



# UnitedHealth Group, Inc. (UNH)

Updated January 20<sup>th</sup>, 2025, by Josh Arnold

## Key Metrics

<b>Current Price:</b>	\$510	<b>5 Year CAGR Estimate:</b>	14.9%	<b>Market Cap:</b>	\$469 B
<b>Fair Value Price:</b>	\$595	<b>5 Year Growth Estimate:</b>	10.0%	<b>Ex-Dividend Date:</b>	03/15/25 <sup>1</sup>
<b>% Fair Value:</b>	86%	<b>5 Year Valuation Multiple Estimate:</b>	3.1%	<b>Dividend Payment Date:</b>	03/28/25
<b>Dividend Yield:</b>	1.6%	<b>5 Year Price Target</b>	\$958	<b>Years Of Dividend Growth:</b>	15
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Buy

## Overview & Current Events

UnitedHealth dates back to 1974 when Charter Med was founded by a group of health care professionals looking for ways to expand healthcare options for consumers. UnitedHealth has certainly done that in the decades since and now offers global healthcare services to tens of millions of people via a wide array of products. The company has two major reporting segments: UnitedHealth and Optum. The former provides global healthcare benefits to individuals, employers, and Medicare/Medicaid beneficiaries. The Optum segment is a services business that seeks to lower healthcare costs and optimize outcomes for its customers. UnitedHealth's market capitalization is \$469 billion, and it produces about \$445 billion in revenue annually, making it one of the largest companies in America by either measure.

UnitedHealth posted fourth quarter and full-year earnings on January 16<sup>th</sup>, 2025, and results showed a rare miss on the top line. Despite the fact that shares were well off their highs prior to the report, the stock declined anyway as the company disappointed investors for the first time in a while.

Adjusted earnings-per-share came to \$6.81, which was seven cents ahead of estimates. However, revenue was up only 6.8% to \$100.8 billion, missing by almost a billion dollars.

UnitedHealthcare saw revenue of \$74.1 billion during the quarter, missing consensus by \$1.3 billion. OptumRx posted \$35.8 billion of revenue, up 15% year-over-year and beating estimates. OptumHealth saw 5% growth year-over-year to \$25.7 billion, also beating estimates.

The company's medical care ratio was 85.5% in 2024, a deterioration of about 230 basis points year-over-year. This was attributable to increased Medicare funding reductions and member mix, primarily.

The company issued guidance for this year of \$29.50 to \$30.00 in adjusted earnings-per-share, and we've set initial guidance at \$29.75 accordingly.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$6.01	\$8.05	\$10.07	\$12.19	\$15.11	\$16.88	\$19.02	\$22.19	\$25.12	\$27.66	<b>\$29.75</b>	<b>\$47.91</b>
<b>DPS</b>	\$1.88	\$2.38	\$2.88	\$3.45	\$4.14	\$4.83	\$5.60	\$6.40	\$7.29	\$8.18	<b>\$8.40</b>	<b>\$16.17</b>
<b>Shares<sup>2</sup></b>	953	952	969	968	962	961	992	947	935	927	<b>920</b>	<b>890</b>

We forecast forward earnings-per-share growth of 10% annually as UnitedHealth continues to boost margins and generate revenue growth. We note that the sheer size of UnitedHealth makes it more difficult to grow over time, but Optum continues to be outstanding in pushing the top line higher. We do not believe the company's very impressive run of earnings-per-share growth is ending by any means, and sustained strength in both segments would seem to suggest there is some upside to the company's growth forecast despite the Q4 miss. Margin expansion slowed to almost nothing in 2022, so investors would do well to watch that in the coming quarters; margins in the fourth quarter of 2024 showed higher medical care costs once again.

