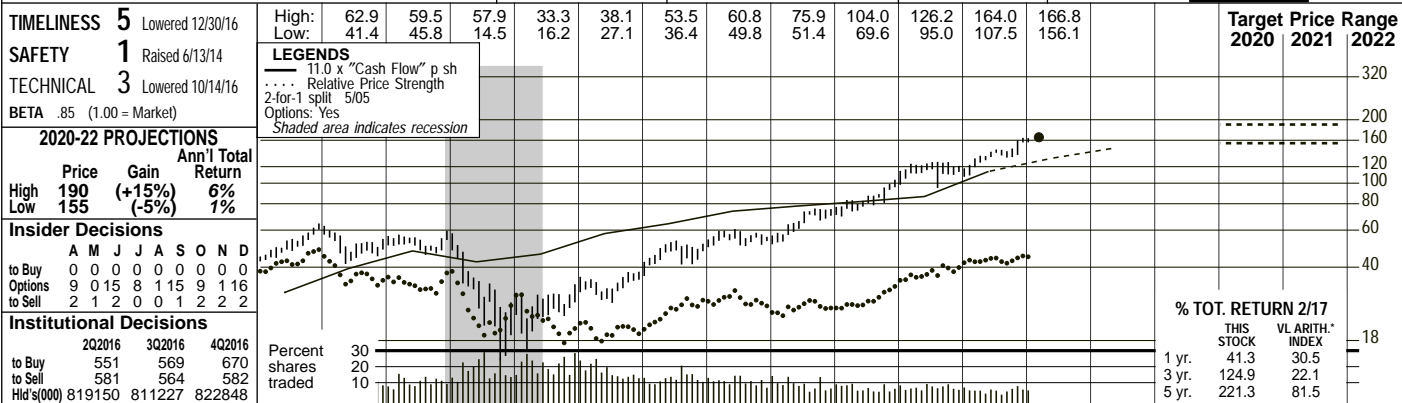


UNITEDHEALTH GRP. NYSE-UNH

RECENT PRICE **165.38** P/E RATIO **18.1** (Trailing: 20.5; Median: 12.0) RELATIVE P/E RATIO **0.92** DIV'D YLD **1.5%** VALUE LINE



| 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | © VALUE LINE PUB. LLC | 20-22 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|-----------------------------------|--------|
| 19.00 | 20.89 | 24.72 | 28.94 | 33.41 | 53.19 | 60.20 | 67.60 | 75.97 | 86.70 | 95.20 | 108.56 | 123.98 | 136.77 | 164.86 | 194.16 | 209.35 | 227.95 | Revenues per sh | 279.55 |
| .95 | 1.34 | 1.82 | 2.30 | 2.76 | 3.59 | 4.35 | 3.86 | 4.20 | 5.25 | 5.86 | 6.71 | 7.09 | 7.44 | 7.88 | 10.34 | 11.95 | 13.40 | "Cash Flow" per sh | 16.85 |
| .70 | 1.06 | 1.48 | 1.97 | 2.48 | 2.97 | 3.42 | 2.95 | 3.24 | 4.10 | 4.73 | 5.28 | 5.50 | 5.70 | 6.01 | 8.05 | 9.50 | 10.65 | Earnings per sh ^A | 13.30 |
| .01 | .01 | .01 | .02 | .03 | .03 | .03 | .03 | .03 | .41 | .61 | .80 | 1.05 | 1.41 | 1.88 | 2.38 | 2.80 | 3.20 | Div'ds Decl'd per sh ^B | 4.00 |
| .34 | .35 | .30 | .27 | .37 | .54 | .70 | .66 | .64 | .81 | 1.00 | 1.05 | 1.32 | 1.60 | 1.63 | 1.79 | 1.90 | 2.00 | Cap'l Spending per sh | 2.25 |
| 3.15 | 3.70 | 4.40 | 8.33 | 13.06 | 15.47 | 16.01 | 17.30 | 20.58 | 23.78 | 26.44 | 30.60 | 32.54 | 34.02 | 35.39 | 40.10 | 44.50 | 49.20 | Book Value per sh ^C | 65.60 |
| 1234.5 | 1197.8 | 1166.0 | 1286.0 | 1358.0 | 1345.0 | 1253.0 | 1201.0 | 1147.0 | 1086.0 | 1070.0 | 1019.0 | 988.00 | 954.00 | 953.00 | 952.00 | 950.00 | 945.00 | Common Shs Outst'g ^D | 930.00 |
| 22.5 | 19.9 | 16.4 | 17.1 | 20.7 | 17.2 | 15.3 | 10.9 | 8.1 | 8.0 | 9.8 | 10.4 | 11.9 | 14.7 | 19.4 | 16.8 | 16.0 | 16.8 | Avg Ann'l P/E Ratio | 13.0 |
| 1.15 | 1.09 | .93 | .90 | 1.10 | .93 | .81 | .66 | .54 | .51 | .61 | .66 | .67 | .77 | .98 | .88 | 0.98 | 0.88 | Relative P/E Ratio | .80 |
| .0% | .0% | .0% | .0% | .1% | .1% | .1% | .1% | .1% | 1.2% | 1.3% | 1.5% | 1.6% | 1.7% | 1.6% | 1.8% | 1.6% | 1.8% | Avg Ann'l Div'd Yield | 2.3% |

