

Rating Action: Moody's rates UnitedHealth Group's shelf registration, senior unsecured at (P)A3

15 March 2023

New York, March 15, 2023 – Moody's Investors Service ("Moody's") has assigned ratings to UnitedHealth Group Incorporated's (UnitedHealth, NYSE: UNH) shelf registration filed in March 2023, including (P)A3 to the senior unsecured shelf; (P)Baa1 to the subordinate shelf; (P)Baa2 to both the preferred shelf and the preferred shelf non-cumulative. The outlook on UnitedHealth is unchanged at positive.

RATINGS RATIONALE

Moody's A3 senior unsecured debt rating for UnitedHealth is based on the strength of its two main subsidiaries, UnitedHealthcare Insurance Company (UHC, A1 insurance financial strength) and Optum. UNH has leading scale in both health insurance and health services, consistently growing cash flows with over half being non-regulated, the most extensive product and geographic diversification in the sector (including South America) and strong profitability. During 2022, UnitedHealth had a strong year with an 18% increase in EBITDA to \$31.8 billion with strong growth in its market leading Medicare Advantage business and growth in each of its Optum businesses.

These strengths are partly offset by lower risk-based capital ratios at UHC than its peers and leverage, as measured by debt-to-capital, has also been relatively high for its rating category.

Moody's positive outlook on UnitedHealth reflects the company's long-term evolution, including significantly more scale, diversification and consolidated earnings, driven predominantly by its nonregulated health service businesses (collectively Optum). Optum now comprises 50% of operating earnings and even greater percentage of cash flow to the parent.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The rating agency stated that the ratings may be upgraded if the following occur: 1) Debt to capital adjusted for operating leases is maintained at or restored to approximately 40% and adjusted debt-to-EBITDA at or below 2.0x after the close of both the LHC group and Change Healthcare or other acquisitions; 2) EBITDA interest coverage is above 15x; and/or 3) The consolidated risk-based capital (RBC) ratio is above 250% of company action level (CAL).

However, Moody's said that given the positive outlook a downgrade is unlikely but the current senior debt rating may be affirmed with a stable outlook if: 1) Leverage is higher than expected after the closing of LHC Group, Inc. and other potential acquisitions and the deleveraging process appears to be falling short of the targets of 40% and below 2.0x; 2) the RBC ratio is sustained below 225% of CAL; 3) there is a significant write-down (or increased likelihood) of goodwill/intangibles; and/or 4) there is an adverse regulatory development anticipated to place sustained pressure on EBITDA margins.

The following ratings have been assigned:

UnitedHealth Group Incorporated's senior unsecured shelf at (P)A3; subordinate shelf at (P)Baa1; preferred shelf at (P)Baa2; preferred shelf non-cumulative at (P)Baa2.

The outlook on UnitedHealth is positive.

UnitedHealth Group Incorporated is headquartered in Minnetonka, Minnesota. For the year ended December 31, 2022, the company reported revenues of \$324.2 billion. As of December 31, 2022 shareholders' equity was \$81.5 billion and total medical membership (excluding Part D Medicare membership) was approximately 51.7 million.

The principal methodology used in these ratings was US Health Insurance Companies Methodology published in November 2019 and available at <https://ratings.moody.com/api/rmc-documents/65387>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody.com/rating-definitions>.

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Dean Ungar, CFA
VP-Sr Credit Officer
Financial Institutions Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Scott Robinson, CFA
Associate Managing Director
Financial Institutions Group
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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