THE CIGNA GROUP
(NYS:CI)

Report Date: May 07, 2025

Over the past year, CI shares are down 3.9%, versus a gain of 8% for the broader market. The 52 week trading range is $262.03 to $370.83. The Argus A6 target price is $367 representing a 9.9% gain from the current level.

Cigna primarily provides pharmacy benefit management and health insurance services. Its PBM and specialty pharmacy services, which were greatly expanded by its 2018 merger with Express Scripts, are mostly sold to health insurance plans and employers.

Growth Analysis

	GAAP Data					Growth Rates		
	2020	2021	2022	2023	2024	1-Year	3-Year	5-Year
Revenue (B)	160.5	174.3	180.0	195.2	244.4	25%	40%	59%
Gross Margin	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Operating Income	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Interest Expense (B)	1.4	1.2	1.2	1.4	1.4	-1%	19%	-15%
Pre Tax Income (B)	10.9	6.8	8.4	5.5	5.3	-4%	-22%	-20%
Net Income (B)	8.5	5.4	6.7	5.2	3.4	-34%	-36%	-33%
EPS	22.96	15.73	21.30	17.39	12.12	-30%	-23%	-10%
Dividend/Share	.04	4.00	4.48	4.92	5.60	14%	40%	NM
Shares Outstanding (M)	365.0	341.0	313.1	296.9	283.2	-5%	-17%	-25%
Market Cap (B)	76.0	78.3	103.7	88.9	98.1	10%	25%	26%
Book Value (B)	-29.51	-32.80	-33.43	-28.90	-32.75	NM	NM	NM

Financial Condition

	GAAP Data					Growth Rates		
	2020	2021	2022	2023	2024	1-Year	3-Year	5-Year
Cash / Short Term Inv. (B)	11.5	6.0	6.8	8.7	8.2	-6%	37%	48%
Current Assets	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Current Liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Working Capital	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Short-Term Debt (B)	3.4	2.5	3.0	2.8	3.0	9%	19%	-45%
Long Term Debt (B)	29.5	31.1	28.1	28.2	28.9	3%	-7%	-9%
Total Debt (B)	32.9	33.7	31.1	30.9	32.0	3%	-5%	-15%
Shareholders Equity (B)	50.3	47.1	44.9	46.2	41.0	-11%	-13%	-9%

Ratio Analysis

						Trend		
	2020	2021	2022	2023	2024	1-Year	3-Year	5-Year
Operating Margin	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Margin	5%	3%	4%	3%	1%	Lower	Lower	Lower
ROE	18%	11%	14%	11%	8%	Lower	Lower	Lower
ROA	5%	3%	4%	3%	2%	Lower	Lower	Lower
Current Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Interest Coverage	8.6	6.6	7.8	4.8	4.7	Lower	Lower	Lower
Dividend Payout Ratio	0%	25%	21%	28%	46%	Higher	Higher	Higher
L-T Debt/Equity	59%	66%	63%	61%	71%	Higher	Higher	Higher
Total Debt/Total Cap	37%	40%	39%	38%	41%	Higher	Higher	Higher

Valuation Analysis

						Trend		
	2020	2021	2022	2023	2024	1-Year	3-Year	5-Year
Price - Year End	208.18	229.63	331.34	299.45	346.54	Higher	Higher	Higher
52-Week High	222.56	266.91	339.30	321.48	363.34	Higher	Higher	Higher
52-Week Low	130.06	191.90	217.56	242.64	297.82	Higher	Higher	Higher
P/E High	9.7	17.0	15.9	18.5	30.0	Higher	Higher	Higher
P/E Low	5.7	12.2	10.2	14.0	24.6	Higher	Higher	Higher
P/S High	.5	.5	Nil	Nil	.5	Nil	Lower	Lower
P/S Low	.3	.4	Nil	Nil	.4	Nil	Lower	Lower
P/B High	1.6	1.8	Nil	Nil	2.4	Nil	Higher	Higher
P/B Low	1.0	1.3	Nil	Nil	1.9	Nil	Higher	Higher
Yield High	.03%	2.08%	2.06%	2.03%	1.88%	Lower	Lower	Higher
Yield Low	.02%	1.50%	1.32%	1.53%	1.54%	Higher	Higher	Higher
Return	2%	10%	44%	-10%	16%	Higher	Higher	Nil

Argus Rating:	BUY
Rating Since: 03/26/25	
Current Price:	$333.82
Target Price:	$367.00
Market Cap:	$89.2 billion
Dividend:	$6.04
Yield:	1.8%
Beta:	0.16
Sector:	Financial
Industry:	Insurance

Argus A6 Sub-component Scores

H High M Medium L Low

H Industry
Earnings revisions, analyst conviction, performance and historical industry weighting.

