FRESENIUS

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PRESENTATION

Markus Georgi: Thanks, Natalie. Good morning, good afternoon, depending on your time zone. Thanks, everybody, for joining us today. It's my pleasure to welcome all of you to our first quarter 2023 earnings call. With me on the call today, again, Michael and Sara.

Before we start, I would like to draw your attention to the cautionary language that is included in our Safe Harbor Statement on page 2 of today's presentation.

And without any further ado, I hand it over to Michael. Michael, the floor is yours.

Michael Sen: Markus thanks. This is Michael. Hello, everybody. Sara and I are going to quickly run through the Q1 fiscal '23 operational and financial highlights, the progress on #FutureFresenius, and then take questions.

As we've been saying all along, through #FutureFresenius, the company has been resetting itself, simplifying our structure, sharpening our focus, and accelerating performance. Our mission, of course, is advancing patient care. That means deepening our commitment to our healthcare core, building on our strengths in therapy, and clearly aiming for industry leadership.

First 3 months for fiscal '23, all in all, I'd say we made good progress financially and operationally, but we have work still to do.

First quarter highlights: Happy with our core. The Operating Companies, they delivered sequential performance improvement. Both top and bottom line came in strong at Kabi and Helios. Our focus on self-help seems to be paying off. Our productivity, i.e., cost-saving efforts, are having an impact and are continuing on track.

Simplifying our group structure is moving ahead. July 14 is the FMC EGM, where shareholders will have to act and decide on the simplified structure. It has taken many discussions to get to this point. It is a straightforward, elegant solution that benefits all shareholders and improves both companies.

Staying with our efforts to simplify and make Fresenius more transparent, you'll see Kabi's numbers are reported on a business unit basis: Nutrition, Biopharma, MedTech, and Pharma. This is in line with the 3+1 strategy, and it reflects the differences in the businesses and in their respective end markets, more transparency, more opportunities to benchmark, and to value the businesses properly.

As mentioned, there is still work to do, more than initially anticipated. Vamed, one of our Investment Companies where we have an ownership stake below 100%, clearly has legacy issues. The business did not perform as it should, hurt the quarter. We will go through the details and what we are doing to fix it in a minute.

And even with this, there is obvious positive momentum on what really matters. We, the entire leadership team of Fresenius, have the plans and the right mindset for change, and we will keep this going with a clear focus on execution.

Now looking a little deeper in the quarter, strong start to the year, revenue at €10.2 billion, healthy 5% year-over-year growth, happy to see consistent top-line growth across the entire group. Operating Companies performing at the top of the range we set out earlier this year clearly underlines their strong position in the markets and them gaining traction.

On EBIT, performance was in line and with the expectations. At the Operating Companies, we are happy with developments, i.e., holding up in the current environment, driving productivity, and being kind of broadly flat versus prior year. Investment Companies are clearly dilutive to our earnings development. Vamed is a disappointment. The trajectory on earnings we've been seeing for the last quarters is not acceptable. Projects and contracts were not moved ahead. We are taking action to fix the problem, with a thorough vetting of the business model, timetables, costs, and management. Because of our partial ownership, we have been limited by governance, yet group management had to step in and take decisive action to ensure that focus and stringency are brought to bear on the structural, personnel, and performance issues. There will be changes. Management and structural review is ongoing. This will take some time to work through. We will update you on solving this as we move forward through the year.

So considering where we are right now and factoring in the impact of the Investment Companies, we stick with the outlook we announced in February. This is pretty straightforward and realistic.

Double-clicking on Kabi and Helios, the core of #FutureFresenius, I guess we started out the year strongly. Kabi is a leader in their end markets and across geographies. Vision 2026 is at play. All growth vectors, Biopharma, MedTech, and Nutrition, delivering meaningful topline momentum and performing above the growth band.

In total for Kabi, revenues were up by 7% year-over-year. Our growth vectors catered for double-digit growth.

On EBIT, despite inflationary effects and go-to-market resource ramp up on Biopharma US, they achieved an EBIT margin of 14.5%, good start, delivering the first quarter within the margin band.

Helios again delivered a solid quarter, primarily paced by the quality of our Quirónsalud assets. And both Germany and Spain showed how we can offset continuing inflationary pressure by taking actions.

Growth at fertility clearly stood out.

Part of the reset at Fresenius was simplifying the ownership structure with FMC. All the necessary prep for the deconsolidation is on track, allowing both managements to set strategy and pursue opportunities most suited to their businesses. The FMC EGM is scheduled for July 14, and we're looking forward to seeing a positive outcome.

It has taken a long time to reach this point. This is an important milestone as we, like all other shareholders, will clearly benefit from a new structure that offers options and flexibility and enhances performance for everyone, FSE, FME, and all shareholders.

Meantime, FME has moved ahead. They have enhanced their financial transparency, put in place an implementation plan for the operational turnaround, and we see improving treatment volumes, seems that the FME '25 plan and the new leadership are starting to gain traction.

With all the changes we have announced, what will never change is our focus on patient care. That is at the very heart of all we do, even going further and delivering on our mission: advancing patient care.

Our launch portfolios are moving ahead. We are honored that our Ivenix Infusion System, after a rigorous clinical-led review, was awarded an Innovative Technology Contract from Vizient, whose members include more than half of all acute care hospitals in the US. This helps us in gaining what needs to come first: mindshare.

