

Desautels Capital Management

Honours in Investment Management

UnitedHealth Group Inc

NYSE: UNH

Healthcare

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Executive Summary

Recommendation on a long position

Company Description



UnitedHealth Group (UNH) is an American multinational managed healthcare and insurance company based in Minnetonka, Minnesota. It offers healthcare products, insurance services, and data analytics through its 4 key operating segments: UnitedHealthcare, Optum Insight, Optum Rx, and Optum Health.

\$498.3B
Market Cap

\$315.1B
LTM Total Revenue

17.9x
EV/LTM EBITDA

1

Thesis 1: Consumer Demand is Changing Coverage Expectations

UNH Is Primed To Address And Supply Insurance And Services For The Changes In HC Coverage Demands

2

Thesis 2: UHG is making investments benefitting its insurance business and recession-proofing the company

UNH's insurance business will remain dominant through its strategic investments and recession proof characteristics

\$532.82
Current Price

\$585
Target Price

+10%
Implied Upside

DCM recommends a Buy with an entry price of 500 and target price of 585

Source: Company filings, Market Research

I. Industry Overview

- a. Business Model Overview
- b. US Healthcare Overview

II. Business Overview

- a. Company Overview
- b. Annotated Price Chart

III. Investment Theses

- a. Thesis 1 – Consumer Demand is Changing Coverage Expectations
- b. Thesis 2 – UHG is making investments benefitting its insurance business and recession-proofing the company

IV. Valuation

- a. Comparable Company Analysis
- b. Discounted Cash Flow Analysis

V. Risks and Catalysts

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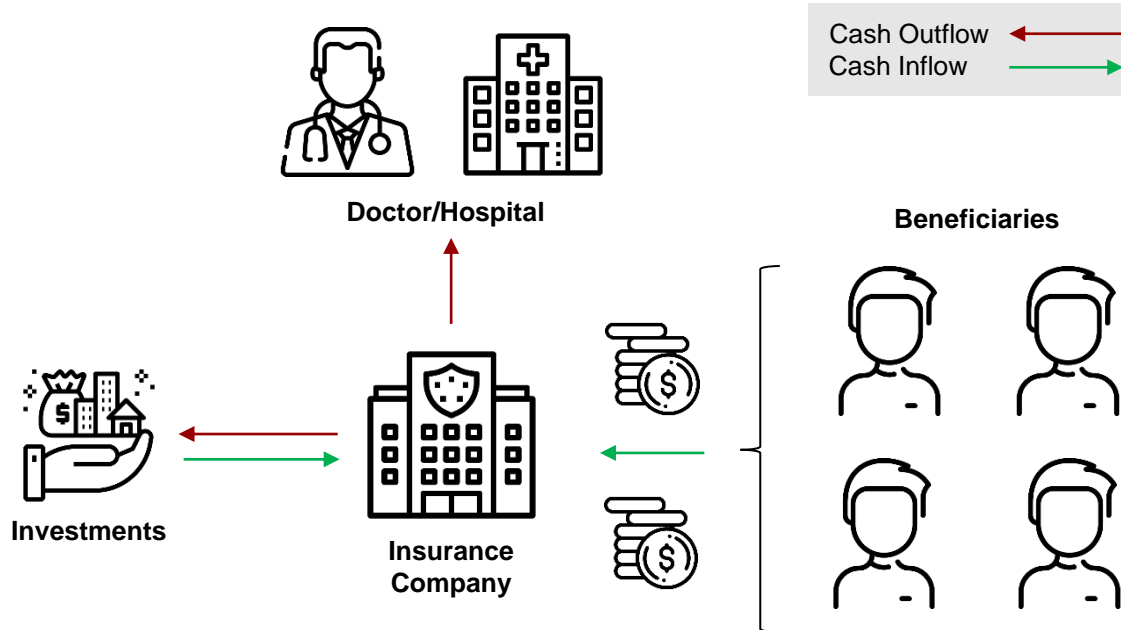
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Insurance Industry Primer

Section II



Risk diversification forms the basis of the insurance business model



Key Principles

1

Risk Diversification

By charging a premium to several beneficiaries, the insurance company diversifies the already low risk of payout



2

Overcharging

Insurance will always be priced higher than needed to pay out due to overheads, SG&A, etc.



3

Investments

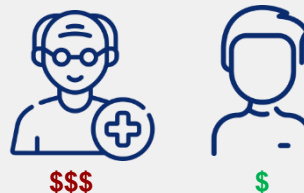
The premiums are invested mostly into safe assets such as bonds, and a small portion into riskier assets



? How do insurance companies assess risk?

By assessing the proportion of unhealthy people in the risk pool. The lower the risk, the lower the chance of making a potential payout to the beneficiary, and hence, lower the premiums.

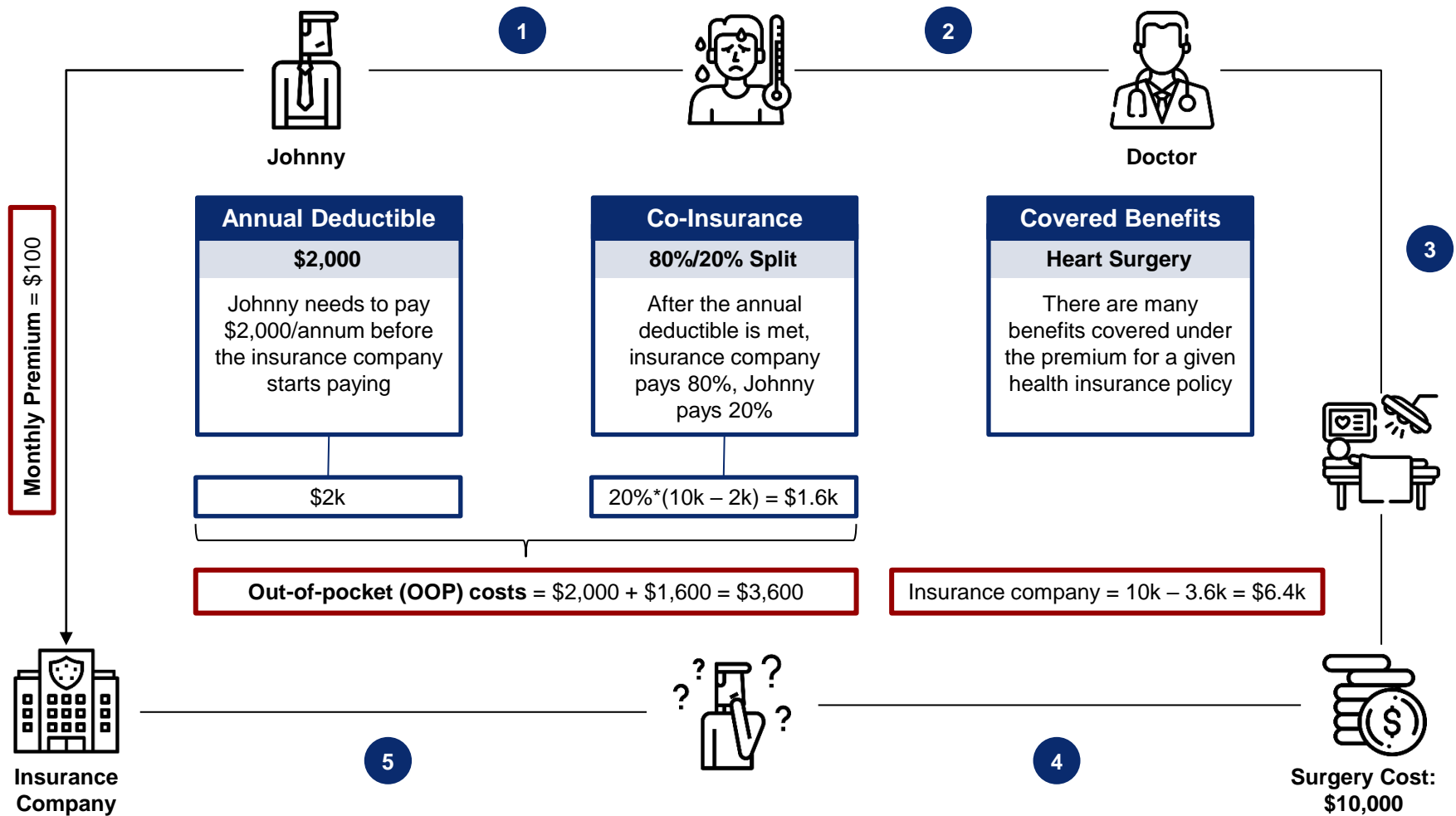
Average Age: 65 vs 30



Insurance companies generate revenue through risk diversification and overcharging, investing the premiums to generate returns

Source: Investopedia, Thomson One

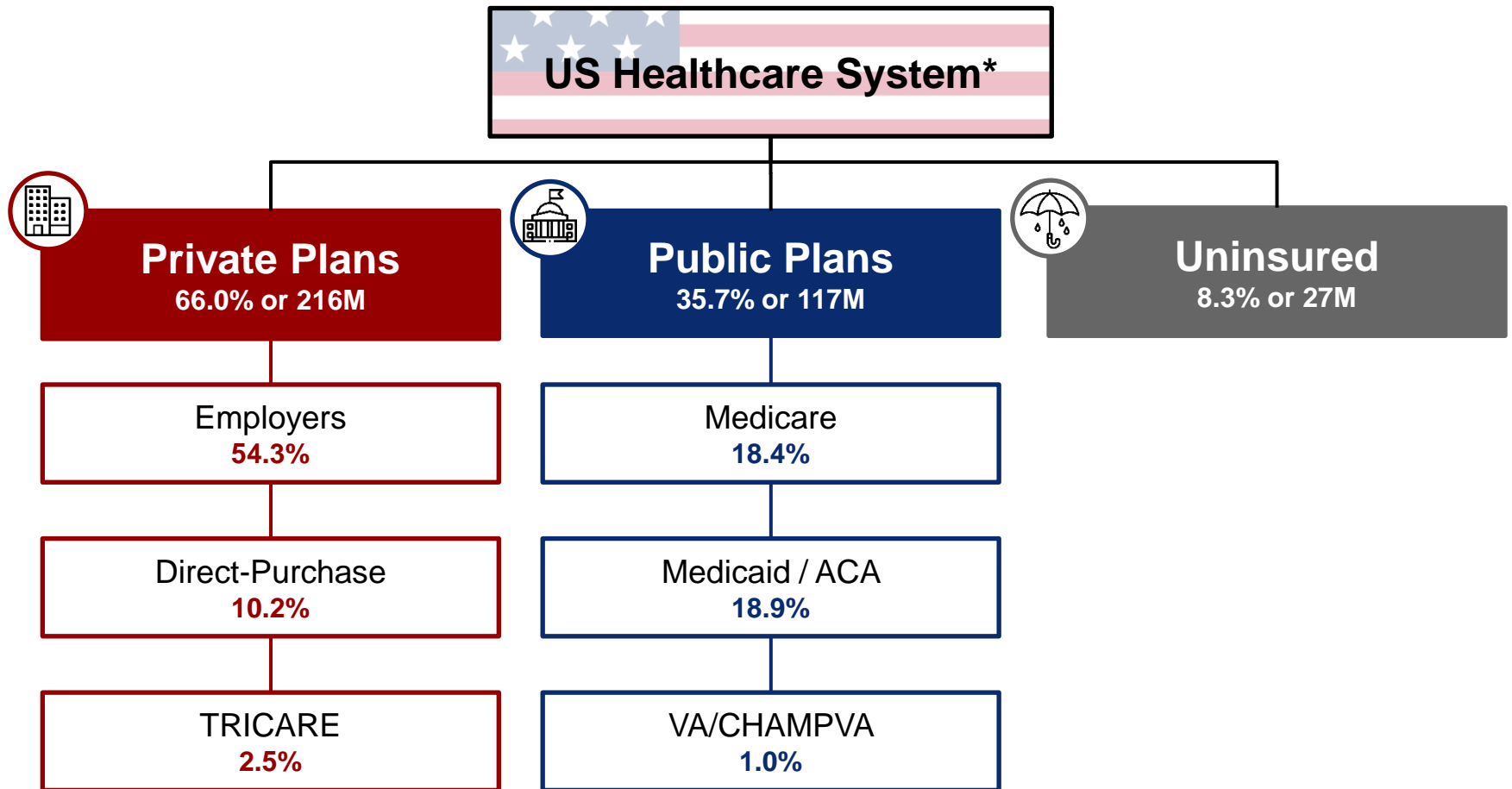
Introducing some jargon and Johnny



Breakdown of key terminology in the insurance industry, including co-pay, OOP costs, deductibles, premiums and covered benefits

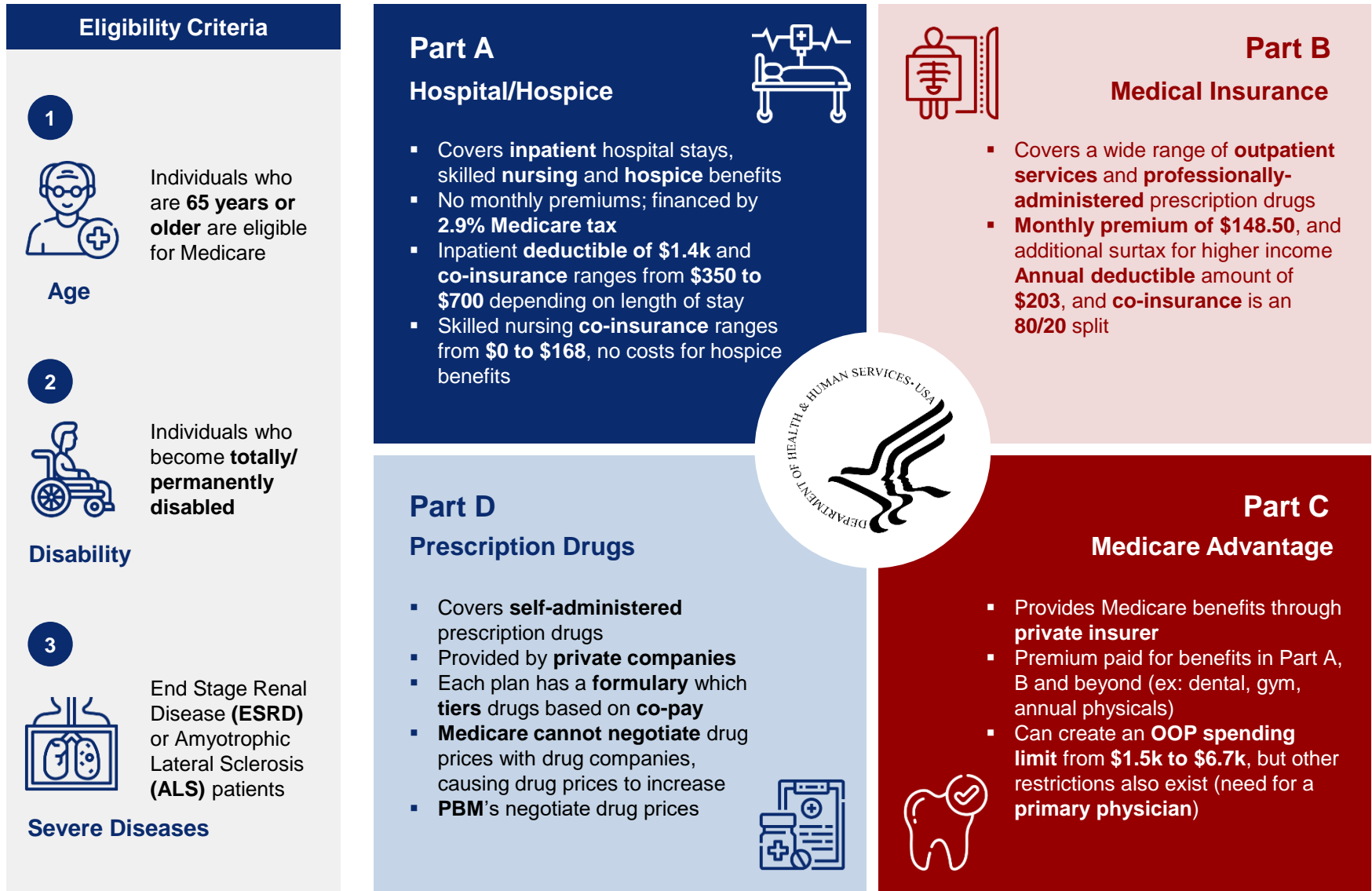
Source: Stanford Research

91.7% of people had health insurance coverage at some point during the year 2021



Source: U.S. Census Bureau *types of coverage are not mutually exclusive

Medicare is divided into 4 parts, each with different benefits and structure



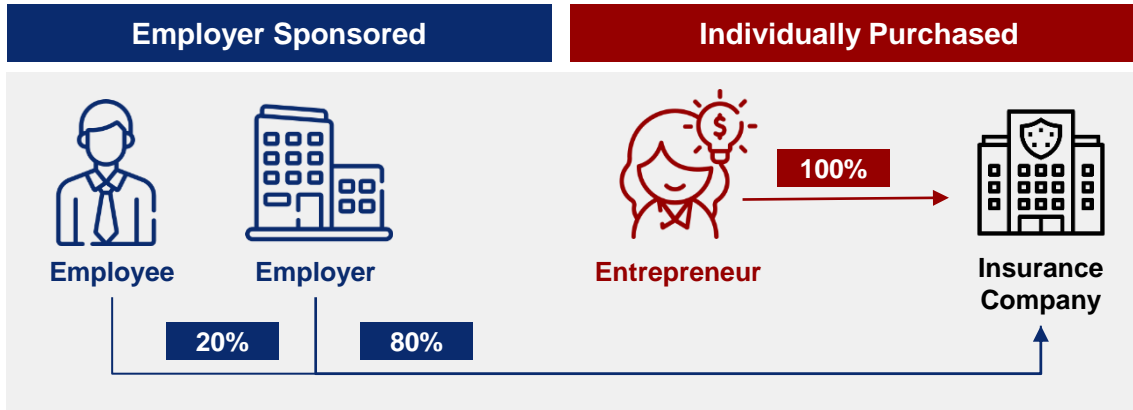
Source: Medicare.gov, U.S. Census Bureau

Medicaid ≠ Medicare, the former is for very low-income individuals

Eligibility Criteria	Medicaid Features	Medicare vs Medicaid	
<p>1 Low Income</p> <p> People eligible for aid to families with dependent children (AFDC)</p> <p>2 Disability</p> <p> People eligible for supplemental security income (SSI) for the aged and disabled</p> <p>3 Citizenship</p> <p> US citizens/qualified non-citizens are eligible for Medicaid</p>	<p>1 Benefits</p> <p> Dental, EPSDT, newly discovered condition requiring treatment</p> <p>2 Managed Care</p> <p> Medicaid recipients are enrolled in a private health plan Mostly for poor children and parents</p> <p>3 Low Cost</p> <p> Free/very low co-pay health insurance funded by the federal and state government</p>	<p> Medicare</p> <p>1 Not needs-based</p> <p>2 Funded at the federal level</p> <p>3 Focuses on elderly population</p> <p>4 Divided into 4 parts for each healthcare benefit</p>	<p>Medicaid</p> <p>1 Means-tested needs-based</p> <p>2 Funded at federal and state level</p> <p>3 Focuses on low-income population</p> <p>4 Only 1 part, and offers wider range of health services</p>

Source: Medicare.gov, Medicaid.gov, U.S. Census Bureau

Private plans are mostly employer sponsored, and more beneficial than public options



Usually, employers cover ~80% of an employee's premiums

Individual purchasers pay 100%

Private plans can also be sponsored by universities

There are many different types of private plans (shown below)

	Low deductible	Low premiums	Referrals needed	OON* coverage
HMO	✓	✓	✓	
POS	✓	✓	✓	✓
PPO	Some plans			✓
EPO		✓	Some plans	
HDHP		✓		Some plans

Leading Private Insurers

By direct written premiums in 2021

Source: Aetna, Statista, Washington Post *Out-of-network

2021 was a great year for insurance companies despite the negative impact on key drivers

Key Drivers and their impact on Revenue and Profit

1 Median Age of Population



2 # of Employees



3 Total Health Expenditure



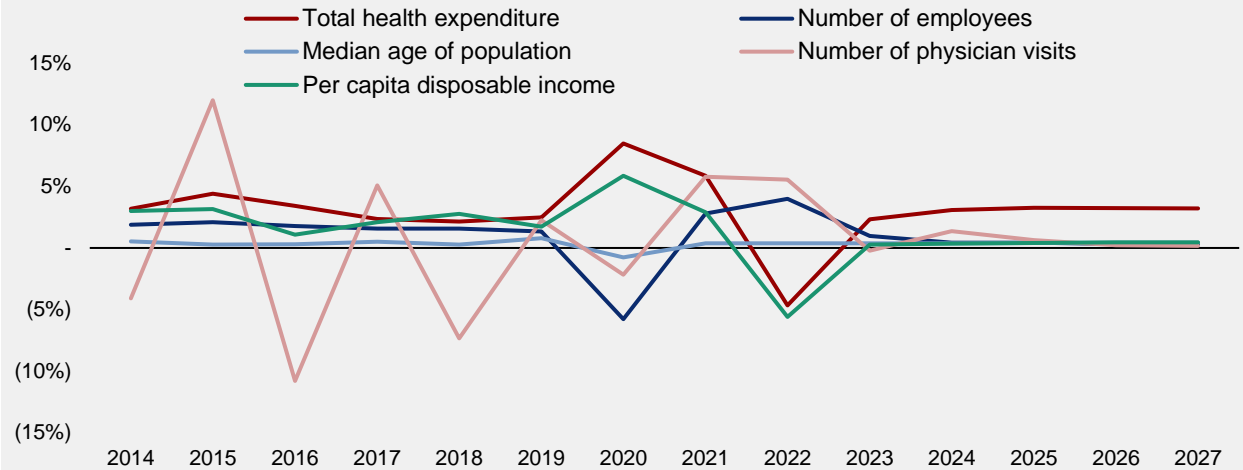
4 # of Physician Visits



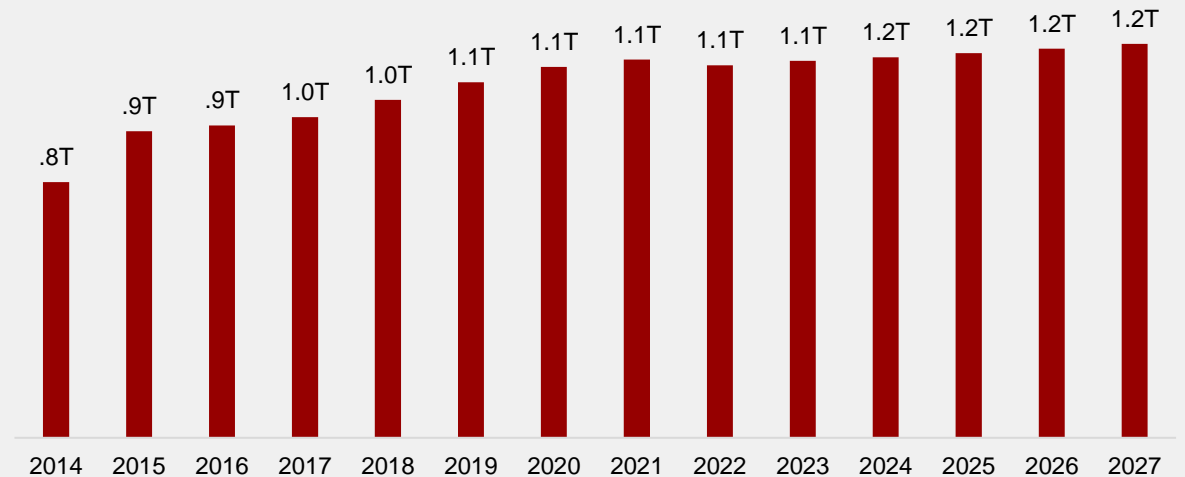
5 Per Capita Disp. Income



Change in key drivers vs total industry revenue (2014 – 2027E)



Forecasted Industry Revenue



Source: IBISWorld

Oligopolistic market structure with few dominant players

Industry revenue: \$1.1T (2021)

#1. Big Five		#2. Non-Corporation		#3. Specialty	
Firms	Market Share	Firms	Legal Structure	Firms	Specialization
United Healthcare	26%	KAISER PERMANENTE	Foundation	WellCare Health Plans	Government Plans
Anthem	12%	HCSC Health Care Service Corporation	Mutual Legal Reserve	MOLINA HEALTHCARE	Government Plans
CVS pharmacy / aetna	21%	BlueCross BlueShield	Not-For-Profit	Magellan HEALTH	Special Populations
Humana	7%			Clover Health	Medicare Advantage
Cigna	4%				

