

Humana Inc

Q&A Our Way: Making Progress But Still Waiting for Stars

HUM reported 1Q25 adj EPS of \$11.58, \$1.53 better than Cons, driven by a shift in timing related to incremental investments as well as outperformance in Centerwell. HUM maintained 2025 EPS guidance of \$16.25.

Membership Approach In Line with Margin Recovery Strategy

HUM feels good about the fact that it has recaptured 40% of the MA members who were displaced by its own plan exits last year. The issue with the products being exited was that they were not priced appropriately. HUM welcomes these returning members because the new plans are at the right margin level. Members from other plans tend to perform better than those coming from fee from service. While D-SNPs are valuable members, HUM does not plan to aggressively chase growth in that segment if it impacts margins. The decrease in risk based arrangements Y/Y was driven by the fact that HUM saw a higher level of churn in the dual portion of its book.

Star Ratings; Prior Authorizations

The company is encouraged by the work it has done relating to Stars over the past four months, but whether progress is made with respect to Stars for the 2027 payment year will depend on where cut points on set. HUM has engaged in a variety of pilot programs and is now ramping up the initiatives that yielded a high ROI. An example of one of these programs is a demo that engaged members who did not have an assigned PCP. Regarding the potential for regulatory action related to prior authorizations, management said it is early to express an opinion on what any new rules might look like. However, HUM believes the industry can adjust and price for any changes similar to how it has done for other rule changes such as the two midnight rule. The company has been supportive of regulatory/legislative standards related to prior authorization in the past.

Group MA Business Claimed to be Representative of Industry

On Group MA, HUM said its business is no different from the industry where contracts have multi-year rate guarantees. Historically, the amount of caveats embedded in these guarantees were fairly limited, but now the industry has pivoted where regulatory changes around risk scores or policy allow for the ability to re-rate. HUM believes its Group profile is not that different from competitors with 60% of the business with public retiree accounts.

Model Changes; Maintain PT at \$285

Equities

Americas

Healthcare Providers

12-month rating **Neutral**

12m price target **US\$285.00**

Price (30 Apr 2025) **US\$262.24**

RIC: HUM.N BBG: HUM US

Trading data and key metrics

52-wk range	US\$404.52-233.89
Market cap.	US\$31.7b
Shares o/s	121m (COM)
Free float	100%
Avg. daily volume ('000)	390
Avg. daily value (m)	US\$104.2
Common s/h equity (12/25E)	US\$18.1b
P/BV (12/25E)	1.8x
Net debt to EBITDA (12/25E)	1.9x

EPS (UBS, diluted) (USD)

	12/25E		% ch	Cons.
	From	To		
Q1	10.00	11.58	16	10.07
Q2E	4.96	5.70	15	6.37
Q3E	3.63	2.14	-41	3.09
Q4E	(2.29)	(3.12)	NM	(3.13)
12/25E	16.30	16.30	-0	16.36
12/26E	13.00	13.50	4	13.83
12/27E	19.00	19.00	-0	21.42

