FRESENIUS

Transcript
Conference Call Q1 2022 results

May 04, 2022

CORPORATE PARTICIPANTS

Stephan Sturm, Fresenius SE & Co. KGaA – CEO
Rachel Empey, Fresenius SE & Co. KGaA – CFO
Markus Georgi, Fresenius SE & Co. KGaA – SVP IR

CONFERENCE CALL PARTICIPANTS

Bank of America, **Patrick Wood**
Berenberg, **Thomas M. Jones**
J.P. Morgan Cazenove, **David Adlington**
ODDO BHF, **Oliver Metzger**

PRESENTATION

Markus Georgi: Thanks, Francy. Good afternoon, and thanks, everybody, for joining us today. Welcome to our first quarter 2022 earnings call. With me on the call are Stephan and Rachel. As always, I would like to start the call today by drawing your attention to the cautionary language that is included in our safe harbor statement on Page 2 of today's presentation. And with that, 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. Thank you for joining us. As always, we appreciate your interest in Fresenius. And we want to move right to **Page 4.**

We are pleased to report a solid start to the year, despite meaningful macro challenges such as input cost inflation and supply chain disruptions. We are now in the third consecutive year operating under crisis conditions. And I want to sincerely thank all Fresenius employees around the world for their tremendous dedication in these unprecedented times.

The war in Ukraine continues to bring unspeakable human suffering. As a healthcare company, we have a special responsibility. We support the Ukrainian people and especially the local patients as best we can, also in those countries Ukrainian refugees find themselves in. And whilst that represents a net financial burden, we view that as our duty and part of our mission.

Beyond the humanitarian crisis, the war is creating more supply chain disruptions and inflationary pressures as well as increasing volatility and uncertainty and hence intensifying headwinds beyond our assumptions from February when we provided our guidance for the year.

But I believe our truly solid Q1 performance demonstrates that we've been able to navigate these challenges reasonably well, at least slightly better than we expected. At the same time, disciplined execution of our cost and efficiency program turns ever more important. So I am pleased to confirm we are on track with our cost-saving initiatives. We remain optimistic to reach more than €150 million savings after tax and minorities in 2023 and aim for even higher sustainable cost savings thereafter. Against this backdrop, we feel comfortable to confirm our guidance for full year '22.

Allow me now to thank Rachel for her massive contributions over the last 5 years. She has helped us through a period of significant volatility and change marked by quite a few unforeseen adversities, particularly the pandemic. Rachel has driven important improvements in Fresenius' finance function and her other areas of responsibility. We've always had a very close working relationship based on trust and great mutual respect. I have not only but especially valued her as a sparring partner during our discussions about the group's growth strategy and our group structure. Frankly, I don't like Rachel's decision, but I respect it. Rachel will stay with us through the summer, facilitating a smooth transition. So it's too early to bid farewell, but I think it's never too early to say thank you.

At the same time, I'm thrilled to welcome Sara Hennicken as our new Group CFO, handpicked by Rachel about 3 years ago and mentored ever since. Throughout her tenure at Fresenius, Sara has impressed us not only with her financial expertise, her creativity, her drive, and engaging personality but also with her sound strategic thinking. Sara is tough. Frequently, when we found ourselves in discussion exchanging differing views, she convinced me of hers because I'm open to the better argument. And I'm now looking forward to an even more intense collaboration with Sara for the benefit of Fresenius.

Let me also thank Rice, who in accordance with Fresenius Medical Care's age limit for Management Board members will be stepping down when his contract matures on December 31st. Rice has been with FMC since 1997, on the Management Board since 2004, and has headed the company as CEO for 10 years. I am deeply grateful for his dedicated service and for his so-important contributions to the company's success. Rice has played an instrumental role in shaping FMC. He initiated very many forward-looking developments and set in motion the necessary transformation of the company. Also, here, it's too early to bid Rice farewell. I expect him to be in top form running FMC's Shareholder Meeting next week. But also here, it's an excellent time to say thank you. Rice, we owe you.

