

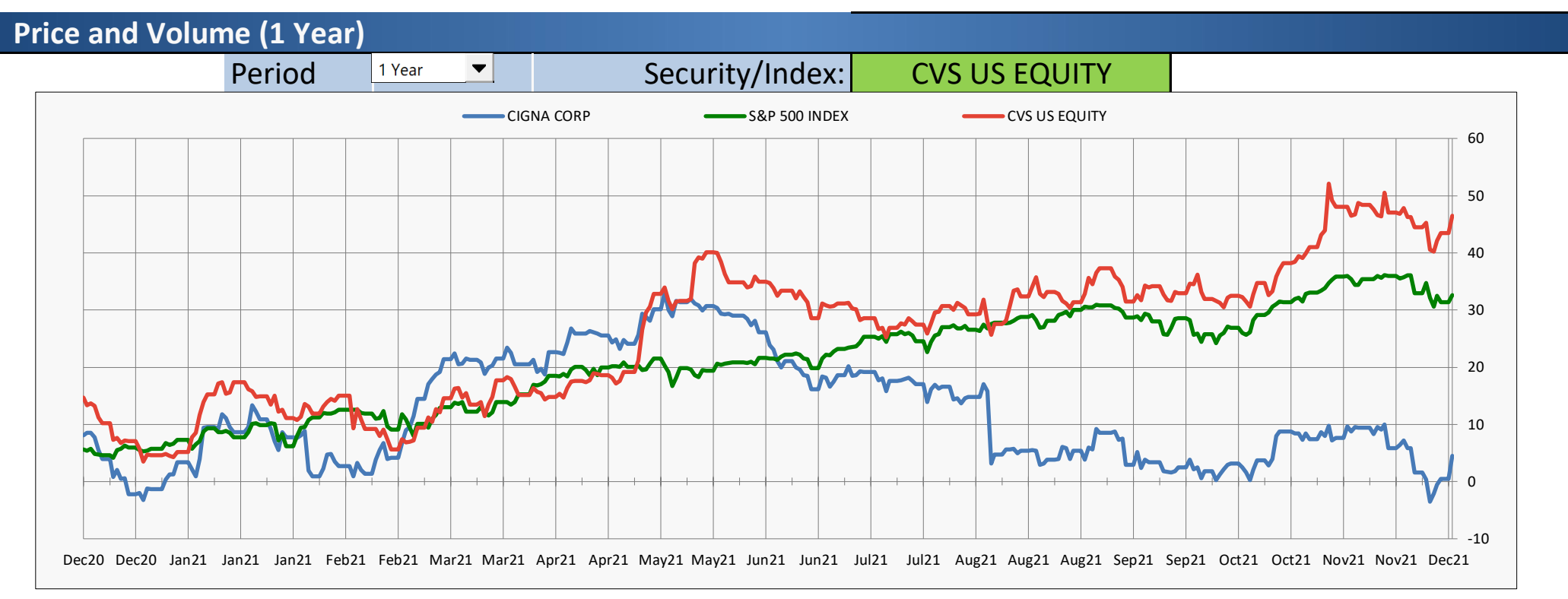


CIGNA CORP (New York: CI, Currency: USD) 206.82 / 3.48% / 6.960007
Bloomberg Rating: IG4 Sector: Health Care Industry: Health Care Providers & Serv Sub-Industry: Health Care Services FY End: December 2020 EPS Due: 2/

| Description | Key Statistics | | Actual and Estimate Data | | | Relative Comps | | Mkt Cap | PE (NTM) |
|--|------------------------|-----------------|--------------------------|------------|------------|----------------|---------|---------|----------|
| | | | LTM | 12/2021 | 12/2022 | Cigna Corp | | | |
| Cigna Corporation operates as an insurance company. The Company offers life, accident, disability, supplemental, medicare, and dental insurance products and services. Cigna serves individuals, families, and businesses worldwide. | 52-Week Range | 190.88 - 272.81 | | | | 68.55 B | | 9.5x | |
| | Avg Daily Vol (3 Mo) | 2,035,084 | Revenue | 170,102.00 | 172,001.47 | 181,127.07 | 98.28 B | 14.6x | |
| | Market Value | 68,545.9 | % change y/y | 7.5% | 5.3% | 431.66 B | 22.2x | | |
| | Current Enterprise Val | 98,673.89 | EBITDA | 10,636.00 | 10,954.67 | 11,308.58 | | | |
| | Shares Outstanding (B) | 331.43 M | % Margin | | | | | | |
| | Dividend Yield | 1.9% | EPS | 15.248115 | 20.394 | 22.47 | | | |
| | Float % | 99.6% | % change y/y | 10.5% | 10.2% | | | | |
| | Institutional % | 104.6% | EV/Sales | 0.6x | 0.6x | 0.5x | | | |
| | Analyst Coverage | 25 Analysts | EV/EBITDA | 9.1x | 9.0x | 8.7x | | | |
| | Target Price | 261.08 | P/Sales | 0.4x | 0.4x | 0.4x | | | |
| | LT Growth Rate | 974.5% | P/Earnings | 13.6x | 10.1x | 9.2x | | | |
| | Consensus Rating | 4.44 | P/Book | 1.4x | 1.5x | 1.4x | | | |
| | Return on Equity | 17.6% | | | | | | | |

