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# UNITEDHEALTH GROUP INC.

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Healthcare Sector Stock Analysis



MARCH 1, 2015

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## Section A

Recommendation Buy:	Yes No	Target Price: \$130.00	Stop-Loss Price: \$102.29
Sector: Healthcare	Industry: Health Care Plans	Market Cap (in Billions): 108.77	Shares O/S (in Millions): 953.70
Current Price: \$113.66	52 WK Hi: \$116.55	52 WK Low: \$73.63	EBO Valuation: \$173.45 (4 yr)
Morningstar (MS) Fair Value Est.: \$79	MS FV Uncertainty: Medium	MS Consider Buying: \$55.30	MS Consider Selling: \$106.65
EPS (TTM): \$5.66	EPS (FY1): \$6.20	EPS (FY2): \$7.00	MS Star Rating: A-
Next Fiscal Yr. End "Year": 2016 "Month": December	Last Fiscal Qtr. End: 12/14 Less Than 8 WK: No	If Less Than 8 WK, next Earnings Ann. Date: N/A	Analyst Consensus Recommendation: Outperform
Forward P/E: 16.24	Mean LT Growth: 9.62%	PEG: 1.69	Beta: 0.58
% Inst. Ownership: 91.94%	Inst. Ownership- Net Buy: Yes	Short Interest Ratio: 2.3	Short as % of Float: 1.3%
<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	20.15	23.42	40.21
P/S (TTM)	0.83	0.72	41.04
P/B (MRQ)	3.35	3.13	6.21
P/CF (TTM)	15.33	16.59	337.99
Dividend Yield	1.32	0.99	1.32
Total Debt/Equity (MRQ)	53.63	49.24	11.24
Net Profit Margin (TTM)	4.31	3.50	7.50
ROA (TTM)	6.68	5.97	8.11
ROE (TTM)	17.40	15.14	17.27

<u>Investment Thesis</u>  <b>PRO:</b> -UnitedHealth group is a stock that has been estimated by all of its valuation and ratios to grow in the future. From one year ago to the current time its analysts' estimates have only been trending upward which is a positive outlook for the stock. Although there are cons that come from the overall industry, UnitedHealth Group's large and diverse membership base will allow it to continue to succeed and not be as affected as other	<u>Summary</u>
	<u>Company Profile:</u> <ul style="list-style-type: none"> <li>• High Fragmentation</li> <li>• Competitive Industry</li> </ul>
	<u>Fundamental Valuation:</u> <ul style="list-style-type: none"> <li>• Undervalued Stock Price</li> <li>• Unpredictable Long Term Growth Rate</li> </ul>

<p>companies in regards to the downward trends occurring in the industry. Further, noting the decreased short interest along with direction of graphed moving averages offers expectations for the price of stock to increase.</p> <p>CON: -Analysts have recently downgraded UnitedHealth Group Inc. leading to questions regarding the future potential of the stock. Although historic stock performance has been competitive, UnitedHealth Group Inc. has also encountered increased competition within the Health Plan industry.</p> <p>DECISION: -Ultimately we have decided to submit UnitedHealth Group Inc. as a buy to the Cougar Investment Fund portfolio.</p>	<p><u>Relative Valuation:</u></p> <ul style="list-style-type: none"> <li>• Forward P/E and PEG ratio for UNH are well above peers'</li> <li>• UNH expected to grow more than competition</li> <li>• Potential to continue outperformance in future years</li> </ul>
	<p><u>Revenue and Earnings Estimates:</u></p> <ul style="list-style-type: none"> <li>• Pattern of positively surprising the market</li> <li>• Bullish growth for earnings and revenues in past year and expected for future year</li> <li>• Revenues down in the last 4 weeks, but earnings has been up</li> </ul>
	<p><u>Analyst Recommendations:</u></p> <ul style="list-style-type: none"> <li>• Downgraded In Last 6 Months</li> <li>• Historically Made Big Gains After Downgrade</li> </ul>
	<p><u>Institutional Ownership:</u></p> <ul style="list-style-type: none"> <li>• Not a drastic change in ownership and increased positions outweigh decreased positions</li> <li>• Professional investors like the stock, with 94.07% institutional ownership</li> </ul>
	<p><u>Short Interest:</u></p> <ul style="list-style-type: none"> <li>• Increased Shares Outstanding</li> <li>• Decreased Short Interest</li> <li>• Investors Believe Stock Price Will Increase</li> </ul>
	<p><u>Stock Price Chart:</u></p> <ul style="list-style-type: none"> <li>• Historically Beat S&amp;P 500</li> <li>• Little Variation Among Competitors</li> </ul>

