

Fresenius SE

Price EUR71.29

Prefilled syringe Heparin is nice to have for margin sustainability at KABI US**Fair Value EUR78 (+9%)****BUY-Top Picks**

Bloomberg	FRE GR
Reuters	FREG.DE
12-month High / Low (EUR)	72.9 / 53.1
Market Cap (EURm)	38,994
Avg. 6m daily volume (000)	1,108

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.9%	1.6%	13.9%	8.1%
Healthcare	2.4%	-3.6%	0.4%	-11.6%
DJ Stoxx 600	5.8%	5.4%	10.9%	-1.9%

	2015	2016e	2017e	2018e
P/E	27.3x	23.8x	20.7x	18.7x
Div yield (%)	2.4%	2.7%	3.2%	3.5%

ANALYSIS

- Fresenius SE announced yesterday the launch of generic Heparin (anti-coagulant) in the prefilled syringe format. Already available in the traditional vial format, it is important however to note that Heparin is a significant product within KABI's IV generic drug portfolio, accounting for approx. 5% or USD120-130m of IV Gx drug sales in 2016 (BG ests.).
- On top of the seven "legacy" products, which came along with the acquisition of the Becton Dickinson's plant earlier this year and the related 10-year supply contract, we are pleased to see Fresenius SE has already launched two products (the first one was Ketorolac Tromethamine in late September) from the Simplist's range (prefilled syringe format). Indeed, FRE's management said at the time of the acquisition that no material impact from this acquisition should be seen in the short term as investments would need to be made. Nevertheless, we believe that these two launches might underline the fact that the upgrade at the plant has progressed well and potentially faster than initially expected.
- Although it is not clear already whether the traditional vial format would still be available or if it will be replaced by the prefilled syringe, the roll-out of Heparin in the latter format is nice to have for margin sustainability as it comes at profitability levels north of 40%. Following the stronger than expected launch of Daptomycin, we highlighted earlier this week (please see [our note here](#)), this supports our thesis of short term strength at KABI despite easing of the drug shortage situation. We are not ruling out the prospect that Fresenius SE might continue to roll-out important products in the new prefilled syringe format.

VALUATION

- Fresenius SE in our Q4 Top-Picks list
- We reiterate our BUY rating and EUR78 Fair Value

NEXT CATALYSTS

- 22nd February: Q4/FY 2016 results

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