| Business Segments (FY: Dec-20) | Revenue |
|--------------------------------|------------|
| Health Services | 116,334.00 |
| Integrated Medical | 38,451.00 |
| International Markets | 6,007.00 |
| Group Disability and Other | 5,264.00 |
| Corporate | (5,655.00) |

| Measure: | Sales/Revenue/Turnover | | | |
|---------------|------------------------|-----------|-----------|-----------|
| | 2019 | 2020 | 2021 | 2022 |
| Q1 Mar | 37946.00 | 38469.00 | 40971.00 | 43668.18 |
| Q2 Jun | 38819.00 | 39265.00 | 43131.00 | 45282.09 |
| Q3 Sep | 38556.00 | 40955.00 | 44288.00 | 46159.00 |
| Q4 Dec | 38245.00 | 41712.00 | 44002.23 | 46270.50 |
| Year | 153566.00 | 160401.00 | 172001.47 | 181127.07 |
| Cal Yr | 140175.00 | 160067.00 | 172001.47 | 181127.07 |
| Revision | 1 Week | 4 Weeks | 3 Months | 6 Months |
| Qtr End 12/21 | 0.0% | 0.4% | 1.4% | 3.1% |
| Qtr End 03/22 | 0.0% | 0.1% | 0.1% | 0.7% |
| FY End 12/21 | 0.0% | 0.3% | 1.0% | 3.2% |
| FY End 12/22 | 0.0% | 0.1% | 0.6% | 2.5% |



| Prices/Volume | |
|------------------------|-----------|
| YTD Change | -0.65% |
| 6 Month Change | -13.26% |
| 3 Month Change | -9.9% |
| 1 Year Change | 9.2% |
| Daily Volume | 520,524 |
| Average Volume 30 Day | 2,078,372 |
| Average Volume 3 Month | 2,035,084 |
| Average Volume 6 Month | 2,044,944 |
| Dividend Yld | 1.0% |
| 52 Week Beta | 0.52 |

