

UNITEDHEALTH GROUP

Strength in Unity

Long UnitedHealth Group, Inc (NYSE:UNH)

Time Horizon: 12 Months

58.44% Upside

Student Investment Group at Florida Gulf Coast University

Team Health Freaks

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UnitedHealth Group is set up for a recovery as leadership stabilizes the company and government funding improves

Key Investment Thesis

1.

The New Management Team Clears The Overhang

The return of a proven CEO and experienced leaders signals stability and a fresh start after a tough period.
2.

Street Underestimate Optum

Market misprices UNH by treating it as an MA insurer, overlooking Optum’s superior growth engine and margin-rich mix shift.
3.

Federal Healthcare Spending Cycle Favors Private Insurers

With the Medicare Advantage effective growth rate rising to 9.04% in 2026, federal payments to UnitedHealth should outpace costs, boosting profitability.

1-Year TP: \$538.27 | Implied Upside: 58.44%

Key Financials & Multiples (FY25)	
EV / REVENUE	0.8x
EV / EBITDA	11.41x
Beta (5Y Monthly)	0.43
P/E	16.84

NYSE: UNH	USD
Price (as of 12/04/2025)	\$323.21
Shares Outstanding	905.84M
Market Cap	\$298.72B
Enterprise Value	\$348.24B

Why does this opportunity exist?



- The fatal death of the former CEO of the United Healthcare (Insurance Segment) led to intense public and regulatory pressure, prompting policy changes and increased scrutiny.
- The company admitted to an error in price estimation, underestimating the surge in medical costs, especially in Medicare Advantage.
- Government funding was short compared to the actual cost increases, pressuring margins.
- Medicare cut risks stem from Trump’s 2025 tax-and-budget law
- Multiple lawsuits and a DOJ investigation have weighed on the stock and reputation.
- The stock has dropped nearly 50% compared to a year ago, making it attractively priced for value investors.
- There is an expectation of an inflection point soon, as the company restructures, leadership stabilizes, and the government’s payment increases (Effective Growth Rate) start to offset recent cost pressures.

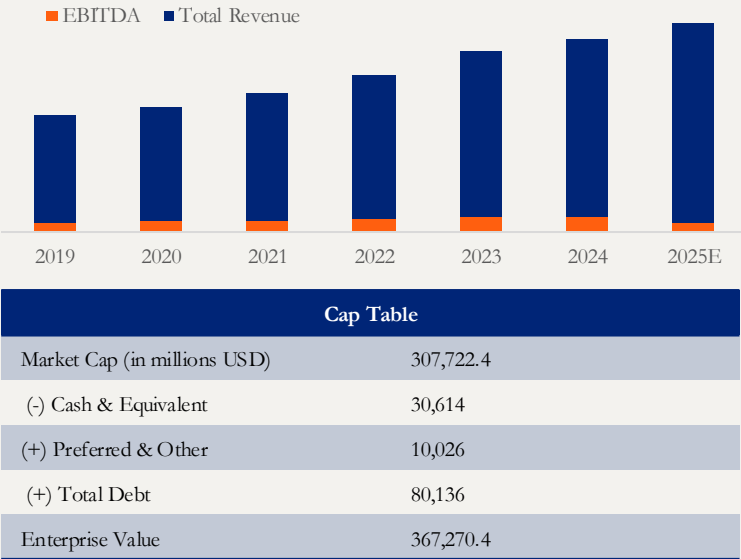
UnitedHealthcare Is The Largest Healthcare Company In The United States With Over 50 Million Members As Of 2025.

Background on United Healthcare

Founded in 1974 in Minnetonka, Minnesota, the company was created to manage the services of the newly established Health Maintenance Organizations (HMOs). Today, it is the largest U.S. health care and health insurance company, combining insurance (UnitedHealthcare) with health services (Optum). It traces its origins to Charter Med in 1974 and became UnitedHealth Group in 1998 as it expanded into national commercial, Medicare, and Medicaid coverage, as well as care delivery and pharmacy benefit management.