Source: Capital IQ, IBIS World

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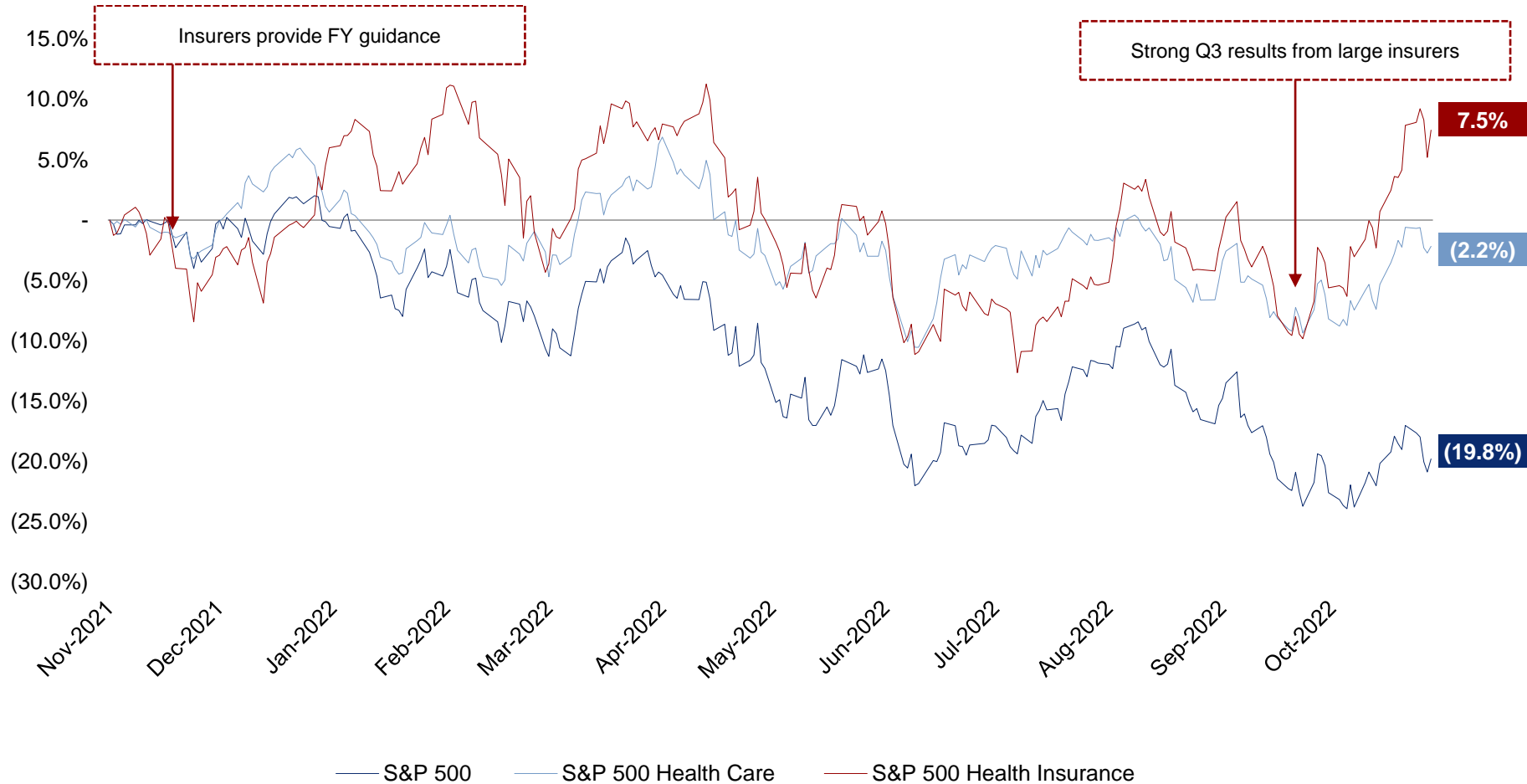
Insurance Industry Performance

Section III



Index Price Performance for LTM

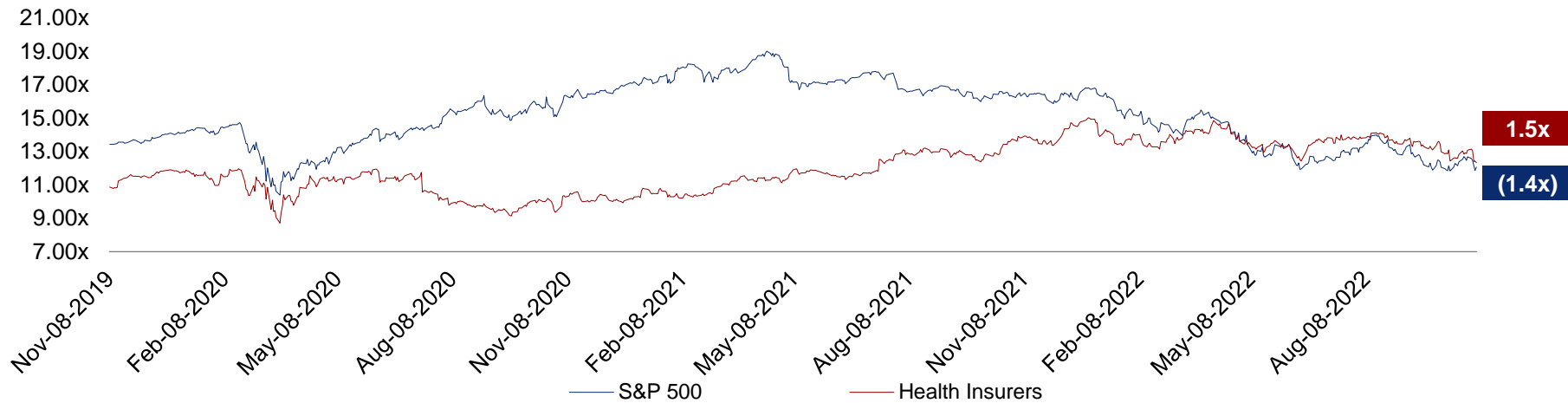
Index performance in line with benchmark for the most part



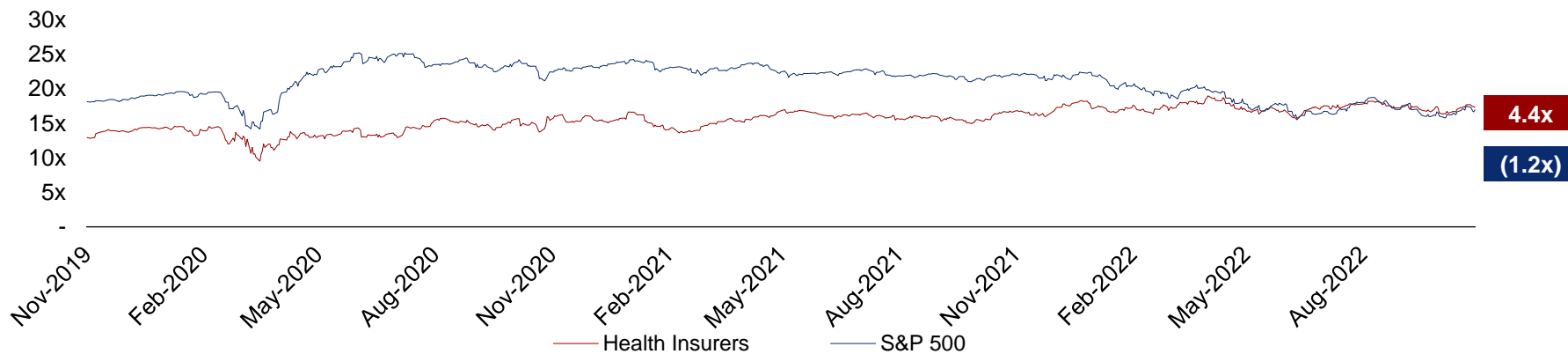
Source: Bloomberg, Capital IQ, Economic Times, New York Times

Convergence with traditional indices

EV/EBITDA (3Y)



P/E (3Y)



Source: Capital IQ

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Business Overview

Section I



The United States' largest health insurer

- UnitedHealth Group (UNH) is an **American multinational managed healthcare and insurance company** based in Minnetonka, Minnesota. It offers healthcare products and insurance services across 150 countries, but mainly the U.S. .
- Business segments:
 - Optum**
 - Health
 - Insight
 - Rx
 - UnitedHealthcare**
 - Employer & Individual
 - Medicare & Retirement
 - Community & State
 - Global

Summary Valuation⁽¹⁾

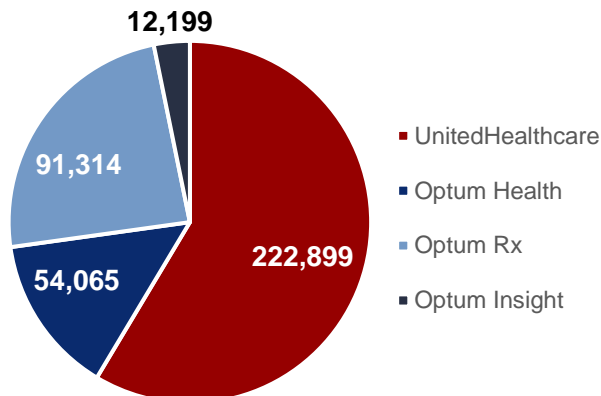
\$MM, except per share data	
Share Price	\$540.22
Shares Out.	935.4
Market Capitalization	502,312.4
- Cash & CE	38,845.0
+ Total Debt	48,667.0
+ Pref. Equity	0.0
+ Minority Interest	4,857.0
Total Enterprise Value	521,282.3
Book Value of Equity	234,397.0
+ Pref. Equity	0.0
+ Minority Interest	4,857.0
+ Total Debt	48,667.0
= Total Capital	287,921.0

Financial Summary

	2018	2019	2020	2021	2022E
Total Revenue	226,247.0	242,155.0	257,141.0	287,597.0	323,276.64
YoY Growth %	12.5%	7.0%	6.2%	11.8%	12.41%
Gross Profit	53,846.0	57,598.0	67,000.0	69,652.0	-
Margin %	23.8%	23.8%	26.1%	24.2%	24.29%
EBITDA⁽²⁾	19,166.0	21,684.0	24,482.0	26,150.0	31,424.14
Margin %	8.5%	9.0%	9.5%	9.1%	9.72%
EBIT	17,344.0	19,685.0	22,405.0	23,970.0	28,116.07
Margin %	7.7%	8.1%	8.7%	8.3%	8.70%
Net Income	11,986.0	13,839.0	15,403.0	17,285.0	20,799.07
Margin %	5.3%	5.7%	6.0%	6.0%	6.43%

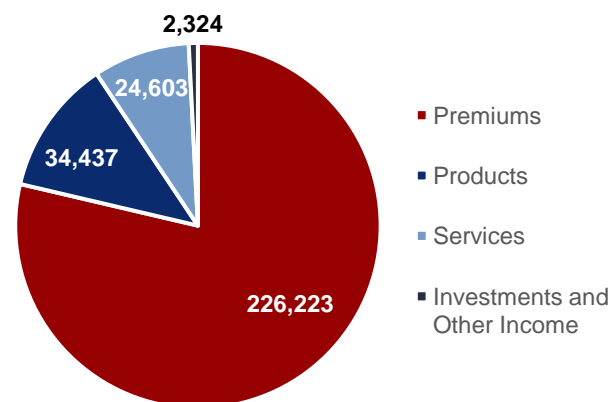
Revenue Breakdown

FY 2021 (ended December 31st, 2021)



Revenue per Offering

FY 2021 (ended December 31st, 2021)



Notes:

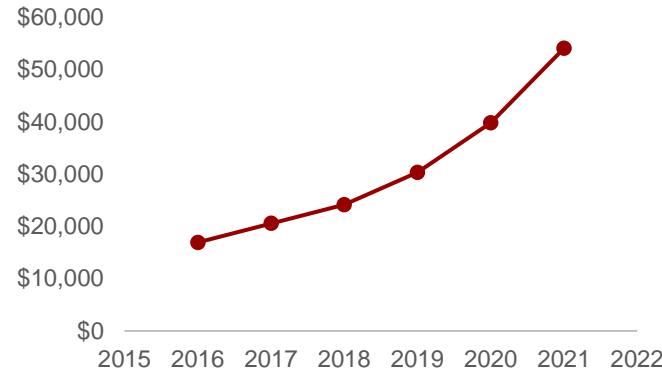
- Market data as of October 25, 2022
- EBITDA and EPS adjustments include the impact of GAAP income tax, goodwill, intangible and other long-lived asset impairment charges, non-cash share-based compensation expense, sponsor fees, loss on extinguishment of debt, interest rate derivatives, and certain items on a pre-tax basis

Source: Capital IQ, Company Filings

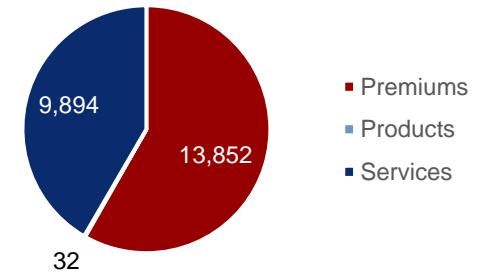
The Healthcare company has a health division!

- Optum Health provides **health and wellness care**, addressing the physical, emotional and health-related financial needs of **100 million consumers**, through a national health care delivery platform.
- Optum Health works **directly with consumers**, care delivery systems, providers, employers, payers, and government entities to provide **high quality, accessible, and equitable care** with improved outcomes and **reduced total cost of care**.

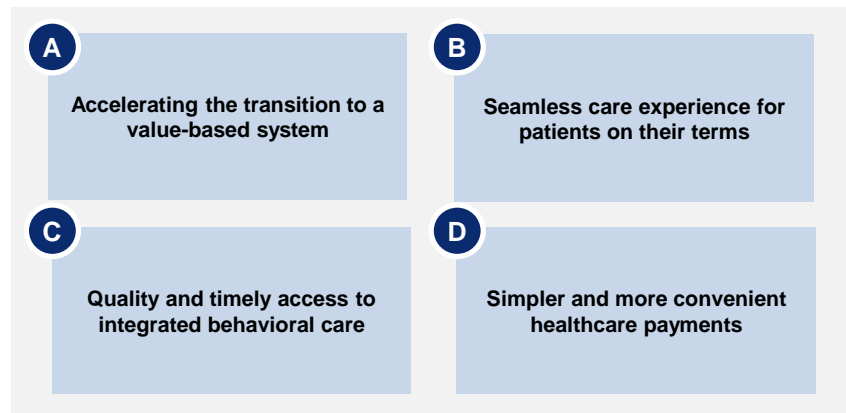
Optum Health Revenue & Revenue Mix



FY 2021 (ended December 31st, 2021)



Tenets of Optum Health



- A** Optum Health believes that value-based care is the path to achieving better quality outcomes and lowering costs of care. Their approach aims to strengthen the provider-patient relationship by empowering their primary care physicians.
- B** They strive to offer a seamless experience between virtual and traditional primary, behavioral, specialty, and urgent care. They are investing in virtual telemedicine capabilities and advanced remote and home monitoring technologies.
- C** They are focused on improving access to health services and providing timely high-quality treatments and resources. To continue their shift to value-based care, they've grown their offerings to include things such as digital solutions.
- D** Optum sees an opportunity to help improve the health payments sector by delivering an end-to-end integrated banking and payment experience, creating a seamless payment system for patients, providers, and payers.

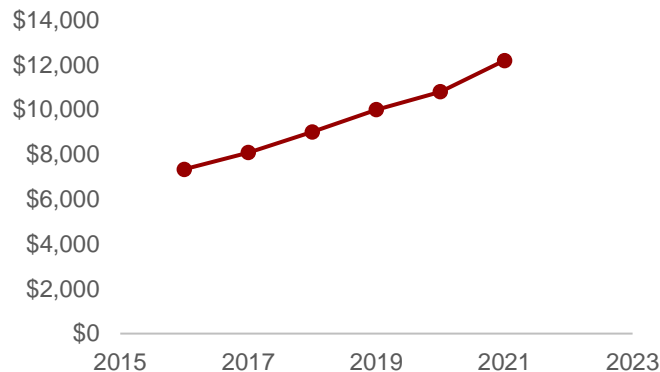
Optum Health is the healthcare services segment of Optum, which recently added the LHC group to it's network

Source: Company Filings, Equity Research

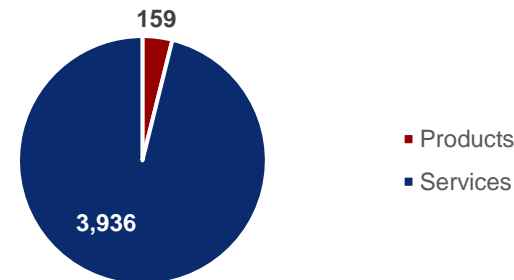
Big Pharma + Big Data = Big Returns

- Optum Insight connects the health care system with **services, analytics and platforms** that make clinical, administrative and financial processes easier for all participants in the health care system.
- Optum Insight serves the needs of **health systems** (such as physicians and hospital systems), **health plans, state governments, and life sciences companies**.

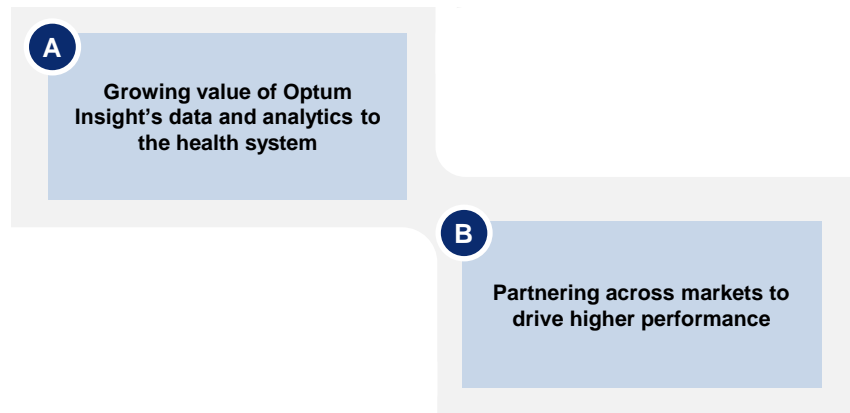
Optum Insight Revenue & Revenue Mix



FY 2021 (ended December 31st, 2021)



Tenets of Optum Insight



A They standardize, link and integrate data from many disparate sources resulting in a database of nearly 270 million deidentified lives. That data is transformed into insight using advanced technology that assembles, enriches and analyzes health care information using a library of advanced tools like natural language processing and machine learning.

B Optum Insight serves health plans, care providers, state governments and life sciences companies. The two largest markets are health plan and care provider organizations. The market dynamics continue to support additional opportunities as well, with health systems seeking new ways to ensure financial sustainability and to improve clinical outcomes.



Bassett Healthcare Network

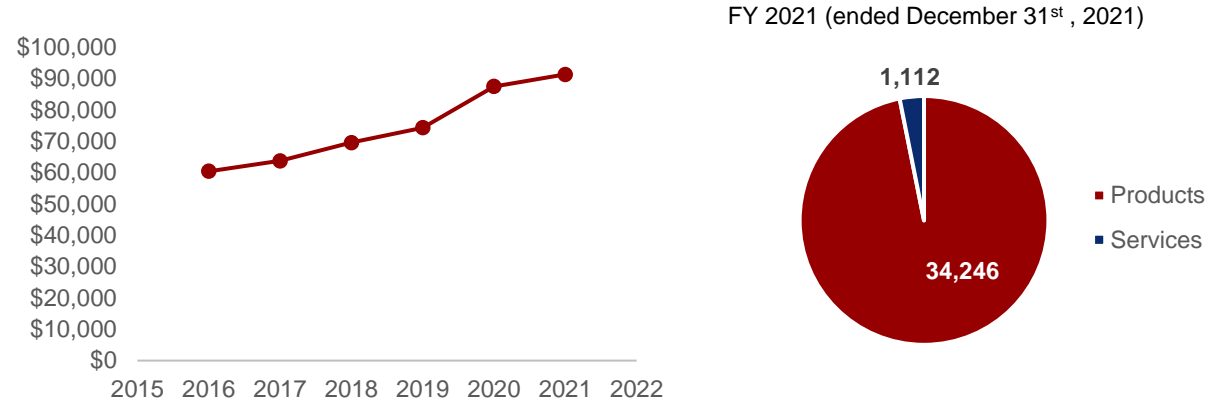


Optum Insight is the data and software segment of Optum, which recently partnered with Walmart

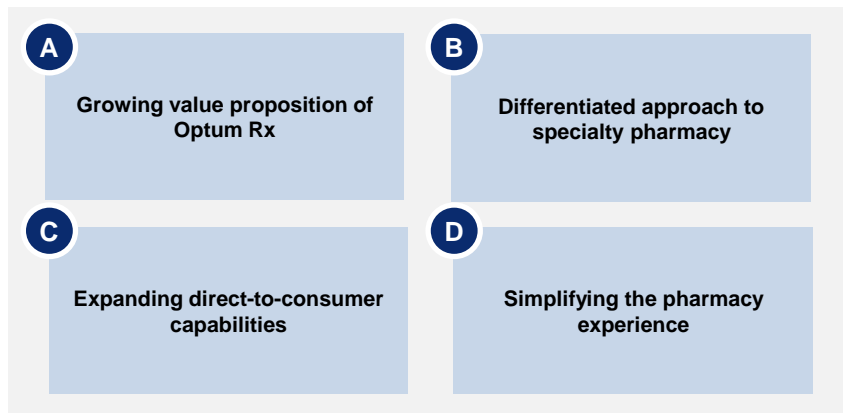
Source: Company Filings, Equity Research

- Optum Rx provides a **full spectrum of pharmacy care** services through its network of more than 67,000 retail pharmacies, through home delivery, specialty and community health pharmacies and through the provision of in-home and community-based infusion services
- Optum Rx serves **health benefits providers, large national employer plans, unions and trusts, purchasing coalitions and government entities.**

Optum Health Revenue & Revenue Mix



Tenets of Optum Rx



- A** Optum Health believes that value-based care is the path to achieving better quality outcomes and lowering costs of care. Their approach aims to strengthen the provider-patient relationship by empowering their primary care physicians.
- B** They strive to offer a seamless experience between virtual and traditional primary, behavioral, specialty, and urgent care. They are investing in virtual telemedicine capabilities and advanced remote and home monitoring technologies
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- D** Optum sees an opportunity to help improve the health payments sector by delivering an end-to-end integrated banking and payment experience, creating a seamless payment system for patients, providers, and payers.

Optum Rx is the pharmaceuticals segment of Optum

Source: Company Filings, Equity Research

UnitedHealthcare

UnitedHealthcare Employer & Individual

- UnitedHealthcare Employer & Individual offers an array of consumer-oriented health benefit plans nationwide for large national employers, public sector employers, mid-sized employers, small businesses and individuals.

26.5M people served under this segment

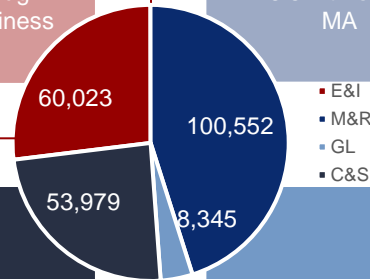
9.3M through National Accounts	3.5M through Public Sector	9.1M through Key Accounts	3.5M through Small Business
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UnitedHealthcare Medicare & Retirement

- UnitedHealthcare Medicare & Retirement is dedicated to serving the growing health and well-being needs of seniors and other Medicare beneficiaries

13M people served under this segment

6.5M through MA	3.7M through Medicare Part D	4.4M through MS	2.1M through Retiree Services
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UnitedHealthcare Community & State

- UnitedHealthcare Community & State is dedicated to providing diversified health care benefit products that provide care for the economically disadvantaged, the medically underserved, and those without the benefit of employer-funded health care coverage.

7.5M people served under this segment

4M through TANF	1.2M through DSNP	1.3M through ME under ACA	375K through ABD
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UnitedHealthcare Global

- UnitedHealthcare Global delivers medical and dental benefits to 150 countries worldwide. This business is uniquely positioned to address global health care challenges by combining distinctive enterprise capabilities with local market understanding.

7.5M people served under this segment

3.4M through HC in Brazil	2.2M through DC in Brazil	2M through Chile, Colombia, and Peru
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Source: Market Research

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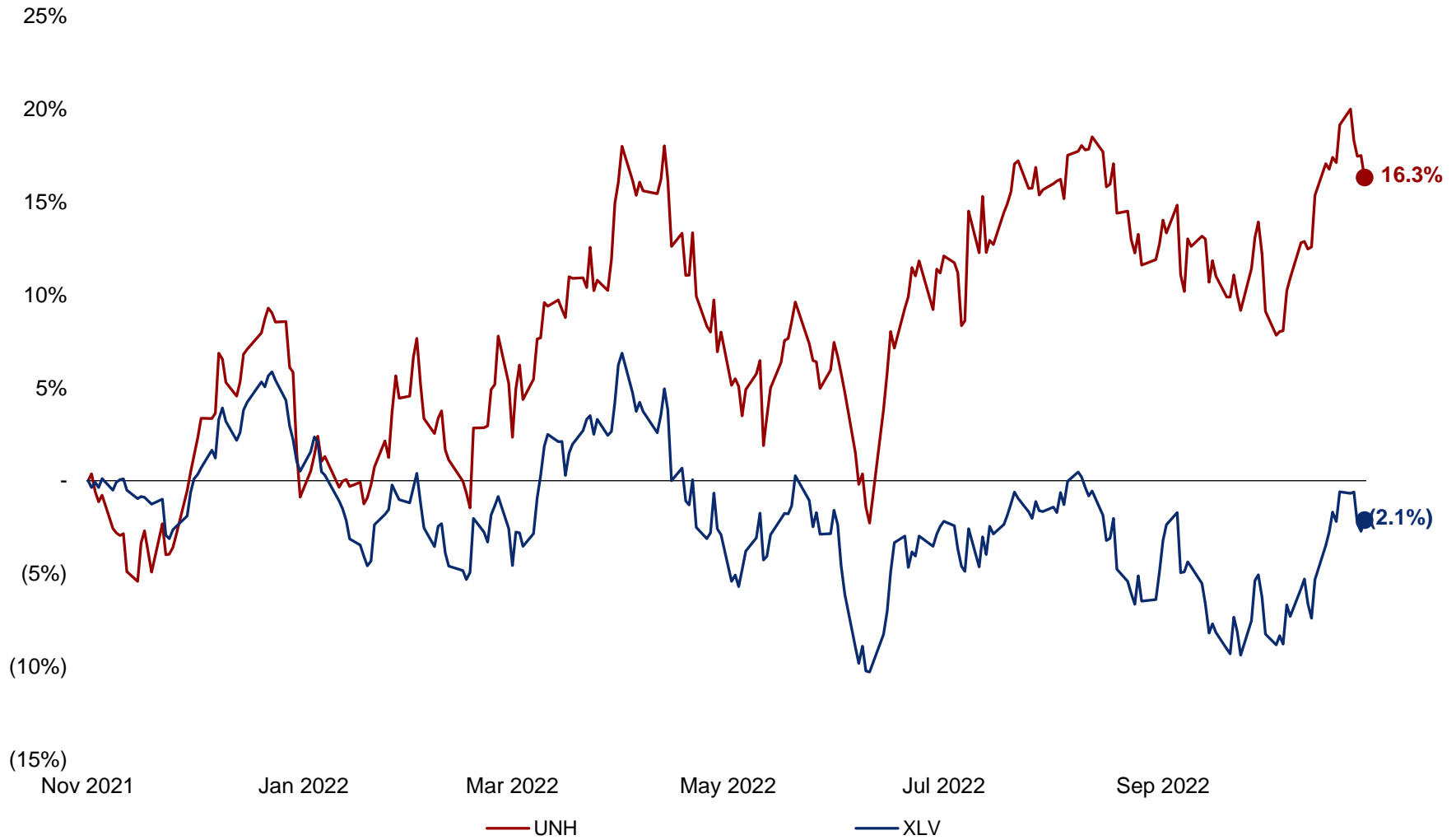
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UNH Performance

