FRESENIUS

Transcript
Conference Call FY 2023 results

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PRESENTATION

Fresenius: FY/23 Conference Call

Markus Georgi: Thank you very much. Good morning, good afternoon, everybody. Thank you for participating to our full-year and Q4 ’23 results. As always, with me on the call, Michael and Sara. Before we start, I would like 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 will hand cross to Michael.

Michael Sen: Thank you, Markus. A warm welcome, everybody. This is Michael. Sara and I will be reviewing the 2023 operational and financial highlights first. Then we’ll talk about our ambitions going forward. We’ll touch on the next phase of #FutureFresenius and the value that we are generating in our operations. Plenty of time for questions, of course, and then we’ll take it from there.

I'm very proud of our team and achievements in 2023, a year what we call structural progression. Advancing patient care is our purpose at Fresenius. Twelve months ago, we pledged to reset the company to ensure our ability to achieve exactly that mission. This meant added focus, more simplicity and transparency, and delivery of better financial performance.

In 2023, we delivered. Kabi and Helios are at the core. We've simplified structures, removing unneeded and outmoded complexity. Everyone is pulling in the same direction. I'd call it actually a *"ResetPLUS".*

And you can see the results of our efforts in the numbers, financially a delivery to plan, consistently quarter by quarter. We had a strong Q4 and delivered our outlook that was upgraded twice during the course of the year. The operating cash flow development was very strong in Q4, helping us to delever faster than anticipated. All of this gives us a powerful platform to continue to build value in 2024 and beyond. We are looking to accelerate this year with ambitious expectations on revenue, earnings growth, and debt reduction.

Onto one of my favorite slides, focus on Helios and Kabi is really paying off with quarter-by-quarter consistent robust delivery. Kabi, with the 3 + 1 strategy, came out at the top end of the structural growth band, consistent execution driven by strong market positions and the growth vectors. Helios just keeps delivering, excellent finish to the year, also here, revenue growth at the top end of the structural growth band, terrific set of hospital and clinical assets that are at the top of their game, really reliable. And then we've prescribed some tough medicine for Vamed, and it's working, the second consecutive quarter in black, geared in the right direction.

Slide 6, you can see here on the left side what we achieved in 2023, simplification, lower costs, focus, and stronger and more dedicated management team, significant progress on all fronts of the #FutureFresenius agenda.

We overdelivered on cost savings, reflecting the revived agility within the group to drive what we called from the very beginning self-help. And we continue to move forward. We have upped the cost savings target for 2024 to substantially improve our structural productivity.

The deconsolidation of Fresenius Medical Care is a landmark of our #FutureFresenius agenda. It took us less than a year from the announcement to deconsolidation. This is high-speed, overall more focused and faster decision making.

We established a new highly determined and committed management now acting as a team. The turnaround of our investment company Vamed is progressing well, as we have said. Divestments of noncore assets are also well on track. We have closed Eugin, the transaction, just recently.

All in all, a great 2023, an overdelivery and high performance within our #FutureFresenius agenda. 2024 will be all about keeping the gas pedal pressed.

All of this results in our outlook for 2024. We expect to see consistent strong top-line momentum fueled by our Operating Companies. This is underpinned by our growth vectors at Kabi: MedTech, Nutrition, and Biosimilars, and by strong market positions across Kabi and Helios.

Our group EBIT growth will be spurred by operating leverage, efficiencies, and cost control. We expect to accelerate in 2024 with 4% to 8% growth. And with deleveraging being a high priority, the focus is on rebuilding EPS growth momentum, unlocking value at Fresenius.

Our success at Kabi and Helios are paced by product and service advancements. First, Kabi. We are progressing well with the execution of Vision 2026. Tyenne, the first approved tocilizumab biosimilar in the European Union, became available in the first countries, a great example of health equity at work, offering more people access to affordable healthcare solutions, benefitting patients and healthcare professionals.

And we continue to broaden our Biosimilars portfolio. Take the partnership of mAbxience and Intas Pharmaceuticals. Intas gains the commercialization rights for Etanercept in more than 150 countries worldwide. Collaborating with Intas allows us to tap into new markets and bring our cutting-edge biosimilar candidate to countless patients battling autoimmune diseases, reinforcing our dedication to leading the way in the biosimilar industry.

In MedTech, Ivenix is rolling out its new pump. Any new product takes time to hit stride, but the signing of the largest contract for Ivenix pumps so far is very positive. This is even more important since approximately 90% of patients receive IV therapy during their hospital stay.

The broadening of our Nutrition portfolio is going well. We are pleased with the market perception of our new plant-based nutrition offering. With this, we are addressing the growing demand for alternative nutrition driven by increasing lactose intolerance and rising importance of also sustainability.

And we are bolstering the resilience of pharma, driving product innovations such as the introduction of RFID smart labels for Diprivan. We are convinced that the adoption of RFID, the technology as such, enhances patient care, improves efficiency, and streamlines workflows for pharmacists.

On top of this, our colleagues are, of course, constantly looking at how to further develop our portfolio in all relevant drug classes, including, for instance, GLP-1 agonists. For patients, it’s good, and it’s good for Fresenius.

At Helios, we continue to be a leader in the delivery of high-quality and innovative healthcare in the hospital and clinic settings. Our Spanish operations are among the best around. Our five Quirónsalud centers enjoy the best reputation in Spain.

The healthcare sector faces a looming people shortage, with projections indicating a need for 84 million professionals globally by 2030. So, we are leveraging every tool we can -- digitalization, technological innovation, and AI -- to attract, retain, and educate skilled professionals. International employees will play a key part going forward, and we are at the forefront of what we are doing here. Besides our strong commitment to providing top-notch people to patient medical services, cutting-edge technology is the future. Quirónsalud brings innovation to patients with the first two CT scanners in Spain with photon counting technology, which as we know, improves image quality, reduces radiation dose, and enhances diagnostic capabilities.

Our consistent execution is already reflected in a couple of financial KPIs. And we will pace performance in 2024 and beyond, along with ongoing portfolio optimization.

At the operating company level, we see organic revenue growth of 6% and EBIT growth of 4%. The new core of Fresenius is a runway for value-accretive growth. Our cash focus is already reflected in a significantly improved operating cash flow development. For the fiscal year, operating cash flow is up by a strong 5%.

Our outlook foresees accelerated earnings growth in 2024. The whole organization is geared towards reducing debt, pacing cost reductions, accelerating earnings growth, and creating value. For now, that’s it from my side. And I will hand it over to Sara for some deeper dives on the numbers, and I’ll be back in a couple of minutes.

