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PART- A

COMPANY OVERVIEW

Humana Inc. is a leading American health insurance company headquartered in Louisville, Kentucky. It was founded in 1961 as a nursing home company and evolved over the decades into one of the largest health insurance providers in the United States.

Overview:

Industry: Health Insurance, Healthcare Services

Founded: 1961

Headquarters: Louisville, Kentucky, USA

CEO: Bruce D. Broussard

Employees: Approximately 67,000

Revenue: Over \$100 billion annually (varies by fiscal year)

Business Segments:

Humana operates in several key areas within the healthcare sector:

1. Medicare Advantage Plans: Humana is one of the largest providers of Medicare Advantage plans, offering a range of coverage options for seniors. This is a significant portion of their business, reflecting the aging U.S. population.

2. Group Insurance: The company provides group health insurance plans for employers, covering employees and their families.

3. Medicaid Plans: Humana also offers Medicaid plans, providing health insurance coverage to low-income individuals and families.

4. Pharmacy Solutions: Through its pharmacy benefit management (PBM) services, Humana helps manage prescription drug plans for its members.

5. Healthcare Services: The company offers various healthcare services, including primary care, wellness programs, and chronic disease management. It owns and operates healthcare facilities, such as clinics and urgent care centers.

Strategy and Vision:

Humana's strategy centers on integrating care to improve health outcomes for its members. The company focuses on personalized health solutions, leveraging data analytics, and digital health tools to enhance patient care. Humana aims to provide

more holistic care by combining insurance with healthcare delivery, ensuring members receive coordinated and comprehensive services.

Market Position

Humana is one of the top health insurance companies in the U.S. by revenue and membership. It is particularly strong in the Medicare Advantage space, where it competes with other major players like UnitedHealthcare and Aetna.

Financial Performance

Humana has consistently shown strong financial performance, driven by its expanding membership base and strategic acquisitions. The company's revenue growth has been supported by the increasing demand for Medicare Advantage plans and its expansion into healthcare services.

Acquisitions and Partnerships

Humana has made several strategic acquisitions and partnerships to bolster its capabilities in healthcare services and technology. For instance, it has invested in home healthcare and telemedicine, aligning with the trend towards more personalized and home-based care.

Corporate Social Responsibility

Humana is also involved in various community health initiatives, focusing on addressing social determinants of health, promoting healthy lifestyles, and improving access to care for underserved populations.

Challenges

The company faces challenges typical of the healthcare industry, including regulatory pressures, competition, and the need to continually innovate to meet changing consumer expectations. Additionally, as healthcare costs continue to rise, Humana must balance affordability with the need to provide comprehensive coverage

ACCOUNTING RATIOS

1.1 Current ratio

The current ratio is a financial metric used to assess a company's ability to pay off its short-term liabilities with its short-term assets. It is calculated by dividing a company's current assets by its current liabilities.

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

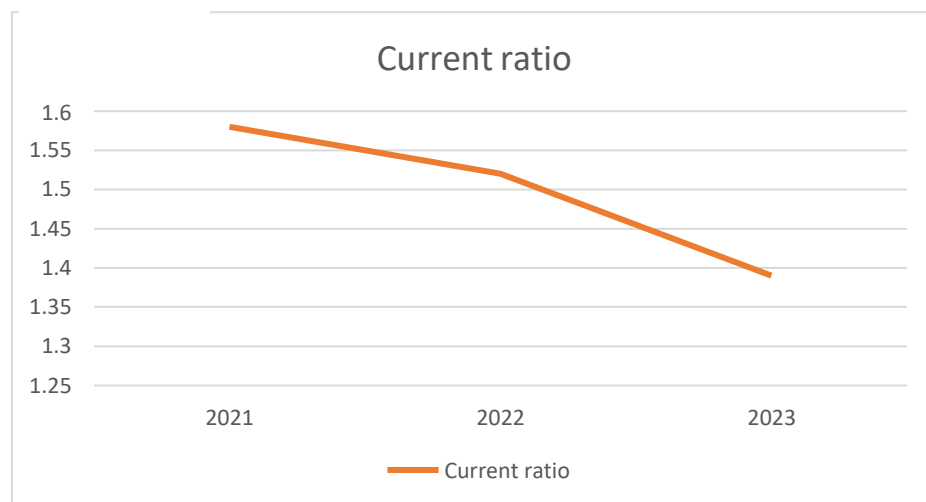
1.1

Year	Current asset	Current liabilities	Current ratio
2021	29986	18872	1.58
2022	26183	17178	1.52
2023	23145	16547	1.39

Analysis

In the above graph we can see that in the year 2021 the current ratio was 1.58 and in 2022 it slightly decreased to 1.52 and in 2023 from 1.52 it decreased to 1.39.

1.1



Interpretation

We can see that in the above graph that amount of current asset has been decreased more in 2023 compared to 2021 but current liabilities have decreased by only 2000 million dollars. That is the reason why current ratio has decreased from 1.58 to 1.39.