At Helios, we completed a pilot program for recycling narcotic gases, which addresses both safety and environmental issues in hospital settings.

These are just two showcases of innovation and passion which are coming out from our thousands of healthcare professionals and committed employees all over the globe, very proud of all improvements to really advance patient care.

Now let me turn it over to Sara for more detail on the numbers.

Sara Hennicken: Thank you, Michael. A warm welcome also from my side. Let me walk you through the most important numbers for Q1, give you an update on the implications of the deconsolidation of FME, and provide you with a status quo of our cost savings program.

We saw healthy 5% revenue growth in constant currency driven by a groupwide strong demand for our products and services.

The EBIT decline of roughly 10% in constant currency in the first quarter was mainly driven by inflationary headwinds. Continued cost increases and the annualization effect compared to Q1 /22 affected our cost base, in particular for material and, focusing on Europe, also for energy costs. In addition, we had a very weak quarter at Vamed.

Excluding FMC, the EBIT decline was 7% in constant currency.

And focusing on our Operating Companies Kabi and Helios, the EBIT development was broadly flat year-over-year despite the cost pressures.

Our interest expenses increased by more than 40% year-over-year because of financing activities in a higher interest rate environment. For the full year, we continue to expect interest expenses between €700 million to €750 million.

The tax rate before special items stood at 24.9%, at the upper end of our full-year expectation. This was mainly due to higher taxes at FMC and no capitalization of Q1 tax losses.

Operating cash flow increased over a weak prior-year quarter to €175 million.

Let us take a closer look at the business segment performance in Q1.

Kabi had a good start to the year, revenue at around €2 billion and a strong 7% organic growth, predominantly driven by volume but also some targeted pricing initiatives.

Especially pleasing is that all three growth vectors are contributing to that momentum. Biopharma again stood out with a very dynamic development in particular in LatAm, and we have seen first revenues coming in from the US.

IV drugs and fluids contributed with a solid 3% to the overall strong growth.

In Q1, Kabi achieved an EBIT margin within its structural margin band. This is an excellent achievement, driven by the strong revenue development and a positive mix effect. We were able to help address partial market shortages in IV drugs. Our cost-saving program is also progressing well. Compared to Q1/22, overall higher input costs as well as the investments in US Biopharma and the Ivenix rollout led to margin pressure.

As you have heard from Michael, we have changed Kabi’s financial disclosure, and I hope you already had a chance to have a look at our Website. Pierluigi and the team will provide you with more details at our Capital Markets Day on May 25th.

Helios delivered a good Q1. Revenue came in at €3.1 billion with a nice 5% organic growth. Spain was yet again a major contributor to this development, driven by a healthy volume development combined with some price increases. In Germany, admissions continued to come back to a pre-COVID patient structure, and we are optimistic that this trend will continue over the year. Fertility saw a positive momentum in Q1 as patients returned to its clinics following a phase of hesitation driven by macroeconomic uncertainty.

EBIT at €311 million with a good margin of 10.1% and thus right in the middle of the structural margin band of 9% to 11%. Compared to Q1/22, we are seeing some phasing effects with a very strong first quarter of ‘22 in Spain as well as an increased cost base. Higher energy costs in Germany were mitigated by both governmental support and an energy savings program achieving almost 20% of savings on energy consumption in Germany.

Overall, Helios again demonstrated its ability to compensate inflationary headwinds by sales growth as well as structural productivity.

Moving on to Vamed, a very disappointing Q1. Even though revenues were growing, we saw a significant negative EBIT development.

The EBIT decline was driven by the legacy project portfolio with challenged profitability given significant cost inflation. We expect legacy projects to also be a drag also in the upcoming quarters. Furthermore, we had business initiations that did not materialize as planned and negative one-timers in particular in the service business.

As Michael said, we act with rigor and are focusing to restructure the business. This includes streamlining of organizational structures, a stringent cost and efficiency program, and likely portfolio measures. We will provide you with an update in the next earnings call.

As we are progressing well on the planned deconsolidation of FMC, we wanted to provide you with some details around the accounting implications of the deconsolidation as well as some key financials, excluding FMC. FMC is currently fully consolidated and, broadly speaking, contributes around 50% to our top line and roughly 40% to our EBIT. Post-deconsolidation, FMC will only show up below the EBIT line as an investment company accounted for using the equity method. Thus, while virtually all P&L line items will be touched by this change, the economic ownership of our 32% stake will still be reflected in the net income. However, there are some technical steps on the way to it.

After a positive vote on the deconsolidation at FMC's EGM in July, we will apply IFRS 5 reporting standard to FMC. This will lead to consolidating and presenting FMC into a single line in Fresenius's balance sheet and P&L and requires revaluation of FMC at its market cap compared to the book values we hold in our accounts as per today.

For illustrative purposes, based on FMCs market cap as per April 28 and Q1 financials as per March 31st, this would lead to a negative one-time P&L effect of roughly €0.9 billion, thereof €0.3 billion attributable to Fresenius SE shareholders. It is important to emphasize that this is a pure one-time accounting effect which would be recognized as a special item and would have no cash impact.