At the same time, I am very much looking forward to working with Dr. Carla Kriwet. At the end of a thorough search process, Carla convinced us most. She is an experienced manager. Revenue wise, her current employer is FMC's size. She is dedicated to healthcare but now also has valuable consumer goods experience. Carla is an emphatic leader but has also proven her transformation and restructuring skills. She is a true global citizen, a team player, radiating lots of positive energy. I know Carla can't wait to take on FMC's various challenges. And I'm confident that she, together with the entire management team, will successfully shape FMC's transformation to sustainable success. In keeping with tradition, Carla will also be serving on Fresenius's Management Board.

Now before I get too sentimental, on to **Slide 6** and an update on Kabi.

Our highlights from the first months of 2022 are the acquisition of Ivenix and the takeover of the majority stake in mAbxience. The transactions are testament to the diligent execution of Fresenius' new strategic imperatives that we laid out in February. We are rigorously pursuing our group strategy of unleashing accelerated growth.

We are fully committed to allocating our capital to the most profitable growth areas of our healthcare group, with Kabi being defined as top priority. The transactions strengthen Kabi's capabilities and access to the attractive growth areas of Biopharmaceuticals and MedTech and should hence be seen as first steps in executing Fresenius Kabi's Vision 2026 strategy. And on a very positive current note, just yesterday, we were able to successfully close the acquisition of Ivenix, and I would like to take this opportunity to warmly welcome our new colleagues.

Over to North America, where Q1 was marked by ongoing headwinds, staff shortages, supply chain disruptions -- more details later from Rachel. But specifically, the -- re the volume impact of COVID in North America, outpatient surgeries have now recovered almost to prepandemic levels. Inpatient surgeries are still lagging a bit behind. Both metrics have improved since the beginning of the year. And hospitalizations due to COVID have reached a new low in early April.

As far as the triannual tendering activity is concerned, the Premier RFP is nearing completion, and we are generally satisfied with the results. We believe our significant investments in our US manufacturing and distribution network, combined with our broad portfolio, helped us retain many key product awards. Early indications confirm the award is in line with our forecasted expectations.

A few words on the progress of our biosimilars business. We generated €23 million of sales in the first quarter. That is in line with our full year target to roughly double sales this year, which were a mid-double-digit absolute number last year. This sales development is testament to the continued good sales of our Ada biosimilar Idacio in Europe. The US approval process is running smoothly so far, and we remain fully on track with our time schedule.

On a positive note, we have now received European Commission approval for our Peg biosimilar Stimufend. We are expecting to launch Stimufend in the first European markets in the third quarter of this year. And for the US, we're now expecting the FDA preapproval inspection for Stimufend later this quarter. With respect to our Tocilizumab biosimilar, we are now moving ahead, as planned, for a launch in 2023. And last month, Amneal Pharmaceuticals announced FDA approval for its BLA for bevacizumab, the biosimilar referencing Avastin. The product was developed by mAbxience. And so this is a great proof point of mAbxience development expertise. And that remains a key rationale for us pursuing this acquisition. Here, we continue to expect the transaction to close mid-2022.

On to **Slide 7** and an update on Helios, starting with Helios Germany, where with a 11% year-over-year increase, we see a continuation of the positive admissions trend of the last quarters.

In comparison to previous COVID waves and consistent with our observations from February, we see far fewer patients in our ICUs due to Omicron. And even though absenteeism of nurses and doctors was a significant headwind during the quarter, more recently, we have seen signs of normalization.

On another positive note, a Helios-commissioned representative survey shows that the confidence of patients to undergo medical treatment in a hospital has significantly improved over time. The diminishing psychological barriers should hence support ongoing admission growth also over the coming quarters.

In Spain, the overall activity levels continued to grow. Also here, the impact from Omicron on hospitalizations is significantly less pronounced than in previous COVID waves. Positive financial momentum is additionally fueled by an excellent performance of the ORP business. And our Latin American operations, significantly strengthened over the recent years, continue to show a very decent performance.

