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C-Suite Series - Fresenius SE

Friday, 03 April 2020

Hassan Al-Wakeel: Thank you very much, operator. Good afternoon or good morning depending on where you join us. Thank you all for taking the time to dial in to our C-suite call series in European MedTech and Services. My name is Hassan Al-Wakeel and I am Barclays European Medical Technology and Services analyst. I am very fortunate to have with me today the CEO of Fresenius SE, Stephan Sturm, and Head of Investor Relations, Markus Georgi.

Today's call will last around one hour. It will consist of questions from myself to Stephan and there will be some time at the end for any questions from participants on the line. If you prefer to email or Bloomberg message me your questions as some have already done so, please do and I will pass these along at the end of the call. There will be a transcript and a replay made available following the call and we will also provide our key takeaways. So, Stephan, thank you again for joining our series at what must be an incredibly busy time for you.

Stephan Sturm: Thank you, Hassan, for having us. Welcome, everyone. Yes. You're absolutely right. There is quite a lot on our plate and I just want to start this call by saying that I am incredibly proud of all of the Fresenius staff around the world in what they are doing to help patients, to help the population in general make it through this crisis.

On a high level, Hassan, as I'm sure you will have a deeper dive into the individual business segments in a minute, let me just say that at Fresenius Medical Care, the buzzwords are helping dialysis patients not only but in particular in the US, helping to keep capacity clean and clear at the acute care hospitals, by making capacity available to infected dialysis patients but also providing larger numbers of acute and emergency dialysis equipment to hospitals, stepping up capacity and supplies out of our Xenios product range. Two days ago Rice Powell was on the call with you, so I will not go into any more depth as far as FMC is concerned. The transcript also here is available.

As far as Kabi is concerned, initially we were suffering from an interruption of manufacturing in China and also a lack of demand because of a reduced number of elective surgeries in China. In the meantime there our business is pretty much back to normal and pretty much also everywhere else around the world we have done our utmost to increase manufacturing capacities for pretty much across the board of our portfolio, maybe with the exception of enteral nutrition, in order to cater to the increased demand that we're seeing from hospitals. Also there I guess we will come back to that.

Talking about hospitals as far as our Helios business is concerned, yes, in Germany we have absolutely complied with the government's request to postpone any elective surgery subject to this being medically okay and hence we have prepared our treatment capacities in Germany for the arrival of an even larger number of corona patients. In Spain, where, as you know, the wave of corona patients has been already hitting the country, there we have done our utmost to make sure that people can be treated in the most efficient but also in the medically most advanced way.

As far as our Vamed business is concerned, yes, many of our individual project businesses around the world are delayed or postponed. As far as our German post-acute care business is concerned, we continue to treat patients, but at the same time we're also making room for the arrival of corona patients or other patients that can be treated at our post-acute facilities if the capacities at the acute care hospitals should not be sufficient.

As far as the group as a whole is concerned, given our good procurement network around the world, we have tried to help public authorities wherever we can, procuring equipment to safeguard their staff, and have been doing that

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with quite some energy and also some success. So overall I believe again that whilst this is a terrible situation and one of the worst crises the world has gone through, we at Fresenius are trying to make a contribution to society and make absolutely sure that we get through this with as little an impact as possible.

Hassan, I [unclear] take your more detailed questions.

Hassan Al-Wakeel: Thank you for the introduction, Stephan. If we could delve a bit deeper into each of the businesses and how Fresenius is really supporting the healthcare industry and patients around the world... So if we start off with Helios Germany, could you please begin by talking to us about how the private sector and Fresenius are supporting the efforts to tackle COVID-19 and how the setup of your hospitals has now had to change to welcome COVID patients?

Stephan Sturm: We are part of the overall effort independent of ownership status to combat the pandemic and therefore, very obviously, when the government has asked that we postpone any not strictly necessary medical procedure, we have as a matter of course complied. Therefore, to quite some degree we have freed up resources at our hospitals and we continue to see corona patients come to us and be treated. Thank God, for the time being they're fairly limited numbers, but we are obviously watching this very closely and carefully and are prepared should we see a very meaningful increase of that number.

