

7th June 2016

Healthcare

Fresenius SE

Price EUR66.40

One man's meat is another man's poison

Fair Value EUR73 (+10%)

BUY-Top Picks

| | |
|----------------------------|-------------|
| Bloomberg | FRE GR |
| Reuters | FREG.DE |
| 12-month High / Low (EUR) | 69.8 / 53.1 |
| Market Cap (EURm) | 36,263 |
| Avg. 6m daily volume (000) | 1 282 |

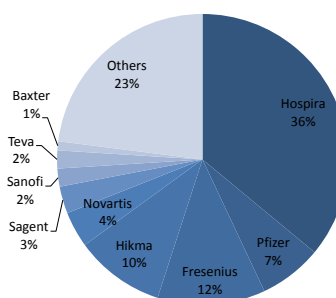
| | 1 M | 3 M | 6 M | 31/12/15 |
|----------------|------|-------|-------|----------|
| Absolute perf. | 5.2% | 10.0% | 2.6% | 0.7% |
| Healthcare | 7.7% | 4.9% | -5.1% | -6.5% |
| DJ Stoxx 600 | 3.2% | 0.2% | -7.6% | -6.4% |

| | 2015 | 2016e | 2017e | 2018e |
|---------------|-------|-------|-------|-------|
| P/E | 25.4x | 22.9x | 21.5x | 19.6x |
| Div yield (%) | 2.5% | 2.8% | 3.0% | 3.3% |

ANALYSIS

- A translated notice from the Hungarian Food and Drug Administration (OGYE) states that Teva decided to temporarily suspend production of Sterile Injectable drugs (all except two, almost 200) in its Gödöllő plant four months ago. The FDA therefore issued an import alert (see [here](#)) banning imports from Teva's Gödöllő plant on the basis that the plant does not operate in conformity with current GMP. We believe that this is a hit for Teva, whose USD110m Hungarian plant opened in 2012 has capacity for 160-200 million injectable units mainly for the US, European and East Asian markets.
- Meanwhile, we see a positive read-across for Fresenius SE, whose IV generic business benefits from strong momentum. Teva's 2% market share, which is under pressure in the IV Gx injectable space, alongside Pfizer's acquisition of Hospira which places the emphasis on biosimilar opportunities rather than IV Gx should continue to profit Kabi in the short term. As a reminder, the business unit represents 45% of Fresenius SE's net income (22% and 30% of sales and EBIT respectively) and had a strong start to the year (7% cc growth) with further attractive profitability gains, which came as a surprise whereas we were expecting a normalization (see our comment [here](#)).

Sterile Injectable Market 2015 (in units)



VALUATION

- We reiterate our BUY rating and EUR73 fair value on Fresenius SE which is our Top Pick list for Q2 2016.

NEXT CATALYSTS

- 2nd August: H1 results

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| | |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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| | | | |
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