

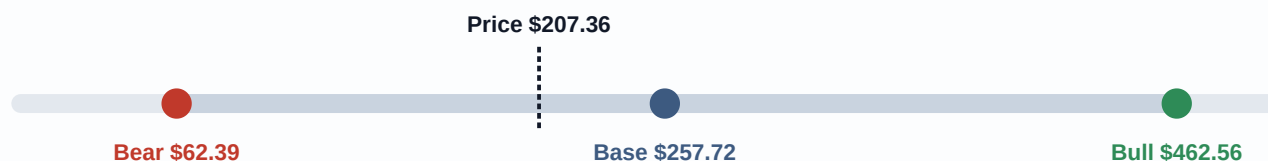
Initiated 2026-10-18 · Price \$207.36 (as of 2026-10-16, stockanalysis.com) · Mkt cap \$10.8bn (52.2mm shares) · Health care / managed care (Medicaid, Medicare duals, ACA Marketplace) · Model: verified

Rating: Hold — Conviction: Low

Molina's recovery is credible: 2026 should be the trough, and with Florida start-up costs and MAPD losses not recurring, management's 2027 building blocks exceed \$10 a share, about double 2026's $\geq \$5.25$. But the stock has already rallied ~70% off its 52-week low, and at ~20x those building blocks it prices a good part of the recovery. What isn't priced is the risk in a 1–2% margin, mostly-Medicaid book carrying ~47% debt-to-capital: state rates are still running about a point below trend, work requirements start in 2027, and in Q2 the company cut its Marketplace outlook by \$1.50 a share after another miss.

Conviction tests (3a-v-c): T1 fail (Hold → Buy at -1pp: Base +49.0%; +6.5% at +1pp) · T2 fail (Gordon alone +45% reads Buy; exit-multiple alone +3% reads Hold) · T3 pass · T4 pass (no pending deal, ruling or single-contract event worth >25%; the securities class action was dismissed with leave to amend; the 2026-10-21 Q3 print and 2027 outlook sit inside the cases)

MODEL VALUE RANGE VS PRICE



Business overview

Molina is a government-sponsored health plan. FY2025 total revenue was \$45.4bn, of which \$43.1bn was premium. At 2026-06-30 it had 4.9mm members: Medicaid 4.42mm (about four-fifths of premium), Medicare 224k (mostly dual-eligibles), and Marketplace 283k, down from 690k a year earlier. Model-basis margin, which includes investment income on the float, was ~5% in 2023–24 and 2.2% in FY2025, and 2026 runs near 1.4%. Three variables drive earnings. First, state Medicaid rates vs cost trend: 2026 rates are ~4% against ~5% trend, and each 100bp of Medicaid MCR is worth ~\$5 a share. Second, new contracts reaching target margin, chiefly the ~\$6bn-a-year Florida children's contract starting in Q4 2026 (embedded earnings ~\$9 a share per management). Third, the Marketplace, being shrunk toward breakeven.

Competition

In Medicaid managed care, Molina held 6% of HMAIS-tracked enrollment in June 2026. Centene had 17.9%, Elevance 10.7% and UnitedHealth 8%, in a market that shrank 5.5% year on year to 59.2mm as redeterminations continued (Health Management Associates, Q2 2026). The pressure shows up in rates and acuity, not price competition. Molina reports a >90% re-procurement win rate and recently retained Illinois (~\$2bn). Centene, its closest listed comparable, trades at 14.9x forward earnings against Molina's 29.5x on depressed profits; Elevance trades at 15.8x and UnitedHealth at 17.7x (stockanalysis.com, 2026-10-16).