1.2 Quick ratio

The quick ratio, also known as the acid-test ratio, is a financial metric used to measure a company's ability to meet its short-term liabilities with its most liquid assets.

$$\text{Quick ratio} = \frac{\text{Quick Assets}}{\text{Current liabilities}}$$

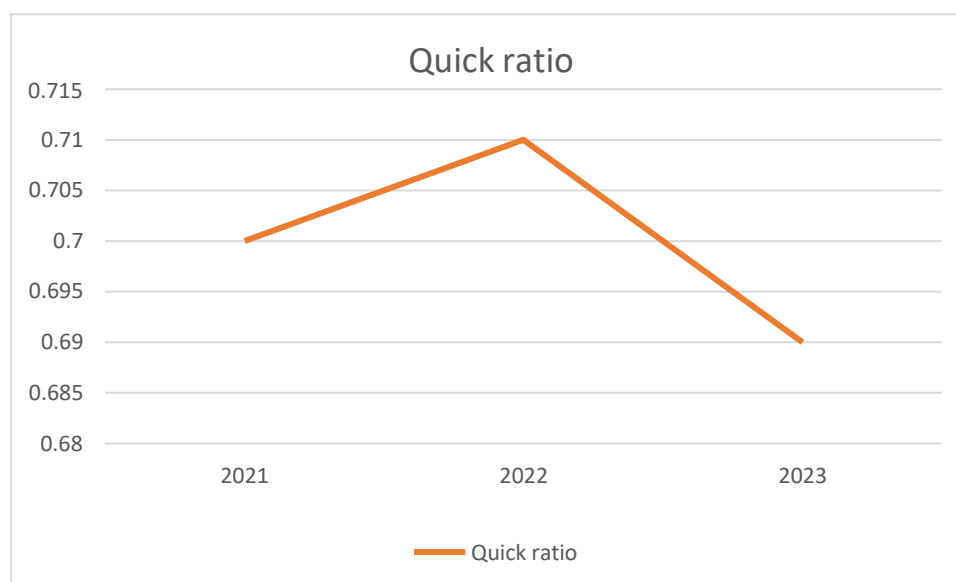
1.2

Year	Quick Asset	Current Liabilities	Quick ratio
2021	13360	18872	0.70
2022	12302	17178	0.71
2023	11572	16547	0.69

Analysis

In the above graph we can see that in the year 2021 the quick ratio was 0.70 and in 2022 it slightly increased to 0.71 and in 2023 from 0.70 it slightly decreased to 0.69.

1.2



Interpretation

We can see that in the above graph that amount of quick asset has been decreased more in 2023 compared to 2021 but in 2022 it has decreased and current liabilities have decreased from 18872 to 16547. That is the reason why quick ratio has decreased from 0.7 to 0.69.

1.3 Cash Ratio

The cash ratio is a financial metric used to measure a company's liquidity, specifically its ability to pay off its short-term liabilities with its most liquid assets—cash and cash equivalents (like marketable securities).

$$\text{Cash Ratio} = \frac{\text{Cash and cash equivalents} + \text{Marketable securities}}{\text{Current liabilities}}$$

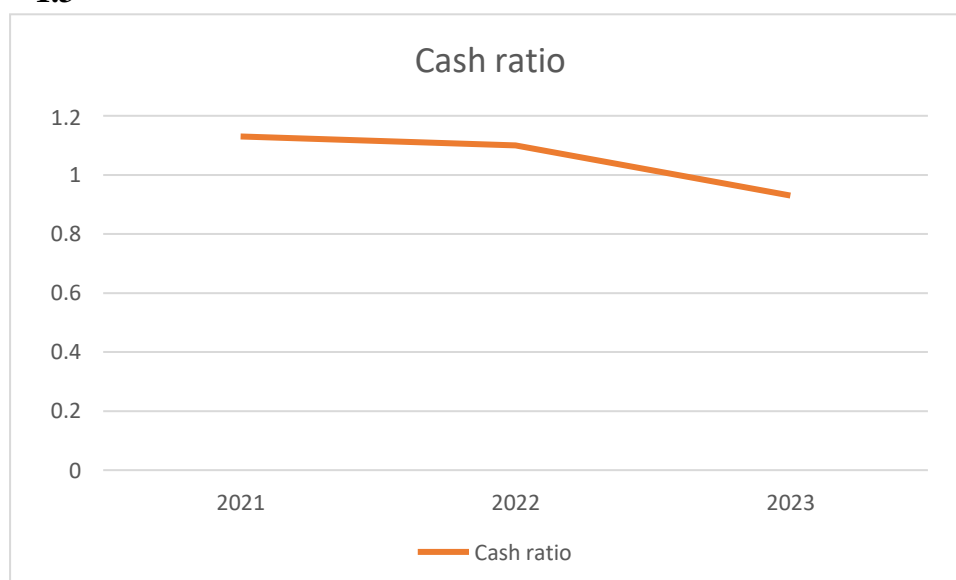
1.3

Year	Cash and Cash Equivalents	Current Liabilities	Cash ratio
2021	21320	18872	1.13
2022	18942	17178	1.10
2023	15440	16547	0.93

Analysis

Here the cash ratio has decreased to 1.1 from 1.15 and from 1.1 to 0.93. we can see that the cash ratio has been decreasing since 2021.

1.3



Interpretation

Here the cash and cash equivalents decreased from 21320 to 15440 and current liabilities has also decreased but very less compared to cash.

1.4 Gross Profit Margin

The gross profit margin is a financial metric that shows the percentage of revenue that exceeds the cost of goods sold (COGS). It indicates how efficiently a company is producing its goods or services relative to its revenue.

$$\text{Gross Profit Margin} = \frac{\text{Gross profit}}{\text{net sales}} \times 100$$