Section I

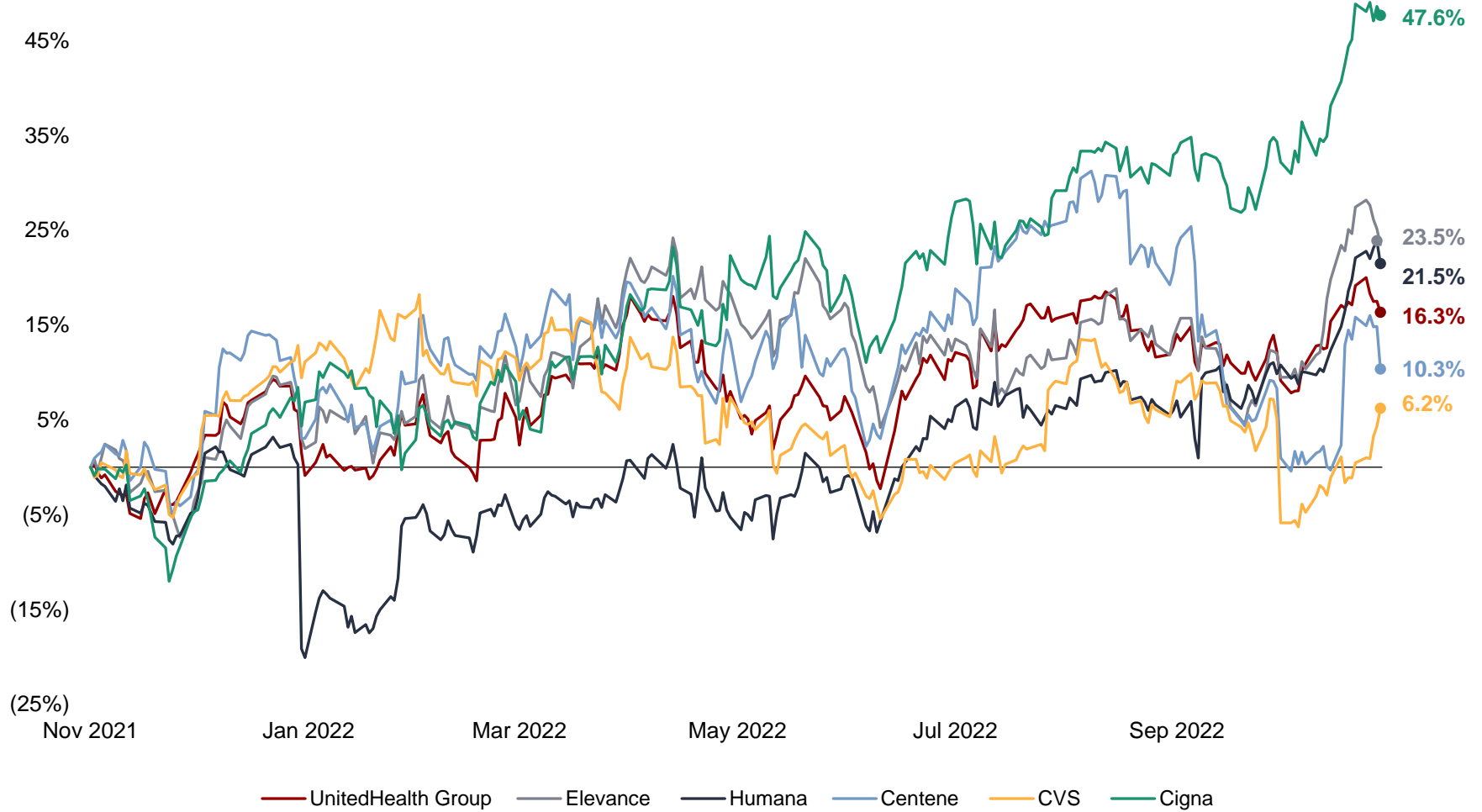


UNH has outperformed its index YTD



Share Price Performance

Over The Last Year, UNH Has Performed Relatively Average To Its Peer Set



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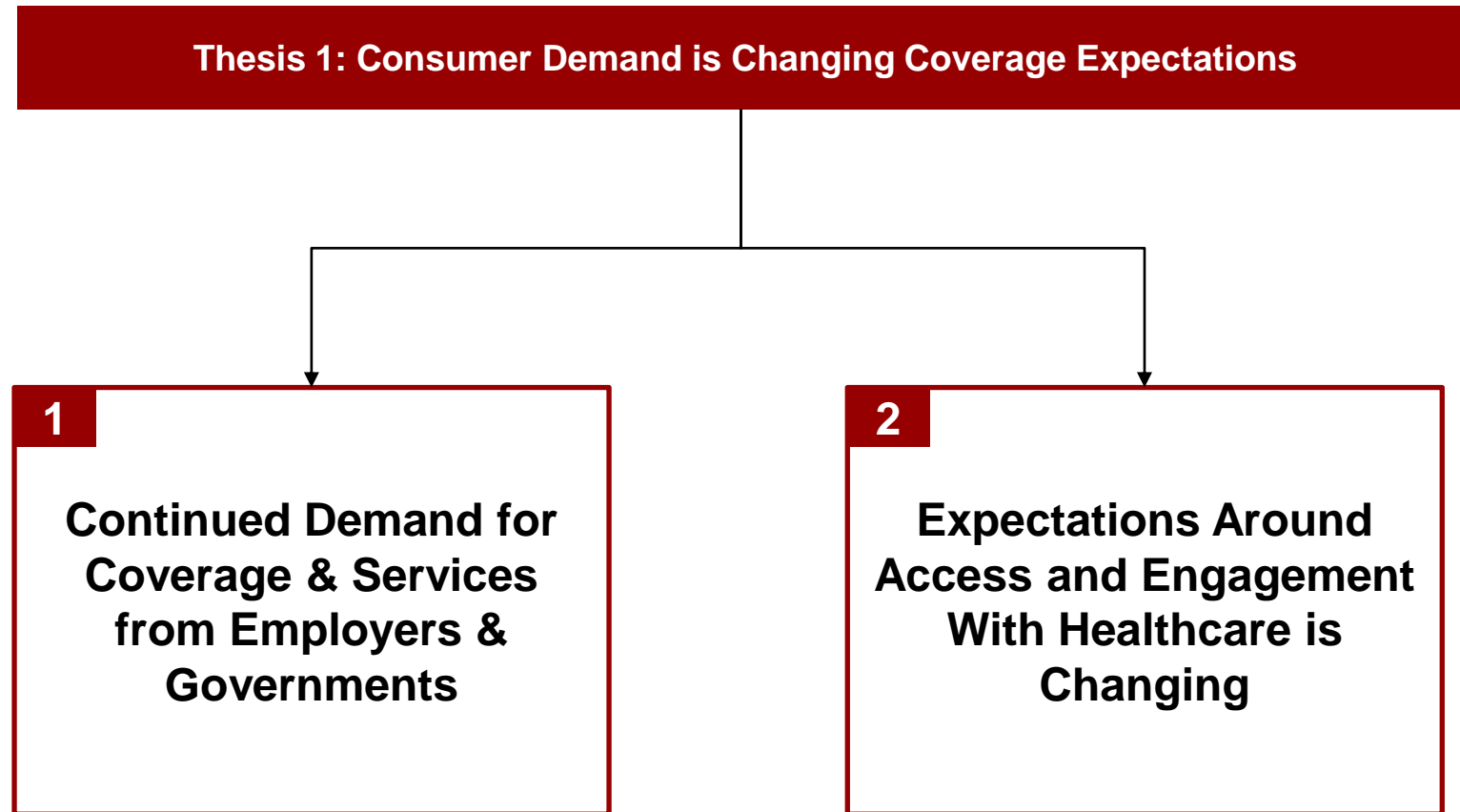
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Investment Thesis I

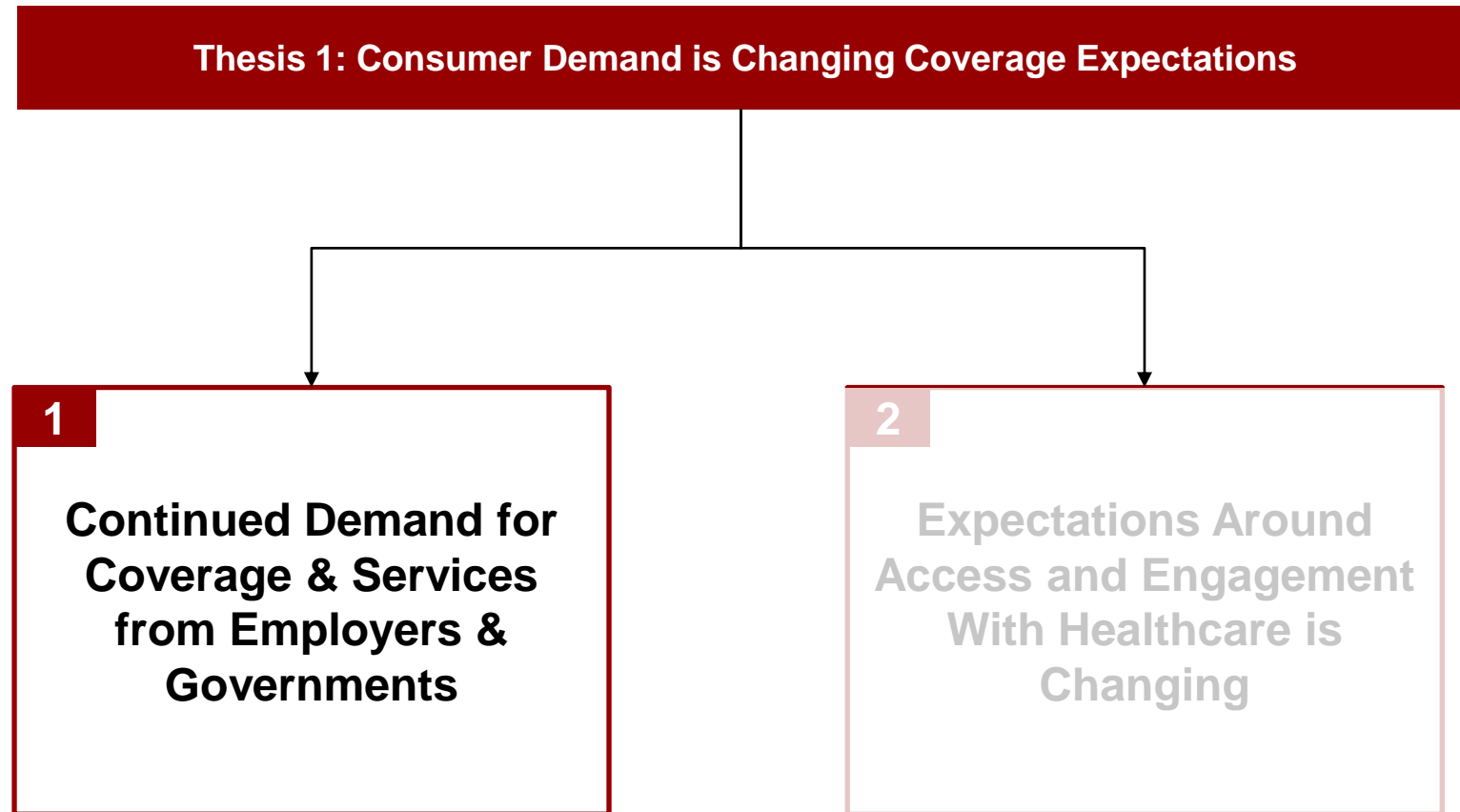
Section II



UNH Is Primed To Address And Supply Insurance And Services For The Changes In HC Coverage Demands

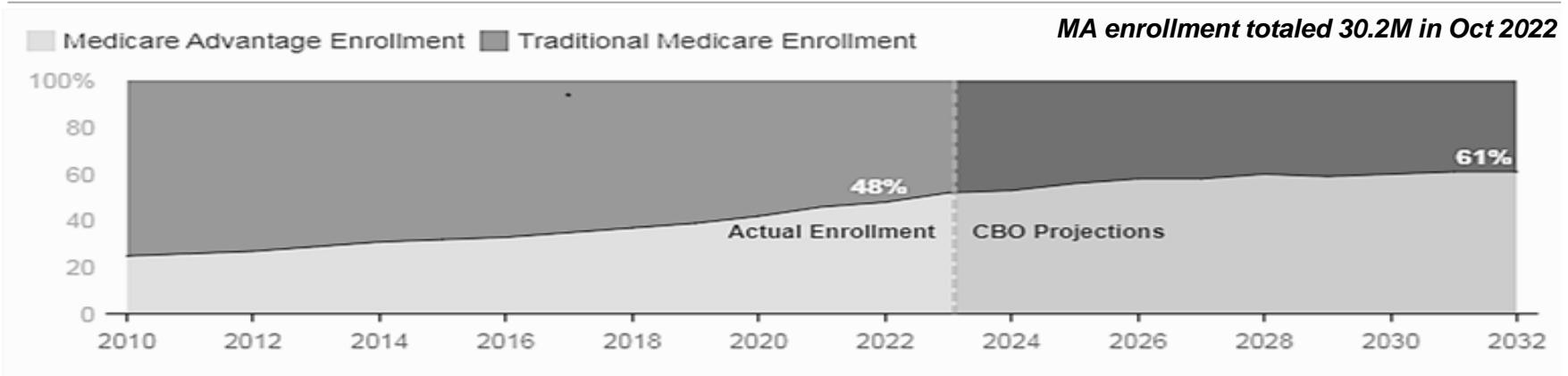


Source: Company Filings

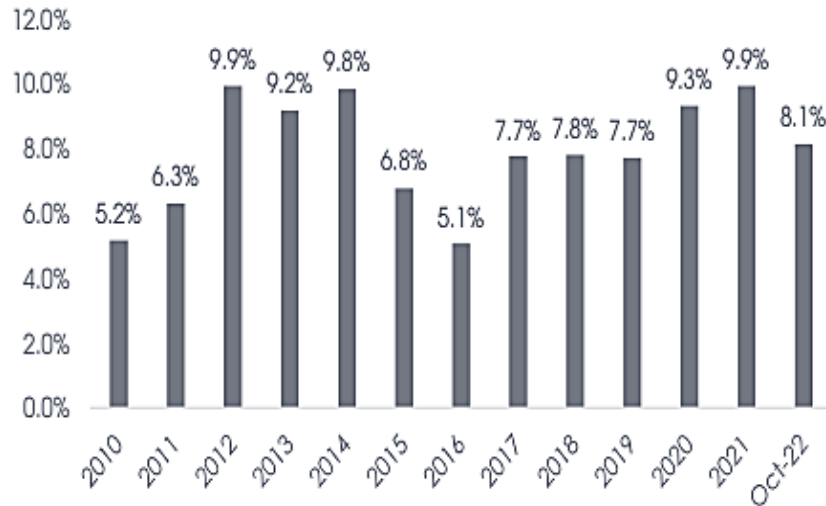


UNH Has Continued To Demonstrate Strength In The MA Subsegment And Is The Leading Provider By Members

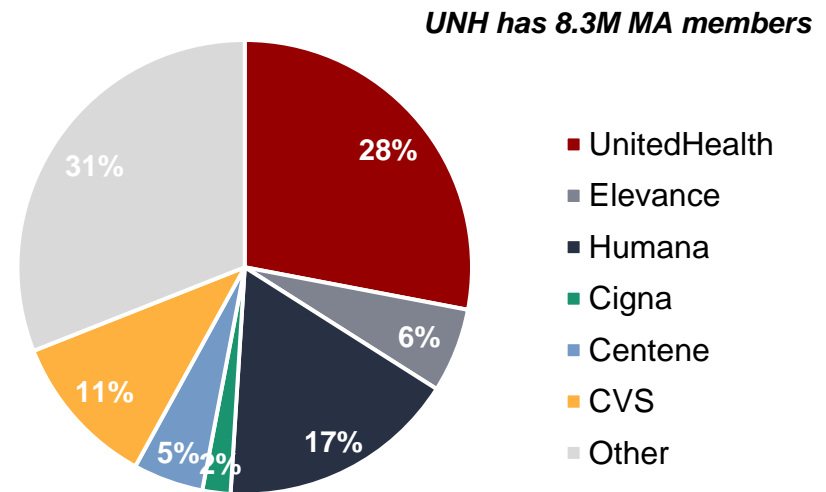
Medicare Advantage & Traditional Medicare Enrollment – Past & Projected



Total Medicare Advantage Market Growth



Total Medicare Advantage Market Share



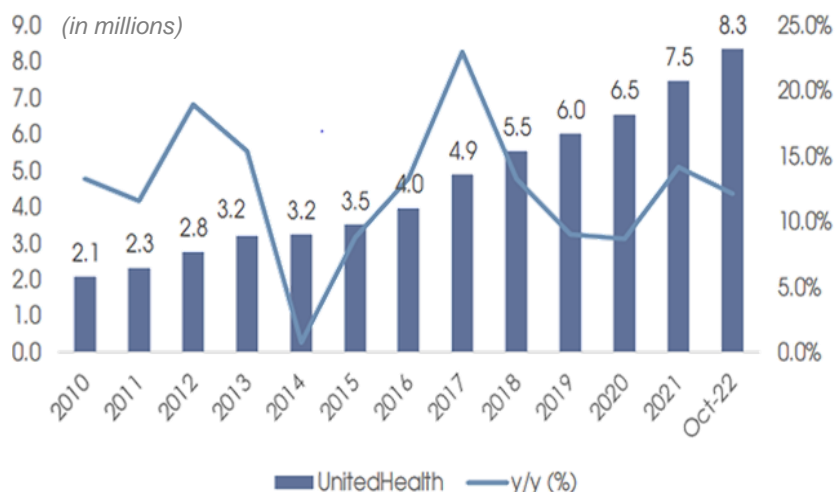
UNH continues to command the market, as population ages into Medicare, we see continued growth opportunity within Medicare Advantage

Source: KFF, Statista, Stephens

UNH Premium Value and Wide Range of Offerings are Winning Consumers

UNH Member Growth

- UNH leads adds amongst almost competitors, increasing 800k YTD, except CNC which grew 2.7x the industry average of 7.7% - ~20.8%
- UNH provides a **deeper, more coordinate level of care** that is accomplished at a lower cost, making their MA program more attractive to people and the government as it is at a **lower net cost compared to those in Medicare fee-for-service**



CMS STAR Ratings

- UNH has maintained its STAR Rating above 4, allowing it to receive a 5% quality bonus as established by the ACA. This ranking system encourages plans to compete for enrollees based on quality.
- It received \$2.8B in bonus payment in 2022

Largest Contract ID - STAR Rating Change YTY						
	Largest Contract ID	Enrollment		STAR Rating		
		# (As of Feb'22)	% of Total MA Lives	2024 Payment Year	2023 Payment Year	Est. YTY Change
UNH	H5253	695,609	11.2%	4.5	5.0	(0.5)
HUM	H5216	1,331,749	29.6%	4.5	4.0	0.5
CVS	H5521	737,429	37.7%	3.5	4.5	(1.0)
KAISER	H0524	874,280	71.4%	5.0	5.0	0.0
CNC	H1032	142,076	10.0%	3.0	4.5	(1.5)
ELV	H3655	273,652	16.4%	4.0	4.0	0.0
CI	H4513	239,764	44.0%	5.0	4.5	0.5
ALHC	H3815	85,263	92.6%	4.0	4.0	0.0
BHG	H0838	74,483	63.1%	3.0	3.5	(0.5)

Source: CMS, Morgan Stanley Research

UNH Management Outlook on Medicare Advantage Growth

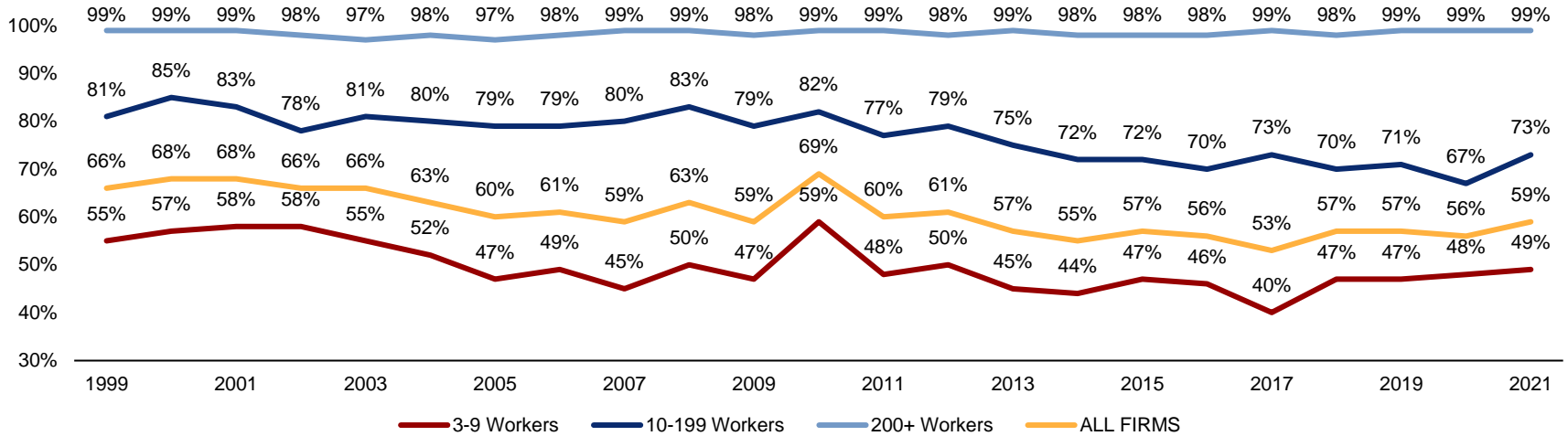
“People served by our Medicare Advantage offerings continue to grow strongly, **increasing 800,000 so far this year**. The recently **released 2024 plan year star ratings were consistent with our long-term planning expectations, with 81% of our members in four star or better plans**, a level we expect will rise as planned refinements are finalized. **UnitedHealthcare enters 2023 serving more people in four and five-star plans than any other health plan**. The number of people we serve through our Medicaid offerings has grown by 350,000 year to date.”

- John Rex - EVP & CFO – Q3 2022 Earnings Call

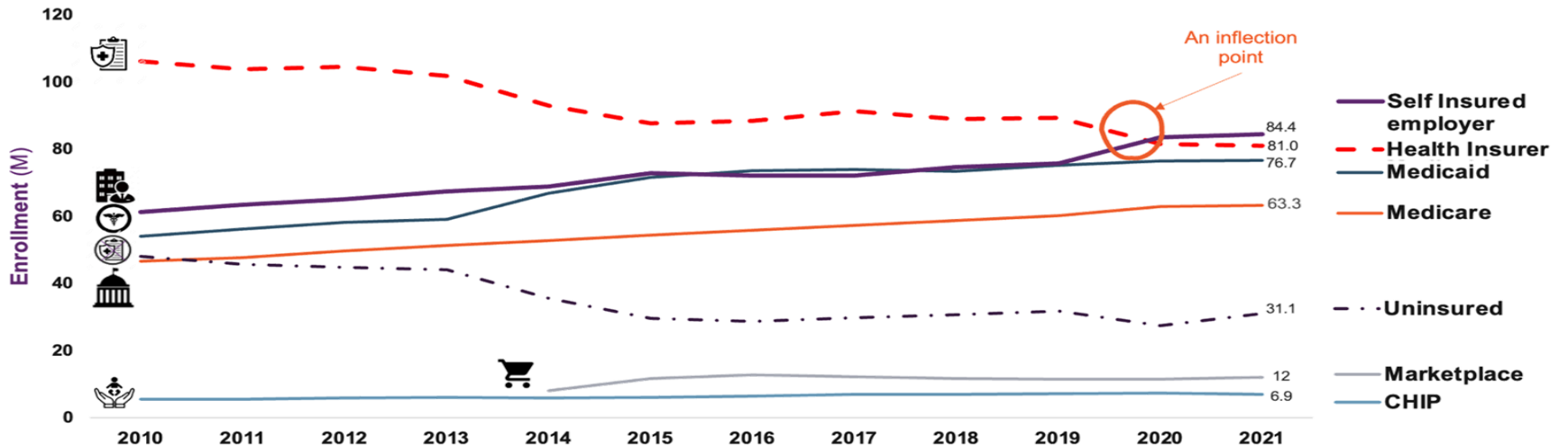
Source: KFF, SeekingAlpha, UNH Earnings Call Q3 2022

