# Long Cigna (NYSE: CI)
# Price Target: $445.35 (59.6% Upside)

Jayden Song

January 29th , 2026

# Executive Summary

The Cigna Group is making a strategic shift away from its legacy risk-bearing insurance business into a high-growth health services leader, leveraging its dominant Evernorth division and 2025 Medicare divesture to deliver superior earnings stability at an attractive valuation discount.

## Company Overview

Founded in 1982, The Cigna Group (NYSE: CI) is a leading global health company with approximately 182 million customer relationships. Cigna operates a diversified model that focuses on two primary growth platforms: **Evernorth Health Services** (pharmacy and specialty care) and **Cigna Healthcare** (medical insurance). Unlike peers, Cigna has pivoted to a service-led model, following the 2025 divestiture of its Medicare Advantage business to HCSC.

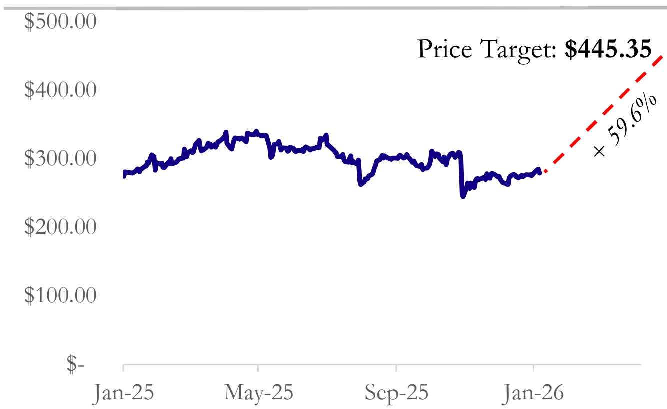
## Investment Thesis

**1)** Cigna's exit from Medicare Advantage **eliminates government-sponsored volatility** and pivots the company toward stable, high-margin commercial and service revenue at an attractive valuation discount.

**2)** The new rebate-free pharmacy model **front-runs federal regulation** to protect health service margins and secure long-term client loyalty.

**3)** Targeted rate hikes in corporate and stop-loss plans will **drive medical margin recovery throughout 2026**, outpacing more diversified peers.

## Price Target




| Case | PGM | PGM Weight | EMM | EMM Weight | Implied Share Price |
|---|---|---|---|---|---|
| Bull<br>*(% Upside)* | $586.18<br>*110%* | 50% | $563.64<br>*102%* | 50% | $574.91<br>*106%* |
| Base<br>*(% Upside)* | $467.23<br>*67%* | 50% | $423.48<br>*52%* | 50% | $445.35<br>*60%* |
| Bear<br>*(% Upside)* | $350.56<br>*26%* | 50% | $284.70<br>*2%* | 50% | $317.63<br>*14%* |

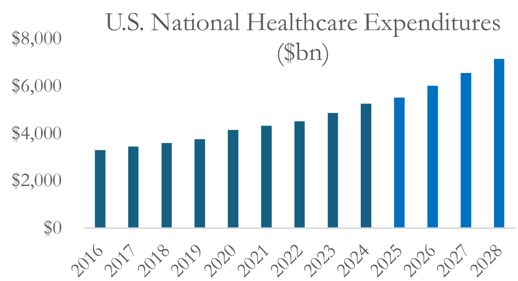
Our **$445.35 base case price target** implies a **~60% total return,** while a **14% upside in the bear case** provides a significant margin of safety at current valuation levels. This targets a fundamental re-rating as the market realizes Cigna's superior earnings stability and high-growth services profile.

Overview of the Managed Care Industry

A Managed Care Organization (MCO) is responsible for reducing healthcare expenditure costs for patients within the U.S. Healthcare system, typically through offering health insurance services. Industry leaders are aggressively pivoting toward a **'capital-light' architecture**, transitioning from traditional at-risk underwriting to a high-growth, fee-based model known as **health services**.

## Market Landscape

- Managed Care manages approximately **50% of the $5.3 trillion** U.S. healthcare expenditure.
- Aging demographics and rising utilization are fundamental volume drivers; the U.S. senior population is projected to grow at a **1.8% CAGR through 2035**, significantly increasing demand for Medicare and pharmacy services.
- **Biosimilar adoption and GLP-1 demand act as dual catalysts for volume**; biosimilars are expected to save the U.S. system $375 billion over a decade, while surging weight-loss drug demand creates a high-volume revenue stream for pharmacy managers.
- Extreme industry consolidation has created massive scale advantages; **the top six MCOs now insure 52% of the U.S. population**, affording them immense negotiating power with hospitals and pharmaceutical manufacturers.
- **Medical Cost Ratios drastically affect profits**, and changes in these ratios can significantly hurt or help a firm




## Headwinds & Tailwinds

| Headwinds | Tailwinds |
|---|---|
| Regulatory Scrutiny | GLP-1 Demand Surge |
| Elevated Medical Inflation | Aging Population |
| Potential Medicaid Cuts | Privatization of Medicaid and Medicare Management |

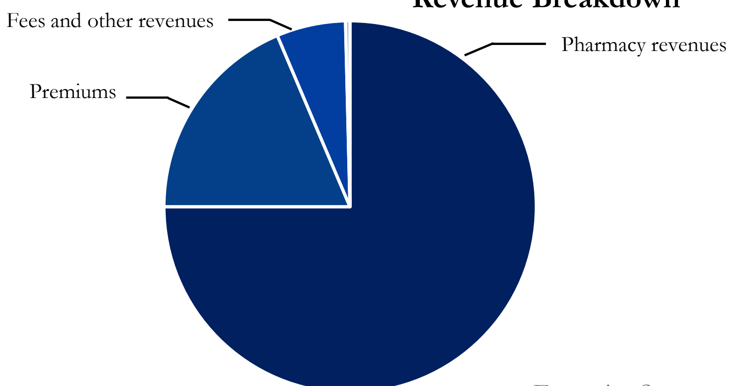
## Competitors

# Company Overview

## Business Description

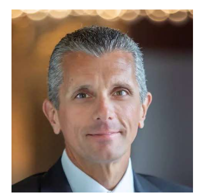
- **Headquarters:** Bloomfield, Connecticut
- **Industry:** Managed Healthcare & Health Services
- **Status:** Public (NYSE: CI); S&P500 Component
- **Fortune 500 Rank:** #13
- **Employees:** 70,000+ worldwide
- **Global Footprint:** Sales capabilities in 30+ markets
- **Business Overview:** Founded in 1982, The Cigna Group is a leading global health company with approximately 182 million customer relationships. Cigna operates a diversified model that focuses on two primary growth platforms: **Evernorth Health Services** (pharmacy and specialty care) and **Cigna Healthcare** (medical insurance). Unlike peers, Cigna has pivoted to a service-led model, following the 2025 divestiture of its Medicare Advantage business to HCSC.

## Revenue Breakdown




## Stock Performance (1 Year)


## Management



**David Cordani (Chairman & CEO)** Led Cigna's strategic transformation into a global health services leader; architect of the Express Scripts acquisition.

**Brian Evanko (President & COO)** Elevated to COO in March 2025; previously served as CFO and CEO of Cigna Healthcare. He oversees the alignment of both Evernorth and Healthcare divisions.

# Segments Overview

Cigna is comprised of two main segments:

### Cigna Healthcare

- **Core Function:** This is the traditional insurance arm that bears actuarial risk. It collects monthly premiums from members and is responsible for paying their medical, dental, and behavioral health claims. It accounts for **40% of total enterprise earnings**.
- **U.S. Employer Focus:** Cigna's primary market is employer-sponsored plans for 37,000+ businesses. This includes "Administrative Services Only" (ASO) contracts, where Cigna manages the health plan for a fee while the employer pays the actual claims, significantly reducing Cigna's capital risk.
- **Strategic Portfolio De-Risking:** Following the March 2025 sale of its Medicare Advantage business to HCSC, this segment is now a "pure play" on the more stable commercial market, removing exposure to the government rate cuts and senior utilization spikes currently hurting competitors.
- **Stop-Loss Insurance:** A high-value business that provides "insurance for the insurers," protecting self-insured employers from catastrophic, high-cost medical claims. This unit is currently undergoing a major margin recovery following 2025 repricing.
- **International Health:** Delivers specialized insurance and travel support for globally mobile employees and intergovernmental organizations across 200+ countries, providing a geographical hedge against U.S. regulatory cycles.

### Evernorth Health Services

- **Core Function:** Evernorth operates as a fee-based health services platform that manages healthcare spending for other insurers, employers, and government agencies. It generates approximately **60% of enterprise earnings** through administrative and dispensing fees rather than medical risk.
- **Pharmacy Benefit Management (Express Scripts):** Acts as the intermediary in the drug supply chain. It creates lists of covered drugs, manages retail pharmacy networks, and negotiates with drug manufacturers to secure lower net costs for its clients.
- **Specialty Pharmacy (Accredo):** A high-margin unit that dispenses and manages complex, high-cost medications for chronic conditions like cancer and rare diseases. It is the primary beneficiary of the industry shift toward biosimilars and GLP-1 weight-loss drugs.
- **Care Management (EviCore):** Uses data analytics and AI to perform "utilization management," reviewing medical procedures and high-tech imaging to ensure they are clinically necessary before approval.
- **Integrated Solutions (Shields):** Following a $3.5 billion investment in 2025, this unit now partners with 80+ hospital systems to help them manage their own internal specialty pharmacies, expanding Evernorth's reach into direct medical-side administration.

# Macroeconomic Environment – Overall favorable conditions for Cigna

## Labor Market Stability Supports Commercial Membership Floor

- Cigna is now a pure play on the high-value commercial and employer market following its 2025 exit from Medicare Advantage
- While unemployment is picking up toward **4.5%-4.6%,** the U.S. labor market is entering a "low-hiring, low firing" equilibrium which **provides a stable premium environment for Cigna**
- Wage growth is projected to converge to 3.5%, **supporting consistent premium increases** without driving mass buy-downs

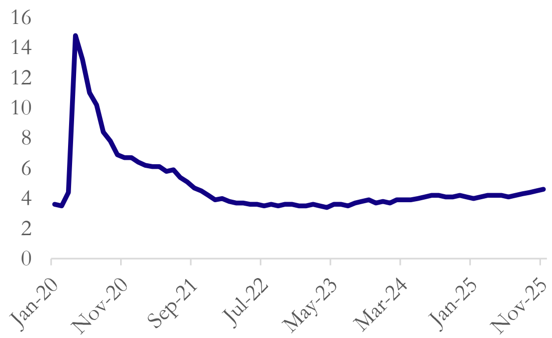
## Elevated Yields on 'Float' Drive Non-Operating Income

- Like all insurers, Cigna holds massive premium reserves, known as float. U.S. investment yields are **expected to rise to 4.3% in 2026**, acting as a direct tailwind for non-operating income
- Cigna maintains a disciplined **debt-to-capitalization ratio of 28.80%** and earns an EBIT of roughly 6.6x its interest expenses. This makes it highly resilient to a higher rate environment in the coming fiscal year

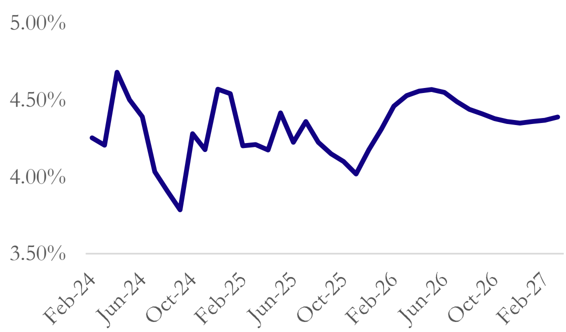
## Strategic Insulation from Government Program Volatility

- The One Big Beautiful Bill Act (OBBBA) is the defining policy driver for 2026, threatening to cut **15 million people** from government-insured rolls (Medicaid and ACA subsidies).
- Cigna is a unique safe haven in the sector because its **March 2025 divestiture of its Medicare Advantage and Part D businesses** removed its exposure to these specific uncertainties, while its peers will struggle

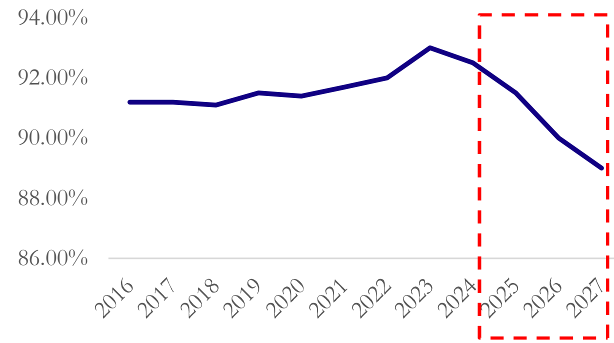
## Unemployment has been relatively stable (4.6%)




## 10-Year Treasury Yield Projection (Feb 2024– Feb 2027e)




## U.S. Insured Rate Projections (OBBBA Impact)



# Cigna's Strategic De-Risking Eliminates Portfolio Volatility

Cigna's exit from Medicare Advantage eliminates government-sponsored volatility and pivots the company toward stable, high-margin commercial and service revenue.