Bull case

1. **Medicaid margin repair** — 2026 is the trough. As ~55% of premium reprices each January and states fund acuity, Medicaid MCR improves faster than the ~90bp over three years management assumes. Plays out if 2027 rate updates exceed trend by 50bp or more. *Model: ebitda_margin*
2. **New-store growth converts to earnings** — Florida and other wins carry premium to the \$46.5bn 2027 outlook and toward the \$64bn 2029 target, and embedded earnings emerge on schedule. Plays out if Florida breaks even in its first full year, as guided. *Model: rev_growth, ebitda_margin*
3. **Re-rating on normalized earnings** — at ~3.8% margins, the growth record earns an 11x exit and 3% terminal growth. *Model: exit_ev_ebitda, terminal_growth*

Bear case

1. **Rates keep lagging a sicker book** — work requirements and redeterminations remove healthier members from 2027 faster than states reprice; management itself calls the market ~300bp underfunded. Revenue growth falls to 2–3% after Florida, and margin stays near 2%. Plays out if Medicaid MCR stays above ~92% through 2027. *Model: rev_growth, ebitda_margin*
2. **Execution and guidance credibility** — the Marketplace missed again in Q2 (MCR 88.9%), and new contracts lose money before reaching target margin. Plays out if Florida runs above breakeven MCR in 2027 or the Marketplace loses money again. *Model: ebitda_margin*
3. **Policy discount on a levered balance sheet** — S&P cut the notes to BB- in April 2026. Debt-to-capital is ~47%, and parent cash was only \$290mm. A higher risk premium (8.9% WACC) and a 7.0x exit compress the equity. *Model: wacc, exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (EV \$14.5bn = mkt cap \$10.8bn – parent cash \$0.3bn + notes \$3.8bn + finance leases \$0.2bn; EBITDA incl. investment income)	14.9x FY2025; ~23.5x 2026E	~8.0x on the FY2023–24 average (\$1.82bn) at today's EV	CNC 5.7x · ELV 13.7x · UNH 14.1x (aggregator TTM, all cash netted)	model-inputs.json ; stockanalysis.com 2026-10-16
P/E	29.5x forward (consensus); 39.5x on the ≥\$5.25 2026 guide; ~20.7x on the >\$10 2027 building blocks	11.0x / 10.2x / 23.2x on GAAP EPS of \$18.77 / \$20.42 / \$8.92 (FY2023–25)	CNC 14.9x · ELV 15.8x · UNH 17.7x (forward)	stockanalysis.com 2026-10-16; Q2 release and call; FY2025 10-K
P/B	2.59x	n/a (unverified)	CNC 1.51x · ELV 2.07x · UNH 3.48x	stockanalysis.com 2026-10-16

The aggregator's 25.1x EV/EBITDA nets ~\$8.9bn of mostly regulated cash against debt.

Model-implied value range (from model-summary.json ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$62.39 · Base \$257.72 · Bull \$462.56 per share, i.e. implied returns of –69.9% / +24.3% / +123.1% vs \$207.36. *These ranges show how the bull and bear drivers translate into value; they are not price targets.*