| Measure: | Diluted EPS Bef XO Items | | | | Performance | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 5 Yr Avg |
|----------------------------|----------------------------|---------|----------|----------|-----------------------------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|
| Q1 Mar | 3.56 | 3.15 | 3.30 | 4.13 | Price Change | 27.3% | 63.6% | 17.6% | 42.2% | -8.8% | 52.3% | -6.5% | 7.7% | 1.8% | 9.3% |
| Q2 Jun | 3.70 | 4.73 | 4.25 | 4.59 | S&P 500 INDEX | 13.4% | 29.6% | 11.4% | -0.7% | 9.5% | 19.4% | -6.2% | 28.9% | 16.3% | 13.6% |
| Q3 Sep | 3.57 | 3.78 | 4.80 | 4.86 | Industry (INDU Index) | 7.3% | 26.5% | 7.5% | -2.2% | 13.4% | 25.1% | -5.6% | 22.3% | 7.2% | 12.5% |
| Q4 Dec | 2.60 | 11.45 | 3.56 | 4.53 | Div Yield | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Year | 13.44 | 22.96 | 15.89 | 17.68 | Financials | 12/12 Y | 12/13 Y | 12/14 Y | 12/15 Y | 12/16 Y | 12/17 Y | 12/18 Y | 12/19 Y | 12/20 Y | 5 Yr CAGR |
| Cal Yr | 13.44 | 22.96 | 15.89 | 17.68 | Sales | 29,075.0 | 32,167.0 | 34,760.0 | 37,819.0 | 39,838.0 | 41,806.0 | 48,650.0 | 153,566.0 | 160,401.0 | 33.5% |
| Revision | 1 Week | 4 Weeks | 3 Months | 6 Months | EBITDA | 3,250.0 | 2,830.0 | 4,003.0 | 4,107.0 | 3,698.0 | 4,508.0 | 4,855.0 | 11,916.0 | 11,145.0 | 22.1% |
| Qtr End 12/21 | 0.0% | -2.4% | -9.1% | - | EBIT | 2,690.0 | 2,233.0 | 3,415.0 | 3,522.0 | 3,088.0 | 3,942.0 | 4,160.0 | 8,077.0 | 8,153.0 | 18.3% |
| Qtr End 03/22 | 0.0% | 2.7% | 1.6% | - | Net Income | 1,623.0 | 1,476.0 | 2,102.0 | 2,094.0 | 1,867.0 | 2,237.0 | 2,637.0 | 5,104.0 | 8,458.0 | 32.2% |
| FY End 12/21 | 0.0% | 0.3% | 2.3% | - | EPS (Diluted) | 5.61 | 5.18 | 7.83 | 8.04 | 7.19 | 8.77 | 10.54 | 13.44 | 22.96 | 23.4% |
| FY End 12/22 | 0.0% | 0.2% | 0.8% | - | Dividends per Share | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 | 0.0% |
| Growth Rate (CAGR) Summary | 1Yr | 3Yr | 5Yr | 10Yr | Shares for Fully Diluted EP | 289.5 | 284.7 | 268.6 | 260.6 | 259.6 | 255.1 | 250.2 | 379.8 | 368.4 | 7.2% |
| Sales | 4.5% | 56.6% | 33.5% | 22.4% | Book Value per Share | 34.18 | 38.35 | 41.55 | 46.91 | 53.42 | 56.20 | 107.71 | 121.70 | 141.84 | 24.8% |
| EBIT | 0.9% | 27.4% | 18.3% | 16.3% | Cash & Near Cash | 2,978.0 | 2,795.0 | 1,420.0 | 1,968.0 | 3,185.0 | 2,972.0 | 3,855.0 | 4,619.0 | 10,182.0 | 38.9% |
| EBITDA | -6.5% | 35.2% | 22.1% | 18.2% | Total Assets | 53,734.0 | 54,336.0 | 55,870.0 | 57,088.0 | 59,360.0 | 61,759.0 | 153,226.0 | 155,774.0 | 155,451.0 | 22.2% |
| Net Income | 65.7% | 55.8% | 32.2% | 20.2% | Working Cap | 25,830.0 | 23,103.0 | 25,717.0 | 24,470.0 | 23,891.0 | 1,698.0 | 11,465.0 | 10,293.0 | 8,223.0 | -19.6% |
| EPS (Diluted) | 70.8% | 37.8% | 23.4% | 16.7% | LT Debt | 4,986.0 | 5,014.0 | 4,979.0 | 5,020.0 | 4,756.0 | 5,199.0 | 39,523.0 | 32,358.0 | 30,036.0 | 43.0% |
| Dividends | 0.0% | 0.0% | 0.0% | 0.0% | Cash Flow-Oper Activities | 2,350.0 | 719.0 | 2,158.0 | 2,933.0 | 4,026.0 | 4,086.0 | 3,770.0 | 9,485.0 | 10,350.0 | 28.7% |
| BVPS | 16.5% | 36.2% | 24.8% | 19.2% | Capital Expenditures | 408.0 | 527.0 | 473.0 | 510.0 | 461.0 | 471.0 | 528.0 | 1,050.0 | 1,094.0 | 16.5% |
| Free Cash Flow | 13.0% | 20.7% | 21.8% | 17.0% | Free Cash Flow | 1,942.0 | 192.0 | 1,685.0 | 2,423.0 | 3,565.0 | 3,615.0 | 3,242.0 | 8,435.0 | 9,256.0 | 30.7% |
| Valuation Summary | 5 Year Periodicity: Yearly | | | | Ratios | 12/12 Y | 12/13 Y | 12/14 Y | 12/15 Y | 12/16 Y | 12/17 Y | 12/18 Y | 12/19 Y | 12/20 Y | 5 Yr Avg |
| P/E (LTM) | 12.8x | 19.9x | 11.3x | 14.4x | Gross Margin | 82.8% | 82.3% | 33.1% | 32.8% | 32.7% | 33.7% | 33.6% | 16.3% | 15.1% | 26.3% |
| P/E (NTM) | 9.3x | 17.6x | 9.3x | 12.2x | EBITDA Margin | 11.2% | 8.8% | 11.5% | 10.9% | 9.3% | 10.8% | 10.0% | 7.8% | 6.9% | 9.0% |
| PEG (NTM) | 1.0x | 1.4x | 0.9x | 1.1x | EBIT Margin | 9.3% | 6.9% | 9.8% | 9.3% | 7.8% | 9.4% | 8.6% | 5.3% | 5.1% | 7.2% |
| P/Bk | 1.5x | 3.6x | 1.5x | 2.1x | Profit Margin | 5.6% | 4.6% | 6.0% | 5.5% | 4.7% | 5.4% | 5.4% | 3.3% | 5.3% | 4.8% |
| P/CF | 7.3x | 12.5x | 7.3x | 9.3x | Return on Assets | 3.1 | 2.7 | 3.8 | 3.7 | 3.2 | 3.7 | 2.5 | 3.3 | 5.4 | 3.6 |
| P/Sales | 0.5x | 1.2x | 0.5x | 0.7x | Return on Com Eqty | 18.3 | 14.5 | 19.7 | 18.4 | 14.5 | 16.3 | 9.6 | 11.8 | 17.7 | 14.0 |
| EV/EBITDA | 8.6x | 22.4x | 8.6x | 12.1x | Asset Turnover | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.5 | 1.0 | 1.0 | 0.8 |
| EV/Sales | 0.6x | 2.2x | 0.6x | 1.1x | Assets/Equity | 5.4 | 5.1 | 5.1 | 4.7 | 4.3 | 4.5 | 3.7 | 3.4 | 3.1 | 3.8 |
| Div Yield | 0.0% | 0.0% | 0.0% | 0.0% | Net Inc per 1000 Employee | - | - | 56.5 | 53.3 | 45.5 | 48.6 | 35.7 | 69.3 | 114.8 | 62.8 |
| | | | | | Days Sales Out (DSO) | 19.7 | 21.4 | 24.9 | 31.1 | 31.1 | 27.2 | 51.1 | 25.2 | 26.1 | 32.1 |
| | | | | | Acc Pay Turn Days (DPO) | 115.7 | 125.0 | 33.2 | 32.6 | 33.4 | 19.7 | 81.3 | 43.5 | 46.0 | 44.8 |
| | | | | | Current Ratio | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.8 | 0.6 | 0.7 | 0.8 | 0.7 |
| | | | | | Quick Ratio | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.8 | 0.5 | 0.4 | 0.7 | 0.5 |
| | | | | | Total Debts/Total Capital | 34.4 | 33.0 | 32.0 | 29.9 | 26.7 | 28.3 | 50.8 | 45.6 | 40.0 | 38.3 |
| | | | | | Total Debt/Total Equity | 52.5 | 49.1 | 47.1 | 42.7 | 36.5 | 39.5 | 103.4 | 83.8 | 66.6 | 66.0 |