## The Medicare Advantage (MA) Exit as a Shield

Cigna's move out of most individual Medicare Advantage **removes the risk** of government reimbursement cuts (CMS rate pressure), high medical cost inflation, and volatile utilization from aging populations.

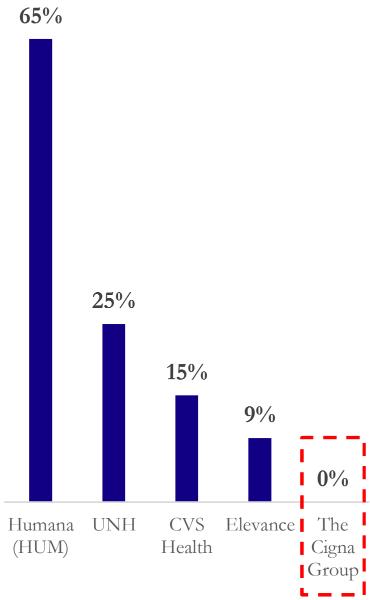
This provides them with **more visibility in cash flows**, and **significantly less government pricing risk** compared to their competitors.

## Capital Deployment Strategy

Cigna's current capital deployment toward expanding the services-driven, lower-risk business model that has proved effective so far has come in the form of **further acquisitions of healthcare services platforms**.

In parallel, Cigna has returned excess capital to shareholders through share repurchase programs, **supporting EPS growth and enhance shareholder value** without sacrificing strategic flexibility.

**Strategic Insulation from Government Program Volatility**




March 2025 Exit from MA **removes exposure to 0.16% industry rate cuts** and **$25B in regulatory claw back risks**

## Focus on the Commercial "Pure Play"

Cigna's focus on **providing insurance for large employers** provides significant advantages over those of traditional broad government-dependent insurers.

The administrative services only agreements many employers choose **reduces risk significantly** as it transfers medical risk to employers and allows revenue to be **driven by membership volume and service fees**. It also allows **higher retention** due to the complexities of switching providers for employers.

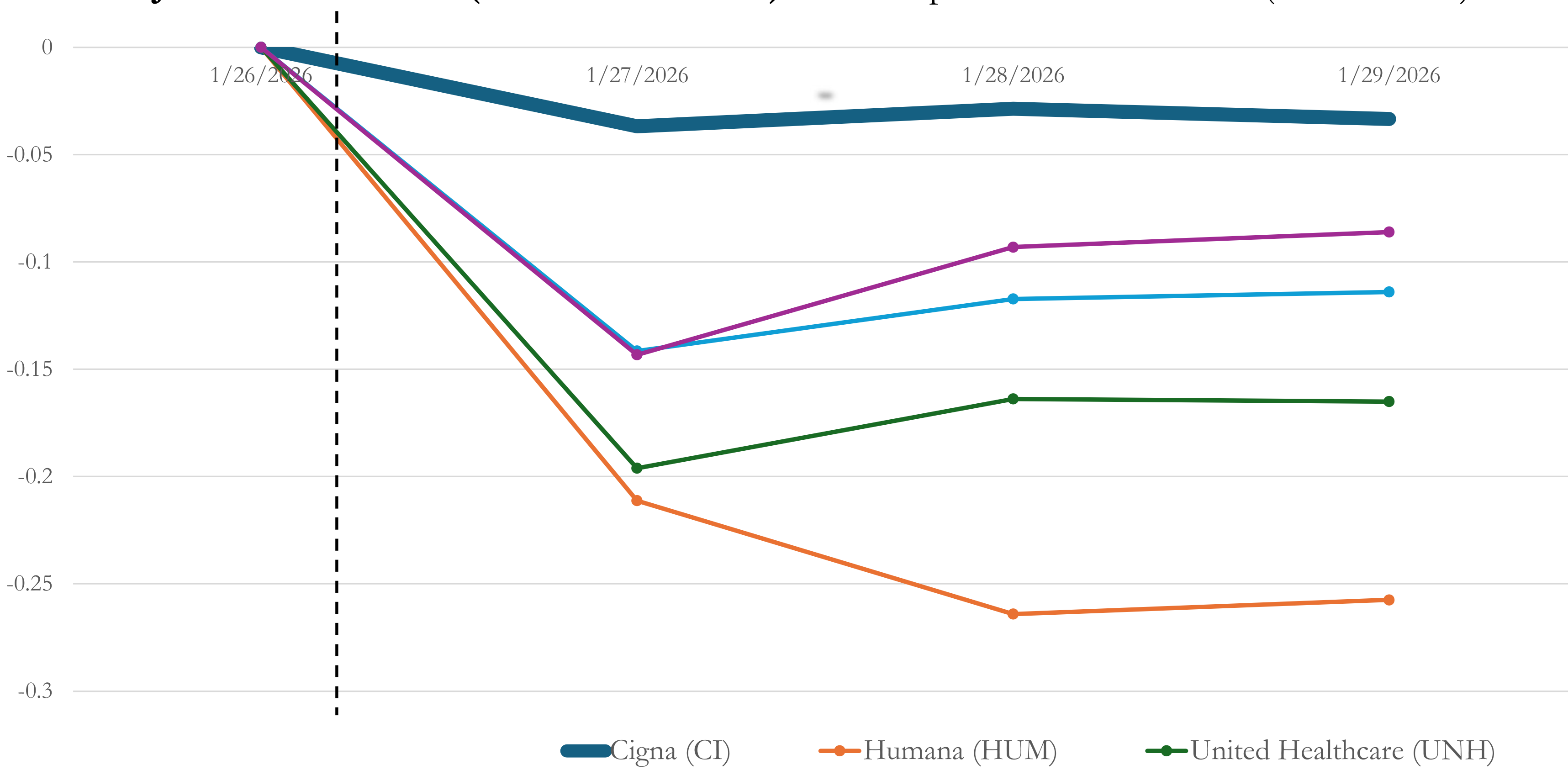
## Move to "Fee-Based" from "Spread-Based" Earnings

Cigna's current positioning of the **majority of its profits now coming from fee-based businesses** presents several advantages over traditional spread-based insurance models.

This includes more **predictable margins, lower balance-sheet risk, lower capital requirements, and a business model that has low sensitivity to medical cost spikes.**

## Medicare Advantage Rate Freeze: De-risking in Action

**Jan 26th 4:15 PM ET (After Market Close)**: CMS Proposes 0.09% Rate Hike (Effective Cut)



# Policy Alignment Reduces Downside Risk, Not Upside Optionality

The new rebate-free pharmacy model front-runs federal regulation to protect health service margins and secure long-term client loyalty.

## Frontrunning Regulatory Pressures

**Transparent, Rebate-Free Pharmacy Economics Pre-Empt Regulatory Risk**

- Rebate-free / cost-plus pricing directly addresses the core targets of PBM regulation:
  - Opaque rebates
  - Misaligned incentives
  - Member out-of-pocket inflation
- Transition may pressure near-term margins, but materially lowers the probability of forced, adverse regulatory intervention

**Cigna is also intentionally moving away from government profit tools.**

- CMS rate compression
- Star Ratings volatility
- Politically driven reimbursement resets
- Remaining portfolio is concentrated in employer-sponsored and services-based revenue, where pricing is contractual rather than legislated

In doing so they have lowered its exposure to binary policy outcomes that continue to pressure peers.

**Capital-Light Services Model Aligns with Policy Preference for Stability**

- Evernorth's growth is increasingly driven by:
  - Administrative fees
  - Specialty pharmacy services
  - Utilization and care management
- Less balance sheet risk, less medical cost volatility, and lower systemic importance relative to risk-bearing insurance models

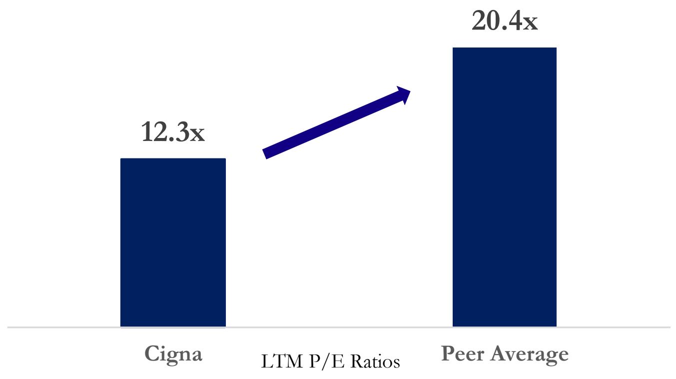
## Why is the market mispricing Cigna?

**Market Is Pricing Cigna Like a High-Beta Regulatory Asset**

- Current valuation reflects:
- Fear of PBM disruption
- Fear of policy intervention
- Fear of earnings impairment

But Cigna's actions materially reduce the likelihood of those outcomes relative to peers

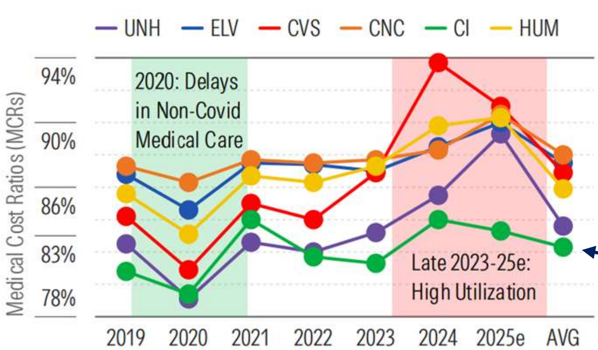
**Valuation Gap Highlights Re-Rating Opportunity**



# Repricing Lowers Medical Cost Ratios

## Medical Cost Ratios

- Medical Cost Ratios measure medical claims as a % of premiums. **Lower ratios drive higher margins**.
- Sector-wide profits are currently under pressure as medical utilization - mainly among seniors – continues to outpace government reimbursement rates
    - This has been pushing MCRs more than **300 basis points above** their historical averages
- MCOs are working on normalizing these ratios by making 3 specific changes:
    - **Exiting unprofitable geographic regions**
    - **Aggressively redesigning benefits**
    - **Initiating premium hikes**



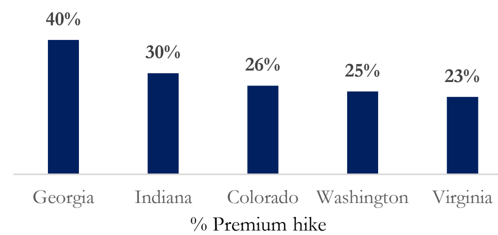

Source: Morningstar

Of the big six MCOs, Cigna has maintained the **lowest MCR by a good margin**, primarily due to their shift to a more commercial model

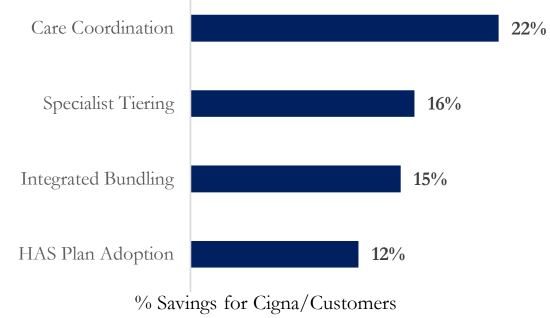
## Cigna's Edge

- Cigna is significantly better at managing these ratios than their competitors
- While the industry-wide loss ratio surged to **91.8% in Q3 2025**, Cigna's shift to a more commercial model has allowed it to maintain a far lower and more predictable MCR of **84.8%**
- Their low ratio is also due managements intuition when it comes to **frontrunning uncertainties** such as the above average utilization in the last 2 years.
- They have already filed substantial hikes in 2026, notably **40% in Georgia** and **30% in Indiana**
    - These hikes are designed to restore loss ratios to target levels
- Additionally, through bundling medical, pharmacy, and behavioral care on a single platform, Cigna is able to save its clients **$148 annually**.
    - This also gives them a more unified visibility when **identifying high-cost risks** earlier on, compared to their unbundled peers. It helps them sustain their MCR stability.