In a second step, after registration of the new legal form in the commercial register, we will technically deconsolidate and apply the equity method under IAS 28 for FMC. This will have a further effect dependent on FMC's market cap and additional technical accounting adjustments, again, important to stress, recognized as special item and without a cash impact. The described accounting implications highly depend on the market cap of FMC as well as the balance sheet values at the respective dates and, thus, are expected to vary from the illustrative figures just outlined.

On to our cash flow development, operating cash flow increased year-over-year by 73% to €175 million. The cash flow margin stood at 1.7%. The first quarter is traditionally a softer cash flow quarter due to phasing effects, with the respective catch-up effects over the course of the year.

Q1/23 was positively impacted by the governmental support on energy costs for Helios Germany as well as overall solid cash flows at Helios. On the other hand, phasing effects from higher working capital at Kabi, in particular for receivables and inventory, weighted on the Q1. Moreover, the negative EBIT development at Vamed also had a negative impact on cash flow.

The Q1 performance took the group's LTM margin to 10.3%. Deducting group CapEx of 4.3%, the LTM free cash flow margin stood at 6%.

As outlined in my full-year presentation, we are in the process of establishing a much more stringent focus on cash and cash returns, which is reflected in the decision-making process within the group.

Let's take a look at the ROIC, which stood at 4.8% in Q1. Excluding FMC, the ROIC would have been 5.2%, not where we want to be, but we are strengthening our focus on ROIC with rigor, deploying our capital consequently along our strategic pillars and with a clear priority on return KPIs, with implications on M&A, investments, and CapEx, but it will take time. 2023 will be the inflection point.

On to the cash conversion rate, a new KPI under "F^3", reflecting our increased focus on cash flow generation and cash conversion. The LTM cash conversion rate which is the relevant metric here stood at 1.1x, in line with our full-year expectation.

With respect to the leverage ratio, we are at 3.79x in Q1, above our target range, mainly due to the softer EBITDA development at FMC and Vamed. To remind you, we expect '23 to be slightly above our target range.

As you know, we are reviewing selected assets for potential divestment. Such divestments would, of course, help create headroom, which is not reflected in our full-year '23 leverage ratio expectation.

On to the status quo of our cost savings program, we are delivering on our structural productivity improvements. We achieved roughly €130 million of cost savings in Q1. Excluding FMC, we are at €70 million. Thus, we realized about 25% of the yearly cost savings in Q1, fully on track. I'm happy with that progress.

I described to you in the full-year call our financial priorities and ambition levels. We have given you a clear and measurable set of goals, and that is also driving a performance culture within our group. I'm convinced that this clarity and transparency is also increasing accountability and finally is accelerating execution.

With that, I'm happy to hand back over to Michael.

Michael Sen: Thanks, Sara. Before we get to questions, I want to keep front and center the momentum we have in what we call revitalizing the company. We are going to bring permanent change to Fresenius to ensure consistent performance and build back value.

In the months since we started this, there has been marked progress. Core delivered nicely. Deconsolidation of FME, which wasn't thought possible, will soon happen if and when all shareholders act in their best interest at the EGM.

At Kabi, we've made the whole organization simpler, reporting by business units, so that we can better measure and better manage what needs to be done.

The financial framework, "F^3", where clear measurement targets bracket our activities are being rolled out, this is a cultural and performance change which is new and necessary.

As we move through the year, you will see the results of our asset reviews, specifically the divestments. And the productivity enhancements will go even further than what you see in quarter 1. They are gaining traction.

There is more work to do, pretty clear that our Investment Companies have to be reset, too, and advancing our ESG agenda will be part of what we call revitalizing as well.

This now on slide 20 is the calendar for the FME deconsolidation, likely effective Q3 or Q4 of this year.

I want to end by inviting all of you to attend our Capital Market Day on May 25 in London. The whole management team of Kabi will be available to meet. Kabi's Biopharma, MedTech, Nutrition, and Pharma leaders will all be there.

We will be highlighting the operations, the financial picture, the products, production footprint, etc., etc. I understand that some infusion pumps and other products will be on site, exciting stuff. There will be discussion and plenty of time for questions. Of course, it will be webcast, but being in attendance will make it better for us and better for you. I really look forward to meeting many of you there.

Let's take some questions now. Over to Markus.

Markus Georgi: Natalie, please go ahead, and let us start the Q&A session for today.

Q&A

Operator: Ladies and gentlemen, we are now starting the question-and-answer session.

Hassan Al-Wakeel: Thank you for taking my questions. I have two, please, both on Kabi. Firstly, could you talk about the stronger margin development in the business, given you're already within the structural band, and why you expect a meaningful deterioration in the margin as per your segment guidance over the course of the year or whether there is some conservatism built in here?

And then secondly, I'd love to hear a bit more about the strength in the Nutrition business and how the performance varied by Enteral and Parenteral Nutrition. As the market shifts towards -- as the Chinese market shifts towards more enteral treatment, are you finding that your strength in parenteral nutrition in China is a strong point of synergy? Thank you.

Michael Sen: Thank you, Hassan. Let's try to start with the first one or both questions. Sara and I, we're going to try not to steal thunder also from the Capital Market Day, which is due in 2 weeks. Look, we're very happy with the margin we saw in Q1, purely operational, and it was also a function of, I think, what the Kabi team has been working on for, let's say, the last 2 years. There has been a tremendous growth momentum. The growth of Kabi at 7% clearly drove volume. Sara depicted to that. Even though we always said we have limited room for rolling over prices, wherever we had the room, we took actions.