With respect to Helios' fertility business, we've seen activity picking up quickly since mid-February. Beyond organic growth, we continue to pursue consolidation opportunities in the fertility market, such as the recent acquisition of two IVF clinics in Brazil and one in the US. And we expect more interesting bolt-on opportunities during the remainder of this year.

That brings me to **Slide 8** and an update on Vamed, where the service business is continuing to show a good performance. And also, in the project business, we see encouraging signs of a sustainable improvement alongside the easing of COVID headwinds.

Order intake in the first quarter grew significantly year-over-year, not only but in particular because we won a major turnkey project in Guyana. So despite the macroeconomic challenges that also Vamed is exposed to, we believe Vamed remains on a good path towards prepandemic profitability levels.

With that, let me hand over to Rachel. Thank you for now.

Rachel Empey: Thank you, Stephan. And a warm welcome to everyone also from my side. I'm pleased that we delivered a solid start to the year despite those significant macro challenges. Our Q1 '22 results, which are shown on **Page 10**, are in our usual fashion, so before special items, which this quarter are driven by one-off costs associated with the cost and efficiency program and direct effects from the Ukraine war. A comprehensive overview of all special items is provided at the back of our Investor News and in the Results Center on our Website.

So let's go to the numbers. Growth rates on the slide are, as usual, on a constant currency basis. We delivered sales growth of 5% in Q1, in line with our guidance of mid-single-digit percentage growth.

EBIT, with a decline of 5% in the first quarter, driven by Fresenius Medical Care, where the COVID-related excess mortality, significantly elevated labor costs, increased material as well as logistic costs were weighing on the EBIT development.

Interest decreased year-on-year by 16% in constant currency to €119 million, mainly driven by successful refinancing activities. For 2022, we confirm our expectation that reported net interest will be a little above 2021, with a volatile interest rate backdrop and some currency headwinds.

The group tax rate before special items reached 22.7% in Q1, broadly in line with our expectation. And for the full year 2022, we continue to expect a tax rate between 23% and 24%.

Moving on to net income, where we've seen an increase of 3% in constant currency in Q1. That is at the upper end of our guidance range of low-single-digit percentage growth. At actual rates, we've seen an increase of 6%, thus a solid -- actually better-than-anticipated start to the year, considering the macro challenges. However, with the increased uncertainty and volatility related to the Ukraine war, we expect further cost inflationary effects and supply chain disruptions.

Over to **Page 11**, which illustrates the Q1 '22 momentum at our four business segments.

Q1 in a nutshell: COVID-related excess mortality and costs at FMC as well as the macro environment weighed on earnings growth. Overall, however, these headwinds were partly compensated by strong EBIT growth at Helios and Vamed. And Kabi showed a better-than-anticipated development based on a strong emerging markets business.

Let's starting with Kabi. The company showed 1% organic sales growth and a flat year-on-year development for EBIT. In the US, ongoing competitive pressure, supply chain challenges driven as well by an unprecedented level of absenteeism of production staff earlier in the year due to the Omicron wave, as well as input cost inflation weighed on the financial performance. This led to an organic sales decline of 3% and an EBIT decline in constant currency of 17% in Q1.

In Europe, we saw 2% organic sales growth and an EBIT decline of 33% in constant currency. The EBIT decline was driven by a strong prior-year comp which was inflated by some positive one-time effects as well as that said cost inflation.

Emerging markets showed a 3% organic sales increase and an EBIT growth of 29% in constant currency. In China, higher sales of products not affected by the national tendering more than offset price headwinds from the NVBP products. Profitability in China was supported by a soft prior-year comp, lower SG&A costs, some one-timers, as well as delayed promotional activities due to the COVID lockdowns. Asia ex-China contributed nicely to growth, and we saw a broad-based positive development across all product groups.