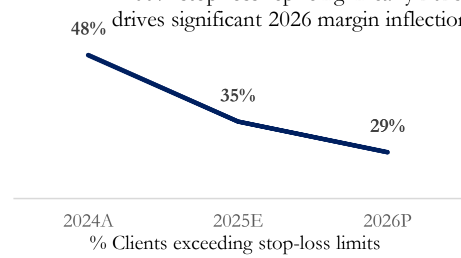
Significant 2026 rate hikes to offset utilization spikes.




Structural Claims Efficiency Advantage




100% stop-loss repricing in early 2025 drives significant 2026 margin inflection.



# Bear Case Valuation (Minimized Upside; Lacking Downside)

The bear case assumes that aggressive 2026 premium rate hikes fail to offset persistent medical utilization and that a PBM margin reset, caused by lower-margin contract renewals for major clients, leads to a multi-year earnings trough.

**Cigna Discounted Cash Flow Analysis ($M)**

| Year | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|
| Pharmacy revenues | 194,630.1 | 204,361.6 | 214,579.7 | 225,308.7 | 236,574.1 |
| Premiums | 49,400.1 | 53,056.0 | 56,982.6 | 61,199.8 | 65,729.0 |
| Fees and other revenues | 17,243.4 | 19,604.3 | 21,720.4 | 23,435.7 | 24,607.5 |
| Net investment income | 897.1 | 827.1 | 762.6 | 703.1 | 648.3 |
| **Total revenues** | **262,170.7** | **277,849.1** | **294,045.3** | **310,647.3** | **327,558.9** |
| (-) Benefits & Expenses | 254,529.2 | 273,956.3 | 288,994.2 | 304,335.6 | 319,883.9 |
| **EBIT** | **7,641.5** | **3,892.8** | **5,051.1** | **6,311.7** | **7,675.0** |
| *EBIT Margin* | *2.9%* | *1.4%* | *1.7%* | *2.0%* | *2.3%* |
| (-) Income Taxes | 1,303.4 | 516.1 | 759.4 | 1,024.1 | 1,310.4 |
| **NOPAT** | **6,338.1** | **3,376.6** | **4,291.8** | **5,287.6** | **6,364.6** |
| (+) D&A | 2,821.7 | 3,038.9 | 3,217.4 | 3,341.0 | 3,486.3 |
| (-) Capex | (1,828.1) | (1,918.8) | (1,918.0) | (2,112.6) | (2,208.8) |
| (-) Change in NWC | 44.8 | 1,666.8 | 686.9 | 686.9 | 681.0 |
| **UFCF** | **7,376.5** | **6,163.5** | **6,278.0** | **7,202.8** | **8,323.1** |
| Dicount Factor | 1.00 | 0.92 | 0.85 | 0.78 | 0.72 |
| **PV of UFCF** | **7,376.5** | **5,677.2** | **5,326.5** | **5,629.0** | **5,991.4** |

| Total Capitalization | |
|---|---|
| Share Price (as of 1/7/2026 closing) | $ 279.12 |
| Fully Diluted Shares Outstanding | 283.2 |
| **Market Capitalization** | **$ 79,051.8** |
| Total Debt | $ 31,972.0 |
| **Total Capitalization** | **$111,023.8** |

| Cost of Equity | |
|---|---|
| Risk Free Rate | 4.05% |
| Beta | 1.1 |
| Expected Market Return | 10.00% |
| **Cost of Equity** | **10.60%** |

| WACC | |
|---|---|
| Debt-To-Total Capitalization | 28.80% |
| Cost of Equity | 10.60% |
| After-Tax Cost of Debt | 3.55% |
| **WACC** | **8.56%** |

| Cost of Debt | |
|---|---|
| Cost of Debt | 4.49% |
| Tax Rate | 21.00% |
| **After-Tax Cost of Debt** | **3.55%** |

**Calculation of Firm Value**

| Perpetuity Growth Method | | Exit Multiple Method | |
|---|---|---|---|
| Perpetuity Growth Rate | 2.50% | Exit Multiple (EV/EBIT) | 14.95x |
| Terminal Year UFCF | 8,323.1 | Terminal Year EBIT | 7,675.0 |
| WACC | 8.56% | WACC | 8.56% |
| **Terminal Value** | 140,662.7 | **Terminal Value** | 114,750.0 |
| PV of Terminal Value | 101,255.7 | PV of Terminal Value | 82,602.5 |
| Sum of PV of UFCF | 30,000.7 | SUM of PV of UFCF | 30,000.7 |
| **Enterprise Value** | 131,256.4 | **Enterprise Value** | 112,603.2 |
| Equity Bridge | | Equity Bridge | |
| Implied Enterprise Value | 131,256.4 | Implied Enterprise Value | 112,603.2 |
| Less: Net Debt | (31,972.0) | Less: Net Debt | (31,972.0) |
| **Equity Value** | 99,284.4 | **Equity Value** | 80,631.2 |
| FDSO | 283.2 | FDSO | 283.2 |
| **Implied Share Price** | $ 350.56 | **Implied Share Price** | $ 284.70 |
| *% Change* | *26%* | *% Change* | *2%* |
| **Blended Share Price** | | | **317.63** |
| *% Change* | | | *14%* |

# Base Case Valuation

The base case assumes that successful 2026 repricing levers effectively normalize medical margins while robust expansion in specialty pharmacy services offsets the PBM margin reset, keeping the company aligned with its long-term 10 to 13 percent earnings growth target.

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| **NOPAT** | **6,338.1** | **3,815.6** | **5,375.8** | **7,087.3** | **8,952.4** |
| (+) D&A | 2,821.7 | 3,038.9 | 3,217.4 | 3,341.0 | 3,486.3 |
| (-) Capex | (1,828.1) | (1,918.8) | (1,918.0) | (2,112.6) | (2,208.8) |
| (-) Change in NWC | 44.8 | 1,552.7 | 519.2 | 500.9 | 476.2 |
| **UFCF** | **7,376.5** | **6,488.4** | **7,194.4** | **8,816.5** | **10,706.0** |
| Dicount Factor | 1.00 | 0.92 | 0.85 | 0.78 | 0.72 |
| **PV of UFCF** | **7,376.5** | **5,976.5** | **6,104.0** | **6,890.1** | **7,706.7** |

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| Cost of Debt | |
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| Calculation of Firm Value | | | |
|---|---|---|---|
| Perpetuity Growth Method | | Exit Multiple Method | |
| Perpetuity Growth Rate | 2.50% | Exit Multiple (EV/EBIT) | 14.95x |
| Terminal Year UFCF | 10,706.0 | Terminal Year EBIT | 10,950.6 |
| WACC | 8.56% | WACC | 8.56% |
| **Terminal Value** | 180,934.2 | **Terminal Value** | 163,723.5 |
| PV of Terminal Value | 130,245.1 | PV of Terminal Value | 117,856.0 |
| Sum of PV of UFCF | 34,053.9 | SUM of PV of UFCF | 34,053.9 |
| **Enterprise Value** | 164,298.9 | **Enterprise Value** | 151,909.9 |
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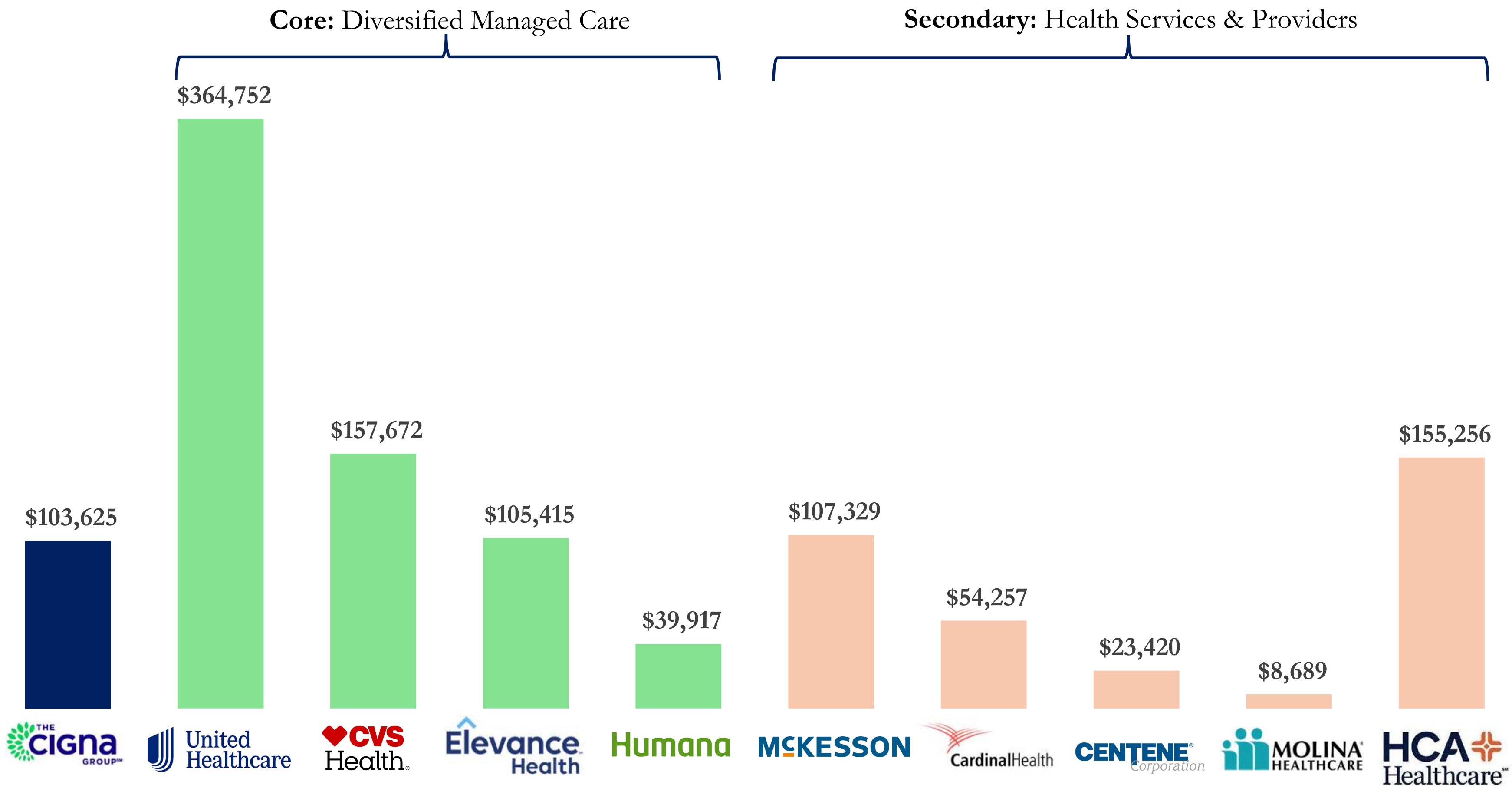
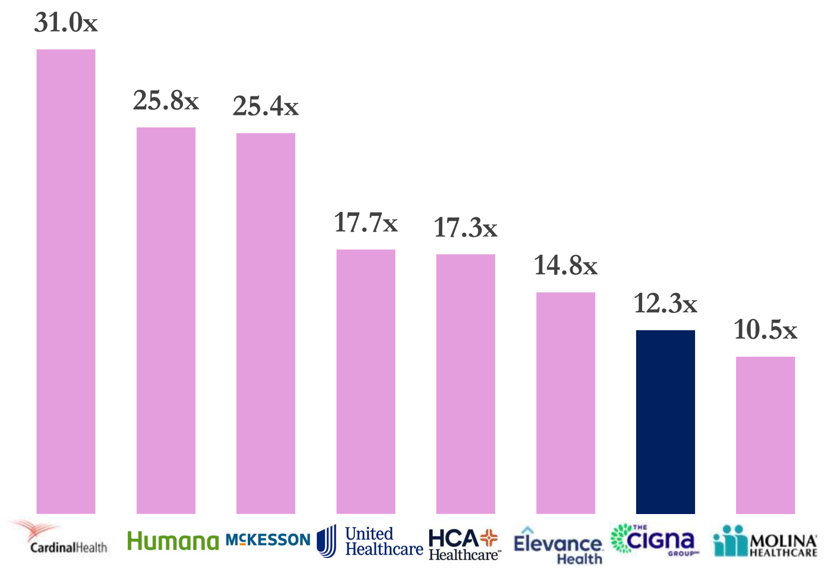
| *% Change* | *67%* | *% Change* | *52%* |
| **Blended Share Price** | | | **445.35** |
| *% Change* | | | *60%* |

