

UnitedHealth Group

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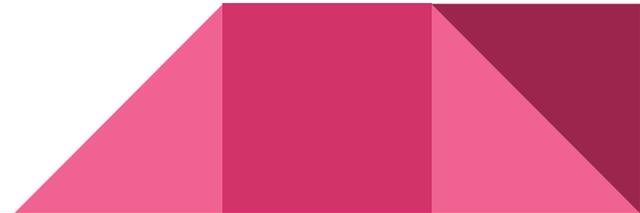
Outline

1. Investment Summary
2. Company Overview
3. Industry Overview
4. Ratio Analysis
5. Valuation
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Investment Summary

We recommend investing \$50,000 in UnitedHealth Group (UNH)



Company Overview

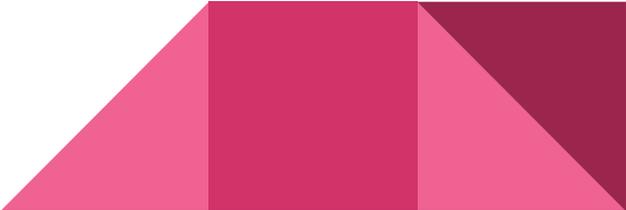
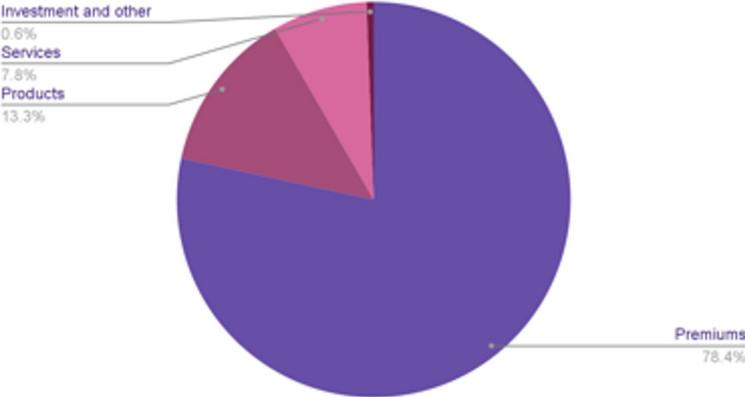
Overview of UnitedHealth Group

- Founded in 1977 and went public in 1984
- Headquarters in Minnetonak, Minnesota
- It provides health services to more than 85 million people in 50 states

Product Breakdown:

- UnitedHealthcare: Offers a full spectrum of health benefit programs. Almost 80% of revenue is generated from this section.
- OptumHealth: Provides health and wellness care, addressing the physical, emotional and health-related financial needs of 98 million consumers.
- OptumInsight: brings together advanced analytics, technology and health care expertise to deliver integrated services and solutions.
- OptumRx: provides a full spectrum of pharmacy care services through its extensive pharmacy network

UnitedHealth Group Revenue



Industry Overview

Healthcare Industry:

- Provides medical services, equipment, and health insurance to customers.
- The global healthcare industry is projected to reach \$12 trillion by 2022
- Global healthcare insurance market was \$2.5 trillion in 2020. CAGR is 6.7% and the market is projected to be about \$4 trillion by 2027.
- Key Drivers: technological innovation, integration of medicine and healthcare, smart healthcare data management, and patient-centered restructuring.

Industry Risks:

- Covid-19 public health crisis can greatly disrupt operations and financial performance
- Medical costs can greatly affect profitability if not managed
- Cybersecurity failure could lead to heavy industry damage
- New regulations can greatly disrupt the industry

Major Players



Ratio Analysis

Earnings Multiples	UnitedHealth Group	Industry Average
EPS	16.23	18.04
P/E	25.08	17.04
P/B	5.65	3.06
EV/EBITDA	16.99	12.08
Liquidity	UnitedHealth Group	Industry Average
Current Ratio	0.74	1.02
DSO	18.27	17.88
DPO	43.18	33.45

