Transcript
Conference Call Q4 2024 results

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PRESENTATION

Nick Stone: Hello, everyone. Welcome to our Full Year and Q4 2024 Earnings Call and Webcast. The presentation was emailed to our distribution list earlier today and is available on fresenius.com. On slide 2 of the presentation, you'll find the usual safe harbor statements. Unless stated otherwise, we'll comment on our performance using constant exchange rates or CER.

Today, I'm joined by Michael and Sara, who will take you through the details of another strong performance. The call will last approximately 1 hour, with the presentation taking around 35 minutes and the remaining time for your questions.

To give everyone the chance to participate, please limit your questions to 1 to 2 in the first instance. We can always come back for a second round if needed. And with that, I will now hand the call over to Michael.

Michael Sen: Thank you, Nick. A warm welcome, everyone. Hello from my side. Sara and I will review our 2024 operational and financial highlights. We will also go into more detail on our individual businesses within Kabi and Helios.

The company is at an exciting juncture as we focus now on the next chapter of #FutureFresenius, what we call Rejuvenate, showing how we will move to the next level of financial and operational performance, geared by an innovation mindset. Of course, we have set aside plenty of time for your questions. So why don't we just get started?

Well, Fresenius had a great fourth quarter and full-year 2024. This performance comes from all the hard work we have done to ensure Fresenius remains a leader in global patient care.

The last 2 years were all about simplification, structural and financial progression. We sharpened our focus and accelerated performance. We successfully concluded several important strategic portfolio measures, including divesting noncore assets. We completed the deconsolidation of Fresenius Medical Care, and we exited Vamed. These decisive steps were stringently executed and demonstrate our commitment to deliver value.

We made the organization better, increased transparency, delayered management levels, and set rigorous ambitions. We increased both transparency and accountability, creating a performance culture. Achieving more than €470 million of structural improvement in our cost base, we've consistently overdelivered. Fresenius is now a simpler, more focused, and stronger company.

Our 2024 results show consistent progress. Quarter on quarter, year on year, our momentum continues with a strong finish to the year. We achieved our twice-upgraded 2024 guidance, delivering high single-digit organic revenue growth, with EBIT growing even faster, in double digits.

Our growth vectors -- MedTech, Nutrition, and Biopharma -- were the main drivers with 16% year-over-year revenue growth, with the latter in particular with 76% year-over-year growth, increasing its contribution. And this pattern will accelerate as we move into Rejuvenate. Helios delivered consistent revenue performance.

I think the progress we have made is meaningful, and our businesses continue to deliver strong organic growth and better margin expansion. Our commitment and focus on better returns are paying off, with the improvement in EPS especially remarkable, from a 13% decline in 2022 to 14% EPS growth in '24.

It is a similar story on cash and deleveraging. We finished 2024 at the lower end of our leverage corridor, something the company did not manage for 7 years. And now we're increasing our ambition with a new leverage target. This new range reflects us being a stronger company and our financial stability with strategic flexibility.

Our #FutureFresenius transformation has created significant value, i.e., shareholder return. The structural changes we've implemented have made us faster, adaptive, and more robust. Higher margins, more cash, lower debt -- these have all created value. And we are happy to see that the market is recognizing our progress. This is also important and a critical development for the increased company morale, as our team now sees the outcome and benefit from their hard work.

Looking ahead, we see even more upside. We have a great company positioned in attractive markets with strong secular growth trends. And we will keep this momentum going.

Historically, Fresenius has delivered consistent dividend growth, which was kind of interrupted last year by legal restrictions due to the receipt of the energy relief payments. However, this year, I am pleased to announce that we will resume our dividend.

We're proposing €1 per share for 2024. This is a strong increase over the dividend where we left off and demonstrates our improving financial strength and our commitment to delivering shareholder value. Moving forward, we'll adjust our dividend policy in line with our capital allocation priorities. Sara will go into more detail a little later.

Now let's take a look at Fresenius's core assets. Our healthcare assets are strong and address a wide spectrum of current and emerging healthcare needs. The impact of our growth vectors continues to gain relative weight in our activities.

This has exactly been the plan when Vision 2026 was introduced in 2021. This expands both our top line and margins. Over the past 2 years, our group EBIT margin has improved by 180 basis points, a clear testament to our strategy. This trend will continue, fueled by the increasing contribution from Biopharma, the improving MedTech margin, and newly launched Nutrition products. Our strong Care Delivery platforms provide predictable, stable, and reliable cash flows, strengthening our balance sheet.

These developments are in line with what we had in mind when we initiated #FutureFresenius. Our strategy is unfolding as planned, underpinned by a strong high single-digit compound EBIT growth rate of 8% and, even better, a double-digit growth for the full fiscal.

It's not a secret that the worldwide macroeconomic environment is changing rapidly. Global markets have become more volatile, and trade dynamics are shifting. However, we are well positioned to navigate and potentially benefit from these challenges with a broad and balanced business and regional footprint.

While we serve all markets, we have regional and local strengths. In the US, for example, shortages are known to be issue. And 70% of IV drug units shipped by Kabi in the US are listed on FDA's essential medicines list. That is a system-critical role, so we do play a major part in ensuring healthcare security in the country, delivering significant value, and ultimately benefit for patients. We consider ourselves a local player in the US, with a team of more than 4,000 employees across 9 sites. We have invested nearly $1 billion over the past 10 years to further expand our local manufacturing and supply footprint and capabilities.

More than 70% of our pharmaceuticals for the US are produced in the US, but it's not just about manufacturing; it's much more. We manage the entire supply chain, from logistics to warehousing. We have also invested in our distribution network, making us a reliable player in the system.

Affordability is key, especially when it comes to IV generics and biopharmaceuticals. Biosimilars, which come at a significantly lower price than biologics, are vitally important in improving access to cutting-edge treatments for acute and chronic diseases. We see ourselves as the solution to rising healthcare costs.

A few words on China: The APAC region remains a strategically important market for Fresenius. Our short-term view on China remains unchanged. There are still challenges, mainly due to a slower economic situation, the impact from the national volume-based procurement -- particularly relevant for Keto, which I will discuss in a moment -- and the hospital budget control.