# Comps Universe: Enterprise Value

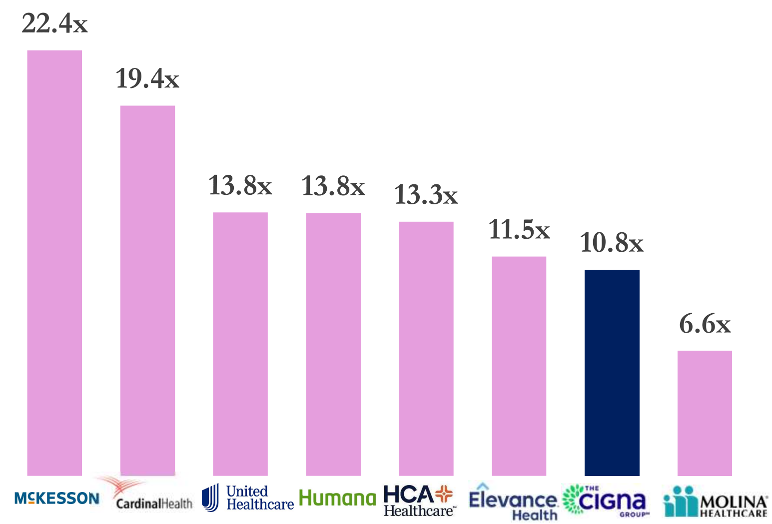


# Valuation Multiples Among Peer Group

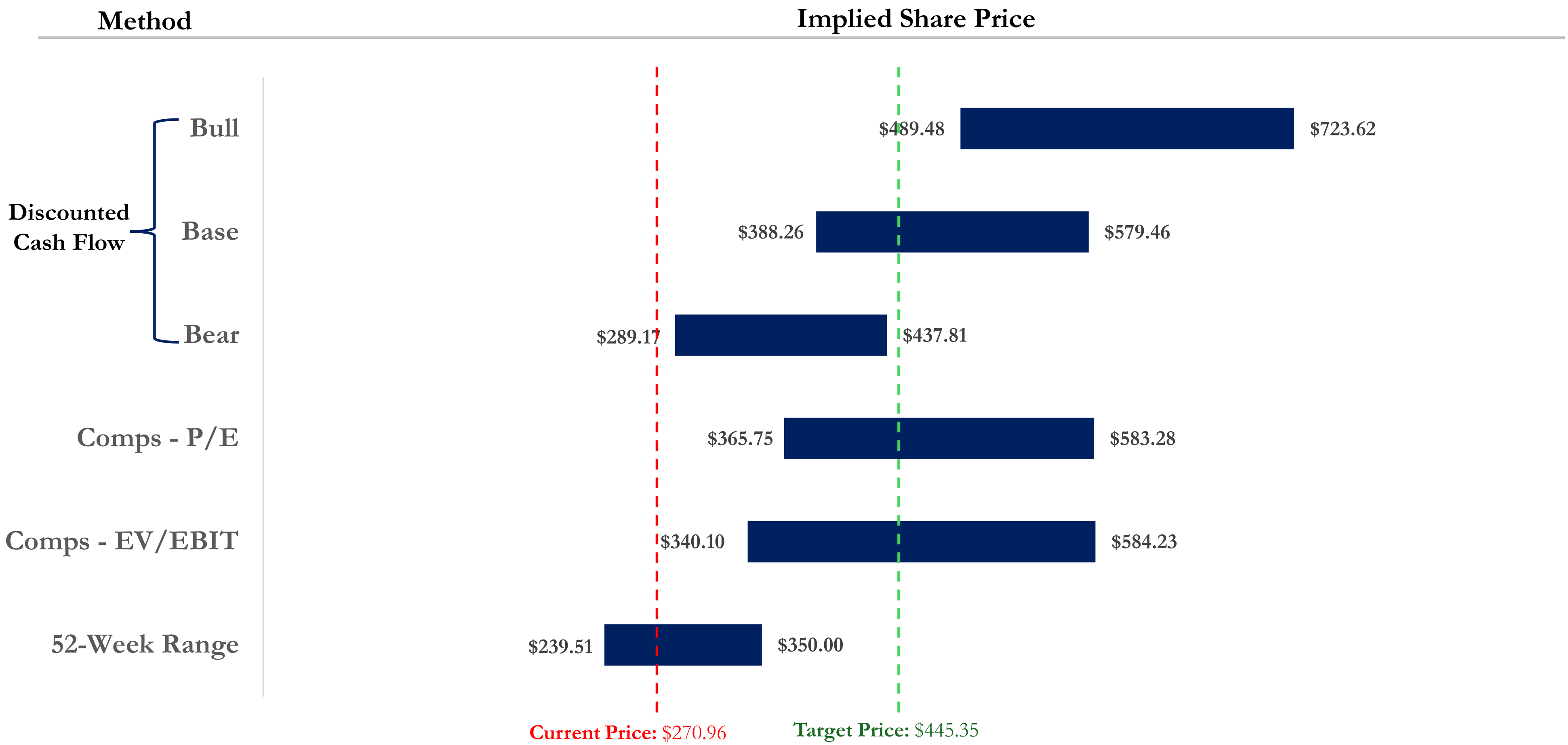
### LTM P/E




### LTM EV/EBIT



# Valuation Football Field



# Risks & Mitigations

| Risks | Mitigations |
|---|---|
| **PBM Pricing Reform Compresses Evernorth Margins**- Structural PBM reform (rebate elimination, transparency mandates, pass-through pricing) could compress Evernorth's margins and reduce reported earnings power, leading to sustained multiple compression. | Evernorth's economics are **not rebate-dependent**; value is increasingly derived from administrative fees, specialty pharmacy scale, utilization management, and cash-flow control. As PBM pricing shifts to transparent fees, weaker PBMs lose economic viability while scaled platforms like Evernorth retain pricing power through integrated services. |
| **Elevated Medical Cost Trend & Stop-Loss Volatility** Higher-than-expected medical utilization and stop-loss claims volatility can pressure near-term margins and create earnings unpredictability, particularly in the commercial employer segment. | Cigna's business mix is structurally insulated: the majority of commercial clients are self-insured (ASO), limiting balance-sheet risk. Integrated care management tools (eviCore, specialty pharmacy controls, prior authorization) directly influence utilization trends, while stop-loss volatility is cyclical rather than structural and historically mean-reverting. |
| **Client Concentration & Contract Repricing Risk** Large enterprise employer and PBM clients represent meaningful revenue concentration; pricing resets or client losses could pressure revenue growth and sentiment. | Client retention is reinforced by operational complexity rather than pricing alone. Evernorth embeds itself across claims administration, specialty pharmacy, utilization management, and data infrastructure, making switching costs operationally inefficient. In a reforming PBM landscape, large employers increasingly prioritize platform stability and execution gurantee over marginal pricing differences. |
| **Regulatory & Political Overhang on U.S. Healthcare** Ongoing political scrutiny of drug pricing, insurers, and PBMs creates headline risk, regulatory uncertainty, and valuation overhang across the managed-care sector. | Cigna has proactively de-risked its regulatory exposure by exiting Medicare Advantage and repositioning toward employer-sponsored and services-based revenue. Evernorth's role as an infrastructure provider aligns with regulatory objectives of cost transparency and utilization control, reducing binary regulatory downside relative to peers with heavier government exposure and dependency. |

# Portfolio Allocation and Hold Recommendation

## Portfolio Allocation

| General Information | | | | | | Unrealized Returns | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Industry | Ticker | Quantity | Mkt Price / Share | Total Value | % Portfolio | Cost Basis | Date of Beginning of Purchase | Hold Time (Years) | Unrealized Return | Annualized Return |
| CASH | Cash | -- | -- | 35205.63 | 9.18% | -- | -- | -- | -- | -- |
| FUND | SNSXX | 35000 | $1.00 | $35,000 | 9.13% | $35,000 | 2/13/23 | 2.90 | 0.00% | 3% |
| AS | AER | 517 | $145.76 | $75,358 | 19.65% | $14,336 | 10/27/20 | 5.20 | 425.64% | 38% |
| TECH | GOOG | 240 | $327.73 | $78,655 | 20.51% | $13,012 | 1/3/18 | 8.02 | 504.48% | 25% |
| TECH | ADBE | 23 | $340.24 | $7,826 | 2.04% | $9,967 | 3/8/22 | 3.84 | -21.49% | -6% |
| VG | TTWO | 45 | $254.60 | $11,457 | 2.99% | $7,891 | 2/7/22 | 3.92 | 45.18% | 10% |
| FUND | SPY | 68 | $689.56 | $46,890 | 12.23% | $17,346 | 3/12/20 | 5.83 | 170.31% | 19% |
| FIN | NU | 1450 | $17.54 | $25,433 | 6.63% | $6,373 | 10/27/22 | 3.20 | 299.09% | 54% |
| CR | DIS | 100 | $114.13 | $11,413 | 2.98% | $9,991 | 4/24/23 | 2.71 | 14.24% | 5% |
| FUND | IBIT | 442 | $51.64 | $22,825 | 5.95% | $14,440 | 2/27/24 | 1.87 | 58.07% | 28% |
| CR | LKNCY | 450 | $34.00 | $15,300 | 3.99% | $12,989 | 2/24/25 | 0.87 | 17.79% | 21% |
| TECH | PANW | 96 | $189.14 | $18,157 | 4.73% | $18,301 | 2/24/25 | 0.87 | -0.79% | -1% |

| | |
|---|---|
| Total | $383,520 |
| Cash | $35,206 |
| Cash + SPY + SNSXX to Spend | $117,096 |

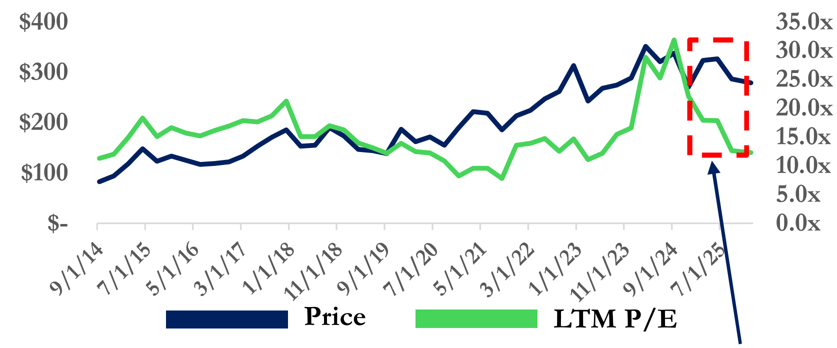
Given our portfolio's existing concentration in mega-cap tech and growth stocks, Cigna would be a much-needed diversification as the first healthcare stock in the portfolio for this year.

The portfolio's holdings in the Schwab U.S. Treasury Money Fund and in cash are failing to keep ace with the broader market/inflation.

A larger holding in Cigna would offset the volatility of some of the portfolio's smaller more aggressive holdings like IBIT and NU by adding an asset with much lower risk profile that already generates massive fee-based cash flow currently.

**I recommend around a 10% portfolio allocation towards Cigna (CI), or 142 shares at current market price (Cost basis of $38,352) purchased with a combination liquidated holdings in SNSXX and existing cash**

## Holding Period




The compression of Cigna's last twelve-month P/E ratio reflects heightened regulatory and concerns about its PBM business rather than proportional deterioration in earnings power.

