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UnitedHealth Group (NYSE: UNH)

The recovery is real. It is also already in the price.

RATING	PRICE (2026-09-04)	FAIR VALUE	IMPLIED RETURN	NORMALIZED EPS
HOLD	$397.14	$400	+0.6%	$23.50

We are initiating on UnitedHealth Group with a **HOLD** and a $400 fair value.

At the 52-week low of $255.97 this was an obvious buy. It closed at **$397.14**, up 55 percent from that low, and the argument has changed completely. What is left to earn requires a commercial margin recovery that management itself says will take longer than expected.

Our normalized earnings estimate is **$23.50** a share, against 2026 adjusted guidance of $19.50 to $20.00 and the $27.66 the company earned in 2024. At 17 times that gives $400.

The stock sits 0.6 percent from that number. That is not a call. It is the entire reason this is a HOLD rather than something more interesting.

The most important figure in this report is one the company did not print. Management guides to a full-year medical care ratio of 88.1 percent. The first half came in at 85.3 percent. Their own guidance therefore implies a second half near **90.9 percent**.

SNAPSHOT	
Market cap	**$356B**
Shares out	**898M**
P/E on 2026 guide	**20.1x**
P/E on normalized	**16.9x**
2026 adj EPS guide	**$19.50-20.00**
Our normalized EPS	**$23.50**
2025 adj EPS	**$16.35**
2024 adj EPS	**$27.66**
2026 revenue guide	**$440B**
2026 MCR guide	**88.1%**
H1 2026 MCR actual	**85.3%**
H2 2026 MCR implied	**90.9%**
Debt to capital	**41.2%**
52-week range	**$256-$462**
From 52-wk high	**-14%**
From 52-wk low	**+55%**

THE CALL IN ONE PARAGRAPH · UnitedHealth is the largest managed care business in the United States, the 2025 cleanup charge is behind it, pricing discipline is visibly working, and management is shrinking the company on purpose to restore margin. None of that is in question, and it is why this is not a sell. What is in question is the entry price. Our base case values the business at $400 against a $397.14 close. The bull case, where the 2024 margin structure proves recoverable, reaches $486. The bear case, where 2026 is close to normal, is $300. A distribution centred on today's price, with a real path higher and a real path lower, is the definition of a HOLD. We would own UnitedHealth. We would want to pay less than the market is asking.

1 · The arithmetic inside the guidance

The number the company did not print

The medical care ratio is the share of premium revenue paid out as medical costs. For a health insurer it is not one metric among many. It is the variable that decides whether the business earns anything at all, and a point of it is worth more than most of what appears in a press release.

UnitedHealth reported 83.9 percent in the first quarter of 2026 and 86.7 percent in the second. Full-year guidance, raised alongside the second quarter, is 88.1 percent plus or minus 25 basis points.

Those two facts fix a third one that is not stated anywhere in the release.

Solving for the second half

Period	Medical care ratio
Q1 2026 reported	83.9%
Q2 2026 reported	86.7%
First half average	85.3%
Full year, company guidance	**88.1%**
Second half, implied	90.9%
Swing against the first half	**560 bps**

To average 88.1 percent across the year having run 85.3 percent in the first half, the second half has to come in near **90.9 percent**. That is a deterioration of 560 basis points, and it is built into management's own outlook rather than being a bearish assumption we have layered on top of it.

Management said the same thing a different way on the call: UnitedHealthcare earnings are more than 75 percent weighted to the first half of the year. Both statements describe a business whose reported profitability in June is not the profitability it will carry into next year.

Why this matters more than it sounds

Anyone annualizing first-half earnings is not slightly wrong. They are wrong in the optimistic direction, and by a wide margin. A multiple computed on first-half run-rate earnings would show this stock as materially cheaper than it is, and that multiple would be an artefact of where in the year you happened to be standing rather than a fact about the business.

Earnings quality points the same way

The second quarter ratio of 86.7 percent includes **$860 million** of net favorable prior period development, which is money released from reserves set aside for claims in earlier periods that came in lighter than expected.