Sara Hennicken: Thank you very much, Michael. A warm welcome also from my side.

2023 was a year of significant structural progression, as Michael said. We made advances in many aspects of our #FutureFresenius journey in 12 short months. Kudos to my colleagues across Fresenius that made these changes happen.

In February of last year, we defined our Fresenius Financial Framework. It is a clear and measurable set of ambitions to accelerate performance and to strengthen our focus on improving returns. Kabi and Helios both hit their targets for the full year. Their results came in within their respective framework bands, both in terms of margin and organic growth. So #FutureFresenius and the focus on our operating companies is paying off.

Of course, there is still work to do, particularly in the areas of capital efficiency and leverage. We said a year ago that ‘23 would be the trough with improvements thereafter. This is clearly a key focus for ‘24 and beyond.

For last year, the finance agenda focused on the three things outlined on the right-hand side: first, focus and transparency. We introduced the new business-unit-based disclosure at Kabi and increased transparency on our growth drivers and midterm ambitions. The FMC deconsolidation provides a clearer picture on our operating core.

On structural productivity, we overdelivered significantly against our increased targets. The focus on capital efficiency and returns was an important paradigm shift. We executed a number of portfolio measures. And with the introduction of the cash conversion rate, we put a clear focus on cash as an organization.

Let’s move to our Q4 ‘23 results. Overall, we had a good finish to the year. We achieved revenues of €5.7 billion, up 5% organically. The increase is driven by an ongoing strong performance of our operating companies, with a 6% organic growth rate.

EBIT at €634 million was up by 8%, reflecting a strong performance at Kabi and Helios and the progress at Vamed.

Higher interest rates led to interest expenses of €418 million for ’23, up by more than 70% year-over-year. For this year, we expect interest expenses in the range of €420 million to €440 million.

The tax rate before special items was elevated at 36.4%. This brings the full-year tax rate to 28.3%. That’s higher than expected mainly due to the missing capitalization of tax loss carried forward, for example, at Vamed, and the conclusion of tax audit proceedings. For ‘24, we expect a tax rate between 25% and 26%.

Seeing our operating cash flow at €1.3 billion really encourages me, in particular as it was an increase against a very strong comp last year. The strong cash flow also drove the sequential reduction of our leverage ratio by more than 25 basis points in Q4, ending the year at 3.76x net debt to EBITDA.

But let’s take a closer look at the segments in Q4. Kabi’s revenues grew 7% organically to €2 billion. That is, yet again, at the top end of the structural growth band. Growth was fueled by a healthy combination of volume and price effects, which is very encouraging.

To provide a better view of the underlying business performance, we’ve fully eliminated the accelerated hyperinflation accounting effects from Argentina in our organic growth rate.

The three growth vectors drove Kabi's top line with a strong 11% organic growth rate. MedTech was up 8%, with a broad-based positive development across all regions and product groups and a good price and volume mix.

Nutrition recorded organic growth at 6% driven by positive developments in the US and Europe. China continued to be negatively affected by the indirect effects of the government's ongoing sector-wide anticorruption campaign.

Biopharma had another very strong quarter with growth of 66% mainly driven by the tocilizumab launch in Europe as well as licensing agreements.

Also, Pharma had a good solid growth rate of 3%, with positive momentum across many regions including the US. Product supply in the US significantly improved in Q4 with a meaningful reduction of backorders.

With an EBIT of €282 million and a margin of 14.1%, we saw an excellent year-over-year improvement driven by operational leverage from good revenue growth and ongoing progress on the cost and efficiency measures. The growth vectors showed a remarkable margin improvement of 430 basis points to 10.2% mainly driven by Biopharma.

Onto Helios, Helios had a strong finish to the year. Revenues at Helios grew 5% organically to €3.2 billion, a nice confirmation of the very consistent performance all year, at or above the upper end of its structural growth band. In Spain, growth of 5% was driven by strong activity levels on the hospital side, impressive especially given a tough prior-year comp. In Germany, solid activity levels also supported revenue growth at 5%.

At €371 million, Helios's EBIT margin stood at an impressive 11.6%, above the structural margin band. Helios Spain delivered an excellent quarter with an EBIT margin of 14.6% driven by operating leverage effects, a good case mix, and some claim settlements.

The sale of Eugin was successfully completed end of January this year. In Q4, Eugin had a positive contribution with strong EBIT margin expansion driven by an increase in activity levels in particular in the US.

Overall, EBIT grew by 5% supported by the strong top line, various cost-savings initiatives, as well as government relief funds for energy-related cost increases in Germany.

Let's turn to Vamed. We moved fast in 2023 to fix the challenges. And you see stabilization and a positive trend driven by the service business. Of course, there's more to do.

Revenues declined organically by 5% mainly due to some contract timing issues as well as more rigorous vetting in the project business. The service business, which represents around 80% of sales, grew by a robust 4% driven by health facility operations.

EBIT was again positive at €21 million, making it the second consecutive quarter with a positive EBIT and an acceleration over Q3. The positive development is primarily driven by the service business.

The ongoing transformation resulted in special items of €113 million in Q4 composed of restructuring costs as well as discontinued business activities and project review.

Based on the current status of the turnaround, Vamed reiterates its ambition to be within the structural EBIT margin band of 4% to 6% by 2025 at the latest.

We’ve discussed the accounting effects of FMC’s deconsolidation throughout the year, and now we are there. FMC is accounted for using the equity method. But before moving to the equity method, the relevant accounting standards required the valuation of FMC at fair value and other technical adjustments in Q4. This led to a one-time non-cash charge of €521 million booked as a special item.

With the start of the equity method, we had to perform purchase price allocation for FMC’s assets and liabilities. The subsequent accounting of the PPA effects are non-cash relevant and will be treated as special item.

Going forward, the at-equity result of FMC will be presented as a separate line below EBIT in Fresenius’s P&L.

I’m particularly pleased with the cash flow development in Q4. Operating cash flow increased by 4% year-on-year to €1.3 billion despite Q4 of last year being an exceptional quarter already. The strong cash flow was driven by the good development at Kabi and Helios, in particular by working capital improvements at Kabi. At Kabi, we focused on driving down our inventory as well as improved receivable collection. It is great to see that our initiatives are gaining traction.

CapEx was tightly managed for the full year at a 5% level. Free cash flow generation for Q4 was strong. The full-year free cash flow improved nicely year-over-year.

