

4 July 2025

UnitedHealth Group Incorporated (UNH)

Price (as of 03.07.2025): \$307.56

Target Price: \$436.86

Summary

This report provides a full valuation analysis of UnitedHealth Group (UNH), combining both fundamental and quantitative approaches. It integrates discounted cash flow (DCF) simulations, Monte Carlo price forecasts, peer multiple analysis, and scenario-based risk assessments.

The analysis focuses on UNH's current market dislocation driven by regulatory investigations, legal challenges, and political pressures, all while the company maintains industry-leading scale, diversified operations, and strong cash flow generation through its Optum platform. The goal of this research is to assess whether the current stock price accurately reflects the company's long-term fundamentals, growth potential, and embedded risks.

All simulations and scenario analyses presented in this report were generated via Python-quantitative models, incorporating real market data and probabilistic assumptions.

Company Overview

UnitedHealth Group is the leading healthcare company in the U.S., serving millions through its insurance arm, UnitedHealthcare, across employer plans, Medicare Advantage, Medicaid, and individual markets. Its unique strength lies in the Optum platform, an integrated healthcare services business combining data analytics, clinical care, pharmacy management, and technology to control cost and quality throughout the healthcare chain.

The company operates four main segments:

- **UnitedHealthcare:** health plans for employers and government programs;
- **Optum Health:** care delivery, management, wellness, and financial services;
- **Optum Insight:** software, analytics, consulting, and managed services;
- **Optum Rx:** pharmacy care services including retail, specialty, and home delivery.

With a market cap near \$275 billion, UnitedHealth has significant scale, pricing power, and operational efficiencies, enabling ongoing investment in innovation and growth. Despite challenges like regulatory scrutiny, it is well-positioned to benefit from long-term trends such as an aging population, Medicare expansion, value-based care, and digital healthcare transformation.

UnitedHealth's leadership brings strong industry knowledge and financial expertise. Stephen J. Hemsley returned as interim CEO in May 2025, leveraging his long history with the company and experience as former COO and CFO to guide strategic transformation. Andrew P. Witty, CEO from 2021 to 2025, achieved revenue growth but faced challenges with rising costs, cybersecurity, and legal issues. CFO John Rex, a corporate finance veteran since 2016, has worked closely with Hemsley on financial stabilization amid recent uncertainties.

Founded in 1974 and based in Eden Prairie, Minnesota, UnitedHealth remains a pioneer in integrated healthcare delivery.

Investment Thesis

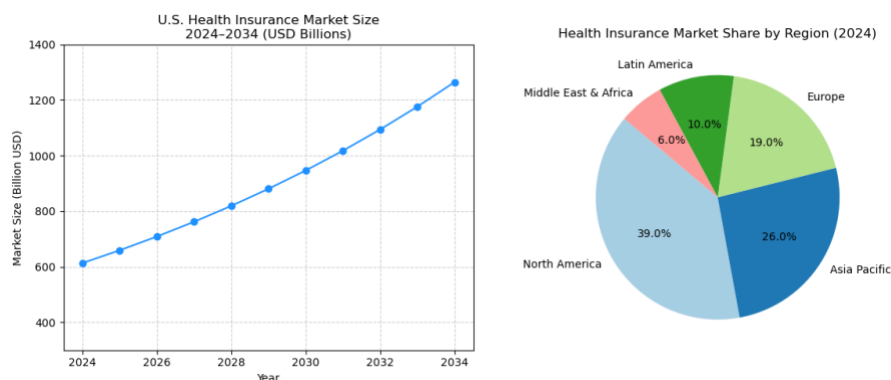
UnitedHealth Group (UNH) offers a compelling opportunity to invest in the dominant force of U.S. healthcare at an attractive valuation. With a market cap of ~\$274B, UNH is over 3x larger than its nearest competitors (CVS and Elevance), allowing it to leverage unmatched scale in insurance, clinical services, and healthcare technology.