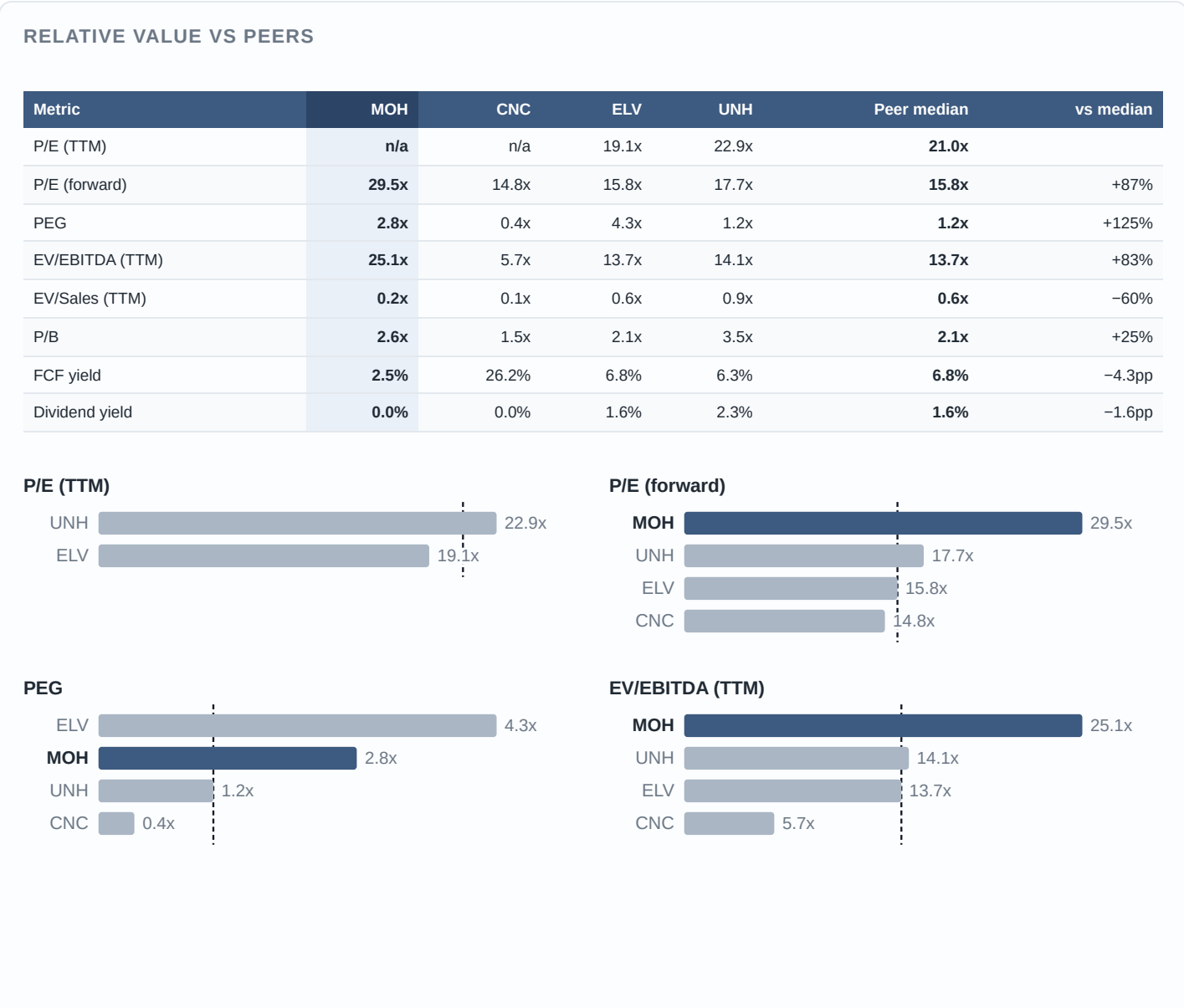
- **What's priced in.** The price is ~74% of the way from Bear to Base.
- **Re-rating.** The Base exit of 9.0x is a de-rating from today's 14.9x FY2025 multiple (23.5x 2026E). The two methods differ by 40% (Gordon \$301.18, exit \$214.27). Gordon embeds the much higher terminal multiple, so the re-rating, and nearly all of the base upside, sits in that method.
- **Why Hold despite a +24% Base.** On the exit method alone the stock is roughly fair (+3%); the Gordon upside rests on a terminal multiple above what the 2023–24 earnings base supported. The bear case is –70% and the tail is zero, on a company whose shares fell 57% in the year to April 2026 on margin misses. The return doesn't pay enough for that skew.

- **Tail.** Revenue flat in 2027, −4% in 2028 and flat in 2029, margin 1.2–1.5%, NWC −2%, 9.5% WACC, a 6.0x exit and 1% terminal growth give \$0.00 (floored): equity value doesn't cover net debt.