<sup>1</sup> Estimated date

<sup>2</sup> Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
<b>Avg. P/E</b>	19.4	16.8	18.4	20.4	16.5	17.8	21.2	23.9	21.0	18.3	<b>17.1</b>	<b>20.0</b>
<b>Avg. Yld.</b>	1.6%	1.8%	1.5%	1.4%	1.7%	1.6%	1.4%	1.2%	1.4%	1.6%	<b>1.6%</b>	<b>1.7%</b>

UnitedHealth's price-to-earnings multiple is much lower than where it was for our last update, standing at 17.1 times earnings. The business has posted continuously strong earnings growth rates and as such, investors have assigned a high-teens multiple in recent years. With shares trading below our fair value estimate of 20 times earnings, this could drive a meaningful tailwind to annual total returns. We see the combination of the rising dividend, but also higher share price from rising earnings as roughly offsetting each other, resulting in a potentially slightly higher dividend yield for the foreseeable future.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>Payout</b>	31%	29%	28%	28%	27%	29%	29%	29%	29%	30%	<b>28%</b>	<b>34%</b>

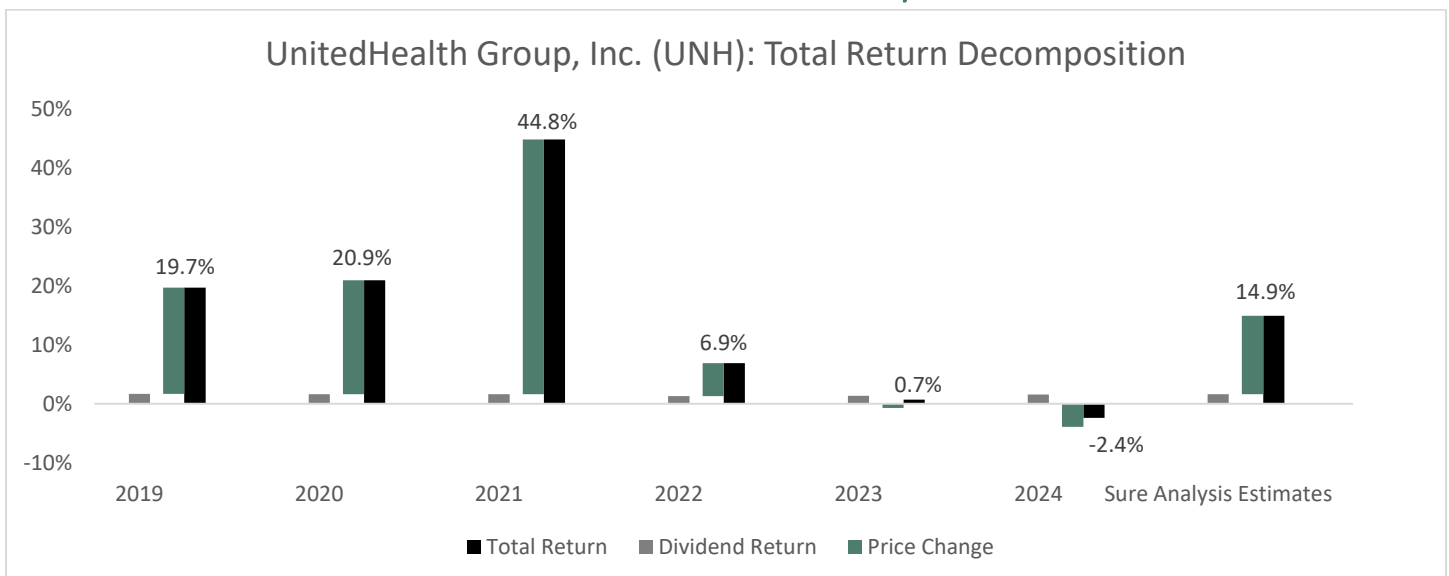
As mentioned, we see the payout ratio rising over time, as UnitedHealth's dividend is ultra-safe today. At only 28% of earnings, UnitedHealth has tremendous flexibility in terms of returning capital to shareholders. Its outstanding earnings growth should only strengthen this over time.

UnitedHealth's competitive advantage is in its gargantuan scale as well as its deeply entrenched customers with high switching costs. Like a utility, health and wellness providers have high switching costs, accruing significant benefits to incumbents like UnitedHealth. It is also quite resistant to recessions as its services are necessities in most cases. Optum remains an outstanding growth engine as well as it continues to outperform UnitedHealthcare.

