UnitedHealth Group Incorporated Ticker: UNH Sector: Health Care Industry: Managed Care	Intrinsic Value: $ 114.42 Current Price: $74.49 Stop Loss: $63.32 Upside Review: $ 131.58	TTM P/E: 14.19 Forward P/E:12.85 FV Imp. P/E: 14.32 Beta: 0.84	Market Cap: 75.75B Dividend Yield: 1.12 (1.50%) 52 Wk Range: $51.09-$75.88

Industry Trends:

The health care reform will change the operation way of MCO's. The reform also brings MCO's funding and potential increased memberships. MCO's will continue to pay attention on government programs such as Medicare, Medicaid and other federal program. Some leading companies started to expand nationally, creating the economies of scale. At the same time, MCO's face headwinds and challenges due to health care reform. The regulation oversight in this industry will be continuous increased.

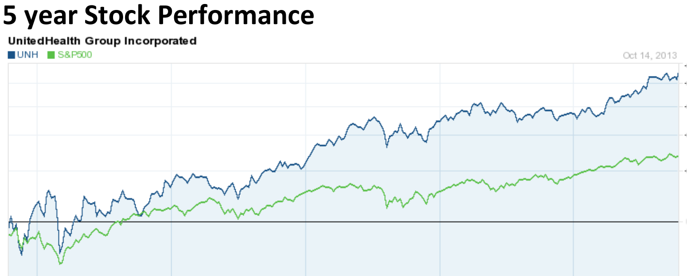
Investment Thesis:

As the largest player in Managed Care industry, UnitedHealth Group reported positive results for the 2013 Q2, the company keeps its high speed growth and its YOY total revenue increased by 11.4%. In past four years, its growth of Medicare Advantage and Medicaid enrollment has offset the decrease of commercial risk business, producing incremental revenue and profits. At the same time, from 2012, the company made several acquisitions and expand to international markets. Although the reform might bring the headwinds to the company, we believe that the company has ability to overcome the difficulties.

Business Summary:

UnitedHealth Group Incorporated operates as a leading diversified health care company in the United States Its business is mainly consisted of Unite Healthcare segment and OPTUM segment. United Healthcare segment offers consumer-oriented health benefit plans and services OPTUM segment provides OptumHealth- health management service, OptumInsight -software and information products, consulting service and OptumRx- pharmacy benefit management services and programs.

5 year Stock Performance



Direct Competitor Comparison

	UNH	AET	HUM	WLP	Industry
Market Cap:	75.73B	24.29B	14.87B	26.35B	2.56B
Employees:	133,000	35,000	43,400	43,500	18.30K
Qtrly Rev Growth (yoy):	0.12	0.31	0.06	0.16	0.18
Revenue (ttm):	116.82B	39.92B	40.02B	66.37B	8.40B
Gross Margin (ttm):	0.27	0.26	0.22	0.22	0.24
EBITDA (ttm):	10.20B	3.82B	2.85B	5.68B	244.07M
Operating Margin (ttm):	0.08	0.08	0.06	0.07	0.06
Net Income (ttm):	5.43B	1.72B	1.51B	2.84B	N/A
EPS (ttm):	5.25	5.02	9.39	9.17	1.78
P/E (ttm):	14.18	13.00	10.12	9.60	20.22
PEG (5 yr expected):	1.54	0.96	1.18	0.93	1.08

Competitive Analysis:

UnitedHealth owns 13.6% of the market share, making it becomes leading company in terms of market share. With annual revenue of about $80 billion and over 84 million policies, It is also the largest insurance provider in the country. Its main competitors include Aetna Inc. (AET), Humana Inc.(HUM) and WellPoint Inc. (WLP), etc.

Pros:

- The revenue kept high speed growth in past 5 years.
- The stock price has increased more than 15% in the past three months. The reduced medical cost ratio bring the company increased earning per share.
- Afford Care Act brings potential of increased enrollment, expansion and broader coverage to UnitedHealth Group.
- The reform will be also beneficial to company's OPTUM segment which focuses on consulting and technology services.

Risk Factors:

- The decreasing rate of Medicare Advantage due to government-sponsored medical programs threatens the revenue growth of UnitedHealth Group.
- ACA takes greater regulation, transparency and competition to managed care industries, UnitedHealth will face challenge and pressure due to change and uncertainty of whole health care system.
- ACA brings the uncertain of operating environment for U.S healthcare industry.

Total Return Estimates:	
3 Yr FV Reversion*:	16.65%
5 Yr FV Reversion*:	10.32%
(* - From limit order price of $00.00)	
Key Valuation Assumptions:	
Est. Revenue Growth	6%
WACC	6.37%
Expected Inflation	3%
Terminal Growth Rate	1.5%
10 yr. Risk Free Rate	2.69%
Equity Risk Premium	5.9%
Tax Rate	36.06%
Key Financial Data:	
Est. 2013 EPS	5.52
Est. 2014 EPS	5.84
3-5 Yr. Est. EPS Growth	9%
PEG (TTM)	14.35
Credit Quality	A+
ROE	18.58%
ROA	7.43%
Price /Book	2.4
Price/Cash Flow	19.7
Debt/Equity	61.57%
Current Ratio	0.76
Quick Ratio	0.51
CSR characteristics	
Human Rights	0/0
Business Ethics Policy	1/1
ESG Disclosure	17.36/19.14
Equal Opportunity	1/1
Emission Reduction	0/0
Environmental Disclosure Score	3.88/13.71
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