## Section B

UnitedHealth Group Incorporated was founded in 1974 and is based in Minnetonka, Minnesota operating as a diversified health and well-being company in the United States. Services provided by UnitedHealth Group Inc. include consumer-oriented health benefit plans and services for national employers, public sector employers, mid-sized employers, small businesses, and individuals; and health care coverage, and health and well-being services to individuals. Additionally, UnitedHealth Group Inc. works in another segment oriented toward dealing with disease and other specialized issues for older individuals. This segment alone operates in a network of approximately 850,000 physicians and other health care professionals, and approximately 6,100 hospitals and other facilities. UnitedHealth Group Inc. also offers healthcare financial services for programs offered by employers, payers, and government entities.

Currently, UnitedHealth Group Inc. is located in the Health Care Plans industry and has grown to 170,000 employees.

As shown in Table 1, UnitedHealth Group Incorporated has reported steady revenue and earnings per share over the last four quarters. In fact, UnitedHealth Group has consistently beat estimates regarding earnings per share in every quarter during the 2014 fiscal year, highlighted in June when UnitedHealth Group Inc. beat

	Revenue	EPS
Dec '14	33,433	1.491
Sep '14	32,759	1.631
Jun '14	32,574	1.421
Mar '14	31,708	1.118
<b>Total</b>	<b>130,474</b>	<b>5.661</b>

Table 1

estimates by 12.6%. Analysts have estimated UnitedHealth Group Inc. to also realize sales growth of approximately 8% over the next four quarters.

In the most recent quarter, UnitedHealth Group Inc. reported net earnings of 1.5 Billion as earnings per share rose around 10%.

## Section C

	Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Long-term EPS Growth Rate (Ltg)			0.10	0.10					
	Forecasted EPS	6.20	7.00	7.67	8.41					
	Beg. of year BV/Shr	34.02	38.72	44.02	49.83					
	Implied ROE		0.18	0.17	0.17					
ROE	(Beg. ROE, from EPS forecasts)	0.18	0.18	0.17	0.17	0.17	0.17	0.16	0.16	0.16
Abnormal ROE	(ROE-k)	0.14	0.14	0.13	0.12	0.12	0.12	0.12	0.12	0.12
growth rate for B	(1-POR)*(ROEt-1)	0.00	0.14	0.14	0.13	0.13	0.13	0.13	0.12	0.12
Compounded growth		1.00	1.14	1.29	1.46	1.65	1.86	2.10	2.36	2.65
growth*AROE		0.14	0.15	0.17	0.18	0.20	0.23	0.25	0.28	0.31
required rate (k)	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Compound discount rate		1.05	1.09	1.14	1.19	1.25	1.30	1.36	1.42	1.49
div. payout rate (k)	0.24									
Add to P/B	PV(growth*AROE)	0.13	0.14	0.15	0.15	0.16	0.17	0.18	0.20	0.21
Cum P/B		1.13	1.27	1.42	1.57	1.73	1.91	2.09	2.29	2.50
Add: Perpetuity										
beyond current yr	(Assume this yr's AROE forever)	2.92	3.14	3.26	3.38	3.61	3.85	4.10	4.37	4.65
Total P/B	(P/B if we stop est. this period)	4.05	4.42	4.68	4.95	5.34	5.76	6.20	6.66	7.15
<b>Implied price</b>		<b>141.89</b>	<b>154.78</b>	<b>163.89</b>	<b>173.45</b>	<b>187.19</b>	<b>201.72</b>	<b>217.08</b>	<b>233.29</b>	<b>250.38</b>
Check:										
Beg. BV/Shr		34.02	38.72	44.02	49.83	56.21	63.34	71.31	80.22	90.16
Implied EPS		6.20	7.00	7.67	8.41	9.41	10.53	11.76	13.12	14.63
Implied EPS growth			0.13	0.10	0.10	0.12	0.12	0.12	0.12	0.12

