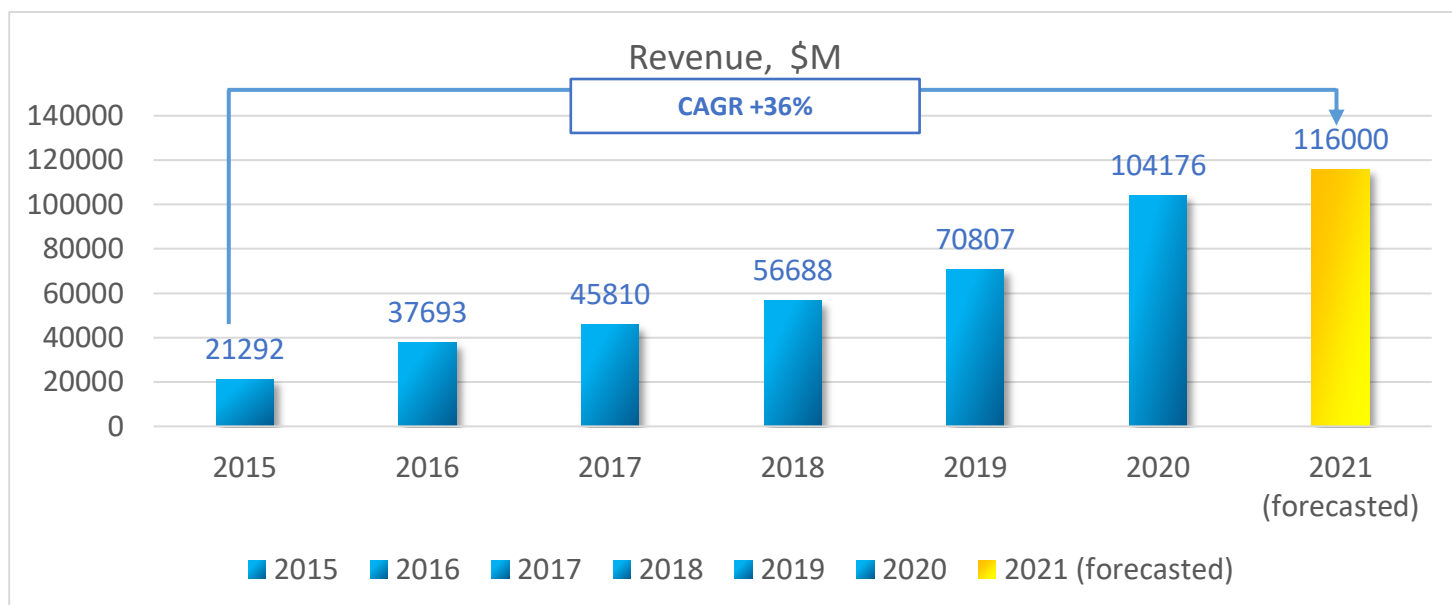


Initiated: 2021.04.25
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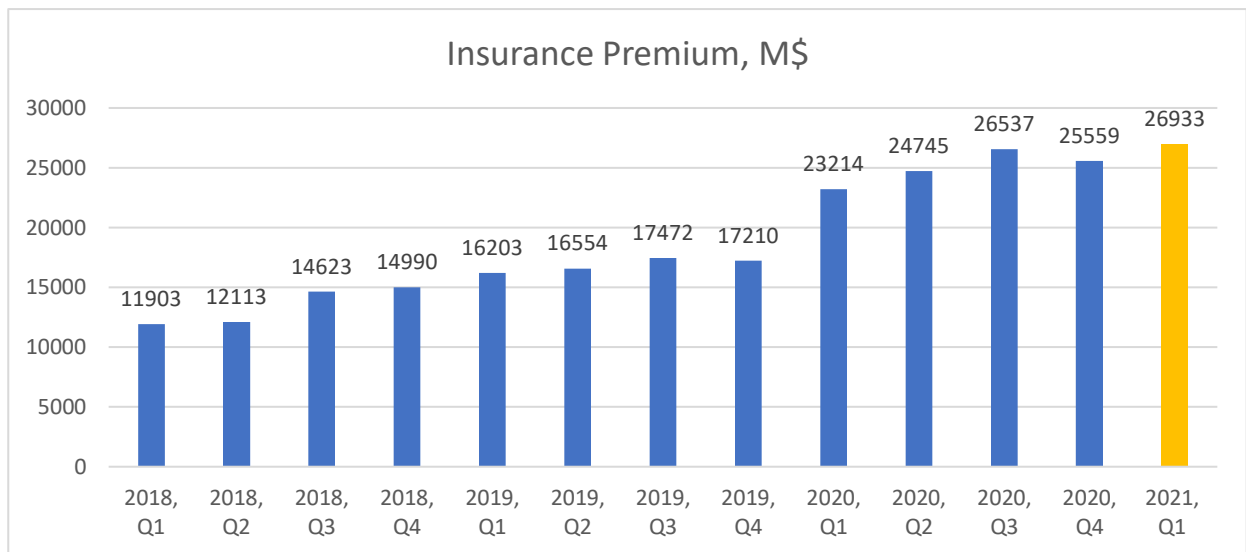
Centene Corporation – is a healthcare insurance enterprise with high revenue growth and relatively low multiples.

