

Company: Microsoft Corporation	Ticker: MSFT	Current Price: \$ 330.59	Industry: Technology	Sub Industry:
Target Price: \$427.00 Stop Loss: \$289.00 52 Week High/ Low: \$234.60 / \$ 329.17	TTM P/E: 17.24 Forward P/E: 19.28 EPS: \$19.19	Beta: 0.45 Credit Rating: A+ (S&P) Rating Outlook: Negative	Market Cap: \$2.99T Avg Vol (30 Day): 13.00MM Dividend Yield: 2.67%	

Company Background:
UnitedHealth Group (UNH) is a diversified healthcare and insurance company based in Minnetonka, Minnesota, operating through two main segments: UnitedHealthcare, which provides health insurance benefits, and Optum, which offers health services, data analytics, and pharmacy care solutions. It is the largest health insurer in the United States and a leading global provider of integrated health and wellness services.
Industry Outlook:
CFRA Research concludes that the outlook for the Managed Health Care sub-industry is negative overall, reflecting regulatory and cost pressures from the One Big Beautiful Bill Act, which introduces \$1 trillion in Medicaid cuts over the next decade. However, CFRA notes several offsetting positives: the U.S. labor market remains resilient, supporting employer-sponsored insurance growth, and companies with intense commercial exposure, such as UnitedHealth (UNH), Cigna (CI), and Elevance Health (ELV), are expected to benefit from that trend. Additionally, the Inflation Reduction Act may reduce certain drug expenditures, and Medicare Advantage rates are expected to improve in 2026 following a modest cut in 2025. These factors could help stabilize profitability as the industry adjusts to higher medical utilization and policy changes
Investment Thesis:
UnitedHealth Group (UNH) has demonstrated consistent growth in revenue, operating income, and net earnings driven by its diversified healthcare platform. Revenue increased 7.7% year-over-year to nearly \$400 billion in 2024, reflecting strong performance across both UnitedHealthcare and Optum. Over the past five years, UNH has achieved an 11% annualized revenue growth rate, supported by disciplined cost management and strategic acquisitions. Operating margins have remained stable at approximately 8%, even amid elevated medical costs and regulatory pressures. With estimated annual EPS growth of 13%–16% through 2028, UNH maintains a strong balance sheet with leverage around 2x EBITDA and continues to generate robust free cash flow of over \$20 billion annually.
Investment Risks:
1.) UnitedHealth faces heightened scrutiny from regulators, including ongoing Department of Justice investigations into Medicare billing and antitrust activity related to its acquisitions. In addition, the One Big Beautiful Bill Act introduces long-term Medicaid funding cuts, which could pressure earnings and membership growth. However, UNH’s diversified business model, deep regulatory experience, and strong compliance controls help mitigate potential financial and operational impacts. 2.) Increased healthcare utilization and inflation in service costs can drive up medical loss ratios (MLRs) and compress margins. UnitedHealth manages this risk through strategic pricing adjustments, benefit redesign, and the use of Optum’s advanced analytics to efficiently manage care delivery. Its broad provider network and outpatient care model also help reduce costs by shifting patients from expensive hospital settings to lower-cost alternatives.
3-5 take away from last quarter investor call transcript:
<ul style="list-style-type: none"> Revenue rose 12% year over year to \$113.2 billion, driven by performance across both UNH and Optum, with membership expanding by 795,000 to 50.1 million/ GAAP EPS of \$2.59 beat consensus by \$0.19, marking the first earnings beat in six quarters and signaling stabilization after a challenging first half. The company raised full-year 2025 guidance to at least \$14.90 EPS (from \$14.65), reflecting improved visibility into cost trends and operational recovery. Medical care ratio (MCR) increased to 89.9% (+470 bps Y/Y) due to elevated care utilization and strong cash flow of \$5.9 billion (2.3x net income)

Financial Performance:								Discounted Cash Flow	
In millions*	2019	2020	2021	2022	2023	2024	Last 12M		2023-2035
Revenue*	242160	257140	287600	324160	371620	400280	435160	Avg Revenue growth	5.%5
Operating Profit*	19690	22410	23970	28440	32360	32290	26360	Avg EBITDA Margin	4.5%
Net Income *	13840	15400	17290	20120	22380	14410	17590	Avg Working Capital	-2.25%
Revenue Growth %	7.03	6.19	11.84	12.71	14.46	7.71	10.48	Avg FCF / Margin	30.2%
EBITDA%	9.25	9.84	9.41	9.82	9.78	7.01	7.01	Cost of Debt	2.90%
Operating Profit %	8.13	8.71	8.33	8.77	8.71	8.07	6.06	Tax Rate	17.00%
Net Income Margin	5.88	6.13	6.17	6.37	6.23	3.81	4.22	Cost of Equity	5.8%
Total Debt to Equity	0.65	0.62	0.60	0.67	0.63	0.75	0.76	WACC	5.15%
EPS	14.33	16.03	18.08	21.18	23.86	15.51	19.19	Perpetuity growth rate	2.0%
PE Ratio	21.38	20.14	31.15	25.98	22.85	32.89	17.24		
Current Ratio	0.69	0.74	0.79	0.77	0.79	0.83	0.82		
ROE	25.32	25.02	25.19	26.91	26.88	15.88	18.48		
ROA	8.49	8.30	8.44	8.79	8.62	5.04	5.72		
Dividend Per share	4.14	4.83	5.60	6.40	7.29	8.18	8.62		
FCF	15710	17230	18370	21160	24040	21510	21510		
								Analyst Opinion	
								Rating	Target
								Net Advantage	Hold 3/5 \$410.00
								Morning Star	4/5 \$427.00

Relative Valuation				
	United Health (UNH)	Cigna Group (CI)	Elevance Health (ELV)	Industry Avg.*
P/E	17.24	11.65	10.32	18.99
P/B	3.10	1.68	1.60	2.01
Dividend Yield	0.70%	2.69%	2.16%	2.48
EPS	\$2.27	\$22.59	\$24.48	
Revn Grth	10.48%	16.75	11.96%	
NI Grth	4.22%	2.44%	5.53	
Operating Margin	6.06%	3.42%	4.35%	
Debt / Equity	0.84	0.81	0.71	
Market Cap	\$2.99T	\$70.28BN	\$70.06BN	-
Revenue TTM	\$400280	\$268220	\$194820	-
Net Income TTM	\$32290	\$6150	\$5530	-
FCF TTM	\$21510	\$7770	\$6270	-

*Industry Avg. NI Grth, Operating Margin, Revenue TTM, FCF TTM includes companies listed.