

UnitedHealth Group (NYSE:UNH)

Company Overview

UnitedHealth Group operates through two main businesses, UnitedHealthcare and Optum. UnitedHealthcare is the insurance side of the company, managing medical coverage across employer plans, Medicare Advantage, Medicaid, and Community and State programs. Optum is the services and technology arm, focused on pharmacy benefit management, care delivery, and health data analytics through OptumRx, Optum Health, and Optum Insight. This design allows the company to manage both the financing and delivery of care, ultimately helping control costs and improve efficiency. As the largest managed-care company in the United States by both revenue and market value, UnitedHealth Group generated \$400.3 billion in revenue in 2024 and about \$32.3 billion in operating income, resulting in an 8.1% operating margin. Through Q1–Q3 of 2025, revenue reached approximately \$334.4 billion, showing continued growth. However, margins tightened in 2025 as operating margin fell to about 5.6% through Q1–Q3, with Q3 alone dropping to just 3.8%, reflecting higher medical utilization and rising cost pressures. Even with these short-term challenges, the company's integrated model remains a major long-term strength.

Industry Overview

UNH is part of the healthcare plans industry, which as of 2025 has a \$612.621B market cap. UNH has a market weight of 48.22% making it the leading company in the industry by both revenue and market capitalization. The industry is large and durable due to a strong structural demand. With an aging population and growing prevalence of chronic conditions, the number of consultations and procedures has been growing, ultimately creating a strong structural demand that can withstand economic cycles. However, due to high levels of regulation, new players in the industry often struggle, benefitting existing bigger players. Thus, market share is often concentrated around big providers that are already established. Some key drivers in the industry include a growing focus to expand coverage to other critical illnesses like mental health, technological integration with tools like AI to improve services such as underwriting, and an increase in personalized plans. Still, the industry faces considerable challenges. Regulatory complexity, creates compliance risks and uncertainty. Furthermore, rising costs of care, increasing medical-cost inflation, and unpredictable utilization trends (especially for high-cost procedures and specialty medications) can strain insurers' underwriting models and compress margins. Finally, expansion into new types of coverage requires careful design of benefit structures, risk models, and pricing strategies to avoid inaccurate selections or low profitability. Thus, the industry and big players are poised for long-term growth due to a strong structural demand, however, they may face short-term down cycles.

Drivers/Catalysts

There are several drivers that are poised to drive UNH's growth:

- Membership Growth at United Healthcare:** Enrollment continues to grow in several divisions of United Healthcare, namely in Medicare advantage plans, employer-sponsored plans, and Medicaid outsourcing. Furthermore, an aging U.S. population has been and will continue to create structural demand.
- Optum Revenue Expansion:** Optum, the primary revenue and margin driver for UNH, is continuing its expansion across care delivery, pharmacy benefit management, and healthcare analytics. Optum provides a structurally faster-growing revenue base than the insurance arm, and is ensuring sustained revenue growth for UNH.
- Government Healthcare Spending:** Rising federal and state healthcare spending, combined with ongoing Medicare Advantage and Medicaid enrollment expansion, is providing stable, non-cyclical foundation for long-term revenue growth. As the U.S. population continues to age, causing more individuals to seek government-sponsored healthcare programs, funding for these programs increases despite economic cycles. United Healthcare's position in Medicare Advantage and Medicaid programs positions it to directly benefit from this structural increase.

Recommendation: BUY



Figure 1: Street Sentiment Analysis (Source CNN)



Figure 2: YTD Stock Price Graph (Source: Google Finance)

52-Wk Range: \$234.60 - \$622.83
Current Price: \$329.77
Fair Value: \$422.07
P/E: 17.18
EPS: \$19.19
Market Cap: \$298.178B
Beta: 0.43 (Adjusted beta ~ 1.2)
Yield: \$8.84 (2.68%)



Figure 3: Healthcare Plans Industry vs. S&P 500 YTD (Source: Yahoo Finance)