AJ Rice

Analyst

aj.rice@ubs.com

+1-212-713 4299

Jonathan Yong

Analyst

jonathan.yong@ubs.com

+1-212-713 6268

Michael Wei

Associate Analyst

michael.wei@ubs.com

+1-212-713 2565

Highlights (US\$m)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Revenues	92,870	106,374	117,761	127,320	129,743	141,995	159,554	176,137
EBIT (UBS)	3,800	4,013	2,562	3,200	2,746	3,621	4,244	4,741
Net earnings (UBS)	3,203	3,230	1,956	1,979	1,643	2,300	2,772	3,149
EPS (UBS, diluted) (US\$)	25.24	25.99	16.19	16.30	13.50	19.00	23.00	26.23
DPS (net) (US\$)	2.95	3.15	3.45	3.75	3.95	4.15	4.35	4.55
Net (debt) / cash	(6,065)	(6,962)	(9,500)	(7,636)	(5,899)	(5,838)	(4,738)	(3,994)
Profitability/valuation	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
EBIT (UBS) margin %	4.1	3.8	2.2	2.5	2.1	2.6	2.7	2.7
ROIC (EBIT) %	17.0	18.9	10.9	13.0	11.5	15.3	17.4	18.8
EV/EBITDA (UBS core) x	13.2	12.8	11.9	9.8	11.0	8.8	7.7	7.0
P/E (UBS, diluted) x	18.6	18.9	20.7	16.1	19.4	13.8	11.4	10.0
Equity FCF (UBS) yield %	5.6	5.2	6.3	6.2	6.7	10.4	15.1	13.5
Dividend yield (net) %	0.6	0.6	1.0	1.4	1.5	1.6	1.7	1.7

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$ 262.24 on 30-Apr-2025

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We are maintaining our 2025 EPS estimates at \$16.30 but modifying the earnings cadence in accordance to guidance. We adjust our 2026E EPS to \$13.50 from (\$13.00) to reflect the more favorable final rate notice while continuing to assume that HUM does not fully recover its Star ratings from the litigation process. 2027E/2028E remains at \$19.00/\$23.00 respectively, as Stars partially recover over time with further investments made. Our PT remains at \$285 based off of a 15x multiple on our 2027E EPS. Star ratings still remain the biggest driver in EPS for future years, and HUM has indicated limited visibility into how the litigation or future cut points will develop.

Highlights from Management Q&A

We had a post quarterly conference call discussion with HUM management to review 1Q25 results, 2025 expectations, and the future outlook. In the text below, we list questions and the company's responses. The answers are not verbatim, but we put the company's answers in their proper context in a give-and-take format.

Regarding the outperformance in the first quarter, some of it was described as timing related and some as potentially more durable, with one third of it being in Centerwell. On the durable side, the company said it saw a favorable drug mix, particularly on the specialty side. What specifically are you referring to here? Then, the company called out higher sales in pharmacy and higher than expected patient growth in Centerwell. Is the higher than expected patient growth in Centerwell accretive in the first year or do these members come on initially as a drag or neutral to profitability? Finally, it sounds like prior period development (PPD) was a contributor to the upside. Can you provide any sense as to how much of a benefit higher than expected PPD was in the first quarter?

Answer: In terms of the beat in the quarter, on the insurance side, most of the outperformance was timing related. At Centerwell, some of the beat was timing related such as PPD and administrative costs, but what could be more durable is the pharmacy drug mix. We are seeing more favorable specialty mix and strong agnostic sales. Typically, once we have a good sense of drug mix in the early part of the year, it sustains itself for the rest of the year. On the PCO side, we have higher than expected patient growth leading to revenue growth and claims there are running slightly better at the margin. It's not outsized growth, but it is giving the company better results than expected.

Medicare Advantage

The company reiterated that it expects to see a 550,000 membership decline in the individual MA business, and has seen a decline of 446,000 so far. The company has said it expects to recapture approximately 40% of the members impacted by plan exits. These market exits were presumably related to places where the company was margin challenged. Have there been any issues with respect to these members being more challenging even in the new plans than previously expected?

Answer: More the latter than former. HUM talked about benefit plan exits which was more due to the products that those members were in were just not priced correctly. Therefore the membership was performing negatively. There was a small share with no other product in a market where HUM exited. As for members where there was a product, HUM is happy if those members joined an appropriately priced product. What has been seen in OEP is a better recapture rate in membership. When the company bring in members from other plans, generally, they are better for HUM compared to those from FFS.

On the conference call, the company said it was seeing a shift to higher lifetime value segments and memberships. Can you explain this a bit more? It sounded like you were saying that your strategy isn't to overemphasize adding D-SNP members but that you are happy to have them in the normal course. Am I hearing you right on this?

