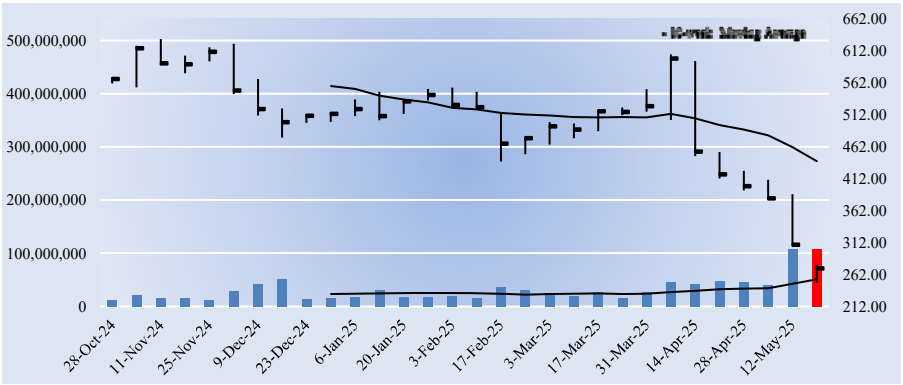
UnitedHealth Group UNH UNDERVALUED 11.4%

Buying Index™ 6 **Value Rating** ✓

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$402.00	$302.00 - $503.00	MEGA-CAP VALUE	Health Care	Health Care Bellwethers

UnitedHealth Group may face some cost pressures as a result of a return to a normal cadence of medical procedures following COVID-19, but we expect the firm to price appropriately in the long run.

Stock Chart (weekly)



The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	$251,815
Avg Weekly Vol (30 wks)	32,325
30-week Range (USD)	248.88 - 630.73
Valuentum Sector	Health Care
5-week Return	-39.7%
13-week Return	-41.9%
30-week Return	-52.1%
Dividend Yield %	3.1%
Dividends per Share	8.40
Forward Dividend Payout Ratio	37.8%
Est. Normal Diluted EPS	25.58
P/E on Est. Normal Diluted EPS	10.6
Est. Normal EBITDA	37,394
Forward EV/EBITDA	7.4
EV/Est. Normal EBITDA	6.6
Forward Revenue Growth (5-yr)	3.4%
Forward EPS Growth (5-yr)	13.1%

NMF = Not Meaningful; Est. = Estimated; FY = Fiscal Year

Returns Summary

	3-year Historical Average
Return on Equity	24.1%
Return on Assets	7.8%
ROIC, with goodwill	22.0%
ROIC, without goodwill	73.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	75,604
Net Debt	-3,763
Total Debt/EBITDA	2.2
Net Debt/EBITDA	NMF
EBITDA/Interest	9.0
Current Ratio	1.2
Quick Ratio	1.9

NMF = Not Meaningful

Investment Highlights

• UnitedHealth Group is a diversified healthcare and well-being company, and the firm provides health care benefits to a wide range of customers in an array of markets. Its two business platforms operate through four segments: UnitedHealthcare, OptumHealth, OptumInsight, and OptumRx. The company was founded in 1974 and is headquartered in Minnesota.

• The firm's UnitedHealthcare segment can be broken down into four operating divisions: Employer & Individual, Medicare & Retirement, Community & State, and Global. UnitedHealth is the largest health insurance provider in the US.

• Though UnitedHealth Group is a behemoth, it is not without its fair share of competition, which in its case comes from a variety of sources. Managed health care companies, insurance companies, HMOs, TPAs, PBMs, and business services outsourcing companies all provide similar services to any one of its businesses. The firm's significant scale is an advantage.

• UnitedHealth Group adeptly navigated the headwinds created by the COVID-19 pandemic while maintaining its free cash flow cow status. The company is quite shareholder friendly, and its capital allocation priorities include utilizing a combination of dividend increases and share buybacks to return cash to shareholders.

• The company's Optum businesses, which focus on improving the healthcare system itself, have been performing extremely well of late. The firm was sued by the US DoJ over alleged Medicare overcharges, but most of those charges were dropped in 2018.

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**439.00**

DCF = Discounted Cash Flow; MFI, U/D = Please see glossary. MA = Moving Average

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				■
High				
Very High				

Firms that generate economic profits with little operating variability score near the top right of the matrix.

Relative Valuation

	Forward P/E	PEG	Price / FV
Abbott	25.1	NMF	107.2%
CVS Health	10.9	1.7	97.0%
Johnson & Johnson	15.2	1.7	97.8%
Pfizer	7.9	1.9	88.7%
Peer Median	13.1	1.7	97.4%
UnitedHealth Group	**12.2**	**1.3**	**67.4%**

Price / FV = Current Stock Price divided by Estimated Fair Value

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-23	Dec-24	Dec-25
Revenue	371,622	400,278	420,292
Revenue, YoY%	14.6%	7.7%	5.0%
Operating Income	32,358	32,287	30,964
Operating Margin %	8.7%	8.1%	7.4%
Net Income	22,381	14,405	20,539
Net Income Margin %	6.0%	3.6%	4.9%
Diluted EPS	23.86	15.51	22.22
Diluted EPS, YoY %	12.7%	-35.0%	43.3%
Free Cash Flow (CFO-capex)	25,682	20,705	20,393
Free Cash Flow Margin %	6.9%	5.2%	4.9%

In Millions of USD (except for per share items)

Structure of the Healthcare Services Industry — NEUTRAL

The healthcare services industry consists of firms that operate traditional hospitals, inpatient rehabilitation hospitals, and other specialized healthcare facilities. Demand for the group's services continues to increase as the US population ages and life expectancies rise. Inpatient rehabilitation care is growing at a 2-3% annual rate, while the expansion of patients with end stage renal disease continues at a slightly faster pace. Improvement in clinical practices and pharmacology and reimbursement policies of third-party payors have also impacted hospital utilization/occupancy. We're neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

UnitedHealth Group UNH UNDERVALUED 11.4%

Buying Index™ 6 Value Rating ✓

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$402.00	$302.00 - $503.00	MEGA-CAP VALUE	Health Care	Health Care Bellwethers

Economic Profit Analysis

ValueCreation™ EXCELLENT

The best measure of a firm's ability to create value for shareholders is expressed by comparing its return on invested capital (ROIC) with its weighted average cost of capital (WACC). The gap or difference between ROIC and WACC is called the firm's economic profit spread. UnitedHealth Group's 3-year historical return on invested capital (without goodwill) is 73.8%, which is above the estimate of its cost of capital of 9.7%. As such, we assign the firm a ValueCreation™ rating of EXCELLENT. In the chart to the right, we show the probable path of ROIC in the years ahead based on the estimated volatility of key drivers behind the measure. The solid grey line reflects the most likely outcome, in our opinion, and represents the scenario that results in our fair value estimate.

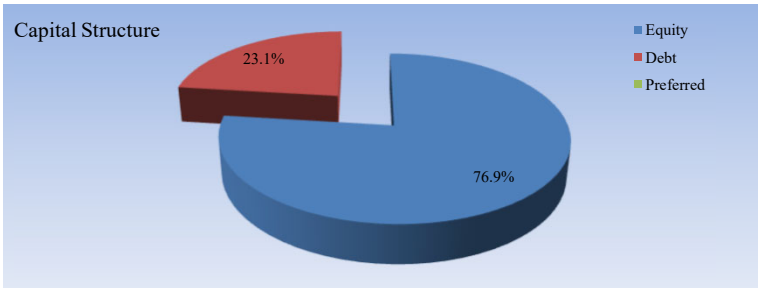
ROIC - WACC Spread, 3-year historical average	64.2%
ROIC - WACC Spread, 5-year projected average	39.4%

These spreads equal the firm's annual average ROIC (excluding goodwill) less its WACC.

ValueTrend™ NEGATIVE

UnitedHealth Group receives a ValueTrend™ rating of NEGATIVE, which is based on the company's trailing three-year performance. The firm's ROIC (excluding goodwill) fell to 67.4% last year from its trailing 3-year average of 73.8%. We expect ROIC (excluding goodwill) to be in the ballpark of about 54% by the end of our discrete forecast period, with downside risk to about 44% over that time period.

Weighted Average Cost of Capital (WACC)



Cost of Equity

Risk Free Rate Assumption	4.3%
Fundamental Beta (ERP multiplier)	1.0
Estimated Equity Risk Premium	6.5%
Cost of Equity Assumption	**10.8%**

After-tax Cost of Debt

Risk Free Rate Assumption	4.3%
Synthetic Credit Spread	3.00%
Cost of Debt Assumption	7.3%
Cash Tax Rate Assumption	21.0%
After-tax Cost of Debt Assumption	**5.8%**

Cost of Preferred Stock

Preferred Dividends	0
Value of Preferred Stock	0
Cost of Preferred Assumption	NA

Weighted Average Cost of Capital (WACC)	**9.7%**

ERP = Equity Risk Premium

Adjusted Return on Invested Capital (ROIC)

The graph above shows the firm's ROIC (excluding goodwill) compared with historical averages and its WACC.

Assessment of Company Dividend Strategy

Key Strengths

There is a whole lot to like about UnitedHealth, as the largest insurance provider in the US with two primary business platforms: 'UnitedHealthcare' (provides health benefits) and 'Optum' (for health services). Its Optum businesses have been a source of strength in recent years, and we expect strong expansion to continue. From 2021 to 2024, UnitedHealth's annual free cash flows averaged ~$22.4 billion while its annual run-rate dividend obligations stood at ~$7.5 billion in 2024. UnitedHealth's Dividend Cushion ratio is impressive, and we expect the firm will push through aggressive annual dividend increases in the coming years.

Potential Weaknesses

As UnitedHealth's impressive Dividend Cushion ratio suggests, finding cracks in its dividend profile is not easy. Acquisitions will remain an important part of the company's growth strategy (its goodwill balance is significant), as it continues to scoop up assets (selection and overpayment risk are high). However, we are pleased with UnitedHealth's deal making in light of portfolio benefits and strong incremental free cash flow generation. Competition from other companies including Aetna, Anthem and Cigna pose threats. Additionally, share repurchases will compete for capital going forward.