Table 2 Fundamentals

After inputting the required fields in the Fundamental Analysis template, the final decision to make regarded the long term growth period. Electing to choose the 4 year outlook was based on the general understanding of the Healthcare sector. An interesting component to the Healthcare sector is the high fragmentation of companies, the top 50 companies only account for 15% of sector revenue (Hoover). Further, it is extremely difficult for companies in the Healthcare sector to identify growth opportunities and take advantage of them. UnitedHealth Group Inc. is currently trading at 113.63, however, the implied price calculated in the Fundamental Analysis template suggests a price of 89.88. In this case, the stock

price won't reach the 113.63 benchmark until 2020. It is important to note that implied price reported in the Fundamental Analysis template can be extremely volatile depending on various assumptions. Initially, the expected market return was set to 8.5%. According to Goldman Sachs strategist David Kostin, the stock index will realize a return of 5% in 2015 (Business Insider). As a result of the adjustments inspired by Kostin, the implied price for UnitedHealth Group Inc. soared to 141.89 and is expected to reach a price of 250.38 by 2023. Assuming the return on the market will remain relatively low throughout the upcoming years is based on the idea of economic expansion and increased sales, ultimately driving the price of UnitedHealth Group Inc.

## Section D

	Ticker	Name	Mkt Cap	Current Price	Earnings Estimate (next fiscal year)	Forward P/E	Mean LT Growth Rate	PEG	P/B (MRQ)	ROE 5 yr ave	Value Ratio	P/S TTM	P/CF TTM
1	ANTM	Anthem Inc.	\$ 39,209.75	\$ 146.72	\$ 10.90	13.46	9.56%	1.41	1.64	11.13%	0.15	5.44	33.71
2	AET	Aetna Inc.	\$ 34,812.10	\$ 99.73	\$ 8.01	12.45	9.15%	1.36	2.34	15.06%	0.16	0.60	13.53
3	ESRX	Express Scripts Holding Co.	\$ 61,851.75	\$ 84.73	\$ 6.02	14.07	11.84%	1.19	3.08	12.25%	0.25	0.61	14.46
4	CI	Cigna Corp.	\$ 32,025.94	\$ 121.84	\$ 9.37	13.00	11.31%	1.15	2.84	18.80%	0.15	0.94	12.42
	UNH	UnitedHealth Group Inc.	\$ 108,768.90	\$ 113.66	\$ 7.00	16.24	9.62%	1.69	3.35	18.25%	0.18	9.68	43.87
		Implied Price based on:				P/E (forward)		PEG	P/B		Value	P/S	P/CF
1	ANTM	Anthem Inc.				\$94.22		\$94.82	\$55.64		\$91.24	\$63.88	\$87.34
2	AET	Aetna Inc.				\$87.15		\$91.63	\$79.39		\$96.21	\$7.05	\$35.05
3	ESRX	Express Scripts Holding Co.				\$98.52		\$80.05	\$104.50		\$155.68	\$7.16	\$37.46
4	CI	Cigna Corp.				\$91.02		\$77.42	\$96.36		\$93.54	\$11.04	\$32.18
		High				\$98.52		\$94.82	\$104.50		\$155.68	\$63.88	\$87.34
		Low				\$87.15		\$77.42	\$55.64		\$91.24	\$7.05	\$32.18
		Mean				\$92.73		\$85.98	\$83.97		\$109.17	\$22.28	\$48.01

Table 3

- **Anthem, Inc.:** A health insurance provider and competes with UnitedHealth Group in the healthcare services aspect.
- **Aetna, Inc:** A diversified healthcare benefits provider and competes with UnitedHealth Group specifically in the segment of offering healthcare benefits.
- **Express Scripts Holding Co:** A pharmacy benefits Management Company and competes with UnitedHealth Group in the PBM segment as well as internationally in Canada.
- **Cigna, Corp:** A global health insurance supplier and competes with UnitedHealth Group on the global level and as a health insurance supplier.

All of the forward P/E ratios are around 12, 13, and 14, but for UnitedHealth Group the ratio surpasses all of its competitors with a value at 16.24. This is considered a positive aspect because a higher P/E ratio is usually a better stock. The PEG ratio for UnitedHealth Group exceeds all other competitor PEG ratios as well. This can be a better reference than the P/E ratio as to whether the stock is good or not. The UNH PEG of 1.69 reflects that the stock is not undervalued and it is a worthy investment over its competitors. All of the P/B ratios are around the average, but UNH outperforms again with a ratio of 3.35. It is good that this ratio is not lower than its competitors because that could mean that the stock was undervalued, however, because of the high P/B ratio it is possible that investors might be in trouble if the company

went bankrupt. We decided to opt-out the P/S ratio because it is not very comparable with UNH's competition due to the large market capitalization the UNH has over its peers.

