TheStreet Quant Ratings

CIGNA GROUP (THE)

NYSE: CI

October 15, 2023

CI BUSINESS DESCRIPTION
The Cigna Group, together with its subsidiaries, provides insurance and related products and services in the United States.

STOCK PERFORMANCE (%)

3 Mo. 1 Yr. 3 Yr (Ann)
Price Change 10.09 2.58 18.57

GROWTH (%)

Last Qtr 12 Mo. 3 Yr CAGR
Revenues 7.28 3.81 6.40
Net Income -6.23 21.16 8.13
EPS 0.61 30.63 16.05

RETURN ON EQUITY (%)

CI Subsector Avg S&P 500
Q2 2023 14.64 208.58 17.32
Q2 2022 11.97 31.63 19.47
Q2 2021 16.73 19.64 16.80

P/E COMPARISON

13.47 23.03 24.03
CI Subsector Avg S&P 500

EPS ANALYSIS¹ ($)

2021 2022 2023
0.1 2 0.3 0.3 0.1 0.1
CIGNA GROUP (THE) reported flat earnings per share in the most recent quarter. The company has demonstrated a pattern of positive earnings per share growth over the past year. We feel that this trend should continue. During the past fiscal year, CIGNA GROUP (THE) increased its bottom line by earning $21.42 versus $15.74 in the prior year. This year, the market expects an improvement in earnings ($24.81 versus $21.42).

The debt-to-equity ratio is somewhat low, currently at 0.72, and is less than that of the subsector average, implying that there has been a relatively successful effort in the management of debt levels. Despite the fact that CI’s debt-to-equity ratio is low, the quick ratio, which is currently 0.61, displays a potential problem in covering short-term cash needs.

RECOMMENDATION
We rate CIGNA GROUP (THE) (CI) a BUY. This is based on the convergence of positive investment measures, which should help this stock outperform the majority of stocks that we rate. The company’s strengths can be seen in multiple areas, such as its revenue growth, attractive valuation levels, good cash flow from operations, growth in earnings per share and largely solid financial position with reasonable debt levels by most measures. We feel its strengths outweigh the fact that the company has had sub par growth in net income.

HIGHLIGHTS
Despite its growing revenue, the company underperformed as compared with the subsector average of 8.3%. Since the same quarter one year prior, revenues slightly increased by 7.3%. This growth in revenue appears to have trickled down to the company’s bottom line, improving the earnings per share.

Net operating cash flow has significantly increased by 100.32% to $2,492.00 million when compared to the same quarter last year. In addition, CIGNA GROUP (THE) has also vastly surpassed the subsector average cash flow growth rate of 41.44%.

Rating History

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CIGNA GROUP (THE) falls within the Finance and Insurance sector and the Insurance Carriers industry group of the North American Industry Classification System or NAICS. More precisely, a significant portion of company activities involve Direct Health and Medical Insurance Carriers.

TheStreet Quant Ratings is currently tracking 795 companies in the Finance and Insurance sector that total around $7,536 billion in market capitalization as well as $5,154 billion in annual sales.

The Insurance Carriers and Related Activities subsector accounts for 35.4% of those revenues.

Industries in the Insurance Carriers and Related Activities subsector group establishments that are primarily engaged in one of the following: (1) underwriting (assuming the risk, assigning premiums, and so forth) annuities and insurance policies or (2) facilitating such underwriting by selling insurance policies and by providing other insurance and employee benefit related services.