Healthcare Plans Industry

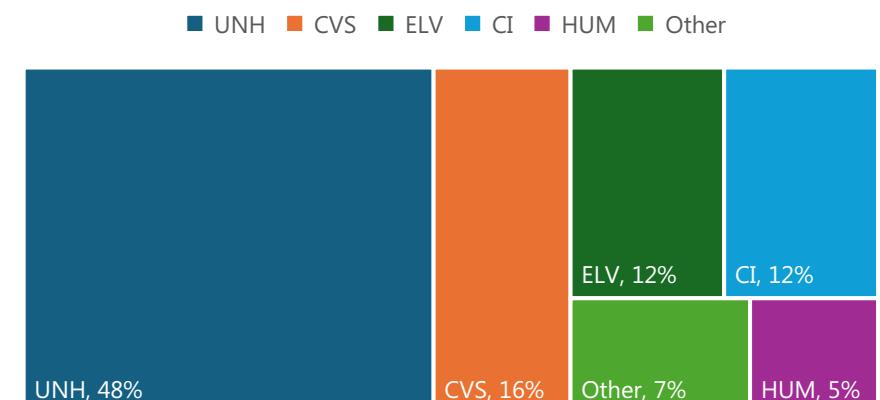


Figure 4: Healthcare Plans Industry

Risks & Mitigants

- Regulatory Oversight:** United Health faces scrutiny over their practices and large market power. There have been several federal lawsuits against UNH's Optum RX (and other PBMs) alleging that they inflate their specialty drug costs, and Congress is considering reforms to require more rebate pass-through and transparency in the PBM business. However, UNH employs a large government relations team to advocate its position and adapt to new regulations. Furthermore, UnitedHealth's broad portfolio and sheer size can also act as a mitigant by pivoting focus or absorbing the impact respectively.
- Healthcare Cost Volatility:** In 2025, medical costs have been one of the biggest near-term risks for UnitedHealth Group as more patients returned for delayed care and specialty drug use climbed faster than expected. This pushed costs above what was originally priced into plans and drove UNH's operating margin down to about 5.6% across Q1–Q3 2025. Still, UNH's Optum platform helps offset some of this over time by shifting care to lower-cost settings and reducing avoidable hospital and ER visits.
- Government Program Concentration Risk:** A large portion of UnitedHealth's revenue comes from Medicare, Medicaid, and other government-administered programs, which creates a concentration risk to public-sector funding. Budget pressures, shifts in Medicaid outsourcing strategies, or modifications to Medicare Advantage programs could reduce growth or limit rate increases. This dependence increases UnitedHealth's sensitivity to public finance.

Investment Thesis

At its current share price of \$329.77, UnitedHealth Group is a high-conviction buy. Our DCF-derived fair value of \$422.07 implies meaningful upside, with the market materially undervaluing UNH's durable earnings power and cash-flow resilience. Investor concerns over persistently elevated medical loss ratios are overstated; we expect MLR to normalize faster than consensus anticipates, driving EPS reacceleration and supporting a rerating toward historical valuation multiples. Coupled with stable 2025E earnings, robust Optum-driven growth, and a reliable 2.68% dividend yield, UNH offers an attractive risk-reward for long-term investors. The combination of defensive fundamentals and underappreciated margin recovery positions the stock as a compelling opportunity within managed care.

DCF/Comps/Revenue Analysis

Our DCF analysis yields a fair value of \$422.07 per share using an 8.23% WACC, indicating that UNH is undervalued. Revenue projections are anchored in historical trends, analyst estimates, and UNH's transition into a more mature growth phase. We forecast revenue growth to moderate and stabilize at 6.5% from 2027E–2029E. For 2025E, we incorporate Q1–Q3 results, which showed a sharp contraction in EBIT and EBITDA margins driven by heightened regulatory scrutiny and rising medical costs. While we expect margins to recover gradually, they are projected to remain below 2023A–2024A levels.

We adjusted UNH's beta from the reported 0.43 to 1.2, as the former materially understates the company's current risk profile. Although this adjustment may appear aggressive, UNH faces meaningfully higher risk in 2025 than over the past five years. A beta of 0.43 implies a WACC of just 5.58%, which fails to reflect this elevated risk. Several analysts apply WACCs above 8% for UNH, consistent with our assumptions. The higher beta aligns with healthcare and insurance industry averages and captures uncertainty stemming from the May 2025 regulatory actions, rising medical cost pressures, evolving federal pricing guidance, and recent management turnover.

