

Ticker: UNH

UnitedHealth Group

Research Summary

Boston College

Investments

Research Paper

Researched by: Joonha Kwon

Hold / **Buy** / Sell

Target Share Price: \$380
Current Share Price: \$364.48
Data Date: 10/21/2025

52 Week Range:	\$234.60 ~ 630.73
Current Stock Price:	\$364.48
P/E Ratio (LTM):	15.60
Beta Estimate:	0.48
Dividend Yield:	2.45%

2024 DPS:	\$8.18
2024 EPS:	\$15.64
2025 DPS:	\$8.23
2025 EPS:	\$27.53
2026 DPS:	\$8.89
2026 EPS:	\$29.66

Equity Value:	\$322,963.21
Enterprise Value:	\$379,442.20

Industry: Healthcare Service

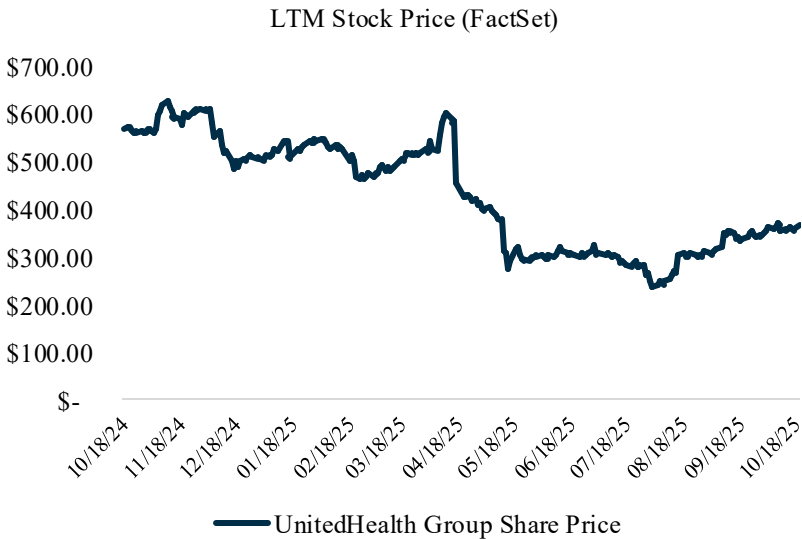
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Company Overview

UnitedHealth Group is a healthcare and well-being company with a mission to help people live healthier lives, having four reportable segments: UnitedHealthcare (health benefits), and the Optum group—Optum Health (care delivery), Optum Insight (data/technology), and Optum Rx (pharmacy services). While the firm's major revenue source is currently from premiums of UnitedHealthcare (constituting over 70% of total revenue), its distinct competitive advantage lies in the synergistic integration with the Optum segment. This unique structure enables UNH to leverage technology and data, transitioning from traditional fee-for-service models to value-based care, thereby efficiently managing medical costs and improving patient outcomes.

Valuation

UnitedHealth Group’s target price is determined to be \$380 based on the three valuation models (Price Earnings Ratio, Dividend Discount Model, and Discounted Cash Flow Model), current economic situation, and more. Given the disconnect between the intrinsic value and the current market price, which is depressed by external factors, this report issues a strong Buy recommendation.



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Macroeconomic Overview

- Economic Environment
- Policy & Regulatory Environment
- Sociodemographic Growth Drivers

Macroeconomic Overview

Economic Environment

Companies like UnitedHealth Group are very sensitive to policy rate, inflation rate, and employment rate. Insurance companies receive premium fees in advance and invest in fixed-income securities like bonds. UNH illustrates that volatility in interest rates affects a firm’s interest income. UNH provides sensitivity analysis on investment income on changes in interest rate (Figure 1). The Effective Federal Fund Interest Rate dropped 25 basis points in September 2025 and is expected to have two more cuts before the end of the year, which can have a major impact on investment income in fixed-income securities (Cox, 2025).

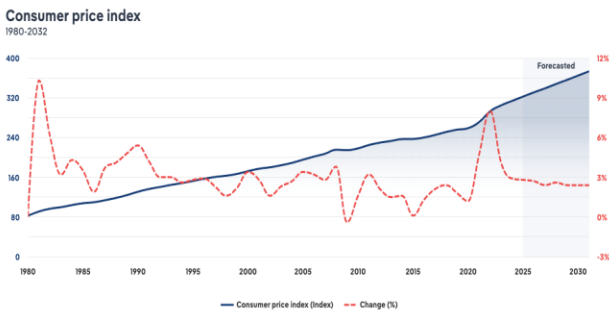
Inflation rate is also a key rate for companies like UNH because it increases medical costs, which leads to low profitability. It is critical when the inflation rate is higher than expected because the price of premiums is set based on next year’s inflation. The 2025 Consumer Price Index is expected to increase by 2.8% and is expected to decrease in the future (IBISWorld, n.d. -a) (Figure 2). However, the recent 100% tariff on Chinese imports by the U.S government will have a significant impact on CPI. The volatility of inflation rates will increase depending on the U.S tariff policy.

Lastly, the employment rate in the U.S. is a key figure that affects the healthcare industry, especially for medical insurance firms, because of employer-sponsored insurance. Their revenue is positively correlated to the employment rate, which means a higher employment rate is essential for the industry. The unemployment rate has been increasing recently, reaching 4.3% in August 2025 (Bureau of Labor Statistics, 2025).

Visuals

Increase (Decrease) in Market Interest Rate	Investment Income Per Annum (\$)	Interest Expense Per Annum (\$)	Fair Value of Financial Assets (\$)	Fair Value of Financial Liabilities (\$)
2%	666	537	(4,151)	(8,866)
1%	333	268	(2,182)	(4,828)
(1%)	(333)	(252)	2,082	5,831
(2%)	(666)	(503)	4,311	12,935

(Figure 1 – UNH 10-K)

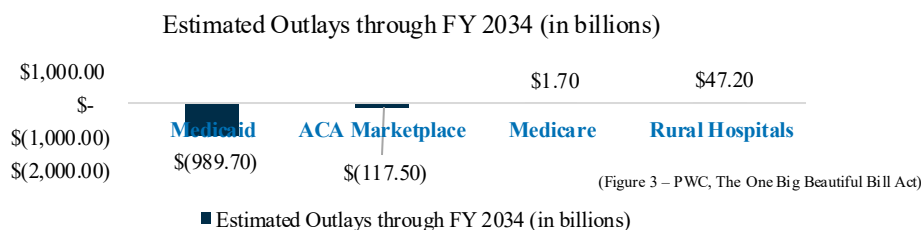


(Figure 2 – IBIS World)

Macroeconomic Overview

One Big Beautiful Bill Act (OBBBA)

The One Big Beautiful Bill Act (OBBBA) is a major political issue that UNH and other firms in the Healthcare industry are facing. Under President Trump's administration, OBBBA enacts significant changes to Medicaid and rescinds or does not continue major elements of the Patient Protection and Affordable Care Act (ACA) of 2010. The legislation is projected to reduce federal healthcare spending by approximately \$1 trillion through FY 2034 by implementing additional eligibility rules on government health plans, expanding administrative procedures around enrollment, modifying how states can obtain federal funding for Medicaid, and not extending ACA premium subsidies (PricewaterhouseCoopers, n.d.). This policy is expected to impact UNH significantly because it may lead to a decrease in the number of Government - Sponsored Enrollees and an increase in system-wide cost from a rise in the uninsured people. The Congressional Budget Office released the estimates on the Government's spending after OBBBA (Figure 3), which estimates a net reduction of over \$1 trillion in federal spending on Medicaid and the ACA Marketplace combined.



Policy & Regulatory Environment

Inflation Reduction Act (IRA)

The Inflation Reduction Act (IRA), activated in 2022, delivers many healthcare benefits to Americans, including: lower prescription drug prices in Medicare, a yearly cap (\$2,000 in 2025) on out-of-pocket prescription drug costs, and more (Centers for Medicare & Medicaid Services, n.d.). IRA can have both positive and negative impacts on UNH. The IRA increases extended the enhanced Affordable Care Act (ACA) premium subsidies through 2025, which directly benefits to UNH's "Employer & Individual" business segment, as it creates a larger and more stable risk pool. However, the side effect of this act is that it will pressure the pharmacy profit of Optum Rx, which is also a major business of UNH. Therefore, IRA gives a short-term benefit due to the extended ACA, but long-term financial risk for Optum Rx.

Policy & Regulatory Environment

Macroeconomic Overview

Population Ageing

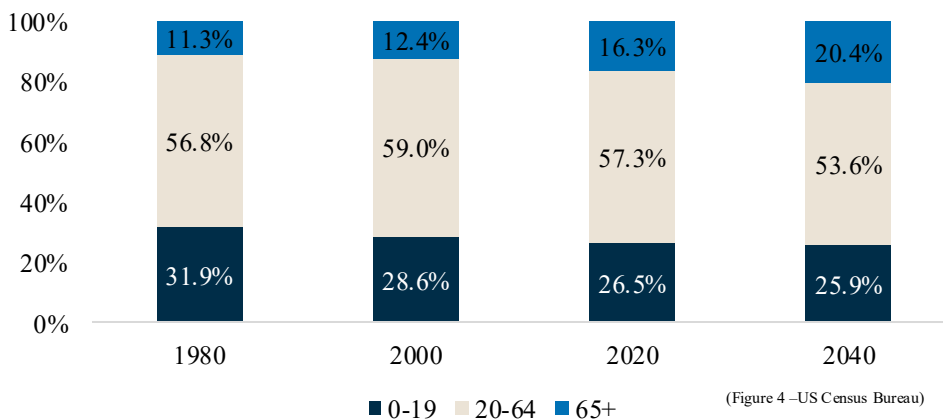
Population ageing is a major demographic trend that is profoundly impacting the U.S. economy, with significant implications for UnitedHealth Group. Due to advance medical technology and infrastructure, life expectancy has been increasing lately. In 2020, people who were older than 65 were 16.3% of the total population. However, in 2040, the U.S. government expects people who are older than 65 will be 20.4% of the total population (Figure 4) (Urban Institute, n.d.). The growth rate of population ageing is growing faster than expected.