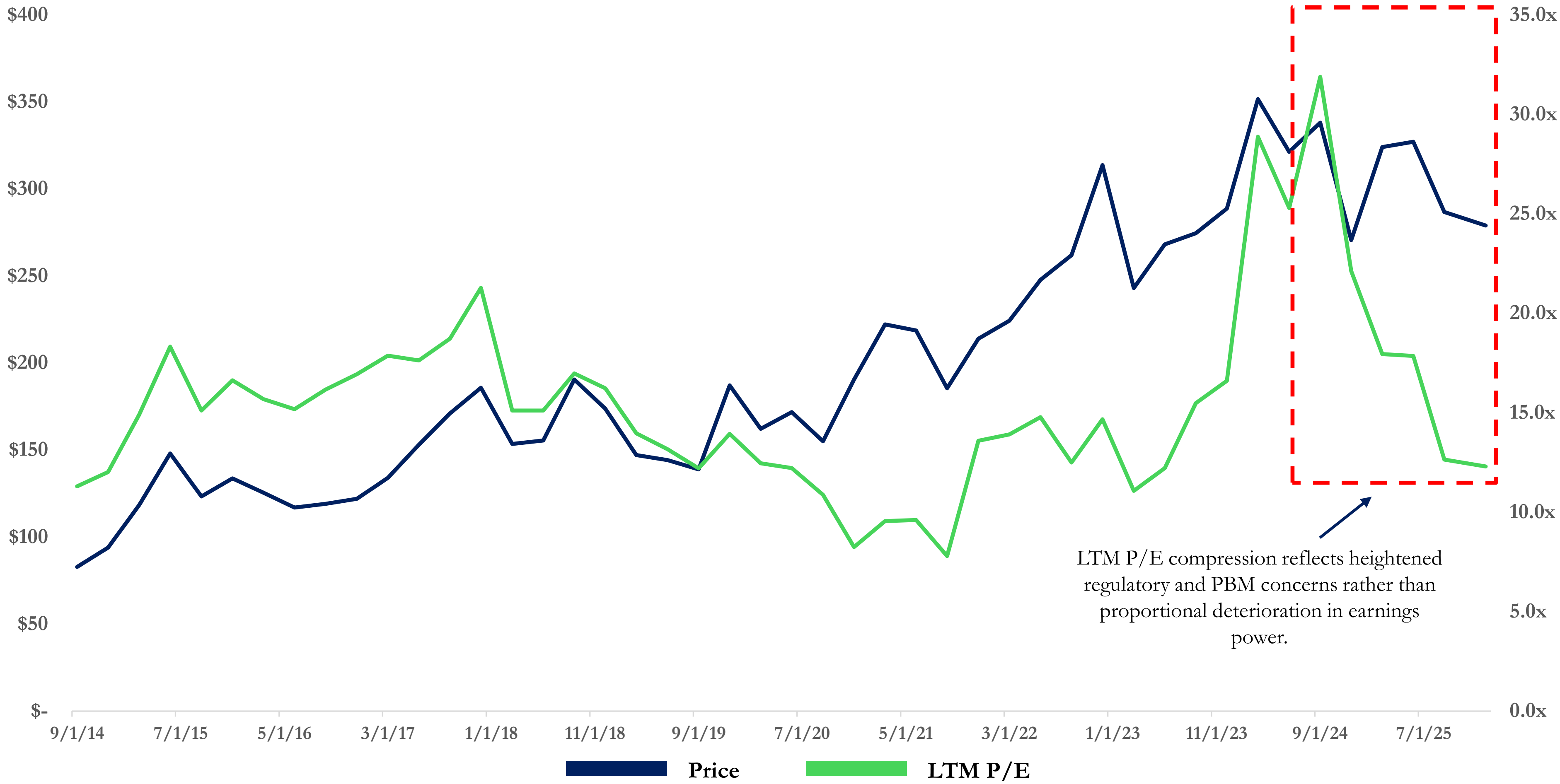
This position should be reassessed if Evernorth operating margin declines **>300–400 bps** from 2024 baseline and/or PBM revenue grows but operating income falls. These conditions would indicate margin compression from the new PBM models and point towards our bear case valuation.

Multiples expansion from Cigna's shift away from Medicare Advantage is likely to be seen around 2027 after margin stability is proved and later

**We Recommend a 3-5 year holding period to take advantage of the current transitionary window before the market re-rates to the multiples of pure-play service providers like McKesson.**

# Appendix

# Historic Valuations



# Comparable Companies Analysis

**Comparable Companies Analysis (as of 1/7/26)**

| Company | Ticker | Share Price | FDSO | Equity Value | Net Debt | Enterprise Value | LTM Revenue | LTM EBIT | LTM Diluted Net Income | EPS | P/E | EV/EBIT | EV/Revenue |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The Cigna Group | CI | $ 279.12 | 270.1 | 75,401.5 | 28,224.0 | 103,625.5 | 268,221.0 | 9,567.0 | 6,147.0 | $ 22.75 | 12.3x | 10.8x | 0.4x |
| UnitedHealth Group | UNH | $ 341.70 | 909.8 | 310,892.3 | 53,860.0 | 364,752.3 | 435,159.0 | 26,357.0 | 17,589.0 | $ 19.33 | 17.7x | 13.8x | 0.8x |
| CVS Health | CVS | $ 79.79 | 1,290.2 | 102,943.5 | 54,729.0 | 157,672.5 | 393,940.0 | 12,560.0 | 470.0 | $ 0.36 | NM | 12.6x | 0.4x |
| Elevance Health | ELV | $ 366.69 | 223.3 | 81,896.5 | 23,518.0 | 105,414.5 | 194,820.0 | 9,150.0 | 5,530.0 | $ 24.76 | 14.8x | 11.5x | 0.5x |
| Humana | HUM | $ 275.06 | 121.1 | 33,320.8 | 6,596.0 | 39,916.8 | 126,360.0 | 2,890.0 | 1,290.0 | $ 10.65 | 25.8x | 13.8x | 0.3x |
| Centene Corporation | CNC | $ 45.77 | 497.9 | 22,787.5 | 632.0 | 23,419.5 | 185,860.0 | 1,110.0 | (5,290.0) | $ (10.63) | NM | 21.1x | 0.1x |
| Molina Healthcare | MOH | $ 176.38 | 52.4 | 9,245.8 | (557.0) | 8,688.8 | 44,550.0 | 1,320.0 | 880.0 | $ 16.79 | 10.5x | 6.6x | 0.2x |
| Mckesson Corp | MCK | $ 823.95 | 124.4 | 102,507.6 | 4,821.0 | 107,328.6 | 387,090.0 | 4,800.0 | 4,030.0 | $ 32.39 | 25.4x | 22.4x | 0.3x |
| Cardnial Health | CAH | $ 207.19 | 239.7 | 49,669.7 | 4,587.0 | 54,256.7 | 234,310.0 | 2,790.0 | 1,600.0 | $ 6.67 | 31.0x | 19.4x | 0.2x |
| HCA Healthcare | HCA | $ 470.65 | 233.7 | 109,990.9 | 45,265.0 | 155,255.9 | 74,372.0 | 11,633.0 | 6,344.0 | $ 27.15 | 17.3x | 13.3x | 2.1x |
| | | | | | | | | | **Max** | $ 32.39 | 31.0x | 22.4x | 2.1x |
| | | | | | | | | | **75th Percentile** | $ 24.76 | 25.6x | 19.4x | 0.5x |
| | | | | | | | | | **Median** | $ 16.79 | 17.7x | 13.8x | 0.3x |
| | | | | | | | | | **Mean** | $ 14.16 | 20.4x | 15.0x | 0.6x |
| | | | | | | | | | **25th Percentile** | $ 6.67 | 16.1x | 12.6x | 0.2x |
| | | | | | | | | | **Min** | $ (10.63) | 10.5x | 6.6x | 0.1x |

| Cigna Valuation (25th Percentile) | P/E | EV/EBIT |
|---|---|---|
| Implied Enterprise Value | | 120,099.72 |
| Net Debt | | 28,224.0 |
| Implied Market Value | 98,804.68 | 91,875.72 |
| Fully Diluted Shares Outstanding | 270.1 | 270.1 |
| Implied Share Price | $ 365.75 | $ 340.10 |

| Cigna Valuation (Mean) | P/E | EV/EBIT |
|---|---|---|
| Implied Enterprise Value | | 143,036.68 |
| Net Debt | | 28,224.0 |
| Implied Market Value | 125,257.45 | 114,812.68 |
| Fully Diluted Shares Outstanding | 270.1 | 270.1 |
| Implied Share Price | $ 463.68 | $ 425.01 |

| Cigna Valuation (Median) | P/E | EV/EBIT |
|---|---|---|
| Implied Enterprise Value | | 132,139.70 |
| Net Debt | | 28,224.0 |
| Implied Market Value | 108,650.59 | 103,915.70 |
| Fully Diluted Shares Outstanding | 270.1 | 270.1 |
| Implied Share Price | $ 402.20 | $ 384.67 |

| Cigna Valuation (75th Percentile) | P/E | EV/EBIT |
|---|---|---|
| Implied Enterprise Value | | 186,047.83 |
| Net Debt | | 28,224.0 |
| Implied Market Value | 157,566.63 | 157,823.83 |
| Fully Diluted Shares Outstanding | 270.1 | 270.1 |
| Implied Share Price | $ 583.28 | $ 584.23 |

| Implied Share Price Range | Min | Mean | Max |
|---|---|---|---|
| Implied Share Price | $ 340.10 | $ 443.62 | $ 584.23 |
| *% Change* | 21.85% | 58.93% | 109.31% |

## Commentary

- Cigna trades at a significant discount compared to its peer group, with a P/E multiple of **12.3x**, as opposed to its peer group average multiple of **20.4x**
    - This is largely due to management indicating that its PBM segment will face margin pressure in 2026, but our intrinsic valuation models highlight that this has been priced in while a multiples increase to the services peer group (Mckesson, IQVIA) justified by the Evernorth shift has not.
- Using the **average P/E** multiple of its peer group, Cigna's implied price per share comes out to **$463.68**, representing a **66.1% upside**
- On the other hand, using the **average EV/EBIT** multiple yields us an implied price per share of **$425.01**, representing a **52.3% upside**

# Bull Case Valuation

The bull case assumes that surging volume in specialty pharmacy and GLP-1 therapies drives double-digit earnings growth, while successful medical margin normalization triggers a significant market re-rating toward historical multiples.

**Cigna Discounted Cash Flow Analysis ($M)**

| Year | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|
| Pharmacy revenues | 194,630.1 | 204,361.6 | 214,579.7 | 225,308.7 | 236,574.1 |
| Premiums | 49,400.1 | 53,056.0 | 56,982.6 | 61,199.8 | 65,729.0 |
| Fees and other revenues | 17,243.4 | 19,604.3 | 21,720.4 | 23,435.7 | 24,607.5 |
| Net investment income | 897.1 | 827.1 | 762.6 | 703.1 | 648.3 |
| **Total revenues** | **262,170.7** | **277,849.1** | **294,045.3** | **310,647.3** | **327,558.9** |
| (-) Benefits & Expenses | 254,529.2 | 272,567.1 | 286,053.7 | 299,675.9 | 313,332.7 |
| **EBIT** | **7,641.5** | **5,282.0** | **7,991.6** | **10,971.4** | **14,226.2** |
| *EBIT Margin* | *2.9%* | *1.9%* | *2.7%* | *3.5%* | *4.3%* |
| (-) Income Taxes | 1,303.4 | 807.9 | 1,376.9 | 2,002.6 | 2,686.2 |
| **NOPAT** | **6,338.1** | **4,474.1** | **6,614.7** | **8,968.7** | **11,540.1** |
| (+) D&A | 2,821.7 | 3,038.9 | 3,217.4 | 3,341.0 | 3,486.3 |
| (-) Capex | (1,828.1) | (1,918.8) | (1,918.0) | (2,112.6) | (2,208.8) |
| (-) Change in NWC | 44.8 | 1,381.6 | 368.4 | 333.8 | 292.6 |
| **UFCF** | **7,376.5** | **6,975.8** | **8,282.5** | **10,531.0** | **13,110.2** |
| Dicount Factor | 1.00 | 0.92 | 0.85 | 0.78 | 0.72 |
| **PV of UFCF** | **7,376.5** | **6,425.4** | **7,027.2** | **8,230.0** | **9,437.3** |

| Total Capitalization | |
|---|---|
| Share Price (as of 1/7/2026 closing) | $ 279.12 |
| Fully Diluted Shares Outstanding | 283.2 |
| **Market Capitalization** | **$ 79,051.8** |
| Total Debt | $ 31,972.0 |
| **Total Capitalization** | **$111,023.8** |