As UNH progresses further into a moderating growth phase, Optum continues to deliver high-single-digit expansion, supported by growing data advantages and increased adoption of AI across care delivery and pharmacy platforms. Our 2025E projections are anchored to Q3 earnings call guidance, which showed Optum temporarily declining as a share of consolidated revenue. We expect this to normalize over time, with Optum's contribution gradually returning to 2024 levels. Relative to peers, UNH remains fundamentally strong. While its P/E multiple is modestly higher than ELV and CI, this premium is supported by superior profitability, with net margins approximately 200 bps higher. UNH's EV/Revenue multiple also exceeds the sector median of 0.38, reflecting the market's willingness to pay for scale, resilience, and long-term cash flow durability.

Revenue vs. Gross Profit Margin

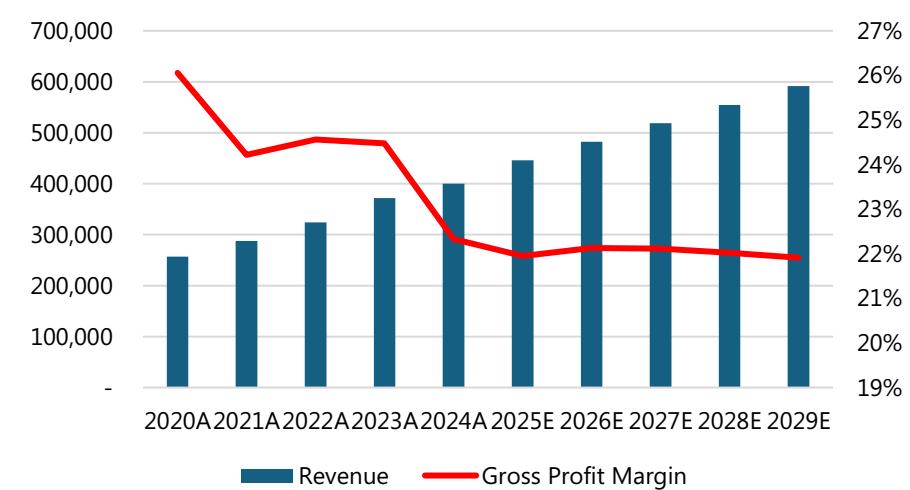


Figure 5: Revenue Forecast

WACC			
Beta	1.2	Cost of Equity	9.30%
Risk Free Rate	4.10%	Cost of Debt	5.00%
Market Risk Premium	4.33%	Tax Rate	18.50%
Debt	76,904	Weight of Equity	79.53%
Equity	298,718	Weight of Debt	20.47%
Debt + Equity	375,622		
WACC: 8.23%			

Figure 6: WACC Calculation

\$422.07	7.23%	7.73%	8.23%	8.73%	9.23%
1.50%	\$473.22	\$430.10	\$393.60	\$361.78	\$334.25
1.75%	\$492.93	\$446.41	\$407.28	\$373.38	\$344.19
2.00%	\$514.52	\$464.13	\$422.07	\$385.84	\$354.82
2.25%	\$538.28	\$483.48	\$438.09	\$399.26	\$366.21
2.50%	\$564.55	\$504.67	\$455.51	\$413.76	\$378.44

Figure 7: Price Sensitivity

Ticker	P/E	EV/EBIDTA	EV/Revenue	Profit Margin
UNH	17.2	11.41	0.8	4.04%
ELV	13.8	N/A	0.51	2.84%
CNC	N/A	3.91	0.10	-3.16%
HUM	22.99	N/A	0.29	1.02%
CVS	211.47	16.27	0.44	0.12%
CI	12.21	N/A	0.38	2.29%
Low	12.21	3.91	0.10	-3.16%
25th %	13.40	7.00	0.29	0.12%
Median	18.40	10.09	0.38	1.02%
75th %	70.11	13.18	0.44	2.29%
High	211.47	16.27	0.51	2.84%