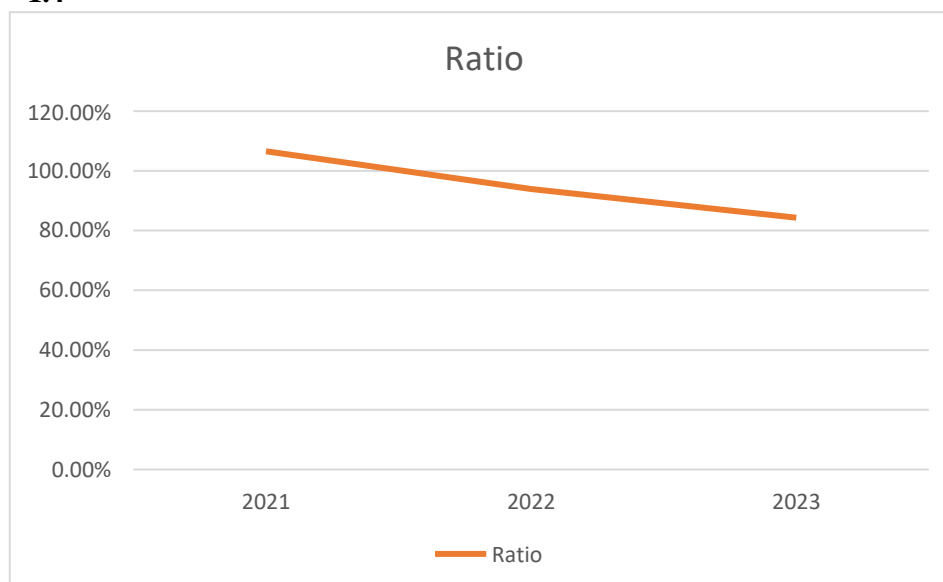
1.4

Year	Gross Profit	Net sales	Ratio
2021	3,354	3,148	106.54%
2022	3,568	3,800	93.89%
2023	3,383	4,013	84.30%

Analysis

Here the gross profit ratio has decreased to 84.3% from 106.54% and gross profit from 3354 to 3383. we can see that the gross profit ratio has been decreasing since 2021.

1.4



Interpretation

Here Even though net sales have increased from 3148 to 4013 the gross profit has decreased. So, the gross profit plays huge role in finding out gross profit ratio.

1.5 Net profit Margin

The net profit ratio is a financial metric that measures the percentage of net profit generated from a company's total revenue. It indicates how efficiently a company converts its revenue into actual profit after accounting for all expenses, including operating costs, taxes, and interest.

$$\text{Net profit Margin} = \frac{\text{Net Profit}}{\text{net sales}} \times 100$$

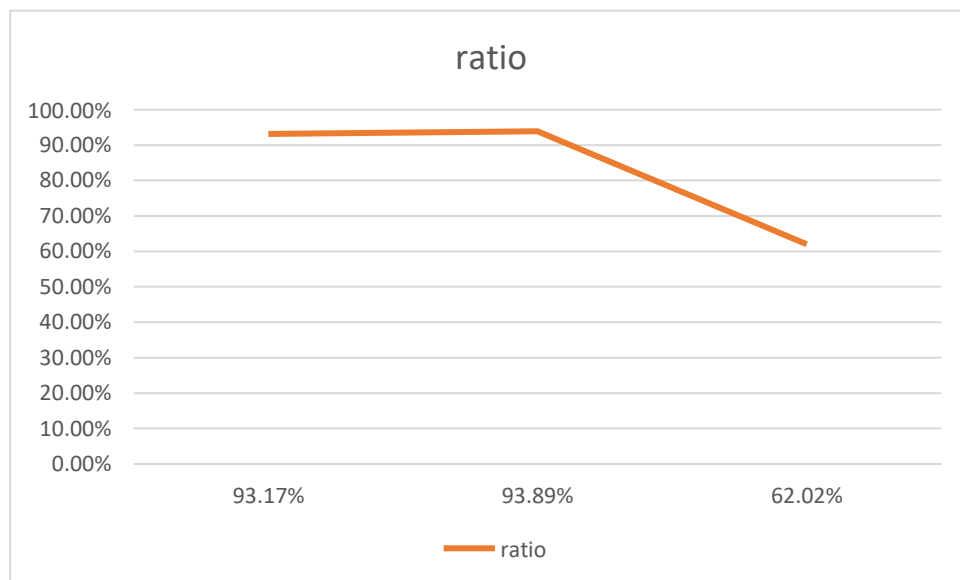
1.5

Year	Net Profit	Net sales	ratio
2021	2933	3,148	93.17%
2022	2806	3,800	93.89%
2023	2489	4,013	62.02%

Analysis

Here the net profit ratio has decreased to 62.02% from 93.17% and net profit from 2933 to 2489. we can see that the net profit ratio has been decreasing since 2021.

1.5



Interpretation

Here Even though net sales have increased from 3148 to 4013 the net profit has decreased. So, the net profit plays huge role in finding out net profit ratio.

1.6 Operating profit Margin

The operating profit ratio is a financial metric that measures the proportion of a company's revenue that remains after covering its operating expenses, such as wages, raw materials, and overhead, but before accounting for interest and taxes.

$$\text{Operating profit Margin} = \frac{\text{Operating profit}}{\text{net sales}} \times 100$$

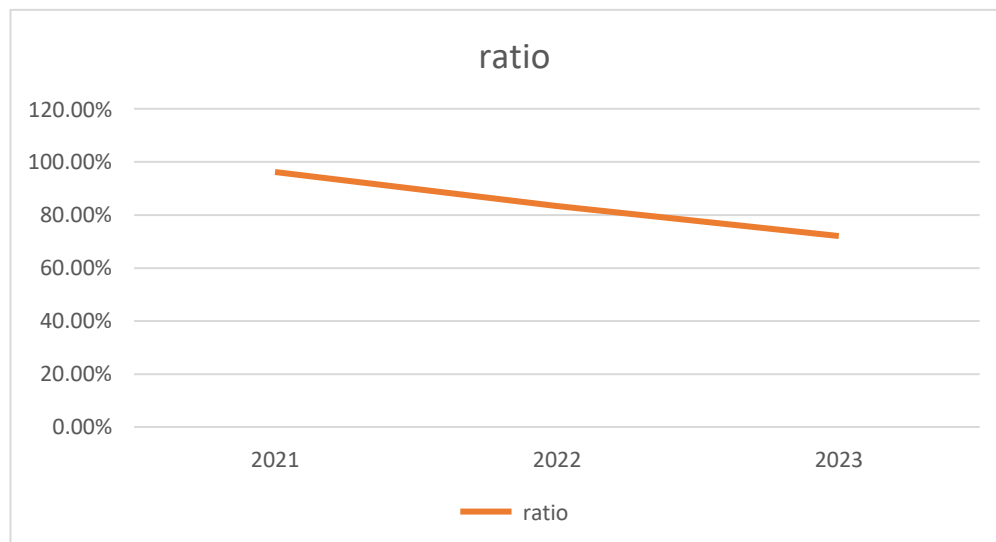
1.6

Year	Operating Profit	Net sales	ratio
2021	3028	3,148	96.18%
2022	3167	3,800	83.34%
2023	2890	4,013	72.01%

Analysis

Here the operating profit has decreased by 138 million dollars and net sales has increased by 865 million dollars and ratio has been decreased from 96.18% to 72.01%.

