### Healthcare

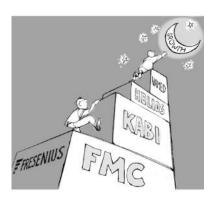
### Fresenius SE

### Price EUR70.43

| FRE GR | Reuters | FREG.DE | 12-month High / Low (EUR) | 70.4 / 53.1 | Market Cap (EURm) | 53,729 | Avg. 6m daily volume (000) | 1 068 | 3y EPS CAGR | 12.6% | 1 M 3 M 6 M 31/12/15 | Absolute perf. | 4.8% 6.1% 16.7% | 6.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.8%	6.1%	16.7%	6.8%
Healthcare	-3.6%	-1.1%	3.8%	-7.5%
DJ Stoxx 600	2.4%	2.1%	2.2%	-4.5%
YEnd Dec. (EURm)	2015	<b>2016</b> e	<b>2017</b> e	<b>2018</b> e
Sales	27,626	28,927	33,69	4 36,132
% change		4.7%	16.59	% 7.2%
EBITDA	4,990	5,407	6,21	3 6,756
EBIT	3,875	4,250	4,86	5 5,311
% change		9.7%	14.59	% 9.2%
Net income	1,358	1,623	1,86	4 2,064
% change		19.5%	14.9%	% 10.7%
	2015	2016e	<b>2017</b> e	2018e
Operating margin	14.0	14.7	14.	4 14.7
Net margin	4.9	5.6	5.	5 5.7
ROE	7.2	7.9	8.	3 8.4
ROCE	3.8	4.3	4.3	8 5.1
Gearing	118.4	107.2	101.	91.6
(EUR)	2015	<b>2016</b> e	<b>2017</b> e	<b>2018</b> e

(EUR)	2015	<b>2016</b> e	<b>2017</b> e	<b>2018</b> e
EPS	2.62	2.97	3.38	3.74
% change	-	13.6%	13.6%	10.7%
P/E	26.9x	23.7x	20.9x	18.8x
FCF yield (%)	1.9%	4.1%	1.9%	4.4%
Dividends (EUR)	1.69	1.93	2.21	2.45
Div yield (%)	2.4%	2.7%	3.1%	3.5%
EV/Sales	1.9x	1.9x	1.8x	1.7x
EV/EBITDA	10.4x	9.9x	9.6x	8.9x
EV/EBIT	13.4x	12.6x	12.3x	11.3x



### ¡Salud! (full report published today)

Fair Value EUR78 vs. EUR73 (+11%)

**BUY-Top Picks** 

Management's review of the growth prospect for Quirónsalud reinforce our sentiment on a perfect fit with Helios. Diluting KABI by bringing both stability and visibility to sales and earning ramps should be much appreciated in a difficult environment for the Pharmaceutical sector. Having integrated Quirónsalud in our model lift our 2017e EPS by 8.5%. We reiterate our BUY rating and raise our Fair Value from EUR73 to EUR78.

### **ANALYSIS**

- Fresenius SE acquired Spain's leading hospital network, Quirónsalud, for EUR5.76bn. This
  acquisition which is the largest conducted by Fresenius SE is a perfect fit into its portfolio. Indeed,
  it should bring both stability and visibility to the PnL at a time 1/ KABI NA long term growth might
  have cast doubt.
- The Spanish hospital Market is highly attractive with 1/ an increased proportion of the population benefiting from a private insurance and 2/ lower hospital coverage leaving room for new projects. Quirónsalud's EUR2.7bn revenues which are expected to growth by 5% in the long term comes from both private and public payers and should offer to Fresenius a strong footprint in the country before taking a role into the consolidation of the market.
- On top of embedded synergies, the groups communicated on an additional EUR50m synergies
  that should be reached in the mid-term. Considering 1/ comments from the CEO during the
  conference call and 2/ the groups excellent track record in integrating and over delivering on
  synergies, we do not rule out that they could go higher, further enhancing the accretion of the
  deal.

### **VALUATION**

- Integrating Quirónsalud to our estimates with synergies of EUR50m as a base scenario lift our EPS by 8.5%, 10% and 10.7% in 2017e, 2018e and 2019e respectively.
- We reiterate our BUY rating for Fresenius which is included in our Q3 top picks list. Our new Fair Value is increased by EUR5 to EUR78 offering an upside of 11%.

### **NEXT CATALYSTS**

- Oct 27<sup>th</sup>: Q3 2016 results
- Nov. 15<sup>th</sup>:Fresenius SE to attend BG Healthcare conference
- Feb. 2017: FY 2016 results with new mid-term targets

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### Stock rating

BUY

Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

NEUTRAL

Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

SELL

Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

### Distribution of stock ratings

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NEUTRAL ratings 0%

SELL ratings 28%

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