However, we are seeing signals in the environment with recent news suggesting that healthcare practitioners, physicians, and doctors are becoming increasingly concerned about the impact of NVBP and other policies on direct patient care. Naturally, we are closely monitoring developments but still do not anticipate a substantive change to the operating environment in the short term.

With our global healthcare assets, we have great confidence that our sales and margin momentum will continue. Our next strategy phase Rejuvenate will lead to another step upwards in performance.

At Kabi, there are many exciting growth areas in 2025. Pharma, a highly resilient and cash generative business, has a steady launch agenda this year. Our US site ramp-up continues to further increase our impact on fluids supply. With Nutrition, we continue to leverage our strong market positions. This business delivers accretive margins, and we are driving growth with further innovations and product rollouts, which equally means additional investment.

On China and Keto, which is an important product in this market, this is expected to be included in this year's -- it's the 10th national volume-based procurement process -- creating volatility to the downside on our performance in Q2.

But this impact is reflected in our outlook assumptions, and we are already preparing for this normal by optimizing our selling model. In addition, we are also launching new products, tapping into emerging and attractive growth opportunities outside of the VBP system.

In MedTech, we continue to drive performance. The Ivenix pump rollout in the US is progressing as planned, excellent customer feedback so far, and we are pushing product innovations also in our Transfusion and Cell Therapy business. Standout, the Adaptive Nomogram enables on average to increase the plasma yield by 11% per donation, collecting more per donation while maintaining safe and effective operations.

This innovation enables plasma centers to improve collection efficiencies. Great job here by the team in introducing this new software. Overall, we expect steady margin improvement for MedTech and see significant potential for further margin expansion.

On Biopharma, we are beginning to see how powerful it can become; its impact grows every quarter. We have a growing portfolio of molecules launched in different countries. We continue to work on further improving our operations by scaling and driving vertical integration with mAbxience.

We expect our Biopharma business to reach more than €1 billion in revenues in the coming years, being accretive to our improved structural margin band of now 16% to 18%; for this current fiscal, expect a meaningful leap forward almost kind of at the margin range. Clearly, Biopharma is making a significant contribution to the structural margin improvement at Kabi.

Turning to Helios, where our performance program for Germany is picking up steam, like our efforts at Kabi, these efficiencies are not one-time efforts. They're designed to permanently improve the structural and operational performance of Helios Germany.

Quirónsalud is our digital frontrunner, and they will continue to lead in this space with further digital rollouts.

I mentioned our growing Biosimilars portfolio, and I want to give more color on this one. The Biosimilar market is expected to grow on average by 20% in the next 5 years, and we are well positioned with our portfolio to capitalize on this very market.

On top of products already in the market, we have a broad and attractive pipeline with several new upcoming launches. Tyenne is picking up month by month, and we expect an increasing contribution from the US this year. I will share more details on the performance in a minute.

Ustekinumab, with our brand name Otulfi, is expected to be launched shortly. We are progressing with several PBMs and health plans for placing Otulfi on the formulary. And denosumab is also expected to launch later this year.

So, when you look at market size, that means global peak of the originator product, these are very attractive molecules.

With mAbxience, we have acquired a leading biopharmaceutical company that develops and manufactures biosimilars and biologics, with end-to-end capabilities in state-of-the-art facilities in Spain and Argentina. mAbxience is not only increasing our pipeline of molecules, but it also complements our service offerings with the highly attractive CDMO business. All this is contributing in 2024 and beyond.

Let's go to Tyenne. Tyenne continues with great momentum. We see improvements each month. In Europe, the uptake continues to be dynamic. Since last quarter, the market share has continued to improve, now with 22% in EU5 and all countries delivering market share gains.

In the US, we're progressing well with the Tyenne launch. We are now shipping Tyenne to more than 100 payer client agreements -- very, very encouraging. In addition, more than 90% of both pharmacy and medical benefits volume is awarded under exclusivity, overall a great step forward into making healthcare more affordable in the US.

Our tech transfer in our manufacturing facilities at mAbxience in León, Spain, as well as at Kabi in Graz, Austria, is progressing as planned, leading to a stronger, more competitive cost position and enhanced supply reliability as we move forward.

Bringing this all together, Fresenius has changed for the better, I would say, delivering consistent and sustained improvement in revenue, margins, and cash. As we enter 2025, we're moving into the next phase of our #FutureFresenius journey: Rejuvenate.

We are not going to stop. No, moving to next level is our goal, setting higher ambitions whilst driving down debt further. We will see continued product launches and upgrades in patient care along our dedicated platforms.

At Kabi, we've raised our margin ambitions, paced by performance improvements and the growth contributions from our Biopharma business.

At Helios, a dedicated performance program will generate productivity improvements and create a stronger business setup while reinforcing our commitment to highest quality care. Having finished 2024 strongly, we enter 2025 with confidence and expect 4% to 6% revenue growth and 3% to 7% EBIT growth. Consequently, EPS will grow accordingly.

Over the past 2 years, we have created a simpler, more focused company, delivering shareholder value, and in 2025, we will sharpen this focus even further, continuing our strategic momentum and revenue and earnings growth.

Now let me turn it over to Sara.

Sara Hennicken: Thank you, Michael. A warm welcome also from my side. We concluded a successful year with another quarter of strong execution and delivery on all relevant KPIs.

Revenue growth was driven by both operating segments, with Kabi's growth vectors showing excellent performance. EBIT growth was mainly fueled by Kabi. Helios had the first quarter in 2024 without the benefit of energy relief payments, as anticipated. As a reminder, we had significant support from energy relief in the fourth quarter of last year -- sorry, of '23 actually.

Our strong financial progression is also reflected in net income. This, however, must also be viewed in the context of the softer prior-year base. Both tax rate and interest expenses were in line with expectations for the full year.

We maintained our strong cash generation, with operating cash flow nearing €1 billion in the fourth quarter. Our rigorous cash focus helped us reach the lower end of our self-imposed leverage target corridor. That is an impressive reduction of more than 70 basis points since the beginning of the year.