1.6



Interpretation

Here the net sales have been increasing constantly from 2021 to 2023 but the day-to-day operating activities and its profit are decreasing because of the cost of operating activities has been increasing.

1.7 Return on Assets

Return on Assets (ROA) is a financial metric that measures the profitability of a company in relation to its total assets. It indicates how efficiently a company is using its assets to generate profit.

$$\text{Return on Assets} = \frac{\text{net income}}{\text{total assets}} \times 100$$

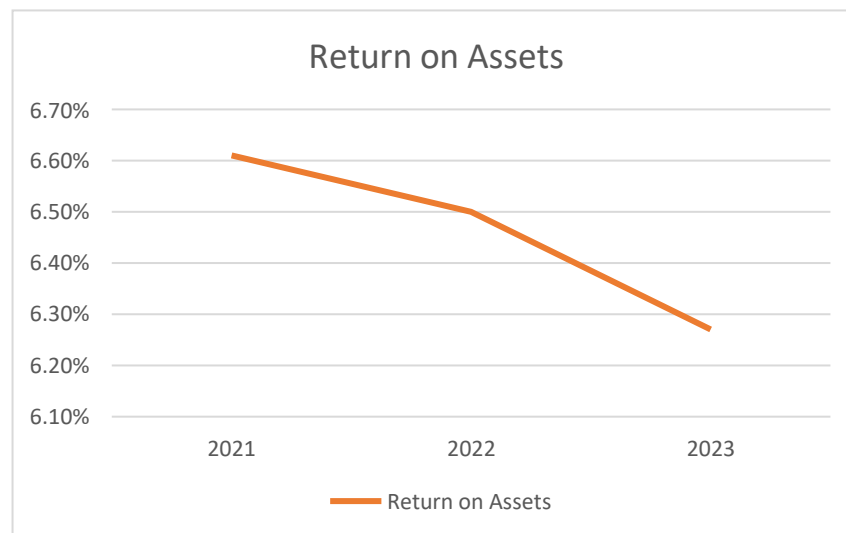
1.7

Year	Net income	Total Assets	Return on Assets
2021	2934	44358	6.61%
2022	2802	43055	6.50%
2023	2482	47065	6.27%

Analysis

Here the net profit/income has decreased by approx. 500million dollars and total assets has increased by 3000 million dollars and ratio has been decreased from 6.61% to 6.27%.

1.7



Interpretation

Here we can see in the above graph that the overall return on assets has goes on decreasing. Because the assets are decreasing the return on assets has also been decreasing.

1.8 Return on capital Employed

Return on Capital Employed (ROCE) is a financial ratio that measures a company's profitability and efficiency in using its capital. It is calculated by dividing the company's operating profit by the capital employed.

$$\text{Return on capital Employed} = \frac{\text{Earnings before interest and tax}}{\text{Capital employed}} \times 100$$

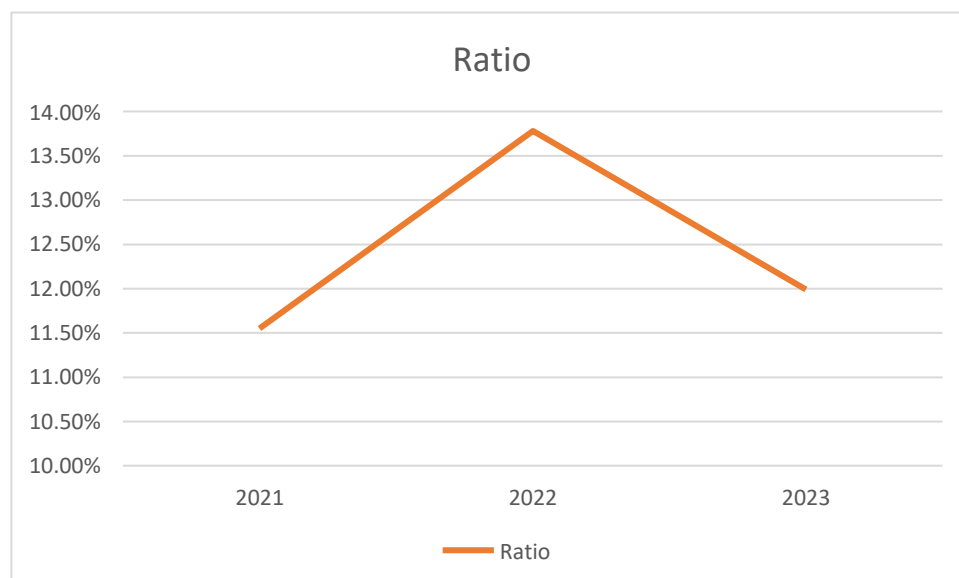
1.8

Year	EBIT	Capital Employed	Ratio
2021	3354	29027	11.55%
2022	3568	25877	13.78%
2023	3383	28193	11.99%

Analysis

The EBIT/gross profit has slightly increased from 3354 to 3383 and the capital employed has also been decreased from 29027 to 28193 and the ratio has nearly reached to 12%.