Let's move to Helios, where we saw strong 8% organic sales growth in Q1, slightly above the upper end of the full year guidance range of low to mid-single-digit percentage growth. Helios Germany grew 5% organically driven by higher year-on-year admissions, which are, however, still below prepandemic levels. Hence, growth was also supported by the relevant COVID reimbursement schemes.

We saw very strong 11% organic sales growth in Spain, driven by year-on-year calendar effects and strong activity levels. Latin America is continuing to show a nice business development.

Moving to EBIT, here, we've seen very strong growth of 15% for Fresenius Helios in Q1, also here better than the full year outlook of mid-single-digit percentage growth.

In Germany, EBIT increased by 3%. Higher staff absenteeism rates at the beginning of the quarter weighed on profitability. But as you heard from Stephan, absenteeism rates have normalized in the recent weeks. Inflationary effects were only a small headwind in Germany in Q1.

Helios Spain delivered a very strong growth of 22% in constant currency. Year-on-year calendar effects, good admissions, and a great performance across our businesses drove the excellent performance overall in Q1. The Latin American business also continues to show a good performance.

Sales of Helios Fertility were €57 million with an EBIT of €4 million. Here, activity started to pick up again since the middle of the quarter with the easing of COVID-related restrictions. We expect a meaningful improvement of profitability in the next quarters.

Let's move to Vamed, where we've seen an organic sales increase of 7%. COVID and supply chain disruptions remained headwinds in the project business. The service business showed ongoing nice growth supported by an upward trend in elective treatment activity, albeit overall still below prepandemic levels. EBIT was positive with €8 million, also here driven by the service business. The order intake was very strong with a 91% year-on-year increase to €263 million.

With that, let's move on to cash flow, which you'll find on **Slide 12**. With €101 million group operating cash flow, it was as usual and as expected soft in Q1.

Kabi posted a Q1 cash flow of €133 million with a last 12-month margin of 14.5%. The year-on-year decline of 52% was mainly driven by a working capital buildup, for example, in raw material inventories.

Helios, with a negative cash flow of €136 million in Q1, which followed a strong Q4, and COVID-related delays in budget negotiations in Germany. We are confident that the cash flow at Helios Germany will significantly improve in the upcoming quarters.

Vamed's cash flow is negative and on a similar level to prior year, mainly due to phasing effects, COVID-related delays in its international project business, as well as some working capital build.

So overall for the group, the Q1 performance took the group last 12-month margin to 11.8%. If you deduct group capex, which is healthily back in our normal range of 5% to 6% with a 5.1%, you'll arrive at a free cash flow margin, bottom-right, of 6.7%.

We ended the quarter with a 3.6x net debt to EBITDA as a ratio. We confirm our expectation from February. Without further acquisitions, we project an improvement of the net debt-to-EBITDA ratio by the end of this year. Thus, by the end of '22, the ratio is expected to be within the self-imposed target corridor of 3.0x to 3.5x. Obviously, once both those Kabi acquisitions close, we will increase our leverage ratio slightly.

With that, let's turn to **Slide 14** and the 2022 outlook. Our guidance includes the effects of COVID and, as usual, excludes the effects of special items. Our COVID assumptions for guidance purposes are unchanged from February: basically, a waning impact from COVID over time.

In terms of inflationary effects and supply chain challenges, take energy costs, wage inflation, or supply of key raw materials, here, we have now reflected some more pronounced headwinds in our assumptions. The extent and nature of these effects varies significantly across the different business segments.

Obviously, the war in Ukraine adds volatility and muted visibility across a whole raft of assumptions. As a reminder, the Ukraine and Russia contribute only roughly half a point of group revenue, but the war obviously has an impact on energy prices, supply chains, raw materials, and potentially balance sheet valuations. We will continue to monitor these indirect impacts very closely.

The guidance assumptions of Fresenius Medical Care, especially with respect to excess mortality and the remeasurement effects on the fair value of investments, also apply to the Fresenius Group.

There remains, of course, significant uncertainty in all of these assumptions and the potential impact on our business.