Ownership & Financial Overview

Ownership	
Holder Name	Position (%)
Vanguard Group Inc	10%
Blackrock Inc	8.2%
Capital Group Cos Inc	5.8%
State Street Corp	4.9%
Geode Capital	2.4%
T Rowe Price Group Inc	2.2%
JPMorgan Chase & Co	2.1%
Others	64.4%
Total	100%

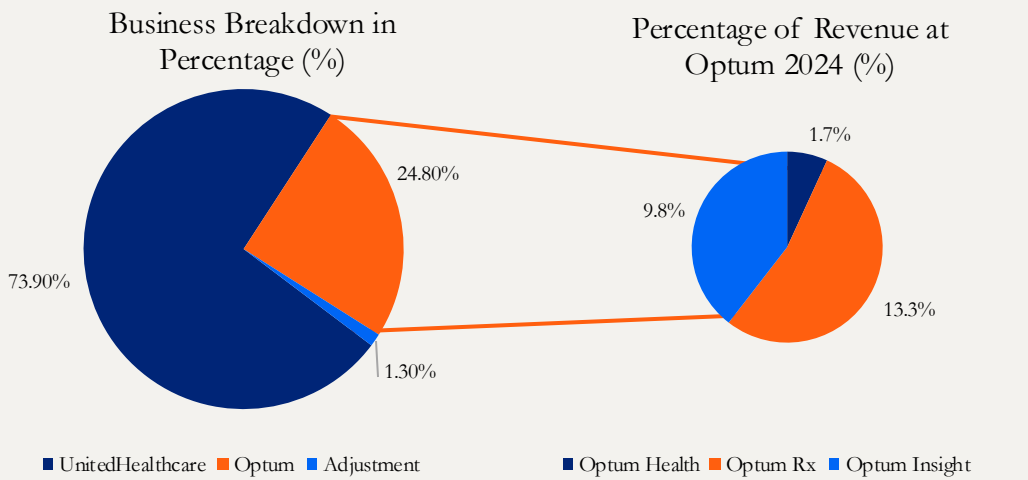


Business Model

They aim to achieve an accessible, affordable and high-performance health system. UnitedHealth Group's business model is two-part: UnitedHealthcare, which provides healthcare insurance and Optum, which offers healthcare services.

The vertical integration model where Optum reduces UHC’s medical costs.

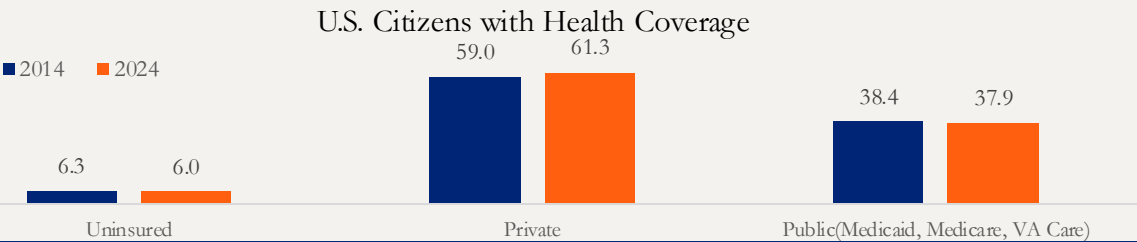
- Optum Health offers lower-cost sits of care vs. hospital systems
- Optum RX controls drug spend, specialty drug management
- Optum Insight reduces fraud, waste, and claim errors



In The US, The Market Size For Healthcare Insurance Is \$1.57 Trillion, UnitedHealthcare Market Cap Is \$298.72 Billion.

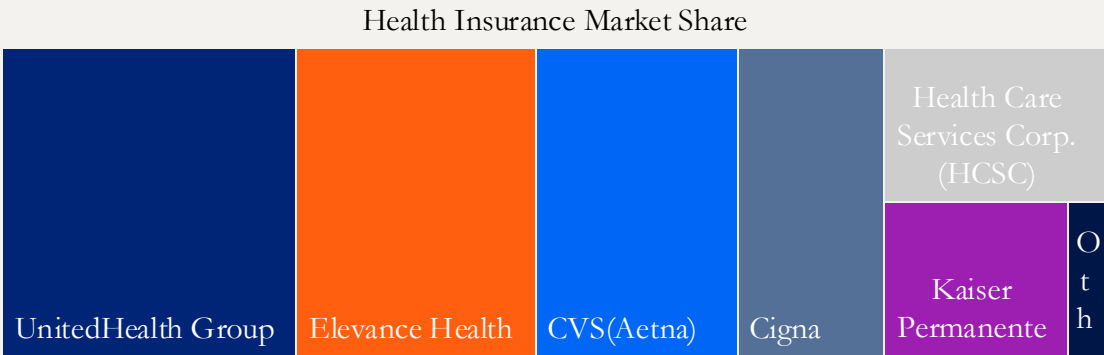
Industry Overview

- U.S. Managed Care Organizations: Provide commercial, Medicare Advantage, and Medicaid insurance
- Integrated Healthcare Services: Pharmacy benefit management (PBM), provider services, and data & analytics
- Commercial Insurance: Employer-sponsored plans; stable cash-flow base
- Medicare Advantage: Fastest-growing segment; strong enrollment growth
- Medicaid Managed Care: Driven by state outsourcing of Medicaid programs
- Provider Services & Care Delivery: Multispecialty clinics, home care, and behavioral health (Optum Health)
- Pharmacy Services (PBM): Formulary management, drug pricing, and specialty pharmacy (OptumRx)