Note: Valuentum may provide an adjusted ROIC measure to better reflect the economic substance of a company's operations, as in the case of companies with negative invested capital.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

UnitedHealth Group UNH UNDERVALUED 11.4%

Buying Index™ 6 Value Rating ✓

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$402.00	$302.00 - $503.00	MEGA-CAP VALUE	Health Care	Health Care Bellwethers

Growth Analysis

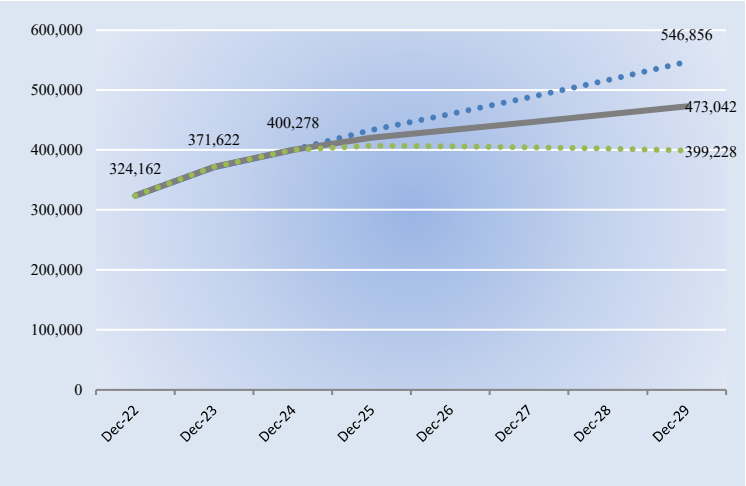
Revenue Growth — MODEST

		Last Fiscal Year Revenue	3-year Historical CAGR	5-year Projected CAGR
UnitedHealth Group	USD	**400,278**	**11.7%**	**3.4%**
Abbott	USD	41,950	-0.9%	6.4%
CVS Health	USD	370,656	8.4%	3.7%
Johnson & Johnson	USD	88,821	4.1%	2.9%
Pfizer	USD	63,627	-7.8%	0.8%
Peer Median			1.6%	3.3%
Industry Median			6.0%	4.0%

UnitedHealth Group's revenue expansion has been greater than the median of both its peer group and industry group during the past three years. We expect the firm's revenue to outpace the median of its peer group but trail that of its industry group during the next five years. Our growth assessment of each firm is based on the firm's 5-year forward revenue CAGR. UnitedHealth Group's future pace of revenue growth is MODEST, in our opinion.

Projected Revenue (in millions of USD)

Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for revenue as well as potential upside and downside cases.

EBITDA Growth

		Last Fiscal Year EBITDA	3-year Historical CAGR	5-year Projected CAGR
UnitedHealth Group	USD	**34,986**	**10.2%**	**3.1%**
Abbott	USD	10,714	-5.6%	12.2%
CVS Health	USD	12,616	-12.2%	5.1%
Johnson & Johnson	USD	29,540	1.6%	7.6%
Pfizer	USD	18,036	-14.0%	-0.4%
Peer Median			-8.9%	6.4%
Industry Median			1.1%	5.1%

UnitedHealth Group's EBITDA expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's pace of EBITDA growth to fall below that of both its peer group and industry group during the next five years. Abbott sports the highest expected EBITDA growth rate among peers.

Projected EBITDA (in millions of USD)

Source: Company Filings, Valuentum Projections

In the chart above, we show our baseline forecast for EBITDA as well as potential upside and downside cases.

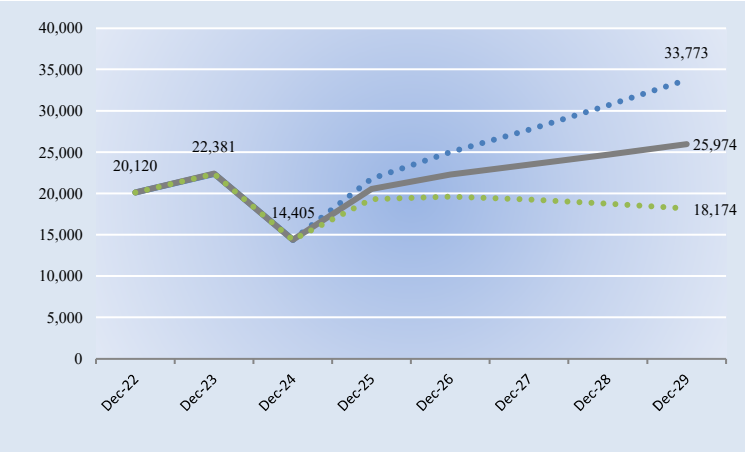
Net Income Growth

		Last Fiscal Year Net Income	3-year Historical CAGR	5-year Projected CAGR
UnitedHealth Group	USD	**14,405**	**-5.9%**	**12.5%**
Abbott	USD	13,402	23.8%	-0.7%
CVS Health	USD	4,614	-16.8%	10.9%
Johnson & Johnson	USD	14,066	-12.3%	16.5%
Pfizer	USD	8,020	-28.5%	9.2%
Peer Median			-14.5%	10.1%
Industry Median			-9.0%	10.7%

UnitedHealth Group's net income expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's net income expansion to outpace its peer group and industry group during the next five years. Johnson & Johnson sports the highest expected net income growth rate among peers.

Projected Net Income (in millions of USD)

Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for net income as well as potential upside and downside cases.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

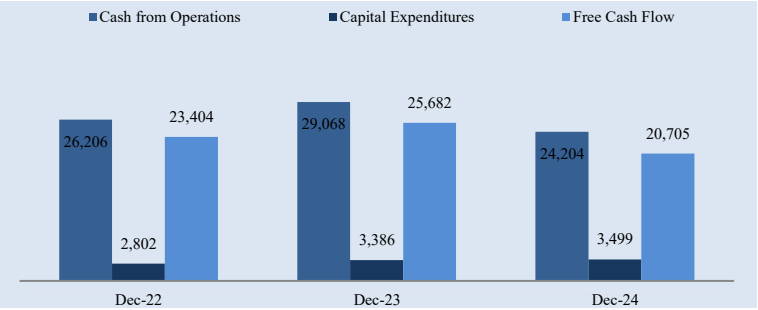
UnitedHealth Group UNH UNDERVALUED 11.4%

Buying Index™ 6 **Value Rating** ✓

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$402.00	$302.00 - $503.00	MEGA-CAP VALUE	Health Care	Health Care Bellwethers

Cash Flow and Financial Leverage Analysis

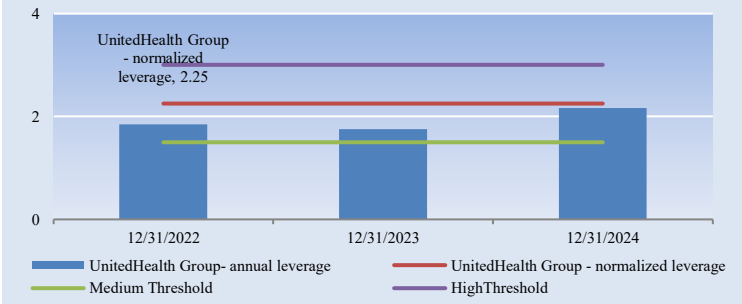
Cash Flow Generation — STRONG



The bars above show the firms operating cash flow, capital expenditures, and free cash flow, respectively.

Firms that generate a free cash flow margin (free cash flow divided by total revenue) above 5% are usually considered cash cows. UnitedHealth Group's free cash flow margin has averaged about 6.4% during the past 3 years. As such, we think the firm's cash flow generation is relatively STRONG. The free cash flow measure shown above is derived by taking cash flow from operations less capital expenditures and differs from enterprise free cash flow (FCFF), which we use in deriving our fair value estimate for the company. For more information on the differences between these two measures, please visit our website at Valuentum.com. At UnitedHealth Group, cash flow from operations decreased about 8% from levels registered two years ago, while capital expenditures expanded about 25% over the same time period.

Financial Leverage — MEDIUM



The bars above show the firm's annual debt-to-EBITDA. The red line shows the firm's normalized measure.

Firms that exhibit high leverage tend to be more risky than firms with relatively low debt loads, all else equal. We measure financial leverage by taking a firm's current total debt load and dividing it by the firm's trailing average 3-year annual EBITDA. Firms that are over 3 for this metric, we rate as having high leverage. Companies that have less than 1.5 turns of leverage (or a measure below 1.5), we rate as having low leverage. UnitedHealth Group's normalized debt-to-EBITDA measure of about 2.25 puts it in the MEDIUM camp.

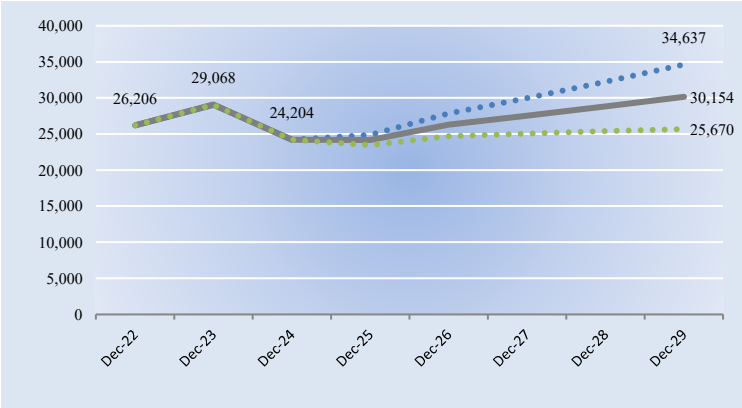
Cash Flow from Operations

		Last Fiscal Year CFO	3-year Historical CAGR	5-year Projected CAGR
UnitedHealth Group	USD	**24,204**	**2.7%**	**4.5%**
Abbott	USD	8,558	-6.7%	14.7%
CVS Health	USD	9,107	-20.7%	4.2%
Johnson & Johnson	USD	24,266	1.2%	10.0%
Pfizer	USD	12,744	-26.9%	3.7%
Peer Median			-13.7%	7.1%
Industry Median			-0.2%	6.1%

UnitedHealth Group's cash flow from operations expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's pace of cash flow from operations growth to fall below that of both its peer group and industry group during the next five years. Abbott sports the highest expected cash flow from operations growth rate among peers.

Projected Operating Cash Flow (in millions of USD)

Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for CFO as well as potential upside and downside cases.