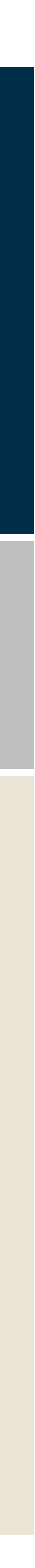
Sociodemographic Growth Drivers

Relationship between Population Ageing and UNH

Population ageing directly impacts UNH. Similar to IRA, Population Ageing has both positive and negative impacts on the firm. The biggest positive impact of Ageing for UNH is the growth of the Medicare business. More people will demand for healthcare, which creates a massive, guaranteed, and growing market for UNH. The negative impact will be the increase of medical cost. Since older people use healthcare services more frequently, this will directly impact the medical costs of the firm.

Age distribution of the population





Industry Overview

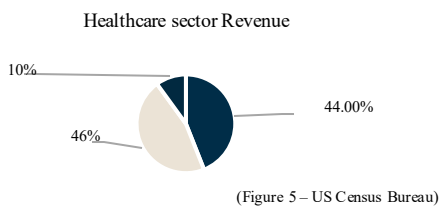
- Industry Description
- Competitive Forces
- Key Trends

Industry Overview

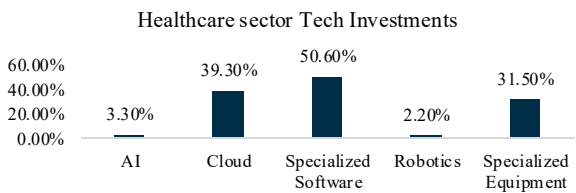
UnitedHealth Group's (UNH) industry classification extends beyond that of a mere insurer; it is best defined as a Vertically Integrated Healthcare Conglomerate that encompasses both the financing (Insurance) and delivery (Care Services) of healthcare. According to the Global Industry Classification Standard (GICS), UNH primarily falls under the Health Care Providers & Services industry.

Industry Description

The U.S. healthcare sector represents 7% of the country's GDP and employs 11% of the country's workers. The healthcare sector provides medical and therapeutic care to patients, generates revenue from fees for patient care and services, and is supplemented by the resale of pharmaceuticals and other medical merchandise (Figure 5). However, this model is rapidly evolving as healthcare firms make significant investments in technology (Figure 6) (Vertical IQ, 2024).



■ Ambulatory Health Service ■ Hospitals ■ Nursing and Residential Care Facilities



(Figure 6 – US Census Bureau)

Dual Competitive Landscape

UnitedHealth Group (UNH) operates in a complex environment, facing distinct sets of competitors for its two main business pillars: UnitedHealthcare and Optum. Therefore, as previously mentioned, it is important to analyze the healthcare industry in two sectors: Insurance and Care Services.

Competitive Landscape

Competition in the Health & Medical Insurance Industry

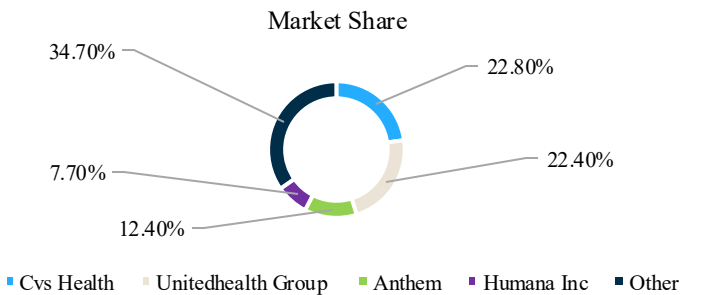
The major industry that UNH is characterized by is the Health & Medical Insurance industry. This industry has high barriers to entry, regulation policy, and competition, moderate concentration and assistance, and low revenue volatility and innovation. The main products of the industry are preferred provider organization (PPO) plans, Pharmacy benefit management (PBM), and High-deductible health plans (HDHPs). The main competitors of UNH in this industry are CVS Health Corporation, Anthem, Inc., and Humana Inc. UNH is the second largest company in this industry having 22.4% of market share (Figure 7) (IBISWorld, n.d.-b).

Industry Overview

Competition in the Healthcare Service Industry

UNH used to focus on insurance products. However, Optum, part of UNH’s business segment, is now one of the important segments of UNH. Even UNH’s 80% of revenue comes from premiums (insurance products), the growth of Optum is rising. Therefore, it is important to understand the healthcare service Optum. The healthcare service industry is not a single market but a combination of several large, interconnected sectors. The most significant of these are (1) Direct Patient Care, which includes physician clinics and surgery centers; (2) Pharmacy Benefit Management (PBM), which manages prescription drug costs; and (3) Health Technology and Data Analytics, which provides the digital infrastructure for modern healthcare.

Competitive Landscape

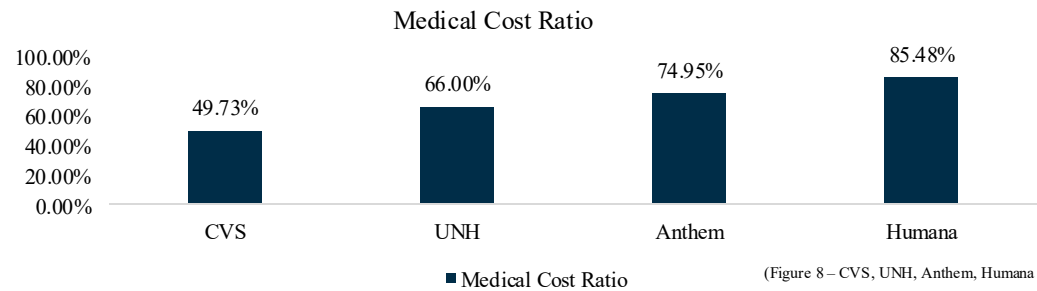


(Figure 7 – IBIS World)

Vertical Integration & The Blurring Lines

Insurance companies and healthcare service companies are integrating and blurring the lines within the healthcare industry. This trend is shown in recent M&A transaction of major insurance firms like CVS health. CVS recently acquired Oak Street Health (senior care service) and Signify Health (health tech) (Tracxn, n.d.). The consolidation strategy allows insurers to gain control over healthcare costs, which are their primary expense (Figure 8). Also, it leverages patient data to improve outcomes and shift to value-based care.

Key Trend in the Industry



(Figure 8 – CVS, UNH, Anthem, Humana 10-K)

Industry Overview

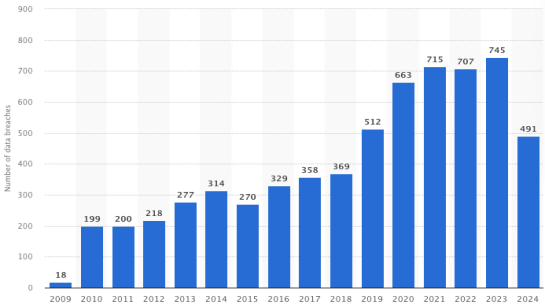
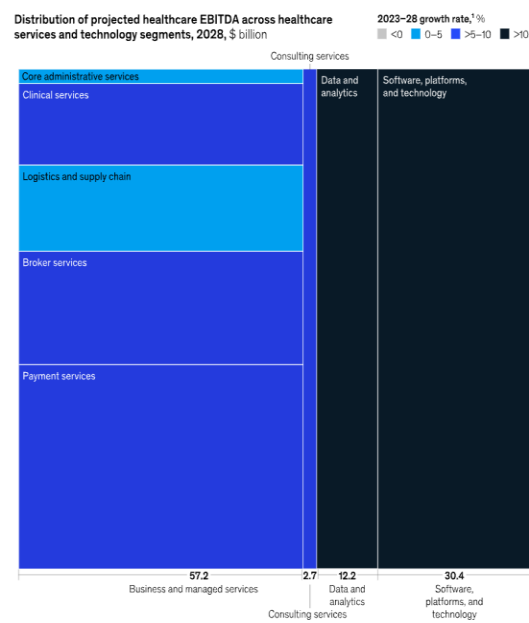
The Proliferation of Data & AI

Healthcare services and technology (HST) is the fastest-growing sector in the healthcare industry (Figure 9). Therefore, existing healthcare service firms are consolidating to increase access to innovative solutions through interconnected customer networks and improve HST vendor efficiency through operational synergies. More than 70% of HST firms are pursuing generative AI or already implementing AI in their service. This innovation is creating large value pools for HST software platforms, driving an estimated EBITDA from 2023 to 2028 of 14 percent CAGR and 20 percent CAGR (McKinsey & Company).

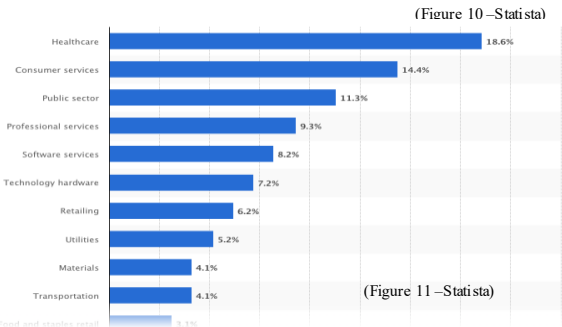
Key Trend in the Industry

Cyber Attack Risk Trend in the Healthcare Industry

The cyber attack risk in the Healthcare industry is rising. The number of cyber attacks in the industry in 2012 was 218, but by 2023, it had increased to 745 (Figure 10). In 2024, 67% of healthcare organizations reported experiencing ransomware attacks in the past year. It is also reported that the healthcare industry is the most frequently impacted by ransomware attacks in the United States (Figure 11). This may be because protected health information (PHI) is expensive information in the black market, and many of the medical IT systems are outdated (CybelAngel, n.d.).



Visualizations



(Figure 9 –McKinsey & Company, What to expect in US healthcare in 2025 and beyond)

Company Overview

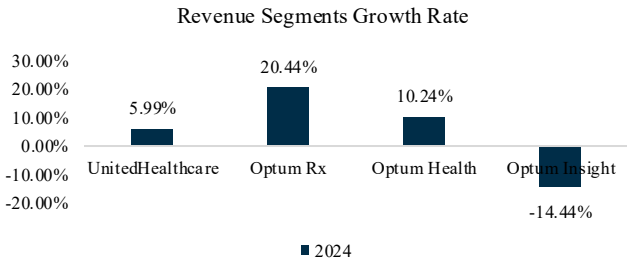
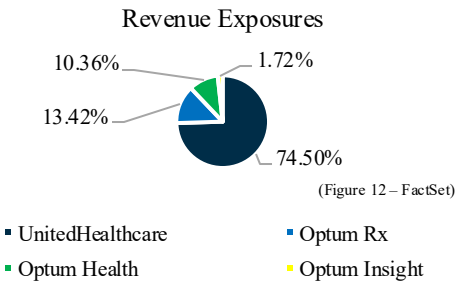
- Company Description
- Business Segments
- Synergy Model

Company Overview

Company Description

UnitedHealth Group is a healthcare and well-being company with a mission to help people live healthier lives and help make the health system work better for everyone. It has four reportable segments: Optum Health, Optum Insight, Optum RX, and UnitedHealthcare, which includes UnitedHealthcare Employer & Individual, UnitedHealthcare Medicare & Retirement, and UnitedHealthcare Community & State (Figure 12).