Market Size (2025)	USD
U.S. government spent on healthcare programs and services	\$2.96T
Private Insurance (employer-sponsored + individual +ACA, etc)	\$1.57T
Out-of-Pocket + Other Private (housing, self-pay, private clinics)	\$1.5T
U.S. total healthcare spending	\$5.6T
Expected size by ~ 2030	\$2.13T

Competitive Landscape



Headwinds

Regulatory Uncertainty	Margin Compression	Operational Challenges
Potential Medicaid funding cuts uncertainty for providers and insurers	Rising medical costs, higher utilization, and regulatory challenges	Increasing senior care costs and behavioral health utilization

Tailwinds

Growth Opportunities	AI Adoption	Value-Based Care
Long-term Medicare Advantage penetration expected to reach over 54% by 2028	Healthcare admin costs going down and speeding up operations, making faster and more efficient.	The shift to VBC is accelerating, incentivizing providers to improve outcomes and efficiency

The New Leadership Team Is Resetting The Business For Disciplined, Profitable, And Sustainable Long-term Growth

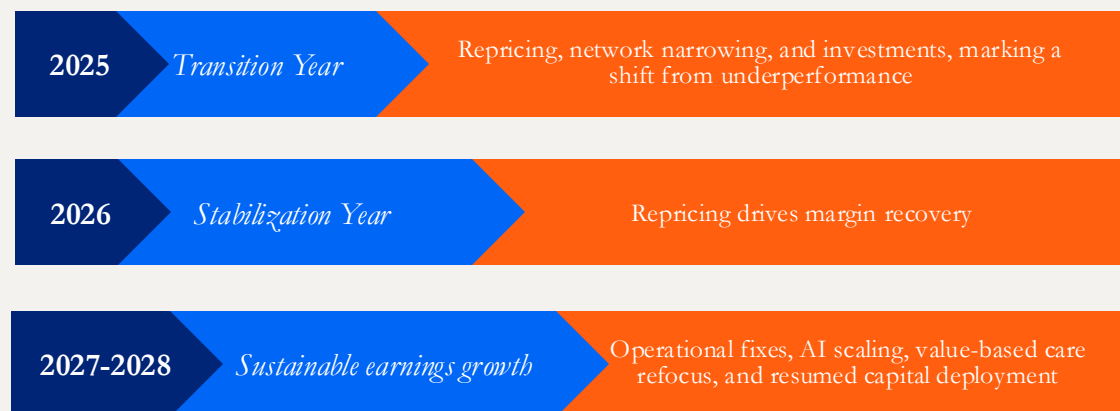
Current Leadership



- **Stephen J. Hemsley** is the new CEO of UnitedHealth Group, returning to the role in May 2025 after Andrew Witty stepped down.
- He is the best option because he previously led UnitedHealth from 2006-2017, building Optum and consistently delivering results, and he knows the company's playbook to stabilize operations and restore growth.
- His compensation emphasizes pay-for-performance: a low \$1 million base salary and a performance-aligned equity award, rather than large fixed cash pay.
- New CFO, **Wayne DeVeydt (Effective Sep 2025)**: Proven in healthcare ops (former CFO Anthem/Elevance, CEO Surgery Partners) with Bain Capital turnaround expertise
- **Tim Noel (New CEO UnitedHealthcare)**: Company veteran tapped post-2025 challenges; validated 2026 repricing for MA/commercial margins (upper 2-4%, toward 7-9%). offset \$50B Medicare cuts, and sustained 85% digital member service amid high trends (7.5% MA)



