UnitedHealth Group, Inc. (UNH)

Updated April 17th, 2025, by Josh Arnold

Key Metrics

Current Price:	$473	**5 Year CAGR Estimate:**	10.2%	**Market Cap:**	$433 B
Fair Value Price:	$485	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	06/15/25[1]
% Fair Value:	98%	**5 Year Valuation Multiple Estimate:**	0.5%	**Dividend Payment Date:**	06/28/25
Dividend Yield:	1.8%	**5 Year Price Target**	$712	**Years Of Dividend Growth:**	15
Dividend Risk Score:	B	**Sector:**	Health Care	**Rating:**	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 $433 billion, and it produces about $445 billion in revenue annually, making it one of the largest companies in America by either measure.

UnitedHealth posted first-quarter earnings on April 17th, 2025, and results missed estimates on both the top and bottom lines. In addition, a sizable guidance cut was made, taking investors by surprise and causing a huge drop in the share price on the news.

Adjusted earnings-per-share came to $7.20, which was nine cents worse than expected. Revenue was up almost 10% year-over-year to $110 billion, but missed estimates by more than $2 billion.

The first quarter medical care ratio was 84.8%, 50 basis points worse than that of 2024. Days claims payable of 45.5 was down from 47 in Q4, and 47.1 in the year-ago period. The change was driven by program changes in Medicare Part D.

The operating cost ratio was 12.4%, better than the 14.1% from 2024, reflecting revenue impacts from the Part D program and increased technological and other operating efficiencies.

Management heightened care activity indications within the Medicare Advantage businesses, and were far above planned levels. Unanticipated changes in the profile of Optum Health members' reimbursements, planned exits of certain markets, and more new complex patients than forecast all weighted on results.

Guidance was slashed from about $30 per share in adjusted earnings for this year to $26.00 to $26.50. We have decided to be slightly more conservative given the total lack of clarity in the company's results and guidance, and we've reduced our estimate to $25.50.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$6.01	$8.05	$10.07	$12.19	$15.11	$16.88	$19.02	$22.19	$25.12	$27.66	***$25.50***	***$37.47***
DPS	$1.88	$2.38	$2.88	$3.45	$4.14	$4.83	$5.60	$6.40	$7.29	$8.18	***$8.40***	***$13.53***
Shares[2]	953	952	969	968	962	961	992	947	935	927	***920***	***910***

We forecast forward earnings-per-share growth of 8% 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, but the big miss and guidance cut in Q1 were marked character

[1] Estimated date

[2] Share count in millions

changes in terms of earnings growth trajectory. Margins were okay in Q1, but we note operating efficiencies cannot last forever, and UNH needs its medical care ratio to start improving.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.4	16.8	18.4	20.4	16.5	17.8	21.2	23.9	21.0	18.3	***18.5***	***19.0***
Avg. Yld.	1.6%	1.8%	1.5%	1.4%	1.7%	1.6%	1.4%	1.2%	1.4%	1.6%	***1.8%***	***1.9%***

UnitedHealth's price-to-earnings multiple is elevated from where it was at our last update, standing at 18.5 times earnings. This is attributable to the big reduction in earnings expectations. 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 fractionally below our fair value estimate of 19 times earnings, this could drive a small 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
Payout	31%	29%	28%	28%	27%	29%	29%	29%	29%	30%	***33%***	***36%***

