

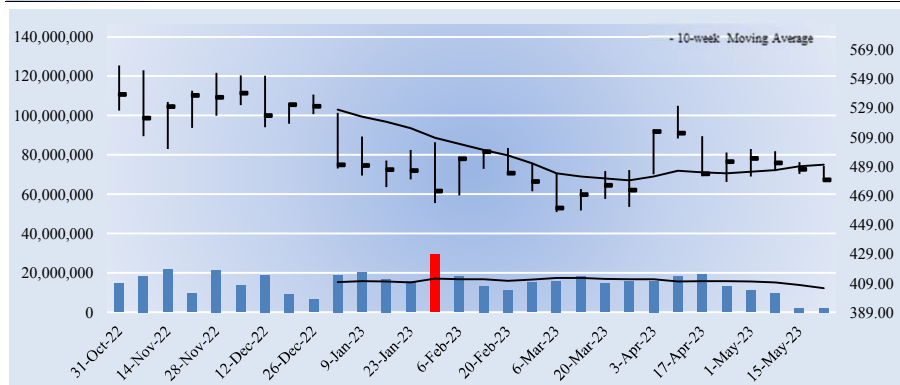
**UnitedHealth Group UNH FAIRLY VALUED**

**Buying Index™ 3**

**Value Rating**


<b>Economic Castle</b> Very Attractive	<b>Stock Fair Value Range</b> \$385.00 - \$641.00	<b>Dividend Track Record</b> HEALTHY	<b>Dividend Safety / Cushion™</b> EXCELLENT / 3.2	<b>Div Growth Potential</b> EXCELLENT	<b>Dividend Yield</b> 1.38%
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**UnitedHealth Group intends to repurchase a meaningful amount of stock, though its dividend growth outlook remains stellar given its impressive free cash flow generating abilities.**

**Stock Chart (weekly)****Company Vitals**

Market Cap (USD)	\$458,612
Avg Weekly Vol (30 wks)	14,950
30-week Range (USD)	457.59 - 558.1
Valuentum Sector	Health Care
Last Fiscal Year Revenue	287,597
Last Fiscal Year EPS	18.08
Last Fiscal Year EBITDA	27,073
Forward Revenue Growth (5-yr)	8.9%
Forward EPS Growth (5-yr)	13.2%

**Dividend Vitals**

Current Annual Dividend Yield %	1.4%
Annual Dividends Per Share	6.60
Forward Dividend Payout Ratio	31.2%
3-yr Historical Dividend CAGR	16.8%
15-yr Historical Dividend CAGR	43.3%
3-yr Hist Median Div Payout Ratio	30.1%
15-yr Hist Median Div Payout Ratio	24.7%

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

**Initial Annual Income Per Investment (\$)**

# of Shares	Investment (\$)	Annual Div's (\$)
25	11,993.00	165.00
50	23,986.00	330.00
100	47,972.00	660.00
200	95,944.00	1,320.00
300	143,916.00	1,980.00
400	191,888.00	2,640.00
500	239,860.00	3,300.00
1,000	479,720.00	6,600.00
2,000	959,440.00	13,200.00
5,000	2,398,600.00	33,000.00
10,000	4,797,200.00	66,000.00
50,000	23,986,000.00	330,000.00
100,000	47,972,000.00	660,000.00

Initial annual income is based on the firm's current forward annual dividend yield and could be subject to change.

**Dividend Safety / Cushion EXCELLENT / 3.2**

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. UnitedHealth Group scores a 3.2 on our Dividend Cushion™, which is EXCELLENT.

**Dividend Growth Potential EXCELLENT**

We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. UnitedHealth Group registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be \$10.95 per share within the next several years.