We are particularly pleased with the excellent EPS momentum delivered in 2024. The stringent execution of our strategy translates into significant financial progression. It becomes even more evident when looking at a multiyear comparison. Our strong bottom-line performance was also driven by the great progress made with our cost and efficiency program. In 2024, we realized a strong €201 million in incremental savings at EBIT level. This brings our total structural cost savings to €474 million.

Productivity measures will continue to strongly contribute in 2025 and beyond. One-off costs required to realize these are treated as special items, as usual.

Two years ago, we told you that Fresenius, from now on, will be geared towards returns. At the end of 2024, our return on invested capital is back in the self-imposed target range. However, at 6.2%, we're still not where we want to be and where our ambitions are. There is more work to do, and as we have always said, there are no shortcuts to this one.

When we look at ROIC, we include goodwill, as it represents part of our legacy challenges. However, to give a clearer picture of our underlying performance improvement, we are also giving you ROIC excluding goodwill as an additional KPI. This is something many investors have been asking for.

As explained by Michael, we are now entering the Rejuvenate phase to bring our performance to the next level. This means our financial agenda will shift gears as well.

In my presentation, I will showcase this agenda along three key parameters: first, higher ambitions. We will push ourselves further, set clear ambitions in line with our long-term strategic vision and pursue them with rigor.

Second, increased productivity: We will continue to drive productivity across the board. This includes optimizing processes, enhancing efficiency, and fostering a culture of continuous improvement.

And third, focused capital allocation: A disciplined approach to capital allocation will continue to be key to ensure we make the best use of our resources. Investments have to be aligned with our strategic agenda and meet our strict criteria in terms of returns. And we remain committed to strengthening the balance sheet.

Fresenius Financial Framework is a living framework. It evolves over time as we achieve new levels of performance and maturity. As we enter 2025 and based on the significant progress made in '24, we are upgrading our Financial Framework again.

First, we are raising Kabi's structural margin band to 16% to 18%. This is a clear reflection of the strength over the past quarters and the margin potential we see.

Second, we are setting ourselves a more ambitious target corridor for leverage, now at 2.5 to 3.0 times net debt to EBITDA. I will cover both topics in detail in the course of my presentation.

Lastly, after the legally required suspension of dividend payments last year, we are pleased to propose a dividend of €1 per share. This is a strong signal of our financial strength and commitment to attractive shareholder returns.

At the same time, we are introducing a new dividend policy, which aligns with our capital allocation priorities. More on that in the capital allocation section. Not only have the growth vectors made an increasing contribution to Kabi's topline growth in 2024. They also drove margin expansion, providing the foundation for us to raise the structural margin band. This actually is the 3 + 1 strategy coming to life.

I want to make it very clear at this point: this is about unlocking incremental growth and value.

While the growth vectors are gaining momentum, we continue to further strengthen resilience in our highly attractive and cash-generative IV generics business. The balance between new growth opportunities and business stability is key to our success. Within the growth vectors, Biopharma stood out in 2024, with high double-digit topline growth, being EBIT positive ahead of our original plans.

Milestone payments are recurring and provide a stable floor for our dynamic Biopharma growth. In 2024, they made a mid- to high double-digit EBIT contribution. For awareness, those milestone payments are predominantly associated with the R&D spend.

Going into 2025, we expect milestone payments to remain broadly stable on a yearly basis, but there may be some differences in terms of quantum quarter over quarter. Looking ahead to 2025, we expect the strong momentum in Biopharma to continue. The business will contribute even more significantly, now also in terms of profitability. With our pipeline and upcoming product launches unfolding as planned, we remain confident in achieving our ambitions just outlined by Michael.

On Nutrition, we always said that Nutrition is accretive to the structural margin of Kabi, and that has not changed.

Let's turn to Helios. As you know, we received energy relief funding in Germany of roughly €140 million in 2024, resulting in a tough year-on-year comparison.

However, and despite this headwind, we still expect EBIT to grow this year whilst the margin will remain broadly stable.

To achieve that, we have moved fast with a dedicated performance program for the German hospital operations - focusing on clinical process improvement, improving nonpatient-facing areas for increased efficiency, as well as synergies in procurement.

In total, this program is anticipated to deliver an incremental EBIT contribution of around €100 million this year. This will add to the topline-driven EBIT growth we expect for both Helios Germany and Quirónsalud.

In 2025, contributions from the performance program will be weighted to the second half, in particular, as some of the levers are process related and will take time to deliver and realize benefits.

And the program will, of course, continue and provide further upside in 2026 and beyond. It will establish a strong base for continued margin improvement within the 10% to 12% structural margin band for Helios. And also very importantly, it will further enhance medical outcomes and our quality of care.

Let's talk capital allocation. We will ensure that we continue to deploy capital in a focused and value-accretive way. Our approach will be based on the following key pillars. Investing in the business to drive sustainable long-term growth: We see attractive opportunities to invest in ourselves and bolster growth.

R&D and more broadly spend to foster innovation and further expand our pipeline is part of this. We're committed to disciplined CapEx spending. Any strengthening of our business units through business development will be assessed carefully within our strict guardrails for return and payback and, of course, will be aligned with our strategy and focus areas.

Delivering attractive shareholder returns remains a priority. We are firmly committed to rewarding our shareholders and, of course, resume dividend payments from this year. Our new dividend policy is designed to ensure attractive shareholder returns whilst providing strategic flexibility.

Going forward, we will pay out 30% to 40% of core net income. That is net income before special items and excluding Fresenius Medical Care. It aligns with our capital allocation priorities and market standards.

We will also continue to further strengthen our balance sheet. Our financial discipline remains a priority, and deleveraging will continue with an even more ambitious target corridor. I will come to this in more detail now.

In 2024, we achieved strong free cash flow generation, with a year-over-year increase of more than €1.5 billion, impressive even when adjusting for the forgone dividend in 2024. Key drivers of this performance are our continued efforts to improve working capital as well as successful CapEx management, with 4.3%, well below the 5% of revenue.

Our strong cash flow generation has allowed us to work on both sides of the equation when it comes to deleveraging. Not only did we increase EBITDA, we were also able to reduce net debt by approximately €2 billion.