PEER GROUP: Insurance Carriers and Related Activities

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Company Name</th>
<th>Recent Price ($)</th>
<th>Market Cap ($M)</th>
<th>Price/ Earnings TTM ($M)</th>
<th>Net Sales TTM ($M)</th>
<th>Net Income TTM ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CI</td>
<td>CIGNA GROUP (THE)</td>
<td>295.80</td>
<td>87,551</td>
<td>13.47</td>
<td>186,087.00</td>
<td>6,653.00</td>
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<tr>
<td>FMS</td>
<td>FRESENIUS MEDICAL CARE AG&amp;C</td>
<td>16.95</td>
<td>9,947</td>
<td>15.13</td>
<td>21,408.42</td>
<td>648.91</td>
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<tr>
<td>CVS</td>
<td>CVS HEALTH CORP</td>
<td>70.92</td>
<td>91,090</td>
<td>31.24</td>
<td>339,204.00</td>
<td>2,923.00</td>
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<td>CHE</td>
<td>CHEMED CORP</td>
<td>506.22</td>
<td>7,632</td>
<td>33.75</td>
<td>2,187.10</td>
<td>226.50</td>
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<tr>
<td>AGL</td>
<td>AGILON HEALTH INC</td>
<td>18.26</td>
<td>3,669.83</td>
<td>-87.86</td>
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<td>DVA</td>
<td>DAVITA INC</td>
<td>73.79</td>
<td>6,735</td>
<td>15.12</td>
<td>11,738.65</td>
<td>467.11</td>
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<td>OPCH</td>
<td>OPTION CARE HEALTH INC</td>
<td>31.23</td>
<td>5,618</td>
<td>23.84</td>
<td>4,133.05</td>
<td>239.96</td>
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<td>RCM</td>
<td>R1 RCM INC</td>
<td>12.68</td>
<td>5,312</td>
<td>NM</td>
<td>2,135.10</td>
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<td>CRVL</td>
<td>CORVEL CORP</td>
<td>204.96</td>
<td>3,508</td>
<td>51.63</td>
<td>732.51</td>
<td>69.48</td>
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<td>LH</td>
<td>LABORATORY CP OF AMER HLDG</td>
<td>197.97</td>
<td>17,512</td>
<td>22.38</td>
<td>13,351.80</td>
<td>830.70</td>
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<td>DGX</td>
<td>QUEST DIAGNOSTICS INC</td>
<td>120.62</td>
<td>13,538</td>
<td>17.56</td>
<td>9,488.00</td>
<td>794.00</td>
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</tbody>
</table>

The peer group comparison is based on Major Insurance Carriers and Related Activities companies of comparable size.
COMPANY DESCRIPTION
The Cigna Group, together with its subsidiaries, provides insurance and related products and services in the United States. Its Evernorth Health Services segment provides a range of coordinated and point solution health services, including pharmacy benefits, home delivery pharmacy, specialty pharmacy, distribution, and care delivery and management solutions to health plans, employers, government organizations, and health care providers. The company’s Cigna Healthcare segment offers medical, pharmacy, behavioral health, dental, and other products and services for insured and self-insured customers, Medicare Advantage, Medicare Supplement, and Medicare Part D plans for seniors, as well as individual health insurance plans; and health care coverage in its international markets, as well as health care benefits for mobile individuals and employees of multinational organizations. The company also offers permanent insurance contracts sold to corporations to provide coverage on the lives of certain employees for financing employer-paid future benefit obligations. It distributes its products and services through insurance brokers and consultants; directly to employers, unions and other groups, or individuals; and private and public exchanges. The company was formerly known as Cigna Corporation and changed its name to The Cigna Group in February 2023. The Cigna Group was founded in 1792 and is headquartered in Bloomfield, Connecticut.

CIGNA GROUP (THE)
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USA
Phone: 860 226 6000
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STOCK-AT-A-GLANCE
Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of CI shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock’s strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
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</tr>
<tr>
<td>Total Return</td>
<td>5.0</td>
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<tr>
<td>Efficiency</td>
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<tr>
<td>Price volatility</td>
<td>5.0</td>
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<tr>
<td>Solvency</td>
<td>5.0</td>
</tr>
<tr>
<td>Income</td>
<td>3.5</td>
</tr>
</tbody>
</table>

