



# UnitedHealth Group, Inc. (UNH)

Updated January 31<sup>st</sup>, 2026, by Josh Arnold

## Key Metrics

Current Price:	\$287	5 Year CAGR Estimate:	19.1%	Market Cap:	\$260 B
Fair Value Price:	\$357	5 Year Growth Estimate:	12.0%	Ex-Dividend Date:	03/15/26 <sup>1</sup>
% Fair Value:	80%	5 Year Valuation Multiple Estimate:	4.5%	Dividend Payment Date:	03/28/26
Dividend Yield:	3.1%	5 Year Price Target	\$629	Years Of Dividend Growth:	16
Dividend Risk Score:	A	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 \$260 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 27<sup>th</sup>, 2026, and results were quite weak, as was guidance. The stock was pummeled as a result, losing about 20% of its market cap in the wake of the report.

Adjusted earnings-per-share came to \$2.11, which met expectations. Revenue was up more than 12% year-over-year to \$113.22 billion, but that missed expectations by \$520 million.

The UnitedHealthcare insurance segment saw \$87.1 billion to the top line, which was about \$400 million ahead of estimates. The segment's medical care ratio was 92.4%, much worse than the 89.1% from a year ago. UnitedHealthcare supported 49.8 million customers during the quarter.

The Optum division saw \$70.3 billion in revenue, which was driven by pharmacy-benefits division. Optum supported 123 million customers during the quarter.

The company's operating cost ratio was 12.9% on an adjusted basis, flat year-over-year.

The company guided for at least \$17.75 in adjusted earnings-per-share for 2026, but guided for revenue that was about \$17 billion light of consensus. The company is facing a new threat from proposed flat reimbursement rates for Medicare Advantage insurers in 2027, sending the entire group lower, including UNH.

We've started 2026 with an estimate of \$17.85 in adjusted earnings-per-share.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$8.05	\$10.07	\$12.19	\$15.11	\$16.88	\$19.02	\$22.19	\$25.12	\$27.66	\$16.35	\$17.85	\$31.46
DPS	\$2.38	\$2.88	\$3.45	\$4.14	\$4.83	\$5.60	\$6.40	\$7.29	\$8.18	\$8.73	\$8.84	\$14.24
Shares <sup>2</sup>	952	969	968	962	961	992	947	935	927	910	895	850

We forecast forward earnings-per-share growth of 12% annually as UnitedHealth looks to rebuild off of what turned out to be a disastrous 2025. 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. Cuts to Medicare funding are a massive headwind to UnitedHealth, and as medical care costs are rising, the company is facing a double whammy of sorts on its revenue and margins. We think it can grow quickly off of what is a low base for 2026, but there is tremendous uncertainty

<sup>1</sup> Estimated date

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

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surrounding the company's ability to produce earnings in the near-term. Guidance for 2026 was underwhelming and the stock reacted accordingly.

## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	16.8	18.4	20.4	16.5	17.8	21.2	23.9	21.0	18.3	20.2	<b>16.1</b>	<b>20.0</b>
Avg. Yld.	1.8%	1.5%	1.4%	1.7%	1.6%	1.4%	1.2%	1.4%	1.6%	2.6%	<b>3.1%</b>	<b>2.3%</b>

UnitedHealth's price-to-earnings multiple is much lower following the sharp decline in the stock from our last update, standing at 16.1 times earnings. With shares trading well under our fair value estimate of 20 times earnings, this could drive a strong tailwind to annual total returns. The share price decline has driven the yield higher to 3.1%.

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

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	30%	29%	28%	27%	29%	29%	29%	29%	30%	53%	<b>50%</b>	<b>45%</b>