1.8



Interpretation

The operating ratio has increased to 12% in 2023 from 11.5. but in 2022 it reached to 13.7% because of the capital employed decreased first it was less then it increased then it decreased to 12%

1.9 Debt Equity ratio

The debt-to-equity ratio is a financial metric used to evaluate a company's financial leverage. It compares the total amount of debt a company has to its total shareholders' equity.

$$\text{Debt Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholders Equity}}$$

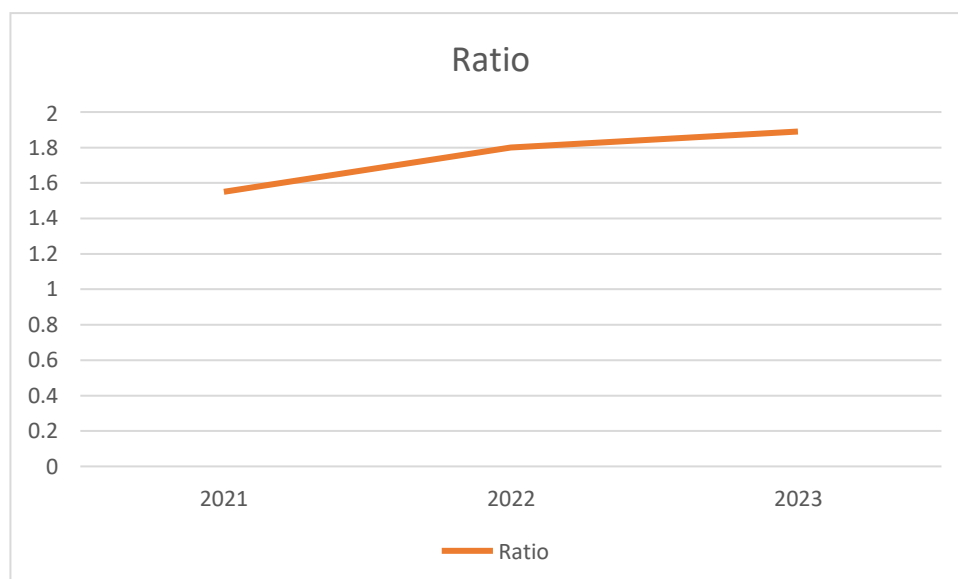
1.9

Year	Total Debt	Shareholders' Equity	Ratio
2021	24987	16103	1.55
2022	27685	15311	1.80
2023	30747	16262	1.89

Analysis

In the above graph we can see that total debt of the company goes on increasing from 24987 to 30747. And the ratio also increases year on year from 1.55 to 1.89.

1.9



Interpretation

Debt to Equity increases from 1.5 to 1.9 because debt increases year on year as debt increases, ratio also increases.

1.10 Interest Coverage ratio

The interest coverage ratio is a financial metric used to measure a company's ability to pay interest on its debt. It shows how easily a company can meet its interest payments with its earnings.

$$\text{Interest Coverage ratio} = \frac{\text{EBIT}}{\text{Interest Expense}}$$

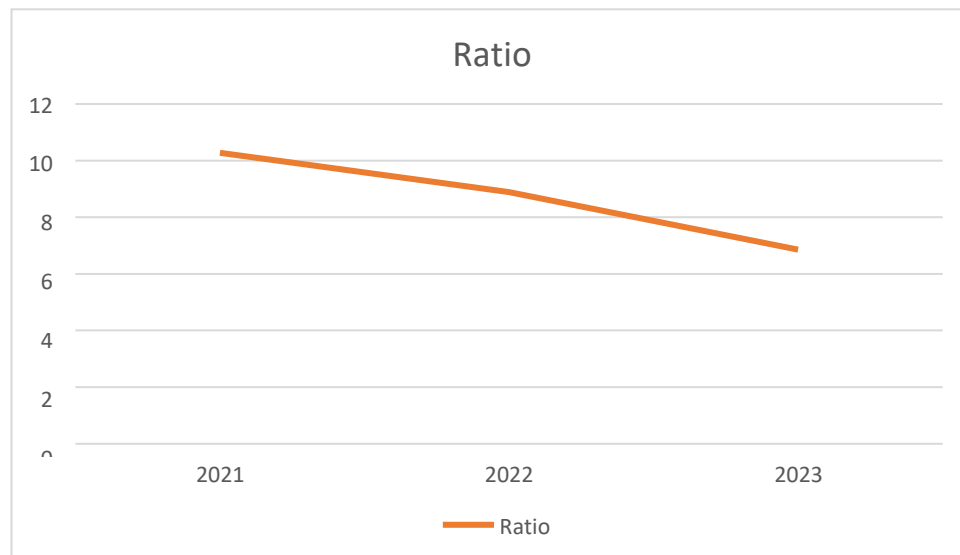
1.10

Year	EBIT	Interest Expense	Ratio
2021	3354	326	10.28
2022	3568	401	8.89
2023	3383	493	6.86

Analysis

EBIT in 2021 was 3354 and in 2022 it was 3568 and in 2023 it was 3383 and the interest expense increased from 326 to 493 and the ratio decreases from 10.28 in 2021 to 6.86 in 2023.

1.10



Interpretation

Here the Interest coverage ratio decreases because the interest expense increases irrespective of changes in EBIT.