FACTOR SCORES

- **Growth**: Measures the growth of both the company’s income statement and cash flow. On this factor, CI has a growth score better than 80% of the stocks we rate.
- **Total Return**: Measures the historical price movement of the stock. The stock performance of this company has beaten 90% of the companies we cover.
- **Efficiency**: Measures the strength and historic growth of a company’s return on invested capital. The company has generated more income per dollar of capital than 80% of the companies we review.
- **Price volatility**: Measures the volatility of the company’s stock price historically. The stock is less volatile than 90% of the stocks we monitor.
- **Solvency**: Measures the solvency of the company based on several ratios. The company is more solvent than 90% of the companies we analyze.
- **Income**: Measures dividend yield and payouts to shareholders. The company’s dividend is higher than 60% of the companies we track.

THESTREET QUANT RATINGS RESEARCH METHODOLOGY

TheStreet Quant Ratings’ stock model projects a stock’s total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much a stock is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock’s valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock’s performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.
CIGNA GROUP (THE)’s gross profit margin for the second quarter of its fiscal year 2023 is essentially unchanged when compared to the same period a year ago. Even though sales increased, the net income has decreased. CIGNA GROUP (THE) has weak liquidity. Currently, the Quick Ratio is 0.61 which shows a lack of ability to cover short-term cash needs. The company’s liquidity has increased from the same period last year, indicating improving cash flow.

During the same period, stockholders’ equity ("net worth") has remained unchanged from the same quarter last year. Overall, the key liquidity measurements indicate that the company is in a position in which financial difficulties could develop in the future.

STOCKS TO BUY: TheStreet Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit www.TheStreetRatings.com.
CIGNA GROUP (THE)

**RATINGS HISTORY**
Our rating for CIGNA GROUP (THE) has not changed since 8/10/2010. As of 10/12/2023, the stock was trading at a price of $295.80 which is 13.0% below its 52-week high of $340.11 and 23.0% above its 52-week low of $240.50.

**VALUATION**
BUY. This stock’s P/E ratio indicates a discount compared to an average of 23.03 for the Insurance Carriers and Related Activities subsector and a significant discount compared to the S&P 500 average of 24.03. For additional comparison, its price-to-book ratio of 1.93 indicates a significant discount versus the S&P 500 average of 4.00 and a significant discount versus the subsector average of 39.07. The price-to-sales ratio is well below both the S&P 500 average and the subsector average, indicating a discount. Upon assessment of these and other key valuation criteria, CIGNA GROUP (THE) proves to trade at a discount to investment alternatives.

**PRICE/EARNINGS**
- CI 13.47 Peers 23.03
  - Discount. A lower P/E ratio than its peers can signify a less expensive stock or lower growth expectations.
  - CI is trading at a significant discount to its peers.

**PRICE/CASHFLOW**
- CI 6.72 Peers 12.31
  - Discount. The P/CF ratio, a stock’s price divided by the company’s cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
  - CI is trading at a significant discount to its peers.

**PRICE/PROJECTED EARNINGS**
- CI 10.45 Peers 15.46
  - Discount. A lower price-to-projected earnings ratio than its peers can signify a less expensive stock or lower future growth expectations.
  - CI is trading at a significant discount to its peers.

**PRICE/BOOK**
- CI 1.93 Peers 39.07
  - Discount. A lower price-to-book ratio makes a stock more attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
  - CI is trading at a significant discount to its peers.

**PRICE/SALES**
- CI 0.47 Peers 2.11
  - Discount. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
  - CI is trading at a significant discount to its subsector on this measurement.

**EARNINGS GROWTH**
- CI 3.81 Peers 27.75
  - Lower. Earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
  - CI significantly trails its peers on the basis of its earnings growth rate.

**SALES GROWTH**
- CI 3.06 Peers 219.16
  - Lower. A sales growth rate that trails the subsector implies that a company is losing market share.
  - CI trades at a discount to its peers.

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NAICS is the North American Industry Classification System which provides the Sector, Subsector, and Industry Group structure used in this report. As many companies are diversified, the companies may also operate in other industry segments than the one listed.