## Final Thoughts & Recommendation

We see UnitedHealth as a strong growth stock that is trading under fair value. Its growth forecast makes it attractive to growth investors, while its high rate of dividend growth makes it attractive for those seeking longer term income. We forecast total annual returns of 14.9%, consisting of the current 1.6% yield, 10% earnings growth and a 3.1% tailwind from the valuation. UnitedHealth is an attractive long-term story offering high rates of earnings and dividend growth. With a continued strong outlook, we're reiterating the stock at a buy rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue (\$B)</b>	156.40	184.01	200.14	224.87	240.27	255.6	285.3	324.2	371.6	400.3
<b>Gross Profit</b>	36,316	42,558	45,988	52,470	55,712	65,498	67,328	77,587	90,958	89,399
<b>Gross Margin</b>	23.2%	23.1%	23.0%	23.3%	23.2%	25.6%	23.6%	24.1%	24.5%	22.3%
<b>D&amp;A Exp.</b>	1,693	2,055	2,245	2,428	2,720	2,891	3,103	3,400	3,972	4,099
<b>Operating Profit</b>	10,311	12,102	14,186	15,968	17,799	20,903	21,646	28,435	32,358	32,287
<b>Op. Margin</b>	6.6%	6.6%	7.1%	7.1%	7.4%	8.2%	7.6%	8.2%	8.7%	8.1%
<b>Net Profit</b>	5,813	7,017	10,558	11,986	13,839	15,403	17,285	20,120	22,381	14,405
<b>Net Margin</b>	3.7%	3.8%	5.3%	5.3%	5.8%	6.0%	6.1%	6.2%	6.0%	3.6%
<b>Free Cash Flow</b>	8,184	8,090	11,573	13,650	16,392	20,123	19,889	23,404	25,682	20,705
<b>Income Tax</b>	4,363	4,790	3,200	3,562	3,742	4,973	4,578	5,704	5,968	4,829

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets (\$B)</b>	111.25	122.81	139.06	152.22	173.89	197.3	212.2	245.7	273.7	298.3
<b>Cash &amp; Equivalents</b>	10,923	10,430	11,981	10,866	10,985	16,921	21,375	23,365	25,427	---
<b>Acc. Receivable</b>	6,523	8,152	9,568	11,388	11,822	12,870	14,216	17,681	21,276	22,365
<b>Goodwill &amp; Int.</b>	52,844	56,125	63,045	68,235	76,008	82,193	85,839	107,753	118,926	---
<b>Total Liabilities</b>	77,529	84,633	89,225	97,902	113,453	128,961	135,727	159,358	174,801	195,687
<b>Accounts Payable</b>	26,324	29,752	33,051	36,596	40,695	44,367	49,126	29,056	32,395	34,224
<b>Long-Term Debt</b>	31,965	32,970	31,692	36,554	40,678	43,467	46,003	57,623	62,537	76,904
<b>Total Equity</b>	33,830	38,274	47,776	51,696	57,616	65,491	71,760	81,450	94,421	98,268
<b>LTD/E Ratio</b>	0.94	0.86	0.66	0.71	0.71	0.66	0.64	0.71	0.66	0.78

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	5.9%	6.0%	8.1%	8.2%	8.5%	8.3%	8.4%	8.8%	8.6%	5.0%
<b>Return on Equity</b>	17.5%	19.5%	24.5%	24.1%	24.7%	25.0%	25.2%	26.3%	26.0%	14.3%
<b>ROIC</b>	10.1%	10.3%	13.8%	13.9%	14.4%	14.5%	14.6%	15.1%	14.7%	8.4%
<b>Shares Out.</b>	953	952	969	968	962	961	956	950	938	929
<b>Revenue/Share</b>	161.73	190.10	203.18	228.76	248.73	266.01	298.4	339.1	396.2	430.9
<b>FCF/Share</b>	8.46	8.36	11.75	13.89	16.97	20.94	20.80	24.64	27.38	22.29

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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