**Risk of Capital Loss MEDIUM**

We assess the risk of capital loss based on our analysis of a firm's intrinsic value at this point in time. If the stock is undervalued (based on our DCF process), we think the risk of failing to recoup one's original capital investment (ex dividends) is relatively LOW. If the stock is fairly valued (it falls within our fair value estimate range), we think the likelihood of losing capital (ex dividends) is MEDIUM. If the stock is trading above our estimate of its intrinsic value, we think the likelihood of losing at least a portion of one's original investment (ex dividends) is HIGH. UnitedHealth Group registers a score of MEDIUM on our scale.

**Key Dividend Considerations**

Current Annual Dividend Yield	1.38%
Annual Dividends per Share	\$6.60
Initial Annual Div's Paid, \$10k Investment	\$137.58
Dividend Track Record	HEALTHY
Dividend Safety	EXCELLENT
Valuentum Dividend Cushion™	3.2
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	MEDIUM

The Valuentum Dividend Cushion is a ratio that compares the firm's excess cash and cash flow to its future dividend stream. A score above 1 indicates cash flow is sufficient to cover future dividends (higher is better).

**Dividend Strength**

Dividend Safety	Dividend Growth			
	Very Poor	Poor	Good	Excellent
Excellent				
Good				
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

**Dividend Track Record****HEALTHY**

Fiscal Year	Div's/Share (\$)	Div Growth %	EPS (\$)	Payout Ratio
Dec-07	0.03	0.0	3.42	0.9%
Dec-08	0.03	0.0	2.40	1.3%
Dec-09	0.03	0.0	3.24	0.9%
Dec-10	0.41	1266.7	4.10	10.0%
Dec-11	0.61	48.8	4.73	12.9%
Dec-12	0.80	31.1	5.28	15.2%
Dec-13	1.05	31.3	5.50	19.1%
Dec-14	1.41	34.3	5.70	24.7%
Dec-15	1.88	33.3	6.01	31.3%
Dec-16	2.38	26.6	7.25	32.8%
Dec-17	2.88	20.8	10.72	26.8%
Dec-18	3.45	20.0	12.19	28.3%
Dec-19	4.14	20.0	14.33	28.9%
Dec-20	4.83	16.7	16.03	30.1%
Dec-21	5.60	15.9	18.08	31.0%
Dec-22	6.60	17.9	21.18	31.2%
Dec-23	7.59	15.0	25.24	31.2%
Dec-24	8.73	15.0	27.96	31.2%
Dec-25	9.78	12.0	30.73	31.2%
Dec-26	10.95	12.0	33.58	31.2%

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

To view our full 16-page equity report on UnitedHealth Group, please visit our website at [www.valuentum.com](http://www.valuentum.com)

# UnitedHealth Group UNH FAIRLY VALUED

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Value Rating

**Economic Castle**    **Stock Fair Value Range**    **Dividend Track Record**  
 Very Attractive    \$385.00 - \$641.00    HEALTHY

**Dividend Safety / Cushion™**    **Div Growth Potential**    **Dividend Yield**  
 EXCELLENT / 3.2    EXCELLENT    1.38%