Healthcare Insurance is Essentially Tied to Employment In the US

Percentage of Firms Offering Health Benefits by Firm Size, 1999-2021



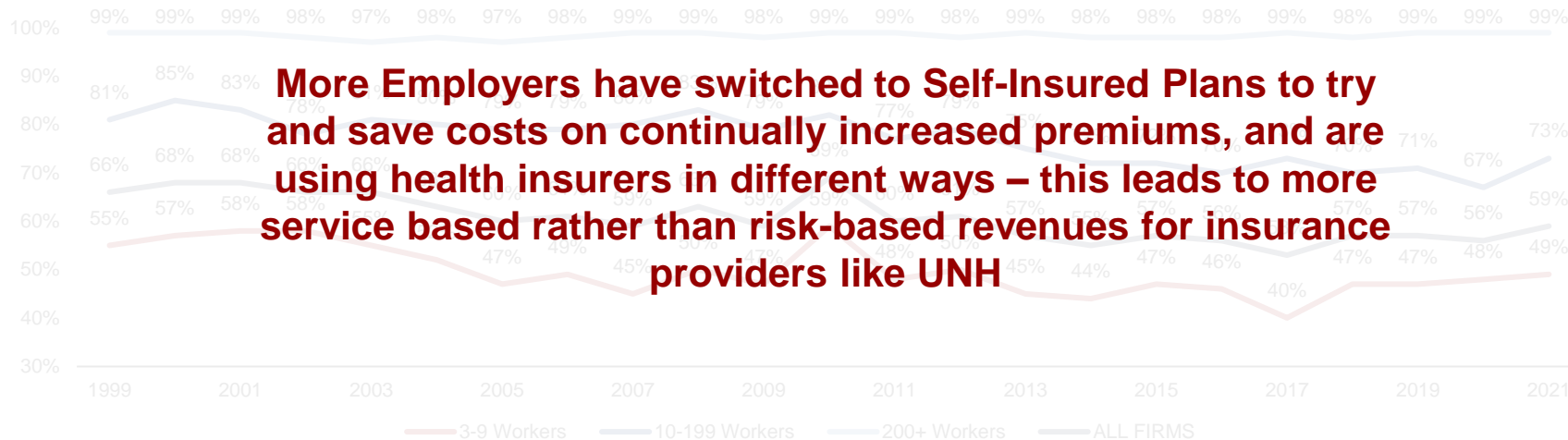
Health Insurance Enrollment 2010-2021



Source: KFF, HFS Research

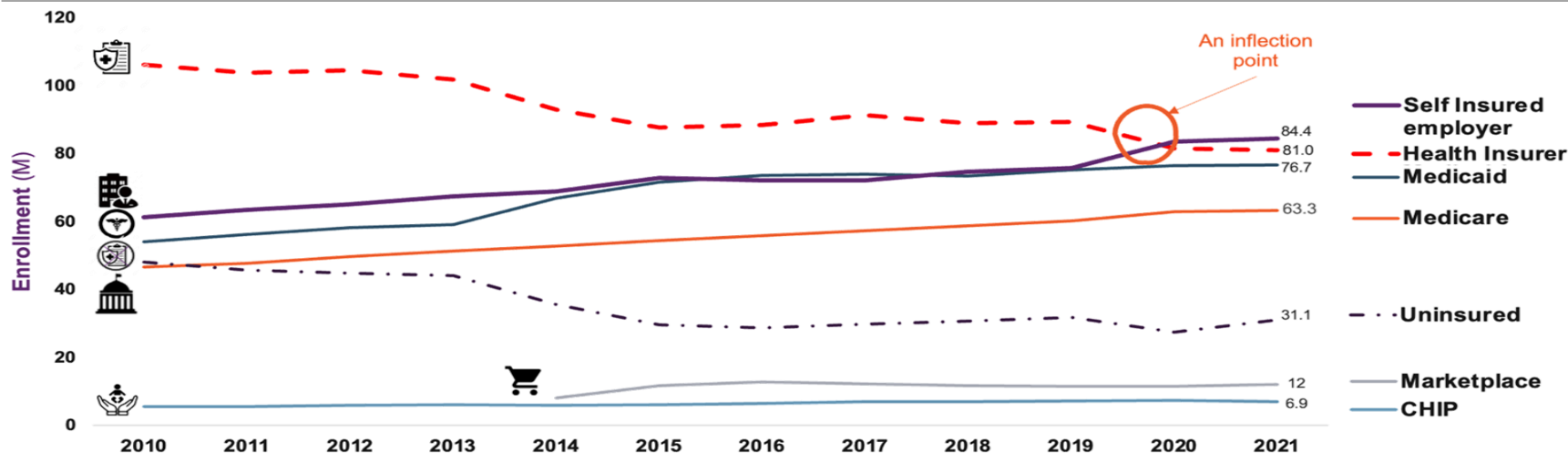
Healthcare Insurance is Essentially Tied to Employment In the US

Percentage of Firms Offering Health Benefits by Firm Size, 1999-2021



More Employers have switched to Self-Insured Plans to try and save costs on continually increased premiums, and are using health insurers in different ways – this leads to more service based rather than risk-based revenues for insurance providers like UNH

Health Insurance Enrollment 2010-2021

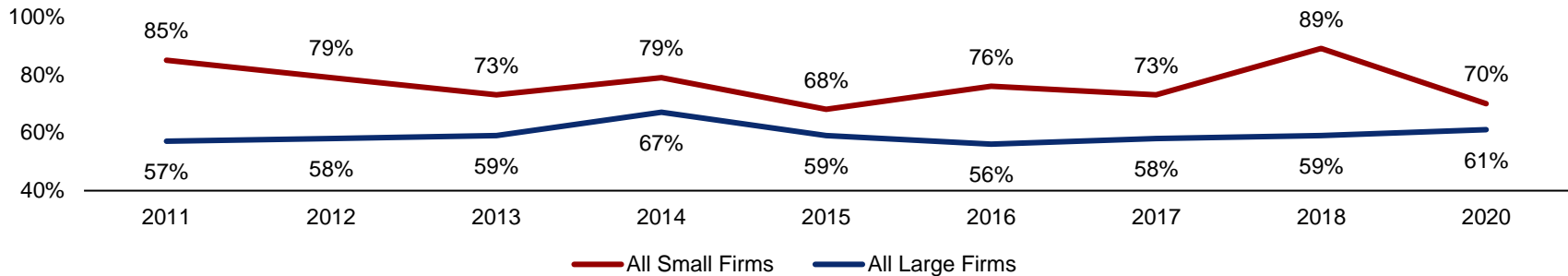


An inflection point

Source: KFF, HFS Research

Roll of Health Insurers Are Shifting – More Services, Different Plan Offerings Required, like Stoploss Insurance

Percentage of Covered Workers Enrolled in Self-Funded Plan Covered by Stoploss Insurance, by Firm Size, 2011-2020



Health Insurers Role In Changing Healthcare Environment

In the commercial space, the need for insurers remains and HMOs remain even if the role they are playing in the value chain has shifted

Health Insurers and HMOs

- Consolidation of healthcare has occurred over the last 10-15 years is due to negotiation power resulting in volume of patients/ employees
- Most large companies are self-insured; but they don't have the capabilities or market power to negotiate with providers
- Amazon, Berkshire Hathaway, and JP Morgan's Healthcare Venture HAVEN failed due to its inability to dominate even one healthcare market despite its 1.2mm US employees

HAVEN

Risk of Rising Costs

- The ASO model is only efficient for extremely large corporations, not so much for SMB
- Risk-Based Insurance will continue to grow in this segment, driven by ACA requirements and employee expectations
 - ACA offers solutions for small businesses that don't require a formal plan, but allow for pre-tax payments to employees for healthcare
- Many businesses still purchase insurance to some degree, in the form of stop-loss plans, often cheaper than a standard plan
 - UNH services stop-loss plans

Administrative & Management

- ASO allows for HMOs and insurers to handle more administrative and management services for self-funded employers
- Although a smaller margin, due to less risk involved in the process, HMOs and insurers who are not equipped for such services will lose out on this revenue segment
 - UNH's investment in the Optum business has allowed it to capture significant market share in the services segment, across both corporations and government healthcare divisions (e.g. the VA)

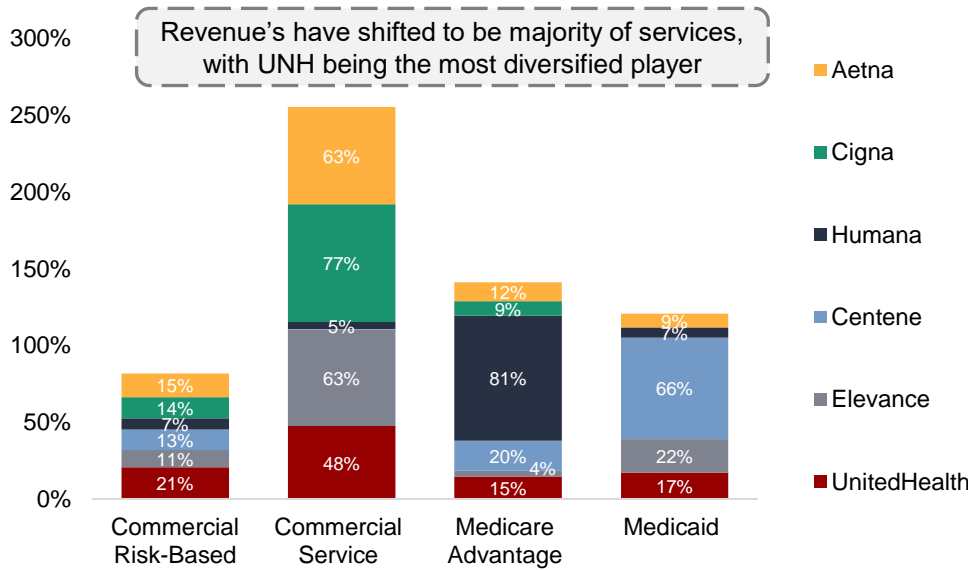
UNH's market dominance, industry know-how and wide offering ensures they remain important in the value chain of healthcare

Source: KFF, HBR

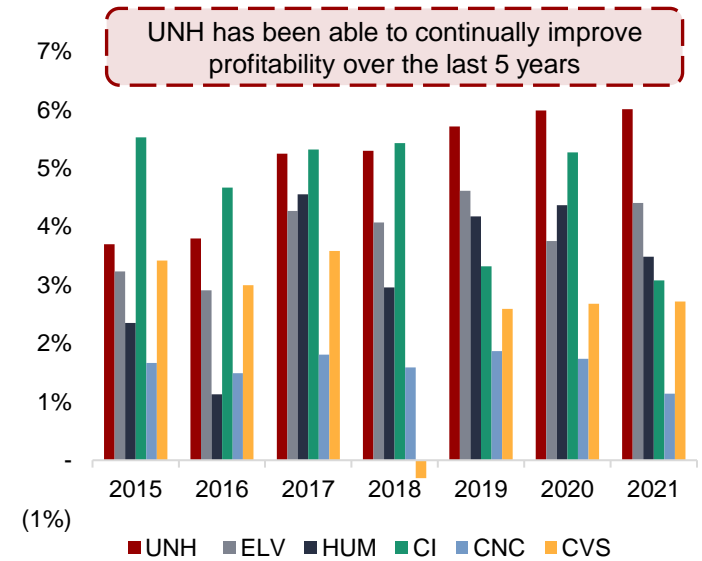
Note: Small Firms have 3-199 workers and Large Firms have 200+ workers

UNH is the largest healthcare name in the US

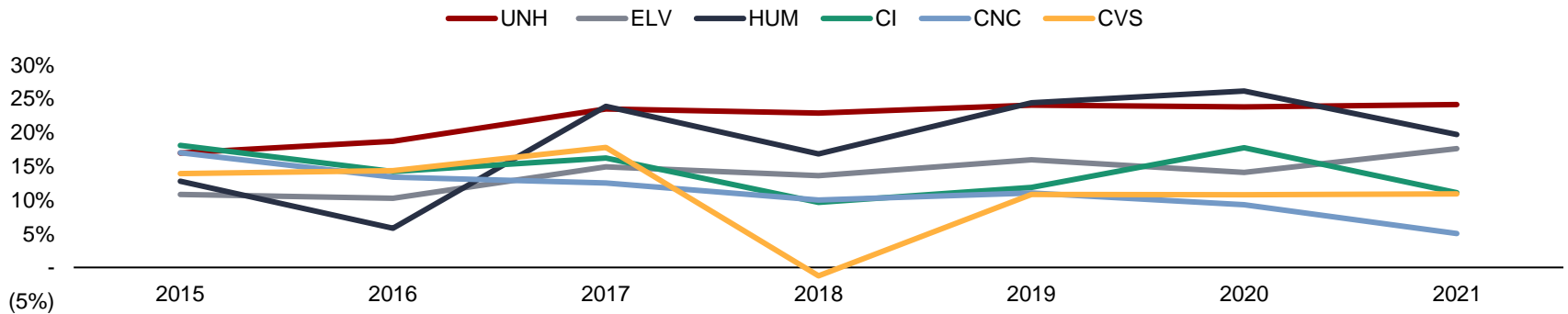
Healthcare Insurers Revenue by Segment



Net Profit Margins 2015-2022



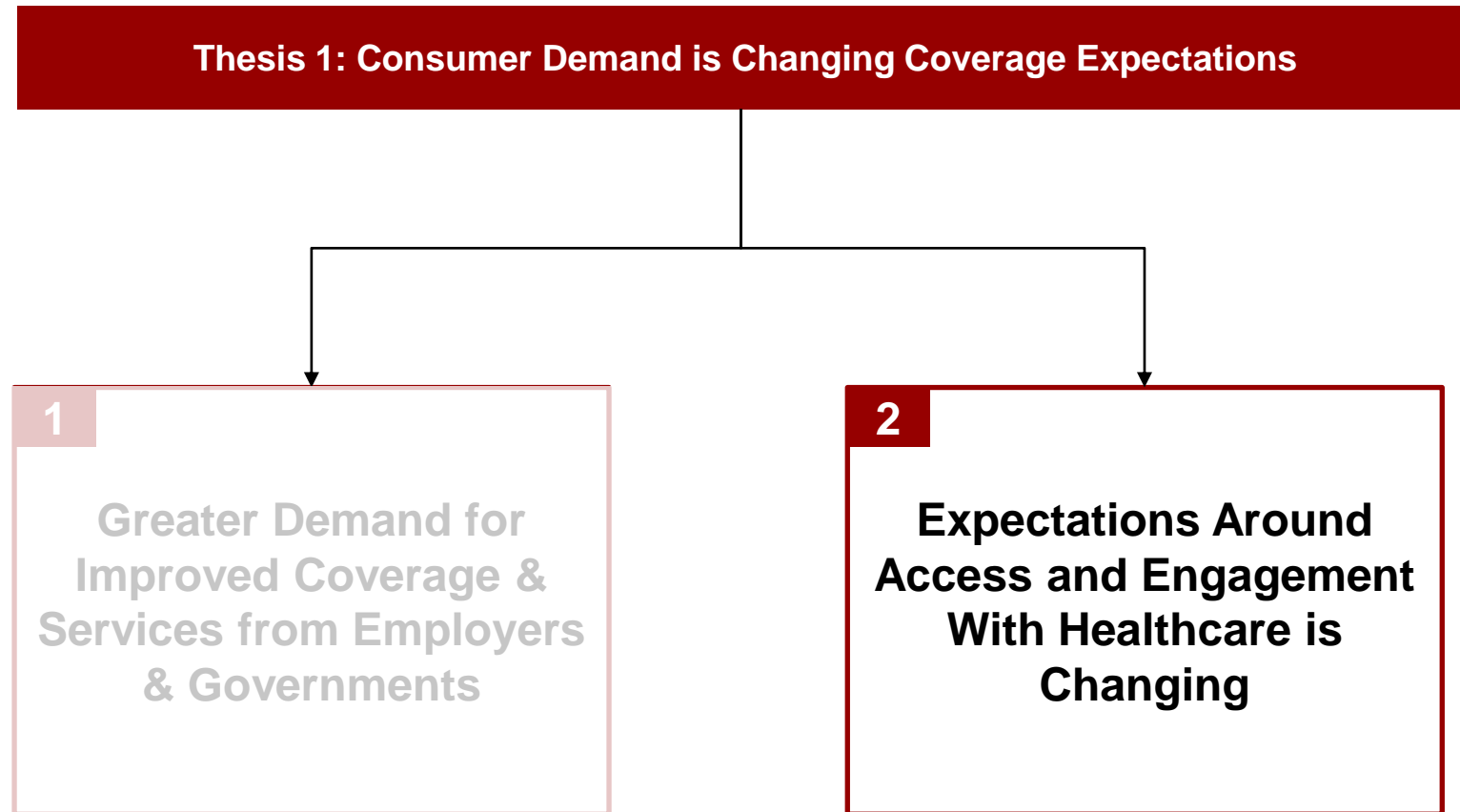
Return on Equity 2015-2022



Health Insurers are going to continue to play a significant role in the US Healthcare System – UNH is the diversified, dominant, and proven player

Source: HFS Research, CapIQ

UNH Is Primed To Address And Supply Insurance And Services For The Changes In HC Coverage Demands



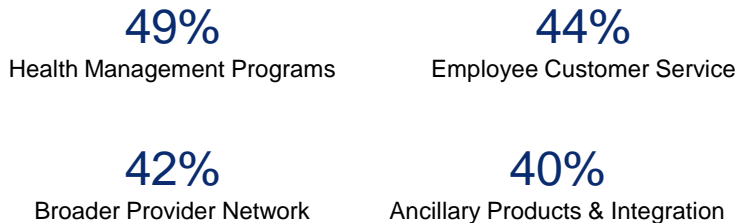
Source: Company Filings

How Patients Access and Understand their Coverage is Going Digital

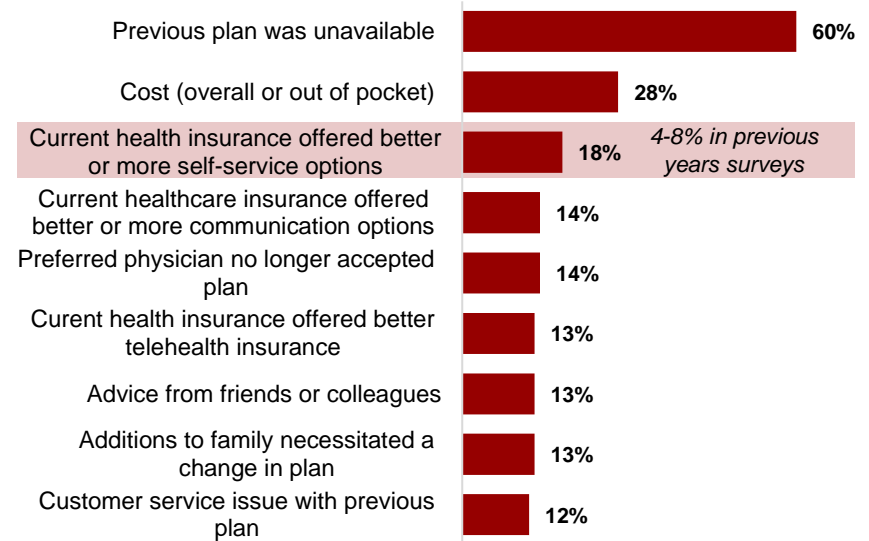
5 Key Trends Emerging from Employer Healthcare Benefits

- 1 The “Great Attrition” is putting pressure on employers and raising awareness of the importance of employee benefits
- 2 Employers offer voluntary benefits to bolster talent acquisition and retention efforts as they become increasingly important
- 3 Employers perceive cost as relatively less important when selecting benefits carriers versus five years ago, despite rising costs
- 4 Employers continue to view high-deductible health plans as a viable option for managing rising medical costs
- 5 Employers are increasingly interested in benefit solutions that include health management and member advocacy that simultaneously improve member satisfaction and help manage costs

Top Non-Cost Factors, % of Employer Respondents



Reasons for Switching Health Insurance



Digital is the influential thread running through attracting consumers, driving enrollment, supporting transactions, engaging members, and retaining members. It necessitates a continuous learning, digital engagement strategy optimizing selection, deployment, and targeting of channels at the member level.



Digital and overall ease of navigating is attracting and retaining members; UNH is already at the forefront of this especially through Optum

Source: HFS Research, McKinsey

Desautels Capital Management

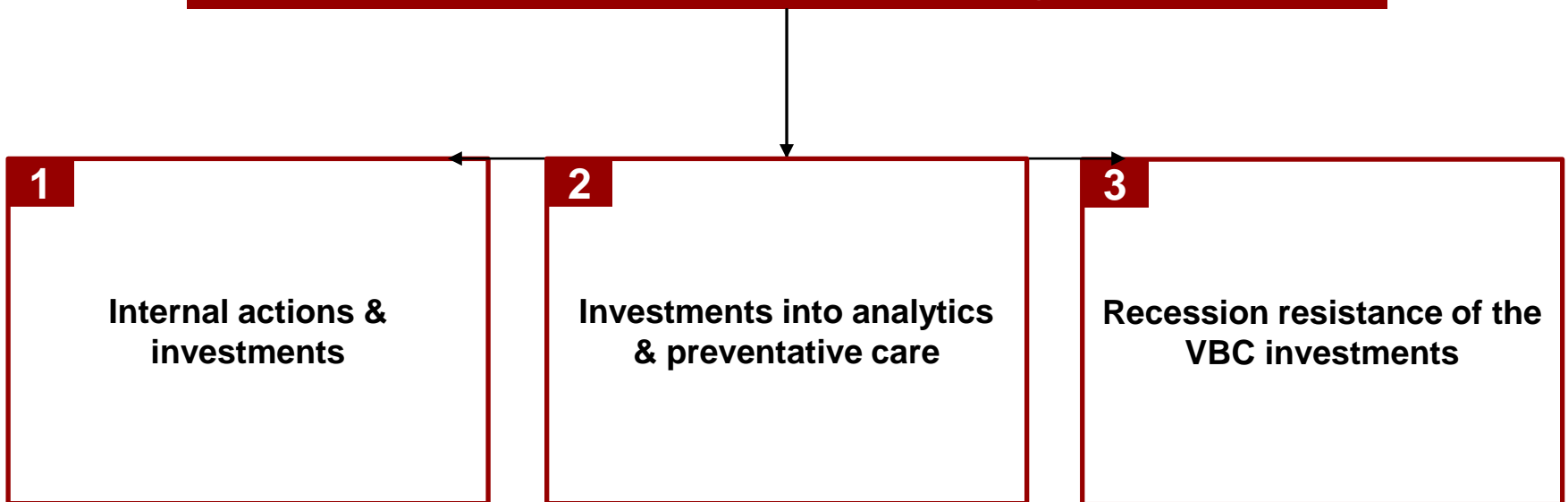
Honours in Investment Management

Investment Thesis II

Section III

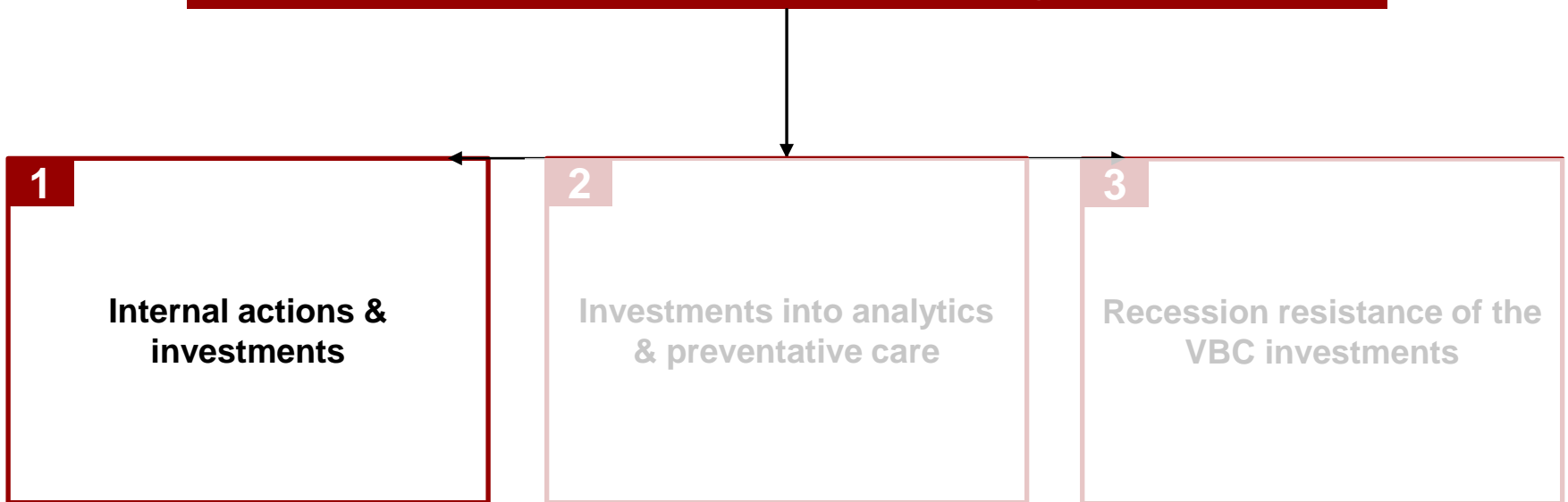


Thesis 2: UHG is making investments into value-based care, benefitting its insurance business and recession-proofing the company



Source: Company Filings


Thesis 2: UHG is making investments into value-based care, benefitting its insurance business and recession-proofing the company





Source: Company Filings

VBC for short!