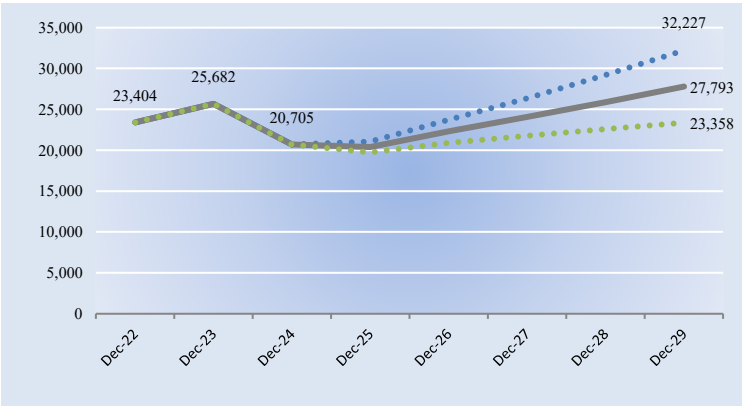
Free Cash Flow (CFO-capital expenditures)

		Last Fiscal Year FCF	3-year Historical CAGR	5-year Projected CAGR
UnitedHealth Group	USD	**20,705**	**1.3%**	**6.1%**
Abbott	USD	1,790	38.5%	13.6%
CVS Health	USD	6,326	-26.2%	3.9%
Johnson & Johnson	USD	18,059	-3.0%	13.0%
Pfizer	USD	9,835	-30.9%	3.6%
Peer Median			-14.6%	8.4%
Industry Median			-2.2%	6.1%

UnitedHealth Group's free cash flow expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's pace of free cash flow growth to fall below that of both its peer group and industry group during the next five years. Abbott sports the highest expected free cash flow growth rate among peers.

Projected Free Cash Flow (in millions of USD)

Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for free cash flow as well as potential upside and downside cases.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

UnitedHealth Group UNH UNDERVALUED 11.4%

Buying Index™ 6 **Value Rating** ✓

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$402.00	$302.00 - $503.00	MEGA-CAP VALUE	Health Care	Health Care Bellwethers

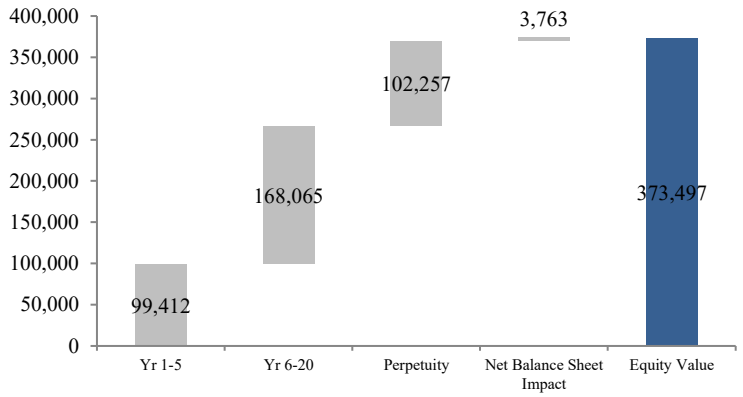
Valuation Analysis

Valuation Assumptions

In Millions of USD (except for per share items)	5-year Projections	
Revenue CAGR %	3.4%	
Avg. EBIT Margin %	7.7%	
Avg. Cash Tax Rate %	21.0%	
Earnings Before Interest CAGR %	-1.7%	
Earnings Per Share CAGR %	13.1%	
Free Cash Flow to the Firm CAGR %	24.8%	
Earnings before interest = Net operating profits less adjusted taxes	Long-term Projections	
Phase II --> III FCFF CAGR %	2.2% (II)	3% (III)
Cost of Equity %	10.8%	
After-tax Cost of Debt %	5.8%	
Discount Rate (WACC) %	9.7%	
Synthetic credit spread = 3%	Results	
Phase I Present Value	99,412	
Phase II Present Value	168,065	
Phase III Present Value	102,257	
Total Firm Value	369,734	
Net Balance Sheet Impact	3,763	
Total Equity Value	373,497	
Diluted Shares Outstanding	929.0	
Fair Value per Share	$402.00	

Valuation Breakdown

In the chart below, we show the build up to our estimate of total enterprise value for UnitedHealth Group and the break down to the firm's total equity value, which we estimate to be about 373.5USD billion. The present value of the enterprise free cash flows generated during each phase of our model and the net balance sheet impact is displayed. We divide total equity value by diluted shares outstanding to arrive at our $402 per share fair value estimate.



In Millions of USD

DCF Valuation Summary

We think UnitedHealth Group is worth $402 per share with a fair value range of $302.00 - $503.00. The margin of safety around our fair value estimate is driven by the firm's MEDIUM ValueRisk™ rating, which is derived from an evaluation of the historical volatility of key valuation drivers and a future assessment of them. Our near-term operating forecasts, including revenue and earnings, do not differ much from consensus estimates or management guidance. Our model reflects a compound annual revenue growth rate of 3.4% during the next five years, a pace that is lower than the firm's 3-year historical compound annual growth rate of 11.7%. Our model reflects a 5-year projected average operating margin of 7.7%, which is below UnitedHealth Group's trailing 3-year average. Beyond year 5, we assume free cash flow will grow at an annual rate of 2.2% for the next 15 years and 3% in perpetuity. For UnitedHealth Group, we use a 9.7% weighted average cost of capital to discount future free cash flows.

Enterprise Free Cash Flow

Fiscal Year End:	12/31/2022	12/31/2023	12/31/2024
Earnings before Interest	26,931	30,315	33,470
+ Depreciation	1,100	1,172	999
- Capital Expenditures	2,802	3,386	3,499
- Change in Working Capital	-2,205	5,181	7,655
- Acquisitions	21,458	10,136	13,408
Enterprise Free Cash Flow (FCFF)	5,976	12,784	9,907

In Millions of USD

Our future forecasts for key valuation drivers result in a future free enterprise cash flow stream. Above, we show how we calculate enterprise free cash flow and the historical performance of the metric for UnitedHealth Group. Over the next five years, we expect the firm's enterprise free cash flow to expand at about a 25% compound annual growth rate. During years 6 through 20, we expect the measure to grow at a 2.2% rate. Beyond year 20 (in perpetuity), we grow the firm's free cash flow at inflation (3%).

Source: Company Filings, Valuentum Projections

Company Metrics versus Peer and Industry Medians

Company Name	Valuentum Buying Index™	Forward Price-to-Earnings	P/E on Est. Normal Diluted EPS	Price/Earnings-to-Growth (PEG), 5-year	Forward EV/EBITDA	EV/Est. Normal EBITDA	5-year Forward Earnings per Share CAGR	3-year Hist Avg ROIC, without goodwill	Dividend Yield %	Stock Price / Fair Value Estimate
UnitedHealth Group	**6**	**12.2**	**10.6**	**1.3**	**7.4**	**6.6**	**13.1%**	**73.8%**	**3.1%**	**67.4%**
Abbott	6	25.1	21.0	NMF	16.5	14.1	-1.2%	21.5%	1.8%	107.2%
CVS Health	7	10.9	10.2	1.7	8.8	8.2	10.4%	35.5%	4.1%	97.0%
Johnson & Johnson	6	15.2	14.0	1.7	10.9	10.1	16.6%	30.1%	3.1%	97.8%
Pfizer	4	7.9	9.4	1.9	7.9	9.1	8.9%	40.2%	7.2%	88.7%
Peer Median	6.0	13.1	12.1	1.7	9.8	9.6	9.6%	32.8%	3.6%	97.4%
Industry Median	4.0	14.7	14.1	2.1	10.3	10.0	10.6%	35.9%	1.8%	95.1%

View back of report for a full list of industry constituents covered by Valuentum. VBI: Valuentum's ranking for the attractiveness of this investment at the date of the report.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

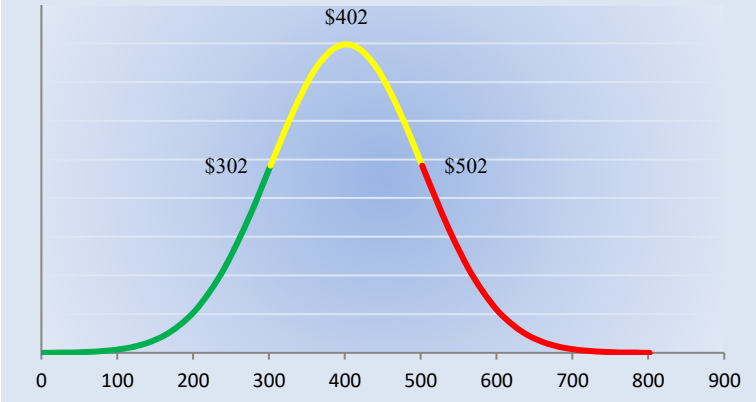
UnitedHealth Group UNH UNDERVALUED 11.4%

Buying Index™ 6 Value Rating ✓

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$402.00	$302.00 - $503.00	MEGA-CAP VALUE	Health Care	Health Care Bellwethers

Margin of Safety Analysis

Range of Potential Outcomes



Our discounted cash flow process values each firm on the basis of the present value of all future free cash flows. Although we estimate the firm's fair value at about $402 per share, every company has a range of probable fair values that's created by the uncertainty of key valuation drivers (like future revenue or earnings, for example). After all, if the future were known with certainty, we wouldn't see much volatility in the markets as stocks would trade precisely at their known fair values. Our ValueRisk™ rating sets the margin of safety or the fair value range we assign to each stock. In the graph above, we show this probable range of fair values for UnitedHealth Group. We think the firm is attractive below $302 per share (the green line), but quite expensive above $503 per share (the red line). The prices that fall along the yellow line, which includes our fair value estimate, represent a reasonable valuation for the firm, in our opinion.

ValueRisk™ MEDIUM

UnitedHealth Group receives a ValueRisk™ rating of MEDIUM based of the historical volatility of key drivers of economic value creation. The fair value range sets the margin of safety around our fair value estimate of the firm's shares.

Revenue Volatility	12.5%
Gross Margin Volatility	11.8%
Earnings (EBI) Volatility	14.0%
Cash Flow (FCFF) Volatility	44.1%
Fair Value Range	25.0%

The Fair Value Range sets the premium or discount on our estimate of the firm's fair value.

