

April 14, 2020

Humana Inc. (HUM)

Health Care – Health Insurance

Stock Rating

Buy

Investment Thesis

We recommend a buy rating on Humana Inc. with a target price of \$395-\$405, representing an upside of 12-15%. We are bullish on Humana because of their market share in the Medicare Advantage industry. With an aging United States population and the number of Medicare Advantage members set to double, Humana will be positioned to grow through the 10-year forecast.

Drivers of Thesis

- The United States is beginning to age at the highest rate ever with over 16.9% of the population expected to be over the age of 65 in 2020¹³. This will allow Humana to continue to grow their largest revenue segment, Medicare Advantage, with age-in members.
- The number of eligible Medicare enrollees that chose Medicare Advantage plans through private health insurers over the government's Original Plan doubled from 11% to 22% from 2010-2019. This number is expected to reach 49% by 2030 and will allow for Humana to continue high growth in their largest portfolio segment¹⁴.

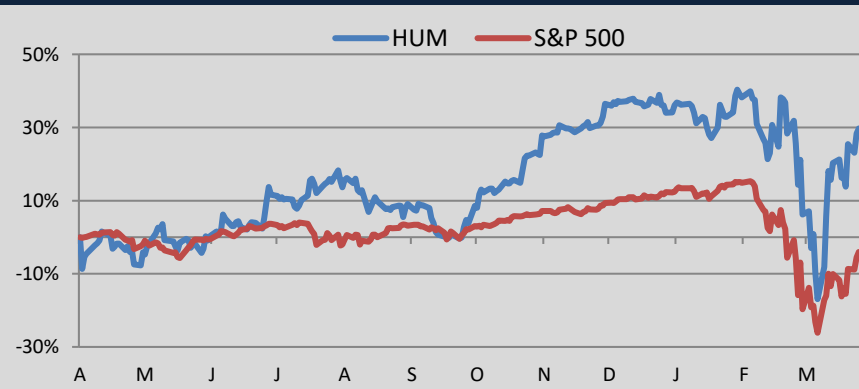
Risks to Thesis

- Humana will see an increase in benefit expenses because they are waiving patients' out-of-pocket payments that are related to COVID-19. A continued pandemic could hurt their benefit ratio and profit margins greatly.
- A long recession due to COVID-19 could hurt the number of employer insurance plans and decrease revenues in the group segment while also decreasing the amount of disposable income Medicare eligible individuals have to spend on Medicare Advantage plans.

Earnings Estimates

Year	2018	2019	2020E	2021E	2022E
EPS	\$12.24	\$20.10	\$19.62	\$21.23	\$23.65
Consensus growth	-27.75%	64.22%	-2.37%	8.17%	11.40%

12 Month Performance



Target Price

\$395-405

Henry Fund DCF	\$393
Henry Fund DDM	\$399
Relative Multiple	\$303

Price Data

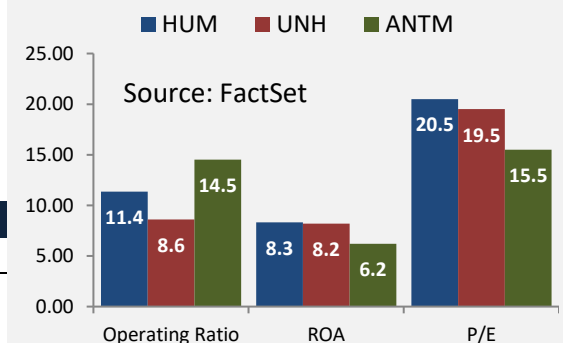
Current Price	\$352.21
52wk Range	\$208.25 – 385.00
Consensus 1yr Target	\$394.50

Key Statistics

Market Cap (B)	\$46.01
Shares Outstanding (M)	\$133.2
Institutional Ownership	96.3%
Five Year Beta	1.20
Dividend Yield	0.72%
Est. 5yr Growth	13.3%
Price/Earnings (TTM)	17.3
Price/Earnings (FY1)	17.9
Price/Sales (TTM)	3.95

Profitability

Operating Margin	4.92%
Profit Margin	3.58%
Return on Assets (TTM)	8.32%
Return on Equity (TTM)	19.25%



Company Description

Humana Inc. is a healthcare insurance company headquartered in Louisville, Kentucky that specializes in Medicare Advantage plans where members pay fees so they can be covered by Humana. Humana has other business segments that include pharmacy solutions, group and specialty, and their own healthcare services segment that focuses on inpatient care and helps the company mitigate risk.

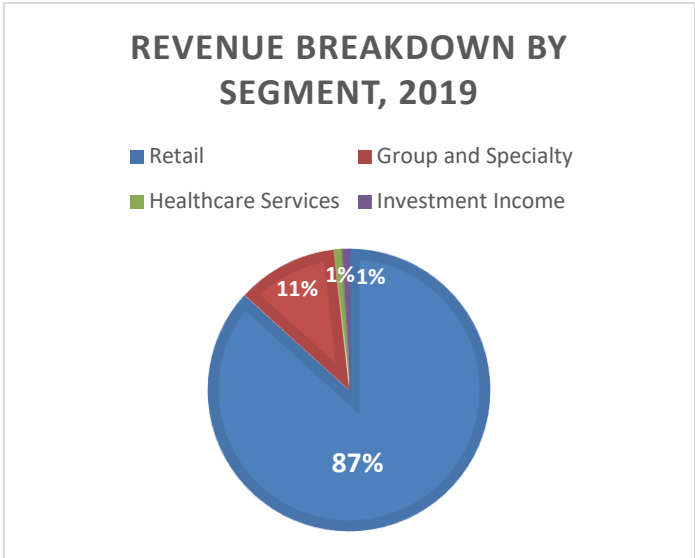
EXECUTIVE SUMMARY

We recommend a buy rating for Humana with an upside of 15%. Humana provides many different services which include Medicare, Medicaid, Pharmacy Solutions, Healthcare Services, and Group Insurance. Medicare Advantage generates the most revenue for Humana with over \$43 billion in sales in 2019. Medicare Advantage is available for Medicare eligible individuals over the age of 65. With the aging population trend in the United States, we have a bullish outlook on this segment for Humana. Along with the aging population, the industry trend is for eligible Medicare members to choose Medicare Advantage plans over Original Medicare provided by the government because of the added benefits that Medicare Advantage offers. This industry is seeing benefits from the Trump administration rolling back the Affordable Care Act implemented by the Obama administration. This will help increase demand for employer insurance programs because it will reduce taxes that individual companies must pay on their insurance plans. This will allow them to buy better care and spend more on the managed care companies.

With the ongoing COVID-19 pandemic, Humana has announced they will be waiving members out-of-pocket payments on any treatment related to COVID-19. This could hurt benefit margins for Humana if the COVID-19 pandemic continues long-term. COVID-19 has also sent the United States into a recession with rising unemployment numbers. This could hurt revenues in the group insurance segment if employers are not needed to cover employees with healthcare insurance because they are laying them off.

COMPANY DESCRIPTION

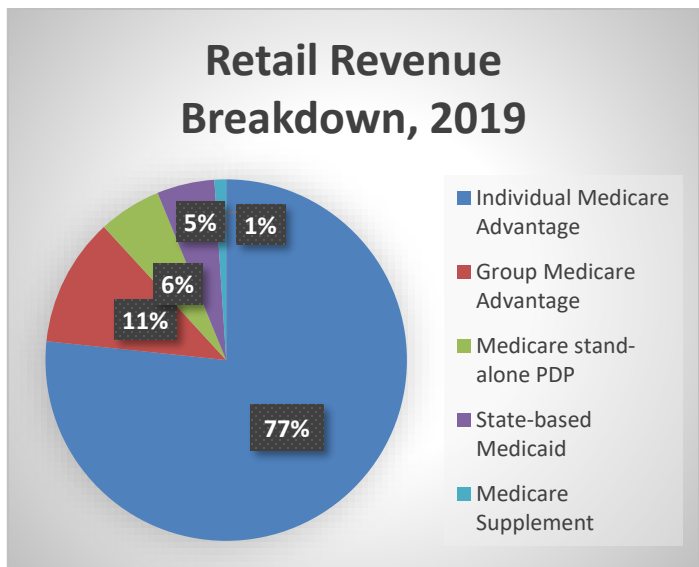
Humana has a complex revenue decomposition covering multiple areas in health care including Medicare, Medicaid, pharmacy solutions, and employer insurance plans. Their revenue can be broken down into four segments: Retail, Group and Specialty, Healthcare Services, and Investment Income. The graph in the right column shows the distribution of revenue generated from each segment.



Source: Humana 10k

Retail

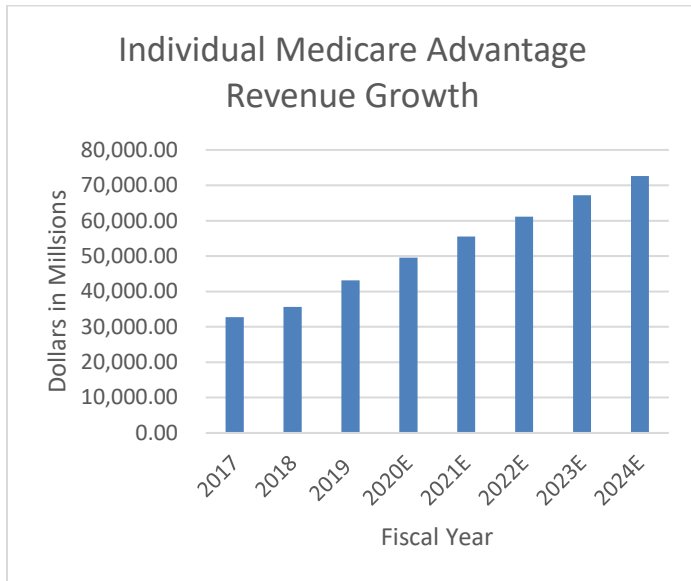
The Retail segment for Humana created 87% of total revenue in 2019¹. This segment is made up of primarily Medicare, broken down to Individual Medicare Advantage, Group Medicare Advantage, and Medicare stand-alone PDP. The graph below shows how the entire Retail segment is broken down by revenue.



Source: Humana 10k

Humana makes the majority of their revenue in this segment, and overall, from their Individual Medicare Advantage. Individual Medicare Advantage offers plans that include Medicare to individuals and covers Part A,

inpatient care, and Part B, outpatient care, and prescription drug coverage. Most Medicare Advantage plans include dental and/or vision plans which Original Medicare does not¹. The graph below shows historical revenue from Individual Medicare Advantage and our expected revenue growth.