1 Fee-For-Service Care


Payment Model
 Providers were paid for each service they performed


The Downside
 This incentivizes providers to order more tests than necessary

The Outcome
 Increase spending which did not translate into improved patient outcomes

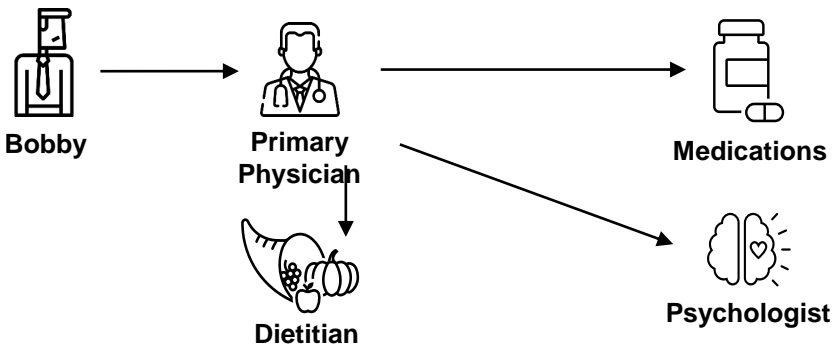
2 Value-Based Care

Payment Model
 Providers are reimbursed for the entirety of the procedure and based on patient outcome metrics

The Upside
 This incentivizes providers to perform the necessary tests to achieve the best possible outcomes

The Outcome
 Insurers achieve better patient outcomes for their clients while also decreasing their expenses

The Patient Experience under VBC



Bobby visits his primary care physician, complaining of shortness of breath. His primary care physician will then refer him to the following auxiliary care services:

- Lab Facility
- Cardiologist
- Pharmacist
- Psychologist
- Dietitian

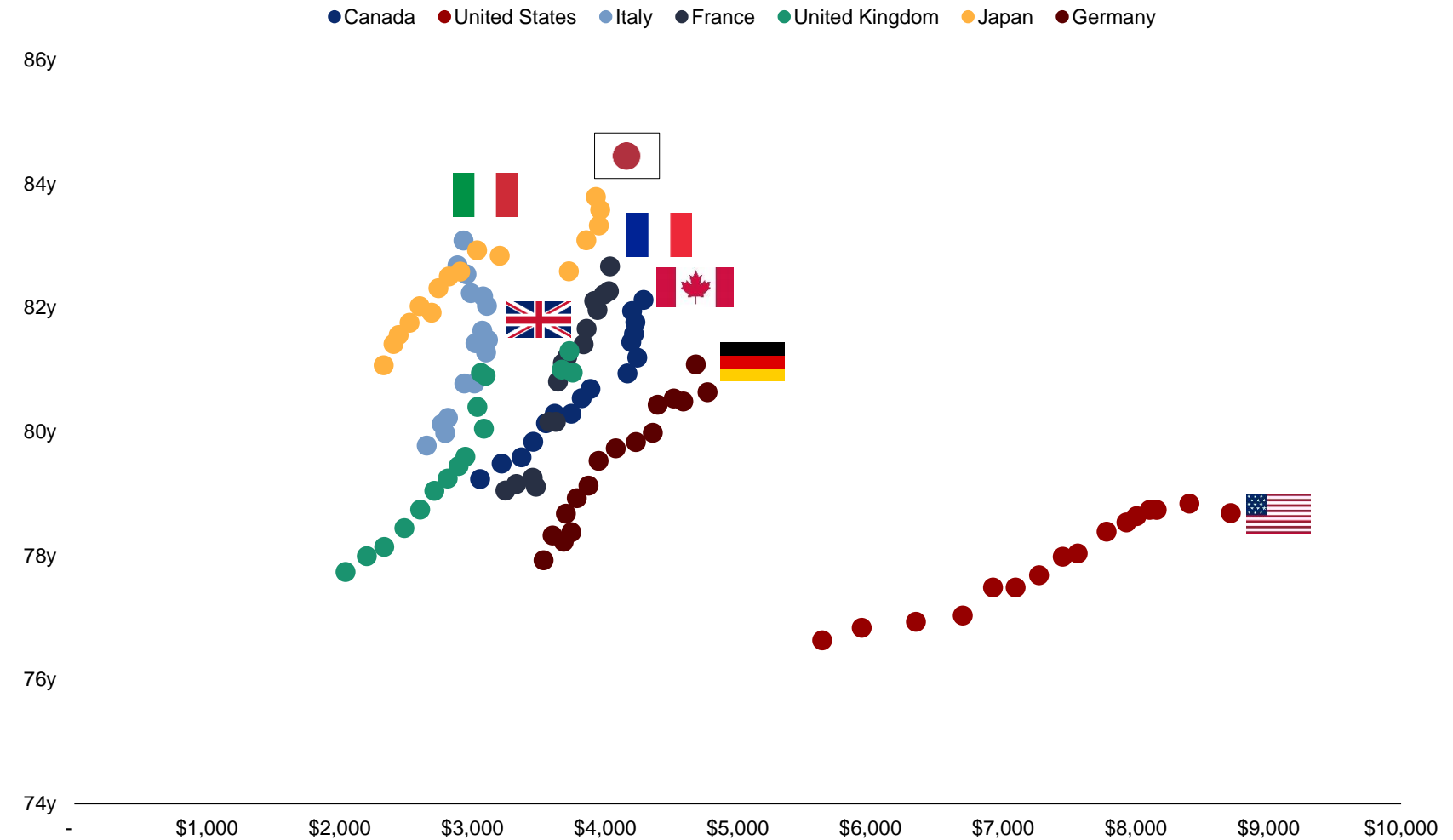
Patients avoid serious health complications, through a higher quantity of smaller treatments and procedures

Under VBC, the primary physician acts as the anchor, referring patients to other specialists

Source: Company Filings, Industry Research, NCSL,

Benchmarking US health systems versus other G7 countries

Life expectancy at birth vs Health expenditures per capita (2000-2015)



Using life expectancy as healthcare returns, the US is noticeably more inefficient than other G7 countries; the industry is ripe for disruption

Source: World Bank

UNH has been active internally to increase its efficiency through VBC

Increasing the Number of Patients Under VBC

- UNH continues to push its patients towards VBC, upping its initial 500,000 prediction for the year to 600,000.
- Revenue per consumer grew by 31% due to this continued VBC push
- Two thirds of revenue are currently derived from VBC arrangements



- Ample runways for growth, through both continued increases in current markets, as well as expanding into new markets where FFS is particularly prevalent



- Strong negotiating power due to it being both a provider and an insurer

This Leads to top-line growth for Optum, as well as bottom-line improvements for UnitedHealthcare

\$0 Out-of-Pocket for Necessary Medications

- Starting in 2023, there will be no co-pay, \$0 out of pocket for several critical medicines on our preferred drug list for UnitedHealthcare Group fully insured members.
 - Included are medicines such as
 - Insulin for diabetes
 - Epinephrine for severe allergic reactions
 - Albuterol for acute asthma attack



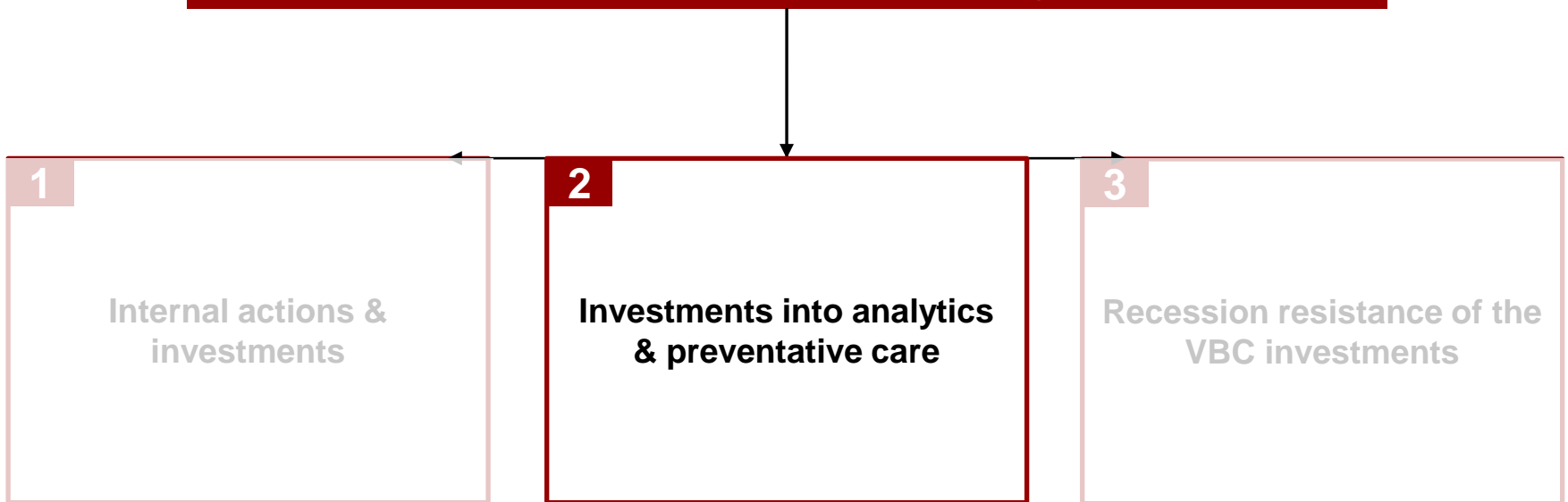
- COPD patients under VBC had 80% higher medication adherence rates, leading to 60% fewer respiratory complications & emergency room visits



- MA patients under VBC had a higher adherence to wellness checks than their FFS counterparts, leading to 20% lower hospitalizations

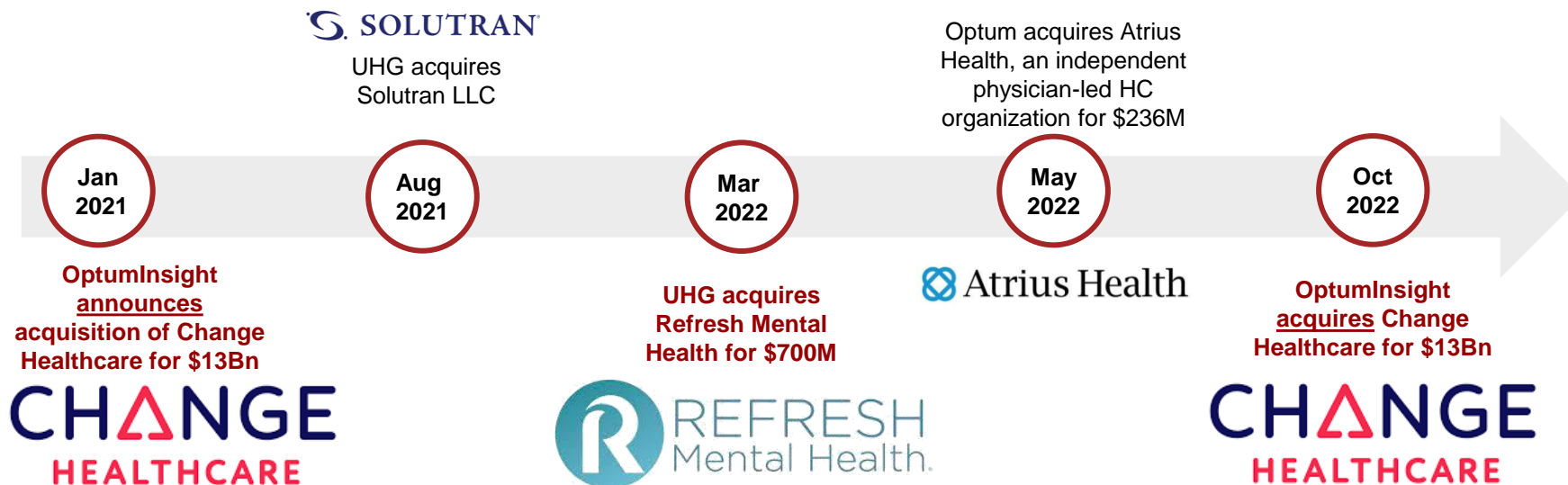
This Leads to Large Savings for UnitedHealthcare, the Insurance Segment of the Business

Thesis 2: UHG is making investments into value-based care, benefitting its insurance business and recession-proofing the company



Lots of M, lots of A

Recent M&A History



Acquisition Snapshots

Change Healthcare

- In a move towards improving its value-based care offerings, UnitedHealth Group acquired Change Healthcare for \$8Bn alongside \$5BN of debt.
- The deal was on hold for nearly 2 years due to anti-trust concerns from the DoJ.

Refresh Mental Health

- To further extend its value-based care offerings and grow its ecosystem, UnitedHealth Group acquired Refresh Mental Health for \$700M.
- This allows UHG to enhance their preventative care.

Source: Company Filings

CHANGE HEALTHCARE

a revenue cycle management company
acquired by Optum Health arm of UNH

1/3

Of U.S patient records are touched
by Change HC

15 Billion

Healthcare transactions completed
annually in the United States

- Revenue Management data contains all information about treatments received, patient outcomes, and prices paid for services
- Through Optum Insight's analytics technology, UNH can use this data to better understand which patients are at risk and need to be prioritized for care or called in for a checkup



- The Department of Justice attempted the block the merger as part of the Biden administration's anti-trust agenda
- The concern is that UNH would have access to its competitor's information
- "The evidence at trial established, and the court finds, that United will have strong legal, reputational, and financial incentives to protect rival payers' CSI after the proposed merger"

Source: Company Filings, CDC, VA, John Hopkins Medicine, BHF



Refresh offers comprehensive psychological treatment to patients

300+ Mental Health centers throughout the U.S.

37 states In which Refresh currently has operations

- Through the addition of preventative care facilities such as Refresh, UNH can further reduce the number of serious health complications that its patients suffer
- This acquisition acts only as an example of ways that UNH can continue to bring down its costs and lowering its MLR

The Link Between Mental and Physical Health



- Veterans suffer from coronary heart disease at nearly double the rate of the population average (9.2% vs 4.7%), mainly due to increased rates of PTSD
- Higher scores on symptom tests can be directly linked to increases of up to 20% in mortality
- 50% in stroke cases amongst people suffering from depression (1.5% vs 1.0%)

Source: Company Filings, CDC, VA, John Hopkins Medicine, BHF

Thesis 2: UHG is making investments into value-based care, benefitting its insurance business and recession-proofing the company



Source: Company Filings

UNH's Healthcare Service Offerings

Pharmaceuticals

- Medication delivery and supply
- Transfusion and IV services



divvyDOSE

AXELA Care

Dental Services

- General Dentistry
- Oral surgery
- Orthodontics and Prosthodontics
- Dental Insurance



DialCare
TELEDENTISTRY

jet dental

We bring the dentist to your workplace.

Health Insurance

- Risk-Basis Health Insurance
- Self-Funded Health Insurance
- Medicare Health Insurance

surest
A UnitedHealthcare Company

Naviguard

SOLUTRAN

RALLY

Mental Health

- Residential Mental Health and Intellectual Disability Facilities
- Substance Abuse Centers



REFRESH
Mental Health

Hospitals and ASCs

- Hospitals
- Outpatient Care Centers

SCA
Surgical Care Affiliates

ProHealth
PHYSICIANS
Part of OptumCare

New West
PHYSICIANS
We put your health first

BEAVER
MEDICAL GROUP



ME MedExpress



Home Healthcare & Nursing Care

- Home Healthcare Providers
- Nursing Care Facilities
- Orphanages and Group Home
- Retirement Communities

Landmark

LHC
GROUP

Source: Market Research

Performance of Risk-Based Membership throughout recessionary periods

Commercial Risk Membership						
	2019	% y/y	2020	% y/y	2021	% y/y
ANTM	5,288	2.90%	5.14	(2.80%)	5524	7.50%
CI	2,379	5.50%	2,399	0.80%	2544	6.00%
CNC	2,331	17.80%	2,634	13.00%	2,603	(1.20%)
CVS (Aetna)	3,591	(7.20%)	3,258	(9.30%)	3,258	0.00%
HUM	909	(9.60%)	777	(14.50%)	675	(13.10%)
UNH	8,575	0.90%	7,910	(7.80%)	7985	0.90%

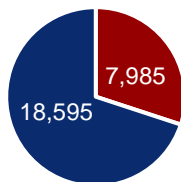
Commercial Risk Membership											
	2007	% y/y	2008	% y/y	2009	% y/y	2010	% y/y	2011	% y/y	
ANTM	13,648	(4.2%)	13,257	(2.9%)	12,486	(5.8%)	10,718	(14.2%)	10,407	(2.9%)	
CI	1,218	(5.9%)	1,057	(13.2%)	1,001	(5.3%)	1,177	17.6%	1,091	(7.3%)	
CNC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
CVS (Aetna)	5,418	6.5%	5,595	3.3%	5,614	0.3%	5,015	(10.7%)	4,758	(5.1%)	
HUM	807	(0.6%)	882	9.3%	728	(17.5%)	569	(21.8%)	N/A	N/A	
UNH	10,805	(4.3%)	10,360	(4.1%)	9,415	(9.1%)	9,405	(0.1%)	9,550	1.5%	

Performance of ASO Membership throughout recessionary periods

Commercial ASO Membership						
	2019	% y/y	2020	% y/y	2021	% y/y
ANTM	25,418	0.5%	25,629	0.8%	25,573	(0.2%)
CI	12,073	0.0%	11,485	(4.9%)	11,688	1.8%
CNC	N/A	N/A	N/A	N/A	N/A	N/A
CVS (Aetna)	14,159	2.0%	13,644	(3.6%)	13,530	(0.8%)
HUM	529	9.8%	505	(4.5%)	496	(1.8%)
UNH	19,185	4.2%	18,310	(4.6%)	18,595	1.6%

Commercial ASO Membership											
	2007	% y/y	2008	% y/y	2009	% y/y	2010	% y/y	2011	% y/y	
ANTM	17,737	5.9%	18,520	4.4%	18,236	(1.5%)	19,590	7.4%	20,506	4.7%	
CI	8,013	12.4%	9,736	21.5%	9,226	(5.2%)	9,266	0.4%	9,550	3.1%	
CNC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
CVS (Aetna)	10,453	4.0%	10,893	4.2%	11,821	8.5%	11,809	(0.1%)	11,868	0.5%	
HUM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
UNH	14,720	2.1%	15,985	8.6%	15,210	(4.8%)	15,405	1.3%	16,320	5.9%	

UNH's Commercial Client Mix YE2021



■ Risk-Based
■ Fee-Based

- The Fee-based clients are much stickier than the Risk-based clients, but this sticky revenue has lower margins
- UNH has a larger proportion of these fee-based clients, which should allow for resistance throughout recessionary periods

Medicaid Membership						
	2019	% y/y	2020	% y/y	2021	% y/y
ANTM	7265	8.20%	8,852	21.80%	10,600	19.70%
CI	51	0.00%	51	0.00%	51	0.00%
CNC	8,639	3.40%	13,610	57.50%	15,015	10.30%
CVS (Aetna)	1,398	23.90%	2,100	50.20%	2,333	11.10%
HUM	469	37.50%	772	64.60%	940	21.80%
UNH	5,900	-8.50%	6,620	12.20%	7,655	15.60%

Medicaid Membership										
	2007	% y/y	2008	% y/y	2009	% y/y	2010	% y/y	2011	% y/y
ANTM	2,174	15.60%	1968	(9.50%)	1,733	(11.90%)	1,756	1.30%	1,867	6.30%
CI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CNC	1,022	N/A	1,120	9.50%	1,345	20.10%	1,388	3.20%		11.80%
CVS (Aetna)	138	527.3%	207	50.00%	310	49.80%	381	22.90%	436	14.40%
HUM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
UNH	1,710	16.70%	2,515	47.10%	2,900	15.30%	3,320	14.50%	3,525	6.20%

- **Medicaid is countercyclical** given that eligibility is tied to income; Medicaid enrollment typically **grows** during periods of **economic contraction** and **shrinks** during **expansionary periods**.
- The ACA marked a major structural shift in U.S. healthcare markets, expanding coverage to more individuals, **up to 138% above the federal poverty line**.
- While Medicaid is a **lower revenue, lower margin** business compared to Commercial risk, it allows payors to **retain members**.



Desautels Capital Management

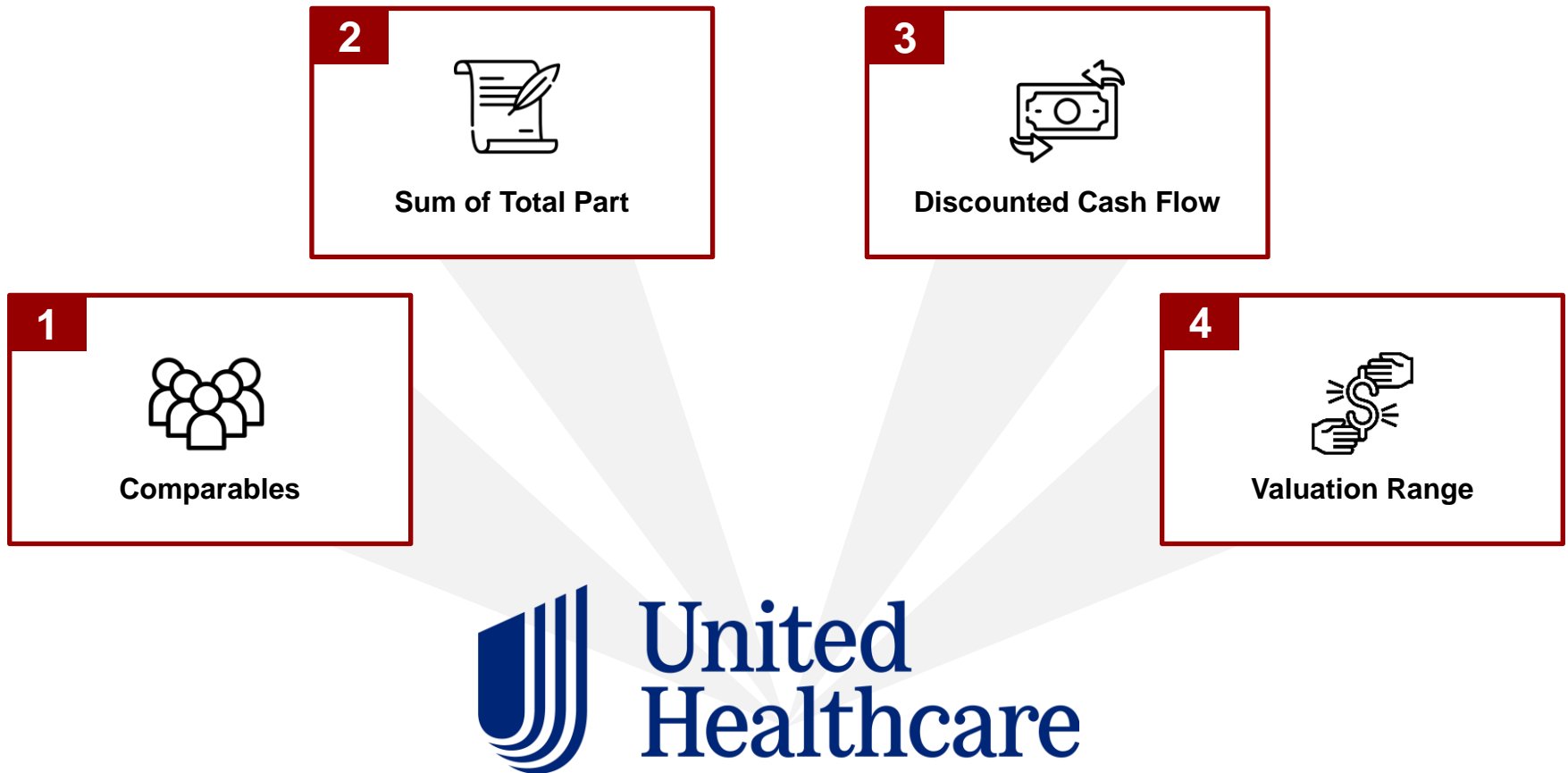
Honours in Investment Management

Valuation

Section IV



We wanted to be sure of our shot



What is United Healthcare really worth?

Comparable Company Analysis

Peer Group (in US\$ M, except ratios)	Ticker	Share Price	Market Cap.	Enterprise Value	EV / Sales			EV / EBITDA				EBITDA CAGR	Revenue CAGR	Net Debt / EBITDA	
					LTM	2022E	2023E	2024E	LTM	2022E	2023E	2024E	19A - '22E	19A - '22E	LTM
Analytics Solutions															
NextGen Healthcare, Inc.	NASDAQ: NXGN	19.79	1,338	1,279	2.1x	2.1x	2.0x	1.9x	37.4x	10.8x	11.4x	10.2x	38.4%	2.4%	(1.7x)
Cognizant Technology Solutions Corporation	CTSH	52.63	27,048	25,837	1.3x	1.3x	1.3x	1.2x	7.3x	7.2x	6.9x	6.4x	3.2%	2.5%	(0.3x)
HealthStream, Inc.	NASDAQ: HSTM	23.99	733	706	2.7x	2.6x	2.5x	2.3x	22.6x	13.4x	12.5x	11.7x	17.9%	3.6%	(0.9x)
Tabula Rasa HealthCare, Inc.	NASDAQ: TRHC	3.46	86	342	1.0x	1.2x	1.0x	0.9x	NM	40.3x	19.3x	12.1x	NM	1.8%	NM
WELL Health Technologies Corp.	TSX:WELL	2.14	488	785	2.1x	1.9x	1.7x	1.5x	14.5x	10.3x	8.9x	7.7x	17.1%	8.1%	4.4x
Allscripts Healthcare Solutions, Inc.	MDRX	15.67	1,736	1,462	1.0x	2.4x	2.2x	2.1x	12.7x	8.6x	7.7x	6.9x	16.4%	(17.6%)	(2.4x)
Median			1,036	1,032	1.7x	2.0x	1.9x	1.7x	14.5x	10.5x	10.2x	9.0x	17.1%	2.4%	-0.9x
Mean			5,238	5,069	1.7x	1.9x	1.8x	1.7x	18.9x	15.1x	11.1x	9.2x	18.6%	0.1%	(0.2x)
Pharmacy Care Services															
McKesson Corporation	MCK	396.65	56,242	61,152	0.2x	0.2x	0.2x	0.2x	16.1x	11.5x	11.6x	11.3x	9.3%	1.2%	1.2x
Walgreens Boots Alliance, Inc.	WBA	37.07	32,059	71,121	0.5x	0.5x	0.5x	0.5x	15.0x	11.2x	12.0x	11.3x	7.4%	1.0%	7.1x
Rite Aid Corporation	RAD	5.40	305	6,569	0.3x	0.3x	0.3x	0.3x	17.5x	12.9x	15.6x	16.0x	2.3%	(1.4%)	16.7x
Median			32,059	61,152	0.3x	0.3x	0.3x	0.3x	16.1x	11.5x	12.0x	11.3x	7.4%	1.0%	7.1x
Mean			29,535	46,281	0.3x	0.3x	0.3x	0.3x	16.2x	11.9x	13.1x	12.8x	6.3%	0.3%	8.3x
Healthcare Services & Facilities															
Tenet Healthcare Corporation	THC	41.74	4,513	21,738	1.1x	1.1x	1.1x	1.0x	6.5x	6.4x	6.5x	6.1x	1.7%	2.6%	4.2x
HCA Healthcare, Inc.	HCA	211.91	59,910	100,852	1.7x	1.7x	1.6x	1.5x	8.4x	8.4x	8.2x	7.7x	2.3%	2.6%	3.2x
Universal Health Services, Inc.	UHS	112.07	8,178	13,324	1.0x	1.0x	1.0x	0.9x	8.1x	8.1x	7.7x	7.2x	2.8%	2.5%	3.1x
Median			8,178	21,738	1.1x	1.1x	1.1x	1.0x	8.1x	8.1x	7.7x	7.2x	2.3%	2.6%	3.2x
Mean			24,200	45,305	1.3x	1.3x	1.2x	1.2x	7.7x	7.6x	7.5x	7.0x	2.3%	2.6%	3.5x
Insurance															
Elevance Health Inc.	NYSE: ELV	526.66	125,781	140,915	0.9x	0.9x	0.9x	0.8x	13.9x	12.8x	11.6x	10.4x	7.5%	3.1%	1.5x
Humana Inc.	NYSE: HUM	552.05	69,890	67,229	0.7x	0.7x	0.7x	0.6x	10.1x	13.8x	11.8x	10.8x	(1.6%)	4.2%	(0.4x)
CVS Health Corporation	NYSE: CVS	99.56	130,819	182,230	0.6x	0.6x	0.6x	0.5x	9.5x	9.0x	8.7x	8.6x	2.5%	1.4%	2.7x
Centene Corporation	NYSE: CNC	81.73	46,280	53,079	0.4x	0.4x	0.4x	0.4x	8.1x	9.7x	9.2x	8.1x	(0.2%)	2.0%	1.0x
Cigna Corporation	NYSE: CI	322.13	98,488	123,580	0.7x	0.7x	0.7x	0.6x	12.6x	10.7x	10.5x	9.6x	7.1%	4.1%	2.6x
Molina Healthcare, Inc.	NYSE: MOH	330.55	19,304	17,454	0.6x	0.6x	0.5x	0.5x	12.1x	11.1x	10.2x	8.9x	8.0%	4.6%	(1.3x)
Median			46,280	53,079	0.6x	0.6x	0.5x	0.5x	12.1x	10.7x	10.2x	8.9x	7.1%	4.1%	1.0x
Mean			54,691	64,704	0.6x	0.5x	0.5x	0.5x	10.9x	10.5x	10.0x	8.9x	4.9%	3.6%	0.8x
UnitedHealth Group Incorporated	UNH	538.17	502,839	520,936	1.7x	1.6x	1.5x	1.4x	17.7x	16.6x	14.9x	13.5x	9.6%	4.7%	0.3x