UnitedHealth Group was founded by Richard T. Burke in January 1977 and is headquartered in Eden Prairie, MN. Currently, their business model involves insurance plan premiums, while they have been increasing their health auxiliary service, Optum. Unlike before, the revenue growth rate from Optum is exceeding the revenue growth rate of UnitedHealthcare (Figure 13).



1 – UnitedHealthcare

Business Segments

UnitedHealthcare arranges for discounted access to care through its extensive networks and uses Optum’s capabilities to help coordinate and provide patient care, improve the affordability of medical care, analyze cost trends, and more (UNH 10-K).

1-1 Key Products and Services

- UnitedHealthcare generates 74.50% of the total revenue of the company. One of the major products they offer is UnitedHealthcare Employer & Individual, which gives access to 29.7 million people as of 2024. It also provides UnitedHealthcare Medicare & Retirement, a Medicare Advantage Program, and UnitedHealthcare Community & State.

1-2 Government Regulation

- UnitedHealthcare is regulated by the Centers for Medicare (CMS). UnitedHealthcare Community & State has Medicaid and CHIP contracts, which are subject to federal regulations.

Company Overview

2 – Optum

Optum is an information and technology-enabled health services business serving the broad healthcare marketplace. It operates three business segments: Optum Health, Optum Insights, and Optum Rx.

- Optum Health: Delivers patient-centered care, care management, and health financial services.
 - 100 million consumers and serves more than 100 health payer partners.
 - Optum Bank serves consumers through 27 million consumer accounts with \$24 billion in assets under management.
- Optum Insight: Offers data analytics, research, consulting, technology and managed service solutions.
 - Health systems: Serve care providers to improve operating performance and reduce costs.
 - Health plans: Serve health plans by improving financial performance through proactive analysis, which includes technology-based risk and quality service.
- Optum Rx: Provides diversified pharmacy care service.
 - Provide pharmacy care service through its network of more than 65,000 retail pharmacies.
 - Managed 178 billion in pharmaceutical spending, including \$74 billion in specialty pharmaceutical spending.

Business Segments

UnitedHealthcare & Optum Synergistic Model

UnitedHealth Group highlights the power of collaboration between the two business segments. Virtual healthcare visits, 24/7 urgent care, primary care, and more are available due to Optum technology. UnitedHealthcare demonstrates a core operational competency by integrating Optum's quality and safety verification system for all prescriptions with a highly efficient fulfillment timeline, consistently achieving a service level of 3-5 days. Also, Optum technology enables UnitedHealthcare members to access data to bring forward rich point-of-care solutions, which can help promote better health outcomes and lower costs to better serve their members and customers (UnitedHealthcare, 2023).

Synergy

Company Analysis

- SWOT Analysis
- Historical Financial Analysis
- Financial Projections
- Financial Risks

Company Analysis

Strength

UnitedHealth Group has two key business segments: Optum and UnitedHealthcare. The synergy model of two businesses is the strength of UNH. The vertically integrated model combines a vast amount of patient data and financial data (UnitedHealthcare) with data analytics, cost management, and delivery of health services (Optum). Having diversified portfolio beyond traditional insurance business, UNH is able to have stable revenue flows.

Weakness

One of the UNH’s core businesses, Optum Insight, is currently underperforming, having a negative growth rate of 14.44%. This highlights Optum Insight as a significant internal risk to the company's overall growth profile.

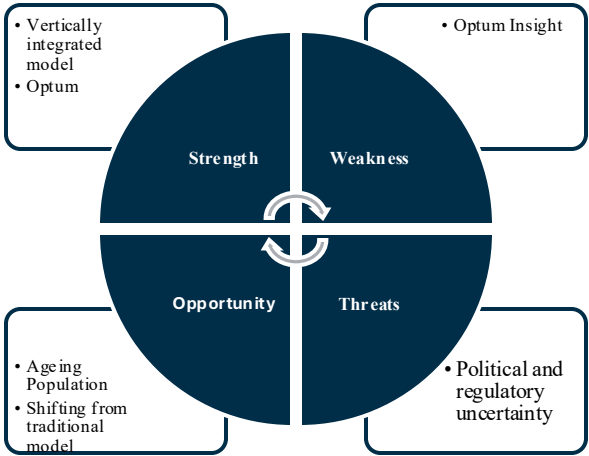
Opportunities

The biggest opportunity for UNH is the U.S. ageing population, particularly for the baby boomer generation. An increasing number of people who need medical care will help UNH to generate more cashflows. Also, shifting from a traditional insurance model to value value-based model by utilizing Optum is designed to improve outcomes and reduce costs.

Threats

Current political and regulatory uncertainty is the biggest threat to UNH. OBBBA and IRA will directly impact the firm in a negative way. Also, cybersecurity threats are one of the important threats to UNH. The firm reported Optum breached 190 million user data and paid \$22 million to the hacker, which lead to shutting the data clearinghouse that serves most U.S. medical providers, 131 million patients, and nearly 67,000 pharmacies (CybelAngel, n.d.).

SWOT Analysis



SWOT Visualization

Company Analysis

Revenue Growth Analysis

UNH's past two years of revenue have shown solid annual average growth of 11.17% which has exceeded the industry average. From FY 2022 to 2024, the revenue growth rate fell from 12.71% to 7.71% (Figure 14). From this, we can calculate the overall growth rate (CAGR) of 11.17%, which is higher than the average healthcare industry CAGR of 8.27%. The reason why UNH was able to outperform the healthcare market was because of Optum. Optum Rx, having 13.42% of revenue exposure of UNH, reached a 20.44% revenue growth rate compared to last year. The Optum segment's operating margin is more than four times greater than that of the UnitedHealthcare segment, meaning the Optum segment operates at a significantly higher level of profitability than the UnitedHealthcare insurance segment.

Historical Financial Analysis

UNH Income Statement \$ in millions	FY 2022	Actuals FY 2023	FY 2024
Income Statement			
Revenues	324,162	371,622	400,278
Medical Costs	(210,842)	(241,894)	(264,185)
Operating Costs	(47,782)	(54,628)	(53,013)
Cost of Products Sold	(33,703)	(38,770)	(46,694)
Depreciation & Amortization	(3,400)	(3,972)	(4,099)
Earning from Operations	28,435	32,358	32,287
Interest expense	(2,092)	(3,246)	(3,906)
Loss on Sale of subsidiary and held for sale	0	0	(8,310)
EBIT	26,343	29,112	20,071
Income Taxes	(5,704)	(5,968)	(4,829)
Net income	20,639	23,144	15,242
Margins /Growth Rates			
-			
Revenue Growth Rate	12.71%	14.64%	7.71%

(Figure 14 – UNH 10-K, Income Statement)

Company Analysis

Profitability Analysis

Medical Cost is one of the most important segment in UNH’s financial statements. As of 2024, UNH’s medical cost ratio (MCR) was 66% of total revenue. Looking at the past financials, it shows that the MCR has been steady for 3 years: 2022: 65%, 2023: 65%, 2024: 65%. This shows that UNH tries to make MCR steady for its business. The operating margin for the consolidated income statement is decreasing from 8% in 2022 to 5% in 2024, which shows that UNH's profit is not performing well compared to past years. However, due to the revenue structure of UNH, it is important to look at each business segment of UNH. UNH reported the following operating margin for each segments: UnitedHealthcare: 5.2%, Optum Health: 7.4%, Optum Insight: 16.5%, and Optum Rx: 4.4% (Figure 15). The reason why UNH has a lower consolidated operating margin is that currently, 74.5% of revenue comes from UnitedHealthcare, which has a 5.2% operating margin, which lowers the consolidated operating margin. Also, it is important to recognize that there was a loss on the Sale of a subsidiary and held for sale in 2024, which makes EBIT lower. The reason why UNH recorded a loss on the sale of a subsidiary was that it sold the Brazil operations of UNH. Looking at earnings per share (EPS) helps to analyze the profitability of UNH. The basic EPS of UNH from 2022 to 2024 was the following: 2022: 21.47, 2023: 24.12, 2024: 15.64. The 2024 EPS went down significantly due to the loss on the sale of a subsidiary.

Operating Margin in segments

Business Segments	2024	2023	2022
UnitedHealthcare	5.2%	5.8%	5.8%
Optum Health	7.4%	6.9%	8.5%
Optum Insight	16.5%	22.5%	24.6%
Optum Rx	4.4%	4.4%	4.4%

(Figure 15 – UNH 10-K, Income Statement)

Historical Financial Analysis

Historical Financial Analysis Visual

Company Analysis

Cash Flow & Investment Efficiency Analysis

UNH's ability to generate cash is a key strength, with the primary metric being cash flow from operations. In FY 2024, the company generated a robust \$24,204 million in operating cash flow. Reviewing the past three years of growth rate of operating cash flows shows a trend of following: 2022: 17.29% 2023: 10.92%, 2024: -16.73% (Figure 16) . As mentioned before, one of the reasons why FY 2024 recorded a negative growth rate of operating cash flow was the loss of sales of a subsidiary. Another reason why FY 2024 recorded a negative growth rate of operating cash flow was due to an increase in net working capital (NWC). This increase was primarily driven by a significant increase in 'Other assets,' indicating that more of the company's cash was tied up in its short-term operating cycle in 2024 compared to prior years.

Another key item to investigated from UNH's financial statements is the capital expenditure (CapEx) because it shows how much the firm is investing right now. For UNH, CapEx is recorded under 'Purchases of property, equipment, and capitalized software.' UNH's CapEx is steadily increasing each year from \$2.8 billion to \$3.5 billion. Comparing with depreciation and amortization, in 2024, UNH's CapEx (\$3.5B) was less than its Depreciation & Amortization (\$4.1B). While this might typically suggest underinvestment, for a tech-focused service company like UNH, this gap is often due to large, non-cash amortization charges on intangible assets from past acquisitions.