At the beginning, I recapped on our priorities for last year. This year is about execution and accelerating performance. From a CFO’s perspective, that breaks down into three priorities: first, extending our cost and efficiency measures; second, driving down leverage; third, keeping a rigorous focus on capital efficiency and returns.

Our cost and efficiency program is a clear value driver. With permanent cost savings of €282 million generated last year, we are significantly ahead of our original target of €200 million for ’23, up 40%. This is a real achievement. We looked at everything from footprint optimization, procurement, supplier relations, manufacturing, energy consumption, or digitalization. Kabi provided the lion’s share of these savings.

To give you some specific examples, at Kabi, we took a deep dive at our supply chain and logistics processes to optimize and drive out costs. At Helios, we looked at our patient journey and opportunities to not only increase patient satisfaction but also enable cost savings via a higher degree of digitalization.

Now we want to go even further. We are raising our cost savings targets. By the end of 2025, we aim to cut our cost base by around €400 million, an increase of €50 million versus our old target. One-time costs are expected to be in the range of €80 million to €100 million between ‘24 and ‘25. For this year, we are aiming at cost savings of around €330 million to €350 million. That means we expect incremental €50 million to €70 million this year.

Debt reduction and a better leverage profile have been a key part of our strategy since the beginning. In the second half of ’23, we have made excellent progress and delevered more than 40 basis points, in part driven by the usual seasonality but also due to a very stringent capital allocation and good focus on cash generation.

We are going to pick up pace in ‘24. Clear target is to be within our target leverage corridor of 3.0x to 3.5x by the end of this year. Operational performance and structural productivity improvements will drive EBITDA. The strong focus on cash and a very disciplined capital allocation with a priority on deleveraging will drive down debt. Especially in the current interest rate environment, interest expense and thus debt levels are a clear focus, in particular if looking at EPS growth. Proceeds from portfolio measures like the sale of Eugin will go towards this debt reduction.

The energy-cost-related government relief funding mean we cannot pay a dividend for 2023. This is positive for our debt position. Equally important to say, however, we have paid a dividend for 30 years, and we remain firmly committed to our progressive dividend policy of Fresenius Financial Framework.

Return on invested capital as a driver of value creation is a key performance indicator for me, albeit a very sticky one. We spoke about this before, but it bears repeating as we look forward to ‘24 and beyond. If we get operational and structural productivity right and reduce debt as outlined, these are also key levers to drive ROIC up.

The FMC deconsolidation helped reform our capital base. And we will continue to manage our asset base with our targeted and very efficient capital allocation and smart portfolio prioritizations.

So let’s move to 2024. Given the portfolio changes in ‘23, we have provided here like-for-like numbers as a starting point for ‘24. There are more details in the back-up materials.

Looking ahead, it is again about focus and execution. Kabi and Helios are at the center of what we’re going to accomplish. So, I’ll start with performance targets for both of them.

Starting with Kabi, we expect mid-single-digit percentage organic revenue growth. This will mainly be driven by broad progress across the growth vectors. At the margin level, it is about driving margin expansion through even better operating performance. We expect Kabi to deliver an EBIT margin of around 15%, an increase over ‘23 and within its structural EBIT margin band of 14% to 17%.

At Helios, we expect solid volume development in Spain and Germany that will enable low to mid-single-digit percentage organic revenue growth. The EBIT margin is expected to be within its structural margin band of 9% to 11%.

At our investment company Vamed, the steps we have taken to transform the business are gaining traction. We expect mid-single-digit percentage organic revenue growth and an EBIT margin which is 1 to 2 percentage points below the structural EBIT margin band of 4% to 6%.

Moving to Fresenius, our targets reflect the progress at the Operating Companies. At the same time, we are conscious that challenges are still part of the global picture.

Inflationary and interest rate pressure has lessened. But with a still uncertain European economy, elections in the US, and government programs in China, we have to account for some uncertainty.

With all this in mind, for the group, we expect a 3% to 6% organic revenue growth in ‘24.

On the EBIT level, targets are driven by segment guidance and reflect some of the global uncertainty. In addition, it reflects some funding for investments on group level for innovation programs. Overall, we expect EBIT growth to accelerate and to be in the range of 4% to 8%. That is calculated on an EBIT basis in ‘23 of €2.2 billion.

‘23 was a solid year. ‘24 will build on that success as we revitalize Fresenius. That means accelerating our operating platforms, realizing additional cost savings, bringing debt down, and advancing our portfolio.

With that, handing back to Michael.

Michael Sen: Thanks Sara. As I said at the outset, the purpose of Fresenius is advancing patient care. It's central to everything we do. It is important to be clear about our markets, our assets, and our ambitions.

Therapies are evolving rapidly. New treatment options are unfolding and getting more integrated across platforms, pharmaceuticals, MedTech, Care Provision. It's those developments that will enable cutting-edge quality medicine in future.

At the same time, access and affordability of such future therapies will become even more vital. Health equity requires joined forces. We all have a shared responsibility to address global health disparities. This is why Fresenius signed the World Economic Forum's Zero Health Gaps Pledge together with over 90 other companies. To us, health equity is not just a vision; it's a promise and a responsibility.

The other change to discuss is technology and human care. Artificial intelligence definitely takes center stage in healthcare. AI offers huge potential for improvements in speed and quality. The opportunities in managing the shift are enormous.

Trust is at the core of everything we do. Patients entrust us with the most precious thing they have: their health and their lives. Listening to their needs and servicing these needs in a personal, human-centric way is what our Care Provision is all about.

So it is all about finding the right balances. We have set up Fresenius Kabi and Fresenius Helios at the center of our group's ambitions under #FutureFresenius. We believe that, with the focus on Biopharma, MedTech, Care Provision, we are really addressing the core healthcare needs of the future.

Kabi and Helios are operating in wide, deep global value pools and are both geared for significant value creation and catering to system-critical areas of healthcare.

What's really important about our activities in these platforms is that they are mutually reinforcing themselves. And already, they deliver pivotal positive impact on human lives.

In fact, our company is a unique combination of medical expertise and clinical practice from our Care Provision businesses with manufacturing scale and technology knowhow from our product businesses.

So our platforms cater exactly into what really matters for healthcare systems and what will enable us to strike the right balances on future healthcare needs: better products, better treatments, better outcomes, and ultimately, better care.

