

## Fresenius SE

Price EUR65.36

Strong start to the year, Kabi continues to perform well!

Fair Value EUR70 (+7%)

BUY-Top Picks

Bloomberg	FRE GR
Reuters	FREG.DE
12-month High / Low (EUR)	69.8 / 51.3
Market Cap (EURm)	35,674
Ev (BG Estimates) (EURm)	50,988
Avg. 6m daily volume (000)	1 305
3y EPS CAGR	8.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.8%	11.1%	0.6%	-0.9%
Healthcare	5.6%	0.2%	-9.1%	-8.3%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	27,626	29,126	31,122	33,420
% change		5.4%	6.9%	7.4%
EBITDA	4,990	5,465	5,829	6,319
EBIT	3,875	4,300	4,585	4,982
% change		11.0%	6.6%	8.7%
Net income	1,358	1,532	1,645	1,796
% change		12.9%	7.3%	9.2%

	2015	2016e	2017e	2018e
Operating margin	14.0	14.8	14.7	14.9
Net margin	4.9	5.3	5.3	5.4
ROE	7.2	7.4	7.4	7.4
ROCE	3.8	4.1	4.2	4.4
Gearing	118.4	107.7	99.4	90.3

(EUR)	2015	2016e	2017e	2018e
EPS	2.62	2.82	3.02	3.30
% change	-	7.7%	7.3%	9.2%
P/E	25.0x	23.2x	21.6x	19.8x
FCF yield (%)	2.0%	4.3%	4.6%	5.0%
Dividends (EUR)	1.69	1.82	1.95	2.13
Div yield (%)	2.6%	2.8%	3.0%	3.3%
EV/Sales	1.8x	1.8x	1.6x	1.5x
EV/EBITDA	9.9x	9.3x	8.7x	8.1x
EV/EBIT	12.7x	11.9x	11.1x	10.3x



Fresenius SE reported Q1 results with revenues in line with consensus, driven by FMC and KABI to a lesser extend. Sales are up 7% cc to EUR6.9bn. Turning to profitability, FRE EBIT is 1.2% ahead of expectations with KABI being the main contributor. EBIT margin from the latter division increased to 21% of sales vs 18.5% in Q1 20158 and 10bp on a sequential basis, 10% ahead of expectations. Helios performance is either from sales or profitability perspective is well oriented. All guidances are maintained. FRE is part of our Q2 Top Picks list.

- Fresenius SE reports Q1 numbers with sales, up 7%CC at EUR6.9bn (7% reported), driven by Fresenius Medical sales which are up 9%CC. The latter are boosted by good performance in North America where revenues increased by 10% out of which Care Coordination is up 20%. Kabi contributed to growth to a lesser extend as 10% organic growth has been impacted by 1/ 2pp negative effect from the divestiture of German oncology compounding business in Q1 2018 and 2/ a further 3pp from translation effect. KABI sales increased 5% on a reported basis to EUR1.470, in line with expectations.

FRESENIUS (EURm exc PS)	Q1 2015	Q1 2015	YoY %	Q1 2015 CS	Delta	FY16 Guid.
FRE - Revenues	6 483	6 900	6%	6 927	-0,4%	6-8%
FRE - EBIT	851	959	13%	948	1,2%	
EBIT margin %	13,1%	13,9%		13,7%		
FRE - Net Income Adj.	292	362	24%	339	6,8%	8-12%
FRE - EPS Adj.	0,54	0,66	22%	0,62	6,5%	
FMC - Sales	3516	3816	9%	3809	0,2%	cf note FMC
FMC - EBIT	448	490	9%	508	-3,5%	
EBIT margin %	12,7%	12,8%		13,3%		
KABI - Sales	1394	1470	5%	1468	0,1%	low single digit %
KABI - EBIT	257	309	20%	282	9,6%	roughly flat
EBIT margin %	18,4%	21,0%		19,2%		
HELIOS - Sales	1391	1435	3%	1453	-1,2%	3-5%
HELIOS - EBIT	147	159	8%	162	-1,9%	EUR670-700m
EBIT margin %	10,6%	11,1%		11,1%		

Source : Company Data; Vara consensus.

- FMC's underperformance in terms of profitability is offsetted by strong start to the year for KABI and good integration of RHK hospitals at Helios. Margins for KABI increased 20% quarter on quarter to 21% of sales vs 18.5% in Q1 20158, 10% ahead of expectations. On a sequential basis, margins are up 10bp as competition still struggling with drug shortages and several product have already been launched in Q1 2016. For the group, EBIT margins are up 80bp to 13.9% of sales, 1.2% ahead of expectations. At Helios, margins progressed 50bp to 11.1%, roughly in line with consensus. Bottom line, EPS stands at EURO.66, 6.5% ahead of consensus.
- All guidance are maintained, see table above

## VALUATION

- We reiterate our BUY rating and EUR70 fair value. Fresenius Se is in our Q2 Top Picks list

## NEXT CATALYSTS

- Today 2:00pmCET: conference call on Q1 results (DE +49 69 566 031 201, UK +44 161 250 8212, US +1 347 549 4091; ID Fresenius)

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BUY ratings 72%

NEUTRAL ratings 0%

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