Cigna Corp. Ticker: CI Sector: Healthcare Industry: Managed Care Organization	Intrinsic Value: $209.59 Current Price: $106.83 Stop Loss: $88.00 Upside Review: $125.00	TTM P/E: 14.59 Forward P/E: 11.63 Beta: 0.72	Market Cap: $27.94B Dividend Yield: 0.04% 52 Week Range: $73.47 - 112.95

Business Summary: CIGNA, one of the largest U.S. employee benefits organizations, provides health care products and services and group life, accident and disability insurance. Health Care offers group medical, dental, behavioral health and pharmacy services products. Medical products include consumer directed health plans (CDHPs), HMOs, network only, point-of-service (POS) plans, preferred provider organizations (PPOs), and traditional indemnity coverage. (S&P)

Industry Trends: Trends in the MCO industry are on the most part positive. The companies within this industry are starting to experience positive effects from the Affordable Care Act. Enrollment in government sponsored health plans continues to increase while commercial plans are relative stagnant. Due the new model of providing value based healthcare, MCOs are beginning to experience savings.

Investment Thesis: The macro trends in this industry make many of the MCOs attractive. Cigna in particular is well positioned to capitalize on these trends. They have selectively entered profitable markets and have put focus on the growing international markets as well. They are also among the MCOs with the highest Star Rating, which increases their attractiveness to consumers and entitles them to be fully reimbursed for payments they make.

Competitive Analysis: The MCO industry is relatively concentrated. While there are over 1,600 MCOs, the larger companies control most of the market. Currently, Cigna has the highest Stars rating compared to its peers and is the only one pricing their policies at a premium. They have positioned themselves in profitable markets and are in a good position to maximize their margins.

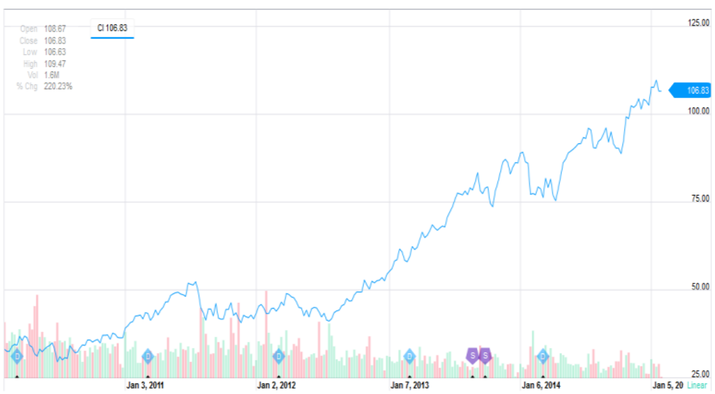
Pros:

- Macro trends make this a favorable industry.
- CI in position to capitalize on both Medicare and International positions.
- Entering selective and profitable markets which maximizes margins and drives organic growth.
- Below average exposure to 2014 healthcare uncertainty.

Risk Factors:

- Commercial healthcare enrollment is not growing at expected rate.
- Underfunding of Medicare Advantage may make certain markets unprofitable.
- New drug costs are rising.

5 Year Stock Performance:



Competitor Comparison:

Direct Competitor Comparison

	CI	AET	ANTM	UNH	Industry
Market Cap:	27.94B	32.29B	37.92B	103.38B	6.40B
Employees:	36,500	48,600	N/A	N/A	8.20K
Qtrly Rev Growth (yoy):	0.09	0.13	0.06	0.07	0.24
Revenue (ttm):	34.10B	56.41B	73.87B	130.47B	12.99B
Gross Margin (ttm):	0.36	0.26	0.23	0.29	0.22
EBITDA (ttm):	3.05B	4.86B	5.90B	11.75B	458.64M
Operating Margin (ttm):	0.08	0.07	0.07	0.08	0.05
Net Income (ttm):	2.00B	2.18B	2.56B	5.62B	N/A
EPS (ttm):	7.32	5.99	8.99	5.70	2.49
P/E (ttm):	14.59	15.33	15.02	18.64	27.32
PEG (5 yr expected):	1.28	1.45	1.45	1.77	1.45
P/S (ttm):	0.84	0.58	0.52	0.82	0.56

Information from: Bloomberg, Value Line, S&P Net Advantage, Yahoo

Total Return Estimates
3 Yr FV Reversion: 24.32%
5 Yr FV Reversion: 13.96%

Key Valuation Assumptions
Est Revenue Growth: 11%
WACC: 5.0%
Expected Inflation: 1.7%
Terminal Growth Rate: 3.8%
10 Yr Risk Free Rate: 2.4%
Equity Risk Premium: 7.2%
Tax Rate: 31.3%