All of the company's forward P/E prices are within their 52 week high and low range and they are all less than the current prices except for Express Scripts Holding Co., which exceeds its current price by about \$14. All the PEG's are also within the 52 week high and low range and each one is less than its current price. Anthem's P/B price is significantly lower than its current price and Express Scripts Holding's price surpasses its current price by a ton.

We decided to opt-out the P/CF ratio because this ratio is more for valuing firms that are non-profitable. Given the fact that UNH has steadily increased in the past and has been proven to be consistently profitable, we find this computation to be insignificant. Other major financial websites valued their ratios similar to ours. There were no drastic differences and other online resources also found the competitors to be very similar. All peers I have listed were on the majority of websites we looked at and all valued UnitedHealth Group to be more of a growth stock than its peers.

## Section E

<b>HISTORICAL SURPRISES</b>				
Sales and Profit Figures in US Dollar (USD)				
Earnings and Dividend Figures in US Dollar (USD)				
Estimates vs Actual	Estimate	Actual	Difference	Surprise %
<b>SALES (in millions)</b>				
Quarter Ending Dec-14	33,114.20	33,433.00	318.82	0.96
Quarter Ending Sep-14	32,762.20	32,759.00	3.19	— 0.01
Quarter Ending Jun-14	32,030.80	32,574.00	543.21	1.70
Quarter Ending Mar-14	31,987.90	31,708.00	279.92	— 0.88
Quarter Ending Dec-13	31,070.50	31,117.00	46.54	0.15
<b>Earnings (per share)</b>				
Quarter Ending Dec-14	1.50	1.55	0.05	3.44
Quarter Ending Sep-14	1.53	1.63	0.10	6.64
Quarter Ending Jun-14	1.26	1.42	0.16	13.01
Quarter Ending Mar-14	1.09	1.10	0.01	1.17
Quarter Ending Dec-13	1.40	1.41	0.01	0.52

Table 4

UnitedHealth Group, Inc. has a pattern of “surprising” the market with numbers that are higher than analysts’ estimates; however, this surprise is never an extreme amount. There were two times the company had a negative surprise and they were both by less than 1%. In comparing revenue and earnings, the actual estimates barely changed for revenue and earnings had a more notable change. This is good because earnings differences are a big deal and all of the earnings beat the estimates, which is only better for the stock. After the 13.01% surprise for earnings when the quarter ended June 2014 the stock price went up steadily the whole month of July. When the quarter ending September 13<sup>th</sup> came out with an earnings surprise of 6.64% the stock decreased a little in October and then has been steadily increasing ever since.

Divergent are more notable for FY1 over FY2 in both above charts. It is a more drastic difference for earnings over revenues as well.

CONSENSUS ESTIMATES ANALYSIS					
Sales and Profit Figures in US Dollar (USD)					
Earnings and Dividend Figures in US Dollar (USD)					
	# of Estimates	Mean	High	Low	1 Year Ago
<b>SALES (in millions)</b>					
Quarter Ending Mar-15	14	34,528.30	35,018.90	34,024.00	34,998.00
Quarter Ending Jun-15	14	35,228.20	35,550.90	34,344.00	35,356.90
Year Ending Dec-15	16	141,462.00	142,787.00	140,525.00	139,747.00
Year Ending Dec-16	17	151,786.00	156,641.00	146,973.00	148,730.00
<b>Earnings (per share)</b>					
Quarter Ending Mar-15	22	1.34	1.49	1.21	1.25
Quarter Ending Jun-15	22	1.51	1.60	1.40	1.50
Year Ending Dec-15	23	6.20	6.30	6.05	6.11
Year Ending Dec-16	21	7.00	7.23	6.60	6.94
LT Growth Rate (%)	6	9.62	13.00	7.90	7.71

Table 5

Sales (in millions)		Sales (in millions)	
Quarter Ending Mar-15	1.42	Quarter Ending Mar-15	1.46
Quarter Ending Jun-15	0.92	Quarter Ending Jun-15	2.51
Year Ending Dec-15	0.94	Year Ending Dec-15	0.66
Year Ending Dec-16	3.20	Year Ending Dec-16	3.17
Earnings (per share)		Earnings (per share)	
Quarter Ending Mar-15	11.19	Quarter Ending Mar-15	9.70
Quarter Ending Jun-15	5.96	Quarter Ending Jun-15	7.28
Year Ending Dec-15	1.61	Year Ending Dec-15	2.42
Year Ending Dec-16	3.29	Year Ending Dec-16	5.71
LT Growth Rate	35.14	LT Growth Rate	17.88

The number of analysts providing LT growth rate estimate is significantly less than the number of analysts providing revenue and earnings estimates. LT growth estimates analysts is 6 compared to revenue with 14-17 and earnings with 21-23.