Figure 8: Comps Model

Revenue Buildout

Revenue Buildout: UNH						2025E				
USD(\$ in millions)	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	\$ 257,141	\$ 287,597	\$ 324,162	\$ 371,622	\$ 400,278	\$ 445,803	\$ 482,573	\$ 518,705	\$ 554,663	\$ 591,574
<i>YoY Growth %</i>	-	11.84%	12.71%	14.64%	7.71%	11.37%	8.25%	7.49%	6.93%	6.65%
UNH	\$ 257,141	\$ 287,597	\$ 327,135	\$ 371,622	\$ 400,278	\$ 445,803	\$ 482,573	\$ 518,705	\$ 554,663	\$ 591,574
UnitedHealthcare	\$ 200,875	\$ 222,899	\$ 249,741	\$ 281,360	\$ 298,208	\$ 345,015	\$ 382,966	\$ 413,604	\$ 442,556	\$ 473,535
<i>YoY Growth %</i>	-	10.96%	12.04%	12.66%	5.99%	15.70%	11.00%	8.00%	7.00%	7.00%
Optum	\$ 136,308	\$ 155,565	\$ 185,741	\$ 226,635	\$ 252,957	\$ 267,501	\$ 289,649	\$ 314,790	\$ 342,225	\$ 369,864
<i>YoY Growth %</i>	-	14.13%	19.40%	22.02%	11.61%	5.75%	8.28%	8.68%	8.72%	8.08%
Optum Health	\$ 39,808	\$ 54,065	\$ 74,147	\$ 95,319	\$ 105,358	\$ 101,144	\$ 106,201	\$ 113,635	\$ 121,589	\$ 130,101
Optum Insight	\$ 10,802	\$ 12,199	\$ 14,581	\$ 18,932	\$ 18,757	\$ 19,413	\$ 20,967	\$ 23,063	\$ 25,370	\$ 27,653
Optum RX	\$ 87,498	\$ 91,314	\$ 99,773	\$ 116,087	\$ 133,231	\$ 151,883	\$ 168,591	\$ 185,450	\$ 203,995	\$ 222,354
Optum Eliminations	\$ (1,800)	\$ (2,013)	\$ (2,760)	\$ (3,703)	\$ (4,389)	\$ (4,940)	\$ (6,109)	\$ (7,358)	\$ (8,729)	\$ (10,244)
Corporate and Eliminations	\$ (80,042)	\$ (90,867)	\$ (108,347)	\$ (136,373)	\$ (150,887)	\$ (166,713)	\$ (190,043)	\$ (209,689)	\$ (230,118)	\$ (251,824)
Disaggregated Revenue										
UNH										
UnitedHealthcare (UH)	\$ 200,875	\$ 222,899	\$ 249,741	\$ 281,360	\$ 298,208	\$ 345,015	\$ 382,966	\$ 413,604	\$ 442,556	\$ 473,535
<i>% Growth</i>						15.70%	11.00%	8.00%	7.00%	7.00%
<i>Bear</i>						14.70%	10.00%	7.00%	6.00%	6.00%
<i>Base</i>	-	10.96%	12.04%	12.66%	5.99%	15.70%	11.00%	8.00%	7.00%	7.00%
<i>Bull</i>						16.70%	12.00%	9.00%	8.00%	8.00%