Key Financial Data
Est 2014 EPS: 7.40
Est 2015 EPS: 8.05
3-5 Yr Est EPS Growth: 15.80%
PEG (TTM): 1.26
Credit Quality: N/A
ROE: 18.98%
ROA: 3.64%
Price/Book: 2.56
Price/Cash Flow: 14.07
Debt/Equity: 45.66%
Current Ratio: 0.2
Quick Ratio: 0.19

CSR Characteristics
Human Rights: 0/0
Business Ethics Policy: 1/1
ESG Disclosure: 32.64/17.70
Equal Opportunity: 1/1
Emission Reduction: 1/1
Environment Disclosure Score: 24.81/14.47

Prepared by Doug Bova (Febuary 1, 2015)

CIGNA, one of the largest U.S. employee benefits organizations, provides health care products and services and group life, accident and disability insurance. Health Care offers group medical, dental, behavioral health and pharmacy services products. Medical products include consumer directed health plans (CDHPs), HMOs, network only, point-of-service (POS) plans, preferred provider organizations (PPOs), and traditional indemnity coverage. The health care products and services are offered through guaranteed cost, retrospectively experience-rated, administrative services only (ASO) and minimum premium funding arrangements. Under ASO, the employer or other plan sponsor self-funds all of its claims and assumes the risk for claim costs incurred. CI's CDHPs offer a modular product portfolio that provides a choice of benefits network and various funding, medical management, consumerism and health advocacy options for employers and consumers. Medical covered lives as of December 31, 2013, totaled 14,078,000 (versus 14,045,000 as of December 31, 2012): 960,000 (1,119,000) U.S. guaranteed cost (commercial HMO and voluntary/limited benefits); 794,000 (789,000) U.S. experience-related; 767,000 (744,000) International health care - risk; 467,000 (463,000) Medicare; 25,000 (25,000) Medicaid; and 11,065,000 (11,131,000) ASO, including international health care. Disability and Life, provides employer-paid and voluntary life, accident and disability products, and held group life insurance policies. International operates in selected markets outside the U.S., providing individual and group life, accident and health, health care, and pension products.

Our fundamental outlook for the managed health care sub-industry for the next 12 months remains positive. We view the health care reform law as positive, on balance, for managed care organizations (MCOs). To help pay for health care reform, the MCOs face nondeductible fees totaling $67 billion over a 10-year period beginning in 2014. Meanwhile, the law placed certain restrictions on the group starting in 2010. Beginning in 2011, commercial plans faced floors for medical spending as a percentage of premiums (referred to as the medical cost ratio -- MCR, or medical loss ratio -- MLR). In 2014, Medicare Advantage (MA) plans begin to face MCR floors. Approximately 8 million Americans signed up for health insurance via the healthcare exchanges, well above the Congressional Budget Office estimate of 6 million. We believe MCOs should benefit from the better-than-expected enrollment, although we note enrollment of the highly sort after age-group of 18-35 years of age was lower than expected. We see offsets, including estimated enrollment gains of up to 26-28 million previously uninsured individuals by 2019, with about 13-15 million in Medicaid, and the likelihood of additional M&A opportunities. Meanwhile, we look for premium and fee revenue to rise 9% in 2014 for the group, on commercial and Medicaid premium rate increases, and on higher enrollment, bolstered by the continuing rise in MA and Medicare drug plan enrollment, and about 13 million newly insured, including 5 million in Medicaid. We expect MCRs to rise for the group in 2014, assuming higher Medicaid and MA membership enrollment as a percentage of total membership, an older-than-expected health care exchange enrollment mix, the MA rate reduction, and pent-up demand from the newly insured in 2014. On the other hand, we assume medical cost trends will remain moderate, with some MCOs' MCRs benefiting from their ability to pass through the nondeductible industry fees in commercial and Medicaid premiums. All MCOs also seek to partly offset the rise in MCRs and fees with narrower doctor and hospital networks and tighter cost control. Year-to-date through September 19, the S&P Managed Health Care Index rose 20.3% vs. a 8.2% rise in the S&P 1500 Composite Index. The follows the 45.1% rise in 2013 compared to the 30.1% rise in the S&P 1500 Composite Index. We think the sub-industry relative outperformance partly reflects investors' favorable view of enrollment expansion prospects.