

19th September 2016

Healthcare

Fresenius SE

Price EUR70.17

German-DRG above 2% for the fourth year in a row

Fair Value EUR78 (+11%)

BUY-Top Picks

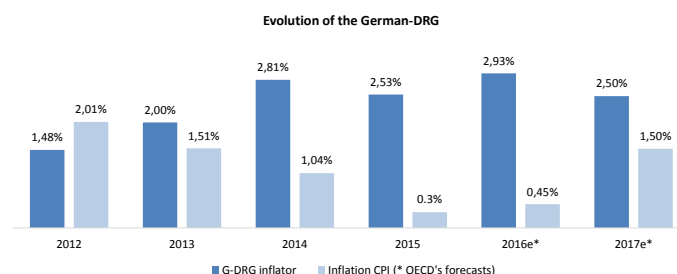
Bloomberg	FRE GR
Reuters	FREG.DE
12-month High / Low (EUR)	70.5 / 53.1
Market Cap (EURm)	38,338
Avg. 6m daily volume (000)	1 039

ANALYSIS

- The Institute for the Hospital Remuneration System released the German diagnosis-related group inflator for 2017, which has been set at 2.5% and compares to the OECD's anticipated inflation rate of 1.5% for the same year. The DRG inflator is used to revalue annually the reimbursement paid to hospitals in Germany. This is the fourth year in a row that this rate stands at or above 2.5% which highlights the stability of the German Hospital environment.

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.9%	12.1%	11.8%	6.4%
Healthcare	-3.1%	4.1%	2.6%	-8.3%
DJ Stoxx 600	-1.7%	5.2%	-0.2%	-7.0%

	2015	2016e	2017e	2018e
P/E	26.8x	23.6x	20.8x	18.8x
Div yield (%)	2.4%	2.7%	3.2%	3.5%



- As a reminder, Fresenius SE has reinforced its Hospital business with the acquisition of Spain's largest hospital network, Quirónsalud, for EUR5.76bn. In addition to adding EUR2.7bn in incremental sales as of next year (BGE 5.5% CER growth p.a.) as well as having an 8.5% accretive impact on 2017e EPS, we expect this acquisition to bring stability and visibility to the groups. The hospital business should represent 30% of the group's net income in 2017e (vs. 25% in 2016e).

VALUATION

- We reiterate our BUY recommendation and EUR78 Fair Value. Fresenius SE is in our Q3 Top-Picks list.

NEXT CATALYSTS

- 27th October: Q3 results
- 15th November: Fresenius SE to attend Bryan, Garnier & Co's 4th Healthcare Conference (Paris)

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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