FRESENIUS

Transcript
Conference Call
Acquisition of Ivenix and majority stake in mAbxience

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PRESENTATION

Markus Georgi: Good afternoon, good morning, everyone, a warm welcome to all of you. Appreciate your being available at short notice for our call on the strategic acquisitions mAbxience and Ivenix that we have announced this morning.

I'm here today with Stephan Strum, the CEO of Fresenius Group, Rachel Empey, CFO of Fresenius Group, and Michael Sen, CEO of Fresenius Kabi, to provide you with a bit of background of both acquisitions.

As always, I would like to start the call today by drawing your attention to the cautionary language which is included in our safe harbor statement on Page 2 of today's presentation. Without any further ado, I hand it over to Stephan. The floor is yours.

Stephan Sturm: Thank you, Markus. Good afternoon, good morning, everyone, a warm welcome to all. We appreciate you being available at such short notice for our call today.

Let me first ask you for your understanding that we will focus exclusively on the two transactions we announced this morning, the acquisitions of a majority stake in mAbxience and 100% of Ivenix. We look forward to discussing our Q1 results for '22 as well as our operational performance on May the 4th.

Secondly, I'm particularly happy for our colleague Michael Sen to join us today. Michael is soon approaching his first anniversary as Fresenius Kabi CEO, and he has led and directed the Kabi teams working on these transactions over the last 6 months. And he's also best equipped to convey our thinking on the strategic rationale behind them.

And with that, let's move right to page 4 and the highlights. Very excited to present to you how we are rigorously pursuing our group strategy of unleashing accelerated strategic growth. At our full year '21 presentation in February, we already laid out the new strategic imperatives for Fresenius. And I hope you will agree that we remain very consistent with those strategic priorities. We are fully committed to allocating our capital to the most profitable growth areas of our healthcare group, with Kabi clearly defined as Fresenius's top priority. The acquisitions are in line with our strategy to rebalance the group portfolio towards a higher relative weight of attractive product businesses. And whilst we continue to believe in the virtues of diversification within healthcare, we also observe that the profitable product businesses are by nature less regulated than healthcare service markets.

I would like to emphasize the attractive risk-return profile of both transactions. We will be able to considerably mitigate the associated risks as the earn out components are highly performance related. And at the same time, the deal structures we've been able to negotiate are supportive of our balance sheet. We expect from the current perspective that the deals can be entirely financed by cash flow and available liquidity within the normal bolt-on M&A transaction sizing for Fresenius. The transactions strengthen Kabi's capabilities and access to the attractive growth areas of Biopharma and MedTech and should hence be seen as first steps in executing Fresenius Kabi's Vision 2026 strategy. More details in a minute by Michael.

The acquisitions have both a progressive growth-oriented as well as a defensive component. They are expected to accelerate strategic growth whilst strengthening -- actually safeguarding previous investments in infusion therapy and biosimilars, thus strategically perfectly complementary. We are enthusiastic about the convincing industrial logic of both transactions. mAbxience significantly enhances Fresenius Kabi's presence in the high-growth biopharma market by creating a vertically integrated business model. The deal creates a pathway to category leadership in the attractive biosimilars market while comprising a solid cash-generating unit in the high-growth biologic CDMO market. We are gaining access to a highly cost-competitive biologics manufacturing capacity with expected significant cost synergies for Fresenius Kabi's biosimilars portfolio.

The Ivenix next-generation infusion therapy platform, that perfectly complements Fresenius Kabi's global infusion therapy offering, provides us a superior product portfolio for the all-important US market, and we recognize that the US infusion therapy market has significantly consolidated over the last years. Ivenix is one of the very few attractive opportunities to gain the relevant competitive traction. And all the more, we are happy to announce this transaction today.

On top of scale, we gain key capabilities in hospital connectivity, which creates new options in the growth of Kabi's medtech business. And hence, we are convinced that the transaction will generate significant growth synergies.

Transactions also from a financial perspective are attractive. Both transactions combined are accretive to group cash earnings. And that means before any amortization charge and before integration costs already next year.

That's my summary. And with that, I'm happy to hand you over to Michael.

Michael Sen: Yes, thanks, Stephan. Good afternoon to everyone. Look forward to meeting all of you in person soon, as we are planning for a Meet the Management later this year. I'm also excited about today's announcement. The actions we've taken today, gaining a majority stake and control in mAbxience and acquiring Ivenix are good news for patients, good news for physicians and nurses, and good news for our company and shareholders.