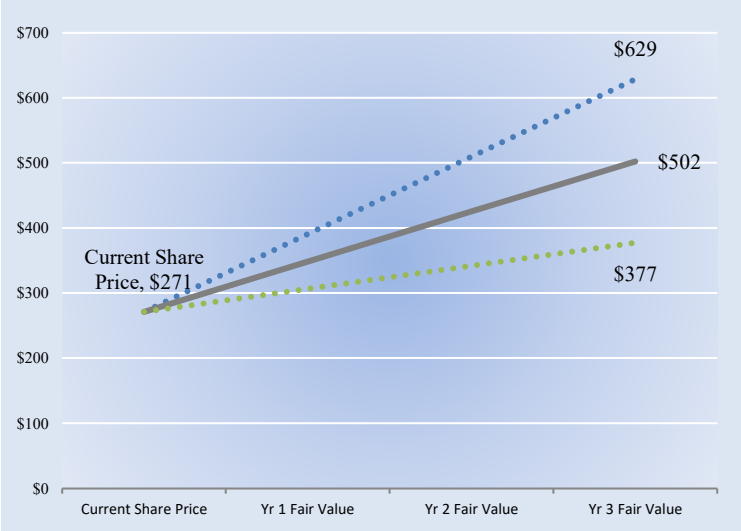
Upside and Downside Probabilities

Probability (fair value < $0)	Less than 0.1%
Probability (fair value > 2x current share price)	8.06%

We strive to answer a few questions that investors often ask: 1) What are the chances of a total loss of investment in this company? and 2) What is the chance that the company is really worth twice what I paid for it? The probability (fair value < 0) strives to answer the first question. It indicates the chance that the firm may encounter insolvency based on the characteristics of its cash flow stream, capital structure, and risk profile. The probability (fair value > 2x current share price) strives to answer the second question. It is our best estimate of whether investors are participating in a half-off sale by buying the company's shares at current prices.

Future Path of Fair Value

We estimate UnitedHealth Group's fair value at this point in time to be about $402 per share. As time passes, however, companies generate cash flow and pay out cash to shareholders in the form of dividends. The chart to the right compares the firm's current share price with the path of UnitedHealth Group's expected equity value per share over the next three years, assuming our long-term projections prove accurate. The range between the resulting downside fair value and upside fair value in Year 3 represents our best estimate of the value of the firm's shares three years hence. This range of potential outcomes is also subject to change over time, should our views on the firm's future cash flow potential change. The expected fair value of $502 per share in Year 3 represents our existing fair value per share of $402 increased at an annual rate of the firm's cost of equity less its dividend yield. The upside and downside ranges are derived in the same way, but from the upper and lower bounds of our fair value estimate range.



The graph above shows the expected future fair value of the firm's shares relative to its current stock price.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

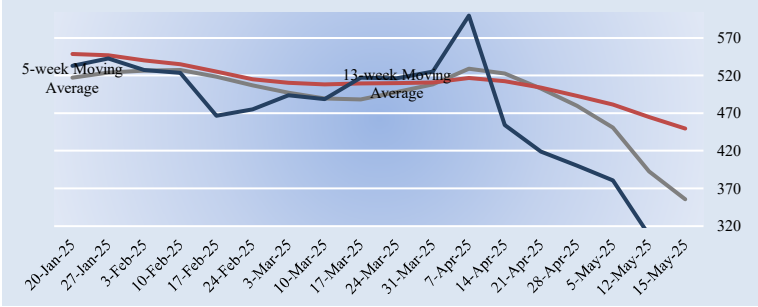
UnitedHealth Group UNH UNDERVALUED 11.4%

Buying Index™ 6 **Value Rating** ✓

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$402.00	$302.00 - $503.00	MEGA-CAP VALUE	Health Care	Health Care Bellwethers

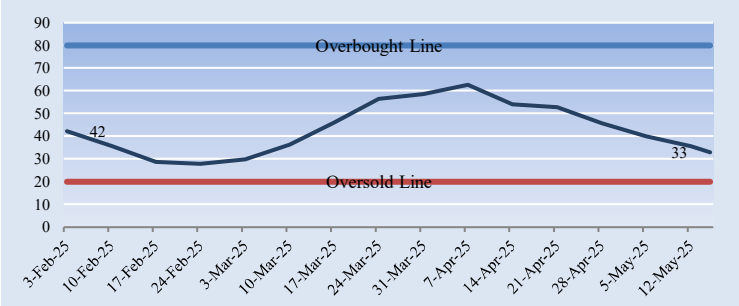
Technical Analysis

Technical Evaluation — BEARISH



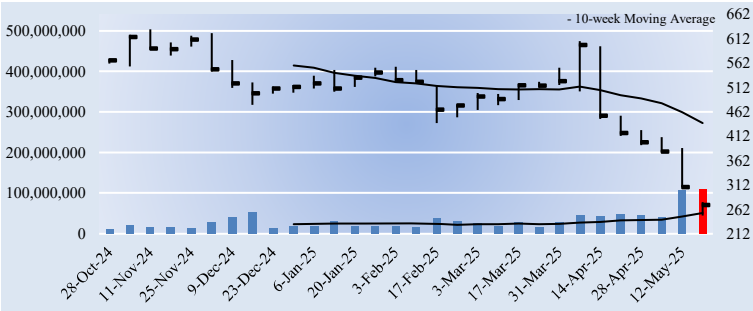
The firm's near-term moving average (5-week, grey line) and medium-term moving average (13-week, red line) are shown in the chart above. Typically, when a shorter-term moving average crosses a medium- or longer-term moving average from below, it represents a bullish signal. If the short-term moving average crosses from above, traders often view this as bearish. UnitedHealth Group's 5-week moving average is below its 13-week measure, indicating a BEARISH trend. This activity further confirms the company's 30-week downtrend.

Money Flow Index (MFI) — NEUTRAL



The Money Flow Index (MFI) is an oscillator that uses price and volume to measure buying and selling pressure. Chartists often look for overbought (above 80) and oversold (below 20) levels to warn of unsustainable near-term price extremes. UnitedHealth Group's MFI of 33 (green line) is neutral, suggesting the firm's stock is neither overbought nor oversold at this time. However, a score below 50 tends to favor bears. The MFI can also be used to gauge the strength or weakness of a firm's price trend. In UnitedHealth Group's case, its stock has generally declined during the past several weeks, but money flow or momentum has improved, a bullish divergence. We'd keep a close watch for improving technicals.

30-week Price and Volume Chart (weekly)



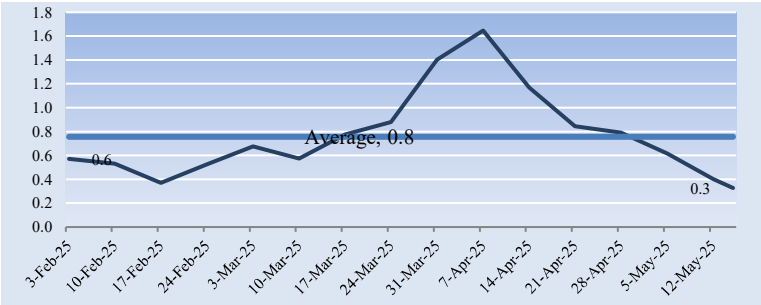
In the chart above, we pinpoint the heaviest accumulation or distribution week of the firm, determined by the week with the highest trading volume during the past 30 weeks. A heavy accumulation (buying) or distribution (selling) week often determines the future near-term direction of the firm's share price, as money managers continue to move in or out of the stock in the days and weeks ahead driving the stock up or down, respectively. For UnitedHealth Group, the week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar). Such market activity could indicate a reversal of an uptrend or further confirmation of a downtrend.

Relative Price Strength — WEAK

A firm's relative price strength can be assessed over any number of time horizons. We show the firm's performance over the past 5 weeks, 13 weeks, and 30 weeks below. In arriving at our relative strength rating for each company, we assess the past 13 weeks, which includes the market's reaction to the firm's most recently reported quarter, where applicable, and other more recent economic events. During the past 13 weeks, UnitedHealth Group's shares returned -41.9%, while the market benchmark returned -4.1%. We think UnitedHealth Group's 13-week relative price performance is WEAK.

5-week Company Performance	-39.7%
5-week Market Benchmark Performance	-7.2%
5-week Relative Performance vs. Market Benchmark	-32.5%
13-week Company Performance	-41.9%
13-week Market Benchmark Performance	-4.1%
13-week Relative Performance vs. Market Benchmark	**-37.8%**
30-week Company Performance	-52.1%
30-week Market Benchmark Performance	0.6%
30-week Relative Performance vs. Market Benchmark	-52.8%

Upside/Downside Volume — BEARISH



The level and trend of the Upside/Downside (U/D) volume ratio reveals whether institutional participation has been bullish or bearish as of late. UnitedHealth Group's U/D volume ratio of 0.3 is not only less than 1 but also is lower than its trailing average, indicating BEARISH institutional interest during the past several weeks.

Timeliness Matrix™

Equity Valuation

Relative Strength	Overvalued	Fairly Valued	Undervalued
Strong			
Neutral			
Weak			■

Firms that are undervalued and currently showing near-term pricing strength score near the top right of the matrix.