| Cost of Equity | |
|---|---|
| Risk Free Rate | 4.05% |
| Beta | 1.1 |
| Expected Market Return | 10.00% |
| **Cost of Equity** | **10.60%** |

| WACC | |
|---|---|
| Debt-To-Total Capitalization | 28.80% |
| Cost of Equity | 10.60% |
| After-Tax Cost of Debt | 3.55% |
| **WACC** | **8.56%** |

| Cost of Debt | |
|---|---|
| Cost of Debt | 4.49% |
| Tax Rate | 21.00% |
| **After-Tax Cost of Debt** | **3.55%** |

| Calculation of Firm Value | | | |
|---|---|---|---|
| Perpetuity Growth Method | | Exit Multiple Method | |
| Perpetuity Growth Rate | 2.50% | Exit Multiple (EV/EBIT) | 14.95x |
| Terminal Year UFCF | 13,110.2 | Terminal Year EBIT | 14,226.2 |
| WACC | 8.56% | WACC | 8.56% |
| **Terminal Value** | 221,565.1 | **Terminal Value** | 212,697.0 |
| PV of Terminal Value | 159,493.1 | PV of Terminal Value | 153,109.5 |
| Sum of PV of UFCF | 38,496.4 | SUM of PV of UFCF | 38,496.4 |
| **Enterprise Value** | 197,989.5 | **Enterprise Value** | 191,605.9 |
| Equity Bridge | | Equity Bridge | |
| Implied Enterprise Value | 197,989.5 | Implied Enterprise Value | 191,605.9 |
| Less: Net Debt | (31,972.0) | Less: Net Debt | (31,972.0) |
| **Equity Value** | 166,017.5 | **Equity Value** | 159,633.9 |
| FDSO | 283.2 | FDSO | 283.2 |
| **Implied Share Price** | $ 586.18 | **Implied Share Price** | $ 563.64 |
| *% Change* | *110%* | *% Change* | *102%* |
| **Blended Share Price** | | | **574.91** |
| *% Change* | | | *106%* |

## Sensitivity Analysis

### Perpetuity Growth Method

**Base**

Perpetuity Growth Method

| WACC | 2.00% | 2.25% | 2.50% | 2.75% | 3.00% |
|---|---|---|---|---|---|
| 6.56% | $ 663.14 | $ 702.88 | $ 747.51 | $ 798.01 | $ 855.59 |
| 7.56% | $ 525.47 | $ 551.19 | $ 579.46 | $ 610.66 | $ 645.29 |
| 8.56% | $ 430.13 | $ 447.94 | **$ 467.23** | $ 488.17 | $ 510.99 |
| 9.56% | $ 361.33 | $ 374.33 | $ 388.26 | $ 403.20 | $ 419.29 |
| 10.56% | $ 308.82 | $ 318.65 | $ 329.09 | $ 340.20 | $ 352.04 |

**Bull**

Perpetuity Growth Method

| WACC | 2.00% | 2.25% | 2.50% | 2.75% | 3.00% |
|---|---|---|---|---|---|
| 6.56% | $ 826.09 | $ 874.76 | $ 929.41 | $ 991.24 | $1,061.76 |
| 7.56% | $ 657.50 | $ 689.00 | $ 723.62 | $ 761.83 | $ 804.23 |
| 8.56% | $ 540.75 | $ 562.57 | **$ 586.18** | $ 611.83 | $ 639.77 |
| 9.56% | $ 456.51 | $ 472.43 | $ 489.48 | $ 507.78 | $ 527.48 |
| 10.56% | $ 392.20 | $ 404.24 | $ 417.03 | $ 430.63 | $ 445.13 |

**Bear**

Perpetuity Growth Method

| WACC | 2.00% | 2.25% | 2.50% | 2.75% | 3.00% |
|---|---|---|---|---|---|
| 6.56% | $ 502.87 | $ 533.76 | $ 568.46 | $ 607.71 | $ 652.48 |
| 7.56% | $ 395.84 | $ 415.84 | $ 437.81 | $ 462.07 | $ 488.99 |
| 8.56% | $ 321.72 | $ 335.57 | **$ 350.56** | $ 366.84 | $ 384.58 |
| 9.56% | $ 268.23 | $ 278.34 | $ 289.17 | $ 300.78 | $ 313.29 |
| 10.56% | $ 227.41 | $ 235.05 | $ 243.17 | $ 251.80 | $ 261.01 |

### Exit Multiples Method

**Base**

Exit Multiple Method

| WACC | 12.95x | 13.95x | 14.95x | 15.95x | 16.95x |
|---|---|---|---|---|---|
| 6.56% | $ 395.69 | $ 425.68 | $ 455.70 | $ 485.65 | $ 515.64 |
| 7.56% | $ 381.45 | $ 410.34 | $ 439.25 | $ 468.11 | $ 497.00 |
| 8.56% | $ 367.79 | $ 395.62 | **$ 423.48** | $ 451.29 | $ 479.12 |
| 9.56% | $ 354.87 | $ 381.71 | $ 408.57 | $ 435.38 | $ 462.21 |
| 10.56% | $ 342.47 | $ 368.35 | $ 394.25 | $ 420.10 | $ 445.98 |

**Bull**

Exit Multiple Method

| WACC | 12.95x | 13.95x | 14.95x | 15.95x | 16.95x |
|---|---|---|---|---|---|
| 6.56% | $ 527.54 | $ 566.49 | $ 605.49 | $ 644.41 | $ 683.37 |
| 7.56% | $ 509.04 | $ 546.56 | $ 584.13 | $ 621.62 | $ 659.15 |
| 8.56% | $ 491.29 | $ 527.45 | **$ 563.64** | $ 599.76 | $ 635.92 |
| 9.56% | $ 474.51 | $ 509.37 | $ 544.27 | $ 579.10 | $ 613.96 |
| 10.56% | $ 458.39 | $ 492.01 | $ 525.67 | $ 559.25 | $ 592.87 |

**Bear**

Exit Multiple Method

| WACC | 12.95x | 13.95x | 14.95x | 15.95x | 16.95x |
|---|---|---|---|---|---|
| 6.56% | $ 265.22 | $ 286.24 | $ 307.27 | $ 328.27 | $ 349.29 |
| 7.56% | $ 255.24 | $ 275.48 | $ 295.75 | $ 315.98 | $ 336.22 |
| 8.56% | $ 245.66 | $ 265.17 | **$ 284.70** | $ 304.18 | $ 323.69 |
| 9.56% | $ 236.61 | $ 255.42 | $ 274.25 | $ 293.03 | $ 311.84 |
| 10.56% | $ 227.92 | $ 246.05 | $ 264.21 | $ 282.33 | $ 300.46 |

# Income Statement – Base Case

**Cigna Income Statement ($M)**

| Year | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|
| Pharmacy revenues | 128,566.0 | 137,243.0 | 185,362.0 | 194,630.1 | 204,361.6 | 214,579.7 | 225,308.7 | 236,574.1 |
| Premiums | 39,916.0 | 44,237.0 | 45,996.0 | 49,400.1 | 53,056.0 | 56,982.6 | 61,199.8 | 65,729.0 |
| Fees and other revenues | 10,881.0 | 12,619.0 | 14,790.0 | 17,243.4 | 19,604.3 | 21,720.4 | 23,435.7 | 24,607.5 |
| Net investment income | 1,155.0 | 1,166.0 | 973.0 | 897.1 | 827.1 | 762.6 | 703.1 | 648.3 |
| **Total revenues** | **180,518.0** | **195,265.0** | **247,121.0** | **262,170.7** | **277,849.1** | **294,045.3** | **310,647.3** | **327,558.9** |
| Pharmacy and other service costs | 124,834.0 | 133,801.0 | 182,509.0 | 190,073.8 | 205,052.6 | 215,241.2 | 225,529.9 | 235,842.4 |
| Medical costs and other benefit expenses | 32,184.0 | 36,387.0 | 38,648.0 | 44,928.2 | 47,615.0 | 50,390.5 | 53,235.6 | 56,133.7 |
| Selling, general and administrative expenses | 13,174.0 | 14,822.0 | 14,844.0 | 17,824.3 | 19,030.0 | 20,287.3 | 21,589.0 | 22,929.1 |
| Amortization of acquired intangible assets | 1,876.0 | 1,819.0 | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 |
| **Total benefits and expenses** | **172,068.0** | **186,829.0** | **237,704.0** | **254,529.2** | **273,400.6** | **287,622.0** | **302,057.5** | **316,608.3** |
| **Operating Income** | **8,450.0** | **8,436.0** | **9,417.0** | **7,641.5** | **4,448.5** | **6,423.4** | **8,589.8** | **10,950.6** |
| *Operating Margin* | *4.7%* | *4.3%* | *3.8%* | *2.9%* | *1.6%* | *2.2%* | *2.8%* | *3.3%* |
| Interest expense and other | (1,228.0) | (1,446.0) | (1,435.0) | (1,435.0) | (1,435.0) | (1,435.0) | (1,435.0) | (1,435.0) |
| Net gain (loss) on sale of businesses | 1,662.0 | (1,499.0) | 24.0 | - | - | - | - | - |
| Net investment losses | (487.0) | (78.0) | (2,737.0) | - | - | - | - | - |
| **Income before income taxes** | **8,397.0** | **5,413.0** | **5,269.0** | **6,206.5** | **3,013.5** | **4,988.4** | **7,154.8** | **9,515.6** |
| Income taxes | 1,615.0 | 141.0 | 1,491.0 | 1,303.4 | 632.8 | 1,047.6 | 1,502.5 | 1,998.3 |
| **Net income** | **6,782.0** | **5,272.0** | **3,778.0** | **4,903.1** | **2,380.6** | **3,940.8** | **5,652.3** | **7,517.4** |
| *Net Profit Margin* | *3.8%* | *2.7%* | *1.5%* | *1.9%* | *0.9%* | *1.3%* | *1.8%* | *2.3%* |
| Weighted Average Shares Outstanding | 313.1 | 296.9 | 283.2 | 280.4 | 277.6 | 274.8 | 272.1 | 269.3 |
| **Earnings per share** | **$ 21.66** | **$ 17.76** | **$ 13.34** | **$ 17.49** | **$ 8.58** | **$ 14.34** | **$ 20.78** | **$ 27.91** |

**Income Statement Assumptions ($M)**

| Year | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|
| Revenue Growth %: | -- | 8.2% | 26.6% | 6.1% | 6.0% | 5.8% | 5.6% | 5.4% |
| Pharmacy revenues | -- | 6.7% | 35.1% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Premiums | -- | 10.8% | 4.0% | 7.4% | 7.4% | 7.4% | 7.4% | 7.4% |
| Fees and other revenues | -- | 16.0% | 17.2% | 16.6% | 13.7% | 10.8% | 7.9% | 5.0% |
| Net investment income | -- | 1.0% | -16.6% | -7.8% | -7.8% | -7.8% | -7.8% | -7.8% |
| Pharmacy and other service costs (% Rev) | 69.2% | 68.5% | 73.9% | 72.5% | 73.8% | 73.2% | 72.6% | 72.0% |
| Medical costs and other benefit expenses (% Rev) | 17.8% | 18.6% | 15.6% | 17.1% | 17.1% | 17.1% | 17.1% | 17.1% |
| Selling, general and administrative expenses (% Rev) | 7.3% | 7.6% | 6.0% | 6.8% | 6.8% | 6.9% | 6.9% | 7.0% |
| Tax Rate | 19.2% | 2.6% | 28.3% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% |