So on a volume-on-pricing base, this really led to the very strong Q1. The words you used for the remainder of the year I would not use, especially your second word. Look, there's going to be a Capital Market Day in 2 weeks, and there's a new CEO of Kabi. So I guess we all agree that we also need to give him a chance to look at the business. He's preparing for the Capital Market Day, and then he will, together with his management team, deliver how we see the levers for enhancing the performance going forward and how we stack up on the margin band.

Also, on the split between enteral and parenteral, we've got to go geographies by geographies and see where it's strong. Obviously, in China in total, you know that China, where we have a strong also parenteral and enteral business, that we have the volume-based procurement. So China all in all probably was rather one where we would have to make it up with other countries, which we did. Therefore, the whole business grew nicely actually with roughly 8% against prior year.

There is obviously synergies between enteral and parenteral in the treatment initiation. You will probably see in 2 weeks that the whole topic of nutrition in the clinical routine is gaining more and more traction, and we get more scientific and medical evidence that nutrition is a key part on treatment paths also on oncology.

Hassan Al-Wakeel: Very helpful, Michael. If I can just follow up on your comment around the margin not meaningfully deteriorating from here, I wonder then if you could help me understand the phasing of EBIT growth for the company overall and, given the better start to the year, whether the upper end of the guidance is more likely. Thank you.

Michael Sen: Yes, I think we deliberately said that we're going to stick to the guidance. And the guidance, let's say, has some spread. And we're going to go quarter by quarter and update you because we're going to observe how our businesses are developing and performing.

By and large, what we initiated seems to be working and paying off. Too early to call it a trend because it's a data point, but we're pretty sure because we know the activities. We know what is behind that one. So the core is nicely placed with Kabi and Helios.

Both Sara and myself, as the entire leadership team, we shared with you our disappointment with one asset where there's work to do. And there's a trajectory for the last quarters. And I'd say we have to look at that one more profoundly. Group had to step in. And that's why we felt prudent to keep the outlook as it is, but you get data points already as to who is performing strongly and who may be on the watch and what it does or doesn't do to the risk profile.

Hassan Al-Wakeel: Perfect. Thank you.

James Vane-Tempest: Yes, hi. Thanks for taking my question, please. Firstly, just on Vamed, just wondering how much of a setback this is to what you might want to do with this asset when considering your strategy to manage portfolio exits.

My second question is, again, just coming back to Kabi, margins were very strong, but I think, if you could give a little bit of clarity just at least in terms of thinking about the growth vectors, where the profitability decline was double what we're seeing in the IV business and how we should think about the phasing of that through this year, that would be helpful.

And then just related to Kabi as well, the Biopharma business, very strong growth of north of 200%, I think you cite Latin America, but any clarity on products there would be useful, too. Thank you.

Michael Sen: Yes, look, on Vamed, I think it goes without saying that this is a setback. That's why I deliberately also in my speech said we've got work to do, more than initially anticipated. But everybody should be rest assured that we're going to get the work done. And the focus now is, first of all, getting the hands around that asset and, as also Sara alluded to, making sure there's a stringent restructuring plan in place and that this is being followed up and everything you need to do there. We were very clear vis-à-vis Vamed in terms of our expectations. Sara sits on the Board, and she can give you also more details, but this is the focus now on the Vamed.

Then on the growth vectors, look, I think we still need to bear in mind, and therefore, the growth was so instrumental that we are still in an environment where there is inflation and inflationary also pressure on the input cost side. And that you can also see on Nutrition when it comes to milk products or carbohydrate and the like, but the team also took countermeasures.

What you see as the, in brackets, margin contraction which you saw on the growth vectors is the resource -- primarily -- the resource buildup on the Biopharma in the US. We are about to launch -- and there you get the picture of what your other question was on Biopharma. We are about to launch the adalimumab, our Idacio. We always have been saying that we are in the second round.

And I also said, economically, opposed to what we've been mainly alluding to in the past, economically, I feel more this is testing the waters. Business wise, operationally, this is, of course, important because we're ramping up the resources. We have been building up the sales channels to Chief Medical Officer, the promotion material. We are driving a multichannel strategy there, talking to pharmacy benefit managers but also to our regular channel, which are the hospitals.

Peg on the onco side we launched in the US. This is like really early innings. I think we can count with our bare hands or fingers the sales we have, but it's -- as I said, you've got to start somewhere. This is the prefilled syringe stuff, where we -- and we're trying to get -- to have patients switch on the biosimilar, but we're also there rather looking at the On-Body Injector which will come later because this clearly has more patient benefit about patient safety and patient comfort.

So by and large, I think that is it, but we have seen strong growth regionally also on that end, also for the Biopharma, as in also Nutrition, others on the Latin America side.

James Vane-Tempest: Thank you.

Veronika Dubajova: Hi, good afternoon, and thanks for taking my questions. Just two from my side. One is just a follow up on Vamed. And, Michael, I'd love to understand exactly what you are doing to increase or improve the performance in the group, and what's the realistic timeframe we should be expecting to see some improvements over?

And just conceptually, does this change in any way your attitude towards retaining a stake in the business? That's my first question, and then I have a follow up then after that. But maybe we could get this one out of the way first.

Michael Sen: Good.