Answer: The point here is that DSNPs are valuable members, but the company is not going to throw outsized benefits or pursue them just to get them unless they can be at HUM's targeted profitability. The company is not going to contort itself to get a bigger growth number. Management does not want to chase members who are zero margin. HUM is going to be focused on a steady march in membership growth all while making make sure this growth is profitable and sustainable.

The company said its guidance contemplated mid-single-digit cost trend growth on the medical side of the business and low double digit cost trend growth on the pharmacy side. I know you are saying that the overall trend is

tracking expectations, but are there any areas of divergence relative to those expectations either positive or negative that you have seen, with respect to inpatient, outpatient, physician services or specialty drug utilization? It sounds like oncology might be the one area, but again it sounds like that was contemplated in guidance.

Answer: Nothing really to call out. The company was seeing the elevated oncology trends at end of last year. This isn't new. Flu was contemplated in the company's guidance as well.

Reports came out yesterday that the Trump Administration was looking at implementing incremental restrictions on the use of prior authorizations. Do you have a sense as to where Humana is on this issue? This issue has been a front burner topic for a while. Will the company be able to absorb changes here in the normal course of business, if they are forthcoming?

Answer: Management is already trying to assess this means. It's hard to guess exactly what is being considered. Once there are more details, it should be a lot like the two midnight rule. If this change is put in place, the industry would price for it. It will become one of the parts the industry will need to price for. That's how management thinks about it, and it is something the industry has to take into account. HUM was supportive of this general concept in the past. The company, for example, supported past legislation related to prior authorizations.

In relation to the 5.06% rate update, would this rate update translate in similar nature to the Humana book of business, excluding the current Stars headwind or would it be lower (v28 was 160 bps greater headwind for 2025 than CMS estimate, so it may be higher in 2026)?

Answer: The company has its estimate but is not providing it at this time. Similarly, the next year of V28, HUM would have a specific impact on our HUM. In 2025, v28 has a 160 bps impact, and there should be a similar number for 2026. On Stars, that is a company specific factor. Each company will have their own estimate on the rate update.

On VBC and capitated arrangements, the company has 37% of Individual MA membership in shared risk arrangements, are there any limiting factors to increasing this further? It also declined Y/Y on an absolute basis, was this due to the plan exits or providers changing their contract structures and exiting full risk arrangements?

Answer: HUM continues to want to increase in true downside risk arrangements because it sees on every metric, the outcomes and numbers get better. So there is no change in how the company thinks about it. The company's overall strategy hasn't changed. With v28, there is more pressure on groups in upside only constructs. They're trying to absorb the headwind and see how they can manage through it. So it is a bit of a pause. As for why the company is relatively flat, there was a disproportionate hit on duals in HUM's membership mix. The duals membership was more involved with VBC providers.

MA Stars

Last quarter, the company had said it had begun the "few hundred million" in investments to improve Stars performance in payment year 2027 and beyond. It seemed that management was unsure whether the investment had started in time to make an impact in 2027 but was confident that HUM would see improvement by 2028. How are you feeling now about the potential for these investments to impact the 2027 Stars outlook?

Answer: The question for HUM on 2027 is less about the company's own performance and more about the cut points. Until there is clarity on the cut points, the company won't know how it is doing on a relative basis. Management is pleased with the work it has done over the last four months. Humana has made good strides, but needs to see what the cut points look like. Regarding investments, keep in mind, the company has a lot of pilots. What management is doing is reviewing those pilots and finding which

have high ROIs. Humana is now ramping up a few of those pilots. It was mentioned that Humana is engaging members who don't have a PCP assigned, which is yielding good results for the company.

Medicare Part D

Where are you with respect to the corridors that the demo project offers you this year for Medicare Part D? Most companies had said that they expect to make use of this protection in the second half of 2025, but one leading player said that in some offerings they were already in a risk corridor position. Can you frame how many members or the expectations around how many will hit the OOP maximum in PDP and/or MAPD?

