

## Fresenius SE

Price EUR68.44

KABI's guidance up again!

Fair Value EUR78 (+14%)

BUY-Top Picks

Bloomberg	FRE GR
Reuters	FREG.DE
12-month High / Low (EUR)	72.9 / 53.1
Market Cap (EURm)	37,432
Ev (BG Estimates) (EURm)	52,681
Avg. 6m daily volume (000)	1 022
3y EPS CAGR	12.6%

Fresenius SE revenues came in line top to bottom line. KABI is once again the focus of this publication as increased outlook for the year (sales and EBIT now expected to grow 4-6% vs 3-5% previously) is prompted by resilience of the US business and ability of the group to maintain its profitability in the region. Hence, lower end of the Group's earnings guidance is raised from 11% to 12% growth (now 12% to 14% to be expected; higher end not revised due to financing costs of Quironsalud). FY2017 guidance on FY2016 results should come along with "ambitious target for the coming years".

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.0%	2.0%	4.2%	3.7%
Healthcare	-6.4%	-9.9%	-5.6%	-12.9%
DJ Stoxx 600	-0.7%	0.6%	-1.0%	-6.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	27,626	28,927	33,694	36,118
% change		4.7%	16.5%	7.2%
EBITDA	4,990	5,407	6,213	6,756
EBIT	3,875	4,250	4,865	5,311
% change		9.7%	14.5%	9.2%
Net income	1,358	1,623	1,864	2,064
% change		19.5%	14.9%	10.7%

	2015	2016e	2017e	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	4.8	5.1
Gearing	118.4	107.2	101.0	91.6

(EUR)	2015	2016e	2017e	2018e
EPS	2.62	2.97	3.38	3.74
% change	-	13.6%	13.6%	10.7%
P/E	26.2x	23.0x	20.3x	18.3x
FCF yield (%)	1.9%	4.2%	1.9%	4.6%
Dividends (EUR)	1.69	1.93	2.21	2.45
Div yield (%)	2.5%	2.8%	3.2%	3.6%
EV/Sales	1.8x	1.8x	1.7x	1.6x
EV/EBITDA	10.2x	9.7x	9.5x	8.8x
EV/EBIT	13.1x	12.4x	12.1x	11.1x

FRE (EURm exc PS)	Q3 2015	Q3 2016	YoY %	Q3 2016 CSS	Delta
FRE - Revenues	6 940	7 300	5%	7 353	-0,7%
FRE - EBIT	1 027	1082	5%	1 099	-1,5%
EBIT margin %	14,8%	14,8%		14,9%	
FRE - Net Income Adj.	367	399	9%	406	-1,7%
FRE - EPS Adj.	0,68	0,73	7%	0,74	-1,4%
KABI - Sales	1499	1511	1%	1520	-0,6%
KABI - EBIT	301	300	0%	302	-0,7%
EBIT margin %	20,1%	19,9%		19,9%	
HELIOS - Sales	1393	1470	6%	1472	-0,1%
HELIOS - EBIT	165	175	6%	176	-0,6%
EBIT margin %	11,8%	11,9%		12,0%	
VAMED - Sales	268	268	0%	289	-7,3%
VAMED - EBIT	14	15	7%	15	0,0%
EBIT margin %	5,2%	5,6%		5,2%	

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

## ANALYSIS

- Q3 revenues are roughly in line with consensus estimates EUR7.3bn vs EUR7.4bn for CSS up 6% at CC, good performance across the board lead to EBIT increase in-line with sales and EPS up 7% to EUR0.73/share. FY 2016 sales' guidance maintained in the 6-8%cc range and low-end of the net income guidance up from 11% to 12% (now 12-14%)
- KABI topline and profitability bang in line with consensus. Sales are up 5%cc. Digging a bit more into the business, we found highly reassuring for short and medium term prospects that after a -6%cc drop in US sales in Q2, the group post a 2%cc increase in Q3 and continues to improve its margins in the region by +170bp y-o-y to 39.9%. Note that the IV business reported a 2% cc growth. Emerging markets are also benefiting to the division organic growth with sales up 8%cc in APAC (9%cc in China), however, FX and divestures resulted in a 5% reported decrease. FY guidance up from 3-5% for both sales and EBIT growth to 4-6%.
- Helios sales increase 4%cc and margins progressed by 20bp, the group reiterates its guidance for the division (sales up 3.5% and EBIT in the EUR670-700m range)
- Turning to 2017, recall that Quironsalud and its expected EUR2.7bn revenues should be consolidated during Q1. Interestingly, management takes advantage of the opportunity of Q3 results to comment on itsq optimism for FY2017 and beyond : "ambitious target for the upcoming years [to come along with] our forecast for 2017".

## VALUATION

- We reiterate our BUY rating and EUR78 fair value.

## NEXT CATALYSTS

- Today 2.00pm: confcall on Q3 results



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NEUTRAL ratings 0%

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