Sara Hennicken: Okay. Perfect. Thank you very much, Veronika, and happy to provide you a little more details here. I think it's fair to say you have seen Q1. Now we have a -- Q4, and now we have seen a further deterioration in Q1. We are and we have launched the restructuring program. And I think it's fair to say it's obviously -- it goes the way of streamlining organizational structures, stringent cost and efficiency measures, and portfolio. And there are some, I would say, short-term measures which have already been implemented and which we will need to kind of pull through with full force. And that is obviously what you would expect in such a situation, spend control towers, cash desk, making sure that we operationally get under it as quickly as we can. And then there are obviously those more structural topics which need a little more time to see the benefits of that coming to fruition.

There's a whole review currently ongoing, as you would expect. And it's fair to say what we can already see, and I commented on that, obviously, the legacy portfolio we have in particular on the project side is challenged by the significant cost increases we have seen. And so the profitability here is challenged as well.

So there are some, I would say, quick-care fixes, but there are some which just take time. And there are some which can be implemented quicker and some which, again, take time, and you need to do some analysis there as well. But we will act with rigor. I think it's clear that we will work this one through. And then we'll update you as we progress. And hopefully, by Q2, we can give you a more comprehensive update on where we are with our restructuring program and what exactly are in particular, I would say, the structural measures we are about to embark on.

Veronika Dubajova: And views on ownership -- I don't know -- for Michael.

Sara Hennicken: I would say, currently, our focus is to get the business back on track, to look at the restructuring program, to see where we do have self-help, to see where we need to streamline organizational structures and so on.

I think, as Michael alluded to, we are not 100% owner of the business. That makes some of these steps maybe some more cumbersome than others, but we're confident that we will work this through, and that's our current focus.

Michael Sen: Yes, Veronika, look, we shouldn't also get ahead of ourselves. We labeled the company as an Investment Company. We did not put anything up for anything else. When we started the journey, we said Investment Company and Operating Company because of the different ways to manage this. This is exactly what Sara alluded to and obviously the focus.

What is important now here is that we get to the bottom of this. And therefore, we deliberately emphasized it's going to be full-fledged. I said there's going to be a vetting also, not only just we look and tell them save costs and so on, so forth, also of the business model. We did say, openly candidly say, this is -- and it was transparent anyways -- it is a development of the last quarters, and it is not satisfactory, not to say the least. So the last thing we can do or should do is to say, okay, there's going to be some measures, and then next quarter, it's all going to be good. It's not. It's going to be good eventually. That we can promise. But we will update you as we go along next quarter -- Sara just said it. Next to these rigorous measures which are being taken immediately as we speak, we're going to look at the business model and the portfolio. Does it make sense to be a general contractor? And if yes, where, and with which risk profile?

This is a totally different business model when you talk about project business. This is infrastructure business. This is about scoping. This is about contracting and all these -- and totally different capability set than running a pharma business or a care-delivery business. And therefore, also, it's called an Investment Company. So therefore, don't get ahead of ourselves.

Veronika Dubajova: Very clear. Thank you. And then my second question -- apologies, I had some connection issues. I don't know if this has been asked already. But the Ivenix recall that came out a couple weeks ago, just curious kind of anything to read into it, any concerns? Just wanted to give you an opportunity to comment on that. And that was it from me. Thank you.

Michael Sen: Recall? Ivenix. You said recall, right? Yes, that was on Ivenix. The issue is already solved. That is -- doesn't come really as a surprise. It's also not meaningful. Ivenix is a kind of like still in the -- not a startup anymore, but we are starting to industrialize. When we bought it, we said it will take some time because we are shifting the whole manufacturing process over to us in order to then get it on an industrial scale manufacturing, bringing the costs down, and obviously also having leverage vis-à-vis vendors on the procurement side, and then obviously building up the go-to-market where there is synergy with our solution business and so on, so forth.

And there, there was a minor issue, I would say. It has no financial impact, and it is so solved, but as it is common, we need to report on this one, and that was it.

Veronika Dubajova: Understood. Thanks, guys.

Oliver Reinberg: Thanks very much for taking my questions, and three, if I may. The first one is rather kind of big picture. So I understand that 2023 is obviously still a transition year, given headwinds from Fresenius Medical Care and also inflation. And now Vamed is obviously shaping up a bit more challenging, and inflation can continue.

So I was just wondering, could you talk to your level of confidence that, in 2024, you will deliver a significant earnings improvement? And if so, what are the kind of key levers here in particular in your core business activities?

Secondly, just on China, China is obviously a major market for Kabi and also has been a significant growth driver in the past. So can you just give us any kind of flavor how you think about the sales and, in particular, earnings growth potential for China, let's say, in the next 2 years? And short term, how much headwind should we still expect from volume-based procurement? And do you see any kind of benefit from the reopening?

And third question, if I may, just on the new color you provided on the Kabi segment reporting, please, can you just give us any flavor what kind of margin gap you have between IV and the infusion business within Pharma after the allocation of R&D costs that you were doing? So is it fair to say that the gap could be somewhere in the ballpark of 7.5% to 10% or could be more? Thanks so much.