Kabi is and was about growth, about incremental growth in fields which are relevant and playing into future trends. And therefore, the 3 + 1 strategy is key to the success of the company. The organization is geared towards the three growth vectors and rests on the IV generics and fluids business, growth vectors spurring revenue and EBIT performance, and they are bound to accelerating Kabi's performance meaningfully over 2024 and the next years.

On this slide, you see a comprehensive set of measures and levers that are rigorously rolled out and closely tracked. Helios is a solid and consistent performance engine, very, very strong market positions in Germany and Spain combined with best-in-class medical quality.

The future of the business is about a strong efficiency focus and deploying targeted capital for market-specific capacity and technology upgrades.

Integrating digital and AI capabilities into the core business will be pivotal for efficiency improvements in workflow and personalized treatments. And we think will enable even better outcomes and better human touch.

We'll talk about Helios in more detail at our Capital Market Day in London June 6th. I am looking forward to having a deep dive with our management team on our assets in this space.

So significant progress on #FutureFresenius in 2023. 2024 is about driving down leverage, reaching the next level of cost savings, delivering the Vamed turnaround, and keeping the performance momentum at Kabi and Helios going.

Further out, this will be about continued organic growth while targeting expansion into attractive business fields that are close to our platforms.

We are reimagining Fresenius, shaping world-class therapies for the future, embracing leading health tech and applications, while advancing patient care.

First things first, 2023 was a year of significant structural progression. 2024 will be the year of financial progression, deleveraging as key priority as well as pacing cost savings and a rigorous focus on returns and earnings acceleration.

Now Sara and I will be happy to take your questions.

Q&A

Operator: We will now begin the question-and-answer session.

Hassan Al-Wakeel: Hi. Thank you for taking my questions. I have three, please. The first two are on margins. So firstly, for the group, could you talk about the degree of buffer baked into EBIT guidance, given if we take the midpoint of your segmental EBIT guidance, it implies a significant step up in corporate costs? And I wonder if there's something meaningful there that we should expect on that line.

And then secondly, with respect to Kabi margins, could you talk about the building blocks here to get to the 15% for 2024 and the degree to which VBP is baked into guidance? And on that point, given that we've seen delays to adding further drugs here, how likely is it to your mind that VBP will further impact your portfolio in 2024?

And then finally, could you talk about how you see the regulatory landscape in Germany for Helios and the possibility to move towards value-based case and how this could potentially impact your business? Thank you.

Michael Sen: Thank you, Hassan. We'll give it a first shot because I believe your first question will be kind of like a broken record maybe for today. So look, I would approach this a little different. It's one way to take the midpoint of the segments and then say there must be a lot of corporate costs and buffer and the like. There's maybe another way to look at it.

We are at the beginning of the year. And there's a lot of uncertainties out there. There's a lot of stuff out there which is not in our hands on geopolitical front, geoeconomic front. There's uncertainties in our businesses as well. And we talk about that.

So if and when we focus on what we can deliver, what we're capable of controlling ourselves, we want to keep the businesses really tight on performance and performance improvement and want to get them maybe to where you just alluded they could be.

If all of that works and everybody is aligned and everything, then the range in a way also covers it, but then you are more on the upper end of the range. But as we are at the beginning of the year, we'll have to see how things evolve.

Then there's a little bit of an innovation budget in there. And the corporate costs I think Sara alluded to will have a higher run rate going forward because this also reflects a little bit the change of the operating model.

So I wouldn't subscribe to call us conservative or what have you. If I only take the low end of the range, it's already an acceleration of the jump-off point of 2023. But be rest assured. We want to be as focused and performance driven as we have been in the last 4 quarters. And if and when we see things evolving differently, we'll share it with you.

There are a lot of assumptions in there. And that leads me maybe a little bit to Kabi as well. Kabi has seen a nice growth in 2023. Well, we'll see how it pans out. I don't believe we can take a ruler on margins and on the growth and just extrapolate the things. We'll have to look into the businesses.

In 2023, there was -- based on the overall environment, there was some pricing power in there which we'll see whether we will be able to also have pricing power or pricing will stay flat. There is a volume assumption in there. Kabi needs the volume. We're highly vertically integrated. The more volume we can get, the more operating leverage we will have, the more they will move in the range which we have been outlining to the market.

China, I'm glad that you alluded to it. China, as you remember, Q3, I already said China is going to be soft as we go into 2024. I remember that not everybody believed me at that time. But we do see China being soft. And next to the volume-based procurement, you have the overall economic weakness, if you so wish. There's weakness on consumer spending. And as Sara has been alluding to, there's the anticorruption campaign.

So in a way, the dynamic growth pattern we've been seeing in the last couple years, we do not assume that to be reflected in Q1, Q2, maybe in Q3 a little pickup. Depending on when the pickup is, you can get to an annualized kind of missing growth which has a high contribution margin, and this is what is all baked in.

So to make your question short, the VBP is baked in, in '24 and obviously beyond.

And on the regulatory side, in Helios, there's actually nothing special other than a few framing conditions, which we disclosed to the market on the DRG inflator, on what we discussed with the unions. I think everything should be baked in, Sara, right?

Sara Hennicken: Yes, absolutely.

Hassan Al-Wakeel: Perfect. Thank you.

Veronika Dubajova: Hi, guys. Good afternoon, and thank you for taking my questions. Please, I would like to ask three, two around the topic of Biosimilars and one big picture. On Biosimilars, one, Michael, I was hoping you could give us an update on where we are with the toci approval in the US and whether you're still confident of being first to market this year. And when might we potentially see that happen?

And then related to that, I guess, if you could elaborate, obviously, there is this target that you had put out at the CMD last year for the Biosimilar business to be breakeven on an EBITDA level in 2024. Are you still on track for that, including and excluding the toci US approval? If you could talk to that, that would be very helpful.

And then my third question, which is a big picture question, on multiple occasions through the presentations, you have discussed how you are very much focused on driving down leverage, and that's a priority for the business.

We have seen you act out on some disposals, but clearly there still remain significant chunks of the business considered noncore. And I'm just curious as to whether your appetite for future disposals, either of noncore assets or the investment companies, has changed and how you're thinking about that in 2024. Thank you, guys.

Michael Sen: Yes, Veronika, thank you. On the last one, you were breaking up a little bit. We'll try to get to that. If not, we'll have to repeat it.

Look, toci USA, we never disclosed the settlement date. We said it's going to come. FDA, no new news. We provided all our homework, and now we are waiting for the reply on that one.