Optum Health (OH)	\$ 39,808	\$ 54,065	\$ 74,147	\$ 95,319	\$ 105,358	\$ 101,144	\$ 106,201	\$ 113,635	\$ 121,589	\$ 130,101
<i>% Growth</i>						-4.00%	5.00%	7.00%	7.00%	7.00%
<i>Bear</i>						-5.00%	4.00%	6.00%	6.00%	6.00%
<i>Base</i>	-	35.81%	37.14%	28.55%	10.53%	-4.00%	5.00%	7.00%	7.00%	7.00%
<i>Bull</i>						-3.00%	6.00%	8.00%	8.00%	8.00%
Optum Insight (OI)	\$ 10,802	\$ 12,199	\$ 14,581	\$ 18,932	\$ 18,757	\$ 19,413	\$ 20,967	\$ 23,063	\$ 25,370	\$ 27,653
<i>% Growth</i>						3.50%	8.00%	10.00%	10.00%	9.00%
<i>Bear</i>						2.50%	7.00%	9.00%	9.00%	8.00%
<i>Base</i>	-	12.93%	19.53%	29.84%	-0.92%	3.50%	8.00%	10.00%	10.00%	9.00%
<i>Bull</i>						4.50%	9.00%	11.00%	11.00%	10.00%
Optum RX (OR)	\$ 87,498	\$ 91,314	\$ 99,773	\$ 116,087	\$ 133,231	\$ 151,883	\$ 168,591	\$ 185,450	\$ 203,995	\$ 222,354
<i>% Growth</i>						14.00%	11.00%	10.00%	10.00%	9.00%
<i>Bear</i>						13.00%	10.00%	9.00%	9.00%	8.00%
<i>Base</i>	-	4.36%	9.26%	16.35%	14.77%	14.00%	11.00%	10.00%	10.00%	9.00%
<i>Bull</i>						15.00%	12.00%	11.00%	11.00%	10.00%
Optum Eliminations	\$ (1,800)	\$ (2,013)	\$ (2,760)	\$ (3,703)	\$ (4,389)	\$ (4,940)	\$ (6,109)	\$ (7,358)	\$ (8,729)	\$ (10,244)
<i>% UH + OH + OI + OR</i>	-0.53%	-0.53%	-0.63%	-0.72%	-0.79%	-0.80%	-0.90%	-1.00%	-1.10%	-1.20%
Corporate and Eliminations	\$ (80,042)	\$ (90,867)	\$ (108,347)	\$ (136,373)	\$ (150,887)	\$ (166,713)	\$ (190,043)	\$ (209,689)	\$ (230,118)	\$ (251,824)
<i>% UH + OH + OI + OR</i>	-23.61%	-23.88%	-24.72%	-26.65%	-27.16%	-27.00%	-28.00%	-28.50%	-29.00%	-29.50%
Product Mix (% of Pre-Eliminations)	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
UnitedHealthcare	59.26%	58.58%	56.99%	54.99%	53.68%	55.88%	56.42%	56.22%	55.77%	55.47%
Optum	40.74%	41.42%	43.01%	45.01%	46.32%	44.12%	43.58%	43.78%	44.23%	44.53%
Optum Health	11.74%	14.21%	16.92%	18.63%	18.96%	16.38%	15.65%	15.44%	15.32%	15.24%
Optum Insight	3.19%	3.21%	3.33%	3.70%	3.38%	3.14%	3.09%	3.13%	3.20%	3.24%
Optum RX	25.81%	24.00%	22.77%	22.69%	23.98%	24.60%	24.84%	25.21%	25.71%	26.05%