Reserve releases are real money and there is nothing improper about them. They are simply not a run rate. Using UnitedHealthcare premium revenue as the denominator, backing the release out puts the underlying ratio nearer 87.7 percent. We flag that this is a proxy: the company does not break out the exact denominator, so the adjustment is directional rather than precise.

A business that needs that much favorable development to produce the reported improvement is telling you something about the underlying rate. Days claims payable of 47, up roughly 2.5 days year over year, is the other side of the same coin and is the single number we would watch most closely from here.

2 · What counts as normal

The one judgment this valuation rests on

Everything here turns on a single question, and it is not a question about UnitedHealth's quality. It is a question about which year to believe.

If normal earnings are	EPS	Multiple today	At 17x
2024 was normal	$27.66	14.4x	$470
Partial recovery (our estimate)	**$23.50**	**16.9x**	**$400**
2026 guidance is normal	$19.75	20.1x	$336
2025 was normal	$16.35	24.3x	$278

Why 2024's $27.66 is not the right normal

Adjusted earnings fell 40.9 percent between 2024 and 2025, and the medical care ratio rose roughly 340 basis points. The causes are structural rather than transitory:

- Medicare Advantage utilization normalizing after the pandemic, which was always going to reverse the favourable experience of earlier years.
- The V28 risk adjustment model phasing in, which reduces reimbursement for the same underlying population.
- Medicaid redeterminations leaving a smaller and sicker remaining pool.
- Medicaid rate updates running at roughly 6 to 7 percent annualized against a medical trend management describes as running ahead of them.

None of those reverse because a management team would like them to. A margin structure built on the prior environment is not a target you can simply return to.

Why 2026's $19.75 is not normal either

The other direction has to be argued just as honestly. Medicaid margins are guided negative for 2026, in the minus 1 to minus 1.7 percent range, and commercial sits well below the 7 percent or better that management describes as historic performance. Both should improve from here, and a company earning negative margins in a large segment is not at a sustainable steady state.

2026 guidance recovers only 30 percent of the earnings lost between 2024 and 2025. We think the eventual recovery is larger than that and smaller than a full return, which puts normalized earnings around **$23.50**.

Why 17 times and not more

17 times is a modest discount to the broad market, and we think this business has earned that discount rather than a premium. 2025 demonstrated that these earnings can nearly halve in a single year on policy and utilization shifts largely outside the company's control. The market did not price that possibility before it happened. It should price it now.

3 · What the price assumes

Running the valuation backwards

A forecast is mostly a reflection of the person making it. So we run the question in reverse, the way we do on every report: take the price as given and solve for the earnings it requires. That converts an unanswerable question into a checkable one.

At this multiple	The price requires EPS of	Against 2026 guidance
13x	$30.55	+55%
15x	$26.48	+34%
17x	**$23.36**	**+18%**
19x	$20.90	+6%
21x	$18.91	-4%

At 17 times, today's price already assumes about **$23.36** of earnings, roughly 18 percent more than the company guides to this year, while stopping well short of a full return to 2024.

That is, in our view, roughly the right assumption. The market is not pricing UnitedHealth as a broken business, and it is not pricing a complete recovery either. It is pricing something close to what we think is likely, which is exactly why there is no call here.

The distribution, priced

Scenario	Normalized EPS	Multiple	Fair value	Against today
Bear	$20.00	15x	$300	-24%
Base	**$23.50**	**17x**	**$400**	**+1%**
Bull	$27.00	18x	$486	+22%

Bear · $300. 2026 is close to normal. Medicaid stays negative into 2027, commercial recovery stalls, and the second half confirms the implied ratio rather than beating it.

Base · $400. Partial recovery. Medicaid turns positive, commercial improves but lands short of the 7 percent target, and the medical care ratio settles between 2024 and 2026 levels.

Bull · $486. The 2024 margin structure is genuinely recoverable. Commercial reaches 7 percent, Optum Health re-accelerates, and utilization normalizes in the company's favour.

Note that each scenario pairs its own multiple with its own earnings, rather than holding the multiple fixed. A normalized-earnings argument that applies one multiple across three very different futures is not really presenting three scenarios.

4 · Shrinking on purpose

The most underrated fact in the story

One detail has received far less attention than it deserves, and it is the clearest evidence that management understands its own problem.