Its Optum segment, spanning data analytics, pharmacy benefit management, and clinical care drives margin expansion through diversified, high-growth revenue streams that are less cyclical than traditional insurance. Coupled with strong free cash flow and disciplined capital allocation via dividends, buybacks, and acquisitions, UnitedHealth remains fundamentally sound despite temporary headwinds. At ~\$300 per share, the stock trades at a significant discount to its estimated intrinsic value of ~\$450 (based on DCF and peer multiples), offering ~50% upside.

Favorable long-term tailwinds, such as aging demographics, Medicare Advantage expansion, and the shift toward value-based care, position UNH to continue compounding returns for shareholders. In our view, UnitedHealth's integrated model and financial strength make this a rare opportunity to buy a blue-chip healthcare leader at a meaningful discount.

Market Analysis

The U.S. healthcare sector is among the largest and most resilient industries globally, characterized by steady growth, high recurring demand, and significant public and private investment. UnitedHealth Group operates across nearly the entire healthcare value chain, granting it access to one of the broadest Total Addressable Markets (TAM) in the industry. According to Precedence Research, the total healthcare insurance market in the U.S. is valued at approximately \$613 billion, growing at a robust annual rate of 7.51% with a worth ~\$1,264.33 billion by 2034.



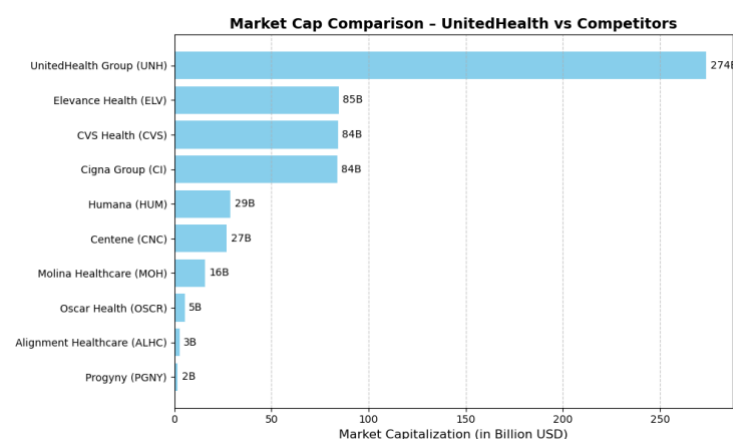
UnitedHealth's reach extends into several core insurance categories. Through two main divisions: UnitedHealthcare and Optum. UnitedHealthcare offers a comprehensive range of insurance products, including employer-sponsored plans, Medicare Advantage and supplemental

coverage, Medicaid, and individual health plans available via ACA marketplaces. Optum broadens the company's reach by providing pharmacy benefit management, advanced data analytics, healthcare IT solutions, and value-based clinical care through an extensive network. Together, these businesses create an integrated healthcare platform that delivers diverse services across insurance and care delivery, leveraging technology and scale to improve health outcomes and reduce costs.

However, the company does face challenges. Regulatory and political scrutiny over vertical integration has intensified, with the Department of Justice initiating antitrust reviews of healthcare consolidation. Cybersecurity threats are also rising, especially as digitization accelerates, evidenced by recent attacks such as the one on Change Healthcare. Additionally, there is public concern around algorithm-driven care decisions, such as those used in Optum's nH Predict tool, which could lead to legal and reputational risks. UnitedHealth recently completed a \$3 billion debt financing, which, while strengthening its liquidity for strategic initiatives, adds to its financial obligations. Finally, pressure on reimbursement rates, particularly within government programs, remains a potential margin constraint.

