

UnitedHealth Group (NYSE:UNH)

Sector: Healthcare

Industry: Healthcare Plans



Target Price	Current Price	52 Wk High	52 Wk Low	P/E	Market Cap	Dividend Yield	Beta
\$379.01	\$337.94	\$367.95	\$187.72	19.52	\$322.27B	1.47%	1.11

Business Description:

UnitedHealth Group is a diversified healthcare company which operates through two primary lines of business. The UnitedHealthcare branch offers leading health insurance services at a cost benefit to consumers. The Optum branch serves as a technology-enabled health services business, including OptumHealth, OptumInsight, and OptumInsight to provide a vast range of services.

Investment Thesis:

UnitedHealth Group provides sustained value to consumers and the broader healthcare industry. UNH is a dominant managed care organization in the commercial, Medicare, and Medicaid markets. The company has executed an array of strategic acquisitions, resulting in a diversified family of business and competitively low costs. Lastly, the healthcare industry is poised for accelerated growth driven by technological advancements and innovation, the growing Medicare population, and increasing healthcare expenditures. UNH's diversified core competencies and competitive positioning in the market will enable the company to fully capitalize on the industry growth for years to come.

Valuation Assumptions:

WACC: 9.00% | Perpetuity rate: 3.00%
Implied enterprise value: \$406,162MM
Implied share price: \$379.01
Margin of Safety: 12.15%

Industry Trends:

Medicare enrollment is poised to exceed 9% enrollment in 2020. In addition, health share of GDP is expected to be 19.4% in 2027. Also, the medical device technology is projected to reach \$641B in sales by 2023, and UNH currently invests \$3.5B in technology and innovation annually.

Risks:

States require periodic financial reports and enforce minimum capital or restricted cash reserve requirements that requires UHG to be mindful of. In addition, there are banking and international regulations that UnitedHealth Group needs to be able to adapt to rapidly. That being said, There has already been significant consolidation at the top of the managed care industry. Furthermore, UHG depends on its ability to predict, price and manage medical costs to maintain profitability. OptumInsight's technology and data capabilities allow UHG to more accurately predict, price and decrease medical costs. COVID-19 has decreased elective procedures, but 2021 enrollments are poised to increase, as well as elective surgeries that were postponed.