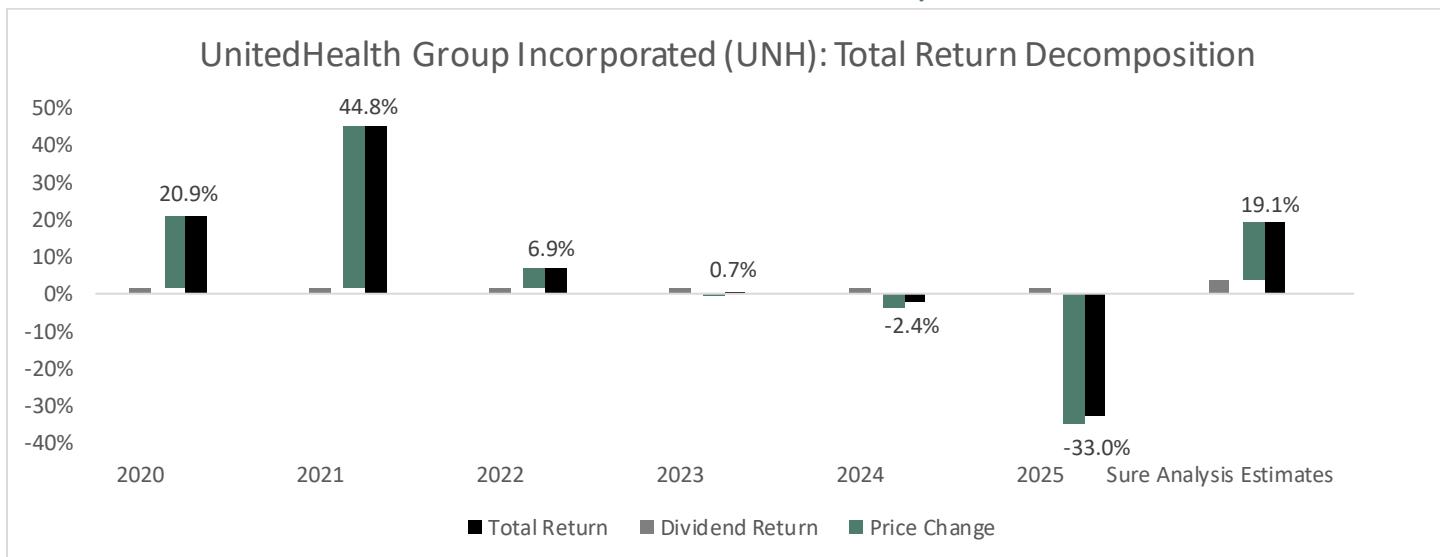
We see the payout ratio declining slightly over time, as UnitedHealth's dividend is safe today. At 50% of earnings, UnitedHealth has flexibility in terms of returning capital to shareholders. We note that even with the huge reduction in earnings guidance for this year, the payout is quite safe.

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. The issue that has arisen is that the US government's spending bill drastically reduces funding for Medicare, which is how UNH is paid for many of its services. The ultimate impact is as yet unknown, but is unequivocally negative.

## Final Thoughts & Recommendation

We see UnitedHealth as a stock with tremendous uncertainty ahead, but a very low valuation to compensate. 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 19.1%, consisting of the current 3.1% yield, 12% earnings growth and a 4.5% tailwind from the valuation. We move UNH back to buy from hold after Q4 results.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue (\$B)</b>	184.01	200.14	224.87	240.27	255.6	285.3	324.2	371.6	400.3	447.6
<b>Gross Profit</b>	42,558	45,988	52,470	55,712	65,498	67,328	77,587	90,958	89,399	---
<b>Gross Margin</b>	23.1%	23.0%	23.3%	23.2%	25.6%	23.6%	24.1%	24.5%	22.3%	---
<b>D&amp;A Exp.</b>	2,055	2,245	2,428	2,720	2,891	3,103	3,400	3,972	4,099	4,361
<b>Operating Profit</b>	12,102	14,186	15,968	17,799	20,903	21,646	28,435	32,358	32,287	18,964
<b>Op. Margin</b>	6.6%	7.1%	7.1%	7.4%	8.2%	7.6%	8.2%	8.7%	8.1%	4.2%
<b>Net Profit</b>	7,017	10,558	11,986	13,839	15,403	17,285	20,120	22,381	14,405	12,807
<b>Net Margin</b>	3.8%	5.3%	5.3%	5.8%	6.0%	6.1%	6.2%	6.0%	3.6%	2.9%
<b>Free Cash Flow</b>	8,090	11,573	13,650	16,392	20,123	19,889	23,404	25,682	20,705	16,075
<b>Income Tax</b>	4,790	3,200	3,562	3,742	4,973	4,578	5,704	5,968	4,829	1,890

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets (\$B)</b>	122.81	139.06	152.22	173.89	197.3	212.2	245.7	273.7	298.3	309.6
<b>Acc. Receivable</b>	8,152	9,568	11,388	11,822	12,870	14,216	17,681	21,276	22,365	28,121
<b>Total Liabilities (\$B)</b>	84.63	89.23	97.90	113.45	128.96	135.72	159.36	174.80	195.69	207.88
<b>Accounts Payable</b>	29,752	33,051	36,596	40,695	44,367	49,126	29,056	32,395	34,224	---
<b>Long-Term Debt</b>	32,970	31,692	36,554	40,678	43,467	46,003	57,623	62,537	76,904	72,320
<b>Total Equity</b>	38,274	47,776	51,696	57,616	65,491	71,760	81,450	94,421	98,268	---
<b>LTD/E Ratio</b>	0.86	0.66	0.71	0.71	0.66	0.64	0.71	0.66	0.78	---

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	6.0%	8.1%	8.2%	8.5%	8.3%	8.4%	8.8%	8.6%	5.0%	4.2%
<b>Return on Equity</b>	19.5%	24.5%	24.1%	24.7%	25.0%	25.2%	26.3%	26.0%	14.3%	---
<b>ROIC</b>	10.3%	13.8%	13.9%	14.4%	14.5%	14.6%	15.1%	14.7%	8.4%	---
<b>Shares Out.</b>	952	969	968	962	961	956	950	938	929	911
<b>Revenue/Share</b>	190.10	203.18	228.76	248.73	266.01	298.4	339.1	396.2	430.9	491.3
<b>FCF/Share</b>	8.36	11.75	13.89	16.97	20.94	20.80	24.64	27.38	22.29	17.65

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

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