

**Fresenius Med. Care**

Price EUR77.42

**FY 2015 results****Fair Value EUR97 (+25%)****BUY**

Bloomberg	FME GR
Reuters	FMEG.DE
12-month High / Low (EUR)	83.1 / 64.2
Market Cap (EURm)	24,222
Avg. 6m daily volume (000)	761.7

**ANALYSIS**

FY 2015 revenue totalled USD16.738bn, up 11% constant currency (6% reported), in line with consensus estimates. EBIT margin was below estimates at 13.9% of sales or USD2.327bn, affected by the Granuflo litigation pre-tax charge of USD60m. Excluding this exceptional that the consensus had not factored in, EBIT would have been in line with the consensus figure at USD2.387m. As a result, net income and EPS looks disappointing at 2.7% and 1.9% below consensus respectively.

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.9%	-2.6%	4.4%	-0.4%
Healthcare	-2.9%	-12.4%	-16.4%	-11.4%
DJ Stoxx 600	0.1%	-13.3%	-15.3%	-10.1%

  

	2014	2015e	2016e	2017e
P/E	24.9x	24.7x	21.1x	20.0x
Div yield (%)	1.1%	1.3%	1.3%	1.5%

(USDm exc./share)	FY 14	FY 15	y/y	FY 15 cs	Delta	FY 16 Guid.	FY 16 cs
Revenue	15,832	16,738	5.7%	16,831	-0.6%	7-10% cc	6.8% cc
EBIT	2,255	2,327	3.2%	2,390	-2.6%		
EBIT margin %	14.2%	13.9%		14.2%			
Net Income	1,045	1,029	-1.5%	1,058	-2.7%	15-20%	21%
Adjusted EPS	3.46	3.38	-2.3%	3.48	-2.9%		

- In North America, Care coordination continued to drive top-line growth with sales at USD1.88bn for the year. The newly created division now accounts for 11% of sales and grew 25% on an organic basis this year, we would expect growth prospects to remain strong with potential M&A entering 2016. From a profitability stand-point, while we would have expected margins to grow slightly all throughout the year, note that they narrowed from Q4 2014 until Q4 2015. The US dialysis business rose 5% organically while products grew 4.3%. A positive effect from the switch to Mircera was found in the treatment cost, roughly flat over the year but decreasing 3% in Q4.
- The international segment rose 6.7% organic (-5.2% reported). Dialysis product sales weighed on revenues except in APAC where we were pleased to see that the group performed well with 11% organic growth.
- The consensus is within FY2016 guidance for 7-10% cc growth (5-7% reported) and net income growth of 15-20%. Note that this guidance does not include any acquisitions, which have proven to be dilutive in the Care Coordination business.

**VALUATION**

- We reiterate our BUY rating and EUR97 fair value

**NEXT CATALYSTS**

- Today 3.30pm CET FY results conference call (UK +44 203 059 5869, US + 1 855 272 3518, ID Fresenius Medical Care)

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Hugo Solvet, [hsolvet@bryangarnier.com](mailto:hsolvet@bryangarnier.com)

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St. Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
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