Source: Humana 10k, Henry Fund Estimates

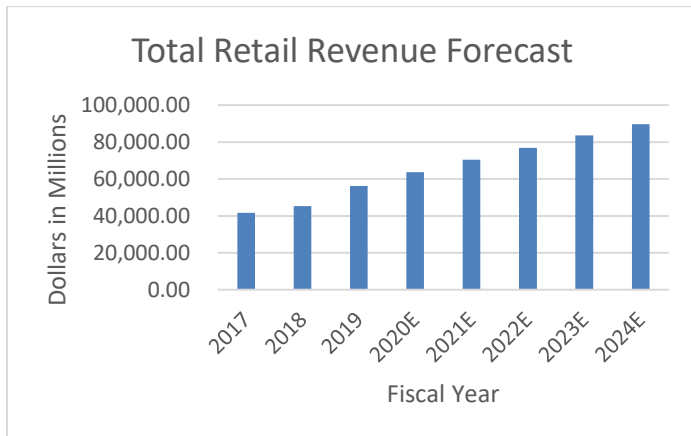
In 2019, Individual Medicare Advantage generated \$43.1 billion in revenue. We project that this grows by 15% in 2020 to \$49.5 billion because of Humana’s expected growth of over 300,000 new members in 2020, as stated in their 2019 10k. Humana saw a jump of over 20% in revenues from 2018 to 2019 because of an increase in 523,000 new members¹. We expect revenues to continue to grow in the future and project a 5-year CAGR of 7.92% through 2024. Humana management attributed the growth to “age-in” eligible members. This means the increase came from new members that reached the age of 65 and became eligible to sign up. The reason we are bullish on this segment is due to the aging population in the United States and the continued increase in amount of people signing up for Medicare Advantage in the United States. Humana also noted an increase in price of premiums paid by members meaning they raised prices on premiums. They don’t disclose in their 10k by how much but we assume that a gradual increase will continue and we considered this when projecting revenues. This also gives a bullish outlook for Humana overall because of the weight that this one segment has on their overall portfolio.

The next largest segment in the Humana portfolio, and in the Retail segment, is the Group Medicare Advantage. The Group Medicare Advantage is sold to employers so they can provide post-retirement health care to their employees. In 2019, this subsegment generated \$6.4 billion in revenue. We project growth in this segment of 10% in 2020 because of Humana’s expectations of an increase in members by 90,000. Humana saw growth of 6.1% in 2019 because of an increase in 27,000 members, so we have increased the growth rate because of their bullish outlook¹. We believe that this segment will continue to grow as it has showed high growth over the last 3 years and have forecasted a 5-year CAGR of 5.16%.

The third subsegment is the Medicare stand-alone PDP. PDP stands for Prescription Drug Product and this segment is a separate policy for those wanting extra coverage on prescription drugs. This subsegment has been steadily declining over the last 4 years and we expect it to continue to decline at a 5-year CAGR of -12.94%. In 2020, we project revenues from this segment to decline by 10% due to Humana losing over 600,000 members in 2019 and having a projected loss of 550,000 members in 2020¹. This was due to competition in the PDP space and not having the lowest cost in the market anymore. This gives us a negative outlook for this subsegment and is why we are projecting negative growth in the future.

State-based Medicaid is another larger portion of the Retail segment and recorded revenues of \$2.9 billion in 2019. We believe that there will be an increase in revenue from 2019 in 2020 by 20%. The reason we project it out this way is due to declining economic conditions which will increase the amount of people being able to apply for Medicaid. Unemployment officially jumped to 4.4% by the end of March due to the coronavirus shut down of the United States³. Many believe that the unemployment levels will double and could reach double digits in the coming months. This provides an opportunity for Humana due to an increase in the amount of people that will fall in the income level that makes them eligible for Medicaid. Another reason for the large increase in State-based Medicaid was Humana discontinuing a reinsurance agreement with CareSource for Kentucky Medicaid. We do believe that after this, revenue growth will slow for this sector. If the economy recovers, Medicaid filing will decrease. Also, it is hard to forecast State-based Medicaid because it depends on management guidance whether they want to renew contracts with the individual states and if the states want to continue contracts with the

individual company. This is why we drop revenue growth down to 2% moving forward.



Source: Humana 10k, Henry Fund Estimates

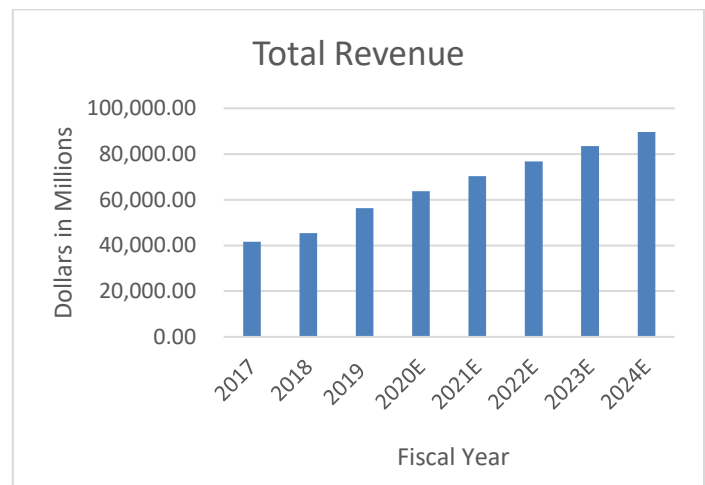
Overall, we project the Retail segment for Humana to grow at a 5-year CAGR of 7.07%. This is driven primarily by the Individual Medicare Advantage subsegment that we have a bullish stance on. We believe that Humana will continue to have success based off of historical growth and continued predicted growth that management states in the 2019 10k. With the population continue to age, more people are going to be eligible for Medicare. The benefits, such as dental and vision, compared to basic government Medicare will push consumers towards Humana and allow for continued revenue growth for the company.

Group and Specialty

The Group and Specialty segment for Humana focuses on fully-insured commercial groups to sell insurance to. This segment focuses on employers who want to set up coverage plan for their employees on a full-insured plan. This area also includes military services that are contracted through the government. This segment has had relatively small growth historically and had -2.02% growth in 2019 due to adjustments in their military TRICARE contract¹. We project this segment to decline by -3.47% in 2020 and continue to decline through 2024 due to concerns over their TRICARE contract for military benefits and the decreasing membership number in their fully-insured commercial group. Another reason we believe the decrease will jump in 2020 is due to an increase in unemployment numbers that could reduce spending by employers on healthcare plans.

Healthcare Services

The Healthcare Services segment for Humana is a “stand-alone” business that provides pharmacy solutions, provider services, clinical care services, and an informatics department that helps the Humana business model mitigate risk. This section is much different than the rest of the portfolio because it operates as an actual healthcare service with medical centers and offices. Humana also runs their Kindred at Home service in this segment. The Kindred at Home business is a healthcare service that provides assistance to people who need it in their homes. This segment is very small for the overall Humana portfolio and only accounts for a little over 1% of total revenues. We believe that the clinical care services could take a hit in the short run due to the coronavirus and decrease of inpatient appointments. We project this subsegment to decrease by 15% in 2020. This segment has declined over the last 3 years, and we expect that continue. We do have a positive outlook on pharmacy solutions and the provider services segments. We project them to grow at 3% and 5% respectively. The reason for the positive outlook is with the increased age in the population and increase to the number of subscribers of Medicare to Humana, customers will use the in-house services that Humana can provide.



Source: Humana 10k, Henry Fund Estimates

Overall, we have a bullish outlook on Humana’s earnings. We believe that strong growth from the Retail segment, specifically with Medicare Advantage, will drive revenues moving forwards. The 5-year CAGR for total revenues is 7.07%.

Cost Structure

Humana's largest operating expense is their benefits expense. The benefits expense is the amount Humana pays for their patients' medical costs. The benefit ratio is one of the most important ratios in the healthcare insurance field because it shows if you have adequate revenue to support the benefits that must be paid. Humana had a benefit ratio of 83% in 2019. Typically, the lower the benefit ratio for a company the better because it shows greater earnings to expenses. In the peer comparison section, we will break down how they stack up against their competition. We project the benefit ratio to decrease to 81.76% for Humana due to an increase in revenue that will be slightly offset by short term increase in benefits related to Covid-19. Humana released a statement at the beginning of April saying they would be covering all members out-of-pocket fees for anything Covid-19 related. We believe this constant increase of 81.67% is appropriate because the increase this year with Covid-19 related expenses will come down in the future, but regular doctor visits will rise as the medical world begins to return to normal operations.

The operating costs Humana faces are linked to their membership numbers and we project them to grow as a percentage of revenue. We forecasted it at 12.39%, which is lower than their 5-year historical average because management sites in their 2019 10k better operating margins due to scaling effects. We think this will continue and felt it was necessary to ease operating costs growth. Also, with the Trump administration rolling back the Comparative Effectiveness Research Fee, 2019 operating costs decreased as a percentage of revenues to 11.37%. Because there will be one more payment in 2020 before the fee is gone, we felt it was appropriate to grow the operating costs up to 12.39%.

Target Market

Humana's largest market is senior citizens over that age of 65 and aging adults that are reaching 65 years old. From 2020-2030, the amount of U.S. citizens over the age of 65 is expected to grow by over 5%, the largest increase in a 10-year span in U.S. history¹³. Once a U.S. citizen reaches 65, they are eligible for Medicare and can pursue plans through the government, Original Medicare, or through a company like Humana that provides Medicare Advantage plans. Medicare Advantage offers more for members and includes all things that the Original Medicare offers.

Because they offer more, Medicare Advantage plans are more expensive than Original Medicare. Humana's largest product is their Medicare Advantage and they are using an aging U.S. population to drive growth. The Medicare Advantage in Humana's portfolio can act as a cash cow for them as it generated over \$43 billion in revenue out of their \$64 billion in total revenue for 2019. If Humana can continue to be a leader in Medicare Advantage it will allow them to continue to grow the other aspects of their business that they are expanding in to.

RECENT DEVELOPMENTS

Q4 2019 Earnings Call

Humana released their Q4 earnings for fiscal year 2019 on February 5th. In Q4, Humana beat consensus EPS estimates by generating \$2.28 actual versus \$2.20 expected. Humana also beat expected earnings of \$16.19 billion with actual earnings of \$16.3¹⁵. Humana attributed the Q4 growth to growth in Medicare Advantage memberships.

Humana reported strong EPS at \$20.10 for the year and estimated 2020 EPS of \$18.25 to \$18.75. We also projected a decrease in earnings per share for 2020 and we attribute this to an increase in benefits costs during the fiscal year due to the coronavirus. Humana attributed their growth in EPS for the year to the strong growth in the Medicare Advantage group that was noted earlier in the report.

Management noted the trend in age-in seniors who are choosing Medicare Advantage plans versus traditional plans. This gives them the optimistic outlook for an increase in memberships in 2020 due to an aging population.

Affordable Care Act Roll Back

The Affordable Care Act that was put in place by the Obama administration is getting rolled back by the Trump administration. Three parts of the plan that impact Humana are the Comparative Effectiveness Research Fee (CERF), Health Insurance Industry Fee, and the Excise "Cadillac" Tax. The CERF fee is an added fee per participant for research fees that were built in to patients plans. Initially, the fee would have been incorporated in patient plans from 2011 through 2030, but the Trump administration changed this in 2019 for the last payments to be made in 2020. The role back will lower fees paid to the government by Humana. Healthcare companies were

offsetting these government fees by increasing prices for their Medicare and Medicaid plans¹⁴. This will allow them to lower costs and sell more advantage plans.

The Health Insurance Industry Fee is a fee that is applied to medical, dental, and vision plans that adds around 3-4% in costs for insurers. The fee is still in place through 2020 but will be completely eradicated in 2021 moving forward.