Transition To Earnings Growth



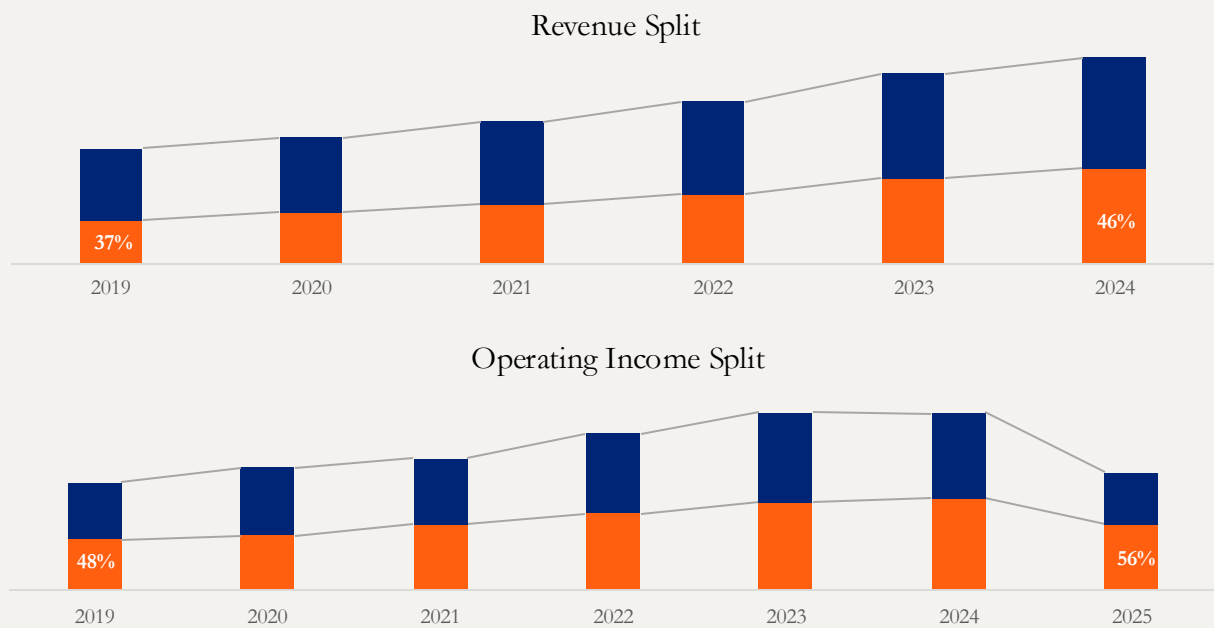
Long-Term Sustainable Strategy

- **Quality Over Quantity → Focus on Profit, Not Just Membership Growth**: Transcript states "getting back to the basics of our VBC model will be good for the people we serve and for our business," with Optum Health refocusing via narrower networks, exiting 200k PPO lives, and 10% value-based care membership shrink in 2026 to prioritize "high-performing partners" over rapid expansion, aiming for margins toward 6-8% long-term
- **Financial Engineering: Buybacks & Capital Discipline**: CFO Wayne DeVeydt notes pausing "strategic acquisitions and share buyback while we dedicate our cash to returning to a long-term debt-to-capital ratio around 40%," with plans to reinstate historical practices later in 2026 after Q3 debt ratio at 44.1
- **Investment in Innovative Technologies**: Aggressively scaling AI and machine learning capabilities to enhance these experiences and optimize core performance" in UnitedHealthcare, plus Optum Insight investments in "AI-first" products like Optum Real (real-time claims), Integrity One (auto-coding with 73% productivity gains), and Crimson AI (13:1 ROI), under new leader Sandeep Dadlani

Street Underestimates The Durability And Mix-shift Of Optum As The Primary Growth Engine

Optum Increasing Importance in UNH Business Model

Optum is growing fast and is one of the high profitable segments of the healthcare group.
Graph showing Optum growth rate compared



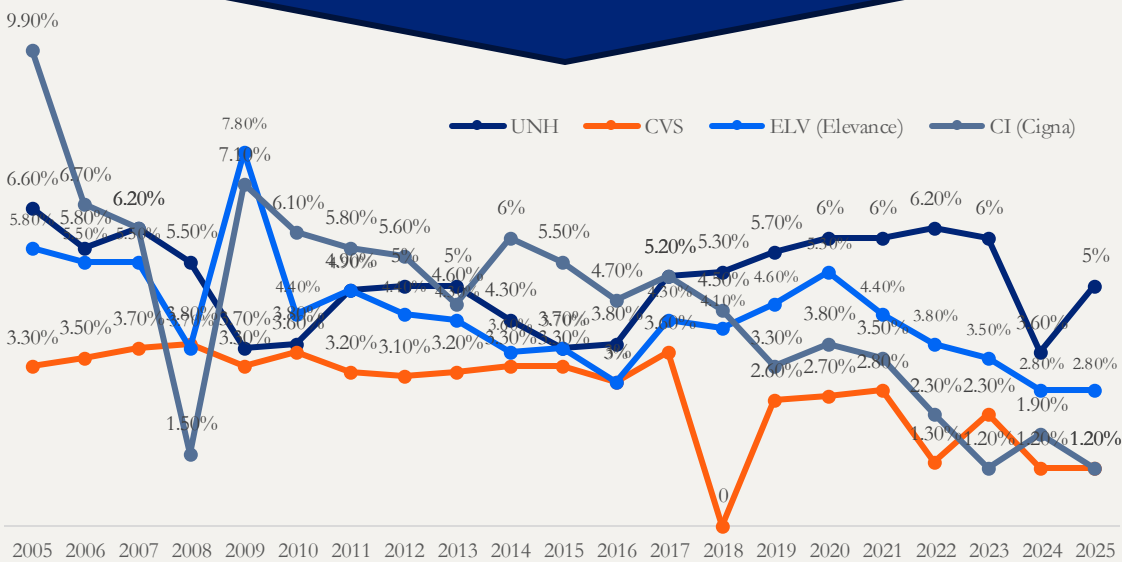
Flywheel Model: UnitedHealth Group combines United Healthcare (UHC) and Optum to build vertically synergy, building a flywheel model that works like this:

- UHC enrolls members and collects premiums
- Optum provides services, manages costs, analyzes data, and delivers care
- This integration creates a feedback loop: better data, more precise pricing, improved outcomes, and margin expansion

There isn't another health company built like UnitedHealth Group

- CVS: is primarily a retail business - they bought Aetna to get into insurance and care delivery
- Cigna: has a larger PBM business via its acquisition of Express Scripts, but has a smaller insurance business
- Elevance Health: is now trying to integrate similar to UnitedHealth but previously focused on horizontal M&A to expand rather than vertical like United.

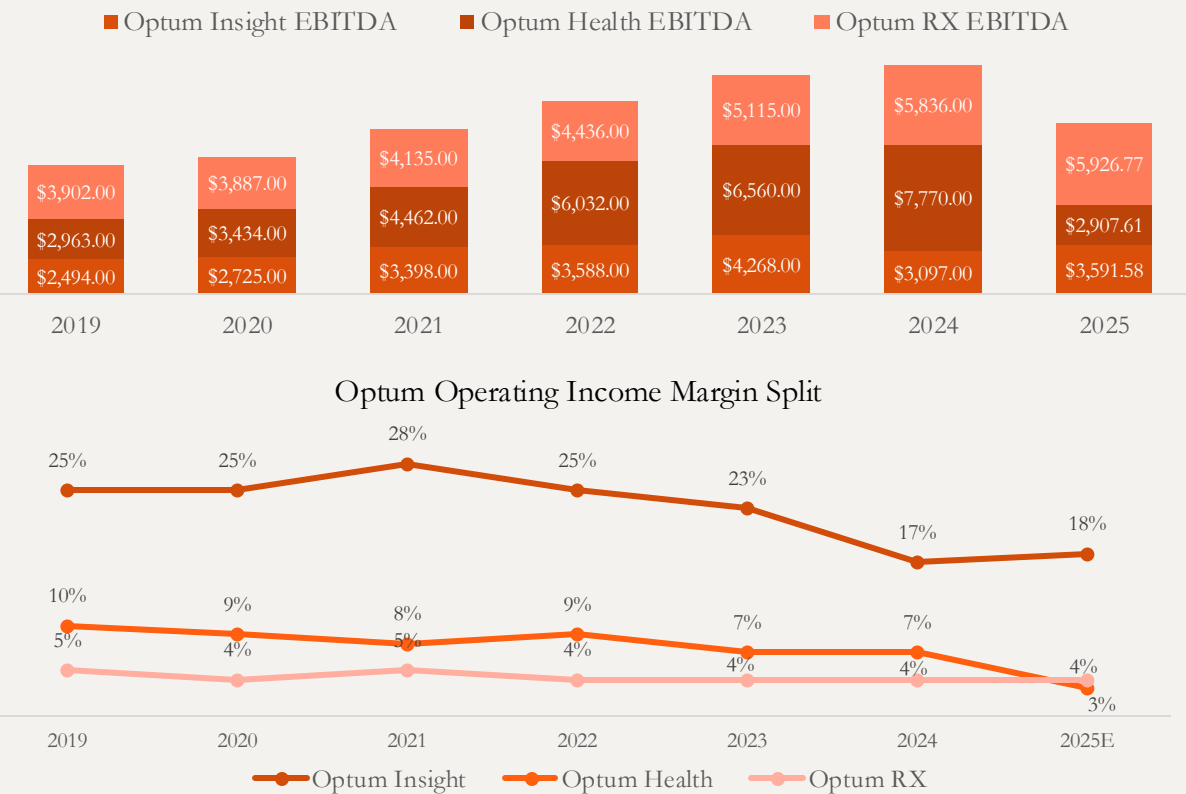
Benefits of United's business model is crystal clear by analyzing its margins compared to peers:



Optum helps to reduce costs and streamline operations

Optum Insight led in operating margin

- Optum is further divided into three segments:
- **Optum Health:** Delivers care (clinics, surgical centers, home visits)
 - **Optum Insight:** Handles data analytics, revenue-cycle management, and technology.
 - **OptumRx:** A pharmacy benefits manager (PBM) optimizing drug pricing and formulary management



Building Long-Term Value Through Optum Innovation

The Optum Real is part of Optum Insight and is a system designed to streamline medical claims processing by using data analytics and automation tools to flag claims that require additional documentation before submission, reducing denial rates by approximately 30% and shortening reimbursement cycles for providers.