Companies that are undervalued and showing near-term relative price strength could represent timely buys, as the stock may be attractive to both value and momentum investors. A cross section of the firm's equity valuation and its relative share price strength is shown in the matrix above. We tend to prefer undervalued stocks that have strong pricing momentum, also called Valuentum stocks.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

UnitedHealth Group UNH UNDERVALUED 11.4%

Buying Index™ 6 Value Rating ✓

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$402.00	$302.00 - $503.00	MEGA-CAP VALUE	Health Care	Health Care Bellwethers

Pro Forma Income Statement

In Millions of USD (except for per share items)

	---------- Historical ----------			---------- *Projected* ----------	
	Dec-22	Dec-23	Dec-24	*Dec-25*	*Dec-26*
Total Revenue	324,162	371,622	400,278	*420,292*	*432,901*
Cost of Goods Sold	210,842	241,894	264,185	*279,503*	*286,960*
Selling, General and Administrative Expenses	47,782	54,628	53,013	*56,087*	*57,583*
Other Operating Expenses	37,103	42,742	50,793	*53,738*	*55,172*
Operating Income	**28,435**	**32,358**	**32,287**	***30,964***	***33,186***
Unusual items	0	0	0	*0*	*0*
Operating Income, including unusual items	28,435	32,358	32,287	*30,964*	*33,186*
Interest Expense	(2,092)	(3,246)	(3,906)	*(3,906)*	*(3,906)*
Other Non-operating Income	0	0	(8,310)	*0*	*0*
Pre-tax Income	**26,343**	**29,112**	**20,071**	***27,058***	***29,280***
Income Taxes	5,704	5,968	4,829	*5,682*	*6,149*
Income after tax	**20,639**	**23,144**	**15,242**	***21,376***	***23,131***
Minority Interest and Equity Income	(519)	(763)	(837)	*(837)*	*(837)*
Net Income, excluding extra items	20,120	22,381	14,405	*20,539*	*22,294*
Income Available to Common, excluding extra items	**20,120**	**22,381**	**14,405**	***20,539***	***22,294***
Diluted Earnings per Share, excluding extra items	**21.18**	**23.86**	**15.51**	***22.22***	***24.24***
Diluted Weighted Shares Outstanding	950.0	938.0	929.0	*924.4*	*919.7*

Source: Company Filings, Xignite, Valuentum Projections

Note: Pro forma data in discounted cash-flow valuation may reflect significant adjustments from GAAP accounting data, including cash (not effective) tax rates and other analytical adjustments on a backward-looking and forward-looking basis. No individual data, by itself, found in this report should be used to make any investment decision.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

UnitedHealth Group UNH UNDERVALUED 11.4%

Buying Index™ 6 Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$402.00	$302.00 - $503.00	MEGA-CAP VALUE	Health Care	Health Care Bellwethers

Pro Forma Balance Sheet

In Millions of USD (except for per share items)

	---------- Historical ----------			---------- *Projected* ----------	
	Dec-22	Dec-23	Dec-24	*Dec-25*	*Dec-26*
Assets					
Total Cash (including marketable securities)	70,039	75,337	79,367	*90,736*	*102,898*
Inventory	0	0	0	*0*	*0*
Accounts Receivable	30,450	38,970	48,454	*50,176*	*50,959*
Other Current Assets	10,708	9,839	8,212	*8,212*	*8,212*
Total Current Assets	**111,197**	**124,146**	**136,033**	***149,124***	***162,069***
Gross Fixed Assets	10,422	10,667	8,540	*12,319*	*16,287*
(Accumulated Depreciation)	(4,499)	(4,210)	(3,645)	*(4,694)*	*(5,774)*
Net Property, Plant, and Equipment	5,923	6,457	4,895	*7,625*	*10,512*
Goodwill, Net	93,352	103,732	106,734	*106,734*	*106,734*
Intangibles, Net	18,606	20,187	28,926	*27,226*	*25,526*
Other Long-term Assets	16,627	19,198	21,690	*21,690*	*21,690*
Total Assets	**245,705**	**273,720**	**298,278**	***312,399***	***326,531***
Liabilities					
Accounts Payable	29,056	32,395	34,224	*36,307*	*37,376*
Other Current Liabilities	29,356	30,427	29,649	*29,335*	*29,403*
Current Portion of Long-term Debt	2,310	3,186	3,245	*3,245*	*3,245*
Total Current Liabilities	**60,722**	**66,008**	**67,118**	***68,886***	***70,025***
Long-term Debt	54,513	58,263	72,359	*72,359*	*72,359*
Other Long-term Liabilities	52,698	60,693	66,143	*66,143*	*66,143*
Total Liabilities	**167,933**	**184,964**	**205,620**	***207,388***	***208,527***
Preferred Stock	0	0	0	*0*	*0*
Shareholders' Equity					
Common Stock and Additional Paid in Capital	9	9	9	*9*	*9*
Retained Earnings	86,156	95,774	96,036	*109,648*	*123,894*
Other Equity	(8,393)	(7,027)	(3,387)	*(4,646)*	*(5,899)*
Total Shareholders' Equity	**77,772**	**88,756**	**92,658**	***105,011***	***118,004***
Total Liabilities and Shareholders' Equity	**245,705**	**273,720**	**298,278**	***312,399***	***326,531***

Source: Company Filings, Xignite, Valuentum Projections

Note: Pro forma data in discounted cash-flow valuation may reflect significant adjustments from GAAP accounting data, including cash (not effective) tax rates and other analytical adjustments on a backward-looking and forward-looking basis. No individual data, by itself, found in this report should be used to make any investment decision.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

UnitedHealth Group UNH UNDERVALUED 11.4%

Buying Index™ 6 Value Rating ✔

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$402.00	$302.00 - $503.00	MEGA-CAP VALUE	Health Care	Health Care Bellwethers

Pro Forma Cash Flow Statement

In Millions of USD (except for per share items)

	---------- Historical ----------			---------- *Projected* ----------	
	Dec-22	Dec-23	Dec-24	*Dec-25*	*Dec-26*
Cash from Operations					
Net Income	20,120	22,381	14,405	*21,376*	*23,131*
Depreciation and Amortization	2,400	2,772	2,699	*2,749*	*2,780*
Deferred Income Taxes	0	0	0	*0*	*0*
Operating Gains Or Losses	3,686	3,915	7,100	*0*	*0*
Changes in Working Capital	0	0	0	*47*	*355*
Cash Flow from Operations	**26,206**	**29,068**	**24,204**	***24,172***	***26,267***
Cash from Investing					
Purchase of Property, Plant, Equipment	(2,802)	(3,386)	(3,499)	*(3,779)*	*(3,968)*
Other Investing Cash Flows	(25,674)	(12,188)	(17,028)	*0*	*0*
Cash Flow from Investing	**(28,476)**	**(15,574)**	**(20,527)**	***(3,779)***	***(3,968)***
Cash from Financing					
Issuance (Retirement) of Stock	(5,747)	(6,647)	(7,154)	*(1,259)*	*(1,253)*
Issuance (Retirement) of Debt	12,536	4,280	14,660	*0*	*0*
Dividends Paid	(5,991)	(6,761)	(7,533)	*(7,765)*	*(8,885)*
Other Financing Cash Flows	3,428	(2,401)	(3,485)	*0*	*0*
Cash Flow from Financing	**4,226**	**(11,529)**	**(3,512)**	***(9,024)***	***(10,137)***
Foreign Exchange	34	97	(61)	*0*	*0*
Net Change in Cash	**1,990**	**2,062**	**104**	***11,369***	***12,162***

Source: Company Filings, Xignite, Valuentum Projections

Note: Pro forma data in discounted cash-flow valuation may reflect significant adjustments from GAAP accounting data, including cash (not effective) tax rates and other analytical adjustments on a backward-looking and forward-looking basis. No individual data, by itself, found in this report should be used to make any investment decision.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

UnitedHealth Group UNH UNDERVALUED 11.4%

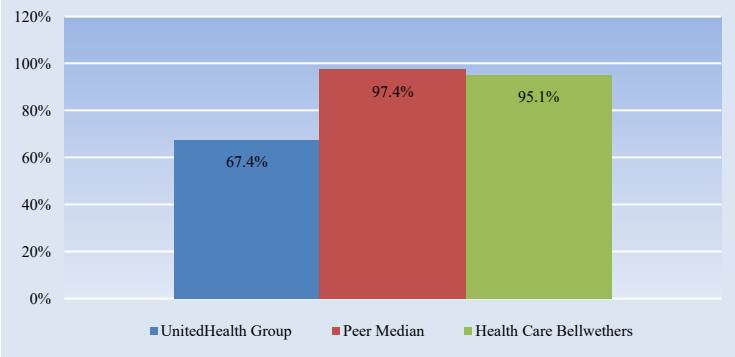
Buying Index™ 6 **Value Rating** ✓

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$402.00	$302.00 - $503.00	MEGA-CAP VALUE	Health Care	Health Care Bellwethers

Health Care Bellwethers

Health Care Bellwethers **FAIRLY VALUED**

We think the Health Care Bellwethers industry is fairly valued at this time. The industry's market cap is trading between 80% and 120% of our estimate of its fair value based on our DCF process. Although we use a firm-specific ValueRisk™ measure to determine whether a firm is undervalued or overvalued based on our DCF process, we consider an industry to be undervalued if it is trading below 80% of our estimate of its fair value and overvalued if it is trading at over 120% of our estimate of its fair value. We think these fair value ranges are appropriate given the diversification benefits of holding a basket of stocks. Although there may be individual opportunities within the Health Care Bellwethers industry, we don't find the industry as a whole attractive based solely on valuation.



The above bar chart reveals the price/fair value of the company, its peers, and the industry as a whole.

Shaded blue denotes that the firm has earned the highest rating for that respective category.