I think it's an excellent use of our capital. And the transactions are clearly structured to succeed both. We'll spend a few minutes to walk you through the slides. So let's start with the portfolio strategy. We launched Vision 2026 in October last year to enhance our presence, sustain relevance in the coming decade, and to spur growth, both in terms of top line and ultimately margin expansion. Our strategy 3+1 identifies focus areas at Fresenius Kabi. We call them growth vectors which are underpinned by structural growth drivers within the healthcare industry.

Hence, at the core, when allocating capital and talent, we focus exactly on these growth vectors, expand in medtech, roll out in nutrition, and broadening our biosimilar presence into the larger space of biopharma.

mAbxience changes the game for us in biosimilars, combining a compelling industrial logic while accessing another high-growth segment with biopharma services. Ivenix is key to expand in medtech. It adds to our existing infusion therapy offerings but even more builds on the next-generation infusion platform. Both of these sectors are growing fast, faster than the average growth of Fresenius Kabi recently. Medtech stands between 4% to 6%, and biopharma is showing an even faster growth rate at around 8%.

Next chart, mAbxience, two strategic businesses in one transaction. With mAbxience, we take a controlling stake in a proven peer in biosimilars and biopharma services. mAbxience has both products in the market and a healthy pipeline. The business is self-funding and generating cash. With these transactions, we join forces with Insud Pharma, a family-owned enterprise who have strong presence in the market, and we have tightly aligned interests when it comes to market and regulatory success as well as performance development, all reflected in deal-related milestones.

The two biosimilar molecules rituximab and bevacizumab, both with attractive therapeutic indications in oncology, are already launched and commercialized through partners. And then another mid-single-digit number of biosimilars are in development and are expected to be launched globally from 2024 onwards until 2029.

On top of this, Fresenius Kabi gained development and manufacturing capacity, in fact, three state-of-the-art highly cost-competitive facilities in Spain and Argentina.

mAbxience's biological CDMO services allows us to establish a presence in the high-growth CDMO market. mAbxience currently produces the Astra COVID-19 vaccine in Latin America, which just indicates the strong potential in this area currently but also going forward. In essence, one transaction, two new capabilities, good portfolio diversification, and EBIT accretive right from the get-go.

Next chart, please. This chart shows the compelling industrial logic of the deal. It delivers benefits of scale, portfolio, and pipeline diversification and vertical integration. By combining the two assets, we create a global end-to-end vertically integrated biopharma business with a clear pathway to category leadership.

The pipeline of mAbxience and Fresenius Kabi are highly complementary, impressive in quantity, and even more important as they address a good portion of the total market in

key therapeutic areas. Fresenius Kabi will be able to capture meaningful synergy potential.

In terms of drug substance, the access to the highly cost-competitive manufacturing sites of mAbxience enables us to eliminate future investment requirements and to consolidate a large part of our drug substance manufacturing into one technical and highly cost-competitive platform. On drug product manufacturing, i.e., fill and finish, the sites of Fresenius Kabi can serve as a hub going forward.

And when talking about go-to-market on the commercial side, it provides us with a durable growth opportunity over the long term driven by the broad portfolio of biosimilars and our ability to grow the portfolio because of our commercial structure. We have the option to go broad into commercial or more focused, and we will determine as we move. This allows us to leverage on existing strengths and creating a truly global integrated biopharmaceutical company.

Next chart, please. And this is a step change for biopharma at Fresenius Kabi. Adding mAbxience builds scale, enhances key capabilities, and will accelerate our presence in one of the fastest growing areas of healthcare driven by structural growth. mAbxience will increase our relevance, pronouncing our highly complementary and diversified pipeline, the strength in the two most attractive therapeutic areas, oncology and autoimmune, with a coverage of roughly 56% in the oncology space and in autoimmune with even roughly 65%. Building an end-to-end player in the competitive biologics manufacturing enables us to deliver an industry-leading cost position and hence driving significant synergy potential. And on top, the addition of biologics manufacturing capacity and capability also allows Fresenius Kabi to establish a platform in the high-growth CDMO market. Drivers going forward will be the continued growth of biologics pipeline and the magnified limitations in manufacturing capacity combined with what you need in the market, speed to market. mAbxience has proven their capabilities in the recent COVID-19 vaccine ramp up.

