IDEAL Conversations in Investor Relations

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CASE STUDY: UNITEDHEALTH GROUP and Four Broken IR Rules

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UnitedHealth Group (NYSE: UNH) is living through a public relations nightmare following the tragic murder of its CEO of Healthcare, Brian Thompson, at UHN's NYC Investor Day on December 3, 2024. The killing brought global attention to the decades of public resentment and medical care shortcomings that made UNH, one of the biggest companies in the world, also one of the most hated.

Let's focus on the IR aspect:

In a class action suit[1] filed by investors on May 12, the complaint alleges that UNH "for years, engaged in the corporate strategy of denying health coverage (to its patients) in order to boost profits". In other words, by altering its strategy regarding utilization management[2], the company would limit coverage benefits to patients in need, sometimes against doctor recommendations, and this would enable to maximize profits.

Bigger revenues=stronger stock price=happy investors

However, many believe that ***due to the public scrutiny and negative press related to the shooting, UNH was unable to pursue "the aggressive, anti-consumer tactics that it would need to achieve its earnings goals***"[3]. As a result, in early 2025, UNH was forced to slash earnings forecasts, then suspend them indefinitely, as well as fire their Chief Executive Officer, Andrew Witty, all within the period from April 17 to May 13, 2025.

[1] https://www.yourbasin.com/business/press-releases/globenewswire/9453433/unitedhealth-group-unh-shares-crater-again-on-wsj-report-of-doj-criminal-investigation-securities-class-action-pending-hagens-berman/

[2] Denied health coverage claims are also referred to as "utilization management". Many analysts believe the denials enabled the company to reach the aggressive guidance figures the company often issued.

[3] https://www.nbcnews.com/business/business-news/unitedhealthcare-sued-shareholders-reaction-ceos-killing-rcna205550

This newsletter series of "IDEAL Conversations" by IDEAL Advisors reviews the UnitedHealth Group situation and offers IR insights on where they went wrong and why a strong and proactive IR program can help companies control the controllables during the worst of times.

Main Events of 2024/2025:

Date	*Event*	*Stock Price*
December 3	2025 Guidance Announced	$605.23
December 4	Mr. Thompson is assassinated	$610.79
Jan 16	2005 guidance reaffirmed	$509.76
April 17	Guidance lowered by 10% in 1Q25 conference call	$454.11
May 13	Special call to announce departure of CEO, Andrew Witty. Guidance is suspended indefinitely	$311.38
May 16-17	Insiders buy $25 million in shares of UNH	$315.89 (May 19)

This is a complicated case. UNH has a storied history, full of scandal, fraud and government probes. However, UNH is also one of the ten largest companies in the world and a pivotal player in the U.S. healthcare market. As such, we would expect them to move with precision when handling IR and PR activities with the market. Here's where we think they could have done better….

Four Broken IR Rules

1. They failed to manage market expectations.

There were all kinds of issues plaguing UNH in the months and years leading up to the murder. UNH had been subject to pressure of the U.S. government, probes by the Department of Justice and the costs of providing healthcare, particularly for Medicare Advantage customers, was skyrocketing. In the first quarter conference call in May, company CFO, John Rex, blamed Medicare Advantage for the weak earnings citing that “senior citizens had sought more medical services than expected”.

Had the company become too reliant on one side of the business, **Medicare Advantage?** Then, when this division became troublesome, they did not seem to have a plan to offset it? Worst of all, had they failed to prepare for what was coming and share the details of the changing market dynamics with investors? The class actions suits seem to imply this, and many other things.

The problem: Management and internal IR teams know best what is coming in terms of financial and operation results. While the market can be very savvy and have wide industry data to make forecasts and projections, investors and sell side analysts are unable to see what the inner workings of the company are, unless they are duly informed. Managing market expectations is an important component of a healthy investor relations program as it supports trust and credibility.

Best IR practices: It happens to every company. One day the profits are streaming in, and the horizon is clear and smooth. Suddenly, macro or industry factors change and the challenges pile on. *It is important to be forthcoming with the challenges and discuss the steps the company is taking to address them, prior to this becoming a larger problem that could wipe out half of the company’s value.* In our view, the dividend policy and the forecasts should have been reengineered once medical costs for UNH reached a predetermined threshold.

2. They set lofty guidance figures and failed to meet them.

This is a classic case of a company that chased ***high earnings expectations to appease interminably hungry investor demands.*** Unfortunately, if the earnings expectations, aka Guidance or Forecasts, are not substantiated, the company will not be able to meet them in the long term.

The problem: Guidance is a tricky thing. On the one hand, companies feel pressured to give analysts the guidance they demand. If they don't, common opinion is that the analyst will "make up their own figures" that may or may not be correct. This could affect stock prices.

On the other hand, if the company *does* offer guidance, it must live up to that guidance indefinitely. This creates a dependency on guidance quarter to quarter, that many companies would prefer to do without. It takes the focus away from managing the business for the long-term good of the company towards focusing on short-term guidance goals to meet market expectations. As we said, it's tricky.