1.11 Fixed Asset Turnover Ratio

The fixed turnover ratio is a financial metric that measures how efficiently a company is using its fixed assets to generate sales.

$$\text{Fixed Assets Turnover ratio} = \frac{\text{Net Sales}}{\text{Average Fixed Assets}}$$

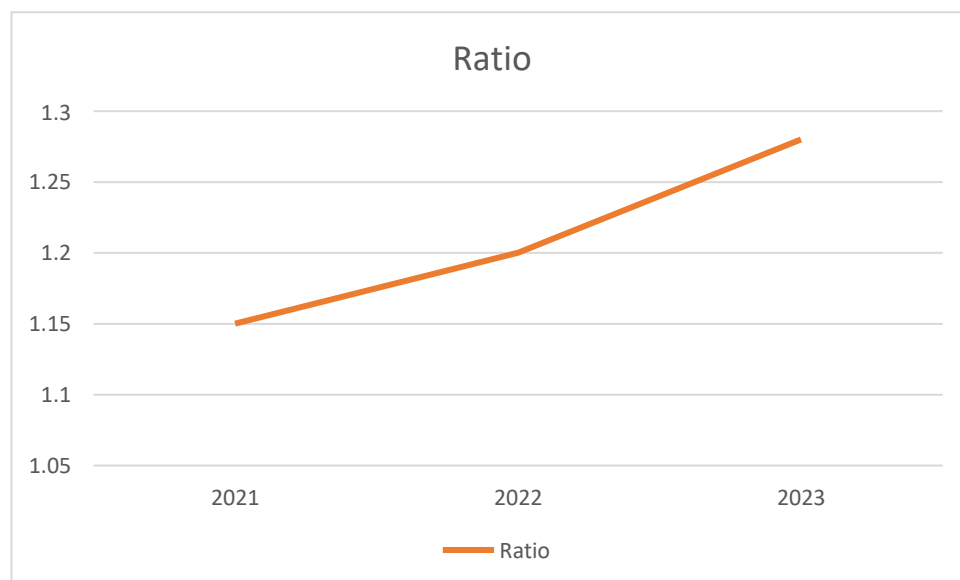
1.11

Year	Net Sales	Average Fixed Assets	Ratio
2021	3,148	2722	1.15
2022	3,800	3147	1.20
2023	4,013	3125	1.28

Analysis

In the above graph we can see that fixed asset turnover ratio increases from 1,15 to 1.28 as well as then average fixed assets also increases year on year from 2722 to 3125 million dollar.

1.11



Interpretation

As the net sales and the average fixed assets increases the ratio also increases. In 2022 it increased by 0.05 and in 2023 it increased by 0.08 hence we can interpret that fixed asset goes on increasing

1.12 Earnings per Share

Earnings Per Share (EPS) is a financial metric that indicates how much profit a company has earned for each outstanding share of its common stock.

$$\text{Earnings Per Share} = \frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Weighted Average Shares Outstanding}}$$

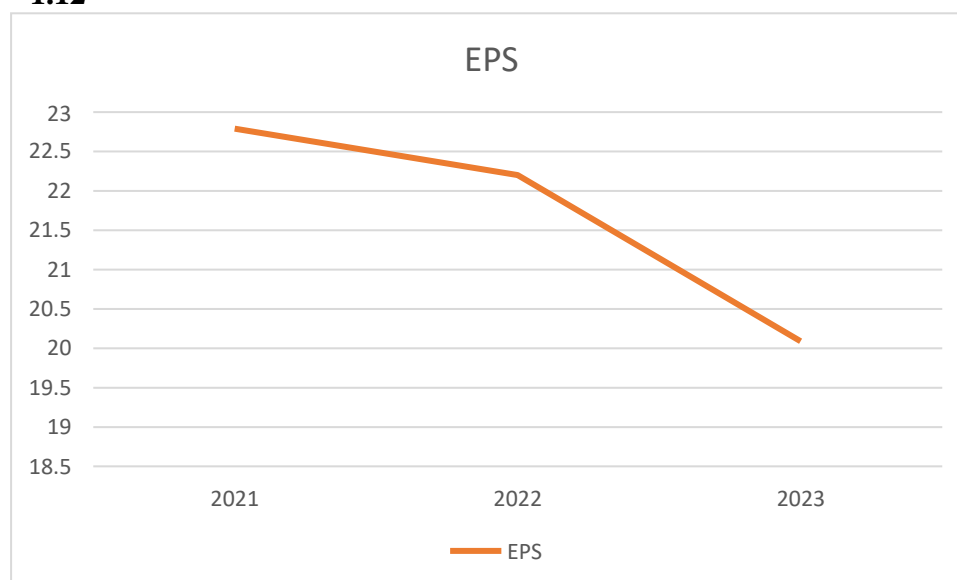
1.12

Year	Net Sales-Preferred dividend	Average Shares Outstanding	EPS
2021	2934	66865	22.79
2022	2802	62204	22.20
2023	2482	49863	20.09

Analysis

In 2021 average shares outstanding was 66865 and in 2022 it decreased to 62204 and in 2023 it decreased to 49863 and the earning per share starts decreasing from 22.79 in 2021 to 22.2 in 2022 to 20.09 in 2023.

1.12



Interpretation

As the average shares outstanding decreases, the EPS earning per share also decreases. Even though outstanding shares decreases earning per share decreases. We can interpret that company is getting less earning per share.

1.13 P/E Ratio

Earnings Per Share (EPS) is a financial metric that indicates how much profit a company has earned for each outstanding share of its common stock.

$$\text{P/E Ratio} = \frac{\text{Market price per share}}{\text{Earnings per share}}$$