Leverage	UnitedHealth Group	Industry Average
Debt / Equity	0.64	0.72
TIE	13.47	10.10
Cash Coverage Ratio	15.21	11.79
Profitability	UnitedHealth Group	Industry Average
Gross Margin	26.06%	32.89%
EBITDA Margin	9.84%	7.47%
Net Margin	6.13%	4.44%

Competitors used for the average: Anthem, Humana, Cigna, and CVS Health

Valuation: DCF

Discounted Cash Flow					
Year	2021	2022	2023	2024	2025
NOPAT	\$21,641.01	\$24,116.65	\$26,690.72	\$29,363.78	\$32,161.33
Add: Dep. & Amort.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Less: Changes in NWC	-\$350.69	-\$359.34	-\$373.62	-\$387.99	-\$406.06
Less: Capex	-\$517.56	-\$530.33	-\$561.09	-\$593.63	-\$628.06
Unlevered FCF	\$20,772.76	\$23,226.99	\$25,756.01	\$28,382.16	\$31,127.21

WACC: 5.81%

- Debt Weight: 10.11%
- Equity Weight: 89.89%
- Cost of Debt: 3.88%
- Cost of Equity: 6.12%
- MRP: 5.5%
- RFR: 1.986%
- Beta: 0.75

LT Growth Rate: 0.42%

- Net Reinvestment Rate: 3.22%
- ROIC: 12.53%

Weighted Average Cost of Capital

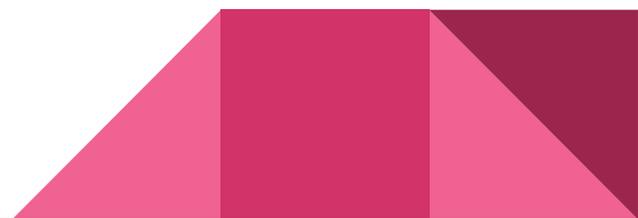
	\$538.96	4.50%	5.00%	5.81%	6.00%	6.50%
0.00%	\$669.44	\$595.36	\$502.80	\$484.36	\$441.73	
0.25%	\$706.12	\$624.34	\$523.49	\$503.57	\$457.73	
0.42%	\$734.19	\$646.29	\$538.96	\$517.90	\$469.60	
0.75%	\$794.15	\$692.52	\$570.99	\$547.47	\$493.92	
1.00%	\$847.60	\$733.00	\$598.45	\$572.71	\$514.48	

LT
Growth
Rate

Value Per Share: \$538.96

Market Price Per Share: \$407.08

Undervalued by 32.40%



Valuation: EBITDA Comps

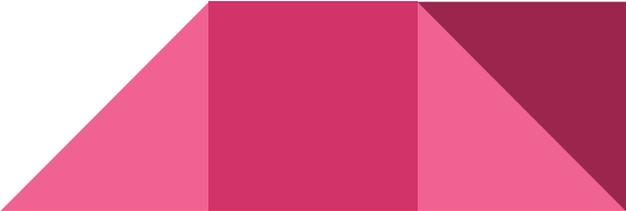
Using Competitors EV/EBITDA Ratios to Perform Comparable Analysis

Anthem		Humana		Cigna		CVS Health	
EV/ebitda	14.10	EV/ebitda	10.50	EV/ebitda	9.25	EV/ebitda	9.56
Price/Share	\$329.97	Price/Share	\$233.97	Price/Share	\$200.64	Price/Share	\$209.15
Overvalued	-18.94%	Overvalued	-42.53%	Overvalued	-50.71%	Overvalued	-48.62%

Average Value Per Share: \$243.43

Market Price Per Share: \$407.08

Overvalued by 40.2%



Recommendation

- **Buy \$50,000 of UnitedHealth Group**
 - DCF Valuation shows shares are undervalued and have significant upside
 - Healthcare is a very large and important sector with strong projected growth
 - UnitedHealth Group is a proven business and a dominant force in the industry
 - Independent analysts expect target price to be in between \$421-\$522 with an average target price of \$467.38

- **Exit Strategy**
 - In September 2022, if shares are \$346 (15% below current price), liquidate 50% of position
 - In September 2022, if shares are \$537 (15% above average analysts target price), liquidate 50% of position