Historical Financial Analysis

\$ in millions	2022	2023	2024
Statement of Cashflows			
Net income	20,639.0	23,144.0	15,242.0
<i>Noncash items:</i>			
Depreciation and amortization	3,400.0	3,972.0	4,099.0
Deferred income taxes	(673.0)	(245.0)	(296.0)
Share-based compensation	925.0	1,059.0	1,018.0
Loss on sale of subsidiary and subsidiaries held for sale	0.0	0.0	8,310.0
Gains on dispositions and other strategic transactions	(588.0)	(489.0)	(3,333.0)
Other, net	257.0	(16.0)	(28.0)
<i>Net change in other operating items</i>			
Accounts receivable	(2,523.0)	(3,114.0)	(1,437.0)
Other assets	(1,374.0)	(2,444.0)	(4,140.0)
Medical costs payable	4,053.0	3,482.0	2,503.0
Accounts payable and other liabilities.	1,964.0	3,516.0	2,463.0
Unearned revenues	126.0	203.0	(197.0)
Cash flow from Operating Activities	26,206.0	29,068.0	24,204.0

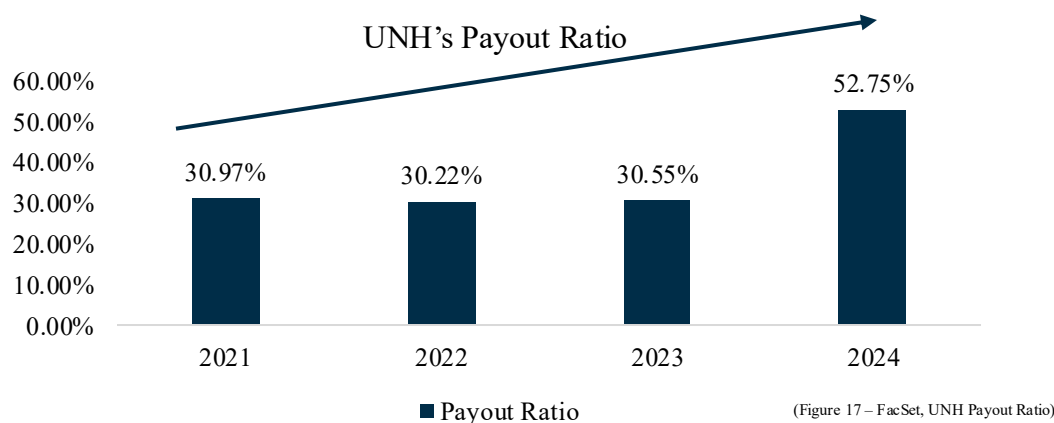
(Figure 16 – UNH 10-K, Cash Flow Statement)

Historical Financial Analysis Visual

Company Analysis

Shareholder Return Analysis

A company's shareholder return policy can be measured through its dividends and payout ratio. The reported Dividends Per Share (DPS) grew steadily from \$6.40 in FY 2022 to \$8.18 in FY 2024. However, the reported payout ratio, which remained stable at approximately 30% during 2022-2023, spiked to 52.75% in 2024 (Figure 17). This spike in the payout ratio is a distorted figure due to one time loss on sale as previously mentioned, which artificially decreased the EPS, which increased the payout ratio. When this non-recurring item is excluded, the normalized payout ratio, recalculated based on adjusted net income, remains consistent with the historical average of approximately 30%. This indicates that UNH's dividend policy is supported by its core operational earnings and remains sustainable.



It is also important to look into the firm's share repurchase program because it is directly related to the firm's shareholder return policy. UNH's cash flow statement shows that the firm's share repurchases have increased from \$7,000 million in FY 2022 to \$9,000 million in FY 2023. The firm is increasing its share repurchases by \$1,000 million every year. From an increasing share repurchase program, UNH was able to increase basic EPS from \$21.47 in FY 2022 to \$24.12 in FY 2023 (FY 2024's basic EPS is distorted due to a loss on a subsidiary).

Historical Financial Analysis

Company Analysis

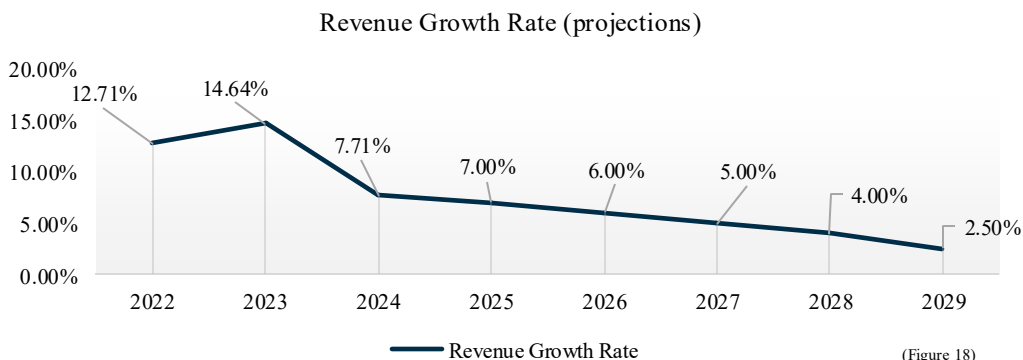
Financial Projection Analysis

This section projects the financial performance of UNH for the next five years (2025-2029). These projections are based on historical performance, industry trends, and the company's strategic direction. The resulting forecasts will serve as the key inputs for our DCF, DDM, and P/E valuation models.

Financial Projections

Revenue Projection

For projecting UNH's FY 2025 revenue, I looked into the LTM of 2025 (as of June) to see the most current data of UNH's revenue and the 3-year revenue trend of the firm. The LTM of 2025 was \$422.82 (FacSet), which shows 5.63 % growth compared to last year. The 3-year trend (averaging 3 years of revenue growth rate) was 11.69%. The most current year (FY 2024) growth rate showed 7.71%. While the LTM growth reflects recent short-term deceleration, the 3-year average may be too high for future forecasts as it includes a period of higher growth. UNH's revenue growth is driven by two business segments at different speeds. Therefore, a bottom-up forecast is more accurate than a single top-down rate. We assume the mature UnitedHealthcare segment will grow at a stable 4-5% annually, while the rising business, the Optum services segment, will grow at a higher 8-10% rate. When weighted by each segment's revenue contribution, this results in a blended overall revenue growth rate of approximately 7% for FY 2025. Since UNH's revenue growth rate showed a decreasing trend, FY 2026's revenue growth rate is reasonably estimated to be 6%, FY 2027 to be 5%, FY 2028 to be 4%, FY 2029 and to perpetuity to be 2.5% taking into account that UNH is a mature firm and aligning with the U.S. GDP growth rate and inflation rate (Figure 18).



Company Analysis

Medical Cost Projections

As previously mentioned in historical financial analysis, UNH is utilizing Optum to control and stabilize the medical cost, which is the major cost of the firm. Therefore, it is reasonably estimated that their MCR will be stable in the future. Since MCR was mostly around 65%, I used the average approach (2022 to 2024 MCR) to calculate the future medical cost of the firm, which was 65.38%.

Depreciation & Amortization Projections

The short-cut method of the weighted approach was used in depreciation projection, which is calculated as 90% of last year's depreciation expense and 10% of projected CapEx. It is reasonably assumed that 90% of the remaining assets will continue to depreciate, and 10% of the new investment in assets will be added to the depreciation. Since CapEx is a key item for projecting depreciation expense, the CapEx projection should be calculated first.

The firm's historical 3-year average CapEx-to-Revenue ratio has remained stable at approximately 0.88%; it can be reasonably applied this ratio to the future projections (Figure 19). Using the projected CapEx into depreciation, the projected depreciation can be calculated.

Financial Projections

Schedules	2022	2023	2024	2025	2026	2027	2028	2029
Revenue	324,162.00	371,622.00	400,278.00	428,297.46	453,995.31	476,695.07	495,762.88	508,156.95
Accounts Receivable	17,681.00	21,276.00	22,365.00	23,937.42	25,373.66	26,642.35	27,708.04	28,400.74
DSO	19.91	20.90	20.39	20.40	20.40	20.40	20.40	20.40
COGS	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
DIO	-	-	-	-	-	-	-	-
COGS	33,703.00	38,770.00	46,694.00	46,391.75	49,175.26	51,634.02	53,699.38	55,041.86
Average Accounts Payable	28,385.50	32,176.50	34,280.50	37,210.98	38,785.97	40,016.10	42,347.83	43,158.94
DPO	307.41	302.93	267.97	292.77	287.89	282.87	287.84	286.20
Revenue	324,162.00	371,622.00	400,278.00	428,297.46	453,995.31	476,695.07	495,762.88	508,156.95
Purchases of property, equipment and capitalized software	(2,802.00)	(3,386.00)	(3,499.00)	(3,782.82)	(4,009.79)	(4,210.28)	(4,378.69)	(4,488.15)
Capex as a % of Revenue	0.86%	0.91%	0.87%	0.88%	0.88%	0.88%	0.88%	0.88%

(Figure 19)

Company Analysis

Interest Expense Projections

The interest expense is based on the debt of UNH. Therefore, it is essential to project two key items when projecting the interest expense: long-term debt and interest rate on debt. For UNH, long-term debt was calculated by adding two line items: Short-term borrowings and current maturities of long-term debt, and Long-term debt, less current maturities. For projecting debt, a constant long-term debt-to-equity ratio of 72% (3-year average of debt-to-equity, book value) was assumed because mature companies like UNH mostly have a steady debt-to-equity ratio (Figure 20). After projecting the debt of the company, the interest rate was projected by a 3-year average of the interest rate (Figure 20).

Long Term Debt	57,623.00	62,537.00	76,904.00	76,143.63	82,617.01	89,128.35	96,258.62	103,959.31
Total Equity	81,450.00	94,421.00	98,268.00	106,129.44	11,461.9.80	12,378.9.38	13,369.2.53	14,438.7.93
Equity growth rate	0.09	0.16	0.04	0.08	0.08	0.08	0.08	0.08
Long-term Debt/Equity Ratio	0.71	0.66	0.78	0.72	0.72	0.72	0.72	0.72

Financial Projections

Other Costs Projections

(Figure 20)

Other costs like operating cost, cost of goods sold, and income tax expense were calculated by averaging the 3-year trend and margins of each item (Figure 21).