Michael Sen: Yes, well, great. Thank you. I'll start with your question number three because it's going to be short. Obviously, we appreciate the interest, but we're not going to go to that level of detail. There's a lot of commercial and competitive activities out there. The only thing I would say, compare and contrasting, I understand where you're coming from. You want to build a model and compare and contrast to, let's say, others and pure plays out there, as I said, completely understandable. But look, the reason why we have IV Generics and Fluids is that this makes us the relevant player in the marketplace. This is why customers procure and contract with us because of the relevance of the breadth of the portfolio because we can bring all of that to the table.

And these are sometimes bundled deals and structured deals. And therefore, you may understand that we do not feel comfortable to disclose also the difference on that one. But I know where you're coming from.

Also, again, on China, there will be more color on the Capital Market Day. You're right that China is and was the second largest market, also with -- like in many other industries, with a profit pool which was favorable. Very hard to predict China because, rightfully, as you asked, there's stuff which is beyond our control. We cannot predict as to how the government and the system, what it is doing.

What we did say very candidly, transparently is that there will be impact by the volume-based procurement. And we also said right -- or at least when I was still running Kabi, I tried to tell the group at that time this is also not a one-off. It will remain. And from a national volume-based procurement, they go to a provincial volume-based procurement. This is deeply embedded into also their policymaking, of making it more accessible and driving prices down. We have seen this, by the way, in Q1 in one of the provinces Guangdong. One other reason which may or may not have contributed to that strong margin in Q1 was that part of the NVBP was being shifted out because of COVID, but we still expect that later on.

What helps, and this is also built in, in our strategy, is you need to grow and grow stronger also in other regions, which doesn't mean China is an unimportant market. It is still an important market because it caters growth and earnings but with a different profit pool which we've been seeing before.

Also, the business model is changing because we used to have in China a promotion model. That means there was a lot of feet on the street. And one part of the Vision 2026 global competitiveness was that, as we move to a volume-based procurement, obviously, you need less feet on the street. So we restructured the business.

And -- but again, to put another element of feet on the street in place for, let's say, segments where you need still promotion, but you will get more color on this one, but therefore, you see we have been nicely growing in other geographies and also from a vertical perspective, the Biopharma, basically one of the growth drivers going forward.

Then yes, Vamed, I think we elaborated on that one. And I think it is too premature to give you already some sort of outlook or what have you for 2024. What we tried to do with #FutureFresenius when we launched this in February 22nd is, look, there is a clear plan. Let us execute on the plan, be very transparent where we are, and then you know how to calibrate it and what may or may not be the basis for 2024. Okay?

Oliver Reinberg: Perfect. Thanks so much.

Graham Doyle: Good afternoon, guys, and thanks for taking my questions. Just one on Helios and then on the portfolio overall. In terms of margin phasing as we go through the year, it's been a pretty solid business we think back over the last 18 months, so that sort of 10% level.

Is there anything we need to think about from a cost side that would be disruptive, and/or are you pretty comfortable where Q1 landed and sort of as indicated for the rest of the year? I'm just thinking about German energy in particular.

And then just on portfolio exits, one way of phrasing this is you talk about launching processes in terms of maybe some of these exits. How confident do you feel you'll have disposals in time to sort of help with the debt refinancing that's coming up over the next sort of 6 to 12 months? Like how much of a role can that play in it? Thank you.

Sara Hennicken: Happy to take the one on Helios maybe first. So I think, overall, Helios demonstrated and has demonstrated also last year that they are able to compensate inflationary headwinds and cost increases, which we actually are seeing and continue to see in '23.

I think we go to the point of wage negotiation. I think we have now good clarity on tariff negotiations in Germany. I think there is also contracts coming up on Spain, which we are negotiating. All of that obviously can have a notable impact on our cost base, I would say, so far, what we are seeing in line.

We also have the element of energy costs. Here, there are two ways how to tackle it. I think, in Spain, energy costs have been high for a while now, and obviously, Quirónsalud was able to compensate for that very nicely. I think, in Germany, as I said, it's two-way is, one, there is -- from the healthcare fund, there is a liquidity reserve, where you get a lump-sum payment to help tackle the increased energy cost, but the other effect which we are also doing in terms of self-help is to reduce our energy consumption by almost 20%.

So you see the whole Helios model is geared for self-help and structural productivity. And thus, if I look ahead for the year, I would say that Q1 is a really good start to the year. I don't see why we should significantly deviate from that. Obviously, you will have seasonality patterns, I would say, for example, in Quirón in Q3, but nothing out of the norm based on what we're currently seeing.

Your second question -- go over --

Michael Sen: Yes, second question, look, Graham, this was, I think, on divestitures. Also there, look, what we are, again, trying to do is lay out a plan, be very transparent on that one, and then really work on that one and deliver.

There was a reason why I also mentioned in the speech that we are ready to bring permanent changes to Fresenius and to ensure consistent performance and to build back value.

Transactions need time, need preparation. We said 12 to 18 months when we launched it. We said a handful roughly on assets we're looking at. And we need to be diligent, and those things need to be thoroughly prepared in order to be at the end of the day successful.

Businesswise speaking, also what we saw in Q1, I'm very confident about all portfolio elements also we have in scope. And therefore, this is one of the necessary prerequisites that an asset should also be attractive and performing. We're working on that one. That's why I said we have our hands full.

Graham Doyle: Okay. Great. Thanks a lot, guys.

Oliver Metzger: Good afternoon. Thanks for taking my questions. The first one is, can you elaborate about the competitive dynamics in the US IV business?