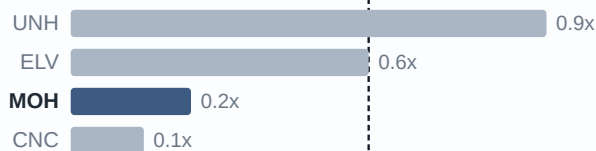
Balance sheet: net leverage 3.6x model-basis FY2025 EBITDA (gross 3.9x), ~5.5x on the model's 2026E. Coverage 5.1x. Liquidity: ~\$290mm parent cash (~\$600mm guided for year-end) and an undrawn \$1.25bn revolver to 2030. Debt-to-capital ~47%, guided to ~44% at year-end. Nearest maturity: \$800mm of 4.375% notes due June 2028. Ratings: S&P BB- (cut from BB in April 2026), Moody's Ba2.

Model note: tier `full`, status `built`, verification `verified` (3,207 formula cells matched in LibreOffice). No unverified inputs and no assumptions without a basis. Scenario consistency is `OK` on all 14 rows.

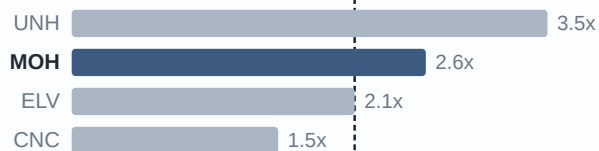
- **Sourcing.** Historicals from the FY2025/FY2024 10-Ks (EDGAR); debt, shares, ratings and guidance from the Q2 10-Q and release; parent cash from the Q2 call.
- **EBITDA basis.** Investment income is included and only parent cash is netted. Acquisition-related and "other" costs stay in EBITDA. Capex includes −0.25% of revenue for statutory capital retention (judgment).
- **EPS vs guidance.** Base Y1 EPS of \$4.57 is 13% below the ≥\$5.25 adjusted guide. The model keeps the \$1.24 a share of acquisition-related costs and the \$0.41 of other costs, deducts \$0.71 of amortization, and uses 52.2mm shares rather than 51.1mm. Base Y2 EPS of \$11.60 is consistent with the >\$10 building blocks plus modest Medicaid repair.
- **WACC.** 7.9% = CAPM cost of equity 8.99% (10Y 5.09%, beta 0.78, 5% ERP, no premium) and 4.81% after-tax debt (est.) at a 27% market weight; computes to 7.87%. The low 5-year beta likely flatters the cost of equity; T1 shows the call is sensitive to it.



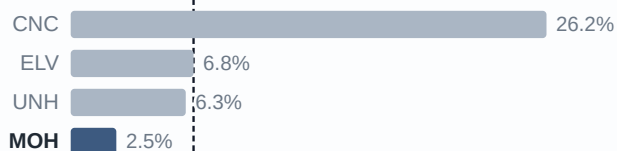
EV/Sales (TTM)



P/B



FCF yield



Dividend yield



As of 2026-10-18. One source and one definition for every company: aggregator TTM and consensus-forward multiples, EV netting all reported cash (for Molina that includes ~\$8.9bn held mostly in regulated subsidiaries). Not the model's own EV basis (see the report's valuation table). All figures at the 2026-10-16 close, fetched 2026-10-18 (Sunday). Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-18.

Notes. Molina (TTM EPS -\$0.14) and Centene (FY2025 impairment) have negative trailing GAAP earnings, shown as n/a by the source. PEG as given by the source, resting on its consensus growth estimates; Molina's and Centene's reflect growth off depressed 2025-26 bases. Molina's 25.05x is on depressed TTM EBITDA (\$390mm) with all cash netted; on the model's basis (parent cash only, investment income in EBITDA) it is 14.9x FY2025 and ~23.5x 2026E. Molina and Centene pay no dividend (0).