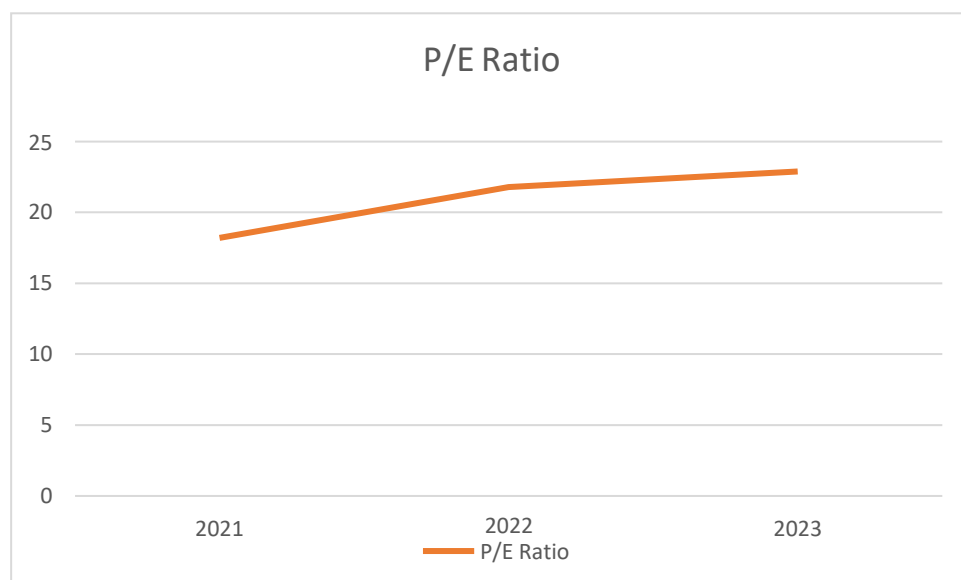
1.13

Year	Market price per share	Earnings per share	P/E Ratio
2021	415	22.79	18.21
2022	484	22.20	21.80
2023	460	20.09	22.89

Analysis

In 2021 market share price was 415 and it constantly started increasing to 484 in 2022 and 460 in 2023 parallelly the P/E ratio started increasing from 18.20 to 22.89.

1.13



Interpretation

As we can see that as market prices start increasing from 2021 the profit earnings ratio also increases if the market prices decrease the profit earnings ratio decreases. So, they are directly proportional to each other

1.14 Receivable turnover ratio

The receivable turnover ratio measures how efficiently a company collects its accounts receivable. It indicates how many times a company's receivables are collected and turned into cash during a specific period, typically a year.

$$\text{Receivable turnover ratio} = \frac{\text{Net Credit Sales}}{\text{Average Accounts Receivable}}$$

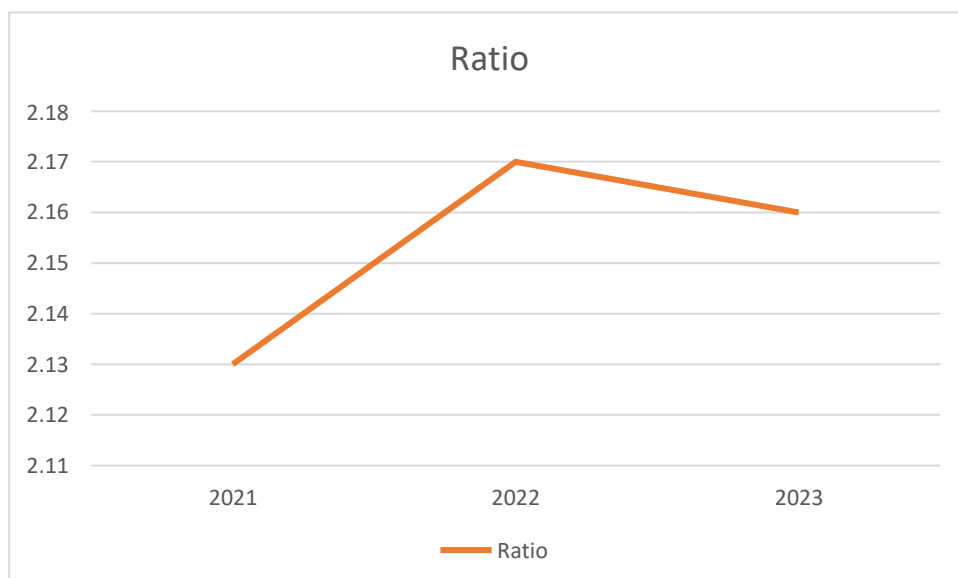
1.14

Year	Net Credit Sales	Average Accounts Receivable	Ratio
2021	3,148	1476	2.13
2022	3,800	1744	2.17
2023	4,013	1855	2.16

Analysis

Here the net credit sales go on increasing year by year and even accounts receivable also increases from 1476 to 1855 and the ratio of accounts receivable increases from 2.13 to 2.16

