

By revenue, UnitedHealth Group is the nation's largest publicly traded managed care company. It operates through two business segments, UnitedHealthcare and Optum. UnitedHealthcare provides healthcare benefits through four membership groups: Employers & Individual, Medicare & Retirement, Community & State, and International. Optum segment is a health services business that serves payers, care providers, employers, governments, life science companies, and consumers.

Analyst's Notes

Analysis by David Toung, April 17, 2025

ARGUS RATING: HOLD

- Downgrading to HOLD
- UNH cut its 2025 guidance amid a jump in medical costs in its group Medicare Advantage business and weaker results from its Optum Health business.
- Medical cost pressures at Group Medicare Advantage will likely continue through the first half of 2025.
- Membership growth at individual Medicare Advantage remains strong.

INVESTMENT THESIS

For HOLD-rated UnitedHealth Group Inc. (NYSE: UNH), the dynamics of navigating in the post-pandemic environment has been challenging. Patients have returned to elective procedures. Medical utilization, including physician office visits, outpatient care, and inpatient care, remain elevated, putting pressure on the medical cost ratio and reducing profit margins.

On the other hand, the demographics of an aging population remain a favorable tailwind, as the increasing population of older Americans will need health benefit plans and services to manage their healthcare needs.

UNH's cut in 2025 guidance makes it more difficult to see a path to profitable growth in managed-care.

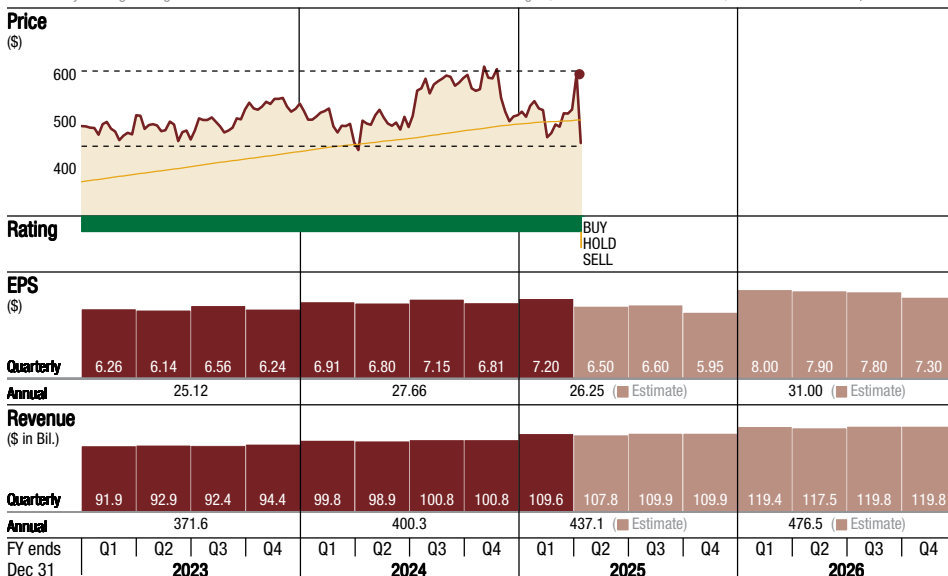
RECENT DEVELOPMENTS

UNH cut its 2025 guidance amid a higher-than-anticipated rise in medical costs in its group Medicare Advantage business and weaker results from its Optum Health business. It cut its guidance for adjusted EPS to \$26.00-\$26.50 from to \$29.50-\$30.00. UNH was also impacted by Medicare funding reduction enacted by the previous administration.

We are surprised at the scope of the underperformance and the elevated levels of care activity in MA. UNH now expects its 2025 Medical Cost Ratio (MCR) to be at 87.5%, plus or minus 50 basis points, up from a prior view of 86.5%.

Market Data Pricing reflects previous trading week's closing price.

— 200-Day Moving Average — 52 Week High: \$606.36 — 52 Week Low: \$447.10 — Closed at \$599.47 on 4/11



Argus Recommendations

Twelve Month Rating	SELL	HOLD	BUY
Five Year Rating	SELL	HOLD	BUY
Sector Rating	Under Weight	Market Weight	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 74% Buy, 26% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	\$454.11
Target Price	--
52 Week Price Range	\$438.50 to \$630.73
Shares Outstanding	914.71 Million
Dividend	\$8.40

Sector Overview

Sector	Healthcare
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	11.20%

Financial Strength

Financial Strength Rating	MEDIUM-HIGH
Debt/Capital Ratio	44.4%
Return on Equity	27.0%
Net Margin	5.4%
Payout Ratio	0.34
Current Ratio	0.83
Revenue	\$410.06 Billion
After-Tax Income	\$22.11 Billion