The last policy, the Cadillac Tax, was implemented to raise taxes from employers with a 40% tax on employer's insurance plans. This was delayed in 2018 and then fully repealed by the Trump administration in 2019 and will not go into effect⁹. This is very important for Humana because many believed that employers would respond by taking worse coverage plans from the insurance companies to cover the increase in costs. This would have hurt revenues for all companies in the managed care industry¹⁰.

COVID-19

On April 2nd, Humana released a statement saying they would be waiving certain costs and fees to help patients get care related to COVID-19 and certain chronic conditions during this time. Humana said they would be waiving all costs for COVID-19 related testing and medical treatment. Patients would normally have to pay an out-of-pocket fee to be tested before Humana would cover any of the costs. We have adjusted benefit expenses for 2020 to reflect this new policy. Humana also said in the press release that they would be reimbursing all telehealth visits from March 23-April 1. These appointments that were required due to social distancing took place before their announcements and they will honor those that had to use this form of physician care. These reimbursements are also reflected in our benefits expense for 2020. Both moves are very important during this pandemic because it assures current patients and potential clients that Humana will be there to serve them the best they can. Covering the costs will minimally affect benefits margins and Net Income in 2020 and will create positive brand image for the company moving forward.

2020 Presidential Election

The 2020 Presidential Election could reshape the healthcare industry because of the proposed plans from the Democratic side. Originally, Bernie Sanders and Elizabeth Warren proposed Medicare-for-All which posed the possibility of huge revenue cuts for companies like

Humana that make billions from Medicare Advantage plans. When both Senator Warren and Senator Sanders backed out of the race, separately, healthcare stocks jumped with the possibility of Medicare-for-All being eliminated. Joe Biden looks to be the nominee for the Democratic party and could pose a threat to the healthcare insurance industry because of his involvement in the Affordable Care Act. Biden was the Vice President for Barack Obama when the Obama administration enacted the Affordable Care Act in 2010. Since, the Trump administration has rolled back multiple policies, mentioned earlier in the report, that originally hurt companies in the health insurance space. It will be very important to monitor the election process because a change in administration to Joe Biden could see more policies targeted to tax or decrease prices on health insurance companies. If the Trump administration wins in the 2020 election, we believe this will provide large growth opportunities for the health insurance sector. Trump has repealed bills to help this industry and we believe that no policies will be put in place that could hurt industry growth.

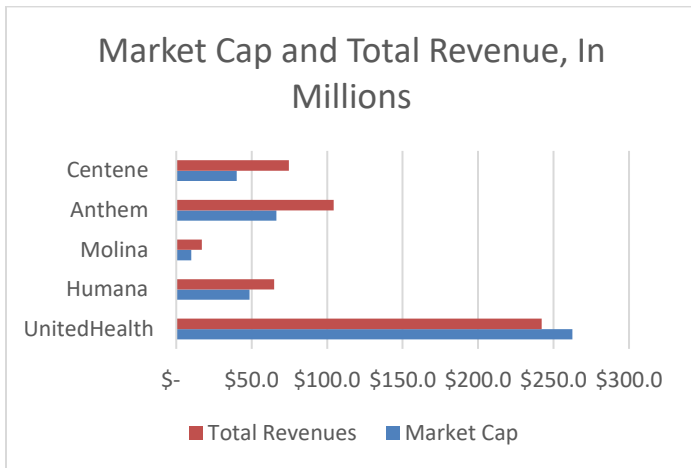
Medicare Advantage Preference

Over the past 10 years, the amount of Medicare eligible individuals choosing a Medicare Advantage plan instead of Original Medicare has doubled from 11% to 22%. The congressional budget office projects that this number will reach 47% by 2029¹⁴. The reason for this is that Medicare Advantage offers different plans than Original Medicare that will include Medicare part A, part B, and then options of Part D, dental, and/or vision. Different plans have different prices, but the flexibility to create plans that fit the enrollees is what attracts them. It has been stated that the aging population is an advantage to this industry, but that is only if they choose Medicare Advantage plans over Original Medicare that the government offers. Humana and UnitedHealth are the two largest players in this industry and are positioned to benefit from the increase in Medical Advantage demand.

MARKETS AND COMPETITION

Peer Comparisons

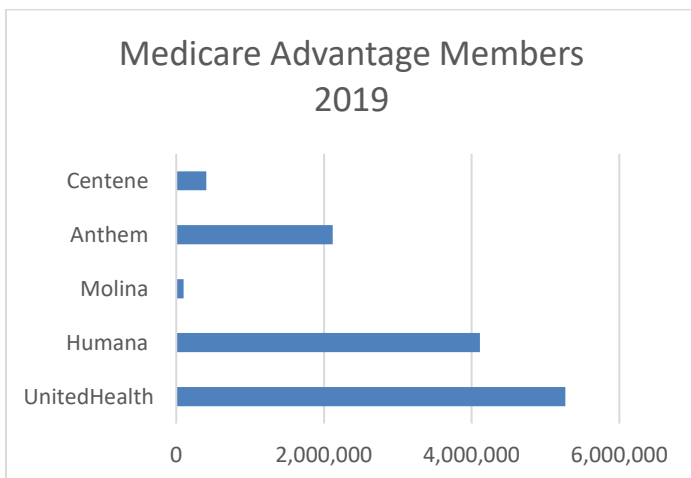
Humana competes against other health care insurers in this industry. Their direct competition comes from UnitedHealth Group (UNH), Molina Healthcare (MOH), Anthem, Inc. (ANTM), and Centene Corporation (CNC).



Source: FactSet

The graph above shows the 5 competitors and their current market cap and total revenue from 2019. What is interesting to note is most all have revenues that exceed their market cap. This is because the high operating costs bring down their net income and their EPS. Humana is one of the smaller competitors in terms of overall market size and revenue.

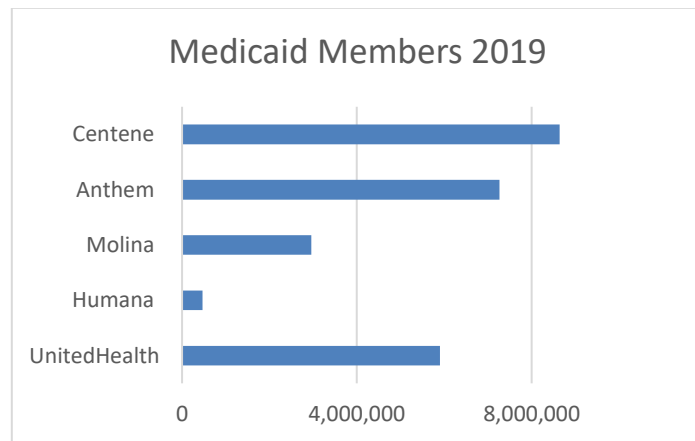
Humana competes with these companies in the Medicare and Medicaid field. This market is highly competitive as consumers are seeking low prices with quality benefits and can compare across companies. Medicare Advantage is one of the most competitive fields as it yields the highest revenues for these companies.



Source: Company 10k's

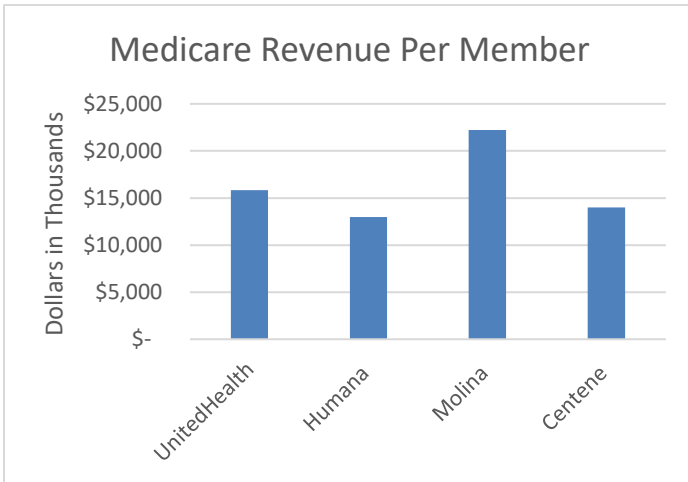
UnitedHealth is Humana's top competitor for Medicare Advantage members, as shown by the graph above. These

two companies are the top two positioned firms in this market and we believe this will continue moving forward due to strong growth in 2019. UnitedHealth reported growth of 325,000 new members in 2019 compared to Humana's report of 523,000⁷. We are optimistic that with the aging population, both companies will continue to grow. It is important that Humana can continue to close the gap with UnitedHealth in total membership numbers because their revenues are centralized in this market.



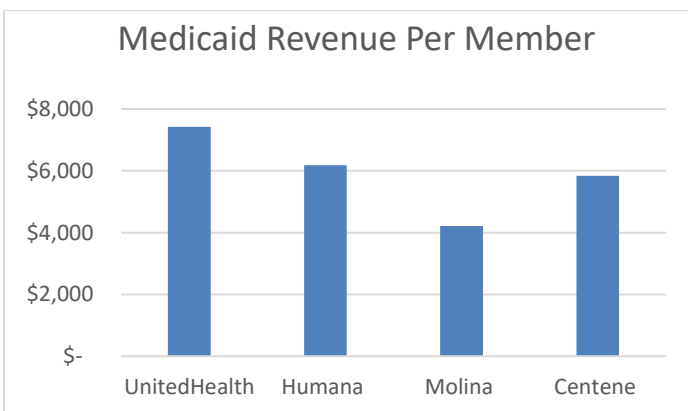
Source: Company 10k's

The graph above shows the membership numbers for the top competitors in the Medicaid market. Centene is the largest player in this market with competition from Anthem and UnitedHealth. Humana is the smallest player out of the competitors, but management has said they are looking to expand in this space by contracting through states. This market is different from the Medicare market because each individual state can contract with a managed care company to provide Medicaid services. This will give Humana opportunity to grow in this segment if they can secure contracts with new states. We do not view the small market share as a negative to the overall performance of Humana because revenue from Medicaid is less than 5% of the overall company portfolio.



Source: Company 10k's

Next, we broke down revenue per member for Medicare Advantage and Medicaid. What's important to note is each company breaks down their Medicare and Medicaid revenues differently, so these are rough estimates based off what each company's 10k for fiscal year 2019 provided. Anthem does not break out Medicare and Medicaid separately so we did not include them. Humana was the only company that broke out each segment of Medicare and Medicaid completely and we think this could be why they have lower revenue per member because it is being accounted for correctly. When looking at the chart, Humana generating the lowest revenue per member is what sticks out first. We believe this stems from a growth of almost 20% in memberships for their Medicare Advantage in 2019. The increase in members with consistently low pricing could be why they have a lower revenue per member than their peers. If they increase price with increase in demand then we think they will be close to UnitedHealth in terms of revenue per member.