\$ in millions	Actuals					Projections		
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Income Statement								
Revenues	324,162	371,622	400,278	428,297	453,995	476,695	495,763	508,157
Medical Costs	(210,842)	(241,894)	(264,185)	(280,012)	(296,813)	(311,654)	(324,120)	(332,223)
Operating Costs	(47,782)	(54,628)	(53,013)	(60,938)	(64,595)	(67,824)	(70,537)	(72,301)
Cost of Products Sold	(33,703)	(38,770)	(46,694)	(46,392)	(49,175)	(51,634)	(53,699)	(55,042)
Depreciation & Amortization	(3,400)	(3,972)	(4,099)	(4,067)	(4,062)	(4,076)	(4,107)	(4,145)
Earning from Operations	28,435	32,358	32,287	36,888	39,351	41,507	43,300	44,447
Interest expense	(2,092)	(3,246)	(3,906)	(3,528)	(3,828)	(4,130)	(4,460)	(4,817)
Loss on Sale of subsidiary and held for sale	0	0	(8,310)	(60)	0	0	0	0
EBIT	26,343	29,112	20,071	33,300	35,523	37,377	38,840	39,630
Income Taxes	(5,704)	(5,968)	(4,829)	(7,350)	(7,840)	(8,249)	(8,572)	(8,747)
Net income	20,639	23,144	15,242	25,950	27,683	29,128	30,267	30,883
Margins/Growth Rates								
-								
Revenue Growth Rate	12.71%	14.64%	7.71%	7.00%	6.00%	5.00%	4.00%	2.50%
Medical cost as a % of Revenue	65.04%	65.09%	66.00%	65.38%	65.38%	65.38%	65.38%	65.38%
Operating cost as a % of Revenue	14.74%	14.70%	13.24%	14.23%	14.23%	14.23%	14.23%	14.23%
Cost of Products Sold as % of Revenue	10.40%	10.43%	11.67%	10.83%	10.83%	10.83%	10.83%	10.83%
Interest Rate on Debt	3.63%	5.19%	5.08%	4.63%	4.63%	4.63%	4.63%	4.63%
Tax Rate	21.65%	20.50%	24.06%	22.07%	22.07%	22.07%	22.07%	22.07%

(Figure 21)

Company Analysis

Net Working Capital (NWC) Projections

The calculations for NWC are calculated from deducting non-interest-bearing current liability from non-cash current assets, and only included items that are related to operating cash flow, because NWC will be used in calculating Free Cash Flow to the Firm in the Discounted Cash Flow valuation model. Since 2024, NWC has be distorted due to non-occurring loss of a subsidiary, using the average percent of sales of NWC from 2022 to 2023 is reasonable, which is 13% of revenue. From those calculations, projections of NWC and the change in NWC from 2025 to 2026 can be estimated by using 13% of revenue. However, since the firm cannot keep the 13% of NWC forever, the NWC of FY 2027 and after is assumed to be 10% (Figure 22).

Financial Projections

S in millions	Actuals			Projections				
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Accounts receivable	17,681.00	21,276.00	22,365.00					
Other current receivables	12,769.00	17,694.00	26,089.00					
Assets under management	4,087.00	3,755.00	0.00					
Prepaid expenses and other current assets.	6,621.00	6,084.00	8,212.00					
Non Cash Current Asset	41,158.00	48,809.00	56,666.00					
Medical cost payable	29056.00	32395.00	34224.00					
Accounts payable and accrued liabilities	27715.00	31958.00	34337.00					
Unearned revenues	3075.00	3355.00	3317.00					
Other current liabilities	26281.00	27072.00	27346.00					
Non interest bearing Current Liabilities	86,127.00	94,780.00	99,224.00					
NWC	(44,969.00)	(45,971.00)	(42,558.00)	(56,198.52)	(59,570.43)	(47,669.51)	(49,576.29)	(50,815.69)
% of Sale	(0.14)	(0.12)	(0.11)	(0.13)	(0.13)	(0.10)	(0.10)	(0.10)
Change in NWC	(8,148.00)	(1,002.00)	3,413.00	(13,640.52)	(3,371.91)	11,900.92	(1,906.78)	(1,239.41)

(Figure 22)

Company Analysis

EPS Projections

EPS Projections EPS projections are essential for P/E valuation. Since future net income is already calculated in figure 20, items that needs to be projected to calculate diluted EPS projection are Net earnings attributable to UNH common shareholders and share outstanding. It is reasonable that the firm will maintain the ratio of earning attributable to shareholders. Therefore, the projection of future earning attributable to the shareholder ratio can be computed by 3.77% of total earning (Figure 23).

UNH's diluted share outstanding has been decreasing by 1.22% (5-year diluted share growth average) (Figure 23) . Note that the 2025 diluted share outstanding data is used from LTM 2025 as of June data, retrieved from FactSet. Similar logic is applied for calculating basic EPS. It is reasonable to estimate that share outstanding will keep decreasing at an average of 1.22% for 2026. However, after 2026, we forecast a more conservative share reduction of 0.5% annually. This is because we believe the company will begin to prioritize retaining cash for potential large-scale M&A opportunities in the health-tech sector, shifting its capital allocation strategy slightly away from aggressive buybacks.

Financial Projections

	Actuals			Projections				
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Net income	20,639	23,144	15,242	25,950	27,683	29,128	30,267	30,883
earnings attributable to UNH common Shareholders	(519)	(763)	(837)	(978)	(1,043)	(1,097)	(1,140)	(1,164)
earning attributable to shareholders ratio	-2.51%	-3.30%	-5.49%	-3.77%	-3.77%	-3.77%	-3.77%	-3.77%
Net earnings attributable to UNH common Shareholders	20,120	22,381	14,405	24,973	26,640	28,030	29,127	29,720
Diluted Share Outstanding	949.8	938.5	925	910	898.90	894.41	889.94	885.49
Diluted Share Outstanding Growth Rate	-0.63%	-1.19%	-1.44%	-1.62%	-1.22%	-0.50%	-0.50%	-0.50%
Diluted EPS	21.18	23.85	15.57	27.44	29.64	31.34	32.73	33.56
Basic Share Outstanding	937	928	921	907	898.22	893.73	889.26	884.82
Basic Share Outstanding Growth Rate	-0.64%	-0.96%	-0.75%	-1.52%	-0.97%	-0.50%	-0.50%	-0.50%
Basic EPS	21.47	24.12	15.64	27.53	29.66	31.36	32.75	33.59

(Figure 23 – UNH 10K, FactSet)

Company Analysis

Dividend per share (DPS) Projections

DPS is a core item for the dividend discount model. The dividend projections can be computed by multiplying the projected diluted EPS by the payout ratio. Since the projected diluted EPS is calculated in Figure 23 and the projected payout ratio is estimated as 30% in Figure 17, we can estimate the future DPS. The projected DPS will increase from \$6.4 in FY 2022 to \$10.07 in FY 2029 (Figure 24). After FY of 2029, it is reasonably estimated that it will perpetually grow by 2.5%.

	Actuals			Projections				
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Diluted EPS	-	-	-	27.44	29.64	31.34	32.73	33.56
Payout Ratio	-	-	-	30%	30%	30%	30%	30%
DPS	6.4	7.29	8.18	8.23	8.89	9.40	9.82	10.07

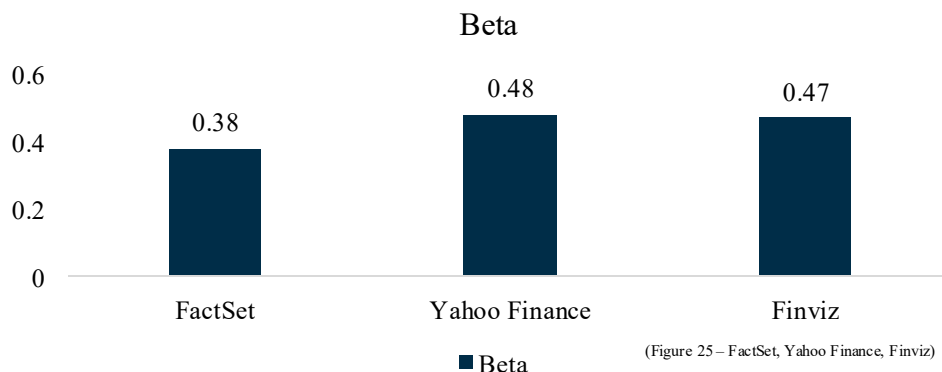
(Figure 24)

Financial Projections

Beta Analysis

Multiple financial services provide beta for UNH. Three sources that provided beta were the following: FactSet (3-year adjusted beta of 0.38), Yahoo Finance (5-year monthly beta of 0.48), and Finviz (0.47) (Figure 25). For the calculation of the cost of equity, this report adopts a 5-year monthly beta of 0.48, as provided by Yahoo Finance. This figure was chosen because it is considered a standard metric that best reflects the company's long-term systematic risk while excluding short-term volatility.

Financial Risks



(Figure 25 – FactSet, Yahoo Finance, Finviz)

Company Analysis

Debt Structure Analysis

As of FY 2024, UNH has a total debt-to-equity ratio of 88.27 (book value). However, this is approximately a 10% increase from the previous year of 75.98%. The possible reason why there was a big increase in the D/E ratio was that there was a significant increase in the purchase of investments or strategic acquisition. It is possible that the firm issued more bonds to purchase those investments. While this growth-oriented strategy can enhance market position, it also increases the company's financial leverage and exposure to interest rate risk.

Financial Risks

Beta and Debt Structure Analysis

As noted, UNH significantly increased its debt in 2024. It is therefore reasonable to hypothesize that this change in leverage is a key driver of the difference between the 3-year and 5-year betas. This analysis validates that hypothesis by first unlevering the 3-year beta (from Factset) with the 2024 debt-to-equity ratio. Subsequently, this unlevered (asset) beta is relevered using the historical 5-year average debt-to-equity ratio to estimate what the 5-year beta should theoretically be.

Financial Risks

- **Unlevering & Relevering Beta**

- By using the 3-year beta and 2024 D/E ratio, the unlevered beta can be computed as 0.22 using a tax rate of 21%. From the unlevered beta of 0.22, we can now leverage the beta by using the 5-year average D/E ratio of 77.82%. The relevered beta is computed as 0.35.