## Assessment of Company Dividend Strategy

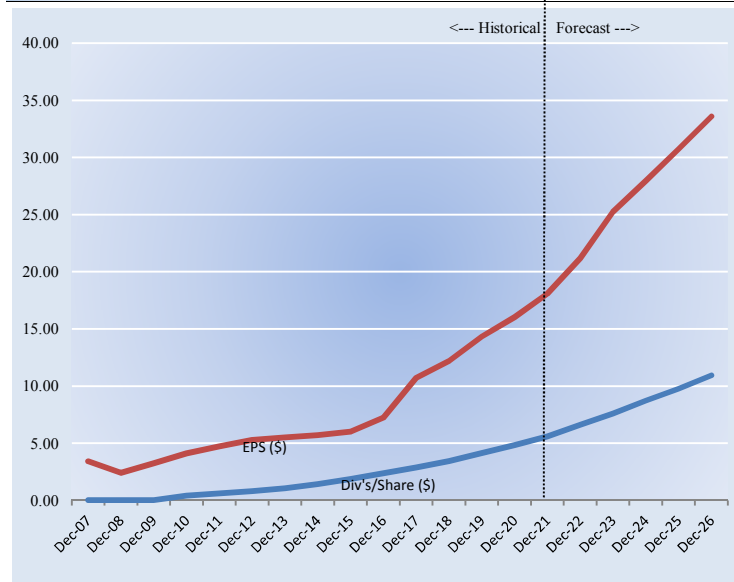
### Key Strengths

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 2018 to 2020, UnitedHealth's annual free cash flows averaged ~\$16.7 billion while its annual run-rate dividend obligations stood at ~\$4.6 billion in 2020. UnitedHealth's Dividend Cushion ratio is impressive, and we expect the firm will push through aggressive annual dividend increase over 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 stood at ~\$75.8 billion as of the end of 2020), 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, and UnitedHealth carries a net debt load.

## Graphical Relationship, Earnings and Dividends (per share)

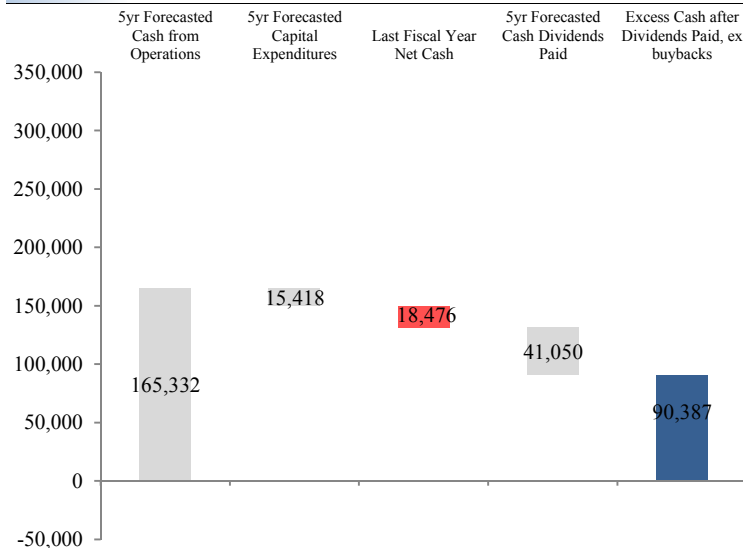


The graph above shows the relationship between a firm's earnings per share and its dividends per share.

## Dividend Cushion Cash Flow Bridge Evaluation

The Dividend Cushion Cash Flow Bridge, shown in the image to the right, illustrates the components of the Dividend Cushion ratio and highlights in detail the many drivers behind it. UnitedHealth Group's Dividend Cushion Cash Flow Bridge reveals that the sum of the company's 5-year cumulative free cash flow generation, as measured by cash flow from operations less all capital spending, plus its net cash/debt position on the balance sheet, as of the last fiscal year, is greater than the sum of the next 5 years of expected cash dividends paid. Because the Dividend Cushion ratio is forward-looking and captures the trajectory of the company's free cash flow generation and dividend growth, it reveals whether there will be a cash surplus or a cash shortfall at the end of the 5-year period, taking into consideration the leverage on the balance sheet, a key source of risk. On a fundamental basis, we believe companies that have a strong net cash position on the balance sheet and are generating a significant amount of free cash flow are better able to pay and grow their dividend over time. Firms that are buried under a mountain of debt and do not sufficiently cover their dividend with free cash flow are more at risk of a dividend cut or a suspension of growth, all else equal, in our opinion. Generally speaking, the greater the 'blue bar' to the right is in the positive, the more durable a company's dividend, and the greater the 'blue bar' to the right is in the negative, the less durable a company's dividend.