M Management
Consistency of growth & financial strength.

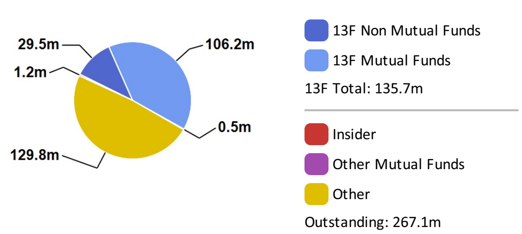
M Safety
Liquidity, dividend yield, market cap, debt leverage and stock price beta.

M Financial Strength
Balance sheet debt and liquidity ratios.

M Growth
Normalized earnings estimates and sales trends.

H Value
Price/earnings, price/sales ratios, trend lines, and DCF valuation.

Vicker's Institutional & Insider Holdings



Peer Comparison Table: Financial

Ticker	Company	Price($)	Market Cap (Millions $)	5-yr EPS Growth Rate	Current FY P/E	Net Margin	1-yr EPS Growth Rate	Argus Rating
CB	CHUBB LTD	289.00	115,809.73	134%	13.87	15%	4%	HOLD
MMC	MARSH & MCLENNAN COS	226.70	111,701.38	140%	26.60	16%	9%	BUY
CI	THE CIGNA GROUP	333.82	89,177.54	-10%	15.46	2%	-30%	BUY
AJG	ARTHUR J GALLAGHER & CO	338.27	86,630.95	85%	42.04	13%	47%	BUY
AON	AON PLC-CLASS A	357.93	77,291.37	96%	29.14	16%	0%	BUY
Peer Average			96,122.2	89%	25	12%	6%	

Our rating on the Financial sector is Over-Weight. The Fed's extended rate hike campaign is expanding banks' net interest margins. We also look for recovery in fee-based businesses, bond issuance, and M&A as the rate cycle winds down. At the same time, with inflation running hot, companies may cut back on hiring and investments, and thus on business loans.

As of the end of March, the sector accounted for 14.7% of the S&P 500. Over the past five years, the weighting has ranged from 10% to 15%. The sector was outperforming the market with a gain of 3.1%. It outperformed the market in 2024, with a gain of 28.4% compared to a gain of 23.3% for the S&P 500.

The sector's P/E ratio on projected 2025 EPS was 15, below the market multiple. Yields of 1.2% were equal to the market average. The sector's smoothed earnings growth rate of 9% was below the market average.

Key Sector Trends

Banking

- Higher interest rates boosted net interest margins in the year following the Fed's initial rate hikes, but margins more recently have been under pressure from rising deposit costs as banks compete with higher-yielding alternatives. Margins are expected to come under additional pressure as the Fed began lowering interest rates in September 2024, but we do not expect the impact to be dramatic in the first year.
- Another effect of higher rates has been slowing loan growth, so recently lower rates should become stimulative, and we expect pent-up demand to drive lending growth in weak areas such as residential mortgages.
- The capital markets businesses of large banks have been under pressure in recent years, but there have been some green shoots in investment banking and corporate bond issuance as rates turned lower. Market valuations improved in both 2023 and 2024, which bodes well for a potential rebound in IPO activity.
- Meanwhile, the change in U.S. presidential administrations is expected to usher in an era with a lighter regulatory touch. M&A activity is expected to receive a boost as the Federal Trade Commission and Justice Department likely offer fewer roadblocks to deal completions. Offsetting this has been major concerns about tariffs, which we
- expect will push the rebound in deal activity later into 2025. Lower interest rates, combined with improvement in the CEO confidence index, also provide a better backdrop for M&A activity. Lastly, bank trading operations remain a bright spot, as volatility across equity, fixed-income, and commodity markets has led to high trading volume.
- Credit quality, which often tracks employment, remains a concern, as banks become more cautious about some lending areas and add to loan loss reserves. In particular, delinquencies for credit cards and auto loans have begun to move higher, often the first signs of credit stress. The rapid rise in credit card loans, eclipsing $1.2 trillion as of mid-2024, also indicates that stress is building especially for the lower-income consumer.
- The banking industry remains in a strong capital position, as evidenced by a clean bill of health from the Fed during the mid-2024 CCAR (stress test) cycle, which also included increases in capital returns. In addition, recent proposals for Basel III endgame rules have been softened, meaning less onerous capital increases required and more capital that can be lent out. The new presidential administration is also expected to foster less-onerous capital requirements.