CONSENSUS ESTIMATES TREND					
Sales and Profit Figures in US Dollar (USD)					
Earnings and Dividend Figures in US Dollar (USD)					
	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
<b>SALES (in millions)</b>					
Quarter Ending Mar-15	34,528.30	34,527.20	34,596.70	34,577.70	34,998.00
Quarter Ending Jun-15	35,228.20	35,229.90	35,271.10	35,202.10	35,356.90
Year Ending Dec-15	141,462.00	141,483.00	141,461.00	140,878.00	139,747.00
Year Ending Dec-16	151,786.00	151,815.00	151,966.00	151,805.00	148,730.00
<b>Earnings (per share)</b>					
Quarter Ending Mar-15	1.34	1.34	1.34	1.26	1.25
Quarter Ending Jun-15	1.51	1.50	1.50	1.50	1.50
Year Ending Dec-15	6.20	6.20	6.19	6.17	6.11
Year Ending Dec-16	7.00	6.98	6.99	6.97	6.94

Table 6

Trends for earnings within the quarters was relatively stable and staying the same, but both FY1 and FY2 show the trend to be up. In regards to revenue, trends for the quarters were up and down 1 week to 1 year ago and from 1 year ago to current they are both down. For FY1 and FY2 the trends were also varying up and down, but the outcome from 1 year ago to current was trending up. The upward trend is more notable for sales than earnings, but nothing is too drastic in either. FY2 revenues are more notable than FY1 and FY1 earnings are more notable than FY2. Like mentioned previously, no change is significantly notable over another, and the most important thing this graph shows is its upward trend over the past year.



ESTIMATES REVISIONS SUMMARY				
	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending Mar-15	1	0	1	0
Quarter Ending Jun-15	0	1	0	1
Year Ending Dec-15	0	1	0	1
Year Ending Dec-16	0	1	0	1
<b>Earnings</b>				
Quarter Ending Mar-15	1	1	1	1
Quarter Ending Jun-15	2	0	2	0
Year Ending Dec-15	1	0	2	0
Year Ending Dec-16	1	0	1	0

Table 7

In the last week and last 4 weeks there have been more down revisions in revenue and more up revisions in earnings. The revisions for revenues are predominantly down and for earnings predominantly up. There was no difference between last week and the last 4 weeks in revenue and the only difference in earnings was that FY1 in the last week had one less up than in the last 4 weeks.

*"Consensus Earnings Revisions" from CNBC*

Revision Date	Revision Type	Revision Up/Down	Current	Previous	% Change	# of Analysts Reporting
2/20/15	Up	7/0	\$1.34	\$1.34	Up 0.22	22
2/3/15	Up	16/1	\$1.34	\$1.33	Up 0.83	22
1/28/15	Up	15/1	\$1.33	\$1.31	Up 1.07	21

- Last Earnings Report Date: January 21, 2015  
Next Earnings Report Date: April 15, 2015
- The revisions are all spread out and not clustered at all. There are not very many compared to other companies. The first revision was posted exactly a week after the last earnings report date.
- There were no consensus revisions greater than 10% and the maximum was 1.07%.
- There was very little change in consensus earnings revisions. They were all up and did not influence stock price very much. Also they had a lot of analysts reporting, therefore, we believe these revisions to be very accurate.

## Section F

According to the reports published by Reuters, the majority of analysts are picking UnitedHealth Group Incorporated as a stock to buy. Currently, 11 out of 24 analysts rated UnitedHealth Group Inc. as a “buy” followed by 8 analysts voting it as a stock likely to outperform. Over the last 3 months, the only variation among analysts can be seen in the minor decrease of predictions for outperform. However, analysts from

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	11	11	11	11
(2) OUTPERFORM	8	8	9	9
(3) HOLD	4	4	4	4
(4) UNDERPERFORM	1	1	1	1
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.79	1.79	1.8	1.8

Table 8

Smart Consensus downgraded UnitedHealth Group from a “Buy” to “Hold” on June 27<sup>th</sup>, 2014. Smart Consensus’ research team also noted that over the past year, “when rated a hold the stock price increased 56.2%” (Smart Consensus). Although the reviews are mixed, a potential upgrade to UnitedHealth Group Inc. might be in the near future along with an increase in stock price. After reviewing the calendar provided by CNBC, there has not been any upgrade or downgrades in the last month. UnitedHealth Group. Inc will report earnings for the current quarter in March and investors should expect movement in analyst grading around that time period.