Answer: As you think about the maximum out of payment (MOOP), HUM expected a substantial increase in members to hit the MOOP, but this still represents a small minority of overall membership. It is much greater than prior to the IRA. The pricing reflects more members hitting the MOOP and the associated behavioral changes, as well as more people getting into the risk corridors. It is playing out as expected so far. HUM continues to take a conservative approach as it waits to see how the changes driven by the IRA plays out.

Group MA

The company noted that it had said in 2024 that margin pressure was expected in the Group MA product and that because of the multi-year pricing cycle it would take time to restore the margin. How much flexibility does the company have to improve performance through pricing/benefit design changes from Y/Y and how much is locked in due to a multi-year pricing cycle? Clearly, CMS publishes an updated rate notice every year that has an impact. How much of your group MA business is with corporate sponsors and how much is with union based state and local government retirees?

Answer: HUM is no different from the industry. Everyone does it the same way where there are multi-year guarantees with caveats. Historically, the amount of caveats in the rate guarantees were fairly limited and not robust. The whole industry has pivoted such that the multi-year rate guarantees are now in place but with caveats around regulatory changes such as changes in risk scores from a policy perspective or changes in policy applications. In this instance, HUM has the ability to re-rate. This is across the industry and not specific to HUM. The company's business is similar to others with 60% of group in public retiree accounts.

Medicaid

The company is saying it has visibility on approximately 75% of Medicare revenue in 2025 with respect to state rate updates. What is the rough composite rate update Y/Y that you are seeing in Medicaid this year?

Answer: What the company is seeing is that rates are developing positively. HUM has 76% of rates for this year being final. The company saw some nice increases to accommodate the trends, such as in KY. Behavioral health outcomes were challenged there, and the state did update rates. It is a significant rate increase, and the company executed well in trying to figure out ways to mitigate the pressure as well. KY is one specific call out. There are still has some challenges but it has improved significantly. Overall margins are expected to be better than past years. The biggest challenge is if the company gave you a composite rates update its presence in many states is immature, and the company is yet on the positive side of the J curve, so it would not tell you much.

Centerwell

Centerwell Primary Care added 27,300 value based lives in the first quarter bringing served lives to 418,000. Were these primarily from Humana health plans or from third parties? Do you have a target for full year patient adds?

Answer: HUM expects to add 30-50k for the full year. From a split between Humana and 3rd party perspective, it was a good mix overall. Typically, Centerwell has higher retention than the plan side.

Earnings Seasonality

The company expects approximately 35% of full year EPS to be reflected in Q2, which with EPS guidance for at least \$16.25 would imply about \$5.70 in Q2 EPS. Are we thinking about this correctly. It would also imply that the company expects to post very little in positive earnings in the second half of the year. I understand that this has been true for Q4 over the last few years, but I am a bit surprised by the implications for Q3. Any comment on that?

Answer: The doc fix will further aggravate the 4Q decline but the company is not ready to provide a specific view on 3Q vs 4Q.

Ok, thanks .

Humana Inc (HUM.N)