As a result, we reached the lower end of our original leverage target range of 3 to 3.5 times net debt to EBITDA by the end of 2024. However, we're not stopping here. Also, in light of the more volatile interest rate environment, we're now setting an even more ambitious target range of 2.5 to 3.0x.

We have made strong progress over the past quarters and will continue to operate within the guardrails of our disciplined capital allocation strategy. That said, while we will make further progress, it is important to note that deleveraging is not expected to continue at the same pace we saw in 2024.

We expect our performance momentum to continue in 2025. Starting with Kabi, we expect mid- to high single-digit organic revenue growth. This will mainly be driven by broad progress across the growth vectors.

At the margin level, it is about further margin expansion through even better operating performance in our growth vectors, with an increasing contribution by Biopharma in particular. We expect Kabi to deliver an EBIT margin of between 16% to 16.5%, within the new structural margin band.

At Helios, we expect solid volume development in Spain and Germany that will enable mid-single-digit organic revenue growth. The EBIT margin is expected to be around 10%, within the structural margin band, and that despite the ending of the energy relief payments in 2024.

Moving to Fresenius group, for the group, we expect a 4% to 6% organic revenue growth in 2025. On the EBIT level, we expect growth at constant currency to be in the range of 3% to 7%.

In terms of phasing, we see our strong momentum continuing into the first quarter of '25. However, the overall performance for the full year will be second-half weighted. This reflects the impact of Chinese volume-based procurement on Keto in Q2, the Easter phasing effect, and the year-on-year comparison for Helios Germany with the benefit from energy relief payments in 2024.

I would also like to mention our assumptions for other relevant KPIs to help with modeling. For 2025, we expect interest expenses in the range of €400 million to €420 million, a tax rate between 25% and 26%, and CapEx of around 5% of revenue.

As we enter 2025, we must remember that we are all navigating a fast-moving geopolitical environment, which is introducing a heightened level of operational uncertainty. Obviously, our guidance assumes current factors and known uncertainties, but it does not reflect potential extreme scenarios.

Overall, Fresenius is in a much stronger position today. We are more focused, more resilient, and our strategic plan is unfolding successfully. This will provide an excellent foundation for long-term growth and for bringing our performance to the next level.

With that, I hand it back to Michael.

Michael Sen: Thank you, Sara. So, 2024 is another exciting year for Fresenius. We are elevating to the next level of maturity, with capital allocation continuing to emphasize organic growth. At the same time, we remain committed to structural productivity improvements. Kabi has set the benchmark for achieving sustainable savings. It now is Helios' turn with their dedicated performance program.

As a global healthcare leader, we will continue to innovate, driving new ideas and technologies, fostering partnerships within the ecosystems through our healthcare platforms, and continuously enhancing healthcare delivery to create long-term value for our patients.

We are committed to life. 2025 will extend that commitment. Now it's time to take your questions. Thank you very much.

Q&A

Operator: We are now starting the Q&A session.

Graham Doyle: Afternoon, guys. Thanks for taking my questions. Just two from me, please. Firstly, on Tyenne, would you be able to give us a little bit of color as to the visibility you have on volumes as we go through this year? So, typically, with some of the drugs that -- we've seen biosimilars enter the market. They've been acute rather than chronic. This is slightly different. So be interesting to get a sense of how much visibility you have on patient switching based on some of these contracts you've won.

And the second point then is around capital allocation. So obviously, you're deleveraging, and you've given us a good clue as to what your plan is going forward in terms of dividend. But maybe just a look at sort of M&A, so when could acquisitions be back on the agenda?

And also, with regards to your large stake in Fresenius Medical Care, how are you thinking about that in terms of the share price having done quite well and, again, using that as a potential source of liquidity for such acquisitions? Thank you very much.

Michael Sen: Thank you, Graham. I think it's a great start, and we can keep it crisp. Look, on Tyenne, we have very good visibility. Actually, what we have baked into our plans, I would say north of 90% is contracted with - I mentioned that we have several contracts in different channels, with private plants, and we see both. We see Part D and Part B, so pharmacy benefit and medical benefit. And customers are switching as we talk.

Now if I may already insert one sentence on our outlook, now we have the great visibility on the contracts. Actually, what we plan is covered. Now we need to execute that one. We need to produce, ship, and all these kind of stuff, and this will obviously ramp up during the course of the year in the later part, as Sara said. And that's why it will also be nuanced to the second half of the year.

Now I mentioned on capital allocation overall, though on strategy, we do emphasize going forward organic growth. This whole capital Financial Framework actually is a very consistent framework, if you so wish. We, on the one hand, want to improve on operating earnings. That's why we increased the Kabi margin band. And concurrently, we said we're going to go to a new leverage range. So this, in essence, shows you that the emphasis or the priority is on organic growth.

I said that, at some point in time, if and when the company is ready in maturity, as we go into the new Rejuvenate phase, we will work around our platforms. We will invest. Currently, the priority is investing into organic topics, whether it's on in-licensing, whether it's on CapEx, whether it may be a greenfield on the hospital side.

And yes, you're right. The monetary item is there, and we love what we've been seeing on the value creation of Fresenius Medical Care. And two quarters ago, Sara and I were sitting here and saying there's maybe a gap to DaVita.

Last two quarters, we as investors were happy that FMC did good and were ahead of the peer. We see this asset quickly deleveraging. So, there's a lot in play. They can still create value, and that's why we love the investment.

Graham Doyle: Thank you. That's pretty impressive clarity. Thanks a lot.

Marianne Bulot: Thank you very much for taking my question. I have two as well. The first one is on the group guidance you have put out for 2025. If we look at the range, it's relatively wide, especially on the EBIT side. So, I was wondering if you could talk a little

bit about the headwinds that you have assumed that could lead to the low end of the guidance.

And the second question is on Otulfi. Could you remind us a little bit how the partnership with Formycon works? And just wondering if you could comment a little bit on the announcement from Formycon and that there was a higher-than-expected price discount for biosimilars in the US? Thank you.