| CAPITAL STRUCTURE as of 12/31/16 | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|-------------------------|--|--------|
| Total Debt \$32970 mill. Due in 5 Yrs \$16000 mill. | | | | | | | | | | | | | | | | | | | | Revenues (\$mill) | | 260000 |
| LT Debt \$25777 mill. LT Interest \$1430 mill. | | | | | | | | | | | | | | | | | | | | Operating Margin | | 12.0% |
| (40% of Cap'l) | | | | | | | | | | | | | | | | | | | | Depreciation (\$mill) | | 3305 |
| Leases, Uncapitalized Annual rentals \$453.0 mill. | | | | | | | | | | | | | | | | | | | | Net Profit (\$mill) | | 12370 |
| | | | | | | | | | | | | | | | | | | | | Income Tax Rate | | 40.0% |
| | | | | | | | | | | | | | | | | | | | | Net Profit Margin | | 4.8% |
| No Defined Benefit Pension Plan | | | | | | | | | | | | | | | | | | | | Working Cap'l (\$mill) | | 7000 |
| Pfd Stock None | | | | | | | | | | | | | | | | | | | | Long-Term Debt (\$mill) | | 23000 |
| | | | | | | | | | | | | | | | | | | | | Shr. Equity (\$mill) | | 61000 |
| Common Stock 951,165,192 shs. as of 1/31/17 | | | | | | | | | | | | | | | | | | | | Return on Total Cap'l | | 15.5% |
| | | | | | | | | | | | | | | | | | | | | Return on Shr. Equity | | 20.5% |
| MARKET CAP: \$157 billion (Large Cap) | | | | | | | | | | | | | | | | | | | | Retained to Com Eq | | 14.0% |
| | | | | | | | | | | | | | | | | | | | | All Div'ds to Net Prof | | 30% |

| CURRENT POSITION (\$MILL) | | | | BUSINESS: UnitedHealth Group is a diversified health/well-being company. It offers products/services to individuals through four segments: UnitedHealthcare (network-based health care benefits), OptumHealth, OptumInsight, and OptumRx (information and technology based health services, consulting, and PBM). Acquired Oxford 7/04; PacifiCare Health 12/05; Sierra Health Svcs. 2/08; Unison | | | | | | | | | | | | | | | | Health 5/08; Amil P. 4/13. Medical cost ratio: 81.2% in 2016. Has about 230,000 employees. BlackRock owns 7.1% of common; FMR LLC, 5.9%; Vanguard, 5.7%; Wellington Man., 5.7%; offs. & dirs., 1.7% (4/16 Proxy). CEO: Stephen J. Hemsley; Pres./CFO: David S. Wichmann, Inc.: MN. Address: 9900 Bren Road East, Minnetonka, MN 55343. Tel.: 952-936-1300. Web: www.unitedhealthgroup.com. | |
|---------------------------|-------|-------|-------|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------------------|-------------------|--------|--|--|
| Cash Assets | 9236 | 12911 | 13275 | 75431 | 81186 | 87138 | 94155 | 101862 | 110618 | 122489 | 130474 | 157107 | 184840 | 198880 | 215400 | 215400 | 215400 | Revenues (\$mill) | 260000 | | |
| Receivables | 4252 | 6523 | 8152 | 11.5% | 9.0% | 8.4% | 9.5% | 9.4% | 9.5% | 9.0% | 9.0% | 8.1% | 8.5% | 9.2% | 10.0% | 10.0% | Operating Margin | 12.0% | | | |
| Other | 10068 | 12205 | 12452 | 796.0 | 981.0 | 991.0 | 1064.0 | 1124.0 | 1309.0 | 1375.0 | 1478.0 | 1693.0 | 2055.0 | 2310 | 2575 | 2575 | Depreciation (\$mill) | 3305 | | | |
| Current Assets | 23556 | 31639 | 33879 | 4654.0 | 3660.0 | 3822.0 | 4634.0 | 5142.0 | 5526.0 | 5625.0 | 5619.0 | 5813.0 | 7792.0 | 9025 | 10065 | 10065 | Net Profit (\$mill) | 12370 | | | |
| Accts Payable | 21287 | 26324 | 29752 | 36.3% | 35.9% | 34.2% | 37.2% | 35.4% | 35.9% | 36.4% | 41.8% | 42.6% | 37.9% | 38.0% | 40.0% | 40.0% | Income Tax Rate | 40.0% | | | |
| Debt Due | 1399 | 6634 | 7193 | 6.2% | 4.5% | 4.4% | 4.9% | 5.0% | 5.0% | 4.6% | 4.3% | 3.7% | 4.2% | 4.5% | 4.7% | 4.7% | Net Profit Margin | 4.8% | | | |
| Other | 7937 | 9940 | 12307 | d2948 | d4771 | d3963 | d5307 | d3572 | d6064 | d7501 | d7067 | d11259 | d15373 | d15000 | d13000 | d13000 | Working Cap'l (\$mill) | 7000 | | | |
| Current Liab. | 30623 | 42898 | 49252 | 9063.0 | 11338 | 9009.0 | 8662.0 | 10656 | 14041 | 14891 | 16007 | 25460 | 25777 | 25000 | 24500 | 24500 | Long-Term Debt (\$mill) | 23000 | | | |
| | | | | 20063 | 20780 | 23606 | 25825 | 28292 | 31178 | 32149 | 32454 | 33725 | 38177 | 42250 | 46500 | 46500 | Shr. Equity (\$mill) | 61000 | | | |
| | | | | 16.9% | 12.4% | 12.6% | 14.1% | 13.9% | 12.9% | 12.6% | 12.1% | 10.4% | 13.0% | 14.5% | 15.0% | 15.0% | Return on Total Cap'l | 15.5% | | | |
| | | | | 23.2% | 17.6% | 16.2% | 17.9% | 18.2% | 17.7% | 17.5% | 17.3% | 17.2% | 20.4% | 21.5% | 21.5% | 21.5% | Return on Shr. Equity | 20.5% | | | |
| | | | | 23.0% | 17.4% | 16.0% | 16.2% | 15.9% | 15.1% | 14.2% | 13.1% | 11.9% | 14.5% | 15.0% | 15.0% | 15.0% | Retained to Com Eq | 14.0% | | | |
| | | | | 1% | 1% | 1% | 10% | 13% | 15% | 19% | 24% | 31% | 29% | 29% | 30% | 30% | All Div'ds to Net Prof | 30% | | | |