	2024	2025	2026 guide
Revenue	$400.3B	$447.6B	$440B
Revenue change		+11.8%	-1.7%
Reported operating earnings	$32.3B	$19.0B	>$24B
Operating earnings change		-41.3%	
Adjusted EPS	**$27.66**	**$16.35**	**$19.50-20.00**

In 2025 revenue grew **11.8 percent** while reported operating earnings fell **41.3 percent**. That is growth that cost its owners money, and it is the clearest real-world example we have published of a company expanding at returns below its cost of capital.

For 2026 the company guides revenue 1.7 percent lower, which management has described as the first decline in about a decade. It is exiting members, geographies and products that do not clear its return threshold. UnitedHealthcare served 48.5 million people in the second quarter, down 525,000 sequentially.

Why we read a revenue decline as a positive

Most coverage treats shrinking revenue as weakness. On these numbers it is the correct decision. When incremental business earns less than the capital funding it costs, growth destroys value and the company is worth more standing still. UnitedHealth spent 2025 demonstrating the first half of that sentence. It is spending 2026 acting on the second.

We would rather own a company shrinking toward profitability than one growing away from it. That view is already reflected in our normalized earnings estimate, and it is a substantial part of why this is a HOLD and not a SELL.

What the 2025 charge actually covered

Full year 2025 operating earnings of $19.0 billion included a $2.8 billion pre-tax charge, $1.6 billion net of tax, or $1.78 per share. It covered the final direct costs of the Change Healthcare cyberattack, divestitures and business exits including South America and European operations, restructuring, loss contract assessments, real estate rationalization and workforce reductions.

We treat that charge as genuinely non-recurring and use adjusted figures for multi-year comparison. That is a choice, and reasonable people net some restructuring back into normal operating costs. We disclose it rather than leave it silent, and a reader who disagrees should add roughly $1.78 of annual drag to the 2025 comparison.

5 · The bull case

Why this is a HOLD and not a SELL

The bull case is not weak, and we would rather state it properly than knock down a straw version of it.

What the bulls have right

- **The cleanup is done.** The 2025 charge covered cyberattack costs, divestitures, restructuring and loss contracts. Those are one-time costs, not operating ones, and they do not recur.
- **Pricing discipline is visibly working.** The medical care ratio improves roughly 80 basis points year over year at the guidance level, and membership is being repriced rather than defended.
- **Cash generation is intact.** Operating cash flow ran at roughly 1.9 times net income in the second quarter.
- **The balance sheet is serviceable.** Debt to capital of 41.2 percent against a roughly 40 percent target is a manageable gap, not a maturity problem.
- **The upside is real.** If commercial margins reach the 7 percent management targets and Medicaid rates catch up to trend, earnings well above our normalized figure are achievable, and the stock is worth far more than $400.

We do not dismiss any of that. We simply note that it requires a sequence of things to go right, that management has told us the commercial piece will take longer than first thought, and that the price already embeds a meaningful portion of it. A stock trading 0.6 percent from our estimate of fair value does not compensate you for that sequence failing.

Why it is equally not a SELL

The franchise is intact, the charges are done, the direction of travel on margin is correct, and management is making the hard decision to shrink rather than defend volume. Selling a repairing business at fair value, on the theory that the repair will disappoint, is a different and worse bet than the one we are declining to make.

A HOLD here is not a fence-sit. It is the specific claim that the distribution of outcomes is centred close to $397, with genuine paths to $486 and $300. If the price fell toward the bear case without the thesis changing, this would become a BUY, and we would say so in writing on the same scoreboard.

A note on our own incentives

This is the sixth HOLD on a board of ten calls, and we are aware that a research publication with no SELL ratings invites a reasonable question about whether it is willing to make one. We considered that while forming this view and set it aside. Manufacturing a negative call to demonstrate independence would be a worse failure than publishing an honest sixth HOLD. The stock is within one percent of our estimate of fair value. There is no other defensible rating, and we would rather be accused of caution than of theatre.

6 · What would change our mind

In both directions, stated in advance

A view that cannot be falsified is not a view. These are the specific observations that would move us, written down before the fact so they cannot be reinterpreted afterwards.

