UNH — EQUITY RESEARCH

UnitedHealth Group Incorporated · Healthcare / Managed Care · 11 November 2026 Price $402.94 · Market cap $361.0B · Enterprise value $414.3B

EXECUTIVE SUMMARY

BUY with a **$470** price target (**+16.6%**) over 12 months. UnitedHealth is one year into the most violent margin reset in its history: operating margin fell from 8.1% in 2024 to 4.2% in 2025 as medical costs repriced faster than premiums. The stock is 32% below its five-year high and has returned -3.4% over five years while the S&P 500 compounded at double digits. That is the setup, not the thesis. The thesis is that the cost shock is cyclical and now visible: management has repriced the 2026 book, the Optum health-services segment is growing again, and a return of operating margin to 6.5% on $460B of revenue is worth roughly $22-23 of EPS. At 20x that is $450-470. Consensus is $476.16 across 25 analysts. The bear case is real — a 15x multiple on trough earnings is $255 — but with a 0.52 beta and a 2.3% dividend, the risk/reward is skewed upward for the first time in three years.

FUNDAMENTAL ANALYSIS

Recent financial metrics. FY2025 revenue $447.57B, up 11.8%, but gross margin fell from 22.3% to 18.5%, operating income from $32.29B to $18.96B and net income from $14.41B to $12.06B. EBITDA $23.06B, operating cash flow $19.70B, capex $3.62B, free cash flow $16.08B. Return on equity 15.8%, down from the low-20s at the peak. The revenue line is healthy; the margin line is the entire story.

Metric	FY2022	FY2023	FY2024	FY2025
Revenue ($B)	324.16	371.62	400.28	447.57
Gross margin	24.6%	24.5%	22.3%	18.5%
Operating income ($B)	28.44	32.36	32.29	18.96
Net income ($B)	20.12	22.38	14.41	12.06
Free cash flow ($B)	23.40	25.68	20.71	16.08

Peer comparison. UnitedHealth trades at 23.0x trailing and 17.3x forward earnings and 0.92x EV/sales. Elevance is at 18.2x/14.2x, Cigna 13.3x/9.0x, CVS 10.4x/10.3x, Humana 43.5x/24.9x and Centene 24.2x/12.7x. UNH has historically carried a premium to the group for its Optum mix and scale; it still does on trailing earnings, but the forward discount to Elevance has closed. The peer set as a whole de-rated on the same cost trend, which tells you the market is pricing an industry-wide problem, not a UNH-specific one.

Forward outlook. Consensus (forward P/E 17.3x) implies roughly $23.3 of 2027 EPS on a $402.94 price. That is consistent with a mid-6% operating margin. The company's own guidance was not reproduced here — the Q3-2026 call had reported before this note, but the transcript was not pulled — so we treat consensus as the market's working assumption and stress it below.

CATALYST ANALYSIS

Near-term (0-6 months). Q4-2026 results and the 2027 medical-cost trend guidance, typically given with the December investor conference. The single number that matters is the medical loss ratio guide: a stabilisation at the 2026 level validates the recovery; another 100bp of adverse development restarts the de-rating.

Medium-term (6-24 months). Medicare Advantage rate notices (typically early April, effective the following January) reset the revenue side of the equation. Optum Health's value-based care contracts and Optum Rx pharmacy benefit reform are the two structural swing factors. Any resolution of the Department of Justice billing-practice investigation would remove an overhang that is not quantifiable from this dataset.

Event-driven. Dividend growth (2.3% yield, well covered by $16.1B of FCF against roughly $8.3B of dividends) and buybacks. A large acquisition would be a negative at this valuation.

VALUATION & PRICE TARGETS

Current price $402.94. Consensus mean $476.16 (range $380-$531, 25 analysts). We value the business on normalised operating margin, because trailing earnings are trough earnings and a trailing multiple is meaningless here.

Scenario	Operating margin	EPS	Multiple	Target	Change	Probability
Bull — margin recovery plus Optum re-rating	7.5%	$26.00	22.0x	$572	+42%	20%
Base — mid-cycle margin restored by 2028	6.7%	$23.50	20.0x	$470	+17%	55%
Bear — costs stay elevated, multiple compresses	5.0%	$17.00	15.0x	$255	-37%	25%

Probability-weighted target: **$437** (+8.5%). Our published target of $470 is the base case, which we use because the probability-weighted number understates the value of the dividend and the optionality on the DOJ overhang clearing; we flag the difference explicitly rather than hiding it. Cross-check on free cash flow: $16.1B at a 5.5% FCF yield gives $293B of equity value, or $327 per share — the floor if margins never recover.

RISK ASSESSMENT

Company risks. Medical cost trend is the whole thesis. A second year of adverse development would take the stock through the 2025 low. Optum's vertical integration is also a regulatory target: pharmacy-benefit reform, site-neutral payment rules and antitrust scrutiny all attack the margin structure that makes UNH worth a premium.

Macro risks. Beta of 0.52 means the stock is a defensive, but managed care is exposed to unemployment (commercial membership), interest rates (the investment portfolio and the cost of the $74.3B debt stack) and policy. Healthcare policy risk is binary and not hedgeable with position sizing alone.

Position sizing. 2-3% of a diversified portfolio. The 52-week range is $256-$434, a 70% spread; a 3% position with a 20% stop risks 60bp of the portfolio.

ESG and governance. Governance is material: the DOJ investigation and the 2024 management change are the reasons the multiple is where it is. We treat a credible settlement as upside optionality, not as a base-case assumption.

TECHNICAL CONTEXT & OPTIONS INTELLIGENCE

Price $402.94 against a 52-week range of $255.97-$433.68, above the 50-day ($390.85) and 200-day ($362.42) averages, with the 50-day above the 200-day — a constructive trend for the first time since 2024. Resistance is the

$434 52-week high; support is $362 (200-day) and then $300. One-year return +26.3% versus +14.1 points of excess over the S&P 500; three-year -20.2% and five-year -3.4%. **Options data (put/call, implied volatility, skew) was not verified in this dataset.**

MARKET POSITIONING

Health care (XLV) has lagged the index for three years, and UNH has lagged health care. Relative strength has just turned: the stock is +26.3% over one year against a sector that is roughly flat. If the sector rotates toward defensives as AI capex matures, UNH is the highest-quality large-cap exposure in the group.

INSIDER SIGNALS

Insider transaction data was **not verified** for this note. Buyback and dividend policy are observable: roughly $8.3B of dividends against $16.1B of free cash flow, leaving room for repurchases at the current price — which is the more useful signal.

RECOMMENDATION SUMMARY

Metric	Value
Rating	BUY
Conviction	Medium
Price target	$470
Timeframe	12 months
Upside	+16.6%
Position size	2-3%
What would prove this wrong	A 2027 medical loss ratio guide above the 2026 level, or adverse development on prior-period reserves for a third consecutive quarter. Either would make the bear case the base case.

DATA APPENDIX

Source: Yahoo Finance statements and market data pulled 11 November 2026 (see `equity_research/UNH.json`). Balance sheet FY2025: cash $24.4B, debt $78.4B, equity $94.1B. Shares outstanding approximately 896M. Dividend yield 2.30%.

DISCLAIMER

This analysis is for educational and research purposes only. Not financial advice. Past performance does not guarantee future results. Consult a qualified financial professional before making investment decisions. All investments carry risk of loss.