



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
16.65	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	<b>190.60</b>	<b>206.50</b>	Revenues per sh	270.25
.75	.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	8.02	<b>9.75</b>	<b>11.15</b>	"Cash Flow" per sh	15.65
.53	.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	6.15	<b>7.70</b>	<b>8.80</b>	Earnings per sh <sup>A</sup>	12.40
.01	.01	.01	.01	.02	.03	.03	.03	.03	.03	.41	.61	.80	1.05	1.41	1.88	<b>2.15</b>	<b>2.40</b>	Div'ds Decl'd per sh <sup>B</sup>	3.40
.19	.34	.35	.30	.27	.37	.54	.70	.66	.64	.81	1.00	1.05	1.32	1.60	1.63	<b>1.70</b>	<b>1.80</b>	Cap'l Spending per sh	2.10
2.91	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	<b>38.45</b>	<b>42.35</b>	Book Value per sh <sup>C</sup>	56.20
1268.9	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	<b>950.00</b>	<b>945.00</b>	Common Shs Outst'g <sup>D</sup>	925.00
19.6	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	19.0	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	12.5
1.27	1.15	1.09	.93	.90	1.10	.93	.81	.66	.54	.51	.61	.66	.67	.77	.96			Relative P/E Ratio	.78
.0%	.0%	.0%	.0%	.0%	.1%	.1%	.1%	.1%	.1%	1.2%	1.3%	1.5%	1.6%	1.7%	1.6%			Avg Ann'l Div'd Yield	2.2%

CAPITAL STRUCTURE as of 12/31/15		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Revenues (\$mill)	250000
Total Debt	\$32094 mill. Due in 5 Yrs \$15000 mill.	71542	75431	81186	87138	94155	101862	110618	122489	130474	157107	<b>181050</b>	<b>195125</b>	Operating Margin	11.3%
LT Debt	\$25460 mill. LT Interest \$1400 mill.	10.7%	11.5%	9.0%	8.4%	9.5%	9.4%	9.5%	9.0%	9.0%	<b>9.4%</b>	<b>9.7%</b>	<b>10.0%</b>	Depreciation (\$mill)	3000
(43% of Cap'l)		670.0	796.0	981.0	991.0	1064.0	1124.0	1309.0	1375.0	1478.0	1693.0	<b>1950</b>	<b>2200</b>	Net Profit (\$mill)	11470
Leases, Uncapitalized	Annual rentals \$417.0 mill.	4159.0	4654.0	3660.0	3822.0	4634.0	5142.0	5526.0	5625.0	5619.0	5947.0	<b>7315</b>	<b>8315</b>	Income Tax Rate	40.0%
No Defined Benefit Pension Plan	Pfd Stock None	5.8%	6.2%	4.5%	4.4%	4.9%	5.0%	5.0%	4.6%	4.3%	3.8%	<b>4.0%</b>	<b>4.3%</b>	Net Profit Margin	4.6%
Common Stock	953,000,000 shs.	d2453	d2948	d4771	d3963	d5307	d3572	d6064	d7501	d7067	d11259	<b>d10500</b>	<b>d9750</b>	Working Cap'l (\$mill)	d7000
		5973.0	9063.0	11338	9009.0	8662.0	10656	14041	14891	16007	25460	<b>24500</b>	<b>24000</b>	Long-Term Debt (\$mill)	22000
		20810	20063	20780	23606	25825	28292	31178	32149	32454	33725	<b>36500</b>	<b>40000</b>	Shr. Equity (\$mill)	52000
		16.4%	16.9%	12.4%	12.6%	14.1%	13.9%	12.9%	12.6%	12.1%	11.2%	<b>13.0%</b>	<b>14.0%</b>	Return on Total Cap'l	16.5%
		20.0%	23.2%	17.6%	16.2%	17.9%	18.2%	17.7%	17.5%	17.3%	17.6%	<b>20.0%</b>	<b>21.0%</b>	Return on Shr. Equity	22.0%
		19.8%	23.0%	17.4%	16.0%	16.2%	15.9%	15.1%	14.2%	13.1%	12.3%	<b>14.5%</b>	<b>15.0%</b>	Retained to Com Eq	16.0%
		1%	1%	1%	1%	10%	13%	15%	19%	24%	31%	<b>28%</b>	<b>27%</b>	All Div'ds to Net Prof	27%

**BUSINESS:** UnitedHealth Group is a diversified health and well-being company. It offers products and 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: 81.7% in 2015. Has about 200,000 employees. BlackRock owns 6.0% of common; FMR LLC, 6.0%; offs. & dirs., 1.84% (4/15 Proxy). CEO: Stephen J. Hemsley; Pres./CFO: David S. Wichmann, Inc.: Minnesota. Address: 9900 Bren Road East, Minnetonka, MN 55343. Tel.: 952-936-1300. Web: www.unitedhealthgroup.com.

**We think UnitedHealth Group can post annual earnings growth north of 20% this year.** Yes, many of the headlines of late have been about this company's concerns with the individual insurance exchanges setup under the Affordable Care Act. UNH's losses from this activity over 2015 and into 2016 have exceeded \$1 billion, but this is only a drop in the bucket for a company of this scale, and its overall exposure to ACA-related exchanges is not substantial. Rate increases at the legacy UnitedHealthcare business can help to alleviate these woes, and the growing contributions from the Optum units will then power results. With that, we are boosting our 2016 EPS call by \$0.50, to \$7.70. Subscribers will note we are also introducing a 2017 figure of \$8.80.

**Prospects for the Optum branches seem to get brighter with each passing month.** The addition of Catamaran to the PBM side of operations has been a boon with a handsome amount of new revenues coming in as a result of that pact. Add to this that the IT and consulting arms are positioned perfectly to aid companies in their transition to adapting to the huge-scale reform that has swept through the healthcare industry in the last year-plus. Each Optum tentacle is performing well, and the sum of all these parts should carry the growth torch at UNH for the next several years. True, adding Catamaran has raised the debt profile (debt to capital is now 43% versus its low-30% range for 2015), but the level of indebtedness is still manageable. So much so that we think United could bolt on to operations where it sees fit.

**What UnitedHealth does in the next Affordable Care enrollment period (starts October 1st) should have far-reaching ramifications.** Top brass has stated at this time it may decide to pull out from the exchanges entirely. As the country's largest insurer, increased profitability here would probably not be the largest result. Competitive pricing for the overall program could rise dramatically. **This high-quality equity looks to be fairly valued in the current market.** The dividend is growing, though, it is not yet large enough to merit investment as a stand-alone trait.

*Erik M. Manning*  
March 11, 2016

(A) Diluted earnings. Excludes nonrecurring gains/(losses): '00, 4c; '07, (8c); '08, (55c). Next earnings report due mid-April.	historically paid in late March, June, September, and December.	(D) In millions, adjusted for stock split.	Company's Financial Strength	A++
(B) Quarterly dividend initiated 6/10. Dividends	(C) Includes intangibles. In '15, \$52.8 billion, \$55.63/share.		Stock's Price Stability	75
			Price Growth Persistence	70
			Earnings Predictability	100