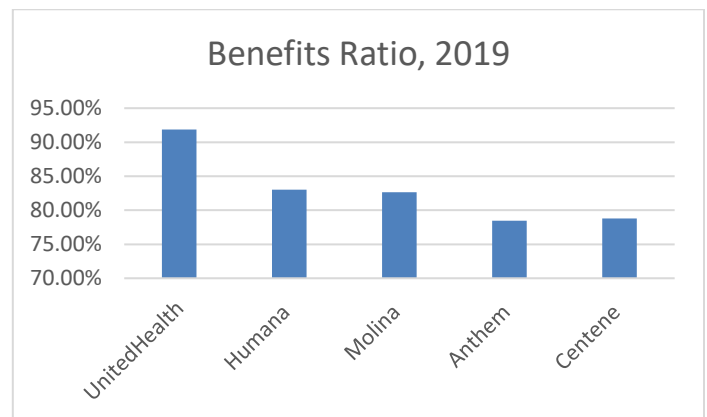


Source: Company 10k's

The Medicaid Revenue Per Member graph at the bottom of the left column shows UnitedHealth and Humana generate the most revenue per member. Medicaid is contracted through the government so it will depend on each company's ability to negotiate contracts that allow them to generate higher revenue per member.

Between Medicare and Medicaid, Medicare is about twice as profitable as Medicaid, so we want to focus on pursuing companies that are focused on Medicare Advantage plans. We feel that Humana's recent increase in members gives them an advantage over competition if they can continue to capitalize on "age-in" eligible members.

One of the key metrics that is used in this industry is the benefits ratio. The benefits ratio shows the amount of benefits paid by the insurance company compare to the amount of revenue the company earns. This metric measures the underwriting profitability of the firm. The lower the percentage, the more revenue that is being retained by the firm.



Source: FactSet

The graph above shows that Humana is well positioned among their peers. UnitedHealth had a significantly higher benefit ratio in 2019 at over 91% compared to Humana and Molina at 83%. We think the gap stems from the overall risk each firm is willing to take on. UnitedHealth is by far the largest corporation and operates in more segments than just Medicare and Medicaid. This means they would be able to take on more risk in terms of patients and need for patient care compared to the other, smaller companies because they have the assets to cover themselves if their benefits expense were to come close to revenue. Having a strong benefit ratio relative to peers is attractive to investors

because it shows they will retain the revenues that they generate with new members signing up for Medicare.

	Profit Margin	EBITA Margin	ROE
UnitedHealth	5.88%	7.42%	25.30%
Humana	4.17%	4.95%	23.70%
Molina	4.38%	6.20%	38.80%
Anthem	4.61%	5.74%	15.60%
Centene	1.75%	2.39%	11.00%

Source: FactSet

In the table above, we compare the companies with profitability metrics from each company's 2019 fiscal year report. Humana is positioned in the middle for their profitability metrics and we believe they will continue to be in competition with their peers due to strong revenue growth with their Retail segment.

	EPS	P/E
UnitedHealth	\$15.11	19.5x
Humana	\$20.19	20.5x
Molina	\$11.57	11.7x
Anthem	\$19.44	15.5x
Centene	\$4.42	14.2x

Source: FactSet

We also wanted to look at how the competition compared to each other with the valuation metrics of EPS and P/E, trailing twelve months. Humana has the highest earnings per share and also trades at the highest earnings per share⁸. We believe this represents their strong growth in 2019 in Medicare Advantage which created a 14% increase in total revenues. We project strong growth for Humana in total revenue through 2024 which will allow for their EPS to remain ahead of their peers and allow their share price to continue to rise.

ECONOMIC OUTLOOK

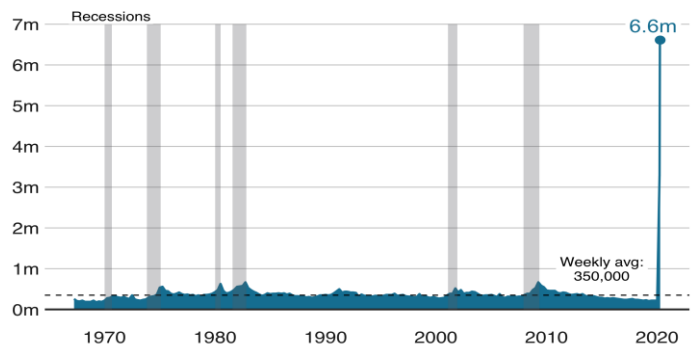
Unemployment

Due to the shutdown caused by the coronavirus, unemployment numbers have spiked in 2020, as seen in the graph in the right column. Unemployment claims have reached over 17 million within the last 3 weeks and the unemployment percentage will begin to rise rapidly to

reflect the increase. So far, unemployment was officially at 4.4% at the end of March³. Many experts believe this number will reach double digits by the end of April and beginning of May. Because of this, we think that the group and specialty segment will decrease in revenue. If companies are being forced to lay off workers, they will decrease their spending on health care plans to reflect the decrease in workers. This could hurt the entire healthcare insurance industry moving forward if a long recession were to hit.

US jobless claims at record high

More than 6 million people file claims as coronavirus hits



Source: US Bureau of Labor Statistics

Source: BBC

The positive side to a slowdown in the economy is an increase in the need for Medicaid. Medicaid serves low-income and disabled people and we expect the number of low-income families to rise due to the economic slowdown that is hitting from the coronavirus. This is an opportunity for Humana to secure State-based Medicaid contracts as the need for Medicaid increases. Humana can use this time to penetrate the Medicaid market.

Percentage of Insured Population

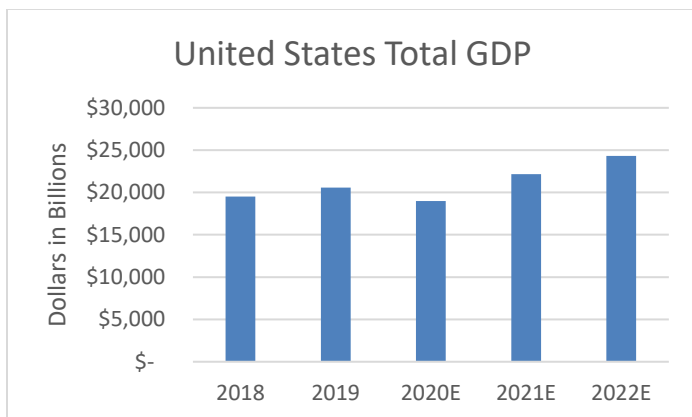
The percentage of insured population is important to health care insurance companies because it can indicate growth opportunities and the overall state of the economy. A big indicator to the economy is percentage of population on Medicaid. The latest data from the U.S. Census Bureau is from 2018 and reported a decrease in Medicaid coverage by .7% to 17.9% of the population¹⁶. We would expect data from 2019 to show a decrease in Medicaid because of a strong economy throughout the year, but an increase in Medicaid in 2020 because of increased unemployment from the coronavirus. With the worsening economic conditions, we expect income to decrease and make more people eligible for Medicaid. This

presents an opportunity for Humana to expand their coverage in Medicaid if they can secure contracts with state governments.

Another key statistic is the number of privately versus publicly insured individuals. In 2018, 67.3% of insured individuals were insured privately, accounting for over 34% of the U.S. population. The most prevalent type was employer insurance plans that covered about 55% of these privately insured people¹⁶. Low unemployment numbers contribute to people being able to be privately insured through an employer. We would expect this number to decrease because of the worsening economic conditions. However, if the economy can open back up and bounce back, we would expect this number to trend positive again. This is an opportunity for Humana to expand their presence in the Group and Specialty segment.

GDP

GDP can be used to gage how well the economy is doing. When the economy is doing well, GDP will rise and create growth for the country. The better the economy is doing the more disposable income households have which would allow them to spend more on private healthcare, specifically, Medicare.

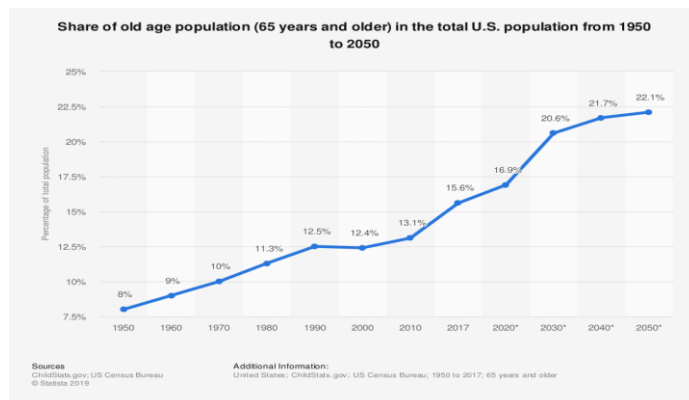


Source: Statista¹⁷

The graph above shows 2018 and 2019 historical GDP with 2020-2022 estimated values. This data was published in 2020 before the coronavirus pandemic and we edited it with our 2020 GDP estimate to account for the economic slowdown. We project GDP will decrease in 2020 by 7.7%, similar but more significant than the recession of 2008, before increasing again in 2021. This could decrease the percentage of people that will spend the extra money to be insured with a private company.

Aging U.S. Population

The United States is set to age at the highest rate it has ever seen due to the baby boomer generation growing old. It is projected that there will be more people over the age of 65 than children under the age of 18 for the first time in United States history¹². The chart below shows the percentage of the U.S. population that will be 65 years and older through 2050.



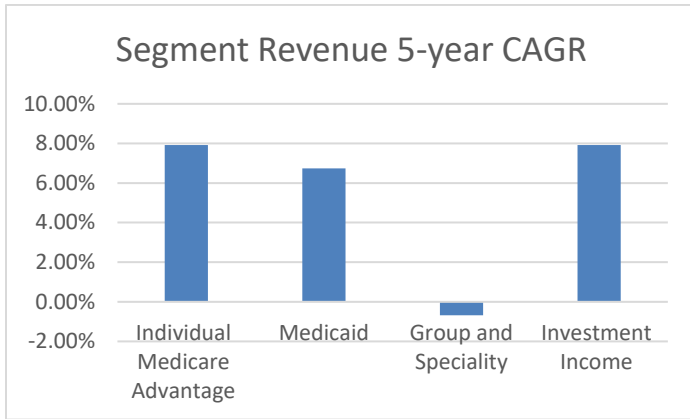
Source: Statista

This is significant for Humana because United States citizens become eligible for Medicare when they reach the age of 65. Humana has attributed their recent success in the Medicare Advantage segment to “age-in” members, meaning new members that have just turned 65. As this number continues to rise to historic levels, we expect Humana to be able to continue high growth in Medicare throughout our 10-year forecast.

VALUATION

Revenue Growth

Revenue growth was broken down by segment in the company description, but it is important to measure our forecasts against analyst that provide their estimates. We have forecasted revenue growing by 10.85% in 2020 and by 9.20% in 2021 driven by an increase in the Medicare Advantage subsegment for Humana. FactSet analyst have revenue growing by 13.95% in 2020 and by 9.41% in 2021. We believe this comes from management guidance suggesting continued strong growth in memberships for Medicare and an increase in the number of U.S. citizens that will be over the age of 65.