The recently announced acquisitions of Ivenix and the majority stake in mAbxience as well as any further potential future acquisitions are excluded from guidance.

Having said all of that, let's turn to the 2022 outlook by business segment, starting with Kabi. With 1% organic sales growth year-to-date for Kabi, we confirm our outlook range of low single-digit percentage organic sales growth for the full year.

We assume ongoing competitive pressure in the US that will last throughout the year, with additional headwinds from supply chain disruptions and triannual GPO tendering activity. Moreover, we expect ongoing price pressure from the NVBP system in China.

With a flat EBIT development year-to-date, we confirm the outlook of a high single- to low double-digit percentage EBIT decline for the full year. Despite a stronger-than-expected Q1, we are now taking into account a higher level of geopolitical and macro uncertainty that can be very relevant for the Kabi business. The top-line drivers, of course, have a direct impact on the EBIT line. Moreover, we're expecting negative effects from input cost inflation, supply chain pressure, and ramping investments into biosimilars sales and marketing capabilities predominantly in the US.

For Helios, in terms of organic sales growth, with 8% organic growth year-to-date, we confirm the outlook range of low- to mid-single-digit percentage growth for the full year. As far as EBIT is concerned, with an EBIT growth of 15% in constant currency in Q1, we confirm our full year guidance range of mid-single-digit percentage growth. Q1 growth was supported by calendar effects. Hence, those growth rates are not expected to be sustainable throughout the full year.

Vamed, with an organic sales increase of 7% year-to-date, we confirm the outlook range of high single-digit to low double-digit percentage growth. On to EBIT, with a positive €8 million in Q1, we confirm our outlook returning to absolute pre-COVID levels for the full year.

So then if we take all of that together for the group, and you'll find that on the next **Slide Number 15**, starting with sales, with 5% constant currency growth year-to-date, we confirm our guidance of mid-single-digit percentage growth for the full year.

Over to net income, where after a strong start to the year with a 3% increase in constant currency, we confirm our guidance of low single-digit percentage increase for the full year. Whilst we do expect a meaningful pickup at Fresenius Medical Care from the low levels of Q1, we have factored in a slowdown in growth rates at Kabi and at Helios.

In terms of phasing for the group, given the more significant effects that we expect from cost inflation and supply chain interruptions, we expect to see a softer growth rate in net income in Q2 and Q3 this year. Q4 should be stronger, driven by significant backend-loaded contributions from our cost and efficiency program.

Current US dollar rates are significantly supporting our reported growth rates. If current exchange rates prevailed until the end of the year, with a particularly strong US dollar versus a weak euro at the moment, we would see a tailwind of 4 to 5 percentage points for both sales and net income.

With that, Stephan and I are, of course, very happy to take your questions. Thank you.

Q&A

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

Patrick Wood: Perfect. Thank you very much for taking my questions. I'll keep it to two, please. The first one, just curious within Kabi, infusion therapy very strong, both sequentially and then year-on-year. Just curious, a little bit more color there, please, because it's a very unusually strong result for the quarter.

And then second question, I guess, is really on the staff and cost inflation and your outlook. You're obviously a very large employer, both across the services side and then on the products side and across a lot of markets. I'm just curious for any additional meat on the bones you can put in terms of which markets you're seeing, let's say, a tighter labor market with a bit more cost inflation and where it's harder to hire. Just a little bit of color there would be really helpful. Thanks.

Stephan Sturm: Thank you, Patrick. Rachel's going to help you out on Kabi. I'll try to be useful on labor.

Rachel Empey: Hi, Patrick, and thank you for the questions. I think you're absolutely right. It was a particularly strong quarter for infusion therapies with a growth of 14%. If I have a look at the regional split for that, we're actually driving healthy growth across the regions, obviously from quite different starting positions. But in terms of absolute numbers, I would say particularly Europe and Latin America were relevant.

