

18th February 2016

Healthcare

## Fresenius Med. Care

Price EUR76.84

### GranuFlo settlement with more colour on FY2015 numbers

Fair Value EUR97 (+26%)

BUY

Bloomberg	FME GR
Reuters	FMEG.DE
12-month High / Low (EUR)	83.1 / 64.2
Market Cap (EURm)	24,040
Avg. 6m daily volume (000)	761.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	6.6%	-4.8%	4.9%	-1.1%
Healthcare	-3.3%	-13.1%	-16.3%	-12.0%
DJ Stoxx 600	-0.3%	-13.5%	-15.1%	-10.1%

	2014	2015e	2016e	2017e
P/E	24.8x	24.6x	21.0x	19.9x
Div yield (%)	1.1%	1.3%	1.4%	1.5%

### ANALYSIS

- FMC announces that it has reached an agreement to resolve the GranuFlo litigation. Under the agreement, settlement would amount to USD250 of which USD220m should be funded by insurers. The remainder and its related costs should result in a pre-tax charge of USD60m for FMC, reflected in its 2015 numbers.
- As a reminder, GranuFlo is a dialysate solutions which is widely used in the US in chronic kidney disease patients. The product is manufactured by FMC. Due to its composition, the dose should be adjusted as per the patient and the product should be used in the appropriate setting. When not used as per the label the product might induce cardiac arrest. Following a FDA recall for the drug, a suit has been filed with plaintiffs invoking that FMC had knowledge of potential complications
- This settlement which should impact FY2015 numbers gives FMC the opportunity to provide more colour on its FY2015 numbers. Revenues for the year are expected to come at USD16.7bn (+5.4% reported), slightly below consensus estimates at USD16.8bn, albeit within the company's guidance of 5% to 7% growth on a reported basis. Although the company does not provide granularity as to profitability, it expects net income to grow by 2% exc. the USD60m GranuFlo impact. Reported net income should end the year showing a 2% decrease, leading to slight revisions ahead of FY2015 publication next week.
- With this charge now behind (easing basis comp) and turning to FY2016 as mentioned in our preview issued yesterday (please see [here](#)), we believe that 2016 guidance will be reiterated with topline growth expected in the 7%-10% range at cc and net income expected to grow in the 15-20% range. We only see significant M&A as a downside risk on guidance.

### VALUATION

- We reiterate our BUY rating and EUR97 fair value.

### NEXT CATALYSTS

- Feb. 24<sup>th</sup>: FY2015 results

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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