	12/22	12/23	12/24	12/25E	%ch	12/26E	%ch	12/27E	12/28E	12/29E
Income Statement (US\$m)										
Revenues	92,870	106,374	117,761	127,320	8.1	129,743	1.9	141,995	159,554	176,137
Gross profit	17,180	17,980	17,097	18,329	7.2	18,426	0.5	20,709	23,342	25,819
EBITDA (UBS)	4,509	4,792	3,401	3,965	16.6	3,542	-10.7	4,425	5,056	5,561
Depreciation & amortisation	(709)	(779)	(839)	(765)	8.8	(796)	-4.1	(804)	(812)	(820)
EBIT (UBS)	3,800	4,013	2,562	3,200	24.9	2,746	-14.2	3,621	4,244	4,741
Associates & investment income	0	(59)	(103)	(43)	58.3	0	-	0	0	0
Other non-operating income	(3)	0	0	(163)	-	0	-	0	0	0
Net interest	(401)	(493)	(660)	(644)	2.4	(645)	-0.1	(650)	(648)	(646)
Exceptionals (incl goodwill)	172	111	0	0	-	0	-	0	0	0
Pre-tax profit	3,568	3,572	1,799	2,350	30.6	2,101	-10.6	2,972	3,596	4,095
Tax	(762)	(836)	(413)	(582)	-40.8	(515)	11.5	(728)	(881)	(1,003)
Profit after tax	2,806	2,736	1,386	1,769	27.6	1,586	-10.3	2,244	2,715	3,092
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	2,806	2,736	1,386	1,769	27.6	1,586	-10.3	2,244	2,715	3,092
Net earnings (UBS)	3,203	3,230	1,956	1,979	1.2	1,643	-17.0	2,300	2,772	3,149
Tax rate (%)	21.4	23.4	0.0	24.7	-	24.5	-1.0	24.5	24.5	24.5
Per Share (US\$)										
EPS (UBS, diluted)	25.24	25.99	16.19	16.30	0.7	13.50	-17.2	19.00	23.00	26.23
EPS (local GAAP, diluted)	22.11	22.01	11.47	14.57	26.9	13.03	-10.5	18.53	22.53	25.76
EPS (UBS, basic)	25.24	25.99	16.19	16.30	0.7	13.50	-17.2	19.00	23.00	26.23
DPS (net) (US\$)	2.95	3.15	3.45	3.75	8.7	3.95	5.3	4.15	4.35	4.55
Cash EPS (UBS, diluted) ¹	30.83	32.26	23.14	22.60	-2.3	20.04	-11.3	25.64	29.73	33.06
Book value per share	120.69	131.60	136.52	148.68	8.9	153.63	3.3	163.80	177.69	194.55
Average shares (diluted)	127	124	121	121	0.5	122	0.2	121	121	120
Balance Sheet (US\$m)										
Cash and equivalents	5,061	4,694	2,221	2,610	17.5	4,347	66.6	4,408	5,508	6,252
Other current assets	21,122	25,292	27,594	27,773	0.6	27,108	-2.4	30,202	33,989	37,514
Total current assets	26,183	29,986	29,815	30,383	1.9	31,456	3.5	34,610	39,497	43,765
Net tangible fixed assets	3,221	3,030	2,532	2,867	13.2	2,623	-8.5	2,391	2,172	1,966
Net intangible fixed assets	9,142	9,550	9,631	9,550	-0.8	9,550	0.0	9,550	9,550	9,550