Rachel Empey: Thanks, Michael. (Break in audio)

So let’s move again to slide number 11. Sorry for the disturbance we had there. And let’s look again at the financial highlights of the mAbxience transaction. We intend to acquire a 55% stake in mAbxience. With respect to the option scheme, the contractual provisions include that Fresenius Kabi has the option to acquire the remaining shares in mAbxience at a later stage through a call option. Provision also includes a put option for mAbxience. As Stephan alluded to, there is a risk-mitigated deal structure. The purchase price will be a combination of €495 million as an upfront payment, and there will be milestones. And these payments would be strictly tied to achievements of commercial and development targets. mAbxience generated sales of approximately €255 million in 2021. And let me emphasize that this figure includes sales from the recent contract with AstraZeneca to produce the drug substance for its COVID-19 vaccine in Latin America.

With regards to the earning accretion, we project that mAbxience will be accretive to group cash EPS right after closing. And on a fully loaded basis, that means after amortization and after integration expenses, mAbxience is expected to be broadly neutral in the first years and accretive from 2026 onwards.

We’ve agreed a joint board of directors, where the majority of seats will be held by Fresenius representatives, and that includes the chairman of that board.

As you heard from Michael, we have a great synergy case here. Our current assumption is that we will be able to create midterm cost and growth synergies in the mid-double-

digit million euros per annum before tax. I expect a progressive ramp up of those synergies which will be achieved by leveraging mAbxience's manufacturing capabilities for Fresenius Kabi's business.

As to integration costs, we expect a cumulative total of integration costs in the mid-double-digit million-euro range before tax. Based on the deal and the governance structure that I've described, we will fully consolidate the mAbxience financials after closing, which is expected in mid-2022.

And with that, let's go back to Michael to hear about the second acquisition Ivenix.

Michael Sen: Thank you, Rachel. And thanks for handing it back. Ivenix is a company which was founded in 2007. We have known the company for almost a decade and watched closely as they built and progressed to FDA approval. They're located in Andover, Massachusetts, which is for many of us well known for being a competence hub for R&D and talent in medtech.

We are very excited about integrating the tech-focused IV infusion system offering of Ivenix. Let me briefly mention their portfolio. It contains, I would say, the most innovative and highly accurate large-volume pump in the market, and it is poised to disrupt the market. They have an advanced software platform, including a highly user-friendly interface and state-of-the-art tools, analytics, and dashboards. And this will also provide a steady and attractive software revenue stream going forward. In addition, they also offer infusion sets that guarantee precise flow rates, also a stream of recurring revenues. All in all, a consistent and I'd say sticky business model which is enhanced by the buildout of their installed base.

Next page, please. With the acquisition of Ivenix, we add a next-generation infusion therapy platform to our existing infusion business. The Ivenix infusion system is smart. It addresses all critical needs of customers in a hospital setting, which are getting more sophisticated as we speak in terms of workflow optimization and connectedness. Providers demand an intuitive user interface. And ultimately, hospitals want the device to ensure the highest standards in terms of patient safety. The regulatory environment is moving in the same direction. All key requirements are being accommodated by the smart infusion delivery system offering.

They are early in their revenue ramp. First Ivenix customers are successfully in place. They effectively partnered with several institutions and began their launch phase with a few hospitals to then demonstrate early market traction, build advocates, and then references. The market feedback is very positive, and the customer base is growing.

Ivenix has a very experienced R&D team with a true focus on software, software architecture, and in both the embedded software as well as in applications, i.e., customer applications. This adds tremendously to our capabilities.

And Fresenius Kabi is the best owner of the asset, given the highly synergetic nature of the business. With us contributing infusion solutions, disposables, and industrial manufacturing capabilities, Ivenix completes our US market offering meaningfully, subsequently driving revenue synergies. And we will be able to tap into substantial cost synergies which are driven by our scale and proven capabilities in device and disposable manufacturing.

Next chart, please. So the market for IV therapy is at an important juncture and is changing as we speak, both on customer and on the regulatory front. The combination of Ivenix and Fresenius Kabi together enables a truly holistic infusion therapy offering for hospitals based on a next-generation platform. This platform will also serve as a launch

pad for other smart tech adjacencies going forward. And then we can own the narrative at the customer out of the gate. We will be part of the theme on connected care and become a core partner in hospital connectivity and interoperability. It provides disruptive technology and applications, leading to next-generation customer benefits, all based on a very attractive total cost of ownership model. In combination with Fresenius Kabi's scale and proven capabilities in industrial manufacturing of devices and disposables, it will result in significant cost and growth synergies. We will insource the manufacturing of pumps and sets, yielding a very competitive cost position. Fresenius Kabi enables growth based on our go to market, i.e., our commercial infrastructure, and even more important, the customer relationships we have.