And I think what's worth remembering here is the volatility that we've seen over the last eight or so quarters because of COVID that we often have got quite differing effects by region and over time, and thus, also in the comparative base, you do see some quite variability. But nevertheless, I think it is a very strong and solid performance for what is a, I would say, an important and not often talked about part of our portfolio. Patrick, I hope that helps.

Stephan Sturm: Patrick, on labor, I'd like to slice this regionally first. And the hotspot of labor cost inflation in our minds is the US. And there, it is beyond manufacturing staff, undoubtedly, in particular nursing staff, where we see a meaningful shortage. And that culminates underlying inflation. I'm sure that Rice and Helen on the FMC call later on will also have a comment on that.

As far as Europe is concerned, we're seeing a more normalized development as far as manufacturing and doctors -- manufacturing staff and doctors is concerned, nothing that would be way out of the ordinary. We're seeing more inflationary trends also here on the nursing side. But as you certainly know, we have no exposure here in Germany because nursing cost is carved out from the overall DRG. We have a bit of an exposure in Spain that we're trying to manage, has been duly built into our guidance, and we continue to feel comfortable with that.

Majority of our staff globally is in the US and Europe, minor parts in Asia. And as you know, as a consequence of the tender activity in China, we have actually just reduced our exposure to wage inflation, and therefore, also here, that plays a relatively minor role. Thank you, Patrick.

Patrick Wood: Super. Thanks for taking the questions.

Tom Jones: Thank you for taking my questions. I'll keep it to two. The first is I just wanted to dig a little bit deeper into the performance of emerging markets from an EBIT perspective from Kabi. This business kind of bumbled along -- or bumbled along -- it stayed fairly steady in the sort of high teens, low 20s EBIT margin for pretty much as long as I can remember.

But then in Q2 last year, it took a pretty significant step up into the sort of mid- to high 20s. And we've now had four quarters in a row where, ex-one-offs, it's been in that kind of range. So my question really is, is that the new normal, and what has happened that's caused that kind of step change in your emerging market margin for Kabi?

And then the second question is slightly more boring one but maybe one for Rachel. Given the interest rate environment, it might be -- and the number of debt instruments you have, it's quite a lot of work to figure out the question -- the answer to this question now, but maybe you can give us a quick answer. Broadly speaking, for Fresenius SE ex-FMC, what's your kind of current split of fixed versus variable debt? And although I know you don't have any near-term refinancing needs, you do have close to €3 billion plus that needs doing next year and the year after. So I guess, on that €3 billion that needs refinancing, what -- given current interest rate environments -- would you expect the tick up in interest cost to be, or would you expect it to be a kind of flat or even a decline, given some of those debt instruments are fairly old?

Stephan Sturm: Thank you, Tom. That's a long question for a boring topic, as you called it. Rachel's going to help you out on both, but I can assure you that bumbling along is not the new normal.

Rachel Empey: Tom, thank you for a raft of very interesting questions from my perspective. Let me do my best to try and address them. I think two or three things that I've been very boring in saying over the last couple of years is that, clearly, trying to read trends too much into what's happened in any of our businesses during the pandemic is definitely difficult because there have been so many different, if you like, factors that have played in different quarters on a region-by-region basis. And clearly, as Stephan and I have been saying throughout our speeches today, as we started into 2022, and over time, hopefully, the COVID effects wane, we are also seeing some more, let's say, unusual effects in terms of some of the competing influences on our business.

And I think, for me, your comment in terms of how is emerging markets bumbling along and how is it developing, it has definitely been subject to many of those underlying volatility topics that I'm trying to express. It has been a particularly strong quarter in Q1. And clearly, with all of the explanations that I gave you previously, including some one-time effects and effects due to delayed promotions from COVID, a softer year comp based on just the activity levels we had last year, you certainly shouldn't read Q1 to be a standard quarter upon which you can extrapolate.

I think we've been lucky enough to have particularly good volume activity in Q1 in China within the emerging markets, which have had a particular influence. But again here, given the ongoing impacts of those tenders, I don't think that we can count on seeing such strong volumes that offset those price effects in every quarter going forward.