Source: Henry Fund Estimates

The graph above shows the 5-year CAGR for each segment in the Humana portfolio. We project Individual Medicare and Investment Income to have the highest growth. We believe that Humana’s growth in membership numbers will continue because of managements guidance and our economic factors. We think Group and Specialty will continue decreasing over the next 5 years because of Humana’s

Costs

Benefits are the largest cost for Humana and are the payments that are made to the government for benefits provided to Humana customers. Humana recently came out and said that they would be covering costs for patients seeking any health care services related to the coronavirus. We believe that this will cause a jump in benefits expense for 2020. The increase will be partially offset by a lack of benefits expense because of less people getting healthcare services because the coronavirus is the main focus of physicians and health care centers. Benefits are directly linked to the number of customers, so we grew benefits by the percentage of revenue. Historically, the percentage was around 80.5%, but we felt the increase in expenses and the growth in Medicare Advantage justified increasing this to 81.76%.

Humana has had continued growth in capital expenditure spending and we are growing their cap ex. balance by 10% for the future. We believe this because of historical averages for additions to PP&E and managements guidance in their 2019 10k that they will have adequate cash to make necessary investment in technology and the services segments.

Debt Maturity

In the graph below, we have charted out Humana’s upcoming debt payments, as noted in their 2019 10k.



Humana has upcoming debt payments in 2021, 2023, 2026, and 2028. The \$1 billion dollar payment in 2021 should not give the company trouble as we project them to have adequate cash flows to cover the debt payment. The company has a few debt payments in the future, but all significantly under projected cash flows for these periods. Humana has historically low short-term debt payments because of large benefits and account payable accounts.

Valuation Models

- DCF/EP= \$393
- DDM= \$399
- Relative PEG= \$305

The model that we put the most weight on is the DCF/EP model. The reason for this is it takes into account our forecasting by discounting the free cash flows and adjusting for 2020E non-operating assets. One important metric in the DCF model is the WACC. The WACC for Humana is 7.27% and is driven by a high equity risk premium. We have used the Damodaran equity risk premium, 6.16%, as of the beginning of April. The reason for this is we feel we need to account for the high volatility that is going on in the markets due to the coronavirus. This high equity risk premium drives the cost of equity to 7.88%. The beta that was used for the WACC calculation is the FactSet 52-week beta of 1.17 and the risk-free rate is the 10-year treasury note which was 0.67%.

Another reason we want to put more weight on our DCF model is it accounts for our economic outlook and assumptions that we have forecasted in to the model.

We also feel that the dividend discount model is reflective of the target price because of a strong growth in dividends that is projected. Analyst have projected growth in dividends to \$2.50 which is reflected in our dividend discount model, which is an increase from 2019 by 16.75%. We then grew dividends by 15% for the future based off of the 5-year historical average and analyst forecasts.

Our relative peer comparison is low compared to the other two models and we believe this is because Humana trades at a higher multiple than their peers. Humana has positioned themselves as a leader with UnitedHealth in the Medicare Advantage field, which we believe has the highest growth opportunity for the healthcare insurance companies. Humana has a forecasted P/E of 16.3x and UnitedHealth has a P/E of 15.5x, compared to Anthem at 10.45x and Molina at 12.08x. Because Humana has outpaced their peers, the relative P/E ratio and the relative PEG ratio are both significantly lower than what Humana currently trades at and what we have projected with the DCF and DDM models.

The analyst target price on FactSet is \$394.50 which gives us confidence in our DCF and our DDM model. We see strong revenue growth that is parallel to analyst predictions for Humana in 2020 and 2021. We believe that management guidance on the increase in members for their Medicare Advantage plans will continue to drive growth for the company and is the biggest reason we are taking a buy stance on Humana.

KEYS TO MONITOR

One important key to monitor is how long Humana will allow for the waived out-of-pocket payments for patients in relation to COVID-19 related issues. If they keep this policy throughout the duration of COVID-19, they could see a significant increase in benefits expense. We do view it as a positive that they are showing how much they care for their members during this time; however, a long-term pandemic could hurt them.

Another thing to monitor will be the 2020 presidential election. The elimination of a candidate that wants to push Medicare-for-All was a big positive for the health insurance industry. With Biden being the Democrat

nomination, we could see him pushing Affordable Care Act policies that were rolled back by the Trump administration. If Trump wins the election and his administration stays in power, long term growth through his presidency is very likely. It will be important to monitor Biden's policies as the race evolves.

INVESTMENT POSITIVES

- With the United States population set to age over 65 at historic rates, Humana will be able expand their largest revenue segment through new Medicare Advantage members.
- The number of Medicare eligible members that chose Medicare Advantage plans over Original Medicare doubled between 2010-2019 from 11% to 22%. This number is project to more than double to 49% by 2030.

INVESTMENT NEGATIVES

- Waiving out-of-pocket payments for COVID-19 related medical cost for members will increase costs for Humana and could hurt overall profits if the virus continues to spread.
- A long recession from COVID-19 could create long term unemployment and reduce employer insurance plans through Humana.

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Humana Inc.
Revenue Decomposition

Fiscal Years Ending Dec. 31	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Premiums:													
Retail													
Individual Medicare Advantage	32,720.00	35,656.00	43,128.00	49,597.20	55,548.86	61,103.75	67,214.13	72,591.26	76,220.82	80,031.86	83,233.13	85,730.13	87,444.73
	2.69%	8.97%	20.96%	15.00%	12.00%	10.00%	10.00%	8.00%	5.00%	5.00%	4.00%	3.00%	2.00%
Group Medicare Advantage	5,155.00	6,103.00	6,475.00	7,122.50	7,692.30	8,307.68	8,723.07	9,159.22	9,617.18	10,001.87	10,401.94	10,714.00	10,928.28
	20.36%	18.39%	6.10%	10.00%	8.00%	8.00%	5.00%	5.00%	5.00%	4.00%	4.00%	3.00%	2.00%
Medicare stand-alone PDP	3,702.00	3,584.00	3,165.00	2,848.50	2,649.11	2,490.16	2,365.65	2,247.37	2,135.00	2,049.60	1,967.62	1,908.59	1,870.42
	-7.66%	-3.19%	-11.69%	-10.00%	-7.00%	-6.00%	-5.00%	-5.00%	-5.00%	-4.00%	-4.00%	-3.00%	-2.00%
Total Retail Medicare	41,577.00	45,343.27	52,768.27	59,568.45	65,890.47	71,901.77	78,302.99	83,997.98	87,973.10	92,083.42	95,602.77	98,352.78	100,243.47
	3.54%	9.06%	16.38%	12.89%	10.61%	9.12%	8.90%	7.27%	4.73%	4.67%	3.82%	2.88%	1.92%
State-based Medicaid	2,571.00	2,255.00	2,898.00	3,477.60	3,825.36	4,207.90	4,502.45	4,817.62	5,058.50	5,311.43	5,470.77	5,634.89	5,747.59
	-2.61%	-12.29%	28.51%	20.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Medicare Supplement	478.00	510.00	588.00	617.40	648.27	680.68	714.72	750.45	780.47	811.69	836.04	861.12	878.34
	11.68%	6.69%	15.29%	5.00%	5.00%	5.00%	5.00%	5.00%	4.00%	4.00%	3.00%	3.00%	2.00%
Total Premiums	44,626.00	48,108.24	56,254.72	63,663.78	70,364.23	76,790.46	83,520.27	89,566.14	93,812.14	98,206.60	101,909.64	104,848.84	106,869.44
	3.25%	7.80%	16.93%	13.17%	10.53%	9.13%	8.76%	7.24%	4.74%	4.68%	3.77%	2.88%	1.93%
Services	10.00	11.00	17.00	18.70	20.57	22.63	24.89	27.38	30.12	33.13	36.44	40.09	44.09
	66.67%	10.00%	54.55%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Total Premiums and Services	44,636.00	48,119.32	56,271.89	63,682.61	70,384.90	76,813.18	83,545.25	89,593.59	93,842.30	98,239.78	101,946.12	104,888.96	106,913.56
	3.25%	7.80%	16.94%	13.17%	10.52%	9.13%	8.76%	7.24%	4.74%	4.69%	3.77%	2.89%	1.93%
Group and Specialty Segment													
Premiums													
Fully-insured commercial group	5,462.00	5,444.00	5,123.00	4,969.31	4,820.23	4,723.83	4,676.59	4,629.82	4,583.52	4,537.69	4,492.31	4,447.39	4,402.91
	1.05%	-0.33%	-5.90%	-3.00%	-3.00%	-2.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
Specialty	1,310.00	1,359.00	1,571.00	1,492.45	1,522.30	1,552.74	1,583.80	1,615.48	1,631.63	1,647.95	1,664.43	1,681.07	1,697.88
	1.47%	3.74%	15.60%	-5.00%	2.00%	2.00%	2.00%	2.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Total Premiums	6,772.00	6,803.00	6,693.94	6,461.73	6,342.50	6,276.55	6,260.38	6,245.29	6,215.14	6,185.63	6,156.73	6,128.45	6,100.79
	1.14%	0.46%	-1.60%	-3.47%	-1.85%	-1.04%	-0.26%	-0.24%	-0.48%	-0.47%	-0.47%	-0.46%	-0.45%
Services	626.00	835.00	790.00	750.50	727.99	706.15	692.02	678.18	664.62	657.97	651.39	644.88	638.43
	-2.64%	33.39%	-5.39%	-5.00%	-3.00%	-3.00%	-2.00%	-2.00%	-2.00%	-1.00%	-1.00%	-1.00%	-1.00%
Total Premiums and Services	7,398.00	7,638.00	7,483.93	7,212.20	7,070.47	6,982.69	6,952.40	6,923.47	6,879.76	6,843.59	6,808.12	6,773.32	6,739.21
	0.80%	3.24%	-2.02%	-3.63%	-1.97%	-1.24%	-0.43%	-0.42%	-0.63%	-0.53%	-0.52%	-0.51%	-0.50%
Healthcare Services Segment													
Services													
Clinical care services	181.00	176.00	140.00	119.00	107.10	101.75	99.71	98.71	97.73	96.75	95.78	94.82	93.88
	-9.95%	-2.76%	-20.45%	-15.00%	-10.00%	-5.00%	-2.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
Pharmacy solutions	80.00	203.00	186.00	191.58	195.41	199.32	203.31	207.37	209.45	211.54	213.66	215.79	217.95
	158.06%	153.75%	-8.37%	3.00%	2.00%	2.00%	2.00%	2.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Provider services	77.00	228.00	306.00	321.30	343.79	367.86	389.93	409.42	429.90	447.09	460.50	469.71	479.11
	-1.28%	196.10%	34.21%	5.00%	7.00%	7.00%	6.00%	5.00%	5.00%	4.00%	3.00%	2.00%	2.00%
Total Services Revenue	339.48	607.00	632.00	631.76	646.22	668.89	692.94	715.52	737.07	755.38	769.94	780.33	790.93
	9.46%	78.80%	4.12%	-0.04%	2.29%	3.51%	3.60%	3.26%	3.01%	2.48%	1.93%	1.35%	1.36%
Intersegment Revenue													
Individual Commercial	947.00												
Other Businesses	43.00	34.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Intersegment Revenue	990.00	34.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	-68.2%	-96.6%	-100.0%										
Investment Income	405.00	514.00	501.00	400.80	440.88	484.97	533.46	586.81	645.49	710.04	781.05	859.15	945.07
	4.11%	26.91%	-2.53%	-20.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Total Revenue	53,768.48	56,912.32	64,888.81	71,927.37	78,542.47	84,949.73	91,724.05	97,819.39	102,104.62	106,548.79	110,305.22	113,301.76	115,388.77
	-1.12%	5.85%	14.02%	10.85%	9.20%	8.16%	7.97%	6.65%	4.38%	4.35%	3.53%	2.72%	1.84%

Humana Inc.