Michael Sen: Yes, hi, Marianne, very good question. And I think this outlook question is important. We'll probably come back to that one a couple of times and also in the next couple of days. Look, overall, the pattern we want to pursue for the full year is a little bit what we had in the last 2 years. What I mean with that is we're at the beginning of the year. If you're at the beginning of the year, and if you read the newspaper, there's a lot of volatility on many, many topics which are out of our hands.

Sara had the disclaimer that, if there is a mega topic, that is obviously not included on geopolitics and geostrategy, but we have a volatile overall environment, not operating environment, but overall environment.

The second thing is that we clearly want to share with you our assumptions we have at the beginning of the year. The assumptions need to work. We need to work against them, and if they work, we all will have the benefit, and if they don't work, you know what we have been thinking about specific topics at the beginning of the year.

Now let me give you a few topics as a starter. Sara and myself, we mentioned the NVBP and Keto. Keto is a product which is a very profitable product we are marketing and selling in China, and it is part of the 10th NVBP program.

And we know that for sure. Not only did we receive the paperwork; the tender is done. We're not part of that tender. So we're losing that volume, and that will happen in Q2. That's why Sara mentioned the phasing. So we will lose the contribution of Keto.

The second thing is there were some VBP products on the pharma side in last fiscal where you see the spillover in an annualized fashion, if you so wish, into this year. These are two headwinds. If you would take them in isolation, only in isolation, and we don't work against them, then it would actually decrease the Kabi margin.

But as they are growing and have a nice structural improved cost base, Kabi wants to improve the margin, given where they left it in 2024. So, we guided to 16% to 16.5%. But in order for that to happen, new products need to not only hit the market, need to be shipped, then we post revenue, and then we get the contribution margin. I gave you a little bit of a flavor on Tyenne. So this is one thing.

The other thing is that -- and again, if I take the China effect in isolation, it would -- only in isolation as a gross topic, it would cut more than 100 basis points off of the Kabi margin. But as you see, Kabi is going to improve. So, they must be doing something right, but they need to work against it.

Helios has, Sara mentioned, €140 million energy relief payment year over year, which is also a pressure. Yet we say the margin is scratching the 10%. In essence, we even want them -- if you don't think about margin, but if you think about absolute EBIT, we even want them to grow.

So, these things need to happen because, against those gross effects, people have to work against. And we will know during the course of the year how this whole thing is unfolding, in Helios, on the performance improvement and, on Kabi, as to how the

commercial Biopharma topics but also other topics -- we are launching more molecules than last year in IV generics in the US, but that all needs to happen.

If all of them happen, then it's great. We will also be in the margin range. But if some of them are not happening or are prolonged or there's an obstacle, then you have a little bit of a flavor.

Now on Otulfi, which is ours, we can't comment on other companies' books and records. We also saw the news that there was some write offs, and I guess the write off is clearly attributable to if the value is not being held in the balance sheet anymore that the prices they assumed on making with this molecule were maybe now in reality lower than initially planned.

In our case, we are not having a write off. So let's say that means that our assumptions also on pricing we have on Otulfi must be something what we are also expecting to see while we launch it.

Remember when Otulfi -- when we talked last time, we said that it will also be a competitive market, actually a highly competitive market. There are differences to Idacio or adalimumab, but there this is the competitive market where several players are entering the market and are entering the market, in brackets, as we speak. That's the first thing.

The second thing, what you see is, first of all, don't rely on one molecule only. That's why we have a pipeline of molecules and a breadth of molecules, and we keep adding molecules because, if you're dependent on one and that is your cash-generating unit, that may happen what happened.

The second thing is vertical integration. That's why mAbxience is so important because, if it's competitive at the frontend, you better have your costs per molecule under control, and that's why vertical integration. Thanks.

Marianne Bulot: Thank you very much.

Falko Friedrichs: Thank you very much for taking my questions, two, please. Firstly, could you add a little bit more color on these €100 million cost savings in Helios and what specifically that entails and how sustainable those are?

And then secondly, going back to ustekinumab and denosumab, could you be a little more specific in terms of the launch timing this year, whether that's more in the first or the second half? That would be helpful. Thank you.

Sara Hennicken: Yeah, happy to take the around €100 million. They fall under three buckets: clinical process optimization, nonpatient-facing areas, and then procurement. And if you think about them, probably what you will see in 2025 is a good chunk of the procurement because they are relatively quicker actually to materialize. It's generating synergies across the Helios platform, in particular in Germany, to safeguard those savings which we expect on the procurement side.

Then if you look in the nonpatient-facing areas is, how do we best adjust our infrastructure setting on the nonpatient facing to best serve our patients and actually to optimize these processes? And there you can think of IT, harmonizing IT infrastructure, centralizing, and also pursuing a more rigorous digitalization strategy. Some of those benefits we will clearly already see in 2025. Some are more backend loaded, and some are also more into 2026 and forward.

When you then look on the clinical process optimization, this is probably the lag which is one which will bring us most forward in terms of enhancing quality to serving patients, which is, however, also most structural and fundamental. So it will take a moment longer until we see the full benefit of it. And actually, for me, it's two sided. It will enhance patient satisfaction. It will enhance quality, and it will bring us productivity and efficiency.

And if you think about it, the cluster strategy we have talked about, it's about the patient flow through the hospitals, starting all the way emergency room admission. How do we reduce waiting times? How do we best leverage the infrastructure we have to increase the patient throughput, if you so wish.

So that's basically how I would phrase the three categories, and the €100 million is what we see for 2025, as I said, biggest chunk from procurement quicker and then the process optimization a little further out.

But overall, it's more kind of geared toward the second half of the year. And what we said all the way along, they will need to run fast to hold the ground. So, this will be work, but I think we've also seen from the Kabi side we can do it, and we are very much convinced we will get it done.

Michael Sen: Yeah, Falko, and on deno and Otulfi, let's start with deno. The launch -- and this is another item when I qualified the outlook -- will come in the later part of the year, more Q3, Q4, if and when we get the full approval. What we have on denosumab is the BLA, so not the full regulatory approval.