## Section G

Section 1				
Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			953,645,956	100.00%
# of Holders; Total Shares Held/% Shares	1,450	110.77%	876,782,092	91.94%
# New Positions	189	14.44%		
# Closed Positions	48	3.67%		
# Increased Positions	592	45.23%		
# Decreased Positions	530	40.49%		
Beg. Total Inst. Positions	1,309	100.00%	887,236,603	93.04%
# Net Buyers; 3 Mo. Net Chg	62	52.76%	-10,454,511	-1.10%

Table 9

Section 2	
Ownership Information	% Outstanding
% Institutional Ownership	94.07
Top 10 Institutions % Ownership	39.22%
Mutual Fund % Ownership	53.71%

Section 3		
> 5% Ownership		
Holder Name	% Outstanding	Report Date
FMR, LLC	6.01%	12/31/2014
Vanguard Group, Inc. (The)	5.25%	12/31/2014
Wellington Management Company	5.11%	12/31/2014
State Street Corporation	4.90%	12/31/2014

There are many decreased positions for UnitedHealth Group, Inc., however, the increased positions outweigh the decreased. The change is not considered substantial because the change is not drastic, but it is still considered a good thing when the positions increasing outweigh the decreased positions. The stock has a sizeable institutional interest at 94.07%. Anything above 60% is considered a positive aspect because it means that professional investors like the stock and are willing to invest in it. The extent of the (>5%) owners is 21.27% held by FMR, LLC, mutual fund, Vanguard Group Inc, mutual fund, Wellington Management Company, hedge fund, and State Street Corporation, hedge fund.

## Section H

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
2/13/2015	12,682,176	4,082,891	3.106176
1/30/2015	13,473,762	6,004,204	2.244055
1/15/2015	14,949,409	4,071,441	3.671773
12/31/2014	14,139,075	3,449,263	4.099158
12/15/2014	13,759,249	4,048,796	3.398356
11/28/2014	18,023,754	3,531,771	5.103319
11/14/2014	18,235,849	3,654,928	4.989387
10/31/2014	18,479,252	5,072,456	3.643058
10/15/2014	18,644,062	4,316,865	4.318889
9/30/2014	18,167,603	3,169,045	5.732832
9/15/2014	18,604,296	3,220,179	5.777411
8/29/2014	22,786,990	2,977,563	7.652899
8/15/2014	22,149,914	3,574,398	6.196824
7/31/2014	20,660,206	4,413,435	4.681208
7/15/2014	20,223,313	3,473,394	5.822349
6/30/2014	20,737,003	4,335,214	4.783386
6/13/2014	20,541,172	2,794,019	7.351837
5/30/2014	18,564,493	2,929,260	6.337605
5/15/2014	17,942,591	4,024,513	4.458326
4/30/2014	19,007,471	6,590,017	2.884283
4/15/2014	20,222,349	4,256,860	4.750532
3/31/2014	19,963,186	6,038,615	3.305921
3/14/2014	18,267,778	3,805,459	4.800414
2/28/2014	17,324,077	5,258,881	3.294252
2/14/2014	19,472,149	5,339,732	3.646653

Table 11 UnitedHealth Group Inc.

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
2/13/2015	3,945,277	2,472,810	1.595463
1/30/2015	3,578,626	2,117,762	1.689815
1/15/2015	4,299,024	2,588,211	1.662287
12/31/2014	3,255,296	1,734,519	1.876772
12/15/2014	3,900,141	2,274,605	1.714645
11/28/2014	4,489,077	1,960,171	2.290146
11/14/2014	4,711,311	2,149,539	2.191777
10/31/2014	5,401,834	3,322,034	1.626062
10/15/2014	7,531,927	3,036,929	2.480113
9/30/2014	6,181,171	1,719,181	3.595416
9/15/2014	5,910,765	2,000,103	2.955230
8/29/2014	5,363,923	1,786,352	3.002725
8/15/2014	4,858,437	2,568,728	1.891379
7/31/2014	3,813,401	3,014,745	1.264917
7/15/2014	4,707,252	1,903,966	2.472340
6/30/2014	5,104,098	1,751,079	2.914830
6/13/2014	5,214,300	2,070,976	2.517798
5/30/2014	4,088,402	1,942,770	2.104419
5/15/2014	4,173,390	2,351,322	1.774912
4/30/2014	4,047,226	4,592,245	1.000000
4/15/2014	4,547,274	2,196,953	2.069809
3/31/2014	5,066,489	2,120,745	2.389014
3/14/2014	5,311,073	2,320,532	2.288731
2/28/2014	3,976,977	2,346,031	1.695194
2/14/2014	3,817,784	3,938,744	1.000000