Talking about increased numbers, we had before the crisis across our 86 hospitals approximately 900 ICU beds. As we did say in our press release the other day, we increased that by about two-thirds and are now looking at approximately 1,500 ICU beds. We have done that by drawing on reserves that we had across our hospital network. We have also done that by training or retraining specialist staff in particular in the areas of intensive medicine and [unclear].

The setup across our hospitals has changed inasmuch as we have stricter access control. We want to make absolutely sure that whoever arrives at our doorstep with corona symptoms is being treated separately and is following separate patient pathways to make sure that we are not having a spread of any infection across our hospitals. As I just mentioned, the relative proportion of intensive care units has certainly also increased.

Hassan Al-Wakeel: That's helpful. Are you still able to carry out any elective procedures at all or have these been delayed entirely? What does your current bed utilisation look like?

Stephan Sturm: Elective surgery can only be described as a loosely defined term. Yes, of course we... Any cancer patient is obviously not a patient that we would view as undergoing elective treatment. Obviously also our gynaecology departments need to be manned and there we absolutely continue to perform treatments when it comes to helping mothers give birth. We are also looking at our emergency departments and we continue to see cases come in there. So the definition here or our criteria here is truly where it is medically advisable to wait. Therefore, yes, we are looking at a temporary decrease of cases, but you should not work on the assumption that our hospitals are completely empty and that we're only doing corona cases.

Hassan Al-Wakeel: Out of interest, have you seen any patients over the last month or so proactively cancel some of the more elective procedures? When are you looking to start resuming elective procedures? I.e. if you're postponing procedures today, are you giving them a defined time or are you doing it indefinitely?

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Stephan Sturm: Yes. We've seen some voluntary cancellations either because patients didn't feel like voluntarily going to a hospital or because they felt also some responsibility to do their contribution to freeing up capacity, but overall it is still an absolutely manageable number. No, we are not giving people a fixed date. I don't think that in any seriousness I can give people a fixed date and build a calendar for, say, after the summer. This is truly us watching the situation and how it develops. Obviously we'll stay in touch with our patients and tell them that we will tell them a more precise date once we also see a bit clearer as to the duration of this pandemic.

Hassan Al-Wakeel: That makes sense. Then on the staff side, are you seeing significant absenteeism? Is that at all an issue? You touched on having to train and retrain staff. Is that also a significant thing, that you're having to retrain some physicians as certain specialties to potentially pitch in elsewhere or the same applies to nursing?

Stephan Sturm: Thank God, absenteeism is not a major issue. We were a bit concerned with schools closed across Germany that parents among our doctors and nurses would have no choice but to look after their children and therefore we took on the challenge of organising childcare ourselves over and above the efforts that still exist here in Germany to have childcare for participants in system-critical professions. Therefore, in combination with, as I said at the outset, an extremely high level of self-motivation that I am extremely proud of, we don't view absenteeism as an issue.

For the time being, thank God, we also have a fairly limited number of infected staff members and therefore, as far as our staff resources are concerned, there is nothing to complain about. Given the postponement of elective surgery, we also have a bit of time to do the training that, yes, absolutely we are doing and to make sure that if and once a wave of corona patients does arrive, we have people that know how to work on a ventilator system.

Hassan Al-Wakeel: Sure. That's a good segue into the equipment side. Do you have a sufficient supply of ventilators and PPE? Is it something you're stocking up on?

Stephan Sturm: From the current perspective and for the time being, I would say yes. There is no immediate shortage and I can absolutely guarantee that so far no patient has been harmed and no staff member has been harmed because any essential piece of equipment was missing. We obviously have got to watch how long this is going to last and whether we as a country, here we're talking about Helios Germany, can actually manage to flatten the curve. My assumption right now is that, yes, we will be able to get by with the equipment that we have, but at the same time we are constantly using our global procurement network to make sure that we can replenish whatever is being utilised.

Hassan Al-Wakeel: And could the same be said for the drug side? Presumably the relationship with Kabi is helpful in this regard.