1.14



Interpretation

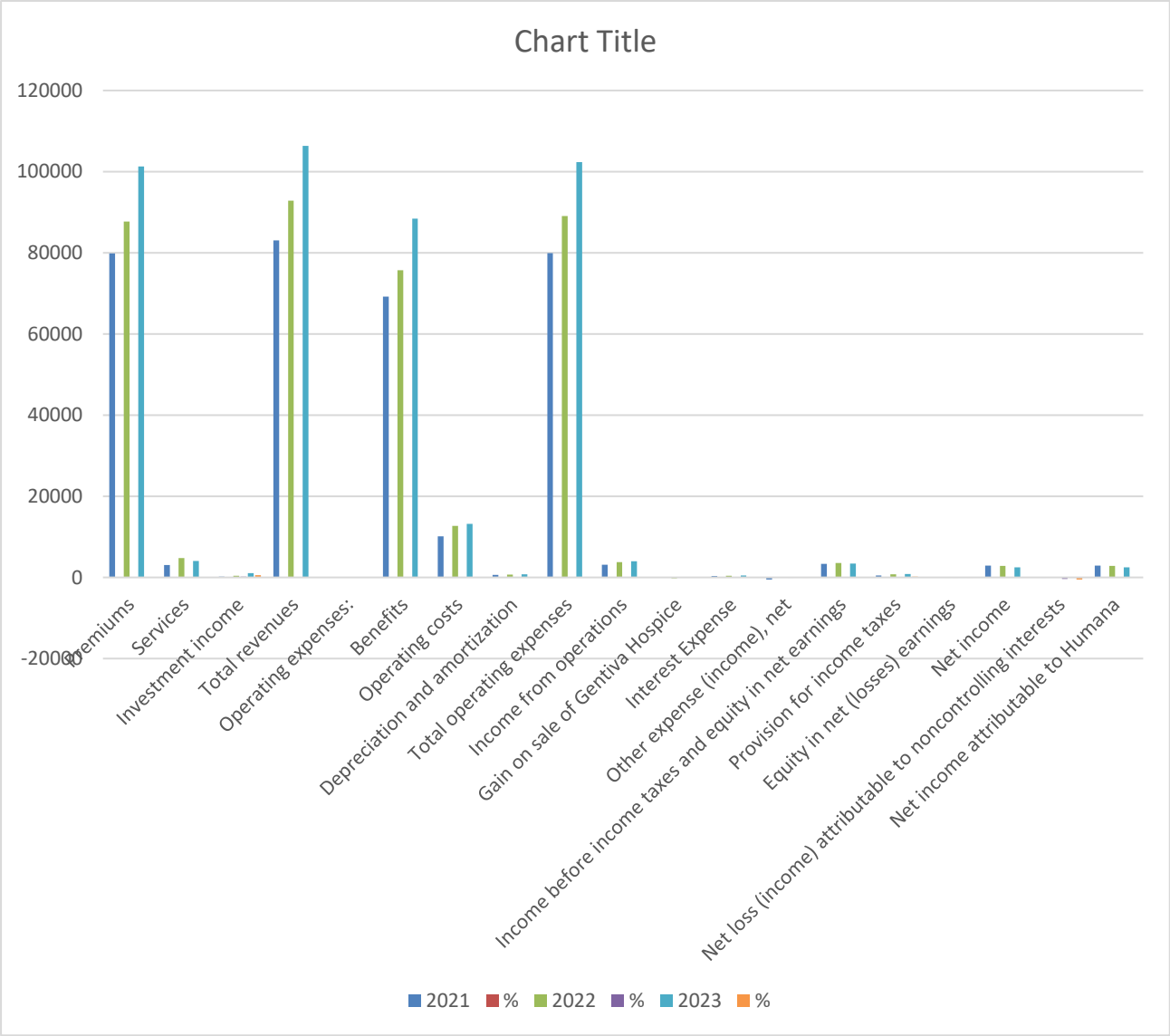
As the net credit sales goes on increasing the accounts receivable also goes on increases as the amount needs to be received.

PART – B

TREND ANALYSIS

Profit and Loss

PROFIT AND LOSS						(MILLION DOLLARS)
PARTICULARS	2021	%	2022	%	2023	%
Revenues:						
Premiums	79822	100	87712	109.8845	101272	126.8722908
Services	3055	100	4776	156.3339	4033	132.0130933
Investment income	187	100	382	204.2781	1069	571.657754
Total revenues	83064	100	92870	111.8054	106374	128.0626986
Operating expenses:						
Benefits	69199	100	75690	109.3802	88394	127.7388402
Operating costs	10121	100	12671	125.1951	13188	130.3033297
Depreciation and amortization	596	100	709	118.9597	779	130.704698
Total operating expenses	79916	100	89070	111.4545	102361	128.08574
Income from operations	3148	100	3800	120.7116	4013	127.4777637
Gain on sale of Gentiva Hospice	0	100	-237	0	0	0
Interest Expense	326	100	401	123.0061	493	151.2269939
Other expense (income), net	-532	100	68	-12.782	137	-25.7518797
Income before income taxes and equity in net earnings	3354	100	3568	106.3804	3383	100.8646392
Provision for income taxes	485	100	762	157.1134	836	172.371134
Equity in net (losses) earnings	65	100	-4	-6.15385	-63	-96.92307692
Net income	2934	100	2802	95.50102	2484	84.66257669
Net loss (income) attributable to noncontrolling interests	-1	100	4	-400	5	-500
Net income attributable to Humana	2933	100	2806	95.66996	2489	84.86191613



Balance sheet

BALANCE SHEET

ASSETS	2021	%	2022	%	2023	%
Current assets:						
Cash and cash equivalents	3394	100	5061	149.1161	4694	138.3028874
Investment securities	13192	100	13881	105.2229	16626	126.0309278
Receivables, net of allowances of \$88 in 2023 and \$70 in 2022	1814	100	1674	92.28225	2035	112.1830209
Other current assets	6493	100	5567	85.73849	6631	102.1253658
Total current assets	24893	100	26183	105.1822	29986	120.4595669
Property and equipment, net	3073	100	3221	104.8161	3030	98.60071591
Long-term investment securities	780	100	380	48.71795	382	48.97435897
Goodwill	11092	100	9142	82.41976	8550	77.08258204
Equity method investments	141	100	749	531.2057	730	517.7304965
Other long-term assets	4379	100	3380	77.18657	3377	77.11806348
Total assets	44358	100	43055	97.06254	47065	106.1026196
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Benefits payable	8289	100	9264	111.7626	10241	123.5492822
Trade accounts payable and accrued expenses	4509	100	5238	116.1677	6569	145.686405
Book overdraft	326	100	298	91.41104	353	108.2822086
Unearned revenues	254	100	286	112.5984	266	104.7244094
Short-term debt	1953	100	2092	107.1173	1443	73.88632873
Total current liabilities	15331	100	17178	112.0475	18872	123.096993
Long-term debt	10541	100	9034	85.70344	10213	96.88834076
Other long-term liabilities	2383	100	1473	61.81284	1662	69.74402014
Total liabilities	28255	100	27685	97.98266	30747	108.8196779
Total equity	16103	100	15370	95.44805	16318	101.3351549
Total liabilities and equity	44358	100	43055	97.06254	47065	106.1026196