Investments / other assets	4,509	4,499	4,501	5,539	23.1	5,650	2.0	6,220	6,917	7,566
Total assets	43,055	47,065	46,479	48,338	4.0	49,279	1.9	52,771	58,137	62,848
Trade payables & other ST liabilities	15,086	17,429	16,362	17,701	8.2	18,089	2.2	20,182	22,745	25,123
Short term debt	2,092	1,443	577	577	0.0	577	0.0	577	577	577
Total current liabilities	17,178	18,872	16,939	18,278	7.9	18,666	2.1	20,759	23,322	25,700
Long term debt	9,034	10,213	11,144	9,669	-13.2	9,669	0.0	9,669	9,669	9,669
Other long term liabilities	1,473	1,662	1,951	2,245	15.1	2,296	2.3	2,558	3,774	4,165
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	27,685	30,747	30,034	30,192	0.5	30,631	1.5	32,987	36,765	39,535
Common s/h equity	15,370	16,318	16,445	18,146	10.3	18,648	2.8	19,785	21,371	23,313
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	43,055	47,065	46,479	48,338	4.0	49,279	1.9	52,771	58,137	62,848
Cash Flow (US\$m)										
Net income (before pref divs)	2,806	2,736	1,386	1,769	27.6	1,586	-10.3	2,244	2,715	3,092
Depreciation & amortisation	709	779	839	765	-8.8	796	4.1	804	812	820
Net change in working capital	2,255	1,119	(1,455)	(431)	70.4	100	-	620	1,655	793
Other operating	(1,182)	(427)	2,364	509	-78.5	312	-38.7	312	312	312
Operating cash flow	4,588	4,207	3,134	2,612	-16.7	2,794	7.0	3,980	5,493	5,017
Tangible capital expenditure	(1,220)	(1,004)	(575)	(649)	-12.8	(668)	-3.0	(688)	(709)	(730)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) & disposals	(325)	(189)	(189)	(123)	34.9	0	-	0	0	0
Other investing	539	(2,299)	(2,188)	568	-	893	57.1	(1,928)	(2,360)	(2,197)
Investing cash flow	(1,006)	(3,492)	(2,952)	(203)	93.1	224	-	(2,616)	(3,069)	(2,927)
Equity dividends paid	(375)	(394)	(419)	(455)	-8.8	(481)	-5.5	(502)	(524)	(546)
Share issues / (buybacks)	(1,800)	(1,535)	(817)	0	-	(800)	-	(800)	(800)	(800)
Other financing	1,629	543	(1,316)	(92)	93.0	0	-	0	0	0
Change in debt & pref shares	(1,368)	530	65	(1,475)	-	0	-	0	0	0
Financing cash flow	(1,914)	(856)	(2,487)	(2,023)	18.7	(1,281)	36.7	(1,302)	(1,324)	(1,346)
Cash flow inc/(dec) in cash	1,668	(141)	(2,305)	386	-	1,737	350.5	61	1,100	743
FX / non cash items	(1)	(226)	(168)	3	-	0	-100.0	0	0	0
Balance sheet inc/(dec) in cash	1,667	(367)	(2,473)	389	-	1,737	347.1	61	1,100	743

