

First Cut Stock Study Report

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Click on each grayed area and enter your information.

Fields will expand as you type.

Save file as FC<yyyymmdd><ticker>.doc (i.e. FC20080224FDS.doc).

Create a PDF of the SSG (see instructions on last page).

Please return this completed form and the SSG in PDF format to:

FirstCut@betterinvesting.net

Company Name:	UnitedHealth Group Inc	Ticker:	UNH
Date of Study:	2/12/2012	Price:	\$ 53.32
Your Name:	Etana Finkler		
Email address:	etana.finkler@gmail.com	<input type="checkbox"/> Consent to post email on web	
City:	Silver Spring	State:	MD
Chapter Name (if applicable):	DC Regional		

Discuss why you consider this to be a high quality, growth company that should be investigated further. Please include comments on historical sales and EPS growth, pre-tax profit margin, return on equity, and debt.

United Health Group ranks 78% quality in Manifest investing ratings, first among its peers. For a large company it has a good sales growth rate of 17% with an 8.3% projected sales growth. It has a small dividend of .8%. it is in the same Industry as Almost Family AFAM, Medical Services (Managed Care), but seems to be holding up against the politics of healthcare. Morningstar says, "UnitedHealth Closes Strong 2011 That Felt Surprisingly Little Impact From Health Reform," and increased fair value from \$58 to \$60

Revenue growth higher than its peers; Diversified model; strong management. Plentiful cash flow. UNH's scale endows the firm with competitive advantages, giving UNH a narrow moat (vs no moat).

VL A+ financial strength; 90% earnings predictability.

Briefly describe how the company makes money:

UnitedHealth provides health insurance and related services to more than 78 million Americans. Products include risk-based health insurance, non-risk-based plan management for self-insured employers, Medicare and Medicaid plans, pharmacy benefit and disease management, and database and

consulting services. Subsidiaries include UnitedHealthcare, OptumHealth, OptumRx (formerly Prescription Solutions), and OptumInsight (formerly Ingenix)

Projected growth rate for sales: 8.3%

Why did you select this rate? Discuss from where future growth will come.
lowered the historical 17.7% revenue growth rate. VL suggest 10%; MI suggests 8.3%; i chose the lower more conservative projection.V

Projected growth rate for earnings per share: 10%

Why did you select this rate?

VL projects 11% earnings; ACE estimate is 10%; MI suggests \$7.93 eps, and my projection is more conservative at \$7.62..

Projected High P/E: 13.5

Why did you select this value?

VL projects 13.5 p/e; MI projects 12 avg p/e, so I thought UNH could get to a high p/e of 13.5 in the next 5 years.

Projected Low P/E: 7.8

Why did you select this value?

This is the current year's low PE. For a growth stock, I don't expect it to do worse than this year in the next 5 years; I expect it to grow.

Projected Low Price: \$36.89

Why did you select this value?

The low p/e forecast x the current eps give me \$36.89. I don't expect a growth stock to hit this year's low eps again.

At the current price, the stock is a (check one):

Buy or Hold or Sell

At the current price, the upside-downside ratio is: 3 to 1

Projected compounded rate of return: 14.4%

Your final recommendation (check one):

Buy or Hold or Sell

Explain:

1. Morningstar 4 star, not a bargain basement price, but the market is overvalued in general so I'd rather pay a fair price for a growing company than look for a bargain right now. Morningstar really likes the management: "Management: Despite a poor history of corporate stewardship marked by an option-backdating scandal and excessive executive compensation,

UnitedHealth has transformed itself into a model of governance in the managed-care industry. We give the company an above-average stewardship grade. We believe UnitedHealth has an unusually deep management team, and we like the company's strategy of rotating senior management through different roles to develop talent and maintain fresh perspectives.

2. MI rates UNH 77.6 blue quality, 13.1 green par, even in this difficult market and with UNH's growth this year.

3. VL projects a high price of 115, 140% appreciation, so I think my projection of \$102 may hopefully be conservative. VL also projects P/E expansion to 13.5, which is a good thing for price potential. (VL Dec 2011)

4. I like the visual analysis of the graphic page 1 of SSG; UNH seems to be a steady grower, except for 2008 (see concern A below).

4. I look at Navellier for momentum AFTER I determine that I have a quality company at a fair price. Navellier rates UNH B=total grade, A=Navellier Proprietary Quantitative Grade; B=Overall Fundamental Grade. This way, I am, as Saul Seiberg, InvestEd instructor says, "Playing the Piano with both hands, examining both quality fundamentals as well as the trend in the near-term. This worked for last year's stocks that I presented: ORLY and AAPL, both doing very nicely for us, and both high quality companies.

5. MY CONCERNS:

A. UNH fared poorly in 2008, falling in line with the market. I still don't know how to protect against that sharp drop again.

B. The CR ratio is 1, and I prefer a ration of 2, but I don't know how it compares to the industry.

C. I hesitate to buy anything since the market appears overvalued, but I think there is some growth ahead for UNH.

D. PERT-A is flat (good) in PTPsalse and Sales, but trending down in EPS and PTP. So this needs watching; the numbers still seem good.

Instructions to Create PDF of SSG

If using **Online Stock Selection Guide**:

- Select **Print** from menu at top of page
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