- **Conclusion**

- The resulting theoretically calculated beta was approximately 0.35, which shows a significant difference from the empirically observed 5-year beta of 0.48. This variance is likely due to two factors:
 - **Limitations of Input Data:** The 3-year beta used in the analysis is an adjusted beta, not a raw beta. The inherent adjustments in this figure may have introduced distortions into the calculation.
 - **Changes in Business Risk:** Beyond the level of debt, it is possible that UNH's underlying business risk has changed over the past five years due to its M&A. Therefore, while the change in leverage is an important factor, it does not fully explain the difference between the beta estimates.
 - Therefore, this research adopts a beta of 0.48 given by Yahoo Finance

Valuation

- P/E Model
- Dividend Discount Model
- Discounted Cash Flow Model

Valuation

Comparable

As mentioned in the industry overview, Figure 5, approximately 78% of the insurance industry is dominated by the four companies: UnitedHealth Group, CVS Health, Elevance Health, and Humana Inc. Therefore, it is reasonable to choose those companies for the P/E model. Even though UnitedHealth is expanding to a new kind of industry by utilizing Optum, those other insurance firms are also expanding, and still most of the revenue is generated from premiums, which means comparable should be limited in the insurance industry.

P/E Model

P/E Valuation

The P/E valuation used both trailing and leading EPS to calculate the implied share price of UNH. The leading EPS of comparable companies that are computed in this model are the FactSet estimates (Figure 26). Since FactSet only provides estimates for basic EPS, UNH and all of the comparable's EPS are basic EPS. UNH's trailing basic EPS is from LTM (as of June), and leading EPS is estimated from Figure 23.

All EPS figures represent basic EPS (FactSet basis, LTM trailing & FY+1 leading)

Company	Stock Price	Earning Per Share (Trailing)	Earning Per Share (Leading)	P/E (Trailing)	P/E (Leading)
UnitedHealth Group	354.50	23.09	29.66	15.35	11.95
CVS Health	77.90	3.59	6.40	21.70	12.17
Elevance Health	353.24	23.60	29.90	14.97	11.81
Humana Inc.	280.22	13.06	17.10	21.46	16.39
Maximum	353.24	23.60	29.90	21.70	16.39
Mean	237.12	13.42	17.80	19.37	13.46
Median	280.22	13.06	17.10	21.46	12.17
Minimum	77.90	3.59	6.40	14.97	11.81

(Figure 26)

P/E Valuation Conclusion

Since there are small pool of comparable, the median P/E was used to calculate the implied share price of UNH. Based on the P/E model, the implied share price of UNH is \$495.43 under trailing EPS and \$361.02 in leading EPS (Figure 27).

	Implied Price (Trailing)	Implied Price (Leading)
Maximum	501.03	486.04
Mean	447.36	399.15
Median	495.43	361.02
Minimum	345.61	350.40

(Figure 27)

Valuation

Projected Dividends & Cost of Equity

As mentioned in the financial projection section, we projected dividends until 2029 and assumed the terminal growth rate of 2.5% (Figure 18). To use the Gordon Growth Model, we need to find the cost of equity by using the capital asset pricing model.

- Capital Asset Pricing Model
 - Risk Free Rate: 4.58% (Damodaran 2024 Long-term treasury bond rate)
 - Beta: 0.48 (Yahoo Finance)
 - Market Risk Premium: 4.33% (Damodaran 2024 MRP)
 - Cost of Equity: 6.66%

Implied Price Calculations

Using projected DPS (Figure 20), the sum of the present value of dividends from FY 2025 to FY 2028 is \$30.87 (Figure 28). The terminal value, using the Gordon Growth Model, using a 2.5% perpetuity growth rate with a cost of equity of 6.66% is \$242.05. After adding all the dividends from FY 2025 to FY 2028 and the present value of the terminal value, the implied share price comes out to be \$217.90 (Figure 29). Since the current stock price of UNH is \$364.48, the dividend discount model suggests UNH is possibly overvalued.

\$ in millions	Projections			
	FY 2025	FY 2026	FY 2027	FY 2028
DPS	8.23	8.89	9.4	9.82
Return on Equity	1.067	1.138	1.213	1.294
PV	7.72	7.81	7.75	7.59

(Figure 28)

Terminal Value: Perpetuity Growth	
Terminal Growth Rate	2.50%
2028 Dividend * (1+g)	10.07
Terminal Value in 2028	242.05
PV of Terminal Value	187.04
Implied Share Price	217.90

(Figure 29)

Dividend Discount Model

Valuation

DDM sensitivity Analysis

The dividend discount model sensitivity analysis shows how the implied price changes if the cost of equity and the terminal growth rate change. This shows the possible implied price if the assumptions that are made for beta or diluted EPS is changed. In this sensitivity analysis, 5 possible costs of equity and terminal growth rates are illustrated. The sensitivity analysis suggests that the possible range of UNH implied price is between \$234.30 ~ \$290.45 (Figure 30).

Dividend Discount Model

		Cost of Equity				
		5.50%	6.00%	6.50%	7.00%	7.50%
Terminal Growth	1.5%	\$238.54	\$211.81	\$190.42	\$172.93	\$158.35
	2.0%	\$269.17	\$234.30	\$208.08	\$187.11	\$169.95
	2.5%	\$310.01	\$265.49	\$232.11	\$206.14	\$185.37
	3.0%	\$447.16	\$377.63	\$327.86	\$290.45	\$261.28
	3.5%	\$452.94	\$362.12	\$301.58	\$258.33	\$225.90

(Figure 30)

Valuation

Free Cash Flow to the Firm & Terminal Value

Using projected EBIT, depreciation expense, NWC, and CapEx from the company analysis, the projected Free Cash Flow to the firm for UNH decreased from \$39,875 in FY2025 to \$31,902 in FY 2028 (Figure 31). Using the same assumption of terminal growth rate of 2.50% as Dividend Discount Model, the terminal value of UNH came out \$894,000 million before discounting to present value (Figure 32).

Discounted Cash Flow Model

S in millions	Projections			
	FY 2025	FY 2026	FY 2027	FY 2028
EBIT	33,299.77	35,522.91	37,376.97	38,839.70
Tax expense	(7349.54)	(7840.21)	(8249.41)	(8572.25)
EBIT (1-T)	25950.23	27682.70	29127.56	30267.45
Depreciation	4,067.38	4,061.62	4,076.49	4,106.71
Operating Cash Flow	30,017.61	31,744.32	33,204.04	34,374.16
Change in NWC	(13,640.52)	(3,371.91)	11,900.92	(1,906.78)
CapEx	(3,782.82)	(4,009.79)	(4,210.28)	(4,378.69)
Free Cash Flow	39,875.31	31,106.45	17,092.85	31,902.25
PV of Free Cash Flows	37,562.34	27,602.44	14,287.62	25,119.76

(Figure 31)

WACC Computation

Using fully diluted share outstanding, the current stock price of UNH, and total debt, provided by FactSet, the debt-to-equity ratio (market value) came out to be 25% and debt to value came out to be 20.13%. The cost of debt (5.28%) is calculated based on Professor Damodaran's credit rating spread of AA-, which was 0.7% and the risk-free rate of 4.58% (S&P Global, 2025). The cost of equity is used same as the cost of equity of the DDM model in the previous section. Using all the information above, the WACC came out to be 6.16% (Figure 33).

Terminal Value: Perpetuity Growth	
Terminal Growth Rate	2.50%
2028 FCF * (1+g)	32,699.81
Terminal Value in 2028	894,000.21
PV of Terminal Value	703,933.58
Enterprise Value	808,505.73

(Figure 32)

WACC	
Market Cap	324,506.00
Fully Diluted Shares Outstanding	910.00
Price (as of Oct 19, 2025)	\$356.60
Total Debt (Approximated with Book Value)	81,793.00
D+E	406,299.00
D/E	0.252
D/(D+E)	20.13%
Corporate Tax Rate	21.00%
Cost of Debt	5.28%
Credit Rating	AA-
Credit Spread	0.70%
Risk Free Rate	4.58%
Market Risk Premium	4.33%
Beta	0.48
E/(D+E)	79.87%
Cost of Equity	6.66%
WACC	6.16%

(Figure 33)

Valuation

Implied Share Price Computation

Using the present value of FCFF of 2025 to 2028 and the terminal value, the enterprise value of UnitedHealth Group was \$808,505 million. By adding back the net debt and dividing the value by fully diluted shares outstanding, the implied share price of UNH comes out to be \$826.40 (Figure 34). The discounted cash flow model shows that UNH has an upside of 132%. The implied share price comes out to be extremely higher than the current stock price, the sensitivity analysis is need to see the approximate implied share price if the assumption of WACC and terminal growth rate changes.

Enterprise Value	
Sum of PV FCFF	104,572.2
PV of TV	703,933.6
Enterprise Value	808,505.7
Net Debt	56,481.0
Equity Value	752,024.7
Diluted Share #	910.0
Implied Pice	\$826.40

(Figure 34)

DCF Sensitivity Analysis

The sensitivity analysis shows the changes in implied share price if WACC (range from 5.50% to 7.50%) and terminal growth rate (range from 1.5% to 2.5%) changes. The sensitivity analysis shows that if WACC was 6.50% and the terminal growth rate was 2%, the implied share price will be \$669.70, which shows that the stock has an upside of 87.80% (Figure 35).