I think, generally, improvement in margin over time, I think, clearly, what you've been able to see are the building scale effects of our businesses in the emerging markets. And clearly, that has helped support that general trend, but I would counsel very carefully against jumping to the conclusion that you can use trends coming out of this pandemic and extrapolate them too strongly.

I think, amongst all of your questions on financing, what I can comment on is that we do have a predominantly or significantly strong percentage of fixed instruments within our financing portfolio right now. Clearly, that is something we have done on purpose, given the environment in which we are currently seeing ourselves. And yes, there are, of course, always refinancing activities ahead of us. But nevertheless, we don't have significant refinancing needs either for '22 or for the early part of 2023. You will have seen that we have in fact paid back early some of the instruments that were due in 2022.

So the tick up that is implicit in the interest guidance that I've given for the full year is actually due to our thoughts particularly about turning some of the shorter-term financing that we have into more permanent, slightly longer-term financing that will give some pickup as we go through the year.

Clearly, I don't want to preempt what those changes may be, but we have already repaid some of those instruments that were due, and that has given us some advantage in that interest number that I reported for the first quarter. And as we go through the year and move into slightly longer-term instruments, that will drive the tick up that is implicit in the increased interest of 2021 that I talked about in the guidance.

Tom Jones: Okay. Perfect. That's all very clear. And then I had just one follow up which, admittedly, is entirely unrelated. But it was just on the recent news about your bortezomib subcut launch. I think, when you launched the IV version 4 or 5 years ago, Stephan, you cautioned us against getting overexcited, given that most of the volume in that product was on the subcut side. Are we okay to get a bit excited now, or would you still express some caution about the revenue potential for subcut bortezomib?

Stephan Sturm: I -- you know me, Tom, and I would always try and encourage you to be a bit more cautious. It'll be a little while before I truly get excited about this one. I want to see a bit more.

Tom Jones: Okay.

Stephan Sturm: But back to your previous question, Tom, obviously, in wrapping up for a levered company, a rising interest rate environment is never useful. At the same time, from my perspective, it would be wrong to view rising interest rates in isolation. I would very firmly expect that we're going to see more pronounced reimbursement rate increases later this year for '23.

Tom Jones: Great. That's all very clear. Thanks for the answers. I'll get back in the queue.

Stephan Sturm: Thank you, Tom.

David Adlington: Hey, guys. Thanks for the questions. Two, please. Firstly, just on pricing, given the cost inflation environment, just wondered, I suppose, particularly in Kabi, if there was any discussion with your customers around potentially putting through some price increases.

And then secondly is a regulatory question. Just on your HES products, I believe Europe are looking at potentially withdrawing of products. Just wondered if you had any updates on that and what sort of size those revenues are, please.

Stephan Sturm: David, thank you. I'll try and be helpful on both. On the first one, I'd say we have a chance to contain price erosion. I don't see us -- at least that is not what we're factoring in. I don't see us having a chance to rise -- to raise prices.

On HES, it is an ongoing process. I believe also on the February call, I made a comment that the product has gotten more attention for completely the wrong reasons because it is an utterly needed product in the Ukraine war at the moment. As tragic as these events are, I believe it has sharpened the various regulatory bodies' view on the necessity to keep this product alive. It's too early to say something definitive. But I am not all pessimistic about having to withdraw this, from our perspective, essential product.

David Adlington: Thanks. And, Stephan, are you able to gauge the size of that, just looking from the outside? Because I don't understand how big that is part of your portfolio.

Stephan Sturm: It is a low to mid-double-digit million euro revenue on that.

David Adlington: Okay. Thank you very much.

Stephan Sturm: So nothing to be overly worried about from a commercial perspective.

David Adlington: Thank you.