Company Name	Ticker	Market Cap (USD-mil)	Investment Style	DCF Valuation	Relative Valuation	ValueCreation™	ValueRisk™	ValueTrend™	Technicals	Relative Strength
Abbott	ABT	229,729	MEGA-CAP CORE	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	LOW	NEGATIVE	VERY BULLISH	STRONG
AbbVie	ABBV	345,602	MEGA-CAP CORE	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	POSITIVE	BEARISH	STRONG
Amgen	AMGN	163,928	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	POSITIVE	BULLISH	STRONG
Axsome Therapeutics	AXSM	5,275	MID-CAP BLEND	FAIRLY VALUED	NEUTRAL	VERY POOR	VERY HIGH	POSITIVE	BEARISH	WEAK
Becton, Dickinson	BDX	64,947	LARGE-CAP VALUE	FAIRLY VALUED	ATTRACTIVE	GOOD	MEDIUM	POSITIVE	BEARISH	WEAK
Bristol-Myers Squibb	BMY	121,972	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	POSITIVE	BULLISH	STRONG
CVS Health	CVS	82,427	LARGE-CAP VALUE	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	NEGATIVE	BULLISH	STRONG
Eli Lilly	LLY	786,187	MEGA-CAP BLEND	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	LOW	POSITIVE	BULLISH	STRONG
Gilead Sciences	GILD	131,110	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	POSITIVE	BEARISH	STRONG
GoodRx	GDRX	2,109	MID-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	VERY HIGH	NEGATIVE	BULLISH	NEUTRAL
Intuitive Surgical	ISRG	186,611	LARGE-CAP GROWTH	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	NEGATIVE	BEARISH	WEAK
IQVIA Holdings	IQV	36,044	LARGE-CAP VALUE	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	POSITIVE	BEARISH	WEAK
Johnson & Johnson	JNJ	394,292	MEGA-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	POSITIVE	BULLISH	NEUTRAL
Medtronic	MDT	111,072	LARGE-CAP CORE	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	LOW	POSITIVE	BEARISH	WEAK
Merck	MRK	211,919	MEGA-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	POSITIVE	BEARISH	NEUTRAL
Pfizer	PFE	136,458	LARGE-CAP VALUE	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	LOW	NEGATIVE	BEARISH	WEAK
Tandem Diabetes	TNDM	1,256	SMALL-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	VERY HIGH	NEGATIVE	BEARISH	WEAK
Teladoc Health	TDOC	1,175	SMALL-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	HIGH	POSITIVE	BEARISH	WEAK
UnitedHealth Group	UNH	251,815	MEGA-CAP VALUE	UNDERVALUED	ATTRACTIVE	EXCELLENT	MEDIUM	NEGATIVE	BEARISH	WEAK
Vertex Pharma	VRTX	124,261	LARGE-CAP GROWTH	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	NEGATIVE	BULLISH	NEUTRAL
Walgreens Boots Alliance	WBA	9,693	MID-CAP VALUE	FAIRLY VALUED	NEUTRAL	POOR	HIGH	NEGATIVE	BULLISH	STRONG
Zoetis	ZTS	69,966	LARGE-CAP VALUE	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	POSITIVE	BEARISH	NEUTRAL

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Valuentum's Full Page Stock Report

A DCF Valuation
Shows whether the firm is undervalued, fairly valued, or overvalued based on our DCF process and by how much.

B Valuentum Buying Index (VBI)
Provides insight into the timeliness of an investment opportunity. We rank firms from 1 to 10 based on rigorous fiancial, valuation, and technical analysis. A 10 represents one of our top picks.

C Valuentum Value Rating (VVR)
Indicates whether we think a firm is undervalued, fairly valued, or overvalued on the basis of our DCF process.

UNDERVALUED
FAIRLY VALUED
OVERVALUED

D Investment Considerations
Evaluates firms on 12 different measures, from the firm's growth and cash flow generation to the stock's money flow index and upside/downside volume. We reveal technical support and resistance levels.

E 30-week Price and Volume Action
Displays the last accumulation or distribution week of the stock and historical price and volume action.

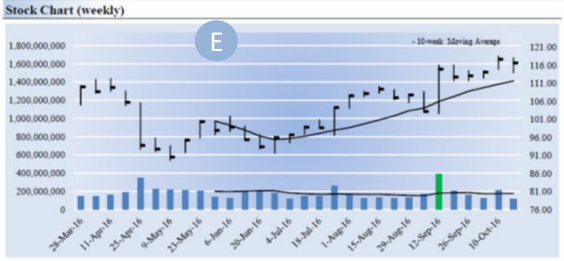
Valuentum Retail Equity Research — Visit us at www.valuentum.com — Ratings as of 26-Oct-2016 — Data as of 17-Oct-2016

Apple AAPL UNDERVALUED (A) — Buying Index™ (B) — Value Rating (C)

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	$147.00	$121.00 - $173.00	MEGA-CAP VALUE	Information Technology	Computer Hardware

Apple is as much a brand as it is one of the most innovative companies.

Stock Chart (weekly) (E)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations (D)

DCF Valuation	UNDERVALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	112.00

DCF = Discounted Cash Flow; MFI, U/D = Please see glossary. MA = Moving Average

Business Quality (H) — ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

Firms that generate economic profits with little operating variability score near the top right of the matrix.

Company Vitals (G)

Market Cap (USD)	$675,472
Avg Weekly Vol (30 wks)	180,295
30-week Range (USD)	89.47 - 118.69
Valuentum Sector	Information Technology
5-week Return	1.2%
13-week Return	18.7%
30-week Return	10.0%
Dividend Yield %	2.0%
Dividends per Share	2.28
Forward Dividend Payout Ratio	27.3%
Est. Normal Diluted EPS	9.55
P/E on Est. Normal Diluted EPS	12.2
Est. Normal EBITDA	83,978
Forward EV/EBITDA	7.2
EV/Est. Normal EBITDA	6.4
Forward Revenue Growth (5-yr)	1.1%
Forward EPS Growth (5-yr)	3.1%

NMF = Not Meaningful; Est. = Estimated; FY = Fiscal Year

Investment Highlights (J)

• Apple is as much a brand as it is one of the world's most innovative companies. The firm is no longer known for its iPods and personal computers, as the proliferation of the iPhone over the past several years has been a sight to behold. The company's execution remains top notch, and we expect it to continue to roll out innovative products in phones and wearable technology, its most recent being product launch.

• Criticism over the firm's dependence on sales of the iPhone gained momentum in fiscal 2016, as the second quarter of the fiscal year marked the first quarterly sales decline in 13 years. High levels of demand for the iPhone 7 and multiple safety issues at rival Samsung have eased concerns for the time being.

• Apple's rollout of future iterations of the iPhone should propel its fundamentals higher. Though we're not embedding another blockbuster hit in our model, we wouldn't be surprised if Apple delivers another one from its pipeline. Perhaps only a dream five years ago, the popularity of the new Apple Watch is now worth watching, though it has yet to catch fire in the eyes of consumers.

• Investors should pay close attention to the firm's gross margin, which is expected to fall to 37.5%-38% in fiscal 2016 from 40% in fiscal 2015. Pricing and cost pressures may be unavoidable. A slight step back in fiscal 2016 should not be a major concern to investors given Apple's massive cash position and impressive track record.

• Apple's cash hoard is more than some of the market capitalizations of the largest companies in the S&P 500. The company retains tremendous flexibility in this regard, and we continue to expect dividend increases and share buybacks.

Relative Valuation (K)

	Forward P/E	PEG	Price / FV
BlackBerry	-53.0	NMF	89.2%
Cray	49.4	0.9	77.3%
Hewlett-Packard	9.0	NMF	75.9%
IBM	11.7	2.6	97.6%
Peer Median	10.4	1.8	83.3%
Apple	**14.0**	**2.0**	**79.3%**

Price / FV = Current Stock Price divided by Estimated Fair Value

Returns Summary (L) — 3-year Historical Average

Return on Equity	36.8%
Return on Assets	19.3%
ROIC, with goodwill	160.3%
ROIC, without goodwill	183.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary (N)

Fiscal Year End:	Sep-14	Sep-15	Sep-16
	----- Actual -----		Projected
Revenue	182,795	233,715	215,485
Revenue, YoY%	7.0%	27.9%	-7.8%
Operating Income	52,503	71,230	63,313
Operating Margin %	28.7%	30.5%	29.4%
Net Income	39,510	53,394	48,329
Net Income Margin %	21.6%	22.8%	22.4%
Diluted EPS	6.45	9.22	8.34
Diluted EPS, YoY %	13.6%	42.8%	-9.5%
Free Cash Flow (CFO-capex)	49,900	69,778	47,138
Free Cash Flow Margin %	27.3%	29.9%	21.9%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity (M)
In Millions of USD

Total Debt	64,462
Net Debt	-141,204
Total Debt/EBITDA	0.8
Net Debt/EBITDA	NMF
EBITDA/Interest	112.5
Current Ratio	1.1
Quick Ratio	2.9

NMF = Not Meaningful

Structure of the Computer Hardware Industry — NEUTRAL

The computer hardware space, which spans the personal computer to the iPhone and iPad, is highly competitive. The industry is characterized by frequent product introductions and rapid technological advances that can cause dramatic market share shifts. Though some firms benefit from a strong brand, participants often price aggressively, pressuring margins. Firms are also subject to potential component shortages/disruptions, which can punish performance. Obsolescence may be an eventuality for some, and services revenue has become critical for others. We're neutral on the space.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Page 1

G Company Vitals
Shows sector, industry and other relevant company information.

I Normalized EPS and EBITDA
Estimation of the firm's normalized earnings measures and the corresponding valuation mutliples.

H Business Quality
Summary of the firm's ability to create value for shareholders compared wth the underlying risk of its operations.

J Investment Highlights
Our opinion of the company, including analysis of its financial and technical strengths and weaknesses.

K Relative Valuation
Comparison of the firm's PE, PEG, and Price/FV ratios versus peers.

L Returns Summary
3-year averages of the firm's key return measures, including return on invested capital, with and without goodwill.

M Leverage, Coverage, and Liquidity
A snapshot of the company's financial health.

N Financial Summary
A summary of the proforma financial statements found in the extended report.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