Centene Corporation offers insurance plans and health services for the uninsured, underinsured, and underprivileged people. Insurance includes a variety of medical services, depending on the benefits and the state program. The company generates 95% of its revenue through state-subsidized insurance programs like Medicaid, Medicare, Foster Saga, etc.

Centene Corporation has a strong growth rate in revenue and insurance premiums



The company demonstrates high revenue growth rates with an average annual rate of +36%. In 2021, the management expects to generate revenue of \$116 billion, which is 13.2% more than in 2020. The number of clients is also growing rapidly. In 2020, Centene reached 25,523 members compared to 15,242 in 2019 (+ 67% increase).



The insurance premiums show steady growth, with an average increase of 31% each quarter.

Centene Corporation actively engages in M&A transactions

- In May 2019, HealthSmart, a provider of customizable and scalable healthcare plans for universities and colleges, was acquired.
- In April 2019, the insurance company QualChoice was purchased, increasing the market presence in Arkansas.
- In January 2020, Wellcare – a technological health insurance company – was acquired.
- In December 2020, Centene acquired PANTHERx, a growing pharmacy chain that specializes in rare diseases.
- Also, Apexi – the company that uses AI for health analytics – was acquired at the end of 2020.
- The acquisition of the medical company Magellan Health is planned soon.

Centene Corporation is one of the beneficiaries of rising interest rates

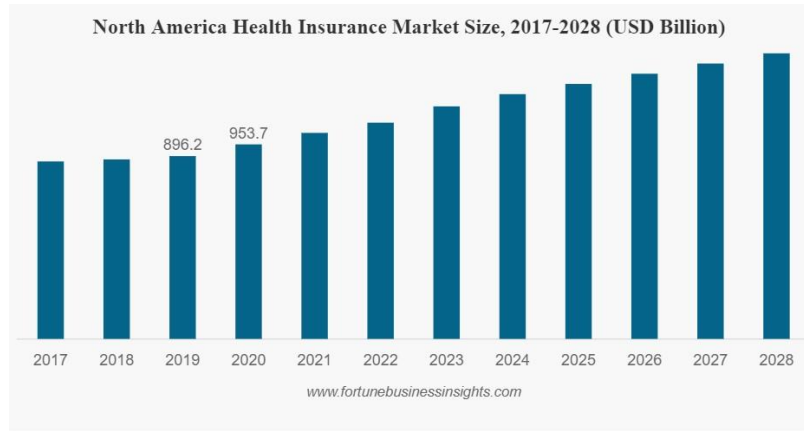
As interest rates are expected to increase, let's calculate how much the company can gain. The company now has \$14.4 billion in investments. A 1% increase in interest rates will increase investment earnings by \$144 million. Before the pandemic, the Fed's key rate was around 1.75-2.25%. If it returns to previous rates, its investment profit could increase by \$288 million a year.

The company will suffer paper losses from the increase of interest rates due to the overvaluation of bonds on the balance sheet. Still, over time, with the upcoming maturity date and the inflow of new available funds, the company's investment income will increase significantly.