Reduce Costs

Lowens administrative expenses and claim rework costs through automation and early error detection.

Increase Perceived Value

Enhances provider satisfaction and payer relationships by improving payment accuracy and turnaround time.

Streamlined operations

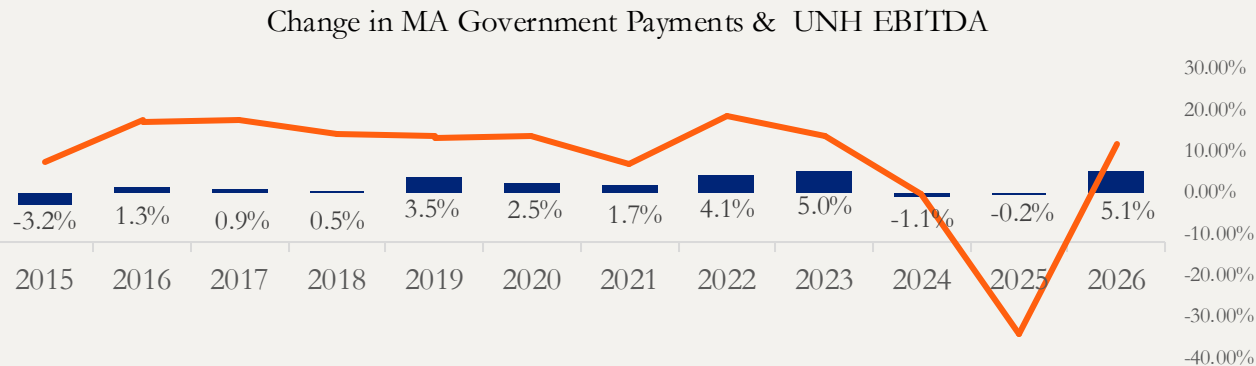
Integrates data workflows across claims, payments, and compliance, reducing manual intervention and cycle time.

"In our less mature businesses such as Optum Health and Optum Insight, our efforts to improve operations and make needed investments will show more measured progress in 2026 and will take more time to fully bear fruit."

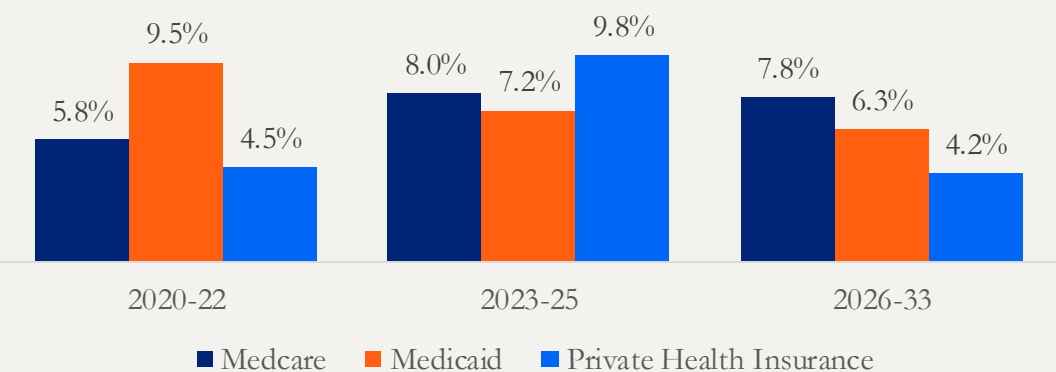
Stephen J. Hemsley, CEO of UnitedHealth Group, stated during the Q3 earnings call

As Government Funding For Private Health Insurance Increases, UnitedHealth's Profits Are Expected To Rise Accordingly.