UnitedHealth Group is trading near all-time highs. The company announced fourth-quarter results that bested both our and Wall Street's expectations in terms of revenue and earnings. Too, management boosted its outlook for 2017, highlighted by the fact that annual revenues may well approach the \$200 billion mark. This, coupled with the flight to quality in the medical services field, which has surfaced in the wake of the anticipated repeal of the Affordable Care Act by the Trump Administration, has pushed UNH's quotation just past the \$165 mark. Moreover, UnitedHealth is thriving at a time when many of its high-profile competition (Aetna/Humana and Anthem/Cigna) just had their potential mergers broken up by antitrust rulings.

Earnings growth for 2017 is likely to approximate 18%. The comparable 2016 yearend figure for EPS is \$8.05, and that impressive showing was accomplished with the headwind of ACA-related losses. This year, UNH will only maintain this business in three states; Nevada, Virginia, and New York. The legacy healthcare business should post admirable growth given the more favorable operating environment we envision in 2017. Moreover, the Optum branches thrive under periods of uncertainty. Other companies come knocking for help in efforts to cut costs and UnitedHealth provides a bevy of services that should be in high demand as the U.S. healthcare system is once again tweaked/altered to some degree.

The Optum branches continue to carry the growth torch and this probably will not change. Pharmacy benefits has been a sizable area of gains over the last few years and we see no slowing down in this juggernaut. Elsewhere, the Optum-Care branch is one that is not often highlighted, but has an increasingly bright future. It has the potential to noticeably trim the overall medical cost ratio via its population health management applications and consumer engagement models that lead to preemptive identification of serious conditions.

All the aforementioned positives aside, we think this untimely equity is due for a breather. And, it trades within our 3- to 5-year Target Price Range.

Erik M. Manning *March 10, 2017*

| | | | | | |
|---|--|---|--|------------------------------|-----|
| (A) Diluted earnings. Excludes nonrecurring gains/(losses): '00, 4¢; '07, (8¢); '08, (55¢); '16, 80¢. Next earnings report due mid-April. | (B) Quarterly dividend initiated 6/10. Dividends historically paid in late March, June, September, and December. | (C) Includes intangibles. In '16, \$56.1 billion, \$5.95/share. | (D) In millions, adjusted for stock split. | Company's Financial Strength | A++ |
| | | | | Stock's Price Stability | 85 |
| | | | | Price Growth Persistence | 85 |
| | | | | Earnings Predictability | 95 |