Stephan Sturm: It doesn't hurt, but I have to say, Kabi and Helios have always, in line with the Fresenius principles, enjoyed a very good arms-length customer relationship. At Fresenius we have always believed that pretty much automatic demand makes you lazy and quality suffers and therefore that arms-length relationship that we have enjoyed and cultivated over the years has kept everybody on their respective toes, but very obviously, knowing what a brother or sister in the Fresenius Group needs or wants maybe with a bit more lead time... That is not a disadvantage.

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Hassan Al-Wakeel: And in general, there haven't been any shortages on the drug side and you don't foresee that in the near future?

Stephan Sturm: So far we have again not witnessed meaningful shortages and I am not aware of a patient being harmed because an essential drug was not available, but at the same time, coming back to my introductory remark, there has been and continues to be very meaningful demand pretty much across our portfolio for what is a growing number of cases and also what is an expectation of an even larger growth of corona cases going forward. So as far as the demand that we're currently witnessing is concerned, this is something that in the short term we will not be able to meet fully, but we're doing our utmost to satisfy it at least to a very large degree.

Hassan Al-Wakeel: Sure. Then on the reimbursement side, in one of your press releases you noted that the financial impact to Helios Germany, although negative, still wasn't very significant. So maybe a couple of questions here. Firstly, is it fair to assume that this is mainly a function of lower reimbursement rather than increased cost? Secondly, just to understand the mechanics of reimbursement a little bit, if on April 1st last year there were 100 patients that underwent procedures and if these patients stayed for an average of six days, would it be fair to assume that you'd receive about €4,500 based on the package that was brought into law regardless of the type of procedure? How does this compare to the average reimbursement you would have received for that patient?

Stephan Sturm: Hassan, to your first question, that assumption is correct. We are seeing a bit more cost, but the majority of the negative impact that we're seeing is from foregone revenue. To the more or less exact calculation that you were going through, I would also confirm that per patient we would be looking at €560 per day, €185 per day extra for nursing care, and one time €50 to take care of incremental cost of materials, and that gets to you to the approximately €4,500. Yes, that is independent of the type of surgery and the comparison is just because... As I said earlier, we have complied with the government's request and we have emptied to a large degree our hospitals of elective surgery cases. The comparison base is the occupied bed or the occupied bed day last year. That is the basis of the calculation.

As far as relative, it is in line with what I am saying, that there is a small or manageable negative impact and that it is largely foregone revenue, that this is a bit less than otherwise we would have made. Think about it as us being slightly punished for a higher level of efficiency. I think your example with the average length of stay of six days is pretty accurate as far as Helios is concerned. As you know, the German average is at least a day higher and therefore they would be getting approximately €700 to 800 more per case. On that basis, we believe that others may have some chance to get by while we are seeing a bit of lost revenue.

Hassan Al-Wakeel: And this is compared... You said that this is based on last year. So am I right in assuming that this doesn't embed any growth assumptions for 2020, i.e. the 103 patients that you might have seen this year relative to the 100 last year?

Stephan Sturm: Your assumption is correct, Hassan. This is based on last year and therefore whatever we may have planned about patient growth this year also contributes to foregone revenue.

Hassan Al-Wakeel: Sure. Then if we look at...

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Stephan Sturm: At the same time, Hassan, let me say, we are obviously thinking that this corona crisis is going to come to an end. I can't tell you with any precision when, but at some point in time it's going to come to an end and then we would expect to see, I want to choose my words carefully, most or many of the foregone cases or the postponed cases return to us because of the elective surgery that we have pushed out. If you had something that was truly elective, then you would still want to see it done at some point in time. Nobody goes to a hospital just for the fun of it. Therefore I would expect that some of that DRG-related [unclear] revenue is still going to come back to us later this year. It'll just depend on how much of the year is still going to be left once we see a normalisation post-corona. Is that clear?

Hassan Al-Wakeel: Sure. Yes. That is clear. If we just draw a parallel to the UK for a second, the deal signed with the private sector in the UK not only covered the private hospital's operational costs but also overhead, the use of assets, as well as interest costs. Do you foresee any potential improvements on the current situation in Germany over time?