Second point is about your price initiatives at Kabi. Can you comment about the volume-price mix and also which of the subsegments have profited the most within the segment?

My third question is on your EBIT at Helios. We see it basically broad based among the division that there is some pressure on profitability. You made the comment on the energy consumption savings. First, to clarify, what was the baseline? Was it year-on-year, or what have you used as a reference? And second, which room do you see for incremental cost savings at Helios? Thank you.

Sara Hennicken: Happy to start with Helios, if you want. So the savings on energy cost consumption, for the German Helios business, you can take 2022 as a reference point, and it's almost 20% of consumption savings, as said.

It's also, if you look at the topic more broadly and maybe get in a little bit more detail on the healthcare fund and the liquidity reserve there, I think what I was referring to is that €1.5 billion we are seeing from that fund. And that's a lump-sum payment you get per installed bed, and it is some governmental support for inflation-related cost. And that means, for Helios, big picture, it's around €85 million funding, which we however reflect in the P&L, obviously, on a pro rata basis as we walk throughout the year. I think that's an important measure.

Now if you say incremental cost savings, obviously Helios is also part of our cost and efficiency program, and yes, they are also working on cost initiatives. I think energy is one important pillar. Digitalization in particular on the Quirón side is another important pillar. Structural productivity in terms of processes is a third one.

So I think Helios overall has demonstrated its ability to counter inflationary headwinds quite well over the last couple of quarters, also not only by cost initiatives but also by the revenue growth we have seen in particular at Quirón in Spain.

Michael Sen: Yes, then, Oliver, let me take the other questions. Let me start with the pricing -- price-volume in Kabi. I wouldn't overemphasize the contribution of pricing in terms of bottom-line impact. What we tried to allude to is we're happy that, net-net, we saw a positive contribution also from pricing. As we have always told all of you that, usually, we cannot roll over prices, but in a few instances, you were asking where. It is, for example, in parts in Nutrition. It is in parts on the MedTech side and then obviously varies from geography to geography.

But we have been able to do this. So as a net-net contribution, there was a positive contribution out of pricing where, in an environment we're currently in and also the -- and this leads almost to your next question on the competition intensity and dynamics in the US -- that sometimes, you even have to encounter price decreases.

Obviously different, you will see that on the CMD where you have an innovation-driven business. On the Medech or IV Generics, it is more about, what is your launch timeline?

On Nutrition, it’s also about innovation and setting new price points. I wouldn’t overemphasize, though. The volume piece is much larger than the pricing effect. And that is the good news because the volume piece obviously also fills your factories and then drives cost aggression.

On the US dynamics, look, there were years where there was a lot of drug shortage and capacity shortage - that normalized. We always said the increased competition is still going on. I elaborated a couple of times about the number of competitors in the last couple of years. And that normalized. So we have been able a couple of years to step in with the capacity we had, yet there is still -- it is still a very attractive market because, first of all, it’s big. It’s large in size. There is also still drug shortage in the US. We have capacity there.

And in terms of competitive dynamics, I think one of the tasks Pierluigi now also took on is, where do we have gaps? Where are we strong? Can we get more nimble on, let’s say, catering and matching demand-supply dynamics? Because there is always demand, but do you have the capacity to supply it, to produce it for what is just being asked? And this is one of his key tasks.

Overall, I’m very satisfied with the margin which the US caters out of IV Generics.

Oliver Metzger: Okay. That was very helpful. Thank you very much.

Robert Davies: Thank you. Most of mine have been covered, but I did have one left. Just on Vamed, given that it’s more of a project-based business, just wondered how much sort of forward visibility you had there in terms of the margin development over the rest of the year. Is it fair to assume that that business should be back into the black before year end, or is there a scenario where you think that could still be negative through the end of ‘23? Thank you.

Sara Hennicken: Look, it’s project business, but it’s also service business. I think it’s fair to say that there is and continues to be some nice underlying margin on the service business. We have seen one-offs and impact on the service business in Q1. However, I think, if you look at Vamed, it’s pretty complex within itself. And I think you need to differentiate between the businesses quite distinctively.

If you look to the project business and if you look to visibility, obviously, we are now getting under it to get the visibility. I think, on average, the remaining projects which we currently have, they run another 2 to 3 years.

Obviously, those with contracts pre-price increases are the ones which are more challenged. But I would say you need to really dissect between the project. And project by project, we have an international project business and a European focused, meaning Germany and Austria in particular, which have different dynamics and then the services business with high-end services and technical services. Also, you need to look at it in a distinct manner.

We aim to give you a good update in Q2, where we will present you with more details on the restructuring plan and also be more specific on how and what the timeline is for our Vamed restructuring program.

Michael Sen: Yes, and maybe let me add to that one. Look, there is a clear restructuring plan and strong and firm ask from our side, and we’ve got to work through that. They have to work through that. They’re going to be accompanied, obviously, but need to get to the bottom of it.

The annoying thing is that, could one have seen it earlier? I don’t know, only if you have the transparency. As Sara said, you need to work project per project. That means contract by contract in a decentralized organization where they are also catering customers globally.

And then you have different business models, the service model. We also have rehab centers and so on, so forth. And we need to work through this first. And as I said, we vet the business model because the risk profile varies obviously also or can vary from contract to contract. And therefore, let us get to the bottom first, and then we will update you on this one.