Competitive Analysis

UnitedHealth Group operates in a highly competitive healthcare insurance and services market, where scale, diversification, and innovation are critical success factors. The company's main competitors include Elevance Health (formerly Anthem), CVS Health, and Cigna Group, each with market capitalizations around \$84 billion, significantly smaller than UnitedHealth's \$274 billion valuation. Other notable competitors such as Humana, Centene, and Molina Healthcare serve specific market segments but have considerably lower market caps. Emerging players like Oscar Health and Alignment Healthcare, while smaller, focus on technology-driven healthcare delivery models, representing potential disruptors in the industry.



UnitedHealth Group stands out for its relatively low valuation multiples, such as a P/E ratio near 12 and a P/S ratio well below 1, reflecting a more conservative market assessment compared to competitors like Cigna and Elevance Health. This conservative pricing translates into a substantial margin of safety, suggesting the stock is trading meaningfully below its estimated intrinsic value. In contrast, smaller or newer players such as Oscar Health and Alignment

Healthcare trade at significantly higher and riskier valuations, underscoring UnitedHealth's appeal to value-oriented investors seeking stability and long-term growth potential.

COMPARATIVE VALUATION METRICS – HEALTHCARE COMPANIES

Company	P/E	P/S	P/B	Price	Intrinsic Value	Margin of Safety
UnitedHealth Group Inc	12.65	0.68	2.89	\$302.01	\$743.75	59.39%
The Cigna Group	17.41	0.34	2.11	\$314.35	\$812.64	48.71%
Elevance Health Inc	14.61	0.47	1.99	\$374.52	\$808.64	53.69%
CVS Health Corp	15.89	0.22	1.09	\$66.57	\$68.55	2.89%

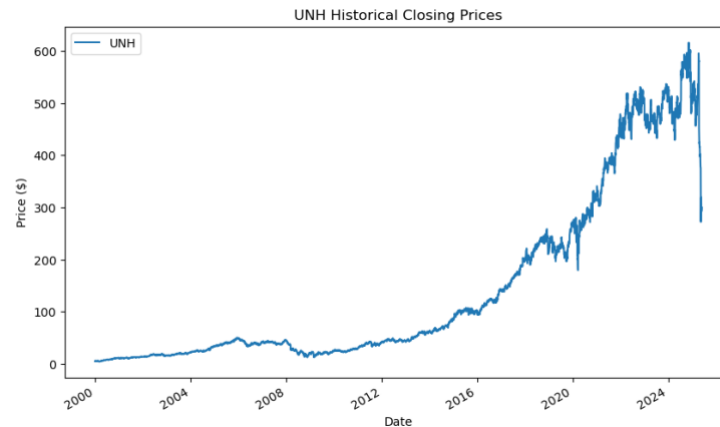
Financials

UnitedHealth Group Ratios and Metrics

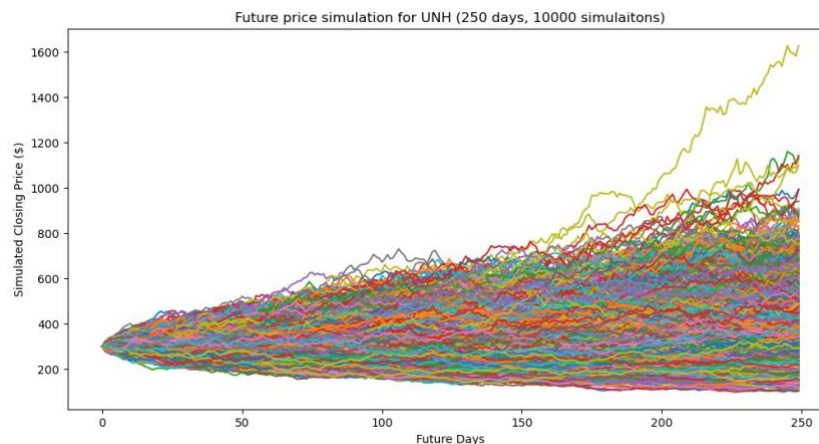
Fiscal Year	Current	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020
Market Capitalization	273,965	465,535	486,945	495,373	472,941	332,732
Market Cap Growth	5.04%	-4.40%	-1.70%	4.74%	42.14%	19.46%
PE Ratio	12.68	32.32	21.76	24.62	27.36	21.6
PS Ratio	0.68	1.16	1.31	1.53	1.64	1.29
PB Ratio	2.89	4.54	4.92	5.74	6.18	4.72
Current Ratio	0.85	0.83	0.75	0.73	0.73	0.69
Asset Turnover	1.38	1.4	1.43	1.42	1.41	1.39
Return on Equity (ROE)	22.70%	15.13%	24.98%	25.35%	24.12%	23.77%
FCF Yield	9.07%	4.45%	5.27%	4.72%	4.21%	6.05%