# Income Statement – Bull Case

**Cigna Income Statement ($M)**

| Year | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|
| Pharmacy revenues | 128,566.0 | 137,243.0 | 185,362.0 | 194,630.1 | 204,361.6 | 214,579.7 | 225,308.7 | 236,574.1 |
| Premiums | 39,916.0 | 44,237.0 | 45,996.0 | 49,400.1 | 53,056.0 | 56,982.6 | 61,199.8 | 65,729.0 |
| Fees and other revenues | 10,881.0 | 12,619.0 | 14,790.0 | 17,243.4 | 19,604.3 | 21,720.4 | 23,435.7 | 24,607.5 |
| Net investment income | 1,155.0 | 1,166.0 | 973.0 | 897.1 | 827.1 | 762.6 | 703.1 | 648.3 |
| **Total revenues** | **180,518.0** | **195,265.0** | **247,121.0** | **262,170.7** | **277,849.1** | **294,045.3** | **310,647.3** | **327,558.9** |
| Pharmacy and other service costs | 124,834.0 | 133,801.0 | 182,509.0 | 190,073.8 | 204,219.1 | 213,673.0 | 223,148.3 | 232,566.8 |
| Medical costs and other benefit expenses | 32,184.0 | 36,387.0 | 38,648.0 | 44,928.2 | 47,615.0 | 50,390.5 | 53,235.6 | 56,133.7 |
| Selling, general and administrative expenses | 13,174.0 | 14,822.0 | 14,844.0 | 17,824.3 | 19,030.0 | 20,287.3 | 21,589.0 | 22,929.1 |
| Amortization of acquired intangible assets | 1,876.0 | 1,819.0 | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 |
| **Total benefits and expenses** | **172,068.0** | **186,829.0** | **237,704.0** | **254,529.2** | **272,567.1** | **286,053.7** | **299,675.9** | **313,332.7** |
| **Operating Income** | **8,450.0** | **8,436.0** | **9,417.0** | **7,641.5** | **5,282.0** | **7,991.6** | **10,971.4** | **14,226.2** |
| *Operating Margin* | *4.7%* | *4.3%* | *3.8%* | *2.9%* | *1.9%* | *2.7%* | *3.5%* | *4.3%* |
| Interest expense and other | (1,228.0) | (1,446.0) | (1,435.0) | (1,435.0) | (1,435.0) | (1,435.0) | (1,435.0) | (1,435.0) |
| Net gain (loss) on sale of businesses | 1,662.0 | (1,499.0) | 24.0 | - | - | - | - | - |
| Net investment losses | (487.0) | (78.0) | (2,737.0) | - | - | - | - | - |
| **Income before income taxes** | **8,397.0** | **5,413.0** | **5,269.0** | **6,206.5** | **3,847.0** | **6,556.6** | **9,536.4** | **12,791.2** |
| Income taxes | 1,615.0 | 141.0 | 1,491.0 | 1,303.4 | 807.9 | 1,376.9 | 2,002.6 | 2,686.2 |
| **Net income** | **6,782.0** | **5,272.0** | **3,778.0** | **4,903.1** | **3,039.1** | **5,179.7** | **7,533.7** | **10,105.1** |
| *Net Profit Margin* | *3.8%* | *2.7%* | *1.5%* | *1.9%* | *1.1%* | *1.8%* | *2.4%* | *3.1%* |
| Weighted Average Shares Outstanding | 313.1 | 296.9 | 283.2 | 280.4 | 277.6 | 274.8 | 272.1 | 269.3 |
| **Earnings per share** | **$ 21.66** | **$ 17.76** | **$ 13.34** | **$ 17.49** | **$ 10.95** | **$ 18.85** | **$ 27.69** | **$ 37.52** |

**Income Statement Assumptions ($M)**

| Year | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|
| Revenue Growth %: | -- | 8.2% | 26.6% | 6.1% | 6.0% | 5.8% | 5.6% | 5.4% |
| Pharmacy revenues | -- | 6.7% | 35.1% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Premiums | -- | 10.8% | 4.0% | 7.4% | 7.4% | 7.4% | 7.4% | 7.4% |
| Fees and other revenues | -- | 16.0% | 17.2% | 16.6% | 13.7% | 10.8% | 7.9% | 5.0% |
| Net investment income | -- | 1.0% | -16.6% | -7.8% | -7.8% | -7.8% | -7.8% | -7.8% |
| Pharmacy and other service costs (% Rev) | 69.2% | 68.5% | 73.9% | 72.5% | 73.5% | 72.7% | 71.8% | 71.0% |
| Medical costs and other benefit expenses (% Rev) | 17.8% | 18.6% | 15.6% | 17.1% | 17.1% | 17.1% | 17.1% | 17.1% |
| Selling, general and administrative expenses (% Rev) | 7.3% | 7.6% | 6.0% | 6.8% | 6.8% | 6.9% | 6.9% | 7.0% |
| Tax Rate | 19.2% | 2.6% | 28.3% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% |

# Income Statement – Bear Case

**Cigna Income Statement ($M)**

| Year | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|
| Pharmacy revenues | 128,566.0 | 137,243.0 | 185,362.0 | 194,630.1 | 204,361.6 | 214,579.7 | 225,308.7 | 236,574.1 |
| Premiums | 39,916.0 | 44,237.0 | 45,996.0 | 49,400.1 | 53,056.0 | 56,982.6 | 61,199.8 | 65,729.0 |
| Fees and other revenues | 10,881.0 | 12,619.0 | 14,790.0 | 17,243.4 | 19,604.3 | 21,720.4 | 23,435.7 | 24,607.5 |
| Net investment income | 1,155.0 | 1,166.0 | 973.0 | 897.1 | 827.1 | 762.6 | 703.1 | 648.3 |
| **Total revenues** | **180,518.0** | **195,265.0** | **247,121.0** | **262,170.7** | **277,849.1** | **294,045.3** | **310,647.3** | **327,558.9** |
| Pharmacy and other service costs | 124,834.0 | 133,801.0 | 182,509.0 | 190,073.8 | 205,608.3 | 216,613.4 | 227,808.0 | 239,118.0 |
| Medical costs and other benefit expenses | 32,184.0 | 36,387.0 | 38,648.0 | 44,928.2 | 47,615.0 | 50,390.5 | 53,235.6 | 56,133.7 |
| Selling, general and administrative expenses | 13,174.0 | 14,822.0 | 14,844.0 | 17,824.3 | 19,030.0 | 20,287.3 | 21,589.0 | 22,929.1 |
| Amortization of acquired intangible assets | 1,876.0 | 1,819.0 | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 |
| **Total benefits and expenses** | **172,068.0** | **186,829.0** | **237,704.0** | **254,529.2** | **273,956.3** | **288,994.2** | **304,335.6** | **319,883.9** |
| **Operating Income** | **8,450.0** | **8,436.0** | **9,417.0** | **7,641.5** | **3,892.8** | **5,051.1** | **6,311.7** | **7,675.0** |
| *Operating Margin* | *4.7%* | *4.3%* | *3.8%* | *2.9%* | *1.4%* | *1.7%* | *2.0%* | *2.3%* |
| Interest expense and other | (1,228.0) | (1,446.0) | (1,435.0) | (1,435.0) | (1,435.0) | (1,435.0) | (1,435.0) | (1,435.0) |
| Net gain (loss) on sale of businesses | 1,662.0 | (1,499.0) | 24.0 | - | - | - | - | - |
| Net investment losses | (487.0) | (78.0) | (2,737.0) | - | - | - | - | - |
| **Income before income taxes** | **8,397.0** | **5,413.0** | **5,269.0** | **6,206.5** | **2,457.8** | **3,616.1** | **4,876.7** | **6,240.0** |
| Income taxes | 1,615.0 | 141.0 | 1,491.0 | 1,303.4 | 516.1 | 759.4 | 1,024.1 | 1,310.4 |
| **Net income** | **6,782.0** | **5,272.0** | **3,778.0** | **4,903.1** | **1,941.6** | **2,856.8** | **3,852.6** | **4,929.6** |
| *Net Profit Margin* | *3.8%* | *2.7%* | *1.5%* | *1.9%* | *0.7%* | *1.0%* | *1.2%* | *1.5%* |
| Weighted Average Shares Outstanding | 313.1 | 296.9 | 283.2 | 280.4 | 277.6 | 274.8 | 272.1 | 269.3 |
| **Earnings per share** | **$ 21.66** | **$ 17.76** | **$ 13.34** | **$ 17.49** | **$ 6.99** | **$ 10.40** | **$ 14.16** | **$ 18.30** |

**Income Statement Assumptions ($M)**

| Year | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|
| Revenue Growth %: | -- | 8.2% | 26.6% | 6.1% | 6.0% | 5.8% | 5.6% | 5.4% |
| Pharmacy revenues | -- | 6.7% | 35.1% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Premiums | -- | 10.8% | 4.0% | 7.4% | 7.4% | 7.4% | 7.4% | 7.4% |
| Fees and other revenues | -- | 16.0% | 17.2% | 16.6% | 13.7% | 10.8% | 7.9% | 5.0% |
| Net investment income | -- | 1.0% | -16.6% | -7.8% | -7.8% | -7.8% | -7.8% | -7.8% |
| Pharmacy and other service costs (% Rev) | 69.2% | 68.5% | 73.9% | 72.5% | 74.0% | 73.7% | 73.3% | 73.0% |
| Medical costs and other benefit expenses (% Rev) | 17.8% | 18.6% | 15.6% | 17.1% | 17.1% | 17.1% | 17.1% | 17.1% |
| Selling, general and administrative expenses (% Rev) | 7.3% | 7.6% | 6.0% | 6.8% | 6.8% | 6.9% | 6.9% | 7.0% |
| Tax Rate | 19.2% | 2.6% | 28.3% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% |

# Balance Sheet - Base

Cigna Balance Sheet ($M)