Valuation

Current FY P/E	17.30
Prior FY P/E	16.42
Price/Sales	1.01
Price/Book	4.12
Book Value/Share	\$110.21
Market Capitalization	\$415.38 Billion

Forecasted Growth

1 Year EPS Growth Forecast	-5.10%
5 Year EPS Growth Forecast	11.00%
1 Year Dividend Growth Forecast	7.14%

Risk

Beta	0.40
Institutional Ownership	88.31%

Analyst's Notes ...Continued

UNH reported 1Q25 results on April 17. Adjusted EPS was \$7.20, missing the consensus estimate by \$0.07 and increasing 4.2%. GAAP net income was \$6.292 billion or \$6.85 per share, compared to a net loss of \$1.409 billion or \$1.53 per share a year ago.

The 1Q24 GAAP results included a charge of \$7.1 billion (pretax) on the loss on the sale of the Brazilian business and \$593 million in direct response costs related to a cyberattack at Change Healthcare.

Consolidated revenue was \$109.575 billion, increasing 9.8%. The consolidated MCR was 84.8%, up 50 basis points from a year ago, reflecting the higher medical costs. The operating cost ratio was 12.4%, improving (declining) by 170 basis points.

Management cited several factors contributing to the higher medical costs. These include increasing volumes of physician visit, specialty care, and outpatient volumes. Further, the company expects these trends to continue at least through the first half of 2025.

EARNINGS & GROWTH ANALYSIS

UNH cut its guidance for adjusted EPS for 2025. It now expects adjusted EPS of \$26.00-\$26.50, reduced from \$29.50-\$30.00. It continue to expect revenue of \$450 billion-\$455 billion. Within that guidance, it now expects revenue for both UnitedHealthcare and Optum Rx to be stronger than the outlook issued in December 2024. It expects revenue for Optum Health to be \$106 billion-\$107

billion, or about \$10 billion below the previous outlook.

Based on the updated guidance, we are reducing our estimates for adjusted EPS to \$26.25 from \$29.70 for 2025 and to \$31.00 from \$33.30 for 2026.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on UNH is Medium-High, the second-highest rank on our five-point scale. The company has a solid balance sheet and strong cash flow. Cash flow from operations was \$24.2 billion for 2024, compared to \$29.1 billion in the year-ago period.

UNH pays a dividend at the annualized rate of \$8.40 for a current yield of 1.4%. With its 11% dividend raise earlier in 2024, the company marked 15 consecutive years of dividend hikes. Our dividend estimates are \$9.00 for 2025 and \$9.60 for 2026.

MANAGEMENT AND RISKS

Andrew Witty is CEO. John Rex is President and CFO.

UnitedHealth faces competitive risks in both the commercial and government-sponsored markets as rival insurers, both for-profit and not-for-profit, seek to expand share. It also faces actuarial risks, as it must estimate the growth of healthcare costs and the use of medical services by its members. The profit margin of the UnitedHealthcare insurance segment is measured by the medical cost ratio (MCR), which is the ratio of medical costs to premium revenue. A lower ratio means a higher profit margin.

The company also faces legal risks as its acquisitions face

Growth & Valuation Analysis

GROWTH ANALYSIS

(\$ in Millions, except per share data)

	2020	2021	2022	2023	2024
Revenue	257,141	287,597	324,162	371,622	400,278
COGS	190,141	217,945	244,545	280,664	310,879
Gross Profit	67,000	69,652	79,617	90,958	89,399
SG&A	—	—	—	—	—
R&D	—	—	—	—	—
Operating Income	22,405	23,970	28,435	32,358	32,287
Interest Expense	1,663	1,660	2,092	3,246	3,906
Pretax Income	20,742	22,310	26,343	29,112	20,071
Income Taxes	4,973	4,578	5,704	5,968	4,829
Tax Rate (%)	24	21	22	21	24
Net Income	15,403	17,285	20,120	22,381	14,405
Diluted Shares Outstanding	961	956	950	938	929
EPS	16.03	18.08	21.18	23.86	15.51
Dividend	4.83	5.60	6.40	7.29	8.18

GROWTH RATES (%)

Revenue	6.2	11.8	12.7	14.6	7.7
Operating Income	13.8	7.0	18.6	13.8	-0.2
Net Income	11.3	12.2	16.4	11.2	-35.6
EPS	11.9	12.8	17.1	12.7	-35.0
Dividend	16.7	15.9	14.3	13.9	12.2
Sustainable Growth Rate	20.4	15.1	18.7	18.9	7.7