Observation #1

HIMS trades at a **premium to all tiers comps**, which we believe market is pricing in the index-like fundamentals of the co (1) **underlying business quality** and (2) **superior leader growth and margin outlooks**

Observation #2

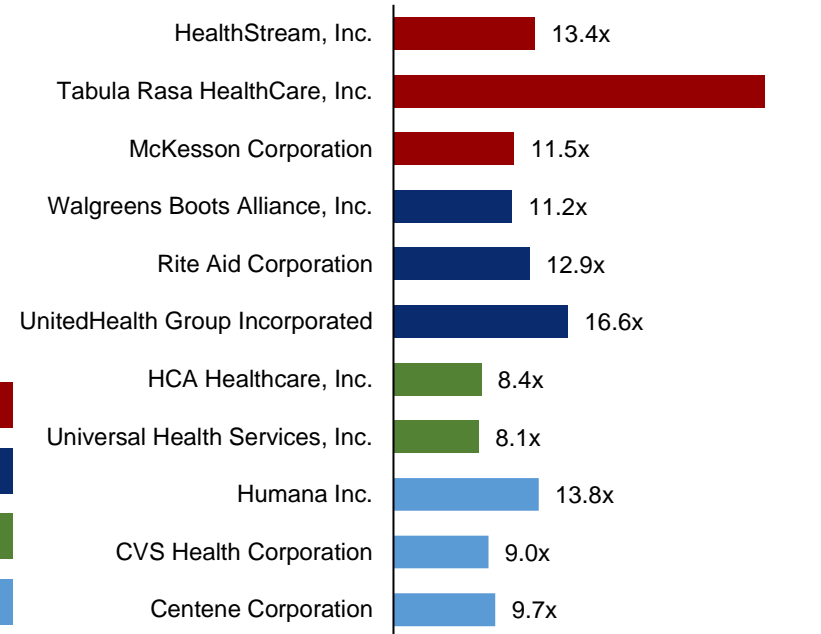
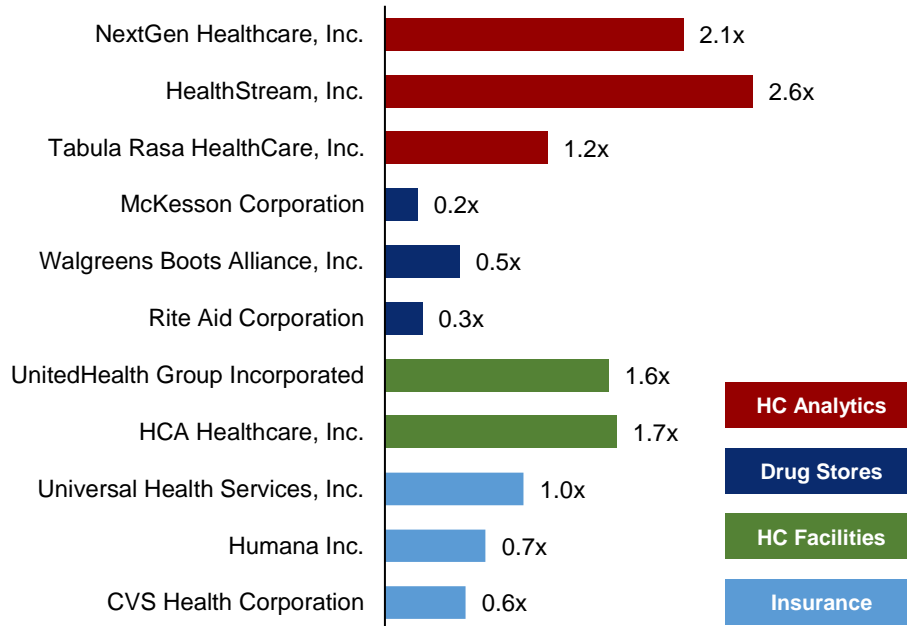
Fundamental Analysis would be a more suitable approach given the valuation contributed towards industry consolidation

Source: S&P CapIQ

Group of peers are trading very differently across sectors due to lack of consolidation

EV / Revenue (FWD)

EV / EBITDA (FWD)



UNH EV/Revenue = 1.5x

UNH EV/EBITDA = 14.9x

EV / Revenue Multiple are reflecting low margin

- (1) Low margin for pharma / drug stores
- (2) Software solutions peers reflect lower than regular TMT
- (3) Insurance players with lower multiple reflects lower margin compared to united

EV / EBITDA multiple trades at small premium

- (1) Margin is priced in when compared to its peers
- (2) Software solutions peers trades at similar multiple (small caps)
- (3) Premium vs insurance peers indicates market's believe in UNH to succeed as a long-term player in the space

Source: Capital IQ, DCM

Let's literally just liquidate this business and make it the largest deal ever, closing dinner in Vegas

Peer Group (in US\$ M, except ratios)	Ticker	Share Price	Market Cap.	Enterprise Value	EV / Sales				EV / EBITDA				EBITDA CAGR	Revenue CAGR	Net Debt / EBITDA
					LTM	2022E	2023E	2024E	LTM	2022E	2023E	2024E	19A - '22E	19A - '22E	LTM
Analytics solutions															
Median			1,036	1,032	1.7x	2.0x	1.9x	1.7x	14.5x	10.5x	10.2x	9.0x	17.1%	2.4%	-0.9x
Mean			5,238	5,069	1.7x	1.9x	1.8x	1.7x	18.9x	15.1x	11.1x	9.2x	18.6%	0.1%	(0.2x)
Pharmacy Care Services															
Median			32,059	61,152	0.3x	0.3x	0.3x	0.3x	16.1x	11.5x	12.0x	11.3x	7.4%	1.0%	7.1x
Mean			29,535	46,281	0.3x	0.3x	0.3x	0.3x	16.2x	11.9x	13.1x	12.8x	6.3%	0.3%	8.3x
Healthcare Services & Facilities															
Median			8,178	21,738	1.1x	1.1x	1.1x	1.0x	8.1x	8.1x	7.7x	7.2x	2.3%	2.6%	3.2x
Mean			24,200	45,305	1.3x	1.3x	1.2x	1.2x	7.7x	7.6x	7.5x	7.0x	2.3%	2.6%	3.5x
Insurance															
Median			46,280	53,079	0.6x	0.6x	0.5x	0.5x	12.1x	10.7x	10.2x	8.9x	7.1%	4.1%	1.0x
Mean			54,691	64,704	0.6x	0.5x	0.5x	0.5x	10.9x	10.5x	10.0x	8.9x	4.9%	3.6%	0.8x
UnitedHealth Group Incorporated	UNH	538.17	502,839	520,936	1.7x	1.6x	1.5x	1.4x	17.7x	16.6x	14.9x	13.5x	9.6%	4.7%	0.3x

Sum of Total Parts

EV/EBITDA 2023	Applicable Company Figure	Multiple	EV
Total Insurance Premium	15,194 >	10.0x	\$151,343
Optum Health	9,437 >	7.5x	\$70,324
Optum Insight	5,013 >	11.1x	\$55,759
Optum RX	5,348 >	13.1x	\$69,960
Total	34,992	10.4x	\$347,386

Implied Terminal Enterprise Value	\$347,386
+ Cash	38,845.0
- Debt	(45,438.0)
Implied Equity Value	340,793.1
Shares Outstanding	934.3
Implied Share Price	\$364.8

EV/Revenue 2023	Applicable Company Figure	Multiple	EV
Total Insurance Premium	256,409 >	1.5x	\$384,613
Optum Health	93,328 >	1.2x	\$113,384
Optum Insight	15,113 >	1.8x	\$27,077
Optum RX	108,860 >	0.3x	\$37,606
Total	473,710	1.2x	\$562,680

Implied Terminal Enterprise Value	\$562,680
+ Cash	38,845.0
- Debt	(45,438.0)
Implied Equity Value	556,086.8
Shares Outstanding	934.3
Implied Share Price	\$595.2

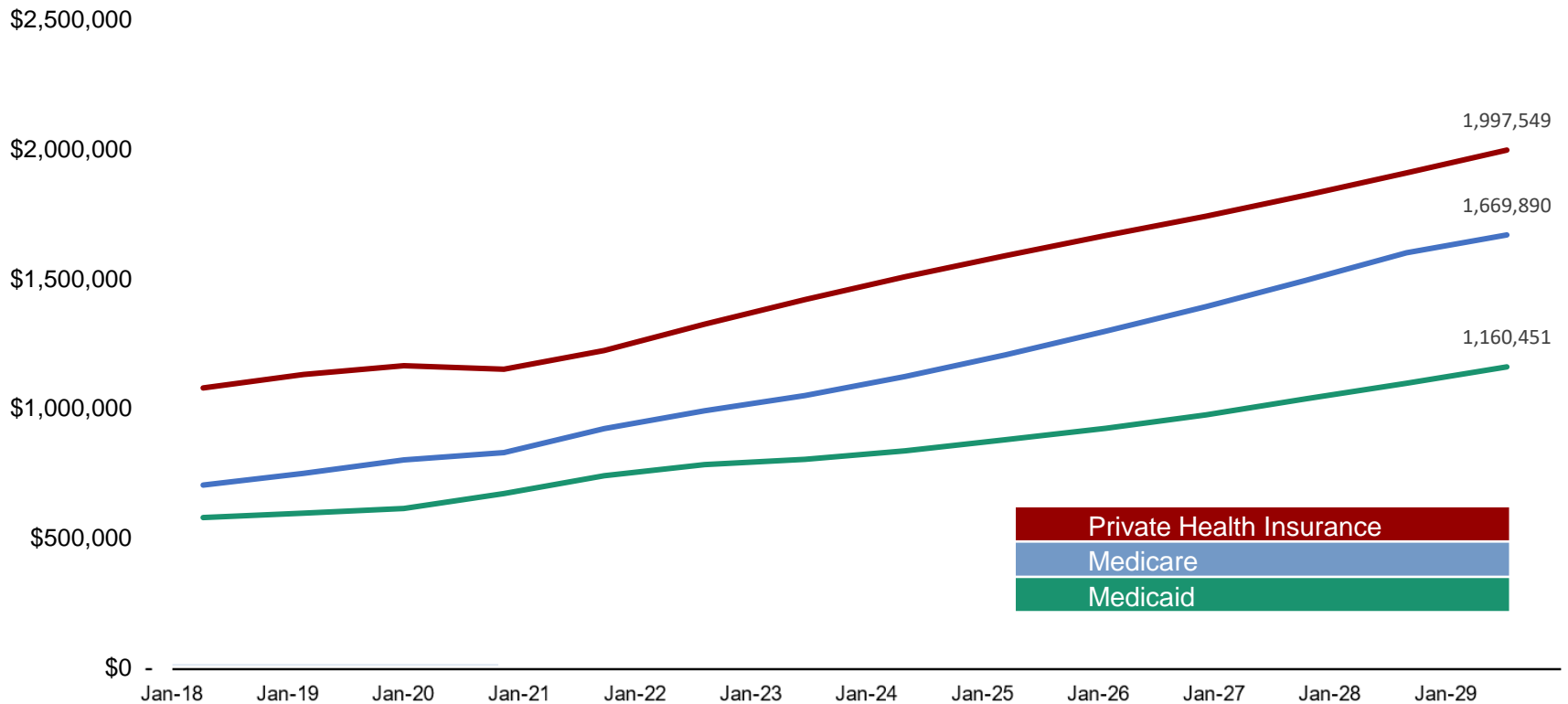
SOTP on a EV/EBITDA is unable to capture the real value of the company

Source: Company Filings, DCM, Investor Presentation, Piper Sandler

Discounted Cash Flow: National Healthcare Expenditures Forecast

Projections by the US government in Millions of USD

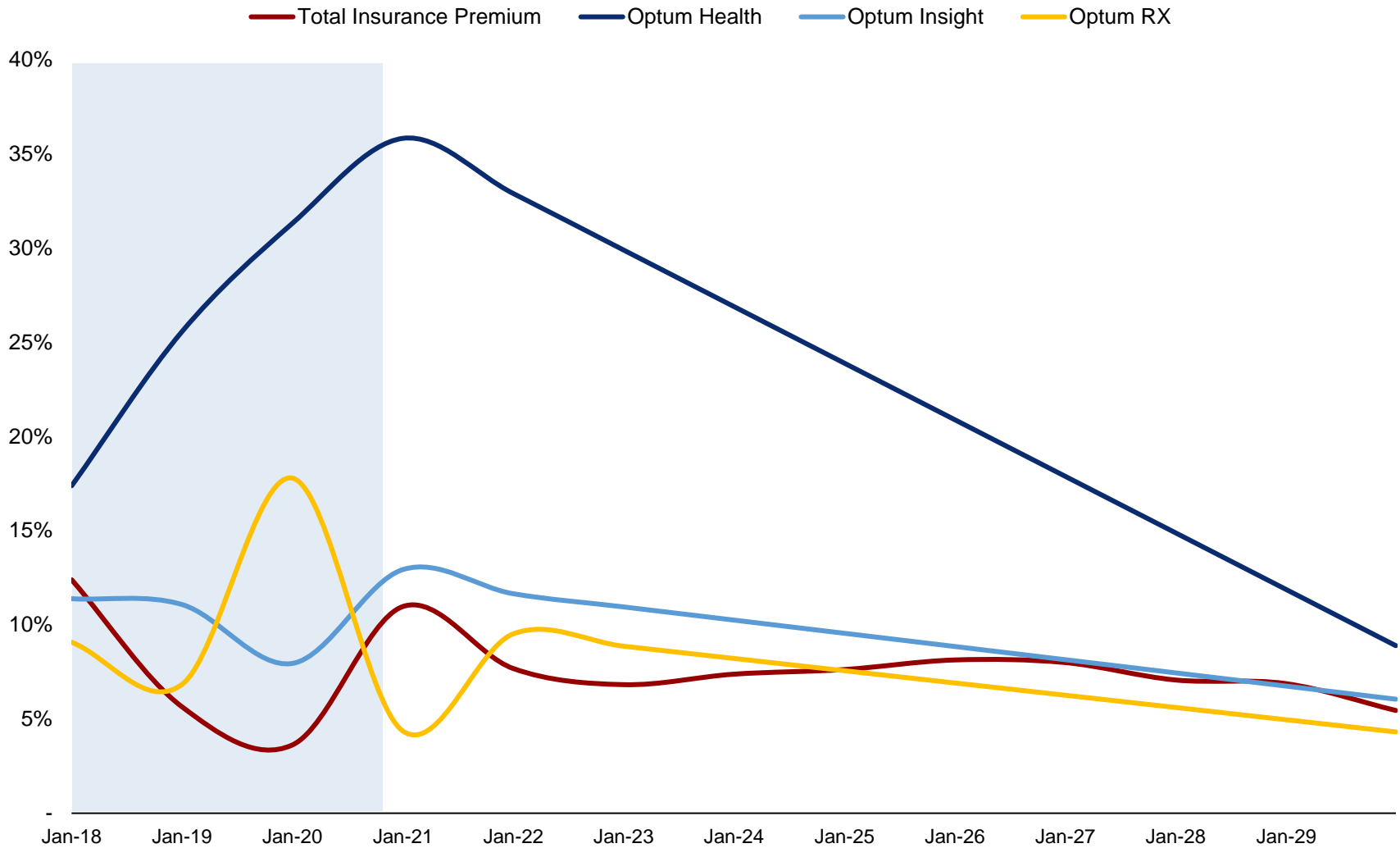
- Observation #1** Private Health Insurance Growth is slowing down given the expansion in public coverage, but still stable
- Observation #2** Medicare is expected to outperform peers given the increase in geriatric population in the US



Continuous Strong Outlooks for US Healthcare Expenditure Growth

Source: Company Filings, DCM, Investor Presentation, Piper Sandler

Revenue Split During Forecast Period

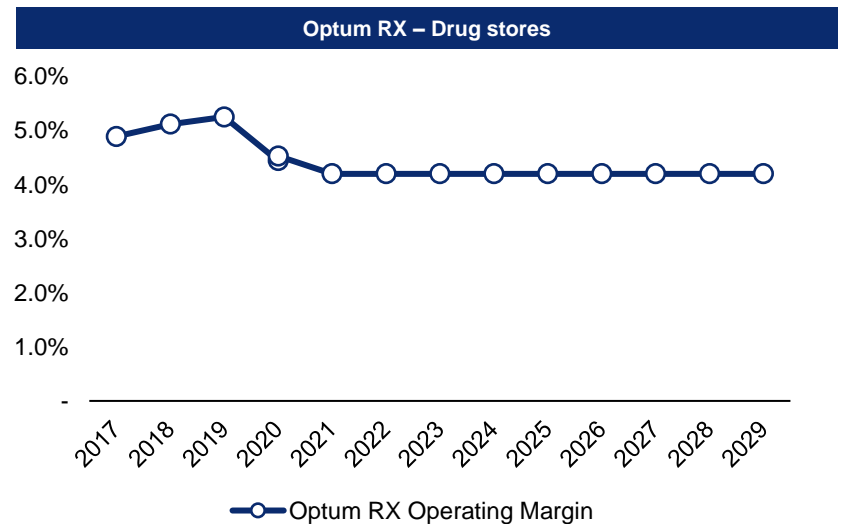
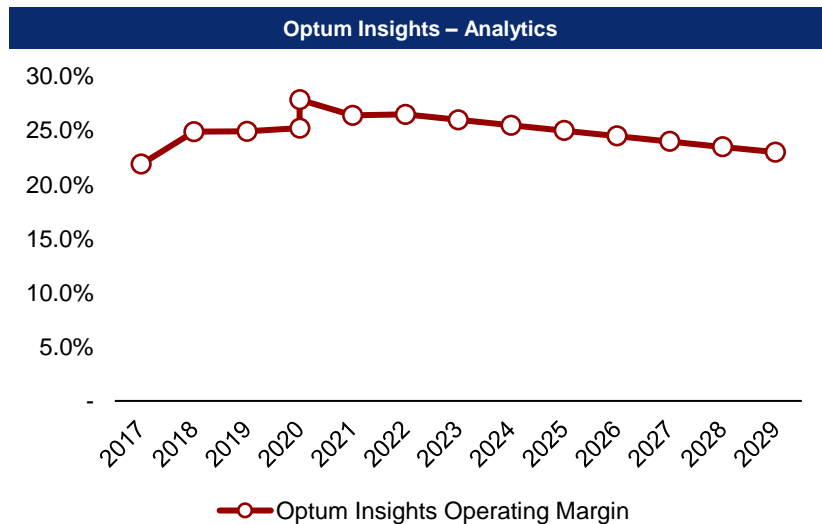
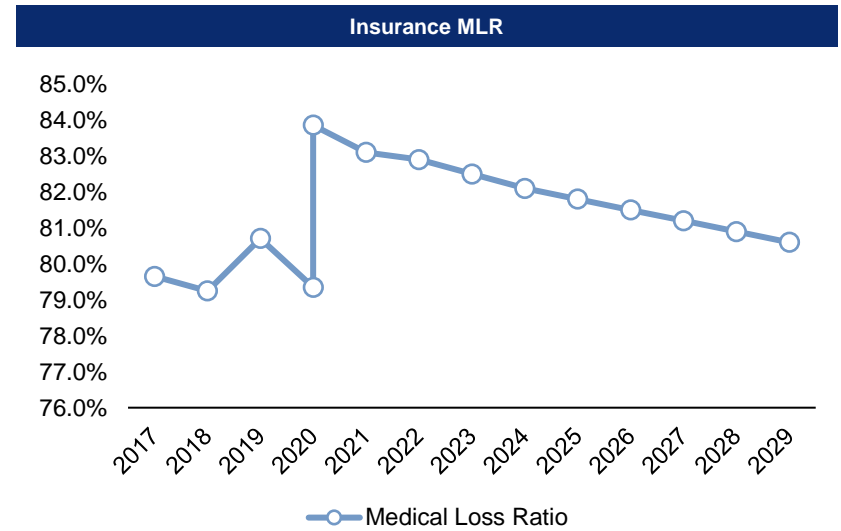
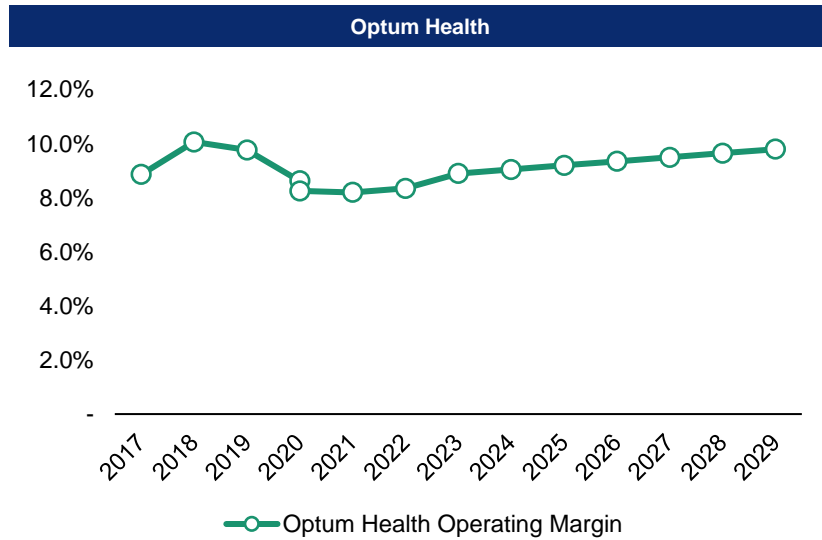


Continuous acquisitions in healthcare facilities space

Source: Company Filings, DCM, Investor Presentation, Piper Sandler

Discounted Cash Flow: Margin Assumptions

Base case reflecting conservative assumptions to find comfort to our margin of safety



Source: Company Filings, DCM, Investor Presentation, Piper Sandler

Discounted Cash Flow: Revenue Build Assumptions

Revenue is based on NHE / Federal data

UNH	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	
Revenue Section																
UnitedHealthcare Employer & Individual Revenue - Market Share																
Current Scenario	<input type="checkbox"/> 1 Bull															
Thesis II - MLR Improvement	<input type="checkbox"/> 1 Include															
UnitedHealthcare Medicare & Retirement Revenue - Market Share																
Current Scenario	<input type="checkbox"/> 1 Bull						5.1%	5.1%	5.1%	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%	5.7%
Bull (market share expansion)							5.1%	5.1%	5.1%	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%	5.7%
Base (growth in line with market)		4.8%	4.8%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%	5.5%	5.5%
Bear							4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
UnitedHealthcare Community & State Revenue - Market Share																
Current Scenario	<input type="checkbox"/> 1 Bull (market share expansion)						10.9%	11.1%	11.4%	11.6%	11.9%	12.1%	12.1%	12.1%	12.1%	12.1%
Bull (market share expansion)							10.9%	11.1%	11.4%	11.6%	11.9%	12.1%	12.1%	12.1%	12.1%	12.1%
Base (growth in line with market)		9.4%	10.1%	10.4%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%
Bear							10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%
Optum Health - YoY Growth																
Current Scenario	<input type="checkbox"/> 1 Bull						32.9%	29.9%	26.9%	23.9%	20.9%	17.9%	14.9%	11.9%	8.9%	4.0%
Bull							32.9%	29.9%	26.9%	23.9%	20.9%	17.9%	14.9%	11.9%	8.9%	4.0%
Base		17.4%	25.6%	31.3%	35.8%		30.9%	27.9%	24.9%	21.9%	18.9%	15.9%	12.9%	9.9%	6.9%	3.9%
Bear							10.0%	15.0%	24.0%	21.0%	18.0%	15.0%	12.0%	9.0%	6.0%	3.0%
Optum Insight - YoY Growth																
Current Scenario	<input type="checkbox"/> 1 Bull						11.7%	11.0%	10.3%	9.6%	8.9%	8.2%	7.5%	6.8%	6.1%	5.4%
Bull							11.7%	11.0%	10.3%	9.6%	8.9%	8.2%	7.5%	6.8%	6.1%	5.4%
Base		11.4%	11.1%	8.0%	12.9%		10.7%	10.0%	9.3%	8.6%	7.9%	7.2%	6.5%	5.8%	5.1%	4.4%
Bear							9.7%	9.0%	8.3%	7.6%	6.9%	6.2%	5.5%	4.8%	4.1%	3.4%
Optum Rx - YoY Growth																
Current Scenario	<input type="checkbox"/> 1 Bull						9.5%	8.9%	8.2%	7.6%	6.9%	6.3%	5.6%	5.0%	4.3%	3.7%
Bull							9.5%	8.9%	8.2%	7.6%	6.9%	6.3%	5.6%	5.0%	4.3%	3.7%
Base		9.1%	6.8%	17.8%	4.4%		5.0%	4.8%	4.6%	4.4%	4.2%	4.0%	3.8%	3.6%	3.4%	3.2%
Bear							4.0%	3.8%	3.6%	3.4%	3.2%	3.0%	2.8%	2.6%	2.4%	2.2%

Source: Company Filings, DCM, Investor Presentation, Piper Sandler

Discounted Cash Flow: Expense Assumptions

Revenue Split During Forecast Period

UNH	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Expense Section															

MLR Ratio - As % of Premium

Current Scenario	1	Bull													
Bull						83.1%	82.9%	82.5%	82.1%	81.8%	81.5%	81.2%	80.9%	80.6%	80.3%
Base		79.7%	79.2%	80.7%	79.4%	83.9%	83.3%	83.1%	82.9%	82.7%	82.5%	82.3%	82.1%	81.9%	81.7%
Bear							83.5%	83.3%	83.1%	82.9%	82.7%	82.5%	82.3%	82.1%	81.9%
							83.9%	83.7%	83.5%	83.3%	83.1%	82.9%	82.7%	82.5%	82.3%
Thesis II Materialization	1	Include													
Include							0.2%	0.2%	0.4%	0.6%	0.7%	0.8%	0.9%	1.0%	1.1%
Exclude							0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

UnitedHealthcare OpEx - As % of Premium

Current Scenario	1	Bull	Note: applied 9-month for 2022E													
Bull							9.1%	11.1%	12.5%	13.5%	14.5%	14.5%	14.5%	14.5%	14.5%	
Base		15.1%	15.8%	14.0%	14.5%	10.8%	9.1%	11.1%	12.5%	13.5%	14.5%	14.5%	14.5%	14.5%	14.5%	
Bear							9.6%	11.6%	13.0%	14.0%	15.0%	15.0%	15.0%	15.0%	15.0%	
							10.6%	12.6%	14.0%	15.0%	16.0%	16.0%	16.0%	16.0%	16.0%	