Now is there anything which keeps us or where we think we should not get approval? No, there is kind of like a clock which goes backwards as to when to expect the approval, and we are waiting from the regulatory bodies. But sometimes, you have heard now, there's a lot of noise and workforce reduction at FDA.

There's no reason for us to believe that this is impeding this one, but you don't know what's going to happen. So, we have -- just for full clarity, we have a BLA status, and we are waiting for the full approval.

On Otulfi, I will only go thus far because, as I said, it is a competitive molecule, and folks are already -- i.e., peers -- are already in the market and active. Are we active? Yes, we are, but let me -- I don't want to spill out our whole launch strategy here publicly. So, what I will say is expect it to be launched soon because we're waiting for a few data points as to how the market is shaping up in the very, very, very early stages.

We are in touch, I can tell you as a positive indication, with several PBMs and health plans and obviously hope to get the contracts behind that one. But this is only so much I can tell you at this very moment. But at the back of your head, it should come soon.

Falko Friedrichs: Okay. Thank you.

Hugo Solvet: Hi, hello. Thanks for taking my questions, and congratulations on the results. A couple of questions on Biopharma, please. Just, Michael, following up on your previous answer, how critical PBM deals are to get traction, you think, in the US market overall? And maybe you can elaborate on the ongoing discussion. Are you seeking exclusive deals with PBM or not?

And on Biopharma, if I remember well, earlier this year, you commented on getting closer to €1 billion in sales in 2025 already. Can you help us reconcile this with the midterm guide for above €1 billion? What's the timeline here? How should we think about the sales ramp up beyond 2025? Is it just, I would say, conservatism from your end? Thank you.

Michael Sen: Yes, Hugo. Look, the market in the US is in formation as we speak. That is what I meant when I almost 1.5 years ago said we will learn a lot from the whole Idacio or adalimumab case. What we see, obviously, is PBMs are playing a role, but there is -- what we're also seeing, there is much more than the national formularies. There are also other formularies, which we also see is that there are private health plans. So, you can also contract with private health plans.

What we also see is that, if and when you contract -- and this is and will be the case, for example, on toci -- that you can get exclusivity. So, all of these things are in flux, but what I'm trying to say is it is not as rigid or carved in stone, like maybe folks have thought 1.5 years ago that you only have to go through PBMs.

You can go through different routes, and the market is evolving, and we even think that it will evolve even more, that people will get to use as the class uptake is there, the more molecules are out there, the more people will know what it is.

So, we are also placing our bets on many channels. So PBMs are customers of ours, but as are private health plans. So on the outlook -- or not outlook, but what we said midterm kind of thing on the Biopharma, what we thought is give you a little bit of an update vis-à-vis where we left it at the Capital Market.

Now they're roughly a €600 million business last year. They grew by 75%. We said they're going to be materially growing this year. It will not be 75%. We said the market on average is growing by 20%. It would also not be 20%. So it's something between the 20% and the 75%.

Pick a number, and probably they will not reach the €1 billion this year. Other than that, we would have told you they're going to reach €1 billion this year, but probably pretty close if things work out, we say, in the next 2 to 3 years, and you pick where you want to place your bet on the 2 to 3 years. And so this is how we're going to go about the €1 billion.

Hugo Solvet: Brilliant. Thank you very much.

Hassan Al-Wakeel: Good afternoon, and thank you for taking my questions, a couple on Kabi, please. Firstly, another strong performance in Clinical Nutrition. Can you quantify the Argentina growth tailwind here and detail the drivers of what would've still been a strong print excluding this? How are you thinking about growth from Nutrition as you lap a tough comp of 13% in '24? And how is China progressing for nutrition in FSMP as well as any views that you have on incremental VBP over the medium term?

And then secondly, can you talk about the significant margin expansion at the growth vectors in Kabi and any color on the individual segments that you can provide and whether Nutrition supported this, given the stronger topline growth? And how are you thinking about this mix evolving in 2025. Thank you.

Michael Sen: You want to start with Argentina?

Sara Hennicken: Yes, happy to do so. So, in general, it's fair to say Argentina provided tailwinds to the overall growth in the Kabi for the full year of 2024 and, yes, also in the Nutrition area. However, if you look in -- and overall, just to give you a number for the full year, it's probably mid-single digits what we're talking about in terms of tailwind.

If you look at Clinical Nutrition for Q4, I think there are a couple of things to see. First, we saw strong growth again also on the US side. There, we benefited from some change in order behavior as a temporary effect post the Baxter topic.

I think, second, you need to be reminded that China was a pretty soft comp in kind of Q4 of '23. And then if you kind of come to your next question in terms of profitability, yes, that resulted nicely in an uptick.

Michael Sen: Yeah, then, Hassan, your question on Nutrition, in my speech, I said Nutrition is highly accretive, but we will also invest into Nutrition. This is exactly where we need to beef up our pipeline.

We have some phenomenal ideas there. They need to be worked on. I won't say whether enteral or parenteral, but phenomenal ideas where -- for '25, Nutrition will be a great business, don't get me wrong, but when I think about incremental improvement, I would say, in the Capital Market Day, they said I think 4% to 6% growth. I see them more probably on the lower end of that one.

And I would not bet too much on margin expansion on that one because, as I said, they need to invest. Actually, the invest is very tangible. It is on clinical data in order to then have the approval so that, in '26 and '27, we will have the more regular pattern, i.e., probably beyond the 4% and hopefully then again seeing margin expansion.

When it comes to China, we elaborated on China and the loss of Keto and so on, so forth. We do expect more volume-based tendering coming there. The food for special medical purposes is an attractive segment. We did place orders there, but that's why, for China in '25, we are -- how should I say it -- still thinking about the softness in China. This is great stuff. This is Fresubin powder and so on, so forth. But this is out-of-pocket expenses. So if there is general economic weakness, the out-of-pocket expenses is also held back.

And when you think about 2025, the growth vectors, so I qualified a little bit the Nutrition. I think you can derive the things for your model from what I've said. Then MedTech will, should, has to improve in topline growth and then in margin expansion, yet they also need to work -- again, another one where they need to work -- the more Ivenix machine space not only plays but post revenue.