It is I think noteworthy to say that Tyenne is the first biosimilar in Europe. And we do see revenues being posted already in January. So actually, it started already in December. So we do see an uptick in the Biosimilar revenue. And that is encouraging.

So for the US, everything is on track. Nevertheless, we are in positive conversations with FDA, but we did not disclose a settlement date.

And on the breakeven, yes, this is also one of the parts which plays into this uncertainty. If you do say -- and we hold them to their commitment -- that it's going to be EBITDA breakeven and there is some sales, even though we just mentioned that January is nice and even the first weeks of February, it's nice, obviously, it ramps up on sales in the second half of the year, and that is maybe a function of also the US launch.

And that means, on the other hand, if the growth and the volume comes, the EBITDA breakeven is easier to achieve because it also comes attached with a nice margin.

If the volume somehow is below what we may have expected or planned or what have you, the commitment still holds to be EBITDA breakeven, but it's obviously harder because you have to come from the cost side, and then you're missing an incremental margin piece. And that is just to give you another example of the uncertainties we're dealing with because it takes two to tango, and then that's why it's good.

By and large, on the Biosimilars pipeline, we're actually satisfied, even saw the first tiny sales of Idacio in the US, and also the Stimufend is working. And also, don't forget the deal with mAbxience. We had license income in there. So the progress there is pretty nice.

So on the overall, the big picture thing, it was I think about deleveraging and further assets, I think we have updated the market on the assets. A big one just closed, which was the fertility one. A few smaller ones are still in the pipe. They need to be worked on. It's transaction based, and that's about it currently as we would want to update the market.

Veronika Dubajova: Thank you, Michael. Yes, my question -- and hopefully, you can hear me better. My question was really -- you talked about how driving down leverage is a really big focus and whether we should anticipate bigger movements on the noncore stakes this year or not.

Michael Sen: Because, Veronika, we always said that the assets is more the strategic priority and the focus and maybe what I call opportunistic future leverage because those assets also absorb capital going forward. As we always said, once you give out an asset, if it's a great asset, you lose EBITDA, which has the higher gravitas on the ratio.

Veronika Dubajova: Understood. Thank you so much.

Victoria Lambert: Thanks. Thanks for taking my question. I just wanted to ask about the Humira take up in the US and in Europe. So last year, I think you mentioned you were up to 11% market share in Europe. Just would like to get an update on that.

And then how should we think about the partnerships you've entered in the Biosimilar business? Are you able to quantify the -- you announced quite a few of these partnerships at the end of last year. So would just like a better sense of the economics of these relationships. Thanks.

Michael Sen: Yes, Victoria, hi. Yes, well, on Humira, not quite sure what we disclosed last year. I would say, in Europe, if you see the rest of the world -- I'm not sure whether it's rest of the world or Europe, but I would rather put us on a roughly 6% market share.

In the US, I think the unfortunate situation for everybody is that the originator still has roughly 99% market share. But you also see movements there even on the regulatory side. You see a public discussion on the role of the pharmacy benefit managers.

And we took actions also. We took actions using a multichannel approach there, going different routes directly to payers and institutions, doing an off-label or white label kind of approach, low walk. That's why I said we even saw the first kind of revenue posted -- white label is unbranded -- first kind of revenue in the US.

So and on the partnership, we don't disclose the numbers really, but it shows you that there is nice momentum going on. It's a different model there, right? Because on the mAbxience, they are the CDMO part, and they look for commercialization partners. But given the partnership, the companies we have, Intas, Abbott, Amneal, it shows you that these are big players which rely on our capability to be able to develop and then manufacture a biosimilar.

Oliver Reinberg: Thanks very much for taking my question, three, if I may. Firstly, on Helios, can you just share with us the extent -- to what extent you have booked the government support for Helios in the EBIT line in the full year '23, and also any kind of color what kind of assumption you have put in for government support in 2024?

And when it comes to the margin band of Helios, it looks quite wide, 9% to 11%. So how realistic is the risk that we're going to see a kind of margin decline at Helios? That would be the first pack.

And then secondly, just on Kabi, when you came up with the kind of guidance, US IV is obviously a big profit pool. So in terms of pricing, market share, and new launches, shortages, anything to call out what you embedded in your guidance?

And normally, I think, as part of full year, you provided in the past some kind of color how key initiatives are tracking. I think, in the US, Nutrition in 2022, you had 60 million sales. Any kind of update how the kind of franchise has progressed so far? Thank you.

Michael Sen: Want to start on Helios?

Sara Hennicken: Yes, happy to. Look, if I look at the relief funding provided by the government, we received cash in, in 2023, of around €290 million. Of that, around two-third is reflected in the P&L as part of EBIT as operating income.

If I look for '24, what we will see is that there is that kind of third tranche of the lump sum per bed compensation coming, likely in the first half around May. And then obviously, we will see the settlement of the individual reimbursement payments for specific cost increases for which we received some cash in this year and which will have the end calculation also in the first half of 2024.

But maybe one comment to that overall kind of question group because I think it falls a bit short to only look at what we got in terms of energy reimbursement. It's actually part of the overall reimbursement of the hospital system, if you look at it, because it was targeted for energy price increases. And indeed, this is exactly what we have seen at Helios Germany. In 2023, we have seen a material step up in our energy costs as well as energy-related cost increases.

You may have seen that, on the tariff side, we have specific inflation adjustment lump sum payments under the tariff agreements to employees in tranches. And these were all meant by addressing the government relief funding.

Michael Sen: Then I'll take your questions on Kabi. Look, if I look at the latest IQVIA data, we got IV generics and fluids in the US are a very strong base. You heard Sara saying that we could work on our back-order situation, and we had the number one market share. So this is a great base.

And by and large, I can't tell you quarter by quarter, but for the next couple of years, it is clear that 70% to 80% actually of the essential medicine list of the FDA is covered by our portfolio. And we are constantly working on that one, so great base, also liked what we saw in the first month, in January, on the US. But as I said, this is the first month, and there's another 11 months to come, and this is exactly the uncertainty which may be reflected on that one.

By and large, the US, there's a lot happening. Nutrition, we're actually satisfied with what we see. It's a small base, but it's continuing to grow. We're leading on the lipid emulsion. You know that we can, in brackets, only grow there organically. But whatever we can do using our channel, because we have the customer relationship, very great feedback on the lipid emulsion, and it's continuing to grow.