Scenario stress test

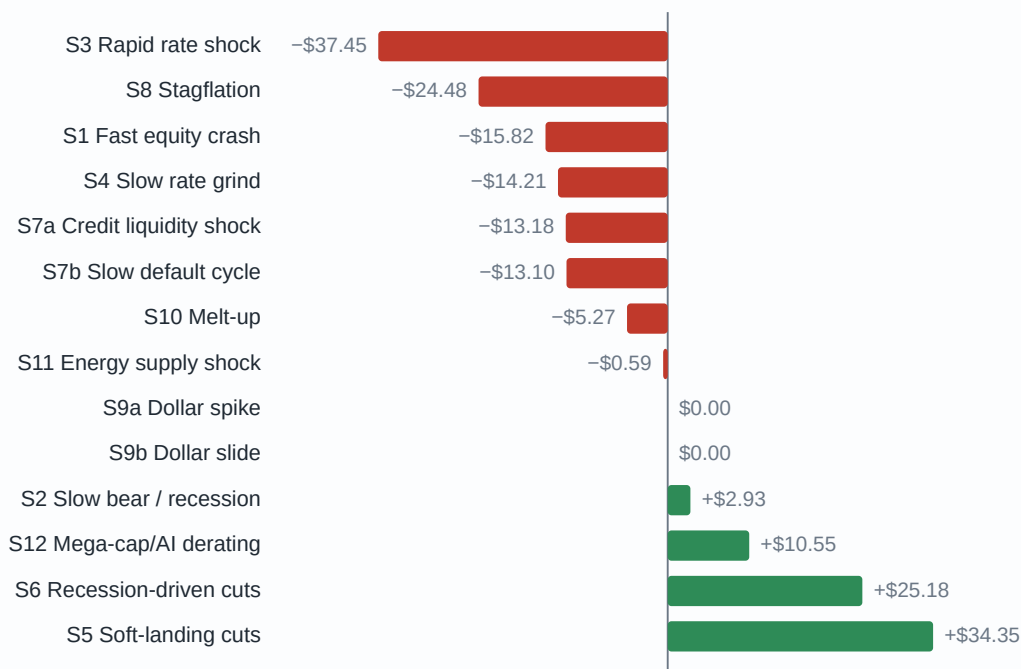
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	-	Volatile, policy-exposed equity de-rates; claims demand unaffected	Med	-\$15.82
S2 Slow bear / recession	±	Medicaid enrollment is counter-cyclical (revenue up), against slower state rate catch-up. Far milder than the bear case, which is a policy-driven membership and acuity loss, not a cycle	Low	+\$2.93
S3 Rapid rate shock	-	Higher discount rate on levered equity, partly offset by float reinvestment yield	High	-\$37.45
S4 Slow rate grind	-	Grinding discount-rate drag; float yield rises slowly	Med	-\$14.21
S5 Soft-landing cuts	+	Lower discount rate re-rates the equity; float income dips slightly	High	+\$34.35
S6 Recession-driven cuts	±	Rate relief and Medicaid enrollment gains vs state budget pressure and lower float yield	High	+\$25.18
S7a Credit liquidity shock	-	BB- issuer at ~47% debt-to-cap: spreads gap and the equity is sold	Med	-\$13.18
S7b Slow default cycle	-	Pays more to refinance the 2028 notes; investment-grade portfolio limits losses	Med	-\$13.10
S8 Stagflation	-	Medical trend outruns Medicaid rates that reset annually with a lag	High	-\$24.48
S9a Dollar spike	0	no material effect, not modeled	Low	\$0.00
S9b Dollar slide	0	no material effect, not modeled	Low	\$0.00
S10 Melt-up	-	Momentum leadership leaves defensive managed care behind	Low	-\$5.27

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S11 Energy supply shock	-	Second-round provider wage and pharmacy inflation leaks into trend	Low	-\$0.59
S12 Mega-cap/AI derating	+	Rotation into domestic, non-AI defensives	Med	+\$10.55

Currently active/on watch per the playbook: S3 partially active (price-level leg only); S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: 2027 guidance (likely with Q4 results, ~February 2027) confirms >\$10 adjusted EPS with Medicaid MCR at or below 92% and Florida on track to break even, or the price falls toward the lower half of the Bear–Base range with no change in fundamentals.