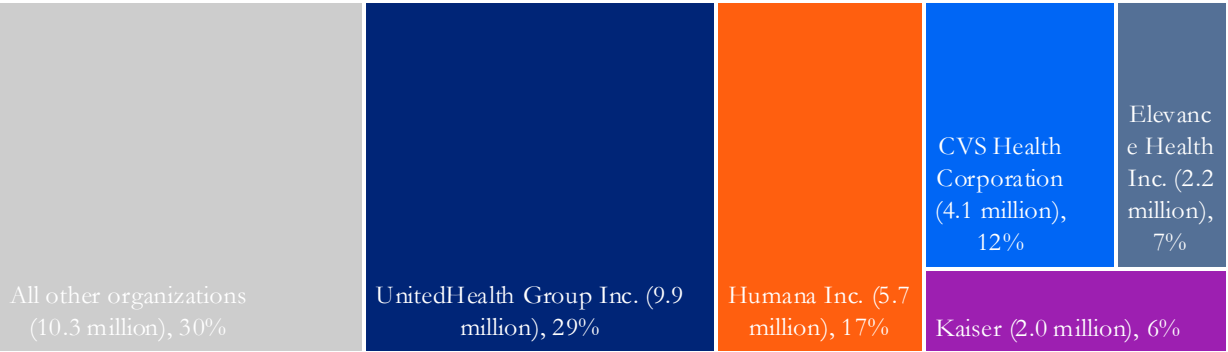
Increasing MA Revenue Will Positively Impact UNH Profits



Healthcare Cost Burden Will Shift Further to Medicare/Medicaid



Medicare Advantage Enrollment by Parent Organization, 2025



As the largest HMO in United States, with 29% national enrollment share, UNH stands to benefit significantly from the decade's largest MA revenue increase (5.1%). Its scale and integrated platform position it to capture disproportionate top-line growth from higher reimbursements

Current administration is aligned with Private Healthcare system



- Dr. Oz is the Administrator of CMS under President Donald Trump.
- In 2020, he co-authored a Forbes op-ed with former Kaiser Permanente CEO George Halvorson proposing “Medicare Advantage for All.”
- The idea was to extend MA to all Americans not on Medicaid, rebrand it as “Medical Advantage,” and fund it with a 20% payroll tax.
- Such a shift would strongly benefit UnitedHealth but is unlikely to be implemented.
- The proposal signals the administration’s broader vision and support for private health insurance.

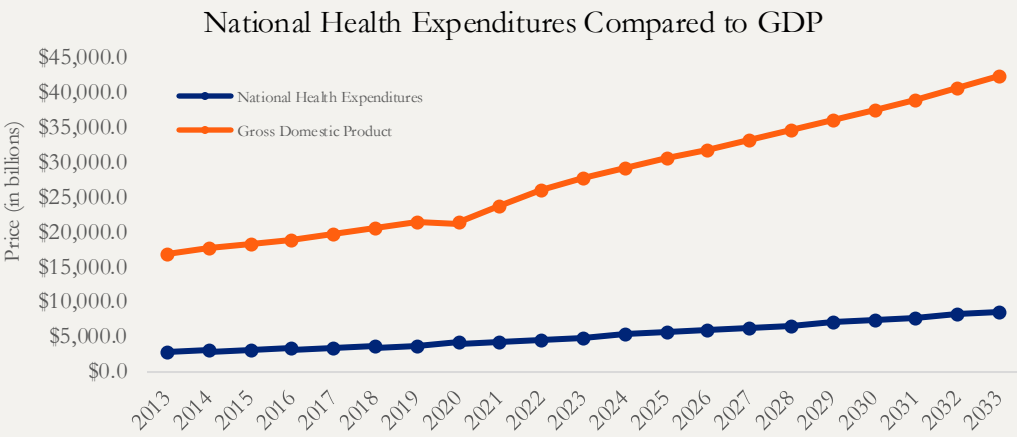
Mitigating Key Risks While Unlocking Long-Term Growth Catalysts

Risks and Mitigation

Risk 1: Ongoing DOJ investigation regarding potential antitrust violations and Medicare fraud	Mitigation 1: Diversified assets revenue mix and proactive adaption. Strong compliance infrastructure reduce anti trust risk.
Risk 2: Healthcare inflation – rapid increase in hospital, drug, or specialty costs that many pressure margins.	Mitigation 2: The U.S. government is planning to invest \$94.7 billion into (HHS) which is intended to lower drug costs.
Risk 3: Cybersecurity / Data-Security Risk (after incident in 2024)	Mitigation 3: The company has invested significant costs to increase cybersecurity defenses as well as training employees.

Expenditure Growth Model for Risk 2:

The line chart below showcases that U.S. healthcare spending continues to grow faster than GDP, reaching 17-18% of the economy. This puts pressure on insurers, employers, and the federal government to control costs.