Also, in the US -- and that is also something you may want to consider for your models -- factories are coming online. We have the Wilson plant in North Carolina, and we have Melrose, which has been a topic for many quarters in the past, and now it's running. It's positive. But there is also one side effect is that the depreciation is obviously now also hitting the P&L, which taking it altogether is roughly 100 basis points. So we've got to work against this when we say around 15%. And this boils down, again, to growth and volume growth. And we want to have the volume because now we have the capacity there. We want the capacity filled, and we want to grow there.

Last year, we launched 17 injectables in the US, and this year, we said there might be some sort of a flattish development, and it's going to pick up in '24 again. I think that was it, right, from your questions.

Oliver Reinberg: Perfect. If I just can follow up on the margin for Helios in 9% to 11% range, how realistic is it that we could see a margin decline in the full year?

Michael Sen: Well, look, as we -- this is exactly going into the mental model I'm trying to get to you and whether there's a buffer or not a buffer. We want the business to perform, and we want them to perform with improvement or minimum on the level they are today.

But since you are all asking the question about the relief and what have you, and there's still inflation, that means they've got to run faster to keep their level. Is that out of whack? No, it's not. Can something go wrong? Maybe yes, and that's why maybe we hedge it at the corporate. So, the clear -- they don't want to have a Capital Market Day and tell you that they're going to move backward.

Oliver Reinberg: Makes perfect sense. Thanks very much.

James Vane-Tempest: Yes, hi. Thanks for taking my question. My first one was just a clarification actually, if I may. I think you mentioned that, in Helios, two-thirds of the funding's in the P&L in '23, and a third is in '24 in May. Can you confirm that there will be no potential dividend issue this year, like there was in 2023?

My second question is return on invested capital, I think, was 5.2%. Just wondering when you think you can get into the lower end of your sort of 6% to 8% band. Also, I guess, if we exclude the impact from some of the funding, then the gap is essentially wider.

And then my third question is the cost program has obviously kind of been extended. Can you describe what these new savings are in terms of to raise your target and how these are sustainable savings versus a kind of perma-restructuring or investments in sort of areas such as digital? Thank you.

Michael Sen: I'll start with the latter one because it's faster. Every saving measure we report to you from the very beginning, we said it's going to be structural cost savings to be very clear and to compare and contrast that to maybe the past or other companies. We're not counting cost savings for avoiding costs or tapping someone on the shoulder and say to run faster.

A restructuring cost is also an investment because we take money into our hands, but on a sustainable basis, hopefully, there is a lower cost base. So is an investment into a technology that yields process efficiency and, obviously, a lower cost base.

So there is a business plan behind everything, and it needs to be on a permanent basis. So therefore, we feel very comfortable of what we have there. And look, there is momentum. There is momentum. And at Kabi, there is also -- I wouldn't call him a new CEO, but he started in February last year, and he was even hitting the pedal on complexity reduction, going out of countries where we were undercritical, and all these kind of stuff. And this is all permanent.

Sara Hennicken: Maybe let me take ROIC as well. So what we have given you as guidance for '24 is that we said we target to be in the range of 5.4% to 6.0%. I also said in the comments that, actually, it's a sticky KPI, and it will move. And it moves in the right direction. The 5.4% to 6.0% is our target.

If you look at it, what is driving the ROIC is obviously its profitability and operational performance, so that EBITDA acceleration we have been talking about, and then it's the asset base. And I think managing the asset base and leverage reduction -- and this is a clear focus of us -- points exactly into that direction as well as portfolio measures and others.

So the clear focus on capital allocation alongside our strategic pillars with a lot of rigor will help on the asset base driving ROIC up as well.

Now in terms of your clarification on Helios, what I said is, for '24, there will be some cash in for the second tranche of the lump sum, and then we will have the settlement of some of the individual payments we received in 2023.

However, there will -- the dividend ban is for 2023 to be paid in 2024, not beyond. And we remain committed to our progressive dividend policy we outlined under our Fresenius Financial Framework.

Now also just a comment also on ’24 on Helios in general, as I hear your questions, and I alluded to the effect that, for ’23, we received the energy relief because we saw energy costs going up. Now for ’24, we’re actually seeing energy costs coming down again, right? We in general see a little less in inflationary pressure. And if I look at energy category specifically in Germany, we do see a better perspective for ’24 than we saw for ’23 by some margin.

James Vane-Tempest: That’s great. Thanks very much.

Marianne Bulot: Yes, hello, thank you for taking my question, just one on my side. On the MedTech segment in Kabi, at the CMD, you were guiding for a strong margin improvement. Could you maybe comment a little bit on how this has played out in 2023 in terms of what has been driving it, if we’ve seen price increases, and what you’re expecting for MedTech in 2024?

Michael Sen: Well, I could make it short and say, yes, we did see earnings improvement, and yes, we do expect earnings improvement also in 2024. But also here, the amount of earnings improvement we expect on 2024 is again a function of, for example, how many Ivenix pumps are being placed, and when are they being placed?

You know that, in the early innings of placing Ivenix in the market, even though we are very happy to build out our installed base with the orders I was mentioning, that it will not be the great profit driver. It is basically laying the foundation for the future profit on consumables, disposables, and obviously, software revenue.

So depending on when the installation date, for example, on those 10,000 Ivenix pumps begin, whether they begin in Q2 or Q3, that obviously also has an effect, not material for the overall group, but on the MedTech segment as to how their profitability will develop.

But clearly, the focus is profit improvement. Last year, we have seen profit improvement. And we also expect -- this was now on the Ivenix as an example. We also see actually or are satisfied with the development of the plasma business.

Robert Davies: Thanks for taking my questions. My first one was just if you could touch on Helios and the margin development over the last few years, just if you could give us a bit more color in terms of your expectations of what you would need to get that margin to the upper end of the range. I’ve noticed there’s a lack of operational leverage in that business in the last few years. Just wondered if you’d give us a bit more color on that.

My second question was just, given where leverage has gone in the last few years, would you consider using any of the FMC stake sell-downs to bring your leverage down at all? I just wondered if you’d sort of changed your view on that at all.

And then my final question is just on the Vamed mid-single-digit growth number. I just wondered if you could give us a little color in terms of what you’re expecting in terms of the mix between product and services because there’s obviously some pretty dramatic differences in the trajectory of those two businesses this year. Thank you.

Michael Sen: Yes, let me start and then may want to -- look, first of all, we’ve got to start the whole journey by saying both assets, Quirónsalud and Helios in Germany, are the market leader in their respective markets.