With that, over to you, Rachel.

Rachel Empey: Thanks, Michael. Let's move to slide 16. And this time, we see the financial highlights of this, the Ivenix transaction. So here again, a risk-mitigated deal structure. The purchase price will be a combination of $240 million as upfront payment and then more milestone payments here linked, again, to achievements of commercial and operating targets.

With regards to the current sales activities, you heard from Michael, having received the US FDA approval, the Ivenix infusion system was successfully launched late last year. And thus, the business is currently in a ramp-up phase. And we're really excited about the growth opportunity that Ivenix brings to our business.

With regards to the earnings accretion, we project cash EPS to be neutral in 2025 and to be accretive from 2026. And on a fully loaded basis, that means after amortization and integration expenses, Ivenix is expected to be accretive from 2026 onwards. Taken together, these two deals will be broadly neutral to cash EPS this year and accretive from next year onwards. And on a fully loaded basis, the transactions are expected to be broadly neutral in the first few years and, again, to be accretive from 2026 onwards.

You've also heard, again, from Michael about the attractive synergies that we see in the deal with Ivenix. And our current assumption here is that we will be able to create midterm cost and growth synergies in the mid-double-digit million-euro range per annum before tax. And here again, we expect a progressive ramp up of those synergies. For integration costs for this transaction, we expect integration opex costs of a low single-digit million-euro range before tax in total and a mid-double-digit million-euro range of capex which we'll see over the midterm. And again, here, we do expect this deal to close by the middle of this year.

And with that, I'd like to hand back to Stephan, who will give us a summary.

Stephan Sturm: Thank you, Rachel. And let me wrap up our prepared remarks on slide 17. We are enthusiastic about both transactions. I believe they are proof of the rigorous execution of our group growth strategy. They significantly strengthen Kabi's growth vectors Biopharma and MedTech. And they accelerate strategic growth for Kabi and the Fresenius Group.

Hence -- apologies -- COVID. Hence, we see this as a unique value creation opportunity, contributing to our purpose to provide ever-better medicine to ever more people whilst creating added value for our shareholders. With that we are very happy to take your questions. Thank you.

Q&A

Operator: We are now starting the question-and-answer session.

Veronika Dubajova: Hi, guys. Good afternoon, and hope you can hear me just fine. And, Stephan, I hope you feel better. Two questions from me, please, if I can to start with. Just curious kind of now that you have mAbxience under your belt, how should we be thinking about the targets you've articulated for the biosimilar business? Could you maybe talk through how those might change? And maybe a quick word related for this also on the overlap between the assets that mAbxience has in development versus the ones that you have in development. So that would be my question on mAbxience.

And then for Ivenix, just would love to get your thoughts on how you're thinking about the barriers to distribution. Obviously, the infusion market is really attractive, but historically, we've seen hospitals being fairly unwilling to trial out new entrants into this space. And so, Michael, maybe you can talk to the experience that Ivenix has had so far and what you think is a realistic expectation as you fast forward 3 to 5 years from today. What would be sort of a market share that you'd hope that asset to achieve on the pump side? Thank you, guys.

Stephan Sturm: Thank you, Veronika. And I hope you will be feeling better, too, anytime soon. As far as the -- our targets in biosimilars are concerned, we will continue to hold onto them and try to keep them separate going forward, at least in a verbal explanation. As you know, we are committed to showing you the top line in our biosimilars business as from Q1 this year after the transaction has closed. We would also do most of the mAbxience revenue that we consolidate as part of that disclosure. But let me have Michael talk to you about the overlap that we're seeing and also the timing, and then we're going to pick it up on Ivenix again.

Michael Sen: Yes, hi, Veronika. It's Michael. In terms of the overlap, look, this is the beauty of this entire deal that there is hardly none in terms of overlap. It is a highly complementary deal. When you start from the very beginning, going through the value chain on the development side, as in what do we have in our pipeline, which obviously we didn't disclose yet to the market, and they have in the pipeline, it's highly complementary. If you look at the therapeutic areas we currently with what you also know is that we have a stronger foothold on the autoimmune. They have a stronger foothold on the onco market. Both areas are actually key drivers in the overall market, having the largest share, so highly complementary there.