		WACC				
		5.50%	6.00%	6.50%	7.00%	7.50%
Terminal Growth Rate	1.50%	\$772.56	\$679.57	\$605.21	\$544.39	\$493.72
	1.75%	\$822.32	\$718.05	\$635.76	\$569.17	\$514.17
	2.00%	\$879.19	\$761.34	\$669.70	\$596.42	\$536.48
	2.25%	\$944.80	\$810.40	\$707.64	\$626.54	\$560.92
	2.50%	\$1,021.35	\$866.46	\$750.32	\$660.01	\$587.79

(Figure 35)

Discounted Cash Flow Model

Conclusion & Recommendations

- Valuation Conclusion
- Specific recommendations

Conclusion & Recommendations

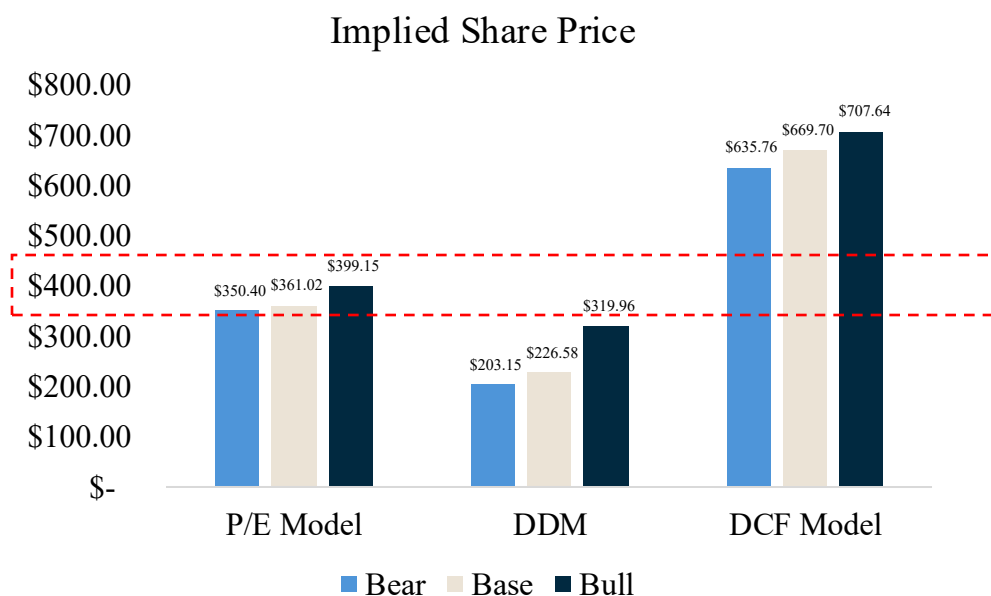
Conclusion on three valuation models: P/E, DDM, DCF

Using the projected financial statements of UnitedHealth Group, the P/E valuation's implied share price of UNH came out to be \$361, DDM came out to be \$218, and DCF came out to be \$829.

Even though the implied price range of the three models is so large, this shows important facts.

The conservative investors, who really highlight the importance of dividends, think that the firm is worth \$218. The current market thinks like a P/E model because the difference between the implied share price of the P/E model and the current share price is about the same. The Growth-oriented investors might think like DCF that "The market doesn't yet realize the potential of huge cash flows that UNH will generate in the future through working capital management. Combining the information provided by all of the valuation model, there are potential to UNH if all of the assumptions are held. The estimated implied price range for UNH can be concluded around \$360 ~ \$400 (Figure 36).

Valuation Conclusion



(Figure 36)

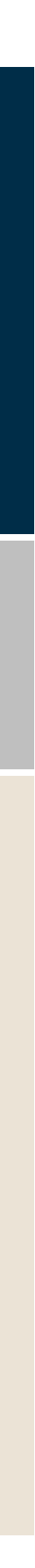
Conclusion & Recommendations

Conclusion

Through the three (P/E, DDM, and DCF) valuation models, the implied share price of UnitedHealth Group should be \$380. There are several reasons why the current market thinks the value of UNH is lower than \$380. One of the major reason is because of the current economic and political situation, which is not a firm specific risk. OBBBA and IRA will have a big impact on insurance firms like UNH. Also, due to the increasing risk of inflation, there are a possibility that medical cost will increase. The reasons why UNH is currently undervalued are not because of the firm-specific risk, but because of the current economic situation.

UnitedHealth Group has great potential due to the Optum business segment. The synergy between UnitedHealthcare and Optum has not yet fully emerged. The revenue growth rate of Optum businesses are increasing, which will majorly positively impact the UNH. Unlike a traditional insurance company, UNH will adapt new technology, expand into new business, and increase the efficiency of its business by utilizing Optum. Therefore, with the current price reflecting temporary macro-risks and not the robust long-term potential of its Optum-driven transformation, this report concludes with a Buy recommendation for UnitedHealth Group.

Conclusion



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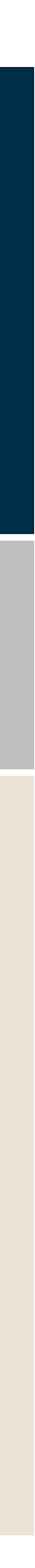
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Appendix

Three Statement Model

\$ in millions	Actuals				Projections			
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Income Statement								
Revenues	324,162	371,622	400,278	428,297	453,995	476,695	495,763	508,157
Medical Costs	(210,842)	(241,894)	(264,185)	(280,012)	(296,813)	(311,654)	(324,120)	(332,223)
Operating Costs	(47,782)	(54,628)	(53,013)	(60,938)	(64,595)	(67,824)	(70,537)	(72,301)
Cost of Products Sold	(33,703)	(38,770)	(46,694)	(46,392)	(49,175)	(51,634)	(53,699)	(55,042)
Depreciation & Amortization	(3,400)	(3,972)	(4,099)	(4,067)	(4,062)	(4,076)	(4,107)	(4,145)
Earning from Operations	28,435	32,358	32,287	36,888	39,351	41,507	43,300	44,447
Interest expense	(2,092)	(3,246)	(3,906)	(3,528)	(3,828)	(4,130)	(4,460)	(4,817)
Loss on Sale of subsidiary and held for sale	0	0	(8,310)	(60)	0	0	0	0
EBIT	26,343	29,112	20,071	33,300	35,523	37,377	38,840	39,630
Income Taxes	(5,704)	(5,968)	(4,829)	(7,350)	(7,840)	(8,249)	(8,572)	(8,747)
Net income	20,639	23,144	15,242	25,950	27,683	29,128	30,267	30,883

Margins /Growth Rates

Revenue Growth Rate	12.71%	14.64%	7.71%	7.00%	6.00%	5.00%	4.00%	2.50%
Medical cost as a % of Revenue	65.04%	65.09%	66.00%	65.38%	65.38%	65.38%	65.38%	65.38%
Operating cost as a % of Revenue	14.74%	14.70%	13.24%	14.23%	14.23%	14.23%	14.23%	14.23%
Cost of Products Sold as % of Revenue	10.40%	10.43%	11.67%	10.83%	10.83%	10.83%	10.83%	10.83%
Interest Rate on Debt	3.63%	5.19%	5.08%	4.63%	4.63%	4.63%	4.63%	4.63%
Tax Rate	21.65%	20.50%	24.06%	22.07%	22.07%	22.07%	22.07%	22.07%

Three Statement Model

\$ in millions	2022	2023	2024					
Balance Sheet								
Current assets:								
Cash and cash equivalents	23,365.00	25,427.00	25,312.00					
Short-term investments	4,546.00	4,201.00	3,801.00					
Accounts receivable	17,681.00	21,276.00	22,365.00					
Other current receivables	12,769.00	17,694.00	26,089.00					
Assets under management	4,087.00	3,755.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid expenses and other current assets	6,621.00	6,084.00	8,212.00					
Total Current Assets	69,069.00	78,437.00	85,779.00	0.00	0.00	0.00	0.00	0.00
Long-term investments	43,728.00	47,609.00	52,354.00					
PPE	10,128.00	11,450.00	10,553.00					
Goodwill	93,352.00	103,732.00	106,734.00					
Other intangible assets	14,401.00	15,194.00	23,268.00					
Other assets	15,027.00	17,298.00	19,590.00					
Total Assets	245,705.00	273,720.00	298,278.00	0.00	0.00	0.00	0.00	0.00
LIABILITIES								
Current liabilities:								
Medical cost payable	29,056.00	32,395.00	34,224.00					
Accounts payable and accrued liabilities	27,715.00	31,958.00	34,337.00					
Short-term borrowings and current maturities of long-term debt	3110.00	4274.00	4545.00					
Unearned revenues	3075.00	3355.00	3317.00					
Other current liabilities	26,281.00	27,072.00	27,346.00					
Total Current Liabilities	89,237.00	99,054.00	103,769.00	-	-	-	-	-
Long-term debt, less current maturities	54,513.00	58,263.00	72,359.00					
Deferred income taxes	2769.00	3021.00	3620.00					
Other liabilities	12,839.00	14,463.00	15,939.00					
Total Liabilities	159,358.00	174,801.00	195,687.00	-	-	-	-	-
Redeemable noncontrolling interests	4897.00	4498.00	4323.00					
STOCKHOLDERS' EQUITY								
Preferred stock, \$0.001 par value	0.00	0.00	0.00					
Common stock, \$0.01 par value	9.00	9.00	9.00					
Retained earnings	86,156.00	95,774.00	96,036.00					
Accumulated other comprehensive loss	(8,393.00)	(7,027.00)	(3,387.00)					
Nonredeemable noncontrolling interests	3,678.00	5,665.00	5,610.00					
Total Stockholders' Equity	81,450.00	94,421.00	98,268.00	0.00	0.00	0.00	0.00	0.00
Total Liabilities and Stockholders' Equity	245,705.00	273,720.00	298,278.00	0.00	0.00	0.00	0.00	0.00

Three Statement Model

\$ in millions	Actuals			Projections				
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Accounts receivable	17,681.00	21,276.00	22,365.00					
Other current receivables	12,769.00	17,694.00	26,089.00					
Assets under management	4,087.00	3,755.00	0.00					
Prepaid expenses and other current assets	6,621.00	6,084.00	8,212.00					
Non Cash Current Asset	41,158.00	48,809.00	56,666.00					
Medical cost payable	29,056.00	32,395.00	34,224.00					
Accounts payable and accrued liabilities	27,715.00	31,958.00	34,337.00					
Unearned revenues	30,75.00	33,55.00	33,17.00					
Other current liabilities	26,281.00	27,072.00	27,346.00					
Non interest bearing Current Liabilities	86,127.00	94,780.00	99,224.00					
NWC	(44,969.00)	(45,971.00)	(42,558.00)	(56,198.52)	(59,570.43)	(47,669.51)	(49,576.29)	(50,815.69)
% of Sale	(0.14)	(0.12)	(0.11)	(0.13)	(0.13)	(0.10)	(0.10)	(0.10)
Change in NWC	(8,148.00)	(1,002.00)	3,413.00	(13,640.52)	(3,371.91)	11,900.92	(1,906.78)	(1,239.41)