About Valuentum

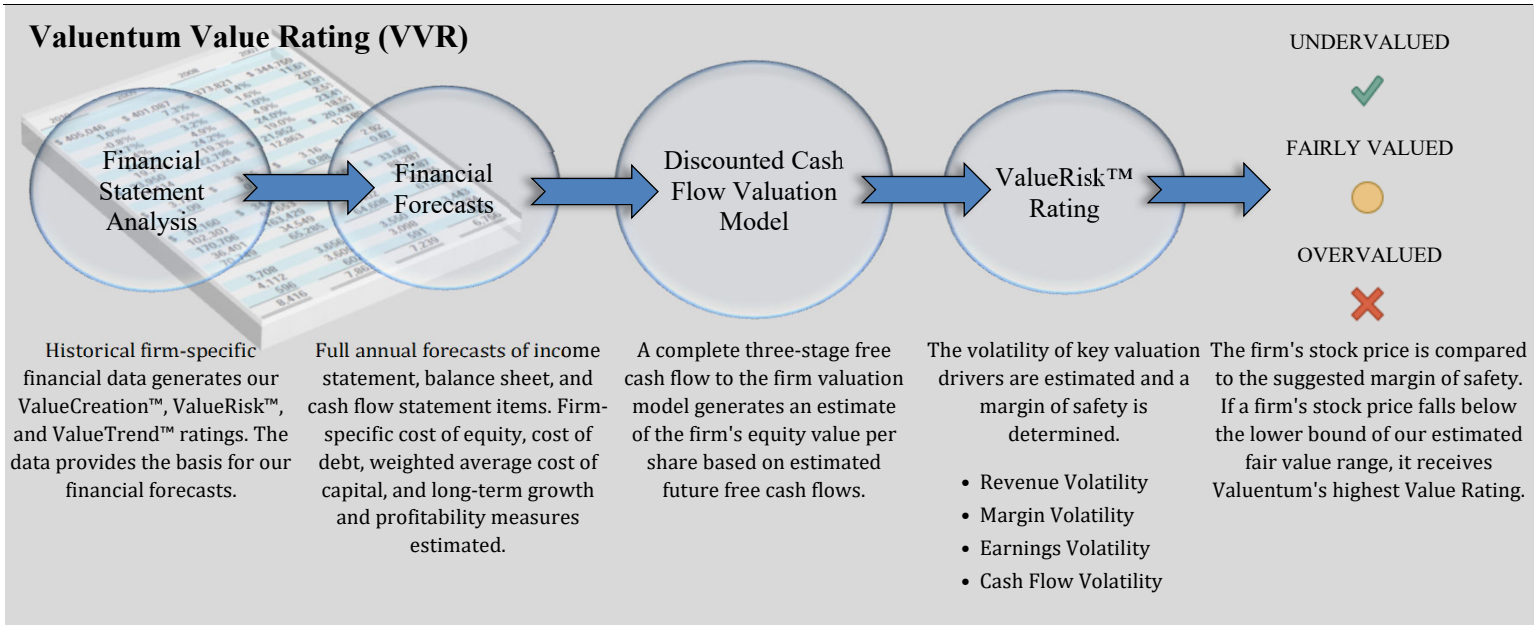
@Valuentum, we strive to stand out from the crowd. Most investment research publishers fall into a few camps, whether it be value, growth, income, momentum, chartist or some variant of the aforementioned. We think each in its own right holds merit, but we think the combination of these approaches can be even more powerful. After all, stock price movements aren't just driven by investors of the value or growth variety, but by all market participants. Therefore, we look at stocks from a variety of investment perspectives in order to better understand and identify ideas. We want to provide relevant information.

The core of our process is grounded in rigorous discounted cash flow analysis and incorporates the concept of a margin of safety. We offer a fair value estimate for each company and provide a relative valuation assessment in the context of a company's industry and closest peers. A cross section of our ValueCreation™ and ValueRisk™ ratings provides a financial assessment of a company's business quality, while our ValueTrend™ rating offers insight into the trajectory of a firm's economic profit creation. The Economic Castle rating measures the magnitude of future economic value generation, and the Dividend Cushion ratio assesses the financial capacity of a company to keep raising its dividend.

Our analysis doesn't stop there. We also offer a technical evaluation of the stock as well as other momentum indicators. We not only want to reveal to readers which firms may be undervalued, in our view, but we also want to provide readers with information to help them assess entry and exit points. Most research publishers focus on arriving at a target price or fair value estimate, but may fall short of providing a technical assessment to bolster buy and sell disciplines. We strive to go the distance and provide readers with answers--not half the story.

An explanation of our approach would not be complete if we didn't describe our ideal stock idea. We're looking for companies that are undervalued--both on a DCF basis and versus peers--have strong growth potential, have a solid track record of creating economic profits for shareholders with reasonable risk, are strong cash flow generators, have manageable financial leverage, and are currently showing bullish technical and momentum indicators. For dividend growth ideas, we look for companies that have both the capacity and willingness to keep raising the dividend.

Can such stock ideas exist? Subscribe to Valuentum to receive our best investment ideas and analysis on hundreds of stocks, dividends, ETFs and more.



The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

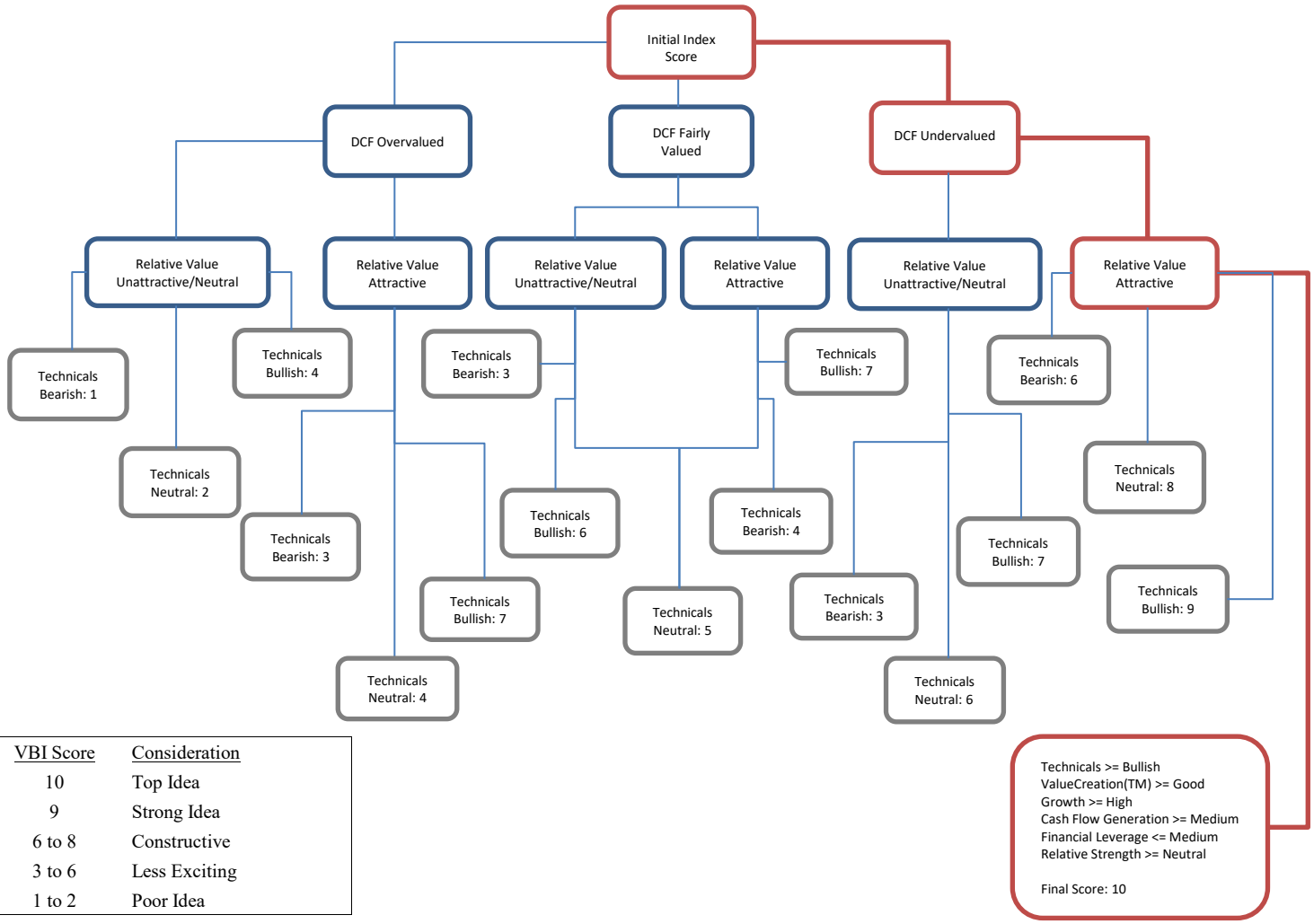
Methodology for Picking Stocks - Valuentum Buying Index™ (VBI)

@Valuentum, we like to look at companies from a number of different perspectives. The Valuentum Buying Index (VBI) combines rigorous financial and valuation analysis with an evaluation of a stock's technicals to derive a rating between 1 and 10 for each company. The VBI places considerable emphasis on a company's discounted cash-flow (DCF) valuation, its relative valuation versus peers (both forward PE and PEG ratios), and its technicals in order to help readers assess entry and exit points on the most interesting ideas.

Let's follow the red line on the flow chart below to see how a company can score a 10, the best mark on the index. First, the company would need to be 'undervalued' on a DCF basis and 'attractive' on a relative value basis. The stock would also have to be exhibiting 'bullish' technicals. The firm would need a ValueCreation™ rating of 'good' or 'excellent', exhibit 'high' or 'aggressive' growth prospects, and generate at least a 'medium' or 'neutral' assessment for cash flow generation, financial leverage, and relative price strength.

This is a tall order for any company. Stocks that don't make the cut for a 10 are ranked accordingly, with the least attractive stocks, in our opinion, garnering a rating of 1. Most of our coverage universe registers ratings between 3 and 7, but at any given time there could be large number of companies garnering either very high or very low scores, especially at market lows or tops, respectively.

The Best Ideas Newsletter portfolio puts the VBI into practice.



VBI Score	Consideration
10	Top Idea
9	Strong Idea
6 to 8	Constructive
3 to 6	Less Exciting
1 to 2	Poor Idea

The information contained in this report is not represented or warranted to be accurate, correct, complete, or timely. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at Valuentum@Valuentum.com.

Glossary

Estimated Fair Value. This measure is our opinion of the fair equity value per share of the company. If our forecasts prove accurate, which may not always be the case, we may expect a firm's stock price to converge to this value within the next 3 years.

Fair Value Range. The fair value range represents an upper bound and lower bound, between which we would consider the firm to be fairly valued. The range considers our estimate of the firm's fair value and the margin of safety suggested by the volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow (the determinants behind our ValueRisk™ rating).

DCF Valuation. We opine on the firm's valuation based on our DCF process. Firms that are trading with an appropriate discount to our fair value estimate receive an UNDERVALUED rating. Firms that are trading within our fair value range receive a FAIRLY VALUED rating, while firms that are trading above the upper bound of our fair value range receive an OVERVALUED rating.

Relative Value. We compare the firm's forward price-to earnings (PE) ratio and its price/earnings-to-growth (PEG) ratio to that of its peers. If both measures fall below the peer median, the firm receives an ATTRACTIVE rating. If both are above the peer median, the firm receives an UNATTRACTIVE rating. Any other combination results in a NEUTRAL rating.

ValueCreation™. This is a proprietary Valuentum measure. ValueCreation™ indicates the firm's historical track record in creating economic value for shareholders, taking the average difference between ROIC (without goodwill) and the firm's estimated WACC during the past three years. The firm's performance is measured along the scale of EXCELLENT, GOOD, POOR, and VERY POOR. Those firms with EXCELLENT ratings have a demonstrated track record of creating economic value, while those that register a VERY POOR mark have been destroying economic value.