Insurance

- As interest rates have remained near 4% over the last couple of months, life insurance companies have seen steady levels of investment income and an improvement in unrealized bond losses, offset by lower private equity and alternative asset valuations. Institutional asset management revenues continue to grow, offset by retail outflows.
- Property-Casualty (P&C) insurers continue to struggle in managing their combined ratios, with many seeing ratios over 100% in personal lines primarily in the home sector due to recent hurricanes, California wildfires, and other weather events. Recent price increases have, for the most part, brought combined ratios comfortably below 100%, especially in the auto sector.
- With shelter inflation remaining "sticky," P&C companies have faced pressure from higher home repair and replacement costs. Labor litigation costs and retail theft costs have also risen substantially.
- Multi-line insurers should benefit from a diversified set of offerings, lowering the risks associated with traditional P&C companies.

Argus A6 Quantitative Universe

Our A6 Quantitative Universe includes more than 1,500 companies that are diversified across all asset classes and industry sectors. Ratings for these companies are derived through a proprietary algorithm we have designed and tested so that the ratings are based on our fundamental Six-Point System. Our A6 Quantitative Ratings include sub-ratings for each of the six factors.

The A6 algorithm is designed to capture and analyze financial trends for each company under coverage. Companies are measured against their historical record, peer group, and the broad market. For each covered company, the A6 algorithm generates a subrating for growth, financial strength, industry outlook, management, risk/safety and valuation. These scores are totaled and provide an overall rating for each company. The A6 algorithm rates stocks on growth based on normalized earnings estimates and sales trends, among other factors. Our financial strength ranking is based primarily on balance sheet debt and liquidity ratios. For risk, we factor in liquidity, dividend yield, market cap, debt leverage and stock price beta. Our valuation subrating includes factors such as price/earnings and price/sales ratios, trend lines, and discounted cash flow valuations. Ratings are reviewed weekly.

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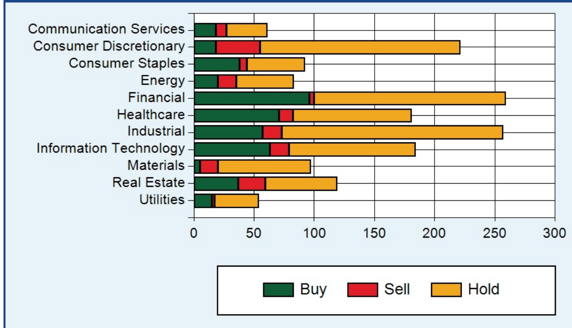
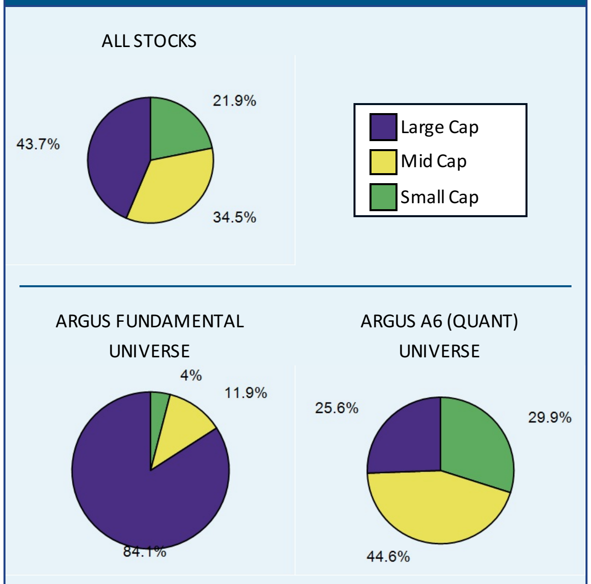


MARKET CAP DISTRIBUTION



CURRENT RATING DISTRIBUTION