Goes without saying, if you heard us at the press conference on February 22nd, we started kind of looking at it in Q4 last year, where you have seen also, let's say, accounting-related effects on that one.

Robert Davies: Thank you. Maybe just as a follow up, when you said, I think, in your presentation back -- you said it was a major restructuring program initiated. Do you just -- do you have any sort of sense yet in terms of the costs associated with that, or is that still being worked on?

Sara Hennicken: We will provide you also here with an update in the Q2 call. I think, let's not do kind of piece by piece but rather give you a more comprehensive view in Q1 on the timeline, on the cost buckets, and on the way forward.

Robert Davies: Okay. Okay. Great. Thank you.

David Adlington: Hey, guys. Thanks for the questions. Most have been asked already, but maybe just on Kabi again, just in terms of the Pharma margins -- hello, can you hear me?

Michael Sen: David, you're breaking up. Nope.

David Adlington: Can you hear me?

Michael Sen: Now we can hear you.

David Adlington: Can you hear me?

Michael Sen: Yes, we can.

David Adlington: I hope you can hear me now. So just on Pharma on Kabi again, just in terms of the 60 basis points of margin improvement, I just wondered if you could split out how much of that was down to price and mix versus cost savings.

And then secondly, on Vamed, there were some reports last week of some compliance issues, just wondered if you'd give some more color on that, what steps you're taking to address any risk associated with those compliance issues. Thank you.

Sara Hennicken: Happy to start on the Vamed side. Obviously, we would be looking into any compliance issue with all the rigor which goes along the way. I think, as you can imagine, if you see a business which is now not performing for some time, you will always get, I would say, more noise around it. But you can rest assured we will look at it. As we look at the financials, we will look at the overall structure and the overall setting and also provide you with updates here.

Michael Sen: Yes, look, on the split volume pricing on the Generic and IV Fluids, this is, I think, more detail for the Capital Market Day. They can go into more detail here. All in all, we were very satisfied because it was also driven by growth.

And the 3% which we saw on the Pharma business, 3.4% Generics and Fluids also very stable all over the world, that's what I meant with being relevant, having a portfolio where this has kind of like almost a very stable demand and that that helped to drive the performance split on volume, on pricing on that one is I think more for the Capital Market Day.

And on Vamed, again, this -- I guess you're quoting that article where they were talking about that. It needs to be taken into context. If they were quoting the letter which went from group to them, it is about accounting-related topics in the internal control system which we made also -- we discussed with everybody being involved, also auditors and Supervisory Board, in Q4. And Sara made sure that there's a clear remediation program on that one in order to ensure accounting and internal controls compliance.

Christoph Gretler: Thank you, operator. Good afternoon, Michael, Sara, Markus. I have two questions, the first with respect to Vamed, too. I was a bit surprised by the order of magnitude of the loss. Actually, could you specify how much this one-time effect was in the service business? That would be my first question.

Sara Hennicken: Yes, almost all of the one-timers related to the services business.

Christoph Gretler: Yes, but the magnitude, is this basically kind of all this loss that we see right now?

Sara Hennicken: No, no, no. It's -- to be honest, there are two buckets, I would say. One is legacy portfolio on the project side, and the other one is one-timers. I think some of the one-timers had to do with reevaluations of contracts and claims. Some of them, however, were also unfortunate closures, for example, on a rehab clinic because it needed refurbishment. So we closed it when -- normally, as we go through the year, we have less occupancy here, which happens to be Q1.

So some of it is, I would say, good practice, and the other ones had to do with changed client behavior, in particular also in the services part as COVID and the war in Ukraine changed some of the contracts we had in terms of the executability and the timelines moving forward. And we will clearly look into that.

But as I alluded to, the services business, underlying and fundamentally, we see some healthy margin.

Christoph Gretler: Okay. And the second question just relates to the margin in this growth vector business at Kabi, this 270-basis-point decline year-over-year. I understood that there was a major investment in US biosimilars, but was this the majority of this margin decline? And if you strip that out, were actually margin improved on the key business without biosimilars?

Michael Sen: Yes, first of all, it's a number of effects. In the growth vectors, there's also a biggie, which is the Nutrition business, yes? And I told you also, on the Nutrition business, very, very kind of pleased with the trajectory they're taking because they have been tremendously growing.

On the other hand, they also have to cope with inflationary topics on the input side. I told you about protein, milk protein products and carbohydrate. But thanks to a lot of growth and actions that they took, so there are many effects on that one.

On the Biopharma, it was mainly the buildup we have in the US because, as I said, we still are about to launch.

And then don't forget, I also mentioned Ivenix. I said it is at very early stages. So Ivenix has a totally per-unit economics, as long as they are not in a, let's say, more mature state, and this was the whole game that we take over and bring down the unit costs and taking over the manufacturing, having leverage on the procurement side, and so on, so forth.

So they have been probably -- not probably, by a fact, dilutive to the overall development. But again, there is ample opportunity at the Capital Market Day of Kabi, which is in 2 weeks.

Christoph Gretler: Great. Thank you. I appreciate the comments. And see you then.

Markus Georgi: So given that there are no further calls, thanks for participating in today's earnings call. Any more questions, please contact the Investor Relations team. We are going on a roadshow tomorrow in London. And until then, talk to you soon. All the best. Thank you.

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