Income Statement

<i>Fiscal Years Ending Dec. 31</i>	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Total revenues	53,767	56,912	64,888	71,927	78,542	84,950	91,724	97,819	102,105	106,549	110,305	113,302	115,389
Operating expenses:													
Benefits	43,496	45,882	53,857	58,808	64,216	69,455	74,994	79,977	83,481	87,114	90,186	92,636	94,342
Operating costs	5,631	7,525	7,381	8,909	9,729	10,522	11,361	12,116	12,647	13,198	13,663	14,034	14,292
Merger termination fee and related costs, net	936	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation and amortization	378	405	458	560	670	786	909	1,039	1,177	1,321	1,473	1,630	1,794
Total operating expenses	49,505	53,812	61,696	68,277	74,614	80,763	87,264	93,133	97,305	101,633	105,321	108,300	110,428
Income / loss from operations	4,262	3,100	3,192	3,650	3,928	4,187	4,460	4,687	4,800	4,916	4,984	5,002	4,961
Gain / loss on sale of business	0	(786)	0	0	0	0	0	0	0	0	0	0	0
Interest expense	242	218	242	389	475	415	473	441	450	503	467	510	478
Other expense, net	0	(33)	506	0	0	0	0	0	0	0	0	0	0
Income / loss before income taxes	4,020	2,063	3,456	3,261	3,453	3,772	3,988	4,246	4,350	4,413	4,517	4,492	4,483
Provision / benefit for income taxes	1,572	391	763	717	760	830	877	934	957	971	994	988	986
Equity in net earnings of Kindred at Home	0	11	14	14	14	14	14	14	14	14	14	14	14
Net income / loss	2,448	1,683	2,707	2,558	2,707	2,956	3,124	3,326	3,407	3,456	3,537	3,518	3,510
Weighted average shares outstanding	145	138	134	131	128	126	123	121	120	118	116	114	110
Earnings Per Share	\$ 16.94	\$ 12.24	\$20.10	\$ 19.51	\$ 21.10	\$ 23.51	\$ 25.32	\$ 27.44	\$ 28.39	\$ 29.29	\$ 30.50	\$ 30.86	\$ 31.91
Dividends Per Share	\$1.49	\$1.90	\$2.15	\$ 2.50	\$ 2.88	\$ 3.31	\$ 3.80	\$ 4.37	\$ 5.03	\$ 5.78	\$ 6.65	\$ 7.65	\$ 8.79
Dividends Paid	215	261	288	328	369	416	469	530	603	682	771	872	967

Humana Inc.
Balance Sheet

Fiscal Years Ending Dec. 31	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Assets:													
Cash and cash equivalents	4,042	2,343	4,054	4,032	6,505	7,109	9,419	10,541	12,013	14,017	14,678	16,173	16,403
Investment securities	9,557	10,026	10,972	10,999	11,027	11,054	11,082	11,110	11,138	11,165	11,193	11,221	11,249
Receivables, less allowance for doubtful accounts	854	1,015	1,056	1,365	1,491	1,613	1,741	1,857	1,938	2,023	2,094	2,151	2,190
Other current assets	2,949	3,564	3,806	4,692	5,123	5,541	5,983	6,381	6,660	6,950	7,195	7,391	7,527
Total current assets	17,402	16,948	19,888	21,089	24,146	25,317	28,225	29,888	31,749	34,155	35,160	36,936	37,369
Property and equipment, net	1,584	1,735	1,955	2,392	2,858	3,354	3,880	4,436	5,023	5,640	6,286	6,959	7,657
Long-term investment securities	2,745	411	406	409	412	415	418	421	424	427	430	433	437
Goodwill	3,281	3,897	3,928	3,928	3,928	3,928	3,928	3,928	3,928	3,928	3,928	3,928	3,928
Equity method investment in Kindred at Home	0	1,047	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063	1,063
Other long-term assets	2,166	1,375	1,834	2,017	2,219	2,441	2,685	2,954	3,249	3,574	3,931	4,324	4,757
Total assets	27,178	25,413	29,074	30,898	34,626	36,518	40,199	42,690	45,437	48,787	50,799	53,644	55,211
Liabilities and stockholders' equity:													
Liabilities:													
Benefits payable	4,668	4,862	6,004	6,335	6,917	7,481	8,078	8,615	8,992	9,384	9,715	9,978	10,162
Trade accounts payable and accrued expenses	4,069	3,067	3,754	3,935	4,297	4,647	5,018	5,351	5,586	5,829	6,034	6,198	6,313
Book overdraft	141	171	225	267	291	315	340	363	379	395	409	420	428
Unearned revenues	378	283	247	398	435	470	507	541	565	590	610	627	638
Short-term debt	150	1,694	699	0	1,000	0	600	0	0	600	0	500	0
Total current liabilities	9,406	10,077	10,929	10,934	12,940	12,914	14,544	14,870	15,522	16,797	16,768	17,724	17,541
Long-term debt	4,770	4,375	4,967	5,351	5,534	5,712	5,899	6,069	6,191	6,317	6,425	6,513	6,577
Future policy benefits payable	2,923	219	206	228	249	270	291	311	324	338	350	360	366
Other long-term liabilities	237	581	935	1,036	1,132	1,224	1,322	1,410	1,471	1,535	1,589	1,633	1,663
Total liabilities	17,336	15,252	17,037	17,549	19,855	20,119	22,056	22,659	23,508	24,988	25,133	26,229	26,147
Stockholder's Equity													
Common stock	2,478	2,568	2,853	2,935	3,019	3,106	3,195	3,287	3,382	3,479	3,579	3,682	3,788
Retained earnings	13,670	15,072	17,483	19,713	22,051	24,591	27,247	30,042	32,846	35,620	38,386	41,032	43,575
Accumulated other comprehensive income / loss	19	-159	156	156	156	156	156	156	156	156	156	156	156
Treasury stock, at cost	6,325	7,320	8,455	9,455	10,455	11,455	12,455	13,455	14,455	15,455	16,455	17,455	18,455
Total stockholders' equity	9,842	10,161	12,037	13,349	14,771	16,398	18,143	20,030	21,929	23,800	25,666	27,415	29,064
Total liabilities and stockholders' equity	27,178	25,413	29,074	30,898	34,626	36,518	40,199	42,690	45,437	48,787	50,799	53,644	55,211

Humana Inc.

Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2015	2016	2017	2018	2019
Cash Flow					
Net cash used in / provided by operating activities	868.0	1,936.0	4,051.0	2,173.0	5,284.0
Net income / loss	1,276.0	614.0	2,448.0	1,683.0	2,707.0
Adjustments to reconcile net income / loss to net cash used in / provided by operating activities	-408.0	1,322.0	1,603.0	490.0	2,577.0
Gain / loss on sale of business	-270.0	0.0	0.0	786.0	0.0
Net realized capital gains / losses	-146.0	-96.0	-14.0	-90.0	-62.0
Equity in net earnings of Kindred at Home	-	-	-	-11.0	-14.0
Stock-based compensation	109.0	115.0	157.0	137.0	163.0
Depreciation	354.0	388.0	410.0	444.0	505.0
Other intangible amortization	93.0	77.0	75.0	90.0	70.0
Provision / benefit for deferred income taxes	-2.0	-71.0	132.0	194.0	162.0
Provision for doubtful accounts	61.0	39.0	20.0	36.0	-
Changes in operating assets and liabilities					
Receivables	-180.0	-158.0	406.0	-200.0	-32.0
Other assets	-872.0	426.0	-582.0	-484.0	118.0
Benefits payable	501.0	-413.0	105.0	252.0	1,142.0
Other liabilities	-129.0	937.0	641.0	-676.0	471.0
Unearned revenues	3.0	-84.0	98.0	-95.0	-36.0
Other, net	70.0	162.0	155.0	107.0	90.0
Net Cash Provided by Operating Activities	868.0	1,936.0	4,051.0	2,173.0	5,284.0
Cash flow from investing activities					
Acquisitions, net of cash acquired	-38.0	-7.0	-31.0	-354.0	0.0
Proceeds from sale of business	1,061.0	0.0	0.0	-	-
Acquisition, equity method investment in Kindred at Home	-	-	-	-1,095.0	0.0
Net cash transferred associated with sale of business	-	-	-	-805.0	0.0
Purchases of property and equipment	-522.0	-527.0	-524.0	-612.0	-736.0
Proceeds from sales of property and equipment	1.0	0.0	2.0	-	-
Purchases of investment securities	-6,739.0	-6,566.0	-6,265.0	-4,687.0	-6,361.0
Maturities of investment securities	1,065.0	1,426.0	1,111.0	972.0	1,733.0
Proceeds from sales of investment securities	5,493.0	4,312.0	2,768.0	3,494.0	4,086.0
Net Cash used used/provided in investing activity	320.0	-1,362.0	-2,941.0	-3,087.0	-1,278.0
Cash flows from financing activities					
Receipts / withdrawals from contract deposits, net	-296.0	1,093.0	1,823.0	-640.0	-623.0
Proceeds from issuance of senior notes, net	0.0	0.0	1,779.0	0.0	987.0
Repayments / proceeds from issuance of commercial paper, net	298.0	-2.0	-153.0	485.0	-360.0
Proceeds from issuance of term loan	-	-	-	1,000.0	0.0
Repayment of term loan	-	-	-	-350.0	-650.0
Repayment of long-term debt	0.0	0.0	-800.0	0.0	-400.0
Common stock repurchases	-385.0	-104.0	-3,365.0	-1,090.0	-1,070.0
Dividends paid	-172.0	-177.0	-220.0	-265.0	-291.0
Change in book overdraft	-33.0	-89.0	-71.0	30.0	54.0
Proceeds from stock option exercises and other	21.0	11.0	62.0	45.0	58.0
Net cash used in / provided by financing activities	-552.0	732.0	-945.0	-785.0	-2,295.0
Increase / decrease in cash and cash equivalents	636.0	1,306.0	165.0	-1,699.0	1,711.0
Cash and cash equivalents at beginning of period	1,935.0	2,571.0	3,877.0	4,042.0	2,343.0
Cash and cash equivalents at end of period	2,571.0	3,877.0	4,042.0	2,343.0	4,054.0

Humana Inc.

Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Operating Activities:										
Net income / loss	2,558	2,707	2,956	3,124	3,326	3,407	3,456	3,537	3,518	3,510
Adjustments to net income										
Depreciation and Amortization	560	670	786	909	1,039	1,177	1,321	1,473	1,630	1,794
Changes in operating assets and liabilities										
Accounts Receivable	(309)	(126)	(122)	(129)	(116)	(81)	(84)	(71)	(57)	(40)
Other current assets	(886)	(431)	(418)	(442)	(398)	(280)	(290)	(245)	(195)	(136)
Other long-term assets	(183)	(202)	(222)	(244)	(269)	(295)	(325)	(357)	(393)	(432)
Benefits payable	331	583	564	597	537	377	391	331	264	184
Trade accounts payable and accrued expense	181	362	351	371	333	234	243	206	164	114
Book Overdraft	42	25	24	25	23	16	16	14	11	8
Unearned revenues	151	37	35	37	34	24	25	21	17	12
Future policy benefits payable	22	21	20	22	19	14	14	12	10	7
Other long-term liabilities	101	95	92	98	88	62	64	54	43	30
Net Cash Provided by Operating Activities	2,567	3,740	4,067	4,368	4,617	4,654	4,832	4,973	5,011	5,050
Investing Activities:										
Investment Securities	(27)	(27)	(28)	(28)	(28)	(28)	(28)	(28)	(28)	(28)
Long-term Investment Securities	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Additions to PP&E	(998)	(1,136)	(1,281)	(1,435)	(1,596)	(1,764)	(1,938)	(2,118)	(2,303)	(2,492)
Net cash flow from investing activities	(1,028)	(1,166)	(1,312)	(1,465)	(1,626)	(1,794)	(1,969)	(2,149)	(2,335)	(2,523)
Financing Activities:										
Long-term Debt	384	183	178	188	170	122	126	108	88	64
Short-term debt	(699)	1,000	(1,000)	600	(600)	0	600	(600)	500	(500)
Common stock	82	84	87	89	92	95	97	100	103	106
Dividends paid	(328)	(369)	(416)	(469)	(530)	(603)	(682)	(771)	(872)	(967)
Treasury stock	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Net Cash from financing activities	(1,561)	(101)	(2,151)	(592)	(1,868)	(1,387)	(859)	(2,163)	(1,181)	(2,297)
Net change in cash and cash equivalents	(22)	2,473	604	2,310	1,122	1,473	2,004	661	1,496	229
Cash and cash equivalents at beginning of per	4,054	4,032	6,505	7,109	9,419	10,541	12,013	14,017	14,678	16,173
Cash and cash equivalents at end of period	4,032	6,505	7,109	9,419	10,541	12,013	14,017	14,678	16,173	16,403

Humana Inc.
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating expenses:													
Benefits	80.90%	80.62%	83.00%	81.76%	81.76%	81.76%	81.76%	81.76%	81.76%	81.76%	81.76%	81.76%	81.76%
Operating costs	10.47%	13.22%	11.37%	12.39%	12.39%	12.39%	12.39%	12.39%	12.39%	12.39%	12.39%	12.39%	12.39%
Merger termination fee and related costs, net	1.74%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation and amortization	0.70%	0.71%	0.71%	0.78%	0.85%	0.92%	0.99%	1.06%	1.15%	1.24%	1.33%	1.44%	1.55%
Total operating expenses	92.07%	94.55%	95.08%	94.93%	95.00%	95.07%	95.14%	95.21%	95.30%	95.39%	95.48%	95.59%	95.70%
Income / loss from operations	7.93%	5.45%	4.92%	5.07%	5.00%	4.93%	4.86%	4.79%	4.70%	4.61%	4.52%	4.41%	4.30%
Gain / loss on sale of business	0.00%	-1.38%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest expense	0.45%	0.38%	0.37%	0.54%	0.60%	0.49%	0.52%	0.45%	0.44%	0.47%	0.42%	0.45%	0.41%
Other expense, net	0.00%	-0.06%	0.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income / loss before income taxes	7.48%	3.62%	5.33%	4.53%	4.40%	4.44%	4.35%	4.34%	4.26%	4.14%	4.10%	3.96%	3.88%
Provision / benefit for income taxes	2.92%	0.69%	1.18%	1.00%	0.97%	0.98%	0.96%	0.95%	0.94%	0.91%	0.90%	0.87%	0.85%
Equity in net earnings of Kindred at Home	0.00%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Net income / loss	4.55%	2.96%	4.17%	3.56%	3.45%	3.48%	3.41%	3.40%	3.34%	3.24%	3.21%	3.10%	3.04%

Humana Inc.
Value Driver Estimation

Fiscal Years Ending Dec. 31	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
NOPLAT													
EBITA:													
Revenues	53,767	56,912	64,888	71,927	78,542	84,950	91,724	97,819	102,105	106,549	110,305	113,302	115,389
(-) Benefits	43,496	45,882	53,857	58,808	64,216	69,455	74,994	79,977	83,481	87,114	90,186	92,636	94,342
(-) Operating Costs	5,631	7,525	7,381	8,909	9,729	10,522	11,361	12,116	12,647	13,198	13,663	14,034	14,292
(-) Depreciation & Amortization	378	405	458	560	670	786	909	1,039	1,177	1,321	1,473	1,630	1,794
(+) Implied Interest on Operating Leases	24.0	18.0	18.0	18	17	17	16	16	15	15	15	14	14
Total EBITA	4,286	3,118	3,210	3,667	3,945	4,204	4,477	4,703	4,816	4,931	4,999	5,016	4,975
Adjusted Taxes													
Provision for Income Taxes	1,572	391	763	717	760	830	877	934	957	971	994	988	986
(+) Tax on PV of operating leases	5	4	4	4	4	4	4	3	3	3	3	3	3
(+) Tax on gain/loss of sale of business	0	-172.92	0	0	0	0	0	0	0	0	0	0	0
(+) Tax on interest expense	53	48	53	86	105	91	104	97	99	111	103	112	105
(+) Tax on merger and termination costs	206	0	0	0	0	0	0	0	0	0	0	0	0
(+) Tax on other expenses	0	(7)	111	0	0	0	0	0	0	0	0	0	0
Adjusted Taxes	1,836	263	932	807	868	925	985	1,035	1,059	1,085	1,100	1,104	1,094
Change in Deferred Taxes													
Deferred Tax Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
Total NOPLAT	2,450	2,855	2,278	2,861	3,077	3,279	3,492	3,668	3,756	3,846	3,899	3,913	3,880
Operating Current Assets:													
Normal Cash	2,151	2,276	2,596	2,877	3,142	3,398	3,669	3,913	4,084	4,262	4,412	4,532	4,616
Receivables, net	854	1,015	1,056	1,365	1,491	1,613	1,741	1,857	1,938	2,023	2,094	2,151	2,190
Other current assets	2,949	3,564	3,806	4,692	5,123	5,541	5,983	6,381	6,660	6,950	7,195	7,391	7,527
Total Current Assets	5,954	6,855	7,458	8,934	9,756	10,552	11,393	12,150	12,683	13,235	13,701	14,073	14,333
Operating Current Liabilities:													
Benefits Payable	4,668	4,862	6,004	6,335	6,917	7,481	8,078	8,615	8,992	9,384	9,715	9,978	10,162
Trade accounts payable and accrued expenses	4,069	3,067	3,754	3,935	4,297	4,647	5,018	5,351	5,586	5,829	6,034	6,198	6,313
Unearned Revenues	378	283	247	398	435	470	507	541	565	590	610	627	638
Total Operating CL	9,115	8,212	10,005	10,667	11,649	12,599	13,603	14,507	15,143	15,802	16,359	16,804	17,113
Net Working Capital	-3,161	-1,357	-2,547	-1,733	-1,893	-2,047	-2,210	-2,357	-2,460	-2,567	-2,658	-2,730	-2,781
Other Operating Assets:													
PP&E, net	1,584	1,735	1,955	2,392	2,858	3,354	3,880	4,436	5,023	5,640	6,286	6,959	7,657
Other long-term assets	2,166	1,375	1,834	2,017	2,219	2,441	2,685	2,954	3,249	3,574	3,931	4,324	4,757
PV of Operating Leases	469	468	448	437	426	415	405	395	385	375	366	357	348
Total Other Operating Assets	4,219	3,578	4,237	4,846	5,503	6,210	6,970	7,785	8,657	9,589	10,583	11,640	12,761
Other Operating Liabilities:													
Other Long-Term Liabilities	237	581	935	1,036	1,132	1,224	1,322	1,410	1,471	1,535	1,589	1,633	1,663
Future policy benefits payable	2,923	219	206	228	249	270	291	311	324	338	350	360	366
Total other operating liabilities	3,160	800	1,141	1,265	1,381	1,494	1,613	1,720	1,795	1,874	1,940	1,992	2,029
Invested Capital	-519	3,156	2,504	4,241	5,088	6,023	7,026	8,143	9,424	10,788	12,271	13,876	15,609
Free Cash Flow (FCF):													
NOPLAT	2,450	2,855	2,278	2,861	3,077	3,279	3,492	3,668	3,756	3,846	3,899	3,913	3,880
Change in IC	(2,865)	3,675	(653)	1,737	847	935	1,003	1,117	1,281	1,364	1,483	1,605	1,732
FCF	5,315	(819)	2,931	1,124	2,230	2,343	2,489	2,551	2,476	2,482	2,416	2,307	2,148
Return on Invested Capital (ROIC):													
NOPLAT	2,450	2,855	2,278	2,861	3,077	3,279	3,492	3,668	3,756	3,846	3,899	3,913	3,880
Beg. IC	2,347	(519)	3,156	2,504	4,241	5,088	6,023	7,026	8,143	9,424	10,788	12,271	13,876
ROIC	104%	-551%	72%	114%	73%	64%	58%	52%	46%	41%	36%	32%	28%
Economic Profit (EP):													
Beg. IC	2,347	(519)	3,156	2,504	4,241	5,088	6,023	7,026	8,143	9,424	10,788	12,271	13,876
x (ROIC - WACC)	97%	-558%	65%	107%	65%	57%	51%	45%	39%	34%	29%	25%	21%
EP	2,279	2,893	2,049	2,679	2,769	2,909	3,054	3,157	3,164	3,161	3,115	3,021	2,871

Humana Inc.
Key Management Ratios

Fiscal Years Ending Dec. 31	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Liquidity Ratios:													
Quick Ratio=(Cash + Accounts Receivable) / Current Liab	0.52	0.33	0.47	0.49	0.62	0.68	0.77	0.83	0.90	0.95	1.00	1.03	1.06
Liquidity Ratio= Current Assets / Current Liabilities	1.85	1.68	1.82	1.93	1.87	1.96	1.94	2.01	2.05	2.03	2.10	2.08	2.13
Cash Ratio= Cash Assets / Current Liabilities	0.43	0.23	0.37	0.37	0.50	0.55	0.65	0.71	0.77	0.83	0.88	0.91	0.94
Benefits Ratio = Benefits expense / Revenue	80.90%	80.62%	83.00%	81.76%	81.76%	81.76%	81.76%	81.76%	81.76%	81.76%	81.76%	81.76%	81.76%
Asset-Management Ratios:													
Accounts Receivable Turnover= Net Sales / Avg. AR	50.39	60.90	62.66	59.41	54.99	54.74	54.70	54.37	53.81	53.80	53.59	53.38	53.16
Total Assets Turnover =Net Sales/ Avg. Total Assets	2.05	2.16	2.38	2.40	2.40	2.39	2.39	2.36	2.32	2.26	2.22	2.17	2.12
Net Working Capital Turnover= Net Sales/ NWC	-17.01	-41.95	-25.47	-41.50	-41.50	-41.50	-41.50	-41.50	-41.50	-41.50	-41.50	-41.50	-41.50
Financial Leverage Ratios:													
Debt Ratio = Total Liabilities / Total Assets	0.64	0.60	0.59	0.57	0.57	0.55	0.55	0.53	0.52	0.51	0.49	0.49	0.47
Equity Ratio = Common Equity / Total Assets	0.09	0.10	0.10	0.09	0.09	0.09	0.08	0.08	0.07	0.07	0.07	0.07	0.07
Debt To Equity Ratio= Total Liabilities / Common Equity	7.00	5.94	5.97	5.98	6.58	6.48	6.90	6.89	6.95	7.18	7.02	7.12	6.90
Profitability Ratios:													
Profit Margin = Net Income / Net Sales	4.55%	2.96%	4.17%	3.56%	3.45%	3.48%	3.41%	3.40%	3.34%	3.24%	3.21%	3.10%	3.04%
Gross Margin=(Net Sales - Cost of Revenue) / Net Sales	7.93%	5.45%	4.92%	5.07%	5.00%	4.93%	4.86%	4.79%	4.70%	4.61%	4.52%	4.41%	4.30%
EBITA Margin= EBITA / Net Sales	7.97%	5.48%	4.95%	5.10%	5.02%	4.95%	4.88%	4.81%	4.72%	4.63%	4.53%	4.43%	4.31%
Payout Policy Ratios:													
Dividend Payout Ratio (Dividend/EPS)	8.80%	15.52%	10.70%	12.81%	13.63%	14.07%	15.01%	15.94%	17.71%	19.74%	21.81%	24.78%	27.56%
Total Payout Ratio ((Divs. + Repurchases)/NI)	8.92%	15.70%	10.76%	12.93%	13.74%	14.17%	15.11%	16.03%	17.80%	19.83%	21.89%	24.87%	27.64%

Humana Inc.

