Transcript
Conference Call Q2 2024 results

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PRESENTATION

Markus Georgi: Good morning, good afternoon, depending on your time zone. Thanks, everybody, for joining us today. It's my pleasure to welcome all of you to our Second Quarter 2024 Earnings Call. 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 without any further ado, I hand it over to you, Michael. The floor is yours.

Michael Sen: Markus, thank you. A warm welcome, everyone. Sara and I are going to review the business and financial highlights for Q2 and first half. Plenty of time for questions, of course.

#TeamFresenius turned in another excellent quarter. It's been a very exciting and rewarding 2024 so far, I guess, for all of us, with continued progress on #FutureFresenius, particularly on simplifying and focusing everything we do.

We have effectively created a #FutureFresenius, a simpler, stronger company in less than 2 years, deepening on our core Kabi and Helios.

We see acceleration on all counts. Our focus, our improved execution, and clear ambitions are evident once again in the results for the second quarter 2024: Revenue up in the high single digits, double-digit increases in EBIT, incremental margin expansion on the back of our strong trajectory, cost savings delivered ahead of plan, leverage ratio moving quickly in the right direction, and this is having a dynamic effect on EPS growth.

In May -- and we felt this is the right moment -- we introduced our new brand identity. A brand offers a promise and bears responsibility, in our case, a promise to our customers and especially to patients. Our promise is "Committed to Life." This raises up our ambitions and our goals. With our focus on helping people through medical challenges, we improve and advance their lives. We are more ambitious and more optimistic about our mission. It fits with everything we do.

Today, Kabi and Helios are right there in the front lines of healthcare: Kabi delivering solutions in generic pharmaceuticals, Nutrition, MedTech, and Biopharma; Helios at the side of the patient in our hospitals and clinics.

By doing good, providing a quarter of the world's blood bags, stepping up to solve a chemotherapy shortage in the US, bringing AI into clinical settings, helping to manage critical shortages in healthcare staffing, and by the same token, improving clinical outcome, Fresenius is reaffirming our core values. You see great examples on this slide. All of them are reflecting our relevance. Truly we are "Committed to Life."

Let's touch on the highlights of a very strong Q2, really delivering on every metric, strong step up from what was a solid or good Q1. Sequentially, we improved. I did hint at that at the Capital Market Day of Helios. Progress in Biopharma continues with product introductions leading to positive EBIT in the quarter, also supported, again, by milestone payments at mAbxience. We also saw very good cash flow progression, which allowed us to deleverage quicker.

Debt reduction has been a priority, and we've made significant progress here already in our self-defined leverage corridor this quarter. More deleveraging can be expected in the second half of 2024. You may have read S&P just recently revised our credit outlook from negative to stable.

Well, for those of you who have been following the company for years, that we are back in our leverage target corridor after more than 7 years is a testament that we are delivering on our promise, i.e., the new management team altogether with all of our teams are delivering.

And we're moving fast in terms of our cost and productivity improvements. This all has led to excellent earnings per share delivery. And 2024 is shaping up really well. So we are now optimistic and really working very hard altogether to get to the upper half of our EBIT guidance range.

Digging deeper into our operating companies, both delivered an excellent performance in Q2. At Kabi, revenues were up by a very powerful 11% year-over-year in organic terms, which is clearly above the top end of the structural growth band. Revenues from Kabi's growth businesses -- Nutrition, MedTech, and Biopharma -- were up even more strongly at 19% in Q2. So it is the growth vectors this time driving the financial performance of Kabi.

For EBIT, Kabi significantly expanded its margin year-over-year, reaching 15.9% of revenues. Here too, it was the growth vectors which are shining through, now being in the structural EBIT margin band of 14% to 17%.

And it's important to also view and maybe judge the business on an EBITDA basis. Kabi margins were, on an EBITDA basis, north of 22%. So congrats to #TeamFresenius to this great achievement.

Helios also delivered an excellent Q2. Revenues came in at the top end of the growth band. The EBIT margin is in the middle of the now more ambitious structural range, great first half of 2024.

Let's take a closer look at Kabi, where our growth vectors are driving operating performance. Biopharma is an important cornerstone of #FutureFresenius, and momentum is accelerating. The launches of Tyenne in Europe and in the US have been well executed, as planned. In the EU, our team has made significant progress in terms of market access and payer coverage. We closed multiple significant tender wins, and our market share gains reflect exactly that. The US launch is progressing well, with excellent feedback from payers, providers, and healthcare professionals. Tyenne is the first biosimilar in the market, and we expect continued positive uptake. We are aiming to ensure that US patients have access to lower-cost alternative treatment options. In the US, Tyenne is now available in a subcutaneous formulation, which increases its reach into the treatment of chronic autoimmune diseases and allows for self-administration.

And we are further growing our Biopharma platform. Just recently, the EMA and FDA have accepted for review our applications for the biosimilar candidates Prolia and Xgeva, which is denosumab.

Great progress also in our MedTech business. I told you they're going to come back, solid 9% top-line growth in Q2. A highlight in Q2 is the completion of the clinical study for software for improved plasma collection. And we won a multiyear tender for Agilia pumps in Italy.

Overall, significant growth for our MedTech business, which has further scope for further gains, and we're looking forward to their trajectory.

The Nutrition business once again delivered a steady performance. In Q2, we launched our third product in the Food for Special Medical Purposes segment in China, helping patients with an impaired ability to digest or metabolize food due to surgical or cancer treatment.

And we continue to strengthen the resilience of our Pharma business. We started commercial production for infusion solutions in our US plant in Wilson in North Carolina. This really state-of-the-art facility will serve the US market going forward with a full portfolio of PVC-free infusion solution products, further expanding our broad portfolio offering of essential products for US patients. And this is also important for our Ivenix business because, there, we now have the solutions and a large-volume pump to cater this interesting market, the US.

So there's progress on all fronts -- Tyenne, FSMP, and improved plasma collection. These are all great examples of bringing more therapeutic solutions to more people in need. So we are indeed "Committed to Life."

Let's spend a minute more on Pharma business. In the US, Kabi has the market-leading portfolio of generic injectables, with a strong pipeline of IV generics in vials, syringes, and ready-to-administer bags. We intend to launch more than 10 new injectables each

year between 2022 and 2025. We are prioritizing launches where Kabi can be among the first to market and where we can contribute to deliver high-quality affordable drugs.

In the EU, Kabi is the IV Fluids market leader, beyond any doubt, with a broad product offering. Reliability is a key competitive edge, and Fresenius Kabi has invested significantly into its European manufacturing capacity and network. Pharma is a powerful base, as we call it, for Fresenius, with terrific customer relations and reputation, a source of continued success and solid cash flow.

Over to our Biopharma business, we're moving quickly here, and it deserves a few comments. As you can see, we have a relevant business with an attractive pipeline. We launched already a handful of products at Kabi and mAbxience. Others like denosumab and ustekinumab are in the starting blocks.

For denosumab, EMA and FDA have accepted our biosimilar candidates' applications for review. It is an attractive opportunity for Kabi, with an originator addressable market in 2023 in osteoporosis and oncology of roughly €6 billion.

For ustekinumab, we have just announced last week together with our license partner Formycon that the CHMP of the EMA issued a positive