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.¹ Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Humana Inc (HUM.N)

Valuation (x)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
P/E (local GAAP, diluted)	21.2	22.3	29.2	18.0	20.1	14.2	11.6	10.2
P/E (UBS, diluted)	18.6	18.9	20.7	16.1	19.4	13.8	11.4	10.0
P/CEPS	15.2	15.2	14.5	11.6	13.1	10.2	8.8	7.9
Equity FCF (UBS) yield %	5.6	5.2	6.3	6.2	6.7	10.4	15.1	13.5
Dividend yield (net) %	0.6	0.6	1.0	1.4	1.5	1.6	1.7	1.7
P/BV	3.9	3.7	2.5	1.8	1.7	1.6	1.5	1.3
EV/revenues (core)	0.6	0.6	0.3	0.3	0.3	0.3	0.2	0.2
EV/EBITDA (UBS core)	13.2	12.8	11.9	9.8	11.0	8.8	7.7	7.0
EV/EBIT (core)	15.7	15.2	15.8	12.2	14.2	10.7	9.1	8.2
EV/OpFCF (core)	18.1	16.2	14.3	11.7	13.5	10.4	8.9	8.0
EV/op. invested capital	2.7	2.9	1.7	1.6	1.6	1.6	1.6	1.5
Enterprise value (US\$m)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Market cap.	59,897	61,434	40,783	31,679	31,679	31,679	31,679	31,679
Net debt (cash)	878	878	878	8,568	8,568	8,568	8,568	8,568
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	60,775	62,312	41,661	40,247	40,247	40,247	40,247	40,247
Non core assets	(1,129)	(1,122)	(1,118)	(1,306)	(1,321)	(1,396)	(1,489)	(1,575)
Core enterprise value	59,646	61,190	40,543	38,941	38,926	38,850	38,758	38,672
Growth (%)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Revenue	11.8	14.5	10.7	8.1	1.9	9.4	12.4	10.4
EBITDA (UBS)	20.4	6.3	(29.0)	16.6	(10.7)	24.9	14.2	10.0
EBIT (UBS)	20.7	5.6	(36.2)	24.9	(14.2)	31.9	17.2	11.7
EPS (UBS, diluted)	22.3	3.0	(37.7)	0.7	(17.2)	40.8	21.0	14.1
Net DPS	8.3	6.8	9.5	8.7	5.3	5.1	4.8	4.6
Margins & Profitability (%)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Gross profit margin	18.5	16.9	14.5	14.4	14.2	14.6	14.6	14.7
EBITDA margin	4.9	4.5	2.9	3.1	2.7	3.1	3.2	3.2
EBIT (UBS) margin	4.1	3.8	2.2	2.5	2.1	2.6	2.7	2.7
Net earnings (UBS) margin	3.4	3.0	1.7	1.6	1.3	1.6	1.7	1.8
ROIC (EBIT)	17.0	18.9	10.9	13.0	11.5	15.3	17.4	18.8
ROIC post tax	16.1	17.7	10.9	11.0	9.0	11.8	13.4	14.5
ROE (UBS)	20.4	20.4	11.9	11.4	8.9	12.0	13.5	14.1
Capital structure & Coverage (x)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Net debt / EBITDA	1.3	1.5	2.8	1.9	1.7	1.3	0.9	0.7
Net debt / total equity %	39.5	42.7	57.8	42.1	31.6	29.5	22.2	17.1
Net debt / (net debt + total equity) %	28.3	29.9	36.6	29.6	24.0	22.8	18.1	14.6
Net debt/EV %	12.5	10.5	19.8	21.3	16.8	14.6	13.1	10.8
Capex / depreciation %	172.1	128.9	68.5	84.8	83.9	85.6	87.3	89.0
Capex / revenue %	1.3	0.9	0.5	0.5	0.5	0.5	0.4	0.4
EBIT / net interest	9.5	8.0	3.7	4.9	4.3	5.6	6.6	7.3
Dividend cover (UBS)	8.6	8.3	4.7	4.3	3.4	4.6	5.3	5.8
Div. payout ratio (UBS) %	11.7	12.1	21.3	23.0	29.3	21.8	18.9	17.3
Revenues by division (US\$m)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Others	92,870	106,374	117,761	127,320	129,743	141,995	159,554	176,137
Total	92,870	106,374	117,761	127,320	129,743	141,995	159,554	176,137
EBIT (UBS) by division (US\$m)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Others	3,800	4,013	2,562	3,200	2,746	3,621	4,244	4,741
Total	3,800	4,013	2,562	3,200	2,746	3,621	4,244	4,741

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	8.7%
Forecast dividend yield	1.5%
Forecast stock return	10.1%
Market return assumption	8.7%
Forecast excess return	1.5%

Company Description

Humana Inc is a large, publicly-traded managed care company, with over 17m members enrolled in its medical benefit plans. Approximately 82% of its premium and service revenue is received from the Federal government. Its largest product offering, Individual Medicare Advantage plans, constitutes roughly 71% of its total consolidated revenue. Its other major product offerings include Group MA (8% of total revenue), PDP (2.5%), and Medicaid (7%). In addition to its health plan offerings, Humana offers pharmacy, provider services, and home solutions through its CenterWell segment.

Valuation Method and Risk Statement

Our PT is \$285, based on a 15x multiple applied to our 2027 EPS. Risk factors to the upside include: (1) favorable appeals decision on star ratings; (2) stronger than expected membership growth; (3) lower than expected medical cost trend. Risks to the downside include: (1) increased regulation; (2) worse than expected medical cost trends; (3) weaker than expected membership growth; (4) no improvement in star ratings on HUM's largest contracts.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at <https://neo.ubs.com/quantitative>, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Humana Inc

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher, 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	2
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of: (1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	52%	24%
Neutral	FSR is between -6% and 6% of the MRA.	40%	20%
Sell	FSR is > 6% below the MRA.	8%	22%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2025.