And what -- and then we have a different regulatory regime. You see that Quirónsalud also has in essence the higher profitability line or maybe even profit pool. But it’s also a function on how they do and drive their business in the business model in terms of what people call population health management but also in terms of, for example, digitization and so on and so forth.

Now first of all, even if we were to assume -- and that was the question before -- that in total, they would be able to keep the margin stable and grow their top line, that would automatically lead to earnings growth. That’s firstly important to understand.

The second, yes, there is less operating leverage, but this is why we -- you heard us talking today about digitization, AI, and the like. You can grab share from others. You can further intensify what we have been calling cluster concept.

This is actually where the whole idea of the German hospital reform is trending towards that you have centers of excellence or specialties, where you can treat a higher volume with maybe a better clinical outcome and then, obviously, with the corresponding bill of highly relevant disease patterns.

So there is always opportunities here and there. Where we would be refraining from is to grow the earnings by heavily investing into brick and mortar.

Sara Hennicken: And then maybe on your question on leverage and FMC, look, the way I look at it is our clear target is to be within our target corridor by 2024. And I want us to get there by really focusing on improving the EBITDA and focusing on our cash and our cash conversion rate. So it’s our organic strength bringing us to that leverage target ratio.

The dividend, forgone dividend, will clearly help towards that target. But predominantly, it is from an operational perspective what Helios and Kabi will drive to get that leverage down.

Now on the Vamed question, we said mid-single-digit growth. I think we have seen in Q4 that services -- quite nicely, services is around 80% of our sales, and it grew quite nicely at 4%. In services, you have the rehab business, for example. And in particular, there, post the COVID, we saw some nice increase in occupancy rates. Now if I look forward to ’24, I also there see growth momentum on the service side.

If I look to the project side, the question is, what is the appetite for growth on the project? And we said we are going to steer that business with a clear view on profitability. So I think the rigor on vetting project is higher than it has been in the past, which means that, likely, there will be some more muted growth when I look at the project business.

Robert Davies: Thank you. Could I just squeeze in one follow up, Michael, just around your comments on digitalization and AI? Do you feel like you’ve currently got sufficient capabilities internally to do that, or is that something you’d need to bring -- I don’t know -- software engineers or anybody external into Fresenius to help with that?

Michael Sen: Excellent question. That’s why we’ve put aside some money which we called innovation fund. And we need to differentiate. What you just mentioned, digitization, AI, and software engineers, this -- I would say this is more on the Kabi side. By the way, with Ivenix, we bought some capabilities on the software side. And currently, this is one of the cost levers, by the way, at Kabi. They are consolidating their software expertise and building some sort of a software hub.

So then it comes to, what do we do on the hospital side? On the hospital side, if I think about a digitization platform -- and you have read that we went out of Curalie. There were good reasons for that one because we didn’t believe this thing has -- would yield anything, and -- but we have a very, I would say, early innings, but promising platform in Spain. It’s called Cassiopea platform.

It is running currently in 4 or 5 hospitals, and we have the plan that we roll it out throughout the entire hospital network of Quirónsalud. And this is the beauty, since you were asking about, how can you drive efficiency in the hospital business, that whatever we have in digitization or AI and the like, we can scale it within our own system.

So Cassiopea we want to scale within the system in Spain. We are currently even piloting this one in one clinic in Germany. Probably some tweaking here and there, and then we'll see whether there is the potential also to scale that or roll it out in Germany.

By and large, when it comes to AI in the hospital setting, obviously, we are on the user end. We will not now have hundreds of software engineers who code the embedded software in the machines. This is what we can buy.

But where I think our strength will lie, next to having a platform where we do have some engineers, is on probably the algorithm if you combine the data we have with what AI allows, applying it to specific diseases when it comes to oncology or cardiovascular and the like. But there, we are at really, really early innings. But we have to go down that route, that journey because, first of all, it's going to be the reality anyway. And secondly, we said this is also our vision.

And at Helios, you will see probably at the CMD they also hired now a Digital Transformation Officer. Robert Möller said, for Germany, he wants the bulk of the clinical decision making supported by digital support.

Robert Davies: That's great. Thank you for the color.

David Adlington: Afternoon, guys. Thanks for the questions, two, please, one on Kabi, one on Helios. Firstly, on Kabi, your mid-single-digit revenue expectations implies a bit of slowdown from last year. I think, given the contributions from Biosimilars and MedTech and Nutrition, I would expect it maybe to be slightly higher. Maybe you could just give us some expectation for mix between the growth and the pharma units. That might be helpful first just to kind of try and square that circle.

And then secondly, back to Helios Germany, I'm afraid, maybe you could just give us some idea if we should be expecting any quarterly phasing of margins in that business in '24, given the pushes and pulls on the contribution but also reducing energy costs.

Sara Hennicken: Should I start with Helios and the phasing? Look, I think, historically, we have sometimes seen a weaker first half of the year. I think I would prefer to look at Helios overall, quite frankly. And then we see some more seasonality in particularly in Q3 driven by Quirón. If I look at Helios Germany, we have sometimes seen some softness in Q1, Q2.

Now given with the energy relief funding and some payments in the first half, this year will likely see some different pattern compared to what we used to see. On the other hand, it's also fair to see, if I look at January, we have seen some very good operational strength, in particular at Helios Germany. So the underlying business performance in January is very comfortable and points to a good start of the year.

Michael Sen: Yes, and David, maybe to Kabi, same logic again, same mental model. We know that they have had a strong growth in '23. And obviously, we also know that, when we say mid-single-digit, what does it really mean? But I don't believe we can only take a ruler because there's some moving parts.

I mentioned China, for example. On China, there will be softer to no growth, at least our assumption in the first half, and that is a mix of the anticorruption campaign, the volume-based procurement, and the overall, obviously, economic weakness. So there is then pressure basically if you tie it back to -- coming from the geography on the pharma side and a little bit on the Nutrition side, on the Parenteral Nutrition side. By the way, they will be also part of the volume-based tendering, even if they come beyond '24.

But then there are countermeasures. There are growth momentums, growth opportunities somewhere else. And if this pans out, we don't want them to lose their dynamic and their momentum. But there is some, let's say, uncertainty in moving parts up and down. And therefore, you see the way we guided on that one.

Then on pricing, which also goes into the top line, last year, we saw pricing power in Kabi across the businesses. That will ease -- and I think Andreas mentioned that also at the Capital Markets Day that, usually, in many businesses, you have price pressure, unless you come with a new launch and so on and so forth. And then it usually evens out. So that pricing, in brackets, power we had last year will ease in, for example, Nutrition and MedTech.