The company's current P/E is 20.95. Ceteris paribus, if the rates increase by 2% and the current ratio remains the same, the company's market capitalization can grow by 16% only from the effect of the increase in rates.

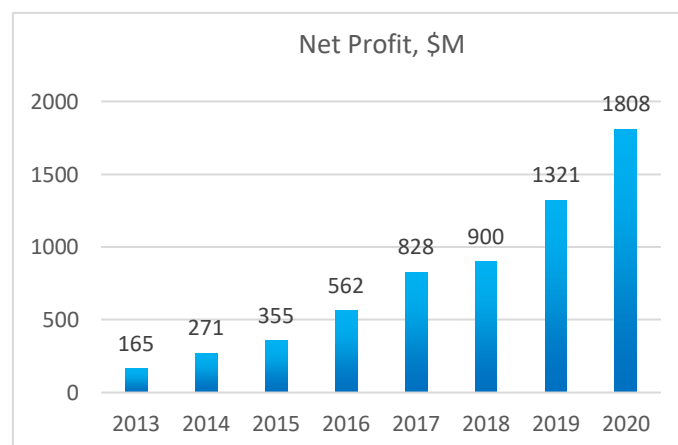
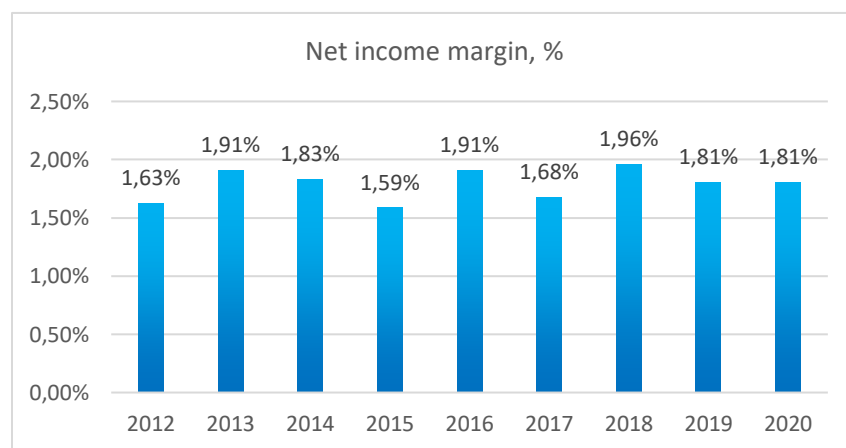
Growth Drivers in 2021:

- The Biden administration announced that it would focus on the accessibility and expansion of the Medicaid insurance program (which is provided by the Centene Corporation)
- In 2021, the effect of investments and acquisitions is expected to increase in 2019-20
- In January 2021, Centene Corporation was selected as a provider of two insurance programs in Oklahoma.
- The company's marketplace will launch in 400 new counties and two new states.
- The health insurance market is expected to grow by 3.4% per year.



2021 New States	MI, NM
2021 Expansion States	AZ, FL, GA, IL, KS, MO, NC, OH, PA, SC, TN, TX, WA (393 counties)
Statewide Presence	AR, IN, MS, NH, NM, NV

Centene Corporation has a growing net profit and stable profitability



While growing faster than others, the company is still cheaper than its competitors.

Ticker	Company	MCap, \$b	P/B	P/E	MC/GWP	Historical Rev Growth
UNH	UnitedHealth Group Inc.	388.56	5.85	23.41	1.77	8.60%
ANTM	Anthem, Inc.	95.85	2.83	20.94	0.88	10.80%
CI	Cigna Corporation	88.23	1.84	11.07	2.15	8.64%
HUM	Humana Inc.	56.7	4	15.61	0.75	12.90%
CNC	Centene Corporation	35.57	1.62	17.54	0.36	32.70%
AVG	-	-	3.228	17.714	1.18	14.73%

We believe that the company is fairly valued and expect its share price to rise because:

- Biden Administration endorsement of insurance programs
- Possible interest rate increase

Kind Regards,
Enhanced Investments Team
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