

UnitedHealth Group (UNH US)



UnitedHealth Group (UNH US) is an American multinational healthcare and insurance company. Its best known for innovative and diverse products with a focus on providing affordable services. The company operates through the UnitedHealthcare, Optum Health, Optum Insight and Optum Rx segments.

Unique position

The healthcare company has interlinked businesses throughout the supply chain with a dominant managed care organization in commercial, Medicare and Medicaid markets, one of only three at scale PBMs and a fast growing in local care delivery, HCIT, consulting, and RCM business.

RiverPark Large Growth Fund made a comment in their 1Q23 investor letter stating that their margin expansion, share buybacks and continued strategic acquisitions, the company can generate mid-teens or better earnings growth for the foreseeable future.

Latest Earnings

UnitedHealth saw a drop of 3% after earnings on April 14th where the company stated potential for lower than expected Medical Advantage rates for 2024. The health insurer has also been experiencing an increase in operating expenses due to raised operating costs and cost of goods sold.

However, the 1Q23 earnings report had its positives with earnings and revenue expectations beat and growing YoY. Earnings climbed to \$6.27 compared to consensus \$6.16 and revenue jumped 14.7% YoY to \$91.93 billion, beating consensus of \$89.7 billion. The company also raised their full year guidance from \$24.40-\$24.90 to \$24.50-25.00.

Competition

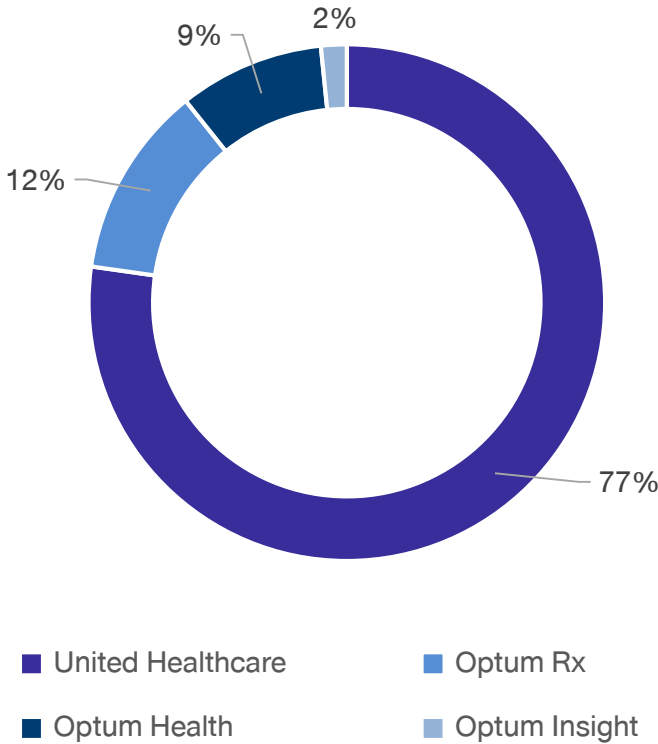
UnitedHealth Group’s PE ratio of 21.94 is higher than direct competitors Elevance Health and CVS Health Corporation at 15.92 and 8.84, however still below industry average of 29.88. PBV of UNH is also higher than competitors at 5.5 compared to ELV 2.8 and CVS 1.2, with PEG similarly high at 1.55 compared to ELV 1.02 and CVS 1.16. Overall, UnitedHealth Group is undervalued compared to the industry but overvalued compared to its direct competitors.

Industry	Healthcare facilities and Svcs.
Last Price	USD479.85
Bloomberg TP	USD588.24
Upside/Downside	22.6%

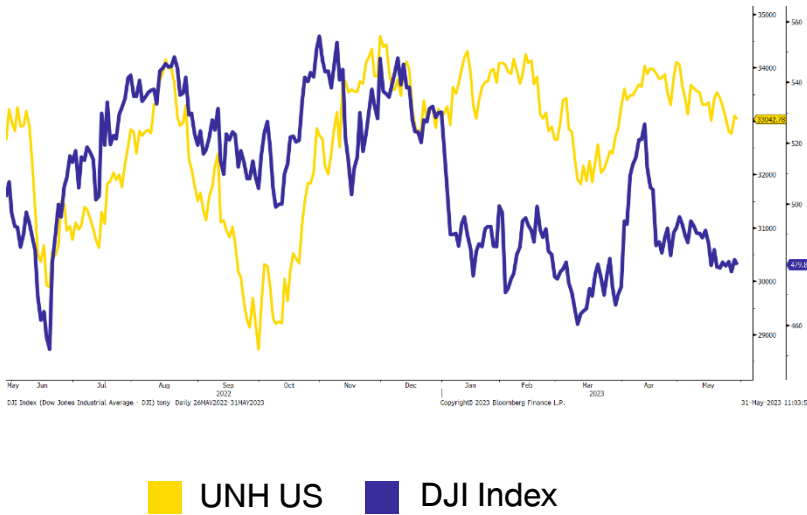
Financial (USD)	22A	23E	24E
Revenue (bn)	324.16	364.66	390.99
Net Profit (bn)	21.12	23.15	25.91
Profit Margin	6.2	6.4	6.6
EBITDA Margin	10.2	9.9	10.1
Earning Per Share	21.18	24.98	28.07

Valuation	22A	23E	24E
P/E (x)	25.03	19.21	17.09
P/B (x)	6.37	4.83	4.29

Revenue Breakdown



1 Year Return VS Dow Jones Index (31/05/22 – 31/05/23)



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