



ANALYST QUICK NOTES

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Aetna Inc. (NYSE: AET: BUY)

Target Price: \$145

David Toung

2/9/2017

- We published a note on February 8 highlighting our view that Aetna's intention to resume share repurchases in 2017 (as expressed in its guidance) indicates a higher likelihood that Aetna and Humana will terminate their merger agreement, which has a deadline for action of February 15.
 - We point out that Aetna had suspended stock buybacks in 2016 because of the then-pending Humana merger. Aetna is BUY-rated with \$145 price target. Humana is HOLD-rated.
 - Our view that the merger is doomed is seemingly reinforced by Humana's statement Wednesday that it will resume its quarterly earnings call on February 16 and offer 2017 guidance at that point. We believe Humana will present its corporate strategy as a standalone company on its February 16 call.
 - Aetna and Humana are facing the reality that a U.S. District Court ruled to block the merger on concerns that the deal would be anti-competitive in the Medicare Advantage market. With the merger deal now pending for more than 19 months, it looks like the companies believe it is time to move on – albeit in separate directions.
 - Late Wednesday, the U.S. District Court ruled against the Anthem-Cigna merger. This provides additional evidence of how difficult these mega-insurance combinations will be to complete.
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