ValueRisk™. This is a proprietary Valuentum measure. ValueRisk™ indicates the historical volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow. The standard deviation of each measure is calculated and scaled against last year's measure to arrive at a percentage deviation for each item. These percentage deviations are weighted equally to arrive at the corresponding fair value range for each stock, measured in percentage terms. The firm's performance is measured along the scale of LOW, MEDIUM, HIGH, and VERY HIGH. The ValueRisk™ rating for each firm also determines the fundamental beta of each firm along the following scale: LOW (0.85), MEDIUM (1), HIGH (1.15), VERY HIGH (1.3).

ValueTrend™. This is a proprietary Valuentum measure. ValueTrend™ indicates the trajectory of the firm's return on invested capital (ROIC). Firms that earned an ROIC last year that was greater than the 3-year average of the measure earn a POSITIVE rating. Firms that earned an ROIC last year that was less than the 3-year average of the measure earn a NEGATIVE rating.

Cash Flow Generation. Firms' cash flow generation capacity are measured along the scale of STRONG, MEDIUM, and WEAK. A firm with a 3-year historical free cash flow margin (free cash flow divided by sales) greater than 5% receives a STRONG rating, while firms earning less than 1% of sales as free cash flow receive a WEAK rating.

Financial Leverage. Based on the firm's normalized debt-to-EBITDA metric, we rank firms on the following scale: LOW, MEDIUM, and HIGH. Companies with a normalized debt-to-EBITDA ratio below 1.5 receive a LOW score, while those with a measure above 3 receive a HIGH score.

Upside/Downside Volume. Heavy volume on up days and lower volume on down days suggests that institutions are heavily participating in a stock's upward advance. We use the trailing 14-week average of upside and downside volume to calculate an informative ratio. We rank each firm's U/D volume ratio along the following scale: BULLISH, IMPROVING, DETERIORATING, and BEARISH.

Investment Style. Valuentum uses its own proprietary stock-classification system. Nano-cap: Less than $50 million; Micro-cap: Between $50 million and $200 million; Small-cap: Between $200 million and $2 billion; Mid-cap: Between $2 billion and $10 billion; Large-cap: Between $10 billion and $200 billion; Mega-cap: Over $200 billion. Blend: Firm's that we think are undervalued and exhibit high growth prospects (growth in excess of three times the rate of assumed inflation). Value: Firm's that we believe are undervalued, but do not exhibit high growth prospects. Growth: Firms that are not undervalued, in our opinion, but exhibit high growth prospects. Core: Firms that are neither undervalued nor exhibit high growth prospects.

Company Vitals. In this section, we list key financial information and the sector and industry that Valuentum assigns to the stock. The P/E-Growth (5-yr), or PEG ratio, divides the current share price by last year's earnings (EPS) and then divides that quotient by our estimate of the firm's 5-year EPS growth rate. The estimated normalized diluted EPS and estimated normalized EBITDA represent the five-year forward average of these measures used in our discounted cash flow model. The P/E on estimated normalized EPS divides the current share price by estimated normalized diluted EPS. The EV/estimated normalized EBITDA considers the current enterprise value of the company and divides it by estimated normalized EBITDA. EV is defined as the firm's market capitalization plus total debt, minority interest, preferred stock less cash and cash equivalents.

Business Quality Matrix. We compare the firm's ValueCreation™ and ValueRisk™ ratings. The box is an easy way for investors to quickly assess the business quality of a company. Firms that generate economic profits with little operating variability score near the top right of the matrix.

Timeliness Matrix. We compare the company's recent stock performance relative to the market benchmark with our assessment of its valuation. Firms that are experiencing near-term stock price outperformance and are undervalued by our estimate may represent timely buys.

Range of Potential Outcomes. The firm's margin of safety is shown in the graphic of a normal distribution. We consider a firm to be undervalued if its stock price falls along the green line and overvalued if the stock price falls along the red line. We consider the firm to be fairly valued if its stock price falls along the yellow line.

Return on Invested Capital. At Valuentum, we place considerable emphasis on return on invested capital (both with and without goodwill). The measure focuses on the return (earnings) the company is generating on its operating assets and is superior to return on equity and return on assets, which can be skewed by a firm's leverage or excess cash balance, respectively.

Technical Evaluation. We evaluate a firm's near-term and medium-term moving averages and money flow index (MFI) to assign each firm a rating along the following scale: VERY BULLISH, BULLISH, NEUTRAL, BEARISH, and VERY BEARISH.

Stock Price Relative Strength. We assess the perfomance of the company's stock during the past quarter, 13 weeks, relative to an ETF that mirrors the aggregate performance of constituents of the stock market. Firms are measured along the scale of STRONG, NEUTRAL, and WEAK. Companies that have outperformed the market index by more than 2.5% during this 13-week period receive a STRONG rating, while firms that trailed the market index by more than 2.5% during this 13-week period receive a WEAK rating.

Money Flow Index (MFI). The MFI is a technical indicator that measures buying and selling pressure based on both price and volume. Traders typically use this measure to identify potential reversals with overbought and oversold levels. We use a 14-week measure to rank firms along the following scale: EXTREMELY OVERBOUGHT (>90), OVERBOUGHT (80-90), NEUTRAL (20-80), OVERSOLD (10-20), EXTREMELY OVERSOLD (0-10).

The information contained in this report is not represented or warranted to be accurate, correct, complete, or timely. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at Valuentum@Valuentum.com.

Disclosures, Disclaimers & Additional Sources

To send us feedback or if you have any questions, please contact us at valuentum@valuentum.com. We're always looking for ways to better serve your investment needs and improve our research.

The High Yield Dividend Newsletter portfolio, the Best Ideas Newsletter portfolio and Dividend Growth Newsletter portfolio are not real money portfolios. Any performance, including that in the Nelson Exclusive publication, is hypothetical and does not represent actual trading. Past performance is not a guarantee of future results.

Valuentum is an investment research publishing company.

Valuentum has not owned and does not own any shares of stocks mentioned on its website or in this report. President of Investment Research Brian Nelson does not own any shares of stocks mentioned on Valuentum's website or in this report. Majority share owner of Valuentum, Elizabeth Nelson, currently has exposure to HON in her retirement account.

If an independent contributor or employee mentions a stock he or she owns, we disclose it in the article/report that mentions the security. Please view individual articles on Valuentum's website for additional disclosures. Contact us to learn more about Valuentum's editorial policies.

UNH Rating History	Price	Fair Value	VBI
15-May-25	$271.06	$402.00	6
21-Feb-25	$466.42	$632.00	3
4-Dec-24	$610.28	$646.00	6
12-Sep-24	$588.43	$595.00	6
25-Jun-24	$481.79	$506.00	3
1-Apr-24	$490.45	$516.00	3
18-Jan-24	$503.36	$543.00	3
28-Nov-23	$540.53	$582.00	6
7-Jul-23	$461.58	$515.00	4
16-May-23	$479.72	$513.00	3
16-Nov-22	$511.76	$494.00	3
28-Jun-22	$515.63	$479.00	6
9-Jul-21	$412.07	$409.00	6
6-Nov-20	$347.46	$321.00	7

Copyright (c) 2017 by Valuentum, Inc. All rights reserved.
No part of this publication may be reproduced in any form or by any means.
The information contained in this report is not represented or warranted to be accurate, correct, complete, or timely. This report is for informational purposes only and should not be considered a solicitation to buy or sell any security. No warranty or guarantee may be created or extended by sales or promotional materials, whether by email or in any other format. The securities or strategies mentioned herein may not be suitable for all types of investors. The information contained in this report does not constitute any advice, especially on the tax consequences of making any particular investment decision. This material is not intended for any specific type of investor and does not take into account an investor's particular investment objectives, financial situation or needs. This report is not intended as a recommendation of the security highlighted or any particular investment strategy. Before acting on any information found in this report, readers should consider whether such an investment is suitable for their particular circumstances, perform their own due-diligence, and if necessary, seek professional advice.
The sources of the data used in this report are believed by Valuentum to be reliable, but the data's accuracy, completeness or interpretation cannot be guaranteed. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report and accepts no liability for how readers may choose to utilize the content. In no event shall Valuentum be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained in this document. Investors should consider this report as only a single factor in making their investment decision.
Valuentum is not a money manager, is not a registered investment advisor, and does not offer brokerage or investment banking services. Valuentum has not received any compensation from the company or companies highlighted in this report. Valuentum, its employees, independent contractors and affiliates may have long, short or derivative positions in the securities mentioned herein. Information and data in Valuentum's valuation models and analysis may not capture all subjective, qualitative influences such as changes in management, business and political trends, or legal and regulatory developments. Redistribution is prohibited without written permission. Readers should be aware that information in this work may have changed between when this work was written or created and when it is read. There is risk of substantial loss associated with investing in financial instruments.
Valuentum's company-specific forecasts used in its discounted cash flow model are rules-based. These rules reflect the experience and opinions of Valuentum's analyst team. Historical data used in our valuation model is provided by Xignite and from other publicly available sources including annual and quarterly regulatory filings. Stock price and volume data is provided by Xignite. No warranty is made regarding the accuracy of any data or any opinions. Valuentum's valuation model is based on sound academic principles, and other forecasts in the model such as inflation and the equity risk premium are based on long-term averages. The Valuentum proprietary automated text-generation system creates text that will vary by company and may often change for the same company upon subsequent updates.
Valuentum uses its own proprietary stock investment style and industry classification systems. Peer companies are selected based on the opinions of the Valuentum analyst team. Research reports and data are updated periodically, though Valuentum assumes no obligation to update its reports, opinions, or data following publication in any form or format. Performance assessment of Valuentum metrics, including the Valuentum Buying Index, is ongoing, and we intend to update investors periodically, though Valuentum assumes no obligation to do so. Not all information is available on all companies. There may be a lag before reports and data are updated for stock splits and stock dividends.
Past simulated performance, whether backtested or walk-forward or other, is not a guarantee of future results. For general information about Valuentum's products and services, please contact us at valuentum@valuentum.com or visit our website at www.valuentum.com.