## Dividend Cushion Cash Flow Bridge

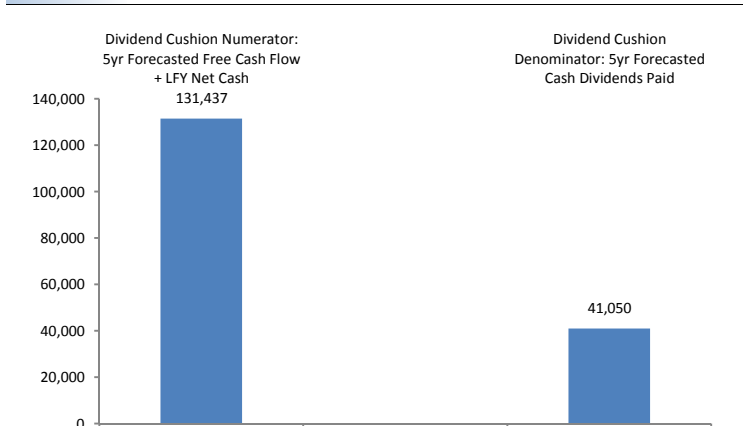


Source: Company Filings, Valuentum Projections

## Dividend Cushion Ratio Evaluation

The Dividend Cushion Ratio Deconstruction, shown in the image to the right, reveals the numerator and denominator of the Dividend Cushion ratio. At the core, the larger the numerator, or the healthier a company's balance sheet and future free cash flow generation, relative to the denominator, or a company's cash dividend obligations, the more durable the dividend. In the context of the Dividend Cushion ratio, UnitedHealth Group's numerator is larger than its denominator suggesting strong dividend coverage in the future. The Dividend Cushion Ratio Deconstruction image puts sources of free cash in the context of financial obligations next to expected cash dividend payments over the next 5 years on a side-by-side comparison. Because the Dividend Cushion ratio and many of its components are forward-looking, our dividend evaluation may change upon subsequent updates as future forecasts are altered to reflect new information.

## Dividend Cushion Ratio Deconstruction



# Definitions, Disclosures, Disclaimers & Additional Sources

**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).

**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).

**Dividend Track Record.** We assess each firm's dividend track record based on whether the fundamentals of the firm have ever forced it to cut its dividend. If the firm has ever cut its dividend (within the last 10 years), we view its track record as RISKY. If the firm has maintained and/or raised its dividend each year (over the past 10 years), we view its track record as HEALTHY.

**Dividend Safety.** We measure the safety of a firm's dividend by adding its net cash to our forecast of its future cash flows and divide that sum by our forecast of its future dividend payments. This process results in a ratio called the Dividend Cushion™. Scale: Above 2.75 = EXCELLENT; Between 1.25 and 2.75 = GOOD; Between 0.5 and 1.25 = POOR; Below 0.5 = VERY POOR.

**Valuentum Dividend Cushion™.** This is a proprietary Valuentum measure that drives our assessment of the firm's Dividend Safety rating. The forward-looking measure assesses dividend coverage via the cash characteristics of the business.

**Dividend Growth Potential.** We blend our analysis of a firm's Dividend Safety with its historical Track Record, while also considering historical dividend growth trends. We believe such a combination captures a firm's capacity (cash flow) and willingness (track record) to raise its dividend in the future. Scale: EXCELLENT, GOOD, POOR, VERY POOR.

**Risk of Capital Loss.** We think capital preservation is key for the dividend investor. As such, we evaluate the risk of capital loss by assessing the intrinsic value of each firm based on our discounted cash-flow process. If a firm is significantly OVERVALUED, we think the risk of capital loss is HIGH. If a firm is FAIRLY VALUED, we think the risk of capital loss is MEDIUM, and if a firm is UNDERVALUED, we think the risk of capital loss is LOW.

**Dividend Strength.** Our assessment of the firm's dividend strength is expressed in a matrix. If the safety of a firm's dividend is EXCELLENT and its growth prospects are also EXCELLENT, it scores high on our matrix (top right). If the firm's dividend safety and the potential future growth are VERY POOR, it scores lower on our scale (bottom left).