Table 10 Aetna

Average Volume (3 month)	Average Volume (10 day)	Shares Outstanding	Float
4,196,180	3,982,610	953.70M	937.71M
Shares Short (February 13 <sup>th</sup> , 2015)	Short Ratio (February 13 <sup>th</sup> , 2015)	Short % of Float (February 13 <sup>th</sup> , 2015)	Shares Short (Prior Month)
12.68M	2.50	1.30%	13.47M

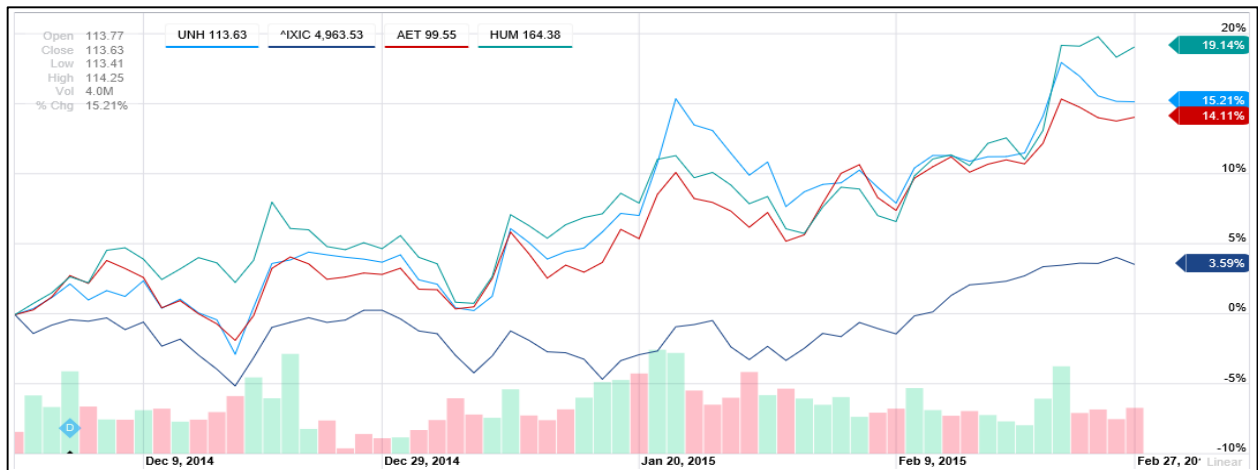
Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
2/13/2015	3,309,585	1,057,595	3.129350
1/30/2015	3,098,581	1,013,113	3.058455
1/15/2015	4,162,511	1,130,496	3.682022
12/31/2014	4,174,125	1,040,771	4.010808
12/15/2014	4,244,080	1,216,765	3.488011
11/28/2014	5,254,304	1,073,043	4.898639
11/14/2014	6,615,166	1,847,524	3.580558
10/31/2014	4,566,330	1,000,673	4.563259
10/15/2014	4,420,200	1,239,977	3.564744
9/30/2014	4,555,264	1,196,104	3.808418
9/15/2014	3,397,784	1,059,973	3.205538
8/29/2014	4,173,283	742,250	5.622449
8/15/2014	4,063,787	1,216,939	3.339351
7/31/2014	3,933,806	1,455,079	2.703500
7/15/2014	4,309,828	916,993	4.699957
6/30/2014	4,399,022	801,547	5.488165
6/13/2014	4,297,336	981,692	4.377479
5/30/2014	3,974,237	1,070,449	3.712682
5/15/2014	4,809,055	1,857,703	2.588710
4/30/2014	4,934,016	1,468,583	3.359712
4/15/2014	5,276,421	1,587,730	3.323248
3/31/2014	5,942,673	1,250,880	4.750794
3/14/2014	6,974,042	1,642,429	4.246176
2/28/2014	7,863,880	2,753,284	2.856175
2/14/2014	8,018,160	2,188,871	3.663149

Table 12 Humana

Based on the short interest reported in the Table 4 above, current trends demonstrate a decreased amount of UnitedHealth Group Inc. shares held short. Given that investors shorting shares are expecting prices to fall, it can be determined that the outlook for the price of UnitedHealth Group Inc. has become more bullish over time. Although the amount of short interest has declined, it is vital to consider the amount of shares outstanding to prevent numbers from becoming skewed.