Optum Health Operating Margin

Current Scenario	1	Bull	Note: applied 9-month for 2022E													
Bull							8.2%	8.4%	8.9%	9.1%	9.2%	9.4%	9.5%	9.7%	9.8%	
Base		8.9%	10.1%	9.8%	8.6%	8.3%	8.2%	8.4%	8.9%	9.1%	9.2%	9.4%	9.5%	9.7%	9.8%	
Bear							8.2%	8.4%	8.9%	8.7%	8.5%	8.5%	8.5%	8.6%	8.6%	
							8.0%	8.0%	7.8%	7.6%	7.4%	7.2%	7.0%	6.8%	6.6%	

Optum Insights Operating Margin

Current Scenario	1	Bull	Note: applied 9-month for 2022E													
Bull							26.4%	26.5%	26.0%	25.5%	25.0%	24.5%	24.0%	23.5%	23.0%	
Base		21.9%	24.9%	24.9%	25.2%	27.9%	26.4%	26.5%	26.0%	25.5%	25.0%	24.5%	24.0%	23.5%	23.0%	
Bear							26.4%	25.6%	24.8%	24.0%	23.2%	22.4%	21.6%	20.8%	20.0%	
							24.4%	23.6%	22.8%	22.0%	21.2%	20.4%	19.6%	18.8%	18.0%	

Optum RX Operating Margin

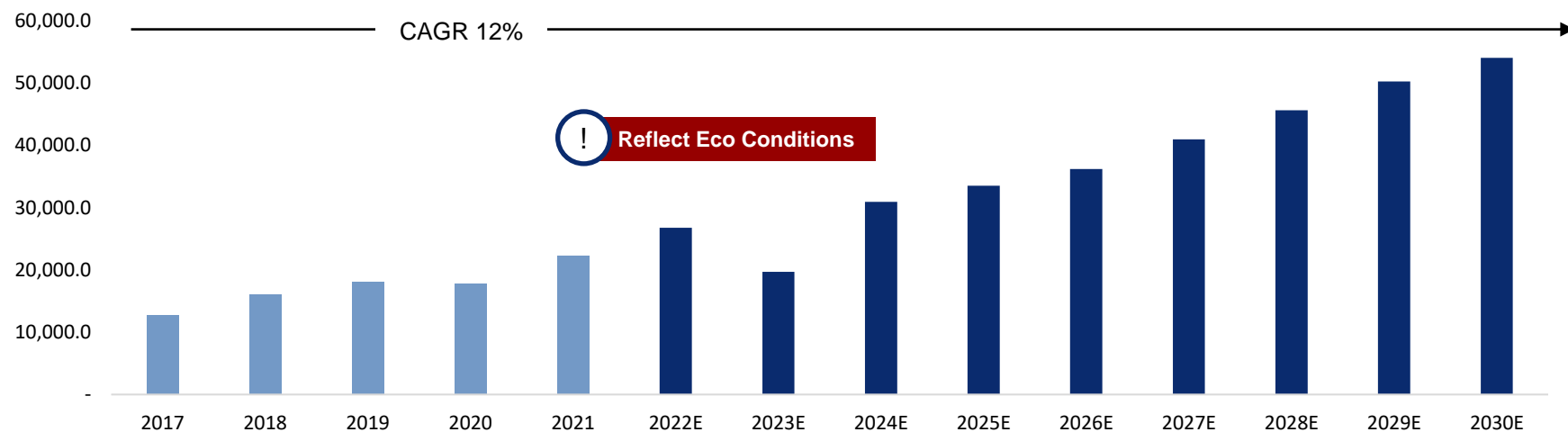
Current Scenario	1	Bull	Note: applied 9-month for 2022E													
Bull							4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	
Base		4.9%	5.1%	5.3%	4.4%	4.5%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	
Bear							4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	
							4.0%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	

Source: Company Filings, DCM, Investor Presentation, Piper Sandler

UFCF projections under base case scenario

DCF Summary	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<i>(In USD millions, except per share data)</i>														
Revenue	201,159.0	226,247.0	242,155.0	257,141.0	287,597.0	317,557.4	356,795.8	397,749.6	442,674.8	491,623.9	542,337.5	591,421.5	638,927.6	679,446.9
UFCF														
Total Debt	28,835.0	34,581.0	36,808.0	38,648.0	42,383.0	45,438.0	41,990.7	45,024.0	49,065.0	52,952.9	60,863.7	68,884.4	76,831.6	84,108.9
Leverage	1.7x	1.7x	1.6x	1.5x	1.6x	1.3x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x	1.2x
Interest Expenses	1,186.0	1,400.0	1,704.0	1,663.0	1,660.0	2,726.3	2,729.4	1,892.0	2,061.8	2,225.1	2,557.6	2,894.6	3,228.5	3,534.3
Implied Interest rate	4.11%	4.05%	4.63%	4.30%	3.92%	6.00%	6.50%	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%
EBT	16,268.0	18,372.0	20,701.0	23,633.0	25,413.0	32,385.1	32,262.9	35,628.0	38,825.8	41,902.3	48,162.2	54,509.0	60,797.7	66,556.4
Effective tax rate	22.8%	22.3%	20.8%	24.0%	20.5%	22.1%	21.9%	21.9%	22.1%	21.7%	21.9%	21.9%	21.9%	21.9%
Income tax expenses	3,709.1	4,097.0	4,305.8	5,671.9	5,209.7	7,150.6	7,077.2	7,789.4	8,571.1	9,089.0	10,561.6	11,937.0	13,309.6	14,574.1
Operating Income After Tax	12,558.9	14,275.0	16,395.2	17,961.1	20,203.3	25,234.5	25,185.7	27,838.6	30,254.6	32,813.3	37,600.6	42,572.1	47,488.1	51,982.3
Plus: depreciation & amortization	2,245.0	2,428.0	2,720.0	2,891.0	3,103.0	3,997.4	4,614.3	5,311.1	6,076.4	6,898.3	7,744.5	8,571.0	9,350.2	10,020.1
Less: capital expenditures	(2,023.0)	(2,063.0)	(2,071.0)	(2,051.0)	(2,454.0)	(4,022.3)	(4,745.5)	(5,572.9)	(6,490.8)	(7,481.6)	(8,505.3)	(9,506.8)	(10,445.4)	(11,245.5)
+/- Changes in working capital	-	1,321.0	1,069.0	(1,050.0)	1,437.0	1,522.0	(5,384.4)	3,329.3	3,652.2	3,979.3	4,122.7	3,990.3	3,862.0	3,294.0
Unlevered free cash flow	12,780.9	15,961.0	18,113.2	17,751.1	22,289.3	26,731.5	19,670.0	30,906.1	33,492.5	36,209.2	40,962.6	45,626.5	50,254.9	54,050.9
Present Value of Free Cash Flow							17,970.3	25,795.4	25,538.5	25,224.1	26,069.6	26,528.5	26,694.6	26,229.9

UFCF Projection (Bullcase Scenario)



Source: Company Filings, DCM

Running with the worse conservative assumptions, we still see very limited downside



\$460 (-14%)

Bear Case Price Target

Bridge to Equity

Gordon Growth Method

Discount Rate	8.9%
Sum of PV of Cash Flow	204,905.3
Terminal Growth Rate	2.5%
Terminal Value	865,761.4
PV of Terminal Value:	401,952.4

Implied Terminal Enterprise Value 606,857.6

+ Cash	38,845.0
- Debt	(45,438.0)

Implied Equity Value 600,264.6

Shares Outstanding	934.3
Implied Share Price	\$642.5
Current Share Price	\$538.2

Implied Upside/Downside 19%



\$545 (+2%)

Base Case Price Target

Bridge to Equity

Exit Multiple Method

Discount Rate	8.9%
Sum of PV of Cash Flow	204,905.3
Terminal Multiple	12.0x
Terminal Value (2023E)	419,907.5
PV of Terminal Value:	385,592.7

Implied Terminal Enterprise Value 590,497.9

+ Cash	38,845.0
- Debt	(45,438.0)

Implied Equity Value 583,904.9

Shares Outstanding	934.3
Implied Share Price	\$625.0
Current Share Price	\$538.2

Implied Upside/Downside 16%



\$640 (+19%)

Bull Case Price Target

8.9%

WACC

2.5%

Perpetual Growth Rate

11.0x

Exit Multiple (EV/EBITDA)

Sensitivity Output (Upside/Downside)

	Terminal Growth					Exit Multiple				
	1.5%	2.0%	2.5%	3.0%	3.5%	9.5x	10.0x	10.5x	11.0x	11.5x
8.5%	14.9%	21.1%	28.3%	36.8%	46.9%	8.5%	-0.6%	5.8%	9.0%	12.2%
9.0%	6.2%	11.4%	17.3%	24.2%	32.4%	9.0%	-0.9%	5.5%	8.7%	11.9%
9.5%	-1.3%	3.0%	8.0%	13.7%	20.3%	9.5%	-1.1%	5.2%	8.4%	11.6%
10.0%	-8.0%	-4.3%	-0.1%	4.7%	10.2%	10.0%	-1.4%	4.9%	8.1%	11.2%
10.5%	-13.9%	-10.7%	-7.2%	-3.1%	1.5%	10.5%	-1.7%	4.6%	7.8%	10.9%

Source: Capital IQ, DCM

Desautels Capital Management

Honours in Investment Management

Key Takeaways

Section V



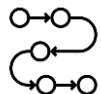
Regardless Of Theses, We See UNH As An Attractive Opportunity For The Long Term

#1



Since 2010s, UNH has been making strategic acquisitions across its businesses as well as its more digital services, allowing it **to better weather a recession compared to GFC**

#2



UNH has built out its MCO network allowing it **to streamline processes for patients** that will serve as a **competitive advantage as consumers want ease in managing their healthcare**

#3



The COVID-19 pandemic had a **dual effect on the insurance industry: negative for customers** that lost their employee-sponsored plan, **positive for insurers** and their margins

#4



UNH is **diversified across its end-patients**; in a recession, any loss from employee plans could then be recuperated through Medicare/caid and individual users

#5



The insurance system is in the midst of a **digital transformation**, but UNH has been laying the groundwork, long before COVID, allowing it to benefit from **first mover advantage**

#6



A 2021 academic paper noted two key aspects that make switching insurance sticky: **high switching costs** and **brand preference**. UNH benefits from both of these, especially its brand

UNH is a market leader, first mover, and diversified player that will provide sustainable growth for the DCM fund

Desautels Capital Management

Honours in Investment Management

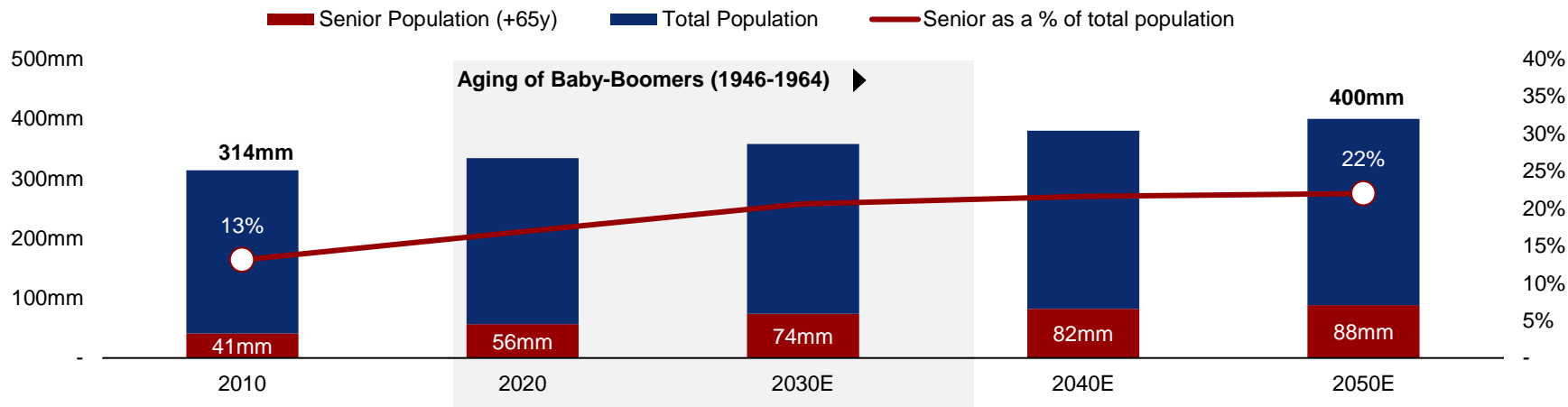
Appendix

Section VI

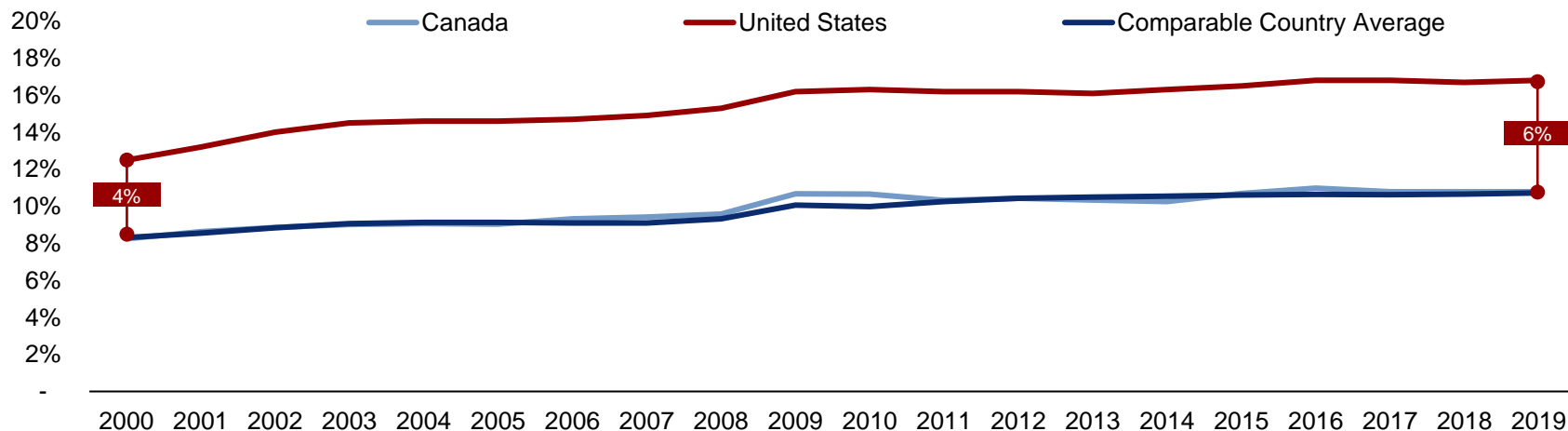


Macro pressures from both demographic and cost structure headwinds

Trend #1 – Aging Population (Seniors as % of US population)



Trend #2 – Rising Costs (Health expenditure as a % of GDP)



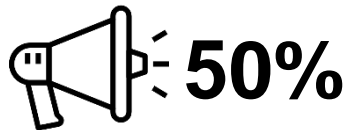
Source: ChildStats.gov, OECD Healthcare, U.S. Census Bureau

Customer Acquisition

Problem – Inefficient Customer Acquisition

1

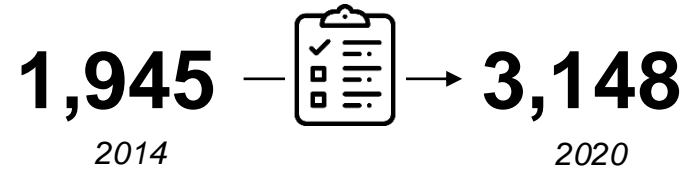
Antiqued Sales Channel



90% of non-carrier Medicare Advantage customer acquisition (50% of total) is still made using old fashioned techniques such as door-to-door sales

2

Increased Complexity of Plan Offerings

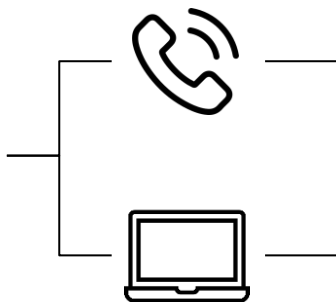


The number of Medicare Advantage plans available have increased by 62% over the past 6 years, divided into HMOs, PFFs, local and regional PPOs, etc.

Opportunity – Outsourcing to Modernized Brokers



Johnny



Modern Channels

eHealth[®] NSDQ: EHTH

- Comparison shopping for health insurance
- Guides customers to narrow their option sets
- Currently only penetrated 2% of MA market

Key Challenger



Tailored Plan

Source: Capital IQ, Center for American Progress, Company Filings, Equity Research, Kaiser Family Foundation

Customer Management

\$ Services that need to be paid for individually

1 Original Medicare



Inpatient – Part A

No need to pay if sufficient Medicare taxes were paid during working years



Outpatient – Part B **\$**

Need to pay \$148.50 premium + IRMAA, if applicable \$203 deduction and 20% co-insurance



Prescription Drugs – Part D **\$**

Plan costs vary depending on drug costs, tiers, etc. need to incur additional OOP costs



Supplement – Medigap/employer/union coverage

Helps cover certain original Medicare OOP costs for a monthly premium (\$50-\$250)*



Fee-for-Service Payment

Payment based on services received, hence no OOP spending limit

2 Medicare Advantage



Inpatient

No need to pay if sufficient Medicare taxes were paid during working years



Outpatient **\$**

Need to pay \$148.50 premium + IRMAA, if applicable \$203 deduction and 20% co-insurance



Prescription Drugs

Costs are covered in the MA premium, no additional OOP costs incurred



Additional Benefits

MA also covers gym and dental benefits, annual physicals and much more



Capitation Payment

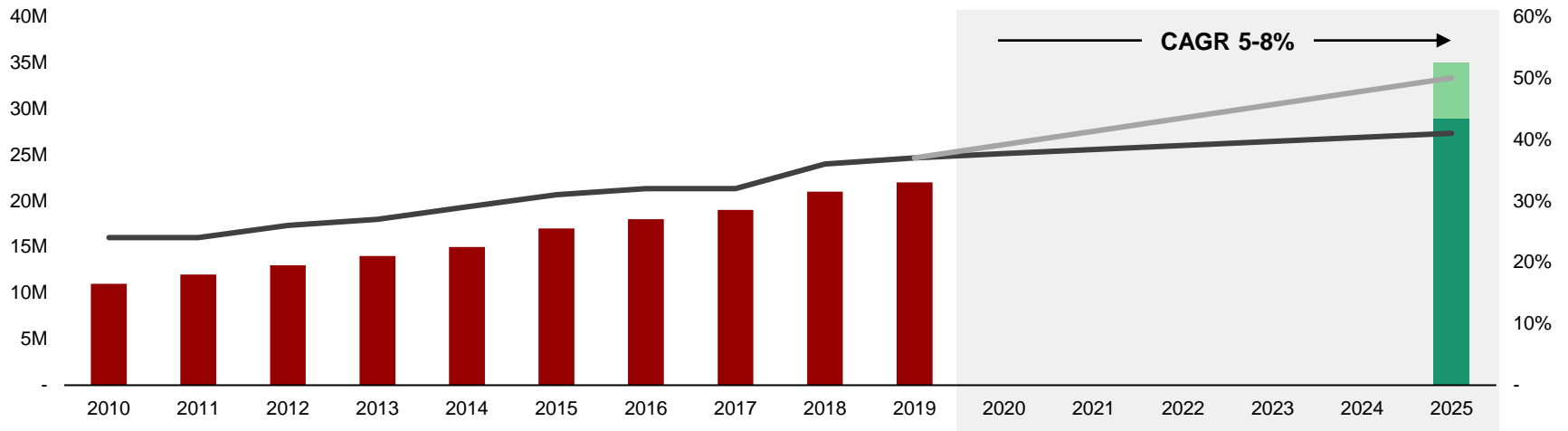
Fixed payment made to insurer, so ceiling on OOP can be imposed (\$1,500 - \$6,700)

Between the two options available to Johnny, MA is more flexible, potentially lower cost and provides more benefits than original Medicare

Source: Medicare.gov, *based on Medigap plans in Florida

UNH has already started to capitalize on the MA trend

Medicare Advantage growth prospects



Solution: Clover Health – A next gen MA insurer

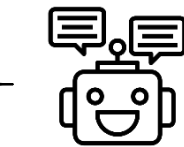
Clover Health

NSDQ: CLOV

Insurtech company using its **proprietary software** to transform the industry

Fastest growing MA insurer in the US among insurers with >50k members

Recently IPO'd via SPAC at a **\$3.7bn** valuation with Social Capital Hedosophia



Clover Assistant



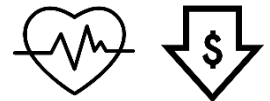
Network of physicians



Millions of relevant health data points



Johnny



Clover Assistant delivers vital clinical insights to physicians at POC, leading to better outcomes and lower OOP costs for members

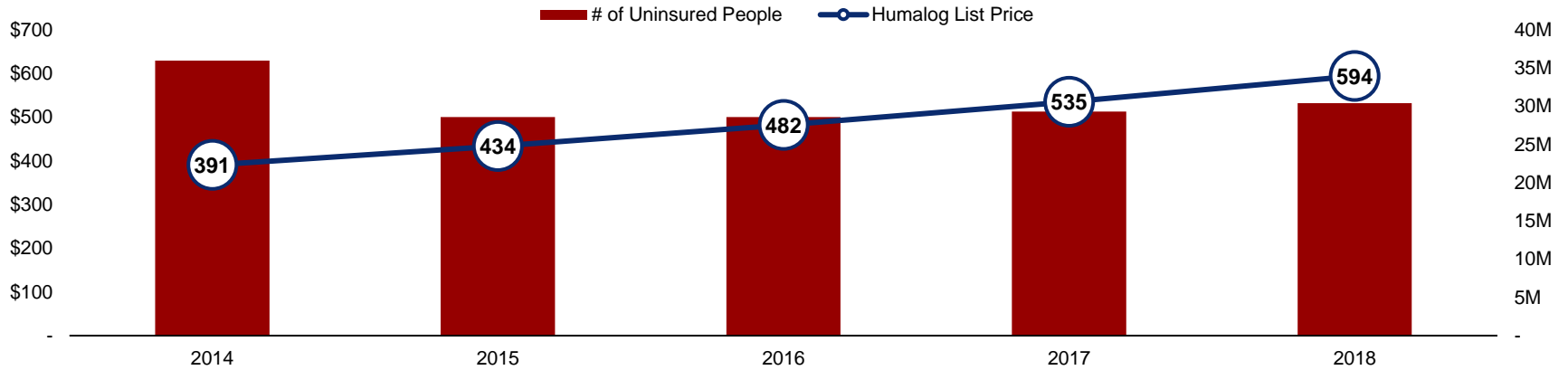
MA will grow at 5-8% CAGR over the next 5 years, and UnitedHealthcare is perfectly positioned to take advantage of this trend

Source: Kaiser Family Foundation, Yahoo Finance

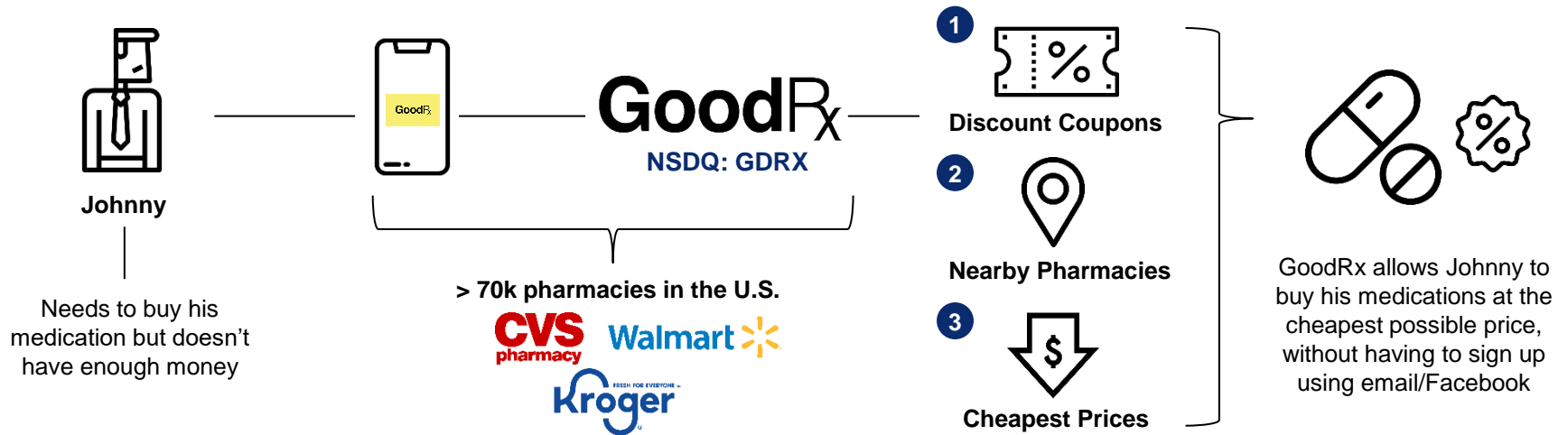
Opportunity #3: Transparent Drug Pricing