It will, at least in the beginning, not be margin accretive. So this is a balance, but they got other stuff, the Nomogram, the software product. I told you, if and when you place this one, there will be a nice margin behind that. So MedTech needs and will have to improve year over year.

And then the biggest contributor will be Biopharma, which when we say last year it was kind of EBIT positive, it was a small number in terms of margin. And I said during the course of my speech that they will make a huge leap forward, so a huge margin expansion, and they probably can see the new margin range. When I say see, they see the bottom end, not the top end. The top end will they see for the next coming years.

Hassan Al-Wakeel: Really helpful. Thank you.

Oliver Metzger: So good afternoon. Thanks for taking my questions. The first one is on Helios Germany. The 6% organic growth is still a very good level. I remember, last quarter, you had some one-off items which you booked through the top line, which boosted organic growth. Does the 6% this quarter also contain some of these elements?

Second question is on the Biopharma vertical integration. Great to see that you have started to produce Tyenne by yourself. How should we think about the progress of insourcing the remaining Kabi pipeline of Biopharma? Thank you.

Sara Hennicken: Maybe to start, so in Q3, we had a kind of technical adjustment on the top line. We have no such extraordinary elements in the Q4 when it comes to Helios.

Michael Sen: Yes, and on vertical integration, let me specify I did not say Tyenne is on mAbxience. I said, in general, vertical integration is a competitive advantage. But your question is still correct because we are planning on moving Tyenne on the mAbxience capacities, which initially in the original plan when we acquired mAbxience, this was not in the cards because we had the five molecules which we acquired at that time, and they had five contract manufacturers.

Shifting something through to a different manufacturing platform is a so-called tech transfer and is highly resource intense and needs new regulatory approval. Now as Tyenne will be in demand and we want to be in control of not only the cost per molecule but also in serving the customers -- I said that, Q3, Q4, we expect the bigger ramp-up of really delivering the product, not the contracting, which we have great visibility, but we need to ship the product.

So, we are currently working day and night to get it -- also parts of it to mAbxience and to Graz, by the way, also, on the full and finish in Austria, which is the Kabi side. and then hopefully from then onwards on mAbxience. And future molecules, we will always -- if we don't in-license them, we will see that we'll use the capacities of mAbxience.

Oliver Metzger: Okay. Thank you. Just as clarification, so it's more a '26 onwards topic.

Michael Sen: For Tyenne.

Oliver Metzger: And for the other molecules, how far the progress is?

Michael Sen: If we have to go molecule by molecule, Otulfi is useless because it's done by Formycon. So, we cannot tech transfer anything. Adalimumab is already running, and in parts, by the way, fill and finish is in Graz. So, for future molecules -- and they also have capacity limitations. In fact, part of the investments, in fact, we will discuss capacity expansion at mAbxience in order to serve what we have in the pipeline.

Oliver Metzger: Yeah, okay. Great. That was very helpful. Thank you.

James Vane-Tempest: Yeah, hi. Thanks for taking my questions. James from Jefferies. Two, if I may, please. Firstly, just thinking about Biopharma, at the Capital Markets Day, you came out with a structural 14% to 17% margin. Now obviously, it's 16% to 18%.

I think, when you consider the mix and the products, thinking ahead, what would need to happen within Kabi to structurally deliver 20%? Because I think, when we look at the businesses, there doesn't seem to be an obvious headwind why this can't be structurally achieved. Obviously, kind of MedTech's improving, but I'm not expecting any midterm guidance, but I think, just conceptually, it would be really helpful just to understand what would need to happen to deliver that level of profitability.

The second question is just because you called it out in your prepared remarks on the Ivenix pump rollout. The FDA in December issued an early alert -- I think you had two Class 1 recalls. So, I was just wondering what the background to that was and what challenges you faced in rolling out a new pump. Thank you.

Michael Sen: Yeah, let's start with the first. James, we'd love to invite you to our next management meeting with Kabi, and then you tell them, so what is preventing you from delivering a 20% margin? And then we'll get a lot of reasons because look at where they left it last year. It was a great achievement.

And look, there's gradual incremental improvement going into this year. And by us saying that the combined profit pool of the businesses, we believe, can be 16% to 18%, we already give you the confidence as to where it should be, let's say, midterm.

And then we don't have a crystal ball, but if everything works right, Nutrition is a great business. When I always say it's highly, highly accretive, people know what I mean. The generics business you know. It's stable, but it's growing.

And then we said, midterm, the Biopharma business will be accretive. So this is the movement we have and obviously improvement in MedTech. And then we're going to see how the whole Biosimilar market evolves, also especially in the US. What is the class uptake? What is the role of PBMs? What is the price competition? Who will leave the arena of competition because they don't have the right business models? And then conceptually, you're obviously right, but the numbers we have are out there.

So, we had all corrective actions committed to the FDA in the response we have. I've been saying from the very outset, if you have a new thing, a completely new pump, which was obviously cleared and everything, but you roll it out in large quantities -- we have we have 5,000 pumps in front of us to be installed, and we're going to go -- we want to go up over the course of '25 and beyond to 25,000 pumps. It's natural, I think, if you compare it in the industry, but nothing to worry about.

James Vane-Tempest: Thank you.

Victoria Lambert: Thanks for taking my questions. The first one is just on the generic pharma business. So, it looks like you have 10 launches planned for 2025. This seems like it's a bit higher than normal. How should we think about organic growth throughout the year? And could margins look more like Q4 margins, so like above 20% with these launches? Because, usually, you get some good pricing with new launches.

And then just on the Ivenix business, when can we expect this to turn break even? Thank you.

Michael Sen: Yeah, Victoria, hi. Look, on the pharma business, also in the Capital Market Day, we said growth will be roughly between 2% and 4%. So usually, if people don't know anything more, they take the midpoint. If you would do that, I think we would feel comfortable.

Overall, we have to look at the entire range of portfolios. Obviously, we have molecules in the business which are decreasing in price, as we speak. This is the whole game plan that you then launch again to keep up the level.