Trends can also be identified in relation to earnings announcements. In June 2014, UnitedHealth Group Inc. announced 2<sup>nd</sup> quarter earnings that were below analysts' expectations. As a result, the amount of UNH shares being shorted increased as views turned bearish. During this time, the days to cover ratio peaked at 7.35, an extreme jump relative to that during the previous quarter. UnitedHealth Group was able to make up ground in the following quarter and handily beat estimate. Once the 4<sup>th</sup> quarter started, most investors had already purchased back their shorted shares. This is a good sign for the company because it suggests the market expects the price of the stock to increase. It is likely that this trend will continue considering the earnings estimates for UnitedHealth Group Inc. during 2015.

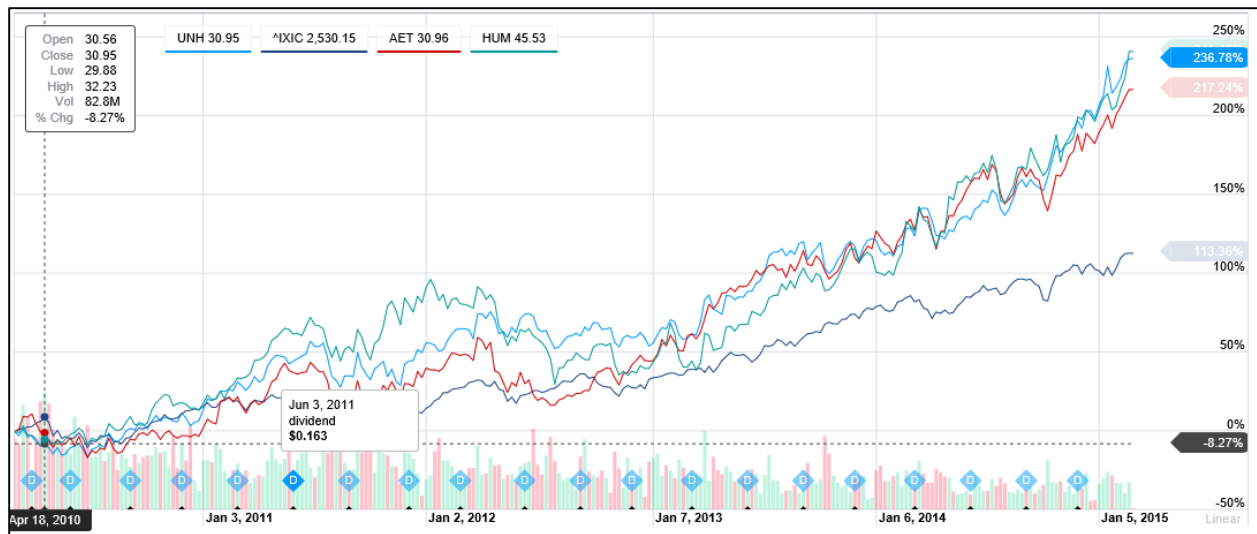
## Section I



Graph 1 - 3 month



Graph 2 - 1 year



Graph 3– 5 year

As mentioned earlier in this report, the Healthcare sector is an extremely fragmented sector composed of a large number of companies that are all very competitive. As shown in the three graphs above, UnitedHealth Group Inc. has never had a problem with competition and has realized the highest stock gain amongst competitors over the last year. UnitedHealth group has consistently been beating the returns on the S&P 500 along with most companies from the Healthcare sector. Healthcare companies offer products that are consistent in demand and rarely fluctuate with economic factors such as disposable income. Since the products provided by UnitedHealth Group Inc. are going to increase in demand as the population ages, expect this trend of outperforming the market to continue.



Graph 4



Graph 5

In analyzing the moving averages represented in the graphs above, there is a couple trends that need to be acknowledged. First, it is clear that when the moving average is increasing and the stock price is above the line, there is an upward trend. On the other hand, a downward sloping moving average with a stock price located below the line suggests the price will continue to fall. Although these trends are helpful in confirming investment decisions, the crossing of moving averages is even more crucial. When the moving average lines have intersected each other investors must recognize this as a trend reversal. As expected, UnitedHealth Group Inc. experienced a trend reversal during the financial crisis of 2008 and again in 2011 as the economy recovered.



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