Figure 9: Revenue Buildout

Income Statement

Income Statement	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
<i>USD (\$ in Millions except per share)</i>										
Revenue:	\$257,141	\$287,597	\$324,162	\$371,622	\$400,278	\$445,803	\$482,573	\$518,705	\$554,663	\$591,574
COGS	(190,141)	(217,945)	(244,545)	(280,664)	(310,879)	(347,942)	(375,764)	(403,978)	(432,521)	(461,951)
Medical costs	(159,396)	(186,911)	(210,842)	(241,894)	(264,185)	(298,688)	(323,324)	(347,532)	(371,624)	(396,355)
Cost of products sold	(30,745)	(31,034)	(33,703)	(38,770)	(46,694)	(49,254)	(52,440)	(56,446)	(60,897)	(65,596)
Gross Profit	67,000	69,652	79,617	90,958	89,399	97,861	106,809	114,727	122,142	129,624
<i>margin</i>	26.06%	24.22%	24.56%	24.48%	22.33%	21.95%	22.13%	22.12%	22.02%	21.91%
Operating Expenses	(44595)	(45682)	(51182)	(58600)	(57112)	(68776)	(73898)	(78814)	(83481)	(90194)
Operating Costs	(41704)	(42579)	(47782)	(54628)	(53013)	(64072)	(68835)	(73371)	(77688)	(83986)
Depreciation & Amortization	(2891)	(3103)	(3400)	(3972)	(4099)	(4704)	(5063)	(5443)	(5793)	(6209)
Operating Income (EBIT)	\$22,405	\$23,970	\$28,435	\$32,358	\$32,287	\$29,085	\$32,911	\$35,913	\$38,661	\$39,429
<i>margin:</i>	8.71%	8.33%	8.77%	8.71%	8.07%	6.52%	6.82%	6.92%	6.97%	6.67%
Interest Expense	(1663)	(1660)	(2092)	(3246)	(3906)	(3218)	(3811)	(4066)	(4427)	(4490)
Loss on sale of subsidiary and subsidiaries held for sale	0	0	0	0	(8310)	0	0	0	0	0
Earnings Before Taxes (EBT)	\$20,742	\$22,310	\$26,343	\$29,112	\$20,071	\$25,866	\$29,099	\$31,846	\$34,233	\$34,939
Income Tax	(4973)	(4578)	(5704)	(5968)	(4829)	(4654)	(5924)	(6464)	(6959)	(7097)
Net Income	\$15,769	\$17,732	\$20,639	\$23,144	\$15,242	\$21,213	\$23,175	\$25,382	\$27,274	\$27,842
<i>margin</i>	6.13%	6.17%	6.37%	6.23%	3.81%	4.76%	4.80%	4.89%	4.92%	4.71%
Earnings attributable to noncontrolling interests	(366)	(447)	(519)	(763)	(837)	(720)	(834)	(899)	(974)	(990)
Net Earnings attributable to UNH common shareholders	15403	17285	20120	22381	14405	20493	22341	24483	26300	26852
D&A	(2,891)	(3,103)	(3,400)	(3,972)	(4,099)	(4,704)	(5,063)	(5,443)	(5,793)	(6,209)
EBIDTA:	\$25,296	\$27,073	\$31,835	\$36,330	\$36,386	\$33,789	\$37,974	\$41,356	\$44,454	\$45,638
<i>margin:</i>	9.84%	9.41%	9.82%	9.78%	9.09%	7.58%	7.87%	7.97%	8.01%	7.71%
Basic Weighted Average Common Shares	949	943	937	928	921	921	921	921	921	921
Basic Earnings per Share	\$16.23	\$18.33	\$21.47	\$24.12	\$15.64	\$22.25	\$24.26	\$26.58	\$28.56	\$29.15
Diluted Weighted Average Common Shares	961	956	950	938	929	929	929	929	929	929
Diluted Earnings per Share	\$16.03	\$18.08	\$21.18	\$23.86	\$15.51	\$22.06	\$24.05	\$26.35	\$28.31	\$28.90

Figure 10: Income Statement

Forecast (% revenue)

Income Statement	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
venue: (YoY)	-	11.84%	12.71%	14.64%	7.71%	11.00%	8.24%	7.49%	6.94%	6.66%
COGS:	-73.94%	-75.78%	-75.44%	-75.52%	-77.67%	-78.05%	-77.87%	-77.88%	-77.98%	-78.09%
Medical costs	-61.99%	-64.99%	-65.04%	-65.09%	-66.00%	-67.00%	-67.00%	-67.00%	-67.00%	-67.00%
Cost of products sold	-11.96%	-10.79%	-10.40%	-10.43%	-11.67%	-11.05%	-10.87%	-10.88%	-10.98%	-11.09%
Operating Expenses	-17.34%	-15.88%	-15.79%	-15.77%	-14.27%	-15.43%	-15.31%	-15.19%	-15.05%	-15.25%
Operating Costs	-16.22%	-14.81%	-14.74%	-14.70%	-13.24%	-14.37%	-14.26%	-14.15%	-14.01%	-14.20%
Depreciation & Amortization	-1.12%	-1.08%	-1.05%	-1.07%	-1.02%	-1.06%	-1.05%	-1.05%	-1.04%	-1.05%
EBIDTA										
Interest Expense (% EBIT)	-7.42%	-6.93%	-7.36%	-10.03%	-12.10%	-11.06%	-11.58%	-11.32%	-11.45%	-11.39%
Income Tax (% EBIT)	-22.20%	-19.10%	-20.06%	-18.44%	-14.96%	-16.00%	-18.00%	-18.00%	-18.00%	-18.00%
Earnings Attributable to noncontrolling interests (% EBIT)	-1.63%	-1.86%	-1.83%	-2.36%	-2.59%	-2.48%	-2.53%	-2.50%	-2.52%	-2.51%