VALUATION ANALYSIS

Price: High	\$367.95	\$509.23	\$558.10	\$554.70	\$630.73
Price: Low	\$187.72	\$320.35	\$445.74	\$445.68	\$436.38
Price/Sales: High-Low	1.4 - 0.7	1.7 - 1.1	1.6 - 1.3	1.4 - 1.1	1.5 - 1.0
P/E: High-Low	23.0 - 11.7	28.2 - 17.7	26.4 - 21.0	23.2 - 18.7	40.7 - 28.1
Price/Cash Flow: High-Low	15.9 - 8.1	19.3 - 12.2	15.7 - 12.5	17.6 - 14.1	35.3 - 24.4

Financial & Risk Analysis

FINANCIAL STRENGTH

	2022	2023	2024
Cash (\$ in Millions)	23,365	25,427	25,312
Working Capital (\$ in Millions)	-20,168	-20,617	-17,990
Current Ratio	0.77	0.79	0.83
LT Debt/Equity Ratio (%)	70.1	65.6	78.1
Total Debt/Equity Ratio (%)	74.1	70.5	83.0

RATIOS (%)

Gross Profit Margin	24.6	24.5	22.3
Operating Margin	8.8	8.7	8.1
Net Margin	6.2	6.0	3.6
Return On Assets	8.8	8.6	5.0
Return On Equity	26.9	26.9	15.9

RISK ANALYSIS

Cash Cycle (days)	—	—	—
Cash Flow/Cap Ex	9.4	8.6	6.9
Oper. Income/Int. Exp. (ratio)	13.6	10.0	6.1
Payout Ratio	33.5	30.4	30.6

The data contained on this page of this report has been provided by Morningstar, Inc. (© 2025 Morningstar, Inc. All Rights Reserved). This data (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. This data is set forth herein for historical reference only and is not necessarily used in Argus' analysis of the stock set forth on this page of this report or any other stock or other security. All earnings figures are in GAAP.

Analyst's Notes ...Continued

regulatory scrutiny. The acquisition of Change Healthcare had a protracted regulatory review that ultimately forced UNH to divest certain Change businesses before completing the acquisition.

COMPANY DESCRIPTION

By revenue, UnitedHealth Group is the nation's largest publicly traded managed care company. It operates through two business segments, UnitedHealthcare and Optum. UnitedHealthcare provides healthcare benefits through four membership groups: Employers & Individual, Medicare & Retirement, Community & State, and International. Optum segment is a health services business that serves payers, care providers, employers, governments, life science companies, and consumers.

The Optum Health business provides care delivery in primary and specialty care, care management, wellness programs, and offers consumer engagement services. OptumInsight uses advanced data analytics and technology to help optimize the performance of clients. OptumRx provides pharmacy benefit management services (PBM).

VALUATION

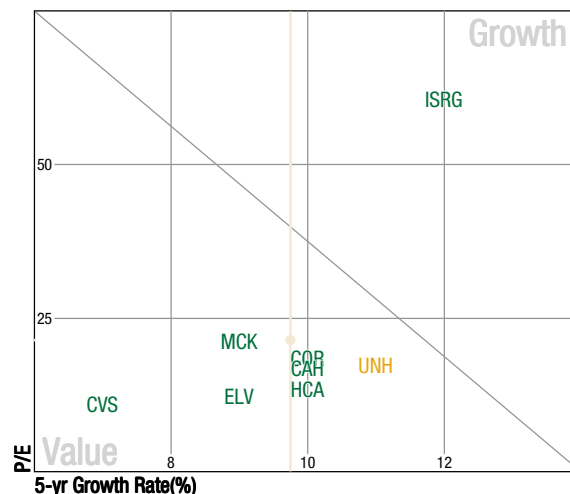
UNH is trading at 18.9-times our 2026 EPS estimate, above the mean of 15.7 for our coverage universe of managed care stocks.

On April 17, HOLD-rated UNH closed at \$454.11, down \$130.93.

Peer & Industry Analysis

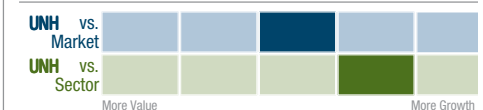
The graphics in this section are designed to allow investors to compare UNH versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how UNH stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how UNH might fit into or modify a diversified portfolio.