Then again, highly complementary with the models, which leaves us the optionality on the commercialization. We have commercial infrastructures. We have, let's say, an agreement, a contract in place where we can choose to operate, cooperate, or they can still -- as in our joint asset going forward -- look for partners. So not an overlap at all.

And when you look at the business model actually in addition to Fresenius Kabi entering the biologics CDMO market, and I cannot stress this one enough because this is an addition which is a high-growth market where currently we see limited capacity by players. So the asset has good visibility on capacity and has a proven track record.

On Ivenix, you're right that the market, especially in the US, let me put it this way, the way I see it, the market for pumps and medical infusion devices has been slower in adopting new technologies than maybe other medical devices we see in the market. Yet, I think we are at a very important juncture point. That market in essence has been kind of underserved and was lacking innovation. Yet, with the whole push into connected care, digitization, and the like, the hospitals, especially the leading ones, the IDNs, are going for connected care, have higher requirements on their own, and even if you look at the --

let's say the direction the regulatory environment is going, it's all about the solutions and the applications the Ivenix pump can offer. And therefore, I think it was a prudent approach that they went in and converted the first customers to gain traction and to get feedback to have a very, very stable product which is now ready to -- being rolled out. And therefore, I think this is the right time to come with this next-generation pump which has proven advantages and then one customer by the other as a reference point and then getting bigger and bigger.

And your question as in midterm, we do see a prudent ramp up of market share. We don't actually want to also be too fast because we want to get the customer feedback. And we want to also get concurrently the costs per unit down. So you said midterm. Midterm, I definitely see us midteens as in market share in the installed base of pumps.

Stephan Sturm: Veronika, you're obviously right with your observations on the market dynamics, but let me make two additional comments. Number one, as you know, we are the industry-leading supplier of infusion pumps here in Europe. We have -- and I believe that we also have something to bring to the party in particular when it comes to reliability. And secondly, as also observing these meaningful barriers to entry, that was one of the reasons why we chose the transaction structure with heavily -- with heavy reliance on milestone payments going forward in order to mitigate our risks. Thank you.

Veronika Dubajova: Understood. Thank you, guys. Really helpful.

Falko Friedrichs: Thank you very much. My first question is on mAbxience. Are you able to provide some kind of a sales split between the biosimilars business and the CDMO business? And in that regard, it would also be helpful to hear how much of the sales are related to these COVID projects. Then secondly, do you still stick to your leverage target range for this year, the 3 to 3.5 times? And then thirdly, on this put option scheme that is part of the one acquisition, are you able to share with us when that starts to kick in, how long it lasts, or how long does it go? And will that count towards your net debt calculation? Thank you.

Stephan Sturm: Thank you, Falko. On the first one, I'm afraid I won't be able to help you. And it is a good split between the two businesses. And we made it deliberately a point to split out or to talk about the meaningful contribution of COVID with a sense that this may only be temporary. And that is why we wanted to qualify the €255 million. On the leverage, Rachel?

Rachel Empey: Hi, Falko. So I think two or three things to say. With the broadly neutral impact on earnings that I mentioned and the relatively modest size in terms of the upfront payments that I have referred to today, which I would clearly say is within the normal range of the bolt-on M&A activity we have within the year, the impact on our leverage range is not significant. And I think that speaks to the risk-mitigated deal structure that we've put in place.

Michael Sen: Yes, and let me come back to the put question. There is a put-call scheme in place which starts to kick in as of '25, mid '25. The timing has been deliberately chosen because, up until then, we all have more visibility on the tangibility of what it is in the pipeline today, and how close are those molecules getting to commercialization. After that, it gets a little more complicated. Maybe Markus can walk you through after that. There is one decision both parties have to make. They can choose and put, and if they don't put, a year later, we can call. And there's some other peculiarities in there which is not important. So as of '25, it can start. And they can put. If they don't put, we can call. And as Stephan also mentioned on the first one we alluded to that we say, probably next year, there will be tougher comps. But let me also share with you that, if I look at the funnel activity as to what is in the customer funnel which needs to convert

obviously into contracts at mAbxience, from what we've seen today, it's smaller contracts, but it's a very intense funnel.

Falko Friedrichs: Okay. Thank you.