Recommendation
 We recommend buying shares in Cigna (CI) based upon its compelling valuation, improving profit margins, strong cash flow generation and shareholder friendly capital deployment actions. We see 40% upside from current levels (\$200) to our \$280 price target.

Fundamentals / Catalysts
 We expect revenue to grow at a mid-single digit pace over the next few years driven by a macro economic rebound from Covid, new contract wins in the Medicare Advantage space, stronger international growth, and cross selling opportunities from the 2018 Express Script acquisition. Profit margins should widen slightly on higher pricing and a continuation of improvement in the Medical Loss Ratio (MLR), driving operating income growth in the 6-8% range. Cigna management forecasts 10-13% growth in Earnings per Share (EPS) over the next 5 years, as 80% of free cash flow is deployed towards share repurchases.

Balance Sheet/Cash Flow
 Cigna significantly increased its debt outstanding to fund the purchase of Pharmacy Benefit Manager (PBM) Express Scripts in 2018. Having primarily focused on debt reduction the past two years, Cigna re-established its dividend (after suspending it 2014) and accelerated its share buyback activity in 2021. Now, Cigna's debt to capital ratio back to its long-term target of 40%, and is exactly in line with industry competitors United Health (UNH) and Anthem (ANTM). In October 2021, Cigna agreed to sell several non-healthcare insurance businesses to Chubb (CB) for \$5.75b, which will further strengthen its balance sheet. According to a recent investor presentation, CI expects to generate \$40b in cumulative Free Cash Flow (FCF) over the next 5 years, and is planning to redeploy 20% of FCF towards increasing dividends and the other 80% towards share repurchases.

Valuation
 Our \$280 price target is derived using 75% / 25% blended Price to Earnings (P/E) and Discounted Cash Flow (DCF) model. Trading at only 8.5x estimated 2022 earnings, CI is currently valued at a 43% P/E discount to its peers in the health maintenance organization (HMO) and PBM industries. Other valuation measures including Enterprise Value to Sales and Ebitda, also point to a meaningful relative valuation opportunity in Cigna shares versus industry peers.

Risks
 A resurgence in the Covid pandemic, an economic recession, a more competitive pricing environment, higher medical costs, increased government regulation, and the potential inability to successfully integrate the Express Scripts acquisition are among the many risks facing the company.