

## Fresenius Med. Care

Price EUR74.35

Good set of results; bottom line beat driven by tax rate.

Fair Value EUR94 (+26%)

BUY

Bloomberg	FME GR
Reuters	FMEG.DE
12-month High / Low (EUR)	85.7 / 71.6
Market Cap (EURm)	22,836
Ev (BG Estimates) (EURm)	30,137
Avg. 6m daily volume (000)	525.6
3y EPS CAGR	12.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.7%	-8.2%	-5.6%	-4.3%
Healthcare	-6.4%	-9.9%	-5.6%	-12.9%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (USDm)	2015	2016e	2017e	2018e
Sales	16,736	17,905	19,233	20,769
% change		7.0%	7.4%	8.0%
EBITDA	3,044	3,428	3,714	4,035
EBIT	2,327	2,640	2,868	3,121
% change		13.4%	8.6%	8.8%
Net income	1,030	1,199	1,299	1,472
% change		16.4%	8.3%	13.3%

	2015	2016e	2017e	2018e
Operating margin	13.9	14.7	14.9	15.0
Net margin	6.2	6.7	6.8	7.1
ROE	10.4	10.8	10.5	10.6
ROCE	7.4	8.1	8.6	9.2
Gearing	79.9	71.4	60.4	49.5

(USD)	2015	2016e	2017e	2018e
EPS	3.38	3.94	4.27	4.83
% change	-	16.4%	8.3%	13.3%
P/E	23.9x	20.5x	18.9x	16.7x
FCF yield (%)	4.6%	5.7%	8.0%	7.9%
Dividends (USD)	1.06	1.15	1.30	1.42
Div yield (%)	1.3%	1.4%	1.6%	1.8%
EV/Sales	2.0x	1.8x	1.7x	1.5x
EV/EBITDA	10.7x	9.5x	8.7x	7.9x
EV/EBIT	14.1x	12.4x	11.3x	10.2x



Fresenius Medical Care reported Q3 revenues broadly in line with consensus on the top line up 9%CC to USD4.6bn (CSS USD4590bn), driven by HC revenues (higher commercial payer mix). EBIT increased 9.2% and came at USD670m vs USD683m, slightly below estimates as a result of high growth in (low margin) Care Coordination, as well as both unfavourable manufacturing costs and Q3 2015 sale of renal drugs in EMEA. Net income topped estimates as a result of 400bp decrease (one-time) in effective tax rate. This good set of results leads the management to confirm its FY2016 guidance i.e. Revenues and Net income expected to rise in the 7-10% and 15-20% range respectively.

FME (USDm exc PS)	Q3 2015	Q3 2016	YoY %	Q3 2016 CSS	Delta
FMC - Revenues	4 231	4 598	9%	4 560	0,8%
FMC - EBIT	614	670	9%	683	-1,9%
EBIT margin %	14,5%	14,6%		15,0%	
FMC - Net Income	262	333	27%	319	4,4%
FMC - EPS Adj.	0,86	1,09	27%	1,05	3,8%
NA CC - Revenues	480	618	29%	590	4,7%
o/w America CC - EBIT	33	31	-6%	29	6,9%
EBIT margin %	6,9%	5,0%		4,9%	
APAC - Revenues	378	427	13%	411	3,9%
APAC - EBIT	68	85	25%	75	13,3%
EBIT margin %	18,0%	19,9%		18,2%	
LatAm - Revenues	176	192	9%	182	5,5%
LatAm - EBIT	-8	20	-350%	17	17,6%
EBIT margin %	-4,5%	10,4%		9,3%	

Source : Company Data; Bryan Garnier &amp; Co. ests.

## ANALYSIS

- Group revenues increased 9.2%cc over the third quarter of the year to USD4.6bn driven by a strong performance in Healthcare services up 10.3%cc (81% of total group sales) thanks to higher dialysis treatment with commercial payers, leading to a revenue per treatment up USD3 to USD350.
- In the US, Dialysis service sales grew in line with estimates 5.8%cc. Care coordination sales developed well to USD618m up 29%cc so is the margin at the latter division which increased sequentially by 60bp, but came below Q3 2015 level. High growth at CC as well as higher personal expenses lead to a contraction of the EBIT in the region down from 17.1% to 16.2% of sales.
- Outside of the US, EMEA sales grew in line with estimates (4.1%cc) but Q3 2015 positive impact from the sales of renal drug as well as higher manufacturing costs impacted margin. Good margin sales and margin development in Latam and APAC were partially offset by this effect.
- Guidance for the year maintained: Revenue expected to rise in the 7-10% range at cc while Net Income should increase by 15-20%.

## VALUATION

- We reiterate our BUY rating and EUR94 fair value

## NEXT CATALYSTS

- Today 3.30pm conference call



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