Rachel Empey: Falko, there was another question in there as well I think around how the put options are accounted for. So we already have other put options amongst the various structures within the Fresenius Group. This will be treated exactly the same. So it will be booked in other liabilities under put option liabilities, if you look at the detailed disclosures. And it's obviously booked at a present value as an estimate of the potential future value of that put option. And in line with our other standard accounting practice, that is not counted towards our net debt calculations. Thank you.

Falko Friedrichs: Excellent. Thank you.

Sezgi Oezener: Hi, thank you for the presentation, and thanks very much for taking my questions. Just about your -- I know this is probably vague at this point, but just to have something planned on paper, how are you thinking about the potential margin structure, as I think some investors might be surprised about your entering the CDMO markets in biosimilars? That would be my first question, please.

And my second question, you had disclosed at your earnings disclosures that you are entering into a partnership with Dr. Reddys to market rituximab. Does it overlap with the agreement with mAbxience in any way, as this is one of the two biosimilars that they have under the portfolio?

Stephan Sturm: Thank you. And Michael's going to take both of these.

Michael Sen: Yes, thank you. Happy to. Look, we don't break out particularly the margin structure of the individual elements. But I think you were alluding to a very important factor of the deal as such that it has different business elements in one asset. And in a way, the CDMO business also underwrites a risk which you may have in the pipeline during the development phase because -- and this is the hint -- it is delivering margin, and the CDMO margin is margin accretive to the Fresenius Kabi margin which you see.

On the molecule, Dr. Reddys, good catch, yet there is no overlap. It is the same molecule, but the commercialization rights are different. They are already with rituximab in the market, and we have the agreement that, if and when it is ready, that we would market this one, commercialize this one in the US, where the rituximab molecule of mAbxience is not present, and there's not a plan to go there. So there's also no overlap in terms of geography.

Stephan Sturm: Let me finally quickly address your point of a potential surprise. I believe we couldn't have been any clearer as part of our full year results presentation that we have the intention of strengthening our position in biopharmaceutical manufacturing. And I want to alert you to the fact that, also as part of our other liquids manufacturing, Fresenius Kabi has a fairly meaningful contract manufacturing business going which is and has always served as a capacity filler, in particular, at the outset, when we went about capacity expansions. And so a contract manufacturing business is absolutely nothing new for us, and we had very much the intention to spare you a surprise, but thank you for your questions.

Sezgi Oezener: Thank you.

Oliver Metzger: Yes, hi, good morning for taking my questions. The first one is on biologics manufacturing. So until now, you work only with external CMOs. So is it right

that the main synergy is the biologics production, and how fast can you change the production process towards your own molecules? And second question is, to which extent does the midterm synergies assume your expected success in your own biosimilar pipeline?

Stephan Sturm: Thank you, Oliver. To clarify, so far, we've been working with our friends at Merck, but Michael is going to share a bit more light on that.

Michael Sen: Yes, Oliver, you're right that the big part or the chunk of the synergies is coming by consolidating into one highly cost-competitive manufacturing network, by the same token, also respecting what we have in place currently as in contracts. And this goes hand in glove because we'll need some time to tech transfer into the manufacturing platform of mAbxience. This will be what we usually call midterm. We need to prepare. You need to prepare the production processes. You need to prepare the analytics because, at the end of the day, it has to stand regulatory requirements. So midterm is basically the transfer into that network. And this is where these synergies come from. And thereby, as you said, we are respecting also short term up until midterm to use the network we have, but other molecules going forward will be tech transferred into that one.

Stephan Sturm: And, Oliver, I'm not entirely sure on your second question. Did I get you right that you were asking about the effect on the group's midterm targets, or were you talking about midterm synergies within the biosimilars business?

Oliver Metzger: About the midterm synergies. Basically, to my understanding, you have answered this question.

Michael Sen: Yes.

Stephan Sturm: Wonderful.

Michael Sen: Maybe, Oliver, one thing, the beauty is those synergies will be fully in the pocket of Fresenius Kabi. So usually, in deals, you have to say whether the synergies are in one asset or the other. The synergies are fully in the pocket of Fresenius Kabi because mAbxience is now having two shareholders.

Oliver Metzger: Okay. Good to know. Thank you very much.

Graham Doyle: Good afternoon. Thanks for taking my questions. Just a couple. Can I ask one on mAbxience? In terms of the existing capacity of the facilities you currently have, the €250 million of sales delivered, how much further can that go? And is there much more investment required to scale up to deliver the sort of growth you're expecting?