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Dividend Methodology Note: For oil and gas pipeline firms, which operate different business structures, and utilities (including waste firms) we employ a different methodology such that comparisons with general operating firms remain meaningful. For oil and gas pipeline firms, we add equity issuance in the future to the numerator and use 0.2 of the firm's total debt load. For utilities, we use 0.5 of the firm's total debt load.

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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](mailto:valuentum@valuentum.com) or visit our website at [www.valuentum.com](http://www.valuentum.com).

## Appendix A: About Valuentum

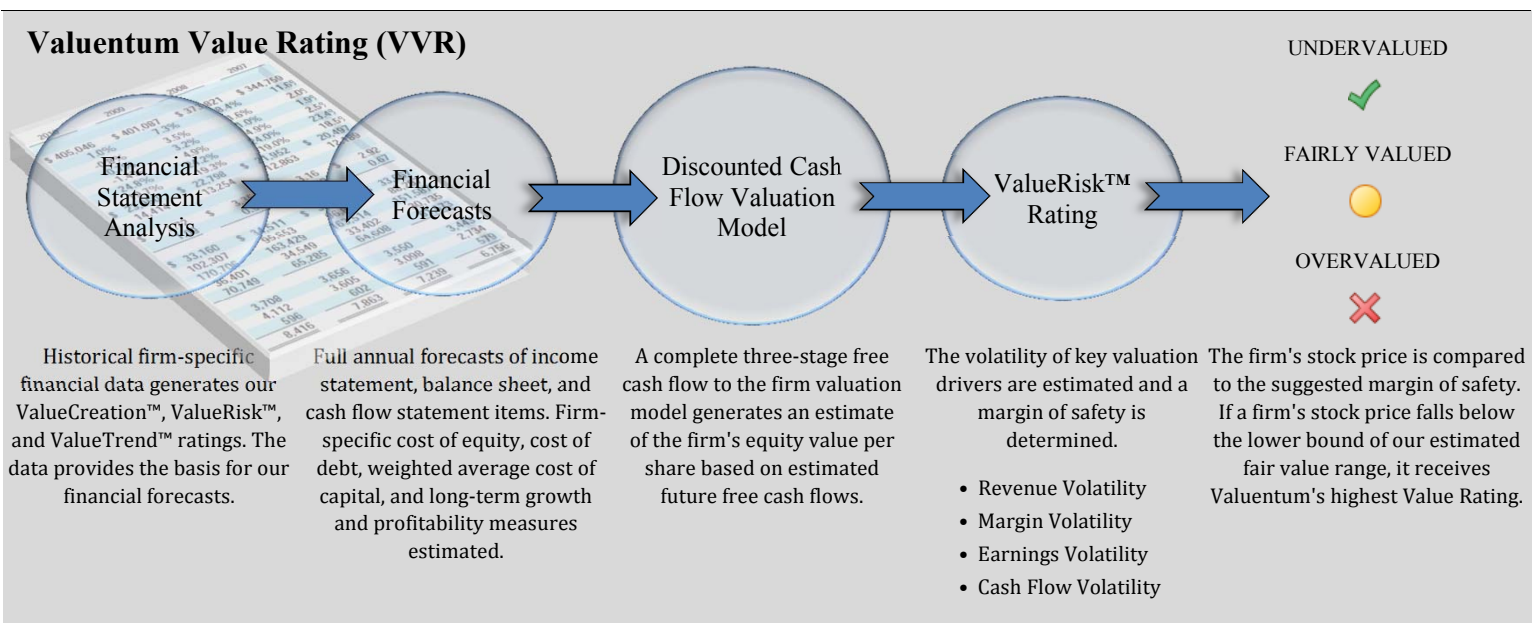
@Valuentum, we strive to stand out from the crowd. Most investment research publishers fall into a few camps, whether it be value, growth, income, momentum, chartist or some variant of the aforementioned. We think each in its own right holds merit, but we think the combination of these approaches can 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 over one hundred stocks, dividends, ETFs and more.



# Appendix B: 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.