And on the Biopharma, we are still at early innings, as I said. First month was great, but 11 months still to come.

David Adlington: Helpful. Thank you.

Falko Friedrichs: Thank you. Good afternoon. I have two questions left, please. Firstly, can you help us a little bit more with these corporate costs in 2024? Thanks for pointing out that those will be a little bit higher. Can you maybe bracket that for us, just to make sure that estimates are not all over the place?

And then secondly, on pricing for Helios in 2024, we're aware of the DRG inflator in Germany for this year. How is the situation looking in Spain from a pricing perspective? And then combining those two, what's the pricing impact for the segment in 2024? Thank you.

Sara Hennicken: Happy to take it and happy to start with the corporate costs. Look, if I look at corporate costs going forward, I think '23 per se is not an unreasonable starting point. You have seen some pickup in cost towards Q4.

And I think, if I look at '24, temporarily, costs continue to be also driven as we are transforming the company. So there are some costs we just incur as we continue to transform. There are also, however, some operating model changes in a world where we focus on the Operating Companies. And we clearly have a different steering model compared to the past.

And then as Michael also alluded to, there is some kind of -- I would call it investment basket or budget in to have group-wide and group-specific innovations driving AI, driving other innovations.

And then on the -- the other question was on Helios. Obviously, DRG, I think that's an important one. And it's fair to highlight it's been the highest DRG inflator since we had that system in place. So that's a good starting point for us on the price side.

If you look to Quirón in Spain, there, it's twofold, right? We have, one, the pricing system for the public hospitals, and this is set as a pricing mechanism which, however, also includes a reference to inflation. It's set on a yearly basis.

And then obviously, another important part for us are the insurance companies. And here, we are negotiating on a very regular basis to also reflect inflationary pressures and to reflect current status of the business.

So overall, I think we are setting the right foot as we look towards 2024.

Falko Friedrichs: Okay. Thank you.

Oliver Metzger: Yes, good afternoon. Thanks a lot for taking my questions. I have three. The first one is at Helios Germany. So in ’23, you reported some 5% patient growth, inpatient growth, which is, in my view, clearly market outperformance. As also the DRG inflator was at an attractive level, the case-mix effect must have been very negative. So can you comment on the expected dynamics for ’24? So what do you think the respective parameters of patient volume and case-mix effect might be?

The second question is about -- so you mentioned also basically that Melrose Park is back on track. So how many IV drug launches do you think might happen during ’24? And is there any form still of pent-up demand due to Melrose Park there?

And my last question is, can you give us a quick update? How far are you progressed you’re your ambitions to insource the production of biosimilars? Thank you.

Michael Sen: Let me start from the back. I said earlier that we had, I think, roughly 17 launches last year. And in the Capital Markets Day, we said this might flatten out a bit in ’24 and then will pick up again later.

But we also said, even though it may be an indicator, that’s not the only indicator what drives the revenue in the IV business going forward. So as I said, also, January looked good on the IV business in the US. It’s 1 month. It’s fine. But many other things -- I wouldn’t be too hung up on the launches just because, when I say flatten out, the revenue is kind of jeopardized there.

There is no pent-up demand from Melrose Park. So the capacity is there. If we are able to grab more capacity, more share, we are already leading in market share, but it is a question on individual molecules and the flexibility how someone can cater the demand in the market.

On the biosimilar, the insourcing is basically having the tech transfer to mAbxience. That is all working according to plan. We said it’s going to take a couple of years, 3 years roughly. We are now in year 1.5 or 2-ish. So everything is working to plan on that one.

Sara Hennicken: And happy to comment on Helios. I don’t want to drive into too much of detail. If you look at it, admission growth in the hospitals for ’23 was 5%. Helios also has some outpatients actually. I think you should not forget about that one.

I think, if you look forward, yes, we are obviously expecting admission growth to continue. We have set the DRG inflator. We do see some shift in a post-COVID world in terms of patient population coming to our clinics. I think, in particular, in the second half of ’23, we have obviously seen that emergency patients are back to a more pre-COVID level as well as more severe cases.

However, the overall shift is still something we are observing and is still something where we see that, in the post COVID, we see a different kind of patient dynamic a little bit compared to the pre-COVID world.

Oliver Metzger: Okay. Thank you very much.

Christian Ehmann: Hello, everyone. Thanks for taking my question, also regarding Helios and the digitization efforts and AI. Might be more of a spoiler for your Capital Markets, but nonetheless, I wanted to ask if, given the push forward we see from the German administration for using patient databases and the potential value of those databases all over the world, especially in the UK, can you give us an idea how deep your, let’s say, datalake for your patient population runs so we can have an estimate how you potentially would benefit from the, let’s say, liberalization of this market? Thank you very much.

Michael Sen: Yes, well, that's a good question, and we won't steal the thunder from the Capital Market Day, but I want to caution a little bit this is really early innings. I know from my past the system and the database in the UK, but I also know that we don't want to go there.

So here, I think we wouldn't want to wait for any regulatory kind of initiative or what have you. This is exactly why we are starting this journey.

The datalake, as you call it -- but it's a raw datalake. It's not structured. It's not annotated data, at least not yet. That's why my answer, whom do we need going forward, is in my view almost unique, 25 or 26 -- 25 million patients in both hospitals last year, first thing.

Second thing, big clinical expertise to then annotate the data and put them into context because this is the stuff you then would need to feed an algorithm on the AI to try things out. But again, this is early innings. I don't think it will be material in numbers, at least not for '24. But this is exactly where we're going at.

And there, we feel uniquely positioned. And there, you see that this can go a little bit into the next level of care delivery because you kind of detach yourself from the physical level of a hospital and go more into the -- I wouldn't call it virtual world because we're not in the metaworld here, but what do you do with the data once you have structured them, once you have the expertise to structure them? And there, we are very, very nicely positioned.

And the way we're also going to go about it is -- and a few US companies or IDNs do it the same way. You do it in the departments. This is nothing where you pull it up centrally. What we were mentioning with the innovation fund is the funding only. This has to happen in the departmentals in the hospital. That's why it is called deep tech because you need deep knowledge.

Christian Ehmann: Thank you very much.

Markus Georgi: Thanks for your attention and joining today's conference call. If there are any further open topics or questions you would like to discuss, please contact our Investor Relations team. With that, thank you and goodbye.

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