If I look at the overall market -- not us, the overall market -- in '24 to '23, if I look at the IQVIA data, the market -- in volume, it grew. In value, it even shrunk, which tells you a little bit what price competition is doing there. But that's why we are launching these things and these launches, roughly, the 10 in the US, which we say, will have a better price point.

So, I would say, if you're roughly assuming something flattish year over year on the pharma side, depending on when and how we can launch, this is a little bit what we said. If everything works, then the flattish kind of thing. If the launch is delayed out of whatever reason, then we will have more pressure. Ivenix breakeven, did we ever disclose this? I think we didn't disclose it.

Sara Hennicken: Maybe just to kind of put it a little bit into perspective, 2025 is our year where we are rolling out Ivenix, where we increase substantially our installed base. So this is what will happen. At the same time, we work on competitive unit price and so

on. So I think, for us, '25 will be a focus point to getting the installed base up and running and then breakeven more in the kind of thing thereafter, in the outer years, more in the midterm.

And in general, that would be maybe my little CFO humbleness also on guidance and on what we discussed. There is a lot of rollout and launches in the Kabi area in 2025, as Michael alluded to. And there are certain things which are in our control, which we are fully focused on. There are certain things, like FDA approvals, progression on China volume-based procurement, and the rollout of these, and so on, which are a little bit outside of our control.

So if I look at it and if I look at the year to come, there is a lot of really good momentum starting from Q4. There is a lot of very positive energy as we look into those rollouts and launches across -- and that's Biopharma, but that's also generics, and that's also Nutrition. But it needs to happen. And we will control what we can control, and there are certain things which we will work on hard to make sure they will fall on the right side.

Then with Helios Germany, this is obviously also the €100 million, what we will work on. At the same time, as Michael alluded to, there are the known headwinds of the €140 million, and there are also the known headwinds of Keto. And so I think, if you take all of that together, I feel very confident on what we put out here for you today.

Victoria Lambert: Great. Thank you.

Robert Davies: Thank you for taking my questions, a few. The first one was just around your targets for improving return on capital employed. I just wondered if there was anything else within the portfolio just in terms of further asset disposals that we should be thinking about heading through '25, or is it mainly margin profitability that you're looking to, to drive the improved returns?

The second one was just on the higher central costs in terms of run rate. Had a few questions today from people asking about potential reallocation from the divisions to the group level. If you'd just provide a little bit of additional color where those extra costs at group level have come from, and that would be helpful.

And then the final one was just around the Helios margins over the medium term and the sort of framework targets at 12%. Given the challenges obviously for '25 and your additional savings, is that more kind of tread water? Just kind of walk us through the bridge of how you would get to the upper end of that 10% to 12% range. Thank you.

Michael Sen: I'd start with the first question because that's faster and easier. Actually, I would answer with yes. So yes, the improvement is going to come now by the operational business, as I said, emphasis on organic growth, margin improvement. Capital will be deployed but more in terms of CapEx, or if there is some in-process R&D, then it will be maybe capitalized, but there is -- we actually, last year, already concluded this whole huge portfolio shuffle.

Sara Hennicken: Yeah, happy to comment on the higher corporate costs. If you look at it for 2025, we're maybe not that off from a consensus perspective in terms of numbers. If you look at it more from a conceptual perspective, obviously, yes, we have a new operating model. Yes, we steer more centrally, and yes, we allocate more resources to corporate because we believe that, overall, with now Helios and Kabi, so two operating businesses within Fresenius, we benefit from a more direct steering, and that speaks to higher corporate costs being generated also going forward.

If you still compare us to where other corporates are sitting, kind of the 1% to 2% of corporate costs in terms of revenue, I think we are still very far apart from that kind of

benchmark, if you so wish. We have the absolute desire to stay efficient and lean. At the same time, it's very clear we changed our operating model to the better, and that will mean incurred cost and rising cost base.

And then Helios margin, and happy to take that one. So I think -- how should you think about that one? I think the first topic is we start -- or we end 20 -- no, let me go even one step further back and not end with 2024 but start with the Capital Markets Day, where actually, we raised our margin band. And we raised it knowing that the energy relief would fall away. For us, that margin band is a structural margin band, which is our ambition, which is not necessarily what we need to fulfill year over year.

Also on the Capital Market Day, we told you that it will not be a linear way towards that margin band and also not a linear way within that margin band. But we always knew that there is a stiff headwind blowing into our face in 2025. There is that €140 million which we will need to overcome. I outlined to you the Helios program of roughly €100 million.

However, if you then think of end of '25 and now look forward with me, obviously, the Helios program, A, will have an annualization effect going into 2026, given I said it's mostly backend loaded for '25, but there are also more levers which will only start to really materialize, in particular on the structural side, on the clinical process side, in 2026 and beyond.

And maybe a comment there as well: In particular, that kind of lag of clinical process optimization is not a pure EBIT lag, so to say. It is a topline and EBIT lag which will serve for higher revenue but also more EBITDA on absolute and more margin.

So for us, 2025 actually is a good jump-off point to see a margin increase in '26 and thereafter. In a way, we need to get 2025 right to lay the foundation, if you so wish.

Robert Davies: Okay. That's great, very clear. Thank you.

Operator: There are no further questions at this time.

Nick Stone: Super. So that concludes. Then, Michael, why don't you close out today's call for us?

Michael Sen: Well, thank you very much for listening and the intense questions. I think that was very helpful, especially gave us the opportunity to provide more color also on the outlook. I think you could see that we are going into '25 with confidence based on what we have been achieving so far in the first 2 years.

But the nature, the structure of the Rejuvenate will change, as in a whole array of new innovations and launches and the like will have to hit the market. We are pretty confident that they will hit the market. We have great customer feedback, and all the preparations are working, but we need to work on that one to make it happen.

And to the extent these things work out, also on the cost side on Helios, it will then determine where we will be in the margin, but we're at the beginning of the year. That's why you have that range which you have.

Obviously, we had the disclaimer on the very high geopolitical geostrategic mega topics. There's the US with a lot of rigor and transaction mode going through the world, but all in all, we are very confident and looking forward to delivering also in the Rejuvenate phase. Thanks a lot.

Nick Stone: So that concludes today's call.

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