And then just on the Ivenix deal, you've obviously -- you've not given us some color from what I can tell in terms of how large the future payments might be at this stage. Could you maybe give us some color on that and then also quantify what sort of investments will be needed sort of the next 18, 24 months before this deal becomes accretive? Thank you.

Stephan Sturm: Graham, thank you. I'll take your second one, and then Michael's going to take the first. No, we are not prepared to get you a sense of that. But let me say we would wish the current Ivenix shareholders to become filthy rich on this transaction because, if we end up making very meaningful payments to them, that would've even improved our business case.

Michael?

Michael Sen: Yes, in terms of capacity and capacity extension, but you also link to the current revenue, I think we made some statements also in terms of the revenue we've seen last fiscal and how we see that one going forward. And therefore, the capacity currently, obviously, is also occupied by a large COVID-19 vaccine contract, and there is no limit on capacity as we see it now. We can probably easily double the capacity with very limited capex.

Graham Doyle: But can I just very briefly follow up on that, the Astra COVID vaccine? Generally, most suppliers or manufacturers in this space have probably received a lower price than they usually would for using that capacity for other areas. Is that a reasonable assumption to make for you as well, for mAbxience, I suppose?

Michael Sen: I'm not aware of the price contract they have. The financials that I looked, they look very nice, very preferable. As I said, it's highly margin accretive.

Graham Doyle: Okay. Great. Thank you very much, guys. I really appreciate it.

Stephan Sturm: Thank you.

Hugo Solvet: Hi, guys. Thanks for taking my questions. Quick follow up on the CDMO activities, focusing now, if I understand well, on biologics. Do you think longer term that there will be our you will be willing to move into the cell and gene therapy space for CDMOs? That would be the first question.

Second, on the control launch phase for Ivenix pump, can you maybe give us a bit more detail on, when should we expect a broader launch and also some more color on the feedback that you've received from the first customers so far?

And lastly, given you've been working on those two deals for about 6 months, as you mentioned, Stephan, just wondering if the recent €50 million increase in your group efficiency plan synergies included already some synergies from those two deals, or should we understand that mAbxience and Ivenix synergies will come on top of that? Thank you.

Stephan Sturm: I'll cover the third one first, Hugo, and the answer is an outright no. We have not relied on a transaction that was still in the making when it came to increasing our synergy targets -- I'm sorry, our cost saving targets.

Hugo, you've got to help me here. I did not fully understand your first question. Which part of the CDMO business?

Hugo Solvet: Yes, currently, your CDMO activities from mAbxience, if I understand well, focus on biologics. There is also a big chunk of the market in the cell and gene therapy space for CDMOs. So just wondering if you also have a footprint on that with -- in that with mAbxience acquisition or if you would be willing to diversify a bit more into this fast-growing segment.

Stephan Sturm: The quick answer is no intention right now, but Michael's going to help you more.

Michael Sen: Yes, I think we first of all have to digest what we have here in place. And this is already some sort of a diversification going into the biologics CDMO market, which is very attractive in itself as in the segment they're playing. It has the full scope of what we talk about today in new technologies, mRNA, can also produce the viral vectors. So it's the biopharma in a much broader sense.

Cell and gene is another segment which we have a tiny toe in the footnote as in CDMO but with our transfusion and cell therapy business, looking at the washing of the cells. But that is a different topic here. This is much more on what is hot today, the biologics, on mRNA, and the like, which is not only for vaccines, by the way. It is actually the basis -- base technology for oncology.

Hugo Solvet: Okay. Thank you. And on the feedback from the --

Michael Sen: Sorry, on the feedback, we're going to have a Meet the Management anyways, and Markus can provide you with more. As I said, they're in the first ramp of the customers. We made studies also during our due diligence process. We talked to customers, by the way. We called them, and the feedback was very positive.

Hugo Solvet: Okay. Thank you.

Veronika Dubajova: Thank you, guys, for squeezing me in. Just one quick one. On the two products that mAbxience is distributing right now, is your intention to take over the distribution on your end? And just any thoughts on whether that has potential to accelerate the revenues that you're booking at the moment? Thanks, guys.

Stephan Sturm: Michael?

Michael Sen: Yes, look, what they have in the marketplace right now, obviously, there are -- is already the commercial partnership in place, and it is running. When it comes to the pipeline, what we do here, and that is the beauty of that whole construction architecture, is that the asset as such can choose. And we as Fresenius Kabi, having the commercial infrastructure, we can be the partner of choice. Obviously, we even have the first right or last right of refusal because we currently also know the cost structure because we know, to be successful on the commercial end, you need to have a very cost-competitive structure per molecule. So for the current molecules which are out in the market, contracts are in place, everything in the pipeline, we could potentially be the partner.