UnitedHealth Group shows strong financial health with a high return on equity (22.7%) and solid asset turnover, indicating efficient use of its assets to generate revenue. The free cash flow yield of over 9% highlights its ability to generate cash, which supports reinvestment and shareholder returns. However, the decline in market capitalization and valuation multiples like the P/E (now 12.68) and P/B ratios compared to previous years may reflect investor concerns about regulatory challenges, rising healthcare costs, and operational risks. Additionally, the current ratio below 1 signals tight short-term liquidity, which warrants monitoring. Overall, UnitedHealth remains a financially robust company with a strong market position, but it faces headwinds that could affect its near-term valuation and growth prospects.

Investment Analysis: Stock Prediction, Risk Assessment, Valuation & Conclusions



The stock price forecast for UnitedHealth Group (UNH) was generated through a Monte Carlo simulation using historical volatility and return data, simulating 10,000 possible outcomes over a 250-day period. The analysis estimates an average share price of approximately \$350.37, with a worst-case scenario of \$104.08 and a best-case outcome reaching \$1,624.23 per share. The maximum simulated price (\$1,624) is an outlier observed in <0.01% of scenarios. The analysis focuses on the mean forecast (\$350.99), which is a more realistic and conservative estimate after 250 trading days. This distribution shows a skewed risk-return profile, where potential gains greatly exceed potential losses. Given these results, there is a strong likelihood of price appreciation relative to current levels, supporting a positive medium-term outlook for UNH. The simulation offers a comprehensive perspective on the stock's potential price dynamics, highlighting both the upside opportunities and downside risks investors should consider.



Best and Worst Cases

Worst Simulation \$/share: 109.65
Avg Simulation \$/share: 350.99
Best Simulation \$/share: 1188.31

Confidence Intervals

1 Sigma (1 S.D): 68% confident that price after 250 days will fall between: \$ 236.81049432955854 and \$465.16
2 Sigma (2 S.D): 95% confident that price after 250 days will fall between: \$ 122.63 and \$579.34

The risk analysis for UnitedHealth Group used 100,000 Monte Carlo simulations over a 6-month period (about 126 trading days), incorporating a 3.96% risk-free rate (one year treasury bill rate) and 2.47% monthly volatility. The Value at Risk (VaR) at the 95% confidence level indicates a maximum expected loss of around \$3 per share, meaning there is a 5% chance losses could be greater.

Given UNH's low beta and stable cash flows, this risk level is moderate. For investors with a medium to long-term horizon, the results suggest that while some downside risk exists, the company's strong fundamentals help mitigate potential losses, supporting a generally favorable investment outlook.

VaR at 90% confidence level: \$-1
VaR at 95% confidence level: \$-3
VaR at 99% confidence level: \$-6

Valuation

For the valuation, multiple methodologies were employed to triangulate UNH's fair value, revealing consistent undervaluation at the current price level of \$308.55. The multiples analysis produced particularly compelling results:

The multiples-based valuation suggests that UnitedHealth Group is trading near its fundamental value across key metrics. The P/E and P/B analyses indicate that investors currently assign moderate confidence to the company's earnings power and a reasonable premium to its asset base, while the P/S ratio reflects its strong revenue generation relative to peers. Notably, these valuation multiples have declined significantly compared to prior periods, primarily due to recent regulatory challenges and market volatility, which has compressed earnings and book value multiples. To ensure an up-to-date assessment, all ratios were calculated on a trailing twelve months (TTM) basis rather than using the prior fiscal year, as this approach captures the most recent operational and financial developments affecting the company. Taken together, these valuations point to a consistent picture of fair pricing by the market, supported by a balanced capital structure.