Figure 11: Income Statement Forecast

Valuations

DCF Model

WACC:	8.23%	Current Share Price:	\$329.77	Fair Share (Bull) Price:	\$437.70					
TGR:	2.00%	Upside:	27.99%	Fair Share (Base) Price:	\$422.07					
				Fair Share (Bear) Price:	\$406.84					
<i>All # in millions except share price</i>										
	A	A	A	A	A	1	2	3	4	5
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenue	\$257,141	\$287,597	\$324,162	\$371,622	\$400,278	\$445,803	\$482,573	\$518,705	\$554,663	\$591,574
% Growth	-	11.84%	12.71%	14.64%	7.71%	11.4%	8.2%	7.5%	6.9%	6.7%
EBIT	\$22,405	\$23,970	\$28,435	\$32,358	\$32,287	\$29,085	\$32,911	\$35,913	\$38,661	\$39,429
% Sales	8.7%	8.3%	8.8%	8.7%	8.1%	6.5%	6.8%	6.9%	7.0%	6.7%
Taxes	\$4,973	\$4,578	\$5,704	\$5,968	\$4,829	\$4,654	\$5,924	\$6,464	\$6,959	\$7,097
% EBIT	22.2%	19.1%	20.1%	18.4%	15.0%	16.0%	18.0%	18.0%	18.0%	18.0%
EBIAT	\$17,432	\$19,392	\$22,731	\$26,390	\$27,458	\$24,431	\$26,987	\$29,448	\$31,702	\$32,332
% Sales	6.8%	6.7%	7.0%	7.1%	6.9%	5.5%	5.6%	5.7%	5.7%	5.5%
D&A	\$2,891	\$3,103	\$3,400	\$3,972	\$4,099	\$4,704	\$5,063	\$5,443	\$5,793	\$6,209
% Sales	1.1%	1.1%	1.0%	1.1%	1.0%	1.1%	1.0%	1.0%	1.0%	1.0%
Cap EX	\$2,051	\$2,454	\$2,802	\$3,386	\$3,499	\$4,012	\$4,826	\$5,706	\$6,101	\$6,507
% Sales	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.1%	1.1%	1.1%
Change in NWC	\$2,895	\$1,522	\$2,246	\$1,643	(\$808)	\$1,630	\$1,567	\$1,207	\$1,000	\$1,631
% Sales	1.1%	0.5%	0.7%	0.4%	-0.2%	0.4%	0.3%	0.2%	0.2%	0.3%
Free Cash Flow	\$15,377	\$18,519	\$21,083	\$25,333	\$28,866	\$23,493	\$25,657	\$27,979	\$30,394	\$30,402
Discounted Free Cash Flow						\$21,707	\$21,905	\$22,071	\$22,153	\$20,475
Terminal Value (TV)										\$497,987
Discounted TV										\$335,381
Enterprise Value						\$443,693				
Cash						\$25,312				
Debt						\$76,904				
Equity Value						\$392,101				
Total Shares Outstanding						929				
Fair Share Price						\$422.07				

Figure 12: DCF Model

5-yr Probability Weighted Fair Value Valuation Summary			
Case	Probability	EPS	P/E Multiple
Bear	20.00%	27.85	16.50x
Base	50.00%	28.90	19.50x
Bull	30.00%	29.98	22.50x
5-Yr Fair Value		Cost of Equity	
\$576.05		9.30%	
Current Share Price		Present Value	
\$329.77		\$369.28	
Upside (Downside)			
11.98%			

The 16.5x / 19.5x / 22.5x P/E range reflects how investors typically reward UNH through different parts of the cycle. The bear multiple sits at the low end of its historical band to reflect the risk that medical costs stay elevated longer than expected, while the bull multiple assumes the market re-awards UNH a premium valuation if MLR normalizes quickly and Optum's higher-margin segments reaccelerate something the market has consistently paid up for in past recovery periods. The 20% / 50% / 30% weighting acknowledges that a base-case outcome is most likely, but also that UNH's business mix skews the distribution slightly toward positive surprises rather than negative ones, given its scale and recurring revenue. The DCF shows higher upside and is the preferred model for this report because it captures the full value of UNH's long-term cash generation, whereas the probability-weighted model reflects only what investors may be willing to pay in year five.

Figure 13: 5-yr Weighted Fair Value Model