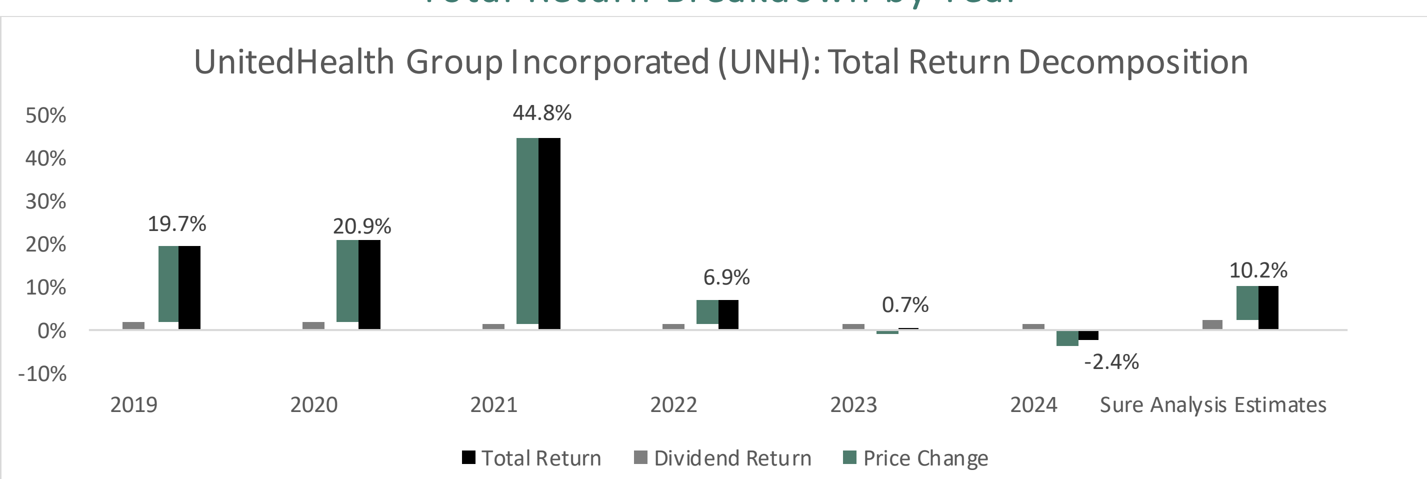
As mentioned, we see the payout ratio rising over time, as UnitedHealth's dividend is ultra-safe today. At only 33% of earnings, UnitedHealth has tremendous flexibility in terms of returning capital to shareholders. Its outstanding earnings growth should only strengthen this over time.

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 good growth stock that is trading slightly 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 10.2%, consisting of the current 1.8% yield, 8% earnings growth and a 0.5% 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



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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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue ($B)	156.40	184.01	200.14	224.87	240.27	255.6	285.3	324.2	371.6	400.3
Gross Profit	36,316	42,558	45,988	52,470	55,712	65,498	67,328	77,587	90,958	89,399
Gross Margin	23.2%	23.1%	23.0%	23.3%	23.2%	25.6%	23.6%	24.1%	24.5%	22.3%
D&A Exp.	1,693	2,055	2,245	2,428	2,720	2,891	3,103	3,400	3,972	4,099
Operating Profit	10,311	12,102	14,186	15,968	17,799	20,903	21,646	28,435	32,358	32,287
Op. Margin	6.6%	6.6%	7.1%	7.1%	7.4%	8.2%	7.6%	8.2%	8.7%	8.1%
Net Profit	5,813	7,017	10,558	11,986	13,839	15,403	17,285	20,120	22,381	14,405
Net Margin	3.7%	3.8%	5.3%	5.3%	5.8%	6.0%	6.1%	6.2%	6.0%	3.6%
Free Cash Flow	8,184	8,090	11,573	13,650	16,392	20,123	19,889	23,404	25,682	20,705
Income Tax	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
Total Assets ($B)	111.25	122.81	139.06	152.22	173.89	197.3	212.2	245.7	273.7	298.3
Acc. Receivable	6,523	8,152	9,568	11,388	11,822	12,870	14,216	17,681	21,276	22,365
Total Liabilities ($B)	77.53	84.63	89.23	97.90	113.45	128.96	135.72	159.36	174.80	195.69
Accounts Payable	26,324	29,752	33,051	36,596	40,695	44,367	49,126	29,056	32,395	34,224
Long-Term Debt	31,965	32,970	31,692	36,554	40,678	43,467	46,003	57,623	62,537	76,904
Total Equity	33,830	38,274	47,776	51,696	57,616	65,491	71,760	81,450	94,421	98,268
LTD/E Ratio	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
Return on Assets	5.9%	6.0%	8.1%	8.2%	8.5%	8.3%	8.4%	8.8%	8.6%	5.0%
Return on Equity	17.5%	19.5%	24.5%	24.1%	24.7%	25.0%	25.2%	26.3%	26.0%	14.3%
ROIC	10.1%	10.3%	13.8%	13.9%	14.4%	14.5%	14.6%	15.1%	14.7%	8.4%
Shares Out.	953	952	969	968	962	961	956	950	938	929
Revenue/Share	161.73	190.10	203.18	228.76	248.73	266.01	298.4	339.1	396.2	430.9
FCF/Share	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.