock (8%), Capital Group (6.46%), State Street (4.95%), FMR (3.53%), T Rowe Price Group (3.16%), JP Morgan Chase & Co (2.86%), Wellington Management Group (2.70%), Morgan Stanley (2.17%), and Geode Capital Management (2.13%) as taken from Bloomberg Terminal.

2. Board Composition:

- The board of directors are made up of mainly independent directors. There are 12 members, including the chairperson, and include retired executives and individuals with expertise in healthcare, finance, and other relevant fields.

3. Companies Policies on Corporate Governance:

- Annual elections of directors by majority vote
- Separation of CEO and Chair positions
- The majority of the board of directors must be determined “independent” under the rules of the NYSE and the Company’s Standards for Director Independence
- Company and Board recognize and implement proxy voting

Analyzing The Board & Potential Key issues:

- We have not found any real conflicts with the Board, however there is no historical performance from the next CEO Tim Noel, following the killing of former CEO Brian Thompson. Noel is a company veteran, who served as the head of Medicare and Retirement at UnitedHealthcare. We have a positive outlook with Noel as CEO due to his long tenure with the company since 2007, proven track record and strong commitment to improving the company, and experience in a leading arm of UnitedHealthcare.

Appendix V. Economic Assumptions



A Note on Economic Assumptions

UNH's Resistance to Changes in the Macroeconomic Environment: Given UNH's position within the non-cyclical healthcare sector we assume the general macroeconomic environment will have minimal effect on the company's fundamentals. This case is further solidified considering their insurance business with Medicare and Medicare Advantage, which are far less susceptible to macroeconomic environment changes than they are to risks from legislation.

A Few Items to Note in Terms of Economic Assumptions:

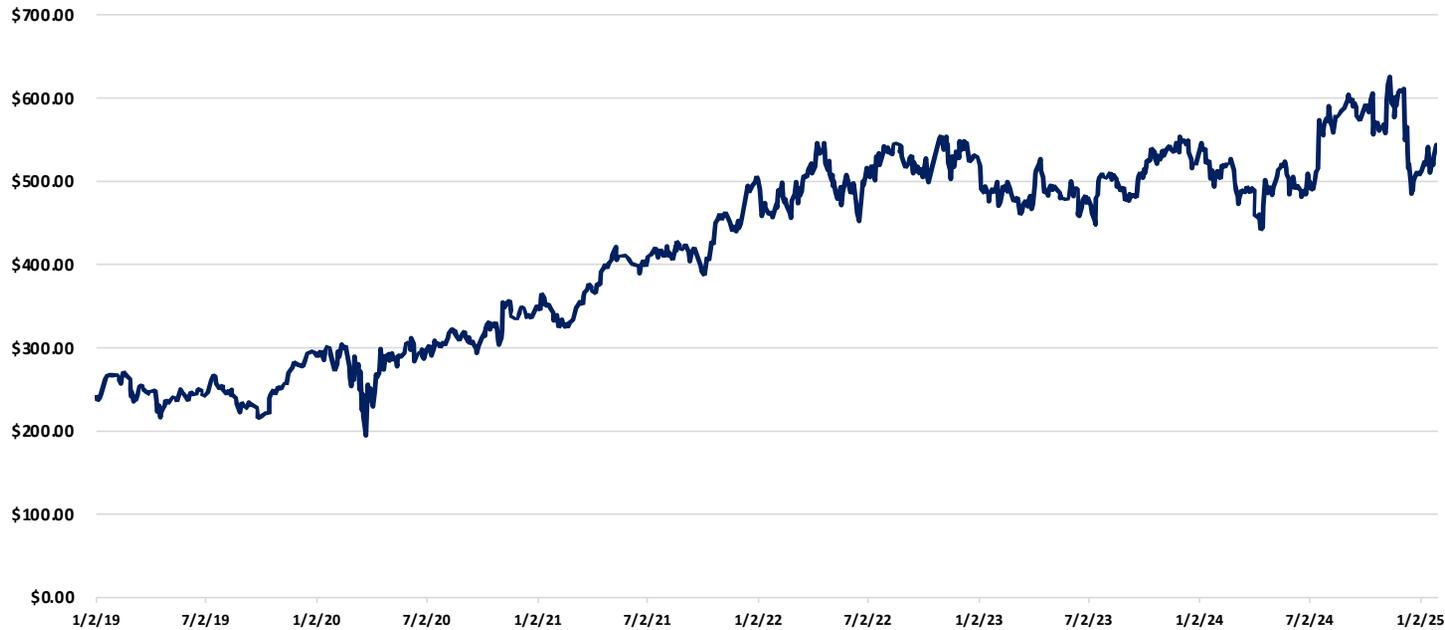
- **Economic Growth:** Our assumption for terminal value within our DCF analysis was based on the idea that the current global rate of GDP growth will remain constant throughout time. The International Monetary Fund (IMF) reports that global economic growth remains between 3.1% - 3.5% per year. In order to remain conservative our chosen terminal value GGM assumption was annual growth of 2.00% into perpetuity, we consider to be underexposed to risks from our macroeconomic assumptions.
- **Interest Rate Environment:** None of the assumptions within our quantitative analysis leveraged an assumed future case for interest rates however we understand that the Fed has currently adopted a "wait and see" approach to interest rate cuts/hikes as of the FOMC meeting on 01/29/2025. We believe they have adopted this stance in order to see how President Trump's executive policies will be realized through the labor market and inflation in the coming months. Given this, if rates were to fall at some point in the near term we may see a slight benefit to margins, however this change is not meaningful enough to alter our other quantitative assumptions.

Appendix VI. Stock Price History



Little Historical Evidence To Show Idiosyncratic Risks To Price

NYSE: UNH Stock Price History
(Jan 2019 - Jan 2025)



Key Observations: Note that all major price action (aside from the recent murder of their CEO, which we view as a sporadic event— and not an ongoing risk) has been derived from more systemic risks- Covid, elections, legislation. We view this as a major positive when considering the intrinsic value of UNH. For the last 10-15 years it has maintained strong fundamentals and prioritized returning capital to shareholders through a 15-year average dividend growth of 22%

Appendix VII. Company Organization Chart