Catalysts

MA (Medicare Advantage) Membership Re-Acceleration	Optum Insight + Tech Integration	Optum Health Margin Expansion
Recent regulatory and pricing pressures, enrollment acceleration could restore historical growth rates	Scaling analytics, automation, and the integration Optum Real will cause overall increase in productivity and lowering costs	More patients are moving into fully-risk-based value-care arrangements, allowing margins to expand

Discounted Cash Flow Valuation (10y projection)

DCF	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Revenue	257,141	287,597	324,162	371,622	400,278	447,386	455,611	479,821	510,111	545,282	591,818	617,481	654,742	694,312	734,397
% growth		11.8%	12.7%	14.6%	7.7%	11.8%	1.8%	5.3%	6.3%	6.9%	8.5%	4.3%	6.0%	6.0%	5.8%
EBIT	22,405	23,970	28,435	32,358	32,287	21,160	23,749	23,902	31,443	35,294	42,820	50,403	53,463	56,797	60,007
% margin	8.7%	8.3%	8.8%	8.7%	8.1%	4.7%	5.2%	5.0%	6.2%	6.5%	7.2%	8.2%	8.2%	8.2%	8.2%
Taxes	4,973	4,578	5,704	5,968	4,829	3,256	4,126	4,531	5,798	6,600	7,964	8,834	9,415	10,074	10,742
% of EBIT	22.2%	19.1%	20.1%	18.4%	15.0%	15.4%	17.4%	19.0%	18.4%	18.7%	18.6%	17.5%	17.6%	17.7%	17.9%
EBIAT						17,904	19,623	19,372	25,645	28,694	34,856	41,569	44,048	46,723	49,266
D&A	2,891	3,103	3,400	3,972	4,099	4,341	4,383	4,514	4,733	5,061	5,622	5,828	6,142	6,474	6,807
% of sales	1.1%	1.1%	1.0%	1.1%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
CapEx	2,051	2,454	2,802	3,386	3,499	3,680	3,955	4,069	4,447	4,720	5,349	5,477	5,807	6,158	6,513
% of sales	0.8%	0.9%	0.9%	0.9%	0.9%	0.8%	0.9%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Change in NWC	446	2,168	(3,634)	(449)	2,627	(2,962)	793	2,021	3,753	5,955	20,737	(3,278)	10,640	12,598	14,745
% of sales	0.2%	0.8%	(1.1%)	(0.1%)	0.7%	-0.7%	0.2%	0.4%	0.7%	1.1%	3.5%	-0.5%	1.6%	1.8%	2.0%
Unlevered FCF						21,527	19,258	17,796	22,178	23,080	14,392	45,198	33,742	34,441	34,816
Present Value of FCF						21,527	19,258	17,796	22,178	23,080	14,392	45,198	33,742	34,441	34,816
Terminal Value															893,332
Present Value of Terminal Value															499,998
Enterprise Value															766,425
+ Cash															92,756
- Debt															264,058
Equity Value															595,123
Shares															906
Share Price															\$656.99

Using the blended valuation model, our price target for UnitedHealth Group (UNH) is \$538.27

Discounted Dividend Model

Required return on equity	7%	Year	Value of D or V	Discount Factor	Present Value
Current dividend	8.689	0	8.69		
Dividend growth for next 2Y	9.365%	1	9.50	0.93	8.85
Dividend growth for following 5Y	13.09%	2	10.39	0.87	9.01
Growth rate at Maturity	3.647%	3	11.75	0.81	9.49
		4	13.29	0.75	9.99
		5	15.03	0.70	10.52
		6	17.00	0.65	11.08
		7	19.22	0.61	11.66
		7	530.92	0.61	322.10
Current stock Price		339.71			

WACC Calculation

WACC	
Interest Expense	3,977.06
Debt	76,904
% Debt	20.8%
Cost of Debt	4.2%
Tax Rate	24.06%
Equity Value	292,780
% Equity	79%
Cost of Equity	6.7%
Risk Free Rate	4.1%
Beta	0.43
Market Risk Premium	6.0%
Debt + Equity	369,684
WACC	
5.98%	

Multiples

Company	Ticker	EV/Revenue	EV/EBITDA	P/E
UnitedHealth Group	UNH	0.81x	11.03x	16.21x
Elevance Health	ELV	0.36x	6.30x	10.61x
Centene Corp.	CNC	0.09x	7.37x	12.64x
Humana	HUM	0.15x	3.97x	12.66x
Cigna	CI	0.37x	7.96x	2.73x
CVS (Including Aetna)	CVS	0.43x	9.85x	14.18x

Blended Valuation

Valuation Method	Intrinsic Stock Price	Weight
DDM	\$392.70	44.92%
DCF	\$656.99	55.08%
Final Intrinsic Share Value		\$538.27

Q&A

UNITEDHEALTH GROUP