Best IR practices: Sadly, there is no easy answer here. For some industries, guidance is expected and there is no getting around it. However, we will always recommend that changes in strategy, in market dynamics or in expectations should be addressed immediately. Yes, the stock price will be affected. However, we are confident that the hit on market value will be less if the situation is confronted at the beginning.

3. They *s*urprised the market.

On **December 3, 2024**, just one day prior to the infamous shooting, the company issued guidance that included net earnings of $28.15 to $28.65 per share and adjusted net earnings of $29.50 to $30.00 per share. Then, not even a month later, on **January 16, 2025**, it *reiterated* that guidance.

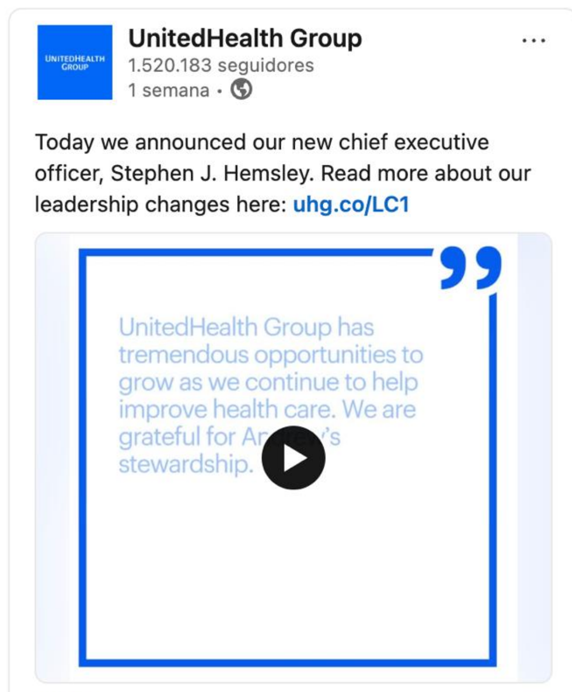
Investors are asking how, only 3 months later, on **April 17, 2025**, the company slashed the guidance by 10% (citing higher-than-expected medical costs in its privately run Medicare plans) causing a 20% stock price tumble.

The problem: The fact UHG reiterated its guidance, then lowered it, and finally then SUSPENDED IT, begs the question "did management have a handle on the fundamental challenges facing the business?" or were they planning to change the corporate strategy of patient authorizations without the market knowing?

Best IR practices: Guidance is a sticky subject, and companies should consider all risks prior to issuing any type of compromising outlook. *If your company commits to issuing guidance, then offer annual or longer-term ranges, be sure to internally substantiate all figures and be prepared to update figures with well-analyzed reasoning.* In the case of UHG, when the company suspended its guidance following a weaker than expected 1Q25 earnings, it dealt a huge blow to its credibility. It looked as though they were incapable of managing the enormous company, or worse*, it looked as if they might be hiding something*.

4. They should have Clarified Management Changes Rationale.

Given the circumstances, it was no surprise that CEO Andrew Witty resigned or was pushed out by the Board. What surprised the market was perhaps the timing as well as the *lack of clear messaging in the announcement*. The explanation that Witty stepped down "for personal reasons" just doesn't do it for the sophisticated investor. The fact that the abrupt departure came only 5 months after the murder, a revision and then suspension of guidance and the return of the old CEO[4] was reminiscent of an episode of Succession where there are a lot of behind-the-scenes shenanigans that the public is not privy to.



The problem: The C-Suite did a lackluster job of managing the CEO transition. This is one part of this whole train wreck that they should have gotten right, and they got it so wrong. As Mr. Helmsley himself stated in the May 13, 2025 conference call, "*many of the issues standing in the way of achieving our goals…. are largely within our control*." In other words, there were a lot of factors that were *out of their control*, such as rising medical costs impacting their earnings, and government pressure, but *better*

[4] Witty was replaced by Stephen J. Hemsley, who served as the company's CEO from 2006 to 2017.

managing the CEO transition was completely within their control and they failed.

Best IR practices: Let's start with deleting "for personal reasons" and offering a clear and candid explanation of how the return of Mr. Helmsley is precisely what the company needs. I won't even mention the lack of transparency in terms of Witty's exit package. After vaporizing *billions* in market cap in a few short days, the market deserved a more honest and complete explanation, including where they went wrong and how Helmsley envisioned restoring order. *All stakeholders deserve more detail on why this CEO transition is the right decision.*

Takeaways

Murder, lawsuits, and plummeting market capitalization are not an everyday occurrence for most companies, thank goodness. But major takeaways of this case study can be summed up into this: ***fostering long-term credibility and trust for your company within the investor community is a lot more valuable and long-lasting than setting lofty guidance goals.***

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MANAGE EXPECTATIONS / GENERATE CREDIBILITY / COMMUNICATE YOUR COMPANY'S MESSAGE

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