| Year | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | |
| Cash and cash equivalents | 5,924.0 | 7,822.0 | 7,550.0 | 8,459.7 | 12,637.8 | 10,261.6 | 13,418.3 | 14,417.8 |
| Investments | 905.0 | 925.0 | 665.0 | 665.0 | 665.0 | 665.0 | 665.0 | 665.0 |
| Accounts receivable | 17,218.0 | 17,722.0 | 24,227.0 | 27,763.6 | 29,423.9 | 31,139.1 | 32,897.2 | 34,688.1 |
| Inventories | 4,777.0 | 5,645.0 | 6,692.0 | 7,494.2 | 8,084.8 | 8,486.6 | 8,892.2 | 9,298.8 |
| Other current assets | 1,298.0 | 2,169.0 | 2,732.0 | 2,820.6 | 3,029.7 | 3,187.3 | 3,347.3 | 3,508.5 |
| Assets of businesses held for sale | - | 3,068.0 | 7,004.0 | 7,004.0 | 7,004.0 | 7,004.0 | 7,004.0 | 7,004.0 |
| **Total current assets** | **30,122.0** | **37,351.0** | **48,870.0** | **54,207.1** | **60,845.3** | **60,743.6** | **66,224.1** | **69,582.3** |
| Long-term investments | 16,288.0 | 17,985.0 | 15,128.0 | 20,098.3 | 19,154.7 | 21,406.6 | 22,015.5 | 23,530.2 |
| Reinsurance recoverables | 5,416.0 | 4,835.0 | 4,378.0 | 4,702.0 | 5,050.0 | 5,423.7 | 5,825.1 | 6,256.2 |
| Property and equipment | 3,774.0 | 3,695.0 | 3,654.0 | 4,363.4 | 4,946.3 | 5,350.0 | 5,824.6 | 6,250.1 |
| Goodwill | 45,811.0 | 44,259.0 | 44,370.0 | 44,370.0 | 44,370.0 | 44,370.0 | 44,370.0 | 44,370.0 |
| Other intangible assets | 32,492.0 | 30,863.0 | 29,417.0 | 27,714.0 | 26,011.0 | 24,308.0 | 22,605.0 | 20,902.0 |
| Other assets | 2,704.0 | 3,421.0 | 2,786.0 | 2,786.0 | 2,786.0 | 2,786.0 | 2,786.0 | 2,786.0 |
| Separate account assets | 7,278.0 | 7,430.0 | 7,278.0 | 7,278.0 | 7,278.0 | 7,278.0 | 7,278.0 | 7,278.0 |
| Assets of businesses held for sale, non-current | - | 2,922.0 | - | - | - | - | - | - |
| **Total Assets** | **143,885.0** | **152,761.0** | **155,881.0** | **165,518.9** | **170,441.3** | **171,665.9** | **176,928.3** | **180,954.9** |
| **Liabilities:** | | | | | | | | |
| Current insurance and contractholder liabilities | 5,409.0 | 5,514.0 | 5,388.0 | 5,972.2 | 6,314.6 | 6,835.4 | 7,312.5 | 7,869.1 |
| Pharmacy and other service costs payable | 17,070.0 | 19,815.0 | 28,465.0 | 28,896.7 | 31,173.9 | 32,722.9 | 34,287.1 | 35,854.9 |
| Accounts payable | 7,775.0 | 8,553.0 | 9,294.0 | 10,914.7 | 11,774.8 | 12,359.9 | 12,950.7 | 13,542.9 |
| Accrued expenses and other liabilities | 7,978.0 | 9,955.0 | 9,387.0 | 11,806.9 | 12,682.3 | 13,342.0 | 14,011.6 | 14,686.6 |
| Short-term debt | 2,993.0 | 2,775.0 | 3,035.0 | 3,035.0 | 3,035.0 | 3,035.0 | 3,035.0 | 3,035.0 |
| Liabilities of businesses held for sale | - | 2,104.0 | 2,410.0 | 2,410.0 | 2,410.0 | 2,410.0 | 2,410.0 | 2,410.0 |
| **Total current liabilities** | **41,225.0** | **48,716.0** | **57,979.0** | **63,035.4** | **67,390.6** | **70,705.1** | **74,006.9** | **77,398.4** |
| Non-current insurance and contractholder liabilities | 11,976.0 | 10,904.0 | 10,254.0 | 11,594.8 | 12,452.9 | 13,374.5 | 14,364.3 | 15,427.4 |
| Deffered tax liabilities, net | 7,786.0 | 7,173.0 | 6,975.0 | 6,975.0 | 6,975.0 | 6,975.0 | 6,975.0 | 6,975.0 |
| Other non-current liabilities | 2,766.0 | 3,441.0 | 3,215.0 | 3,215.0 | 3,215.0 | 3,215.0 | 3,215.0 | 3,215.0 |
| Long-term debt | 28,100.0 | 28,155.0 | 28,937.0 | 28,937.0 | 28,937.0 | 28,937.0 | 28,937.0 | 28,937.0 |
| Separate account liabilities | 7,278.0 | 7,430.0 | 7,278.0 | 7,278.0 | 7,278.0 | 7,278.0 | 7,278.0 | 7,278.0 |
| Liabilities of businesses held for sale, non-current | - | 591.0 | - | - | - | - | - | - |
| **Total Liabilities** | **99,131.0** | **106,410.0** | **114,638.0** | **121,035.2** | **126,248.5** | **130,484.6** | **134,776.2** | **139,230.8** |
| **Shareholders' equity:** | | | | | | | | |
| Common stock | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Additional paid-in capital | 30,233.0 | 30,669.0 | 31,288.0 | 31,288.0 | 31,288.0 | 31,288.0 | 31,288.0 | 31,288.0 |
| Accumulated other comprehensive loss | (1,658.0) | (1,864.0) | (2,341.0) | (2,341.0) | (2,341.0) | (2,341.0) | (2,341.0) | (2,341.0) |
| Retained earnings | 37,940.0 | 41,652.0 | 43,519.0 | 46,759.7 | 47,378.5 | 49,454.7 | 53,137.1 | 58,577.4 |
| Treasury stock, at cost | (21,844.0) | (24,238.0) | (31,437.0) | (31,437.0) | (32,346.7) | (37,434.4) | (40,146.1) | (46,014.4) |
| Redeemable noncontrolling interests | 66.0 | 107.0 | - | - | - | - | - | - |
| Other noncontrolling interests | 13.0 | 21.0 | 210.0 | 210.0 | 210.0 | 210.0 | 210.0 | 210.0 |
| **Total Shareholders' equity** | **44,754.0** | **46,351.0** | **41,243.0** | **44,483.7** | **44,192.8** | **41,181.3** | **42,152.1** | **41,724.0** |
| **Total liabilities and equity** | **143,885.0** | **152,761.0** | **155,881.0** | **165,518.9** | **170,441.3** | **171,665.9** | **176,928.3** | **180,954.9** |

# Cash Flow Statement - Base

**Cigna Cash Flow Statement ($M)**

| Year | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|
| Operating Activities: | | | | | | | | |
| Net Income | 6,782.0 | 5,272.0 | 3,778.0 | 4,903.1 | 2,380.6 | 3,940.8 | 5,652.3 | 7,517.4 |
| Depreciation | 1,061.0 | 1,216.0 | 1,072.0 | 1,118.7 | 1,335.9 | 1,514.4 | 1,638.0 | 1,783.3 |
| Amortization | 1,876.0 | 1,819.0 | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 |
| Change in reinsurance recoverables | | | | (324.0) | (348.0) | (373.7) | (401.4) | (431.1) |
| Change in insurance liabilities | | | | 584.2 | 342.4 | 520.8 | 477.2 | 556.6 |
| Change in long-term insurance liabilities | | | | 1,340.8 | 858.1 | 921.6 | 989.8 | 1,063.1 |
| Change in Net Working Capital | | | | 44.8 | 1,552.7 | 519.2 | 500.9 | 476.2 |
| **Cash Flow from Operations** | | | | **9,370.6** | **7,824.8** | **8,746.1** | **10,559.7** | **12,668.4** |
| Investing Activities: | | | | | | | | |
| Capital Expenditures | (1,295.0) | (1,573.0) | (1,406.0) | (1,828.1) | (1,918.8) | (1,918.0) | (2,112.6) | (2,208.8) |
| Purchases/sales of investments | | | | (4,970.3) | 943.7 | (2,251.9) | (608.9) | (1,514.7) |
| **Cash Flow from Investing Activities** | | | | **(6,798.5)** | **(975.2)** | **(4,169.9)** | **(2,721.5)** | **(3,723.5)** |
| Financing Activities: | | | | | | | | |
| Share repurchases | | | | - | (909.7) | (5,087.8) | (2,711.6) | (5,868.3) |
| Dividends Paid | (1,384.0) | (1,450.0) | (1,567.0) | (1,662.4) | (1,761.8) | (1,864.5) | (1,969.8) | (2,077.1) |
| **Cash Flow from Financing Activities** | | | | **(1,662.4)** | **(2,671.5)** | **(6,952.3)** | **(4,681.4)** | **(7,945.4)** |
| Beginning Cash Balance | | | | 7,550.0 | 8,459.7 | 12,637.8 | 10,261.6 | 13,418.3 |
| (+) Net Change in Cash | | | | 909.7 | 4,178.1 | (2,376.1) | 3,156.7 | 999.5 |
| **Ending Cash Balance** | **5,924.0** | **7,822.0** | **7,550.0** | **8,459.7** | **12,637.8** | **10,261.6** | **13,418.3** | **14,417.8** |

## Schedules

**PP&E Schedule ($M)**

| Year | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|
| Beginning PP&E Balance | | | | 3,654.0 | 4,363.4 | 4,946.3 | 5,350.0 | 5,824.6 |
| (-) Depreciation | | | | 1,118.7 | 1,335.9 | 1,514.4 | 1,638.0 | 1,783.3 |
| (+) Capital Expenditures | | | | 1,828.1 | 1,918.8 | 1,918.0 | 2,112.6 | 2,208.8 |
| **Ending PP&E Balance** | **3,774.0** | **3,695.0** | **3,654.0** | **4,363.4** | **4,946.3** | **5,350.0** | **5,824.6** | **6,250.1** |
| D&A (% PP&E) | -- | 32.2% | 29.0% | 30.6% | 30.6% | 30.6% | 30.6% | 30.6% |
| CapEx (% Rev.) | 0.7% | 0.8% | 0.6% | 0.7% | 0.7% | 0.7% | 0.7% | 0.7% |

**Balance Sheet Assumptions ($M)**

| Year | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|
| Long-Term Investments (% Rev.) | 9.0% | 9.2% | 6.1% | 7.7% | 6.9% | 7.3% | 7.1% | 7.2% |
| Reinsurance Recoverables (% Growth) | -- | -10.7% | -9.5% | 7.4% | 7.4% | 7.4% | 7.4% | 7.4% |
| Current insurance and contractholder liabilities (% Prem.) | 13.6% | 12.5% | 11.7% | 12.1% | 11.9% | 12.0% | 11.9% | 12.0% |
| Non-current insurance and contractholder liabilities (% Prem) | 30.0% | 24.6% | 22.3% | 23.5% | 23.5% | 23.5% | 23.5% | 23.5% |

**Intangibles Schedule ($M)**

| Year | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|
| Beginning Intangibles Balance | | | | 29,417.0 | 27,714.0 | 26,011.0 | 24,308.0 | 22,605.0 |
| (-) Amortization | | | | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 | 1,703.0 |
| **Ending Intangibles Balance** | **32,492.0** | **30,863.0** | **29,417.0** | **27,714.0** | **26,011.0** | **24,308.0** | **22,605.0** | **20,902.0** |

**Equity Roll-Forward Schedule ($M)**

| Year | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|
| Beginning Retained Earnings Balance | | | | 43,519.0 | 46,759.7 | 47,378.5 | 49,454.7 | 53,137.1 |
| (+) Net Income | | | | 4,903.1 | 2,380.6 | 3,940.8 | 5,652.3 | 7,517.4 |
| (-) Dividends | | | | 1,662.4 | 1,761.8 | 1,864.5 | 1,969.8 | 2,077.1 |
| Ending Balance | **37,940.0** | **41,652.0** | **43,519.0** | **46,759.7** | **47,378.5** | **49,454.7** | **53,137.1** | **58,577.4** |
| Dividends (% Rev) | 0.8% | 0.7% | 0.6% | 0.6% | 0.6% | 0.6% | 0.6% | 0.6% |
| Beginning Treasury Stock Balance | | | | (31,437.0) | (31,437.0) | (32,346.7) | (37,434.4) | (40,146.1) |
| (-) Share Repurchases | | | | - | (909.7) | (5,087.8) | (2,711.6) | (5,868.3) |
| Ending Balance | **(21,844.0)** | **(24,238.0)** | **(31,437.0)** | **(31,437.0)** | **(32,346.7)** | **(37,434.4)** | **(40,146.1)** | **(46,014.4)** |

# Working Capital Assumptions

**Working Capital Assumptions ($M)**

| Year | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|
| Accounts receivable | 17,218.0 | 17,722.0 | 24,227.0 | 27,763.6 | 29,423.9 | 31,139.1 | 32,897.2 | 34,688.1 |
| Inventories | 4,777.0 | 5,645.0 | 6,692.0 | 7,494.2 | 8,084.8 | 8,486.6 | 8,892.2 | 9,298.8 |
| Other current assets | 1,298.0 | 2,169.0 | 2,732.0 | 2,820.6 | 3,029.7 | 3,187.3 | 3,347.3 | 3,508.5 |
| **Current Operating Assets** | **23,293.0** | **25,536.0** | **33,651.0** | **38,078.5** | **40,538.5** | **42,813.0** | **45,136.7** | **47,495.5** |
| Pharmacy and other service costs payable | 17,070.0 | 19,815.0 | 28,465.0 | 28,896.7 | 31,173.9 | 32,722.9 | 34,287.1 | 35,854.9 |
| Accounts payable | 7,775.0 | 8,553.0 | 9,294.0 | 10,914.7 | 11,774.8 | 12,359.9 | 12,950.7 | 13,542.9 |
| Accrued expenses and other liabilities | 7,978.0 | 9,955.0 | 9,387.0 | 11,806.9 | 12,682.3 | 13,342.0 | 14,011.6 | 14,686.6 |
| **Current Operating Liabilities** | **32,823.0** | **38,323.0** | **47,146.0** | **51,618.3** | **55,631.0** | **58,424.7** | **61,249.4** | **64,084.3** |
| **Net Working Capital** | **(9,530.0)** | **(12,787.0)** | **(13,495.0)** | **(13,539.8)** | **(15,092.5)** | **(15,611.8)** | **(16,112.6)** | **(16,588.8)** |
| Change in NWC | -- | (3,257.0) | (708.0) | (44.8) | (1,552.7) | (519.2) | (500.9) | (476.2) |
| DSO | 34.8 | 33.1 | 35.8 | 38.7 | 38.7 | 38.7 | 38.7 | 38.7 |
| DIH | 14.0 | 15.4 | 13.4 | 14.4 | 14.4 | 14.4 | 14.4 | 14.4 |
| DPO - Accounts | 22.7 | 23.3 | 18.6 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 |
| DPO - Pharmacy | 49.9 | 54.1 | 56.9 | 55.5 | 55.5 | 55.5 | 55.5 | 55.5 |
| Other current assets (% Rev) | 0.7% | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% |
| Accrued expenses and other liabilities (% B&E) | 4.6% | 5.3% | 3.9% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% |