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	0.67%
Beta	1.17
Equity Risk Premium	6.16%
Cost of Equity	7.88%

ASSUMPTIONS:

RF Rate as of 4/6/20
FactSet 52 week Beta
Henry Fund ERP

Cost of Debt:

Risk-Free Rate	0.67%
Implied Default Premium	3.18%
Pre-Tax Cost of Debt	3.85%
Marginal Tax Rate	22%
After-Tax Cost of Debt	3.00%

RF Rate as of 4/6/20

YTM on company 5 year bond

Market Value of Common Equity:

Total Shares Outstanding	134.1
Current Stock Price	\$320.05
MV of Equity	42,918.71

MV Weights

87.64%

Market Value of Debt:

Book Overdraft	267
Long-Term Debt	5,351
PV of Operating Leases	437
MV of Total Debt	6,054.02

12.36%

Market Value of the Firm

48,972.73

100.00%

Estimated WACC

7.27%

Humana Inc.*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

Fiscal Years Ending Dec. 31	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
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EPS	\$ 19.51	\$ 21.10	\$ 23.51	\$ 25.32	\$ 27.44	\$ 28.39	\$ 29.29	\$ 30.50	\$ 30.86	\$ 31.91
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Key Assumptions

CV growth of EPS	4.50%
CV Year ROE	19.16%
Cost of Equity	7.88%

Future Cash Flows

P/E Multiple (CV Year)												22.66
EPS (CV Year)												\$ 31.91
Future Stock Price												\$ 723.00
Dividends Per Share	\$ 2.50	\$ 2.88	\$ 3.31	\$ 3.80	\$ 4.37	\$ 5.03	\$ 5.78	\$ 6.65	\$ 7.65			
Discounted Cash Flows	\$ 2.32	\$ 2.47	\$ 2.63	\$ 2.81	\$ 2.99	\$ 3.19	\$ 3.40	\$ 3.63	\$ 3.87	\$ 365.40		

Intrinsic Value as of Last FYE	\$ 392.71
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Implied Price as of Today	\$ 399.96
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Humana Inc.*Relative Valuation Models*

Ticker	Company	Price	EPS 2020E	EPS 2021E	P/E 20	P/E 21	Est. 5yr EPS gr.	PEG 20	PEG 21
UNH	UnitedHealth Group	\$254.11	\$16.39	\$18.80	15.50	13.52	13.2	1.17	1.02
MOH	Molina Healthcare	\$143.29	\$11.86	\$12.68	12.08	11.30	5.7	2.12	1.98
ANTM	Anthem, Inc.	\$233.74	\$22.36	\$25.55	10.45	9.15	16.3	0.64	0.56
CI	Cigna	\$182.07	\$18.47	\$20.63	9.86	8.83	13.1	0.75	0.67
	Average				11.97	10.70		1.17	1.06
HUM	Humana Inc.	\$320.05	\$19.51	\$ 21.10	16.4	15.2	13.3	1.2	1.1

Implied Relative Value:

P/E (EPS20)	\$ 233.61
P/E (EPS21)	\$ 225.70
PEG (EPS20)	\$ 303.83
PEG (EPS21)	\$ 297.29

Humana Inc.*Present Value of Operating Lease Obligations*

Fiscal Years Ending Dec. 31	2015	2016	2017	2018	2019
Year 1	173.0	185.0	152.0	147.0	133.0
Year 2	159.0	157.0	129.0	113.0	117.0
Year 3	127.0	126.0	89.0	96.0	97.0
Year 4	94.0	81.0	58.0	79.0	52.0
Year 5	54.0	53.0	39.0	34.0	31.0
Thereafter	90.0	95.0	52.0	50.0	70.0
Total Minimum Payments	697.0	697.0	519.0	519.0	500.0
Less: Cumulative Interest	73.2	72.6	50.2	51.4	52.0
PV of Minimum Payments	623.8	624.4	468.8	467.6	448.0
Implied Interest in Year 1 Payment	52.8	24.0	24.0	18.0	18.0
Pre-Tax Cost of Debt	3.85%	3.85%	3.85%	3.85%	3.85%
Years Implied by Year 6 Payment	1.7	1.8	1.3	1.5	2.3
Expected Obligation in Year 6 & Beyond	54	53	39	34	31
Present Value of Lease Payments					
PV of Year 1	166.6	178.1	146.4	141.6	128.1
PV of Year 2	147.4	145.6	119.6	104.8	108.5
PV of Year 3	113.4	112.5	79.5	85.7	86.6
PV of Year 4	80.8	69.6	49.9	67.9	44.7
PV of Year 5	44.7	43.9	32.3	28.1	25.7
PV of 6 & beyond	70.9	74.6	41.2	39.5	54.5
Capitalized PV of Payments	623.8	624.4	468.8	467.6	448.0

Humana Inc.*Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding*

Number of Options Outstanding (shares):	0.49
Average Time to Maturity (years):	4.10
Expected Annual Number of Options Exercised:	0.12

Current Average Strike Price:	\$ 250.46
Cost of Equity:	7.88%
Current Stock Price:	\$320.05

Fiscal Years Ending Dec. 31	2020E	2021E	2022E	2023E	2024E
Increase in Shares Outstanding:	0.12	0.12	0.12	0.12	0.12
Average Strike Price:	\$ 250.46	\$ 250.46	\$ 250.46	\$ 250.46	\$ 250.46
Increase in Common Stock Account:	30	30	30	30	30
Change in Treasury Stock	1,000	1,000	1,000	1,000	1,000
Expected Price of Repurchased Shares:	\$ 320.05	\$ 345.26	\$ 372.46	\$ 401.80	\$ 433.45
Number of Shares Repurchased:	3	3	3	2	2
Shares Outstanding (beginning of the year)	134	131	128	126	123
Plus: Shares Issued Through ESOP	0.12	0.12	0.12	0.12	0.12
Less: Shares Repurchased in Treasury	3	3	3	2	2
Shares Outstanding (end of the year)	131	128	126	123	121

Humana Inc.*Valuation of Options Granted under ESOP*

Current Stock Price	\$320.05
Risk Free Rate	0.67%
Current Dividend Yield	0.80%
Annualized St. Dev. of Stock Returns	25.50%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	0.493	250.46	4.10	\$ 95.20	\$ 47
Total	0.493	\$ 250.46	4.10	\$ 103.10	\$ 47

Humana Inc.
Sensitivity Tables

		BETA						
		0.90	1.00	1.10	1.17	1.25	1.35	1.45
Pre-Tax Cost of Debt	393.90							
	3.20%	392.00	392.61	393.22	393.65	394.13	394.74	395.34
	3.40%	392.08	392.69	393.30	393.73	394.21	394.82	395.42
	3.60%	392.16	392.77	393.38	393.81	394.29	394.89	395.49
	3.85%	392.25	392.87	393.48	393.90	394.39	394.99	395.59
	4%	392.31	392.92	393.53	393.96	394.44	395.05	395.65
	4.20%	392.39	393.00	393.61	394.04	394.52	395.12	395.73
	4.40%	392.46	393.07	393.69	394.11	394.60	395.20	395.80

		Benefits as % of Sales						
		79%	80%	81%	81.76%	82%	82.50%	83%
WACC	393.90							
	6.00%	812.82	694.79	576.77	487.07	458.74	399.73	340.72
	6.50%	743.64	635.64	527.63	445.55	419.63	365.63	311.62
	7.00%	685.31	585.77	486.23	410.58	386.69	336.92	287.15
	7.27%	657.47	561.97	466.48	393.90	370.98	323.24	275.49
	7.50%	635.48	543.19	450.89	380.74	358.59	312.44	266.29
	7.75%	613.21	524.16	435.10	367.42	346.05	301.52	256.99
	8.00%	592.46	506.43	420.40	355.01	334.36	291.35	248.33

		Risk-Free Rate						
		0.30%	0.40%	0.50%	0.67%	0.85%	1.00%	1.15%
Tax Rate	393.90							
	15%	432.11	432.21	432.32	432.50	432.69	432.85	433.01
	18%	415.58	415.68	415.79	415.96	416.14	416.29	416.45
	20%	404.56	404.66	404.76	404.93	405.11	405.26	405.40
	22%	393.55	393.64	393.74	393.90	394.08	394.22	394.36
	24%	382.53	382.62	382.72	382.87	383.04	383.18	383.32
	28%	360.49	360.58	360.67	360.82	360.98	361.11	361.24

		CV Growth ROIC						
		15.00%	20.00%	25%	27.93%	30.00%	35.00%	40.00%
Equity Risk Premium	5.00%	388.91	390.88	392.06	392.55	392.85	393.41	393.83
	5.25%	389.20	391.17	392.35	392.84	393.14	393.70	394.12
	5.50%	389.49	391.46	392.64	393.13	393.43	393.99	394.41
	5.80%	389.83	391.80	392.99	393.48	393.77	394.34	394.76
	6.00%	390.06	392.03	393.22	393.71	394.01	394.57	394.99
	6.16%	390.24	392.22	393.40	393.90	394.19	394.75	395.18
	6.20%	390.29	392.26	393.45	393.94	394.24	394.80	395.22
	6.30%	390.40	392.38	393.56	394.06	394.35	394.92	395.34
	6.40%	390.52	392.49	393.68	394.17	394.47	395.03	395.45
	6.50%	390.63	392.61	393.79	394.29	394.58	395.15	395.57
	6.60%	390.75	392.72	393.91	394.40	394.70	395.26	395.68
	6.70%	390.86	392.84	394.02	394.52	394.81	395.38	395.80