

Company	UnitedHealth Group
Ticker	UNH
Exchange	NYSE
Current Share Price	\$350.67
Target Price	\$525.82
Upside	49.90%
Recommendation	BUY
Date of Submission	25-Sep-25
Submitted By	Agalya Ayyadurai

I recommend a BUY on UnitedHealth Group (UNH) with a 49.9% upside to the target price of \$525.82. Over the next 3–5 years, UNH is positioned to compound value through its mission-driven management culture that emphasises execution, innovation, and accountability. Its integrated Optum and UnitedHealthcare platforms create strong customer stickiness and recurring revenue visibility, while management’s track record of resilience most recently in navigating the Change Healthcare cyberattack underscores the company’s ability to adapt and thrive. UNH’s culture of “doing the right thing” not only supports sustainable growth but also reinforces its competitive moat in a consolidating healthcare market.

Company Overview

UnitedHealth Group (NYSE: UNH) is the largest healthcare insurer in the U.S., generating ~\$423bn in revenue (last twelve months reported - LTM) with a market capitalisation of ~\$318bn. Through its two complementary platforms, UnitedHealthcare and Optum the company serves over 140 million individuals globally and employs more than 400,000 people. UnitedHealthcare provides commercial, Medicare, and Medicaid coverage, while Optum drives growth in pharmacy benefit management, data analytics, and care delivery. This diversified model has produced consistent double-digit revenue growth and positioned UNH as a resilient compounder in the healthcare sector.

Valuation

Two valuation approaches were conducted, a Discounted Cash Flow (DCF) analysis and a Comparable Companies (Comps) analysis to triangulate UnitedHealth Group’s intrinsic value.

DCF Analysis

Revenue growth and margins were based on historical averages, adjusted conservatively (–2.5% for revenue growth and –1% for margins) to reflect potential headwinds.

- Included the latest LTM 2025 results to capture recent earnings softness that has weighed on the share price.
- With a WACC of 7.45% and a terminal growth rate (TGR) of 2%, our DCF yields an implied share price of \$525.82, suggesting ~50% upside from today’s levels.

Comps Analysis

Benchmarked UNH against peers (Cigna, Elevance, Humana) using EV/Revenue and EV/EBITDA multiples.

- UNH trades at 0.9x EV/Revenue and 10.6x EV/EBITDA, broadly in line with peers, despite its superior scale, diversification, and earnings resilience.
- Applying median peer multiples implies a valuation supportive of our DCF, reinforcing the case for upside.

Both methods highlight that UNH's current valuation underappreciates its long-term cash flow compounding ability, management's track record, and market positioning. We therefore see strong conviction in a BUY recommendation with a target price of \$525.82.

Catalysts

Over the next 12–18 months, several catalysts have the potential to unlock value for UnitedHealth Group. Quarterly earnings updates will be closely watched, particularly as management works to stabilize margins and rebuild confidence following the Change Healthcare disruption. Continued expansion of Optum Health and Optum Rx remains a key driver of growth, as these segments diversify revenue streams beyond traditional insurance and strengthen long-term pricing power. Capital allocation also stands out as a near-term catalyst, with consistent dividend increases and share repurchase programs serving as clear signals of management's confidence in future cash flows. Finally, demographic and industry trends—particularly an aging U.S. population and accelerating demand for integrated, value-based care—provide structural tailwinds that reinforce the company's long-term growth trajectory.

Risks

Despite its scale and resilience, UnitedHealth faces material risks that could challenge its growth outlook. The Change Healthcare cyberattack highlighted vulnerabilities in data security, and any recurrence could inflict reputational damage as well as financial costs. Policy and regulatory uncertainty also represent an ongoing risk, with potential reforms in drug pricing, Medicaid/Medicare reimbursement, and broader health insurance regulation posing downside pressure to margins. Leadership stability has come under scrutiny following the unexpected assassination of the company's CEO, a development that may affect investor sentiment despite the depth of the management bench. Competitive dynamics also pose risk, as rivals such as Cigna, Humana, and Elevance continue to compete aggressively in both commercial and Medicare markets. Finally, execution risks remain, particularly around the integration of Change Healthcare and the scaling of Optum's service offerings.

Conclusion

In conclusion, UnitedHealth Group combines unmatched scale, a resilient operating model, and powerful long-term growth drivers in healthcare services and insurance. While the company faces short-term challenges, our valuation work—anchored in both DCF and peer comparisons—indicates approximately 50% upside potential, with a target price of \$525.82. Accordingly, I issue a BUY recommendation, confident that the company can navigate near-term volatility while delivering sustainable growth for the next three to five years.