Downgrades if: Medicaid MCR rises above 93% for two quarters, Florida start-up losses run past 2026, the Marketplace loses money again in 2027, or debt-to-capital fails to fall toward 44%.

Watch items

- W1:** Q3 2026 Medicaid MCR and full-year guide — Medicaid MCR $\leq 93\%$ and $\geq \$5.25$ reaffirmed or raised — Q3 2026 release — 2026-10-21 — *Model: ebitda_margin*
- W2:** 2027 outlook — premium ~\$46.5bn and adjusted EPS >\$10 confirmed — Q4 2026 release — ~February 2027 — *Model: rev_growth, ebitda_margin*
- W3:** January 2027 Medicaid rate updates — composite above ~5% trend — Q4 2026 call / Q1 2027 10-Q — ~February–April 2027 — *Model: ebitda_margin*
- W4:** Parent cash and leverage — parent cash ~\$600mm and debt-to-cap ~44% at YE2026 — Q4 2026 release — ~February 2027 — *Model: none*

Sources

- Molina statistics, stockanalysis.com — <https://stockanalysis.com/stocks/moh/statistics/> — accessed 2026-10-18
- Molina XBRL Revenues, EDGAR — <https://data.sec.gov/api/xbrl/companyconcept/CIK0001179929/us-gaap/Revenues.json> — accessed 2026-10-18
- Molina FY2025 10-K statements of income, balance sheet and cash flows (acc. 0001179929-26-000005) — <https://www.sec.gov/Archives/edgar/data/1179929/000117992926000005/R3.htm> (R5, R7, R8) — accessed 2026-10-18
- Molina FY2024 10-K balance sheet (acc. 0001179929-25-000023) — <https://www.sec.gov/Archives/edgar/data/1179929/000117992925000023/R5.htm> — accessed 2026-10-18
- Molina Q2 2026 earnings release (8-K) — https://www.sec.gov/Archives/edgar/data/0001179929/000117992926000036/moh2q26_er.htm — accessed 2026-10-18
- Molina Q2 2026 Form 10-Q — <https://www.sec.gov/Archives/edgar/data/0001179929/000117992926000039/moh-20260630.htm> — accessed 2026-10-18
- Molina Q2 2026 earnings call transcript — <https://earningswhispers.com/transcript/MOH/Q22026> — accessed 2026-10-18
- Notes and ratings, Q3 date, September price action and lawsuit dismissal (via search summaries) — <https://business.minstercommunitypost.com/minstercommunitypost/article/bizwire-2025-11-20-molina-healthcare-announces-closing-of-offering-of-850-million-of-6500-senior-notes-due-2031> ; <https://finance.yahoo.com/healthcare/articles/diamond-hill-capital-sees-long-110108325.html> ; <https://www.marketbeat.com/instant-alerts/price-molina-healthcare-nyse-moh-shares-climb-5-should-you-buy-2026-10-12/> ; <https://www.tikr.com/blog/molina-healthcare-stock-forecast-where-analysts-see-the-stock-going-by-2027> — accessed 2026-10-18
- Medicaid market share, HMA Q2 2026 — <https://www.healthmanagement.com/blog/medicaid-managed-care-enrollment-declines-in-q2-2026-hma-analysis-of-state-trends-and-market-share/> — accessed 2026-10-18
- CNC, ELV, UNH statistics, stockanalysis.com — <https://stockanalysis.com/stocks/cnc/statistics/> (and /elv/, /unh/) — accessed 2026-10-18
- 10Y Treasury 5.09% (2026-10-16) — logs/macro-2026-10.md (Treasury.gov par curve)

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.