Shopping for cheapest drugs presents a big opportunity

Problem – drug prices increase over time, increasing the uninsured population



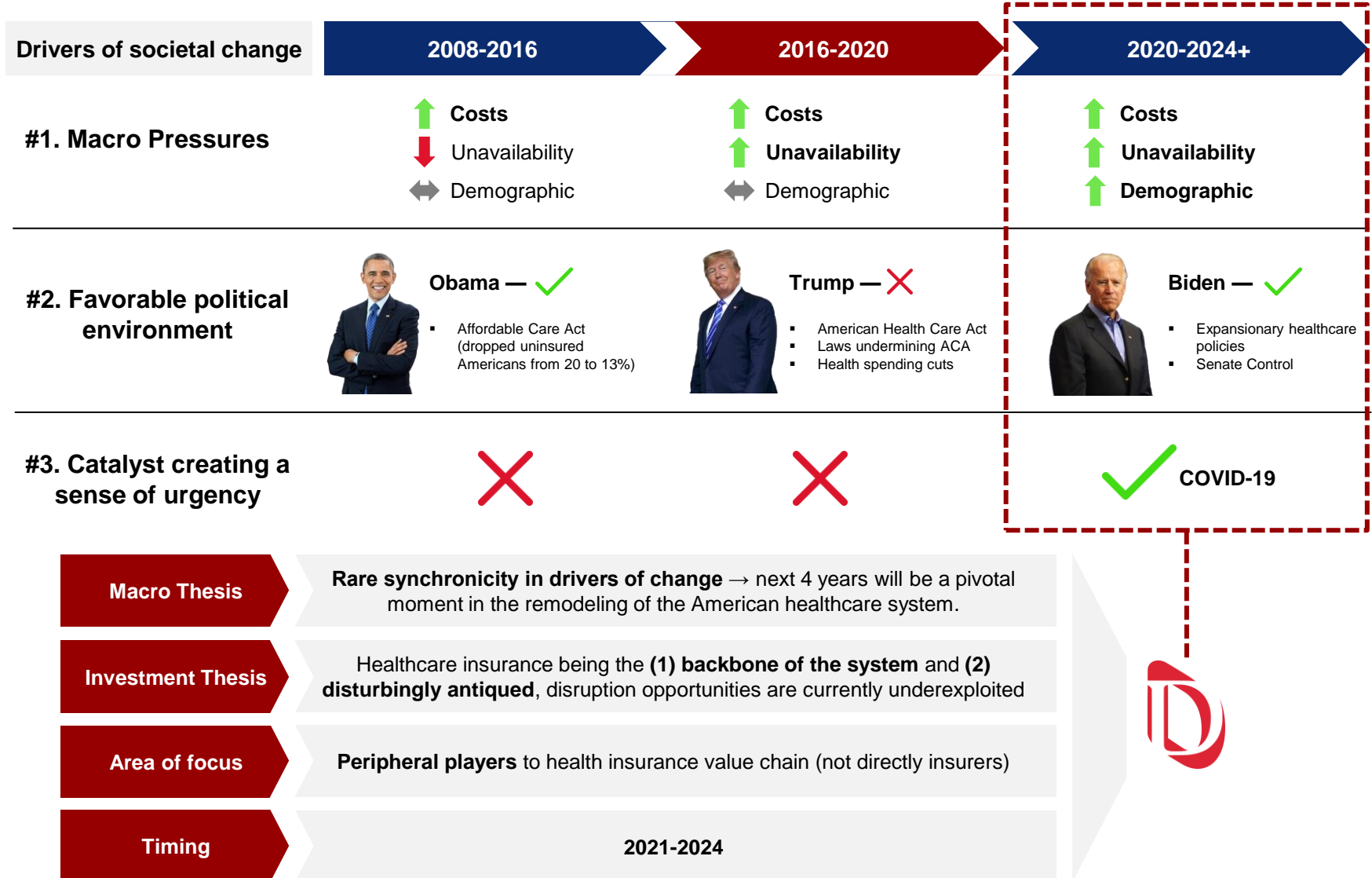
Solution – GoodRx, allows price comparison and offers discount coupons on drugs



GoodRx allows its users to shop for the cheapest drugs from nearby pharmacies, while also offering discount coupons

Source: CNBC, GoodRx, Statista, Wall Street Journal

2020-2024 will be a key moment for insurance disruption



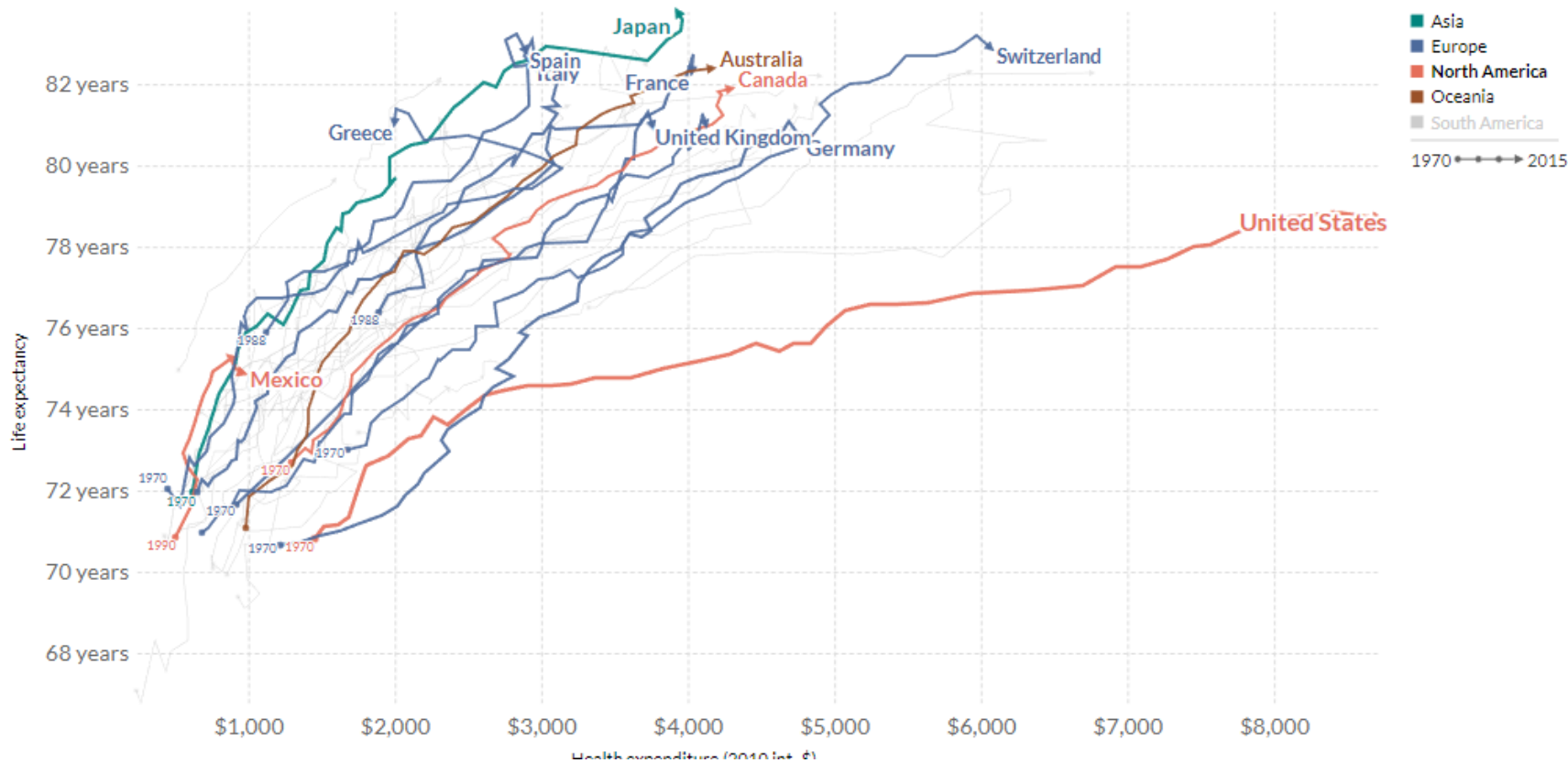
Source: Kaiser Family Foundation, U.S. Census Bureau, U.S. Government Websites

Life expectancy vs. health expenditure, 1970 to 2015

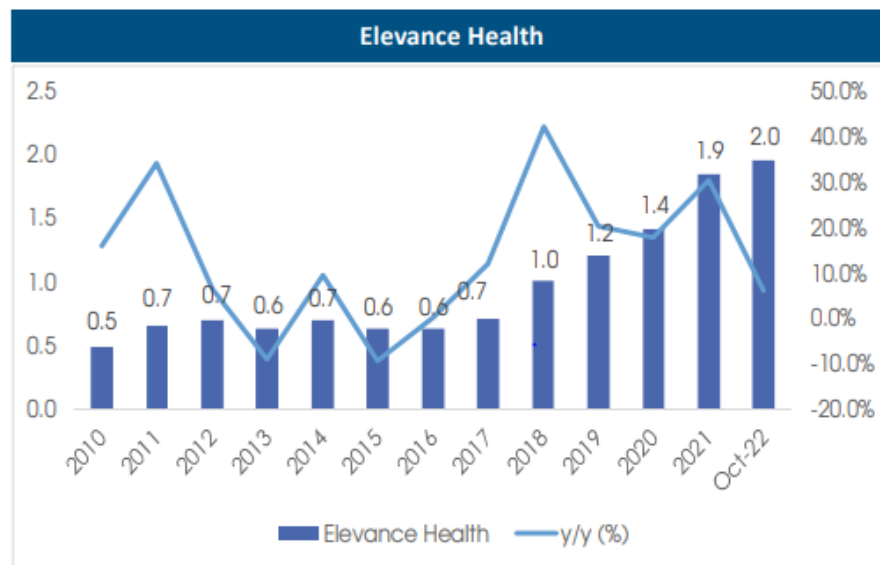
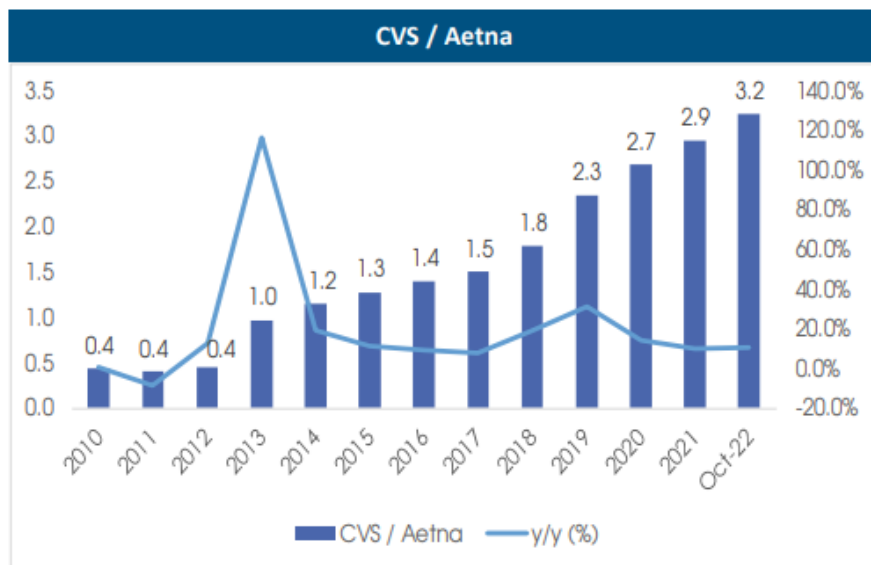
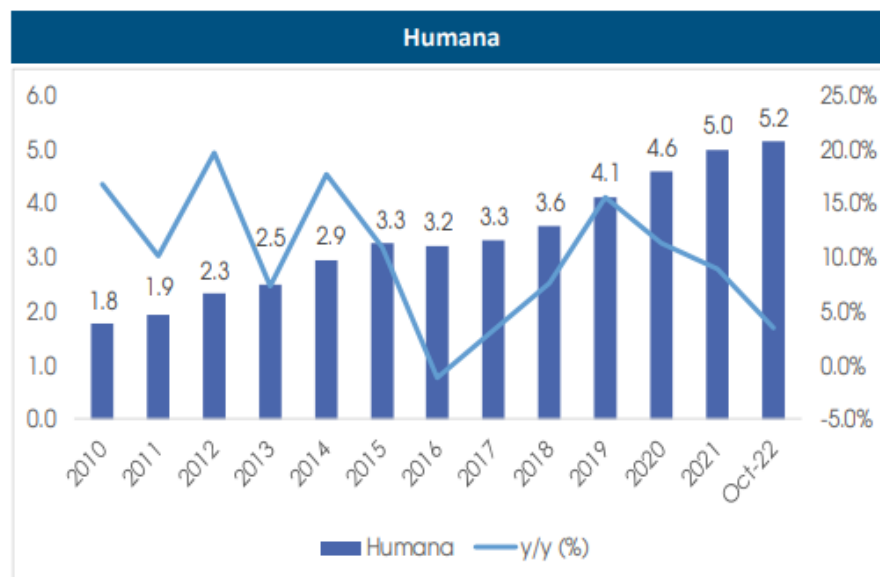
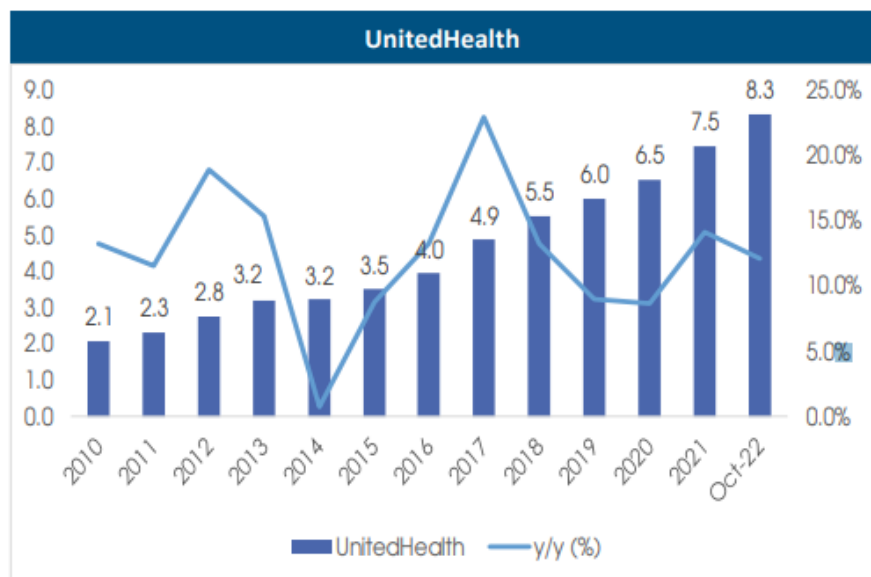
Health financing is reported as the annual per capita health expenditure and is adjusted for inflation and price level differences between countries (measured in 2010 international dollars).

Our World in Data

X: LINEAR X: LOG Select countries Zoom to selection Average annual change



MA Membership (millions) & Growth Trends (y/y) by MCO, December 2010 – October 2022



MA Membership (millions) & Growth Trends (y/y) by MCO, December 2010 – October 2022

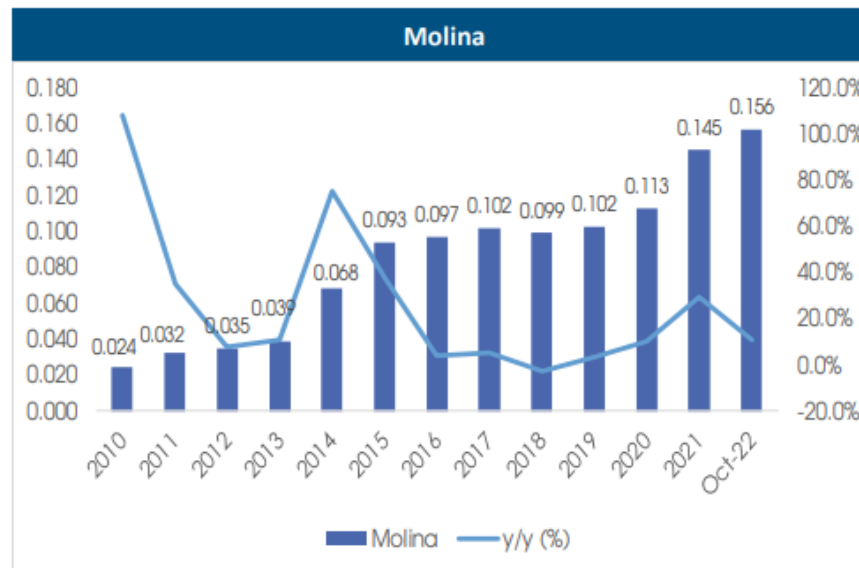
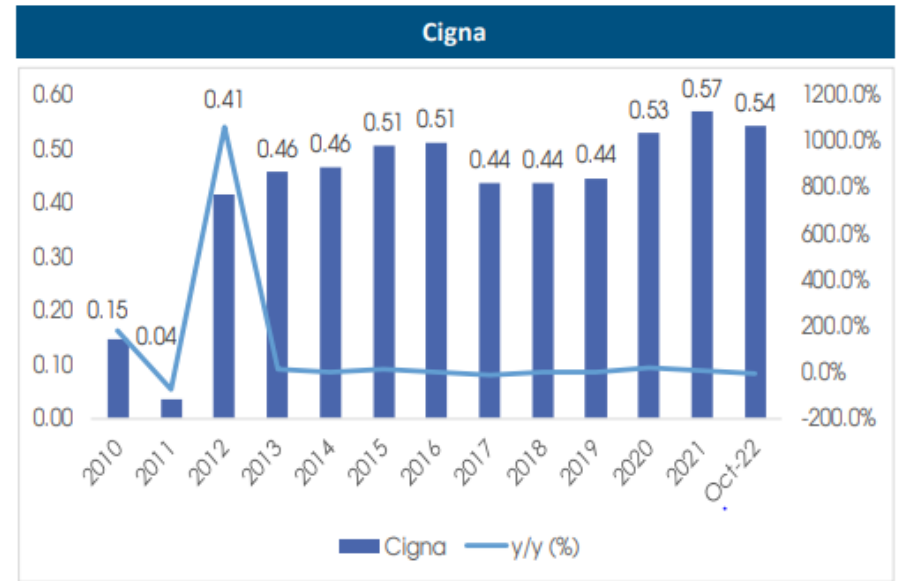
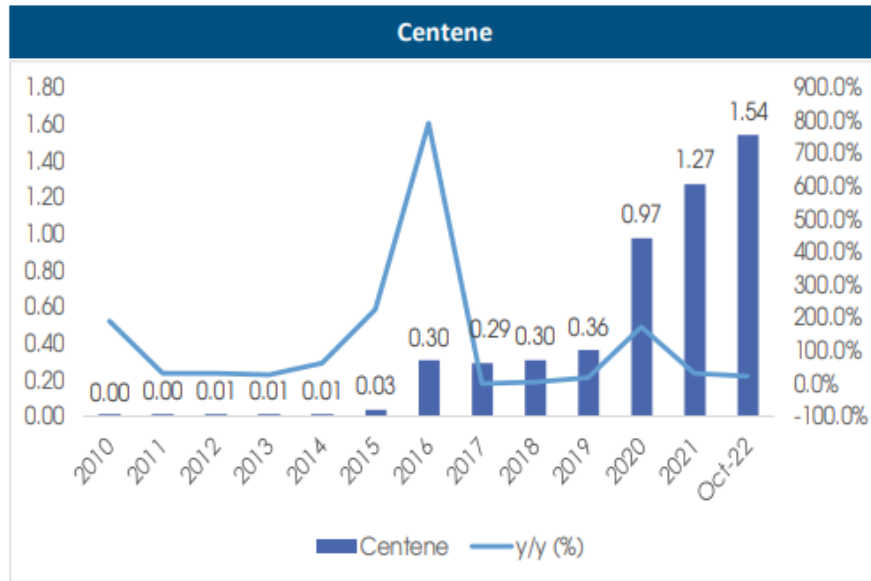


Figure 5

Total Bonuses and Average Bonus per Enrollee by Firm, 2022

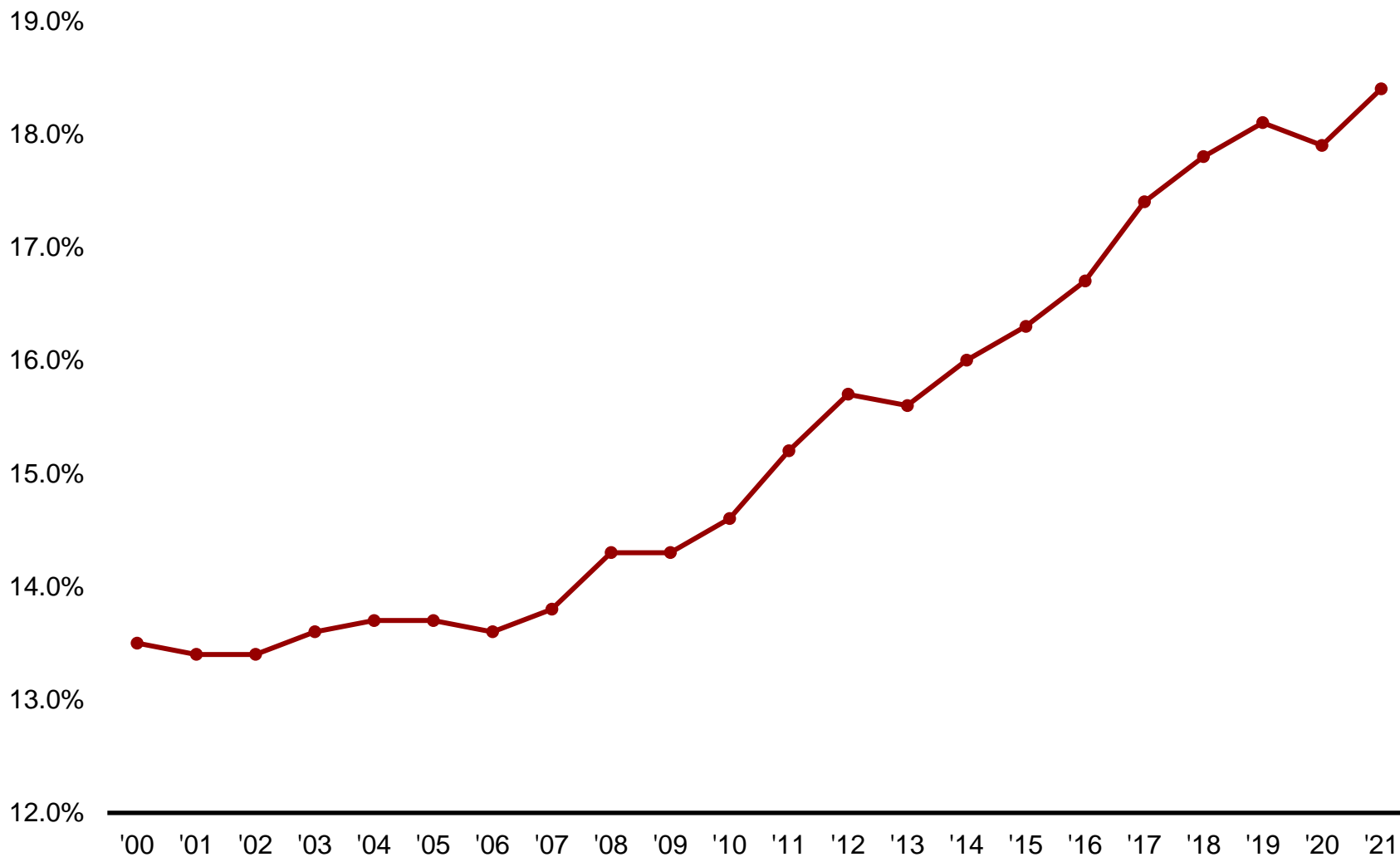
Firm	Total Bonus Spending	Average Bonus Per Enrollee	Share of Enrollees in Plans with Bonuses
UnitedHealthcare	\$2.8B	\$350	74%
Humana	\$1.9B	\$382	86%
BCBS plans	\$1.1B	\$272	55%
CVS Health	\$1.2B	\$376	85%
Kaiser Permanente	\$935.4M	\$521	99%
Cigna	\$242.5M	\$441	86%
Centene	\$233M	\$174	41%
All others	\$1.6B	\$350	76%

NOTE: All other insurers includes firms with less than 2% of total enrollment. BCBS are BlueCross and BlueShield affiliates and includes Anthem BCBS plans. Anthem non-BCBS plans are 2% of total enrollment.

SOURCE: KFF analysis of CMS Enrollment and Plan Quality and Performance Ratings Files, 2022 • PNG

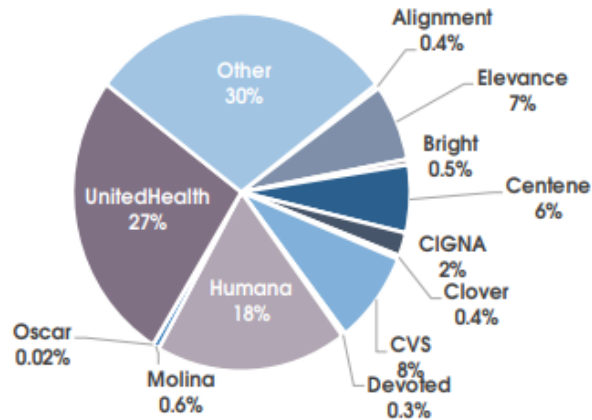


Percentage of U.S. Americans covered by Medicare 2000-2021

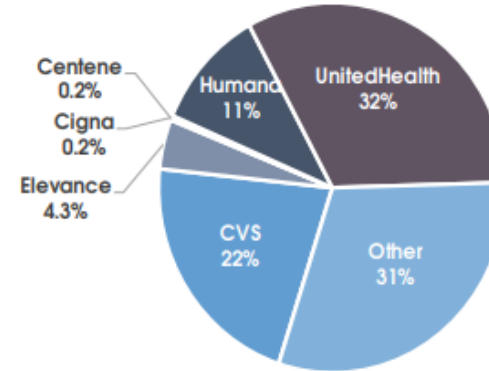


October 2022 – Enrollment Market Share by Product

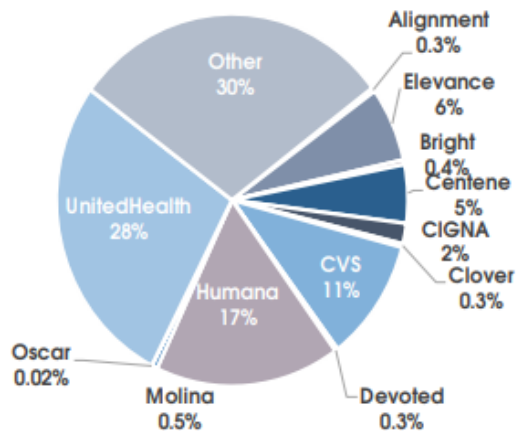
Individual Medicare Advantage Market Share



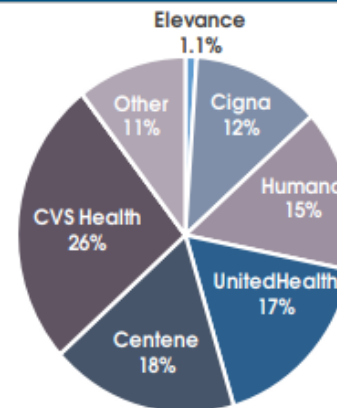
Group Medicare Advantage Market Share



Total Medicare Advantage Market Share



Standalone Part D Market Share



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