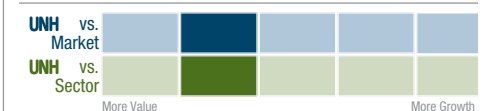


Ticker	Company	Market Cap (\$ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
UNH	Unitedhealth Group Inc	415,380	11.0	17.3	5.4	18.1	HOLD
ISRG	Intuitive Surgical Inc	172,953	12.0	60.7	27.8	18.2	BUY
ELV	Elevance Health Inc	96,108	9.0	12.3	3.4	11.4	BUY
MCK	Mckesson Corporation	87,363	9.0	21.3	.8	12.1	BUY
CVS	CVS Health Corp	84,946	7.0	11.0	1.2	15.2	BUY
HCA	HCA Healthcare Inc	82,481	10.0	13.5	8.2	12.3	BUY
COR	Cencora Inc	55,545	10.0	18.6	.5	8.4	BUY
CAH	Cardinal Health, Inc.	32,542	10.0	16.9	.6	12.8	BUY
Peer Average		128,415	9.8	21.4	6.0	13.6	

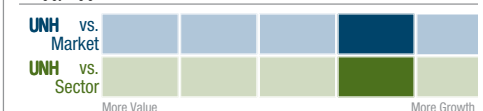
P/E



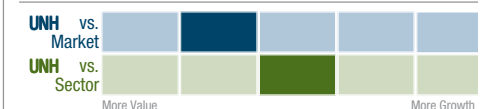
Price/Sales



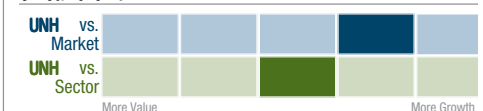
Price/Book



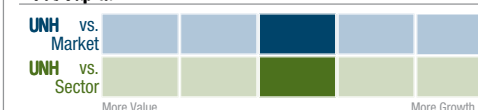
PEG



5 Year Growth



Debt/Capital



About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

Argus Research Disclaimer

Argus Research Co. (ARC) is an independent investment research provider whose parent company, Argus Investors' Counsel, Inc. (AIC), is registered with the U.S. Securities and Exchange Commission. Argus Investors' Counsel is a subsidiary of The Argus Research Group, Inc. Neither The Argus Research Group nor any affiliate is a member of the FINRA or the SIPC. Argus Research is not a registered broker dealer and does not have investment banking operations. The Argus trademark, service mark and logo are the intellectual property of The Argus Research Group, Inc. The information contained in this research report is produced and copyrighted by Argus Research Co., and any unauthorized use, duplication, redistribution or disclosure is prohibited by law and can result in prosecution. The content of this report may be derived from Argus research reports, notes, or analyses. The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Argus makes no representation as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. In addition, this content is not prepared subject to Canadian disclosure requirements. This report is not an offer to sell or a solicitation of an offer to buy any security. The information and material presented in this report are for general information only and do not specifically address individual investment objectives, financial situations or the particular needs of any specific person who may receive this report. Investing in any security or investment strategies discussed may not be suitable for you and it is recommended that you consult an independent investment advisor. Nothing in this report constitutes individual investment, legal or tax advice. Argus may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this report, and all opinions are reflective of judgments made on the original date of publication. Argus is under no obligation to ensure that other reports are brought to the attention of any recipient of this report. Argus shall accept no liability for any loss arising from the use of this report, nor shall Argus treat all recipients of this report as customers simply by virtue of their receipt of this material. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance. Argus has provided independent research since 1934. Argus officers, employees, agents and/or affiliates may have positions in stocks discussed in this report. No Argus officers, employees, agents and/or affiliates may serve as officers or directors of covered companies, or may own more than one percent of a covered company's stock. Argus Investors' Counsel (AIC), a portfolio management business based in Stamford, Connecticut, is a customer of Argus Research Co. (ARC), based in New York. Argus Investors' Counsel pays Argus Research Co. for research used in the management of the AIC core equity strategy and model portfolio and UIT products, and has the same access to Argus Research Co. reports as other customers. However, clients and prospective clients should note that Argus Investors' Counsel and Argus Research Co., as units of The Argus Research Group, have certain employees in common, including those with both research and portfolio management responsibilities, and that Argus Research Co. employees participate in the management and marketing of the AIC core equity strategy and UIT and model portfolio products.

Morningstar Disclaimer

© 2025 Morningstar, Inc. All Rights Reserved. Certain financial information included in this report: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

For Residents of Singapore

Recipients of the Research reports in Singapore should contact the Intermediary of the Research Reports in respect to any matters arising from, or in connection with, the analysis of the report. Where the recipient is not an accredited, expert or institutional investor as defined by the Securities and Futures Act, the Intermediary accepts legal responsibility for the contents of Research Reports in respect of such recipient in accordance with applicable law. When reports are distributed by Intermediaries in Singapore, the Intermediary, and not Argus Research, is solely responsible for ensuring that the recipients of the Research Reports understand the information contained in the Research Reports and that such information is suitable based on the customer's profile and investment objectives.