Current price: \$308.55
----- Valuations using multiples -----
Valuation P/E: \$307.34
Valuation P/B: \$332.37
Valuation P/S: \$300.15

The DCF model applied a conservative WACC of approximately 4.9%, derived from UnitedHealth's actual capital structure and cross-checked against multiple financial data sources to ensure consistency. This relatively low discount rate reflects the company's stable cash flows, substantial scale, and low-risk profile compared to peers. The projections assume free cash flow growth of around 8.6% over the next five years, tapering to a 2.5% terminal rate, which together yield an estimated intrinsic value near \$764 per share. While the valuation range is broad—spanning from about \$49 to over \$984, this spread reflects both Monte Carlo scenario variability and the inherent uncertainty of long-term forecasts. Overall, the model reinforces the view that

UnitedHealth's current market price remains significantly below its long-term fundamental value.

WACC Formula:

$$WACC = 0.5641 \cdot 0.0579 + 0.4359 \cdot 0.0461 \cdot (1 - 0.2107)$$

Calculated WACC: 0.0485

The WACC was derived from the company's actual capital structure and corroborated with external databases, all of which suggest a relatively low cost of capital due to UnitedHealth's size, cash flow stability, and beta. Confirm WACC here and compare with competitors [here](#).

The DCF valuation was further refined using 10,000 Monte Carlo simulations to capture a wide range of scenarios by varying key inputs such as WACC, EBIT, and free cash flow projections, while maintaining a conservative terminal growth rate of 2.5%. This analysis produced an average intrinsic value per share of approximately \$764. The breadth of this range reflects the inherent uncertainty in long-term forecasts but also underscores the model's robustness under different assumptions. Overall, the results strengthen the conclusion that UnitedHealth is trading at a meaningful discount to its estimated fundamental value, offering attractive upside potential for medium- to long-term investors.

--- DCF Results per Share ---

Minimum value: \$49.25

Average value: \$763.63

Maximum value: \$984.95

The DCF valuation was derived from the company's actual capital structure and corroborated with external databases.

Investment Conclusion

=== COMPLETE VALUATION ANALYSIS ===

--- Individual Valuations ---

P/E: \$307.34 (-0.39% upside)

P/B: \$332.37 (7.72% upside)

P/S: \$300.15 (-2.72% upside)

DCF: \$763.63 (147.49% upside)

--- Consolidated Metrics ---

Simple Average: \$425.87 (38.02% upside)

Weighted Average: \$425.87 (38.02% upside)

Sensitivity Range ($\pm 10\%$): \$383.29 - \$468.46

Current Price: \$308.55

The analysis of UnitedHealth Group (UNH) indicates a compelling long-term investment opportunity. Monte Carlo simulations estimate an average share price around \$351 over the 250 days, reflecting a favorable risk-reward profile. While the discounted cash flow valuation yields a significantly higher intrinsic value, this result stems from its comprehensive approach, incorporating a broader set of financial and operational factors than simpler multiples-based methods. To maintain

n balance and avoid bias toward any single perspective, whether conservative or optimistic, the final target price was calculated as the average of all methodologies.

At approximately \$426 per share, this blended valuation suggests that the current price represents a meaningful discount to intrinsic worth. Supported by strong fundamentals, stable cash flows, and a resilient market position, UnitedHealth appears well-positioned to deliver attractive returns for medium- to long-term investors.

For transparency and reproducibility, the full Python script and data analysis used in this report are available through the following link: [SergioGiner.GitHub](#)

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