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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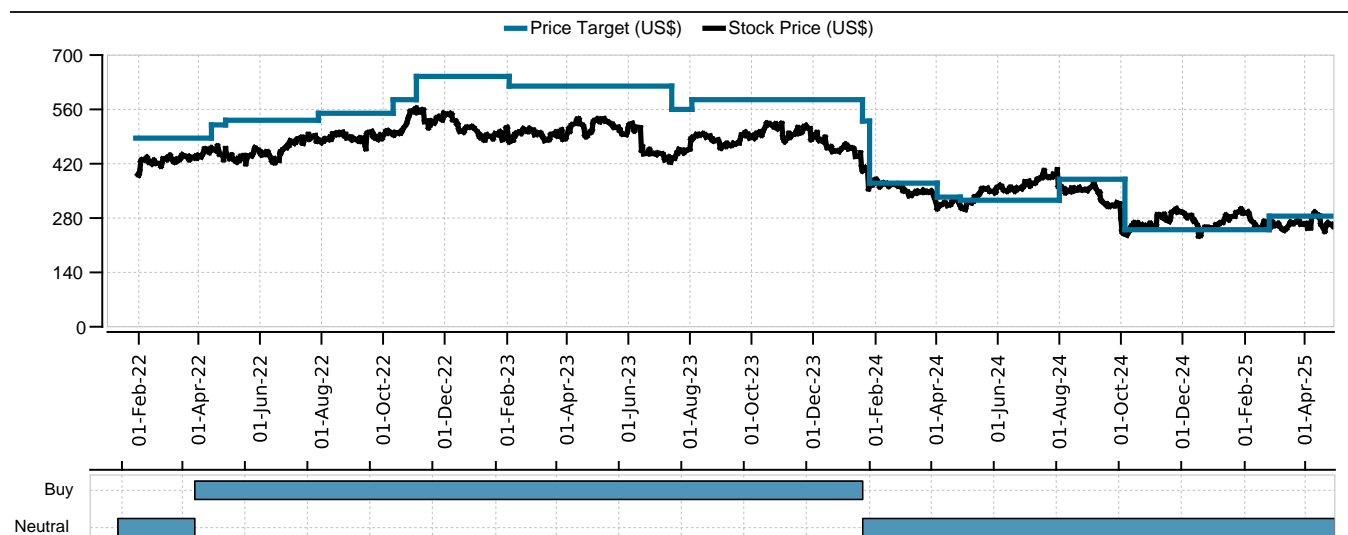
Company Name	Reuters	12-month rating	Price	Price date
Humana Inc ^{16,6,7}	HUM.N	Neutral	US\$262.24	30 Apr 2025

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

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Humana Inc (US\$)



Date	Stock Price (US\$)	Price Target (US\$)	Rating
2022-01-28	386.18	486.00	Neutral
2022-04-13	458.78	520.00	Buy

Date	Stock Price (US\$)	Price Target (US\$)	Rating
2022-04-27	443.37	532.00	Buy
2022-07-28	484.01	550.00	Buy
2022-10-10	497.04	585.00	Buy
2022-11-02	559.58	645.00	Buy
2023-02-02	489.77	620.00	Buy
2023-07-13	424.29	560.00	Buy
2023-08-02	483.75	585.00	Buy
2024-01-18	411.98	530.00	Buy
2024-01-25	355.36	370.00	Neutral
2024-04-01	317.89	334.00	Neutral
2024-04-24	315.98	326.00	Neutral
2024-07-31	361.61	380.00	Neutral
2024-10-04	240.03	250.00	Neutral
2025-02-24	255.00	285.00	Neutral

Source: UBS Global Research; LSEG Eikon as of 30-Apr-2025. All prices as of local market close. Ratings as of date shown.

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