Stephan Sturm: Conservative as I am, I would now say it is unlikely even though the current regulatory package does foresee a regular review in relatively short intervals by an expert group also comprising representatives from hospitals. So if that expert group comes to the conclusion that this package is not sufficient, they will solicit a top-up. Whether the government will still be open for that remains to be seen. Again, conservative as I am, I am working on the assumption that this is it and we will have to deal with it at least for the remainder of this year.

Hassan Al-Wakeel: That's helpful. Then maybe a final one on Germany... You mentioned that you are supporting your staff and helping with childcare. Is this something that you expect to be reimbursed over time?

Stephan Sturm: I would not rule it out. I think you are referring to what Rice was saying on the FMC call two days ago and that this is something that we expect to be reimbursed in the US. There is no specific regulation to that in Germany so far. As I said earlier, in very many instances children of our staff members are eligible for emergency childcare provided by the public authorities. Here and there we were going to our... We were starting our own initiatives. The overall bill on these initiatives is manageable.

Hassan Al-Wakeel: That's very helpful. Then, if we switch to Spain and Quirónsalud, clearly the situation in Spain is more acute than Germany is currently. How is Quirónsalud helping the country in the fight against COVID-19? Are you seeing any private patients at all or are the facilities entirely being used for COVID-19 patients?

Stephan Sturm: We are part of the national effort to combat COVID-19. Remember please that our market share in Spain is larger than our market share in Germany and that we need to be part of that overall effort to make sure that the Spanish population is being looked after. We are drawing also on the resources of the large Quirónsalud group and when, as you no doubt will have seen, Madrid and Catalonia are at the centre of the crisis in Spain, we have been able to draw on some resources from other hospitals where the corona crisis has not been as prevalent as in the centres of Madrid and Barcelona.

We have, as an aside, also been able to help Quirónsalud out of Germany. We have asked for volunteers amongst our German doctors and nurses. We had more than 100 volunteers within two days. We have now also, because we

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need to act responsibly vis-à-vis our German population, only asked a relatively small group of experts to go down and they are helping in Madrid. We have also made available some of the medical equipment resources that we had in Germany and have shipped them to Spain always with the precursor that if the crisis became even larger here in Germany, we would have to claw it back to help the population here, but that has been extremely well received in Spain. We are seeing privately insured patients and publicly health-insured patients. This is not the time to differentiate here. We need to help out in a crisis. We are the largest hospital operator in Spain and, yes, absolutely we are here to help.

Hassan Al-Wakeel: I guess my question I was alluding to was, are you seeing patients other than those that have COVID-19? Is that taking up the bulk of your work or are you still [unclear]?

Stephan Sturm: I'm sorry. I misunderstood. The bulk of the work is still outside corona patients, but obviously the number of corona patients in Spain is at a completely different level to what we are seeing in Germany for the time being.

Hassan Al-Wakeel: And what is the current occupancy of your facilities in Spain? Have you similarly postponed the vast majority of elective surgeries as well?

Stephan Sturm: Yes. We have also done that in order to free up resources to treat corona patients. We have also had, as you would expect, quite a number of staff members, doctors and nurses, being infected and therefore the occupation level is by no means at a normal level, but when I have talked to a few investors recently, I have reminded them that every year we are going through the summer break where there is hardly any elective surgery but where we also do not have additional patients based on corona. Therefore, if you wanted to look at our regular third quarter, then I would say that provides a flow as to the financial performance that you should expect.

Hassan Al-Wakeel: That's helpful. Can you talk a bit more about the other challenges that you're facing, I think as you mentioned, the absenteeism point, but also equipment and drugs? I assume this is more significant a challenge than that in Germany.

Stephan Sturm: It is more significant than in Germany just because Spain is further ahead and Germany is only lagging behind and hence we felt comfortable making staff and also select material available to our brothers and sisters down there in Spain. Frankly it's largely altruistic but also not completely altruistic because we felt that it was a good idea to train a few of our experts at the time of true crisis before it arrived in Germany and I think we're going to see a payback on that real-life training experience once those volunteers are back.

When you're talking about absenteeism, it is, in my observation, not overly pronounced. Obviously we had, as I just mentioned, a few colleagues that are infected and those can't come to our hospitals. Whoever is not sick lends a helping hand.

Hassan Al-Wakeel: What is your testing protocol at, I guess, hospitals across both Spain and Germany?

Stephan Sturm: We have a sufficient number of tests and we are testing everybody who has symptoms.

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Hassan Al-Wakeel: That's clear. Then on reimbursement, how do you expect to be reimbursed for the great work that you are doing in Spain? Is it fair to assume that any package would not be as good as what you're getting in Germany?

Stephan Sturm: I think it is too early to say that. There is a large focus on helping the Spanish population. This is not the time to haggle over individual reimbursement amounts. We are seen to be helping the population when they are at an acute need and I have no doubt that as far as the financial reimbursement is concerned, we are going to be looked after because there is a recognition that we are pretty selflessly helping. Therefore, again, I am not worried at all. As far as the fee for service is concerned, there is an ongoing regulation where we're being reimbursed for individual cases that we are treating and therefore that is out of the question.

As far as the capitation mechanism is concerned, again I have no doubt that we are going to be looked after. As far as foregone revenue from elective surgery is concerned, I'm pretty certain that there is also going to be some sort of an offset mechanism. The Spanish government has called a €200 billion support programme. Unlike Germany, they have not singled out hospitals for the time being. I'm not relying on, but at the same time I would not be surprised if there was an offset for the work that we have done.

Hassan Al-Wakeel: Sure. Then you mentioned that Q3 performance in the summer where you see lower volumes and lower margins is a potential floor. So is that a floor that we could assume excluding any potential government help for the duration of this crisis in Spain?

Stephan Sturm: Look, we are all lacking experience as far as this is concerned, but I think barring anything that is truly and wholly unforeseen, I would view this as a workable assumption. Yes.

Hassan Al-Wakeel: Any government help would be incremental to this, just to be clear?

Stephan Sturm: Yes, but at the same time, I am at a time of need for Spain. I am not relying on any short-term offset and short-term package. There are quite a lot of challenges for the Spanish government at the moment. We are a resourceful group. We are there to help and we are absolutely committed to doing that at a time of normalisation. There will probably also be a time to discuss what we have done and what may be a fair offset for our efforts.

Hassan Al-Wakeel: That's very comprehensive. If we talk a little bit about Kabi before going to some of the questions that I've been inundated with... I'm not sure... I wanted to ask you about some of the medium-term questions around Fresenius, but that may have come at another time. So on Kabi, could you talk about China and the impact that you saw both from manufacturing and demand perspectives in Q1? I think you mentioned that was starting to normalise.

Stephan Sturm: Hassan, you will recall that at the time we provided our guidance end of February, corona was still a fairly local event in China and anything that we had to say about corona at that time was very China-centric. Relative to the assumptions that we had at the time, those have actually materialised or the normalisation has arguably been even a bit faster than what we originally assumed. We had said that we would expect a not significant impact on group net income and that in my mind, touch wood, continues to be true. We had an interruption in our manufacturing sites. Those have resumed work. We have seen a pretty dramatic drop as

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expected in elective surgery and hence a pretty dramatic drop in demand for our products. Remember that Kabi in China is first and foremost about clinical nutrition.

In the meantime, the number of elective surgeries has started to increase again, but our experience from previous pandemics is that it takes a little longer for patients to gain the comfort to go back to a hospital. So this is not by the flick of a button, but it's rather a gradual process where we see a resurgence of elective surgeries, but by and large, as far as China is concerned, yes, we had a pretty good January. February and March, in particular the first half of March, were pretty bad, but we would now expect us gradually getting back to normal for the rest of the year. I hope that we're not going to get a second wave later this year.

Hassan Al-Wakeel: That's helpful. If we talk a bit about the US business looking at the most recent data from IQVIA, it looks like the Kabi portfolio is up 30% to 40% year over year in the first three weeks of March. So could you talk about the portfolio in the US and whether you're seeing any changes in demand across [unclear]?

Stephan Sturm: Hassan, in good and in bad times I will make my qualifier vis-à-vis IQVIA data that it is notoriously unreliable, but what I will tell you is that for patients that require ventilator support, they, with very few exceptions, require sedation and propofol is the drug of choice in these circumstances. Therefore, not only but in particular for propofol, we are seeing quite some demand. That is what I was referring to in my introductory remarks. We're trying to help the population around the world by ramping up manufacturing capacities, by shifting our product portfolio, by de-emphasising products that in this current crisis aren't as badly needed as propofol, and we're really trying to focus on those parts of the portfolio that are needed to help combat this pandemic.

Hassan Al-Wakeel: What about other parts of the portfolio, not just the US or China but globally, for clinical nutrition and infusion therapy?

Stephan Sturm: Infusion therapy sees healthy demand. Our medical equipment, in particular the infusion pumps, see healthy demand. Parenteral nutrition sees healthy demand. As I alluded to earlier, maybe the only part of the overall portfolio that is a bit de-emphasised is enteral nutrition at the moment, which, as you know, is our usual growth star. Within the injectable drugs portfolio it is maybe those drugs that are primarily used in connection with elective surgery, I want to single out heparin, that are a bit de-emphasised, but anti-infectives, antibiotics, analgesics are also seeing healthy demand.

Hassan Al-Wakeel: That is helpful. Then maybe a couple of final questions before we turn to some questions. So firstly, in terms of the financial position of the company, the leverage, and the liquidity, can you expand on how comfortable you are around liquidity and also dividends as well? Then a final question in terms of whether you see increased healthcare expenditure on the back of maybe a year or two out following this crisis to really put healthcare economies in better positions to deal with such a crisis in the future.

Stephan Sturm: Thank you for, in particular, the first question because I understand our leverage and liquidity position has been a concern for some of our shareholders. Yes. It is absolutely true that traditionally we have always used leverage to improve shareholder returns. I continue to be of the view that this is the right thing to do given our large, diversified, and stable cash flow-generating businesses in the group. As so many other

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corporates, we have also had quite some exposure to the commercial paper market and that commercial paper market with short-term maturities is structurally closed right now.

I am not worried about these short-term maturities because we have very meaningful backup lines for this. There is a revolving credit facility that is unused. There are committed bilateral credit facilities with quite a number of financial institutions that also are hardly used and therefore I was not worried about this beforehand, but at the same time, given the uncertainty for how much longer this crisis would last and the commercial paper market would be shut, we felt it was the right thing to do to tap the capital market as many of you will have seen, we were issuing the 750 million 7.5-year bond on Tuesday.

As a matter of fact, we were the first and, I believe, still the only BBB-minus-rated issuer tapping the market so far. We were more than six times oversubscribed and we got the money for about one and three-quarters of yield again for 7.5 years. I think that is a very good show of confidence for our company and for our business models. Obviously, with the extra 750 million, if I was not concerned about liquidity beforehand, I am even less so now. As far as the dividend is concerned, you'll probably refer to our announcement that we have decided to postpone our shareholder meeting and the dividend payment requires a shareholder motion.

Look, I can only tell you that we are currently not considering cutting our dividend. We will obviously still look at how long this pandemic lasts, but I will also tell you that we are very proud of our track record of having raised dividends 26 times in a row and we will not forego that light-heartedly even though I can also tell you that we are getting a growing number of inbound messages from our shareholders to encourage us to revisit our dividend decision, but again this is not something that we are doing currently.

Hassan Al-Wakeel: That's great. Then on the more longer-term question around healthcare expenditure globally...

Stephan Sturm: Look, we are seeing of course these major government packages right now and they obviously provide relief in the short term. At the same time, everybody, I would assume, is very clear that there is going to be a day of reckoning and somebody will have to pick up the bill and this extra spending, in my mind, no doubt will be followed by a phase of at least attempts to contain cost not only but also in healthcare. I think if this current crisis proves quite a lot of things to us, one of them very clearly in my mind is that there has got to be an incentive for efficiency. Everybody is scrambling for resources at the moment to treat as many corona patients as possible as best as they can.

I believe our business model with large hospital chains where assets and staff are to quite some degree interchangeable, where we can apply resources where they are needed most, even across country borders, in my mind is demonstrating and will continue to demonstrate that private hospital operators do have quite some advantages. It continues to demonstrate that size matters, that efficiency matters. If anything, I would expect that we're going to see more strive for efficiency going forward. I would not be surprised at all if what we are seeing... that in the next post-corona crisis phase we would see more bundling of resources and more streamlining of hospital infrastructures in quite a few countries.

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Hassan Al-Wakeel: That's interesting. If you'd allow us just a few of the questions that I've received on Bloomberg from investors, maybe starting off with one of the questions on Kabi... So could you talk about how exposed the portfolio is to elective procedures and what you've been doing to cater to some of this [unclear] in demand. Some of your competitors are running extra shifts and nearing 100% capacity at some of their plants.

Stephan Sturm: I would say that in particular the clinical nutrition products are more tilted towards elective surgery and that is why I was saying in particular our enteral nutrition product range is a bit more in the background for the time being, but our acute care, emergency care portfolio, all the anti-infectives, to some degree even the opioids as a replacement for some other anaesthetics are seeing some more pent-up demand. Yes.

Look, there is not a lot I can add to what I've said already. We are increasing capacities the best we can. We are de-emphasising products where we have a bit more meaningful an inventory position and are in particular ramping up manufacturing for those products that are most urgently needed. We are also offering to our customers replacement alternatives and we are also making capacities available in other countries. So some of the Chinese manufacturing capacity... That is something that we're currently looking into, but we could ship products from China into Europe, obviously subject to regulatory approvals.

Hassan Al-Wakeel: Maybe another one. It would be good to know how much you think in terms of elective procedures you can recoup in the second half, assuming it would be back to normal?

Stephan Sturm: Hassan, for that I would need to know when we're going to be back to normal and how long this is going to last. Hence you will recall my hesitation at that particular time of my remarks. I was struggling between many and most of the elective surgeries that are currently postponed should come back to us. It is going to be a meaningful recovery in my mind, but it will at the same time stretch well into 2021.

Hassan Al-Wakeel: And then maybe a last question in the interest of time. So an investor is asking around the capacity utilisation in Germany where they would assume 80% before the crisis and now whether higher volumes could potentially be supported where you are already paid for some of the unused beds relative to the 2019 levels. I.e. could the extra volume from COVID patients be a positive rather than a small negative?

Stephan Sturm: We're getting the compensation for any unused bed that was used last year. The 80% capacity utilisation across our overall portfolio is not completely wrong. It is fluctuating. We also have a bit of seasonality here. There are peak times when we are fully booked. There are other times, in particular over Easter or during the summer break, where we are more towards 60%, but again this resembles or now will resemble the pattern that we have seen over the course of last year. Those beds that we have freed up and that are not being used right now... That is what we are going to get the compensation for.

Hassan Al-Wakeel: And do you see any potential clawback for any of that compensation, is another question I'm receiving.

Stephan Sturm: I'd say generally the same answer as to the improvement that you had asked me about. It is not foreseen and therefore it is not completely impossible, but I would place an even lower probability to a clawback than on an improvement.

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Hassan Al-Wakeel: That is helpful and very extensive. I think we should wrap the call there in the interest of your time, Stephan. Thank you to all of those who dialled in and thank you, Stephan, for dialling in in what must be an incredibly busy time for you.

Stephan Sturm: It is and later tonight I will get on a call with the colleagues that have volunteered to go to Madrid out of Germany. I will applaud them for their efforts, but I want to wrap it up by repeating what I said right at the outset. I am incredibly proud of what my colleagues here at Fresenius are doing. I hope that was instructive and, if you allow, I will now get back to work and see that we apply our resources most effectively to help combat this.

Hassan Al-Wakeel: Thank you very much and thank you for those that dialled in. We have a call with the CEO of Spire Healthcare on the 14th of April and hope you can join. Do have a great weekend and stay safe. Thank you very much.