Schedules								
Revenue	324,162.00	371,622.00	400,278.00	428,297.46	453,995.31	476,695.07	495,762.88	508,156.95
Accounts Receivable	17,681.00	21,276.00	22,365.00	23,937.42	25,373.66	26,642.35	27,708.04	28,400.74
DSO	19.91	20.90	20.39	20.40	20.40	20.40	20.40	20.40
COGS	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
DIO	-	-	-	-	-	-	-	-
COGS	33,703.00	38,770.00	46,694.00	46,391.75	49,175.26	51,634.02	53,699.38	55,041.86
Average Accounts Payable	28,385.50	32,176.50	34,280.50	37,210.98	38,785.97	40,016.10	42,347.83	43,158.94
DPO	307.41	302.93	267.97	292.77	287.89	282.87	287.84	286.20
Revenue	324,162.00	371,622.00	400,278.00	428,297.46	453,995.31	476,695.07	495,762.88	508,156.95
Purchases of property, equipment and capitalized software	(2,802.00)	(3,386.00)	(3,499.00)	(3,782.82)	(4,009.79)	(4,210.28)	(4,378.69)	(4,488.15)
Capex as a % of Revenue	0.86%	0.91%	0.87%	0.88%	0.88%	0.88%	0.88%	0.88%
Long Term Debt	57,623.00	62,537.00	76,904.00	76,143.63	82,617.01	89,128.35	96,258.62	103,959.31
Total Equity	81,450.00	94,421.00	98,268.00	106,129.44	114,619.80	123,789.38	133,692.53	144,387.93
Equity growth rate	0.09	0.16	0.04	0.08	0.08	0.08	0.08	0.08
long-term Debt/Equity Ratio	0.71	0.66	0.78	0.72	0.72	0.72	0.72	0.72

Three Statement Model

\$ in millions	2022	2023	2024
Statement of Cashflows			
Net income	20,639.0	23,144.0	15,242.0
<i>Noncash items:</i>			
Depreciation and amortization	3,400.0	3,972.0	4,099.0
Deferred income taxes	(673.0)	(245.0)	(296.0)
Share-based compensation	925.0	1,059.0	1,018.0
Loss on sale of subsidiary and subsidiaries held for sale	0.0	0.0	8,310.0
Gains on dispositions and other strategic transactions	(588.0)	(489.0)	(3,333.0)
Other, net	257.0	(16.0)	(28.0)
<i>Net change in other operating items</i>			
Accounts receivable	(2,523.0)	(3,114.0)	(1,437.0)
Other assets	(1,374.0)	(2,444.0)	(4,140.0)
Medical costs payable	4,053.0	3,482.0	2,503.0
Accounts payable and other liabilities	1,964.0	3,516.0	2,463.0
Unearned revenues	126.0	203.0	(197.0)
Cash flow from Operating Activities	26,206.0	29,068.0	24,204.0
Investing activities:			
Purchases of investments	(18,825.0)	(18,314.0)	(27,308.0)
Sales of investments	5,907.0	7,307.0	18,514.0
Maturities of investments	6,081.0	9,230.0	9,319.0
Cash paid for acquisitions and other transactions, net of cash assumed	(21,458.0)	(10,136.0)	(13,408.0)
Purchases of property, equipment and capitalized software	(2,802.0)	(3,386.0)	(3,499.0)
Loans to care providers - cyberattack	0.0	0.0	(9,033.0)
Repayments of care provider loans - cyberattack	0.0	0.0	4,514.0
Cash received from dispositions and other strategic transactions, net	3,414.0	685.0	2,041.0
Other, net	(793.0)	(960.0)	(1,667.0)
Cash flows used for investing activities	(28,476.0)	(15,574.0)	(20,527.0)
Financing activities:			
Common share repurchases	(7,000.0)	(8,000.0)	(9,000.0)
Cash dividends paid	(5,991.0)	(6,761.0)	(7,533.0)
Proceeds from common stock issuances	1,253.0	1,353.0	1,846.0
Repayments of long-term debt	(3,015.0)	(2,125.0)	(3,000.0)
(Repayments of) proceeds from short-term borrowings, net	732.0	11.0	(151.0)
Proceeds from issuance of long-term debt	14,819.0	6,394.0	17,811.0
Customer funds administered	5,548.0	(521.0)	(1,560.0)
Purchases of redeemable noncontrolling interests	(176.0)	(730.0)	(280.0)
Other, net	(1,944.0)	(1,150.0)	(1,645.0)
Cash flows (used for) from financing activities	4,226.0	(11,529.0)	(3,512.0)
Increase in cash and cash equivalents	1,990.0	2,062.0	104.0
Less: cash within businesses held for sale	0.0	0.0	(219.0)
Net (decrease) increase in cash and cash equivalents	1,990.0	2,062.0	(115.0)
Cash and cash equivalents, beginning of period	21,375.0	23,365.0	25,427.0
Cash and cash equivalents, end of period	23,365.0	25,427.0	25,312.0

EPS/DPS

	Actuals				Projections			
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Net income	20,639	23,144	15,242	25,950	27,683	29,128	30,267	30,883
earnings attributable to UNH common Shareholders	(519)	(763)	(837)	(978)	(1,043)	(1,097)	(1,140)	(1,164)
earning attributable to shareholders ratio	-2.51%	-3.30%	-5.49%	-3.77%	-3.77%	-3.77%	-3.77%	-3.77%
Net earnings attributable to UNH common Shareholders	20,120	22,381	14,405	24,973	26,640	28,030	29,127	29,720
Diluted Share Outstanding	949.8	938.5	925	910	898.90	894.41	889.94	885.49
Diluted Share Outstanding Growth Rate	-0.63%	-1.19%	-1.44%	-1.62%	-1.22%	-0.50%	-0.50%	-0.50%
Diluted EPS	21.18	23.85	15.57	27.44	29.64	31.34	32.73	33.56
Basic Share Outstanding	937	928	921	907	898.22	889.53	880.92	872.39
Basic Share Outstanding Growth Rate	-0.64%	-0.96%	-0.75%	-1.52%	-0.97%	-0.97%	-0.97%	-0.97%
Basic EPS	21.47	24.12	15.64	27.53	29.66	31.51	33.06	34.07

	Actuals				Projections			
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Diluted EPS	-	-	-	27.44	29.64	31.34	32.73	33.56
Payout Ratio	-	-	-	30%	30%	30%	30%	30%
DPS	6.4	7.29	8.18	8.23	8.89	9.4	9.82	10.07

P/E , DDM Model

Company	Stock Price	Earning Per Share (Trailing)	Earning Per Share (Leading)	P/E (Trailing)	P/E (Leading)
UnitedHealth Group	354.50	23.09	29.66	15.35	11.95
CVS Health	77.90	3.59	6.40	21.70	12.17
Elevance Health	353.24	23.60	29.90	14.97	11.81
Humana Inc.	280.22	13.06	17.10	21.46	16.39
Maximum	353.24	23.60	29.90	21.70	16.39
Mean	237.12	13.42	17.80	19.37	13.46
Median	280.22	13.06	17.10	21.46	12.17
Minimum	77.90	3.59	6.40	14.97	11.81

	Implied Price (Trailing)	Implied Price (Leading)
Maximum	501.03	486.04
Mean	447.36	399.15
Median	495.43	361.02
Minimum	345.61	350.40

\$ in millions	Projections			
	FY 2025	FY 2026	FY 2027	FY 2028
DPS	8.23	8.89	9.4	9.82
Return on Equity	1.067	1.138	1.213	1.294
PV	7.72	7.81	7.75	7.59

Terminal Value: Perpetuity Growth	
Terminal Growth Rate	2.50%
2028 Dividend * (1+g)	10.07
Terminal Value in 2028	242.05
PV of Terminal Value	187.04
Implied Share Price	217.90

		Cost of Equity				
		5.50%	6.00%	6.50%	7.00%	7.50%
Terminal Growth	1.5%	\$232.86	\$206.79	\$185.94	\$168.88	\$154.66
	2.0%	\$262.73	\$228.72	\$203.15	\$182.70	\$165.97
	2.5%	\$302.55	\$259.14	\$226.58	\$201.26	\$181.01
	3.0%	\$436.30	\$368.50	\$319.96	\$283.48	\$255.03
	3.5%	\$441.94	\$353.37	\$294.33	\$252.16	\$220.53

Return on Equity	
Beta	0.48
Risk Free Rate	4.58%
Market Risk Premium	4.33%
Return on Equity	6.66%

DCF

In millions	Projections			
	FY 2025	FY 2026	FY 2027	FY 2028
EBIT	33,299.77	35,522.91	37,376.97	38,839.70
Tax expense	(7,349.54)	(7,840.21)	(8,249.41)	(8,572.25)
EBIT (1-T)	29,950.23	27,682.70	29,127.56	30,267.45
Depreciation	4,067.38	4,061.62	4,076.49	4,106.71
Operating Cash Flow	30,017.61	31,744.32	33,204.04	34,374.16
Change in NWC	(13,640.52)	(3,371.91)	1,900.92	(1,906.78)
CapEx	(3,782.82)	(4,009.79)	(4,210.28)	(4,378.69)
Free Cash Flow	39,875.31	31,106.65	17,092.85	31,902.25
PV of Free Cash Flows	37,562.34	27,024.44	14,287.62	25,119.76

Terminal Value: Perpetuity Growth	
Terminal Growth Rate	2.50%
2028 FCF * (1+g)	32,699.81
Terminal Value in 2028	894,000.21
PV of Terminal Value	703,933.58
Enterprise Value	808,505.73

Enterprise Value	
Sum of PV FCFF	104,572.2
PV of TV	703,933.6
Enterprise Value	808,505.7
Net Debt	56,481.0
Equity Value	752,024.7
Diluted Share #	910.0
Implied Price	826.40

WACC	
Market Cap	324,506.00
Fully Diluted Shares Outstanding	910.00
Price (as of Oct 19, 2025)	\$ 356.60
Total Debt (Approximated with Book Value)	81,793.00
D+E	406,299.00
D/E	0.252
D/(D+E)	20.13%
Corporate Tax Rate	21.00%
Cost of Debt	5.28%
Credit Rating	AA-
Credit Spread	0.70%
Risk Free Rate	4.58%
Market Risk Premium	4.33%
Beta	0.48
E/(D+E)	79.87%
Cost of Equity	6.66%
WACC	6.16%

		WACC				
		5.50%	6.00%	6.50%	7.00%	7.50%
Terminal Growth Rate	1.50%	\$772.56	\$679.57	\$605.21	\$544.39	\$493.72
	1.75%	\$822.32	\$718.05	\$635.76	\$569.17	\$514.17
	2.00%	\$879.19	\$761.34	\$669.70	\$596.42	\$536.48
	2.25%	\$944.80	\$810.40	\$707.64	\$626.54	\$560.92
	2.50%	\$1,021.35	\$866.46	\$750.32	\$660.01	\$587.79