Oliver Metzger: Good afternoon. Thanks for -- a lot for taking my questions. The first one is on Helios Spain. So you made already a comment of the strong activity level in the first quarter. But if I look in my model when you reported over last quarters, over last years, basically, we always saw a very high activity level and strong organic growth. So my question is, do you see the overall Spanish market to be in a strong shape driven, for example, by better demographics, or this higher patient inflow related to market share gains where you just do a better job than your competitors?

Second one is on your fertility business. So now we see also the Eugin sales and EBIT and the profitability. Is in the first quarter any one-offs related to recent acquisitions included, and which underlying margin potential do you see for the year?

Stephan Sturm: Oliver, Rachel's going to help you on fertility. As far as Spain is concerned, my perspective, this -- the country is still facing a meaningfully lower installed bed capacity relative to -- or per capita. And therefore, long waiting times are still the norm rather than the exception. We have always tried to capitalize on this as best we can. Therefore, right from the acquisition, we have guided you to a superior organic growth rate relative to our operations in Germany. And whilst that continues to be the case, I believe that COVID has served as a reputation builder, a building moment for us. Our contribution to containing the pandemic and to treat the patients that were in need were widely recognized by the Spanish political environment but also by the public and in particular by the patients in the vicinity of our hospitals.

And therefore, I believe that we are beyond catchup mode post-COVID now and that therefore, as I indicated I believe on the last 3 or 4 conference calls already, I believe that there are also now more sustainable market share gains that we can rely on.

You may have heard from Rachel that, in this particular Q1, we were benefitting at least marginally from the calendar effect, whereas last year, Easter was in -- was firmly in Q2 -- I'm sorry, was in both Q1 and Q2. And this year, it was firmly in Q2 only. So I'd be -- I wouldn't be surprised if we saw a bit of a year-on-year mitigation of growth in this coming Q2.

Rachel, fertility?

Rachel Empey: Thank you, Stephan. Oliver, thank you for your question. You're absolutely right, the first time we have reported the Helios Fertility numbers separately, as a reminder, the €57 million of sales and the €4 million of EBIT.

You are quite right to observe, Oliver, that the profitability that that implies around a 7% EBIT margin is somewhat lower than we anticipate in general for that business. There weren't any specific one-timers associated with acquisitions, as you suggested, in Q1. Nevertheless, as I mentioned in my speech, that fertility business was suffering from some COVID restrictions in some of the relevant markets that drive that business. That activity began to pick up in the second part of Q1, and we're optimistic in terms of how that will develop for the rest of the year. Clearly, all of the topics I've been talking about in terms of potential uncertainty could also apply to the Helios Fertility business. Nevertheless, I would like to think that we will creep into double-digit percentage margin for this business during 2022.

Oliver Metzger: Okay. Great. Thank you very much.

Rachel Empey: Thank you.

Operator: There are no further questions at the moment. And I hand back over to Stephan Sturm. Please go ahead.

Stephan Sturm: Thank you. Thanks, again, for joining us this afternoon. Thank you for your interest in Fresenius. I believe it is fair to say that Q1 represents a fairly solid start to this overall challenging fiscal year. I believe we are on a good track and have a reasonable amount of confidence in our guidance for the remainder of the year, notwithstanding the meaningful uncertainties and volatility that we are exposed to.

Rest assured, we will keep our heads down and work away over the coming months and try to make further progress. Closing mAbxience is going to be a priority, also further progress on the regulatory side as far as our biosimilars portfolio is concerned.

Next in line is going to be our Shareholder Meeting Friday next week. From today's perspective, nothing new to announce, but a few updates here and there.

Once again, thank you, all, for your support, and we look forward to talking to you, meeting you on the road or virtually over the coming days and weeks. Thank you for now. Goodbye.

DISCLAIMER // FORWARD-LOOKING STATEMENTS

This transcript contains forward-looking statements that are subject to various risks and uncertainties. Future results could differ materially from those described in these forward-looking statements due to certain factors, e.g. changes in business, economic and competitive conditions, regulatory reforms, results of clinical trials, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings, and the availability of financing. Fresenius does not undertake any responsibility to update the forward-looking statements contained in this transcript.