What would move us to BUY	What would move us to SELL
Second-half medical care ratio landing materially below the implied 90.9 percent	Second-half ratio coming in above 90.9 percent
Commercial margins reaching 7 percent faster than guided	2027 guidance opening below roughly $22 of adjusted EPS
Medicaid margins turning positive during 2027	Medicaid margins still negative through 2027
Optum Health earnings running ahead of the $2.2 billion guided	Continued dependence on favorable prior period development
The price falling toward the bear case with the thesis unchanged	Days claims payable falling back while the ratio holds

The single number we would watch

Prior period development. A company that needs $860 million of favorable development to produce a reported improvement is drawing on a finite resource. If the pattern continues into the second half while the underlying ratio does not improve, the recovery is thinner than it looks and our normalized estimate is too high.

Risks to the downside

Policy risk is genuine and largely outside the company's control, as 2025 demonstrated in a way few investors had priced. Medicare Advantage rate notices, Medicaid rate setting, risk-model changes and any legislative shift in subsidy structure all move earnings more than management execution does. Regulatory and legal overhangs remain. Utilization can re-accelerate.

Risks to our own reasoning

The largest single judgment in this report is that 2024 was not a normal year. If that is wrong, and the pre-2025 margin structure is genuinely recoverable, then normalized earnings are nearer $27.66 and fair value is nearer $470. We would be wrong by a wide margin, and the stock would be materially undervalued today rather than fairly priced.

We think the structural explanation is better supported by the rate and utilization evidence. But it is a judgment rather than an observation, and it is the part of this report to attack if you disagree with the conclusion.

A second and smaller judgment: our ex-development medical care ratio uses UnitedHealthcare premium revenue as a proxy denominator, because the company does not disclose the exact base. The direction is reliable. The precise figure is not, and we would not build a thesis on the second decimal place.

7 · Method, sources, and conflicts

How this report was built

The reference price

The $397.14 reference price is the close on Friday, September 4, 2026. It was verified before any modeling against five independent sources: Yahoo Finance, timestamped at 4:00:02 PM EDT, Macrotrends, Morningstar, Robinhood and stockinvest.us, all agreeing exactly. Two discrepancies are recorded for completeness. Investing.com's quote page served a stale $400.94 that contradicts its own historical table. Macroaxis is date-shifted by one day and lists a close for Sunday, August 30, which is not a trading day. Neither affects the verified figure.

Sources

Second quarter 2026 results, guidance and management commentary from the Form 8-K furnished July 16, 2026. First quarter 2026 results from the Form 8-K furnished April 21, 2026. Full year 2025 results, the 2025 charge detail and the initial 2026 outlook from the company's results release of January 27, 2026. All read directly from the filings and the company's investor materials rather than through an aggregator or a secondary summary.

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Method

Every figure in this report is computed by a model script rather than typed, and the script runs a self-check that reconciles the implied second-half medical care ratio back to full-year guidance. Where the company reports both adjusted and GAAP figures we use adjusted for multi-year comparison, because the 2025 charge was genuinely non-recurring, and we disclose that choice. Valuation is a normalized-earnings multiple rather than a discounted cash flow: for a regulated insurer whose economics turn on a single ratio and whose reinvestment needs are modest, a normalized earnings framing is more honest than a ten-year projection that would mostly restate our own assumptions. Scenario earnings and multiples are stated explicitly on page 4 so readers can substitute their own.

Conflicts

The author holds no position in UNH, has no plans to initiate one, and received no compensation from any party in connection with this report. 2 Comma Investor accepts no payment for coverage, has no banking, advisory or consulting relationships, and does not accept sponsored research of any kind. If that ever changes it will be disclosed on the page and in this section before publication.

Scoring

This call is dated and public. It joins the scoreboard as an open position at $397.14 and will be scored against the S&P; 500 on the same terms as every other call we have made, whether it works or not, on September 4, 2027. We publish misses with the same prominence as hits. A record this short proves nothing in either direction, which is a point we have made at length elsewhere and which applies to us before it applies to anyone else.

Nature of this publication

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Initiated 2026-09-04 at $397.14. Rating HOLD. Fair value $400. Scoring date September 4, 2027.