Veronika Dubajova: Understood. Thank you, Michael.

Stephan Sturm: But, Veronika, as I said, we will try and keep that separate from the original targets that we had set for ourselves.

Christian Amann: Hello, everyone, and thanks for taking my question. To understand your rationale for the deal and considering that you might have a very or will have a very reliable and competent partner with Merck in producing your own biosimilars, I would -- I'm curious. What kind of advantage do you see in the -- in now buying the production and capabilities and get them in house? And also, what kind of focus -- you said the technologies or the yield, or would you just prefer to have all the parts of the value chain in house? Thanks.

Stephan Sturm: Thank you. Before Michael makes some complementary comments, we're grateful to the service -- for the services that our friends at Merck have provided. But as we alluded to, I believe, over the last 6, 9 months or so, we firmly believe that the key success factor going forward in the biosimilars business is a highly cost-competitive position. And we do believe that it is in everyone's advantage -- to everyone's advantage if we choose a partner that is truly dedicated to the manufacturing of biosimilars. It was a clear understanding right from 2017 when we struck the transaction with our friends at Merck that this was rather than an option for us than a firm commitment. We do know that they have ample other opportunities to make use of the existing manufacturing

capacity that they do have. But yes, we have convinced ourselves as part of the due diligence that we could gain even more traction by partnering up with mAbxience.

Michael?

Michael Sen: Yes, absolutely. Look, we are convinced, as Stephan said, it's the competitiveness on the cost side. Why is that so? Because -- which is, again, a good argument for the entire biosimilars business -- we see the share of biosimilars in the whole medication cake increasing. But there's also competition. So you need to be very cost competitive. mAbxience does nothing else than this for a living and then partner out -- so they have -- and it's a family-owned business. So they have very smart, nimble processes. They're very agile, yet complying obviously with every regulatory environment.

They're also getting ready with one of the molecules to go to the US. And when I look at the technical layout, we visited the factories, also the one in Argentina, from a biotechnology, reactor technology, it is exactly what we need also in terms of capacity. And we've benchmarked their costs. And we looked at, as you rightfully said, the yields they have. And it was very striking, and that's why we went for the deal.

Christian Amann: Thank you very much. Very helpful.

Odysseas Manesiotis: Hi, everyone. Sorry for dropping off there. Just have one on behalf of Tom Jones. So could you give us a sense of what to expect on amortization charges and whether that will be completely stripped out of your adjusted income instruments? Thank you very much.

Rachel Empey: Hi, Odysseas. Clearly, we need to close these transactions and do the appropriate purchase price allocation process before we can finalize exactly what the amortization charges are going to look like. But I can tell you that, based on our first estimates, it's going to be a good double-digit million-euro number that we would anticipate here. And we will, as usual, when we close the transactions, give you an indication of that in terms of what it is contributing to the overall charges to the P&L. But clearly, we need to get through -- get the closing done and then do the full detailed analysis for the PPA before we can confirm any more details for you.

Odysseas Manesiotis: All clear. Thank you.

Stephan Sturm: Thank you, Odysseas. And by the way, dropping off the line temporarily happens to the best of us.

I believe that concludes our Q&A session for today. Thank you very much, again, for making yourself available on short notice and your interest and your good questions.

I hope that you share our enthusiasm for these two transactions. They come on the back of a very thorough review of the group structure with a result that Kabi is ranked top priority for capital allocation. And they also come on the back of a very equally thorough review at Fresenius Kabi, where we have established the three growth vectors under the Vision 2026 strategy, as Michael pointed out. So we have now the first two steps underpinning that growth strategy and strengthening 2 out of the 3 growth vectors. But at the same time, I also in a no-surprises policy want to tell you don't expect us now to follow up on a monthly basis with new additions.

You heard us talk about also some financial constraints as far as -- as part of the full year results presentation. We have now taken a good bite. And we will work on that for the time being. And we will, at the same time, keep our heads down and heavily work on the

operating environment in a -- on the operating performance in a not-that-easy environment.

Having said that, once again, thank you. And we look forward to talking to you again as part of our Q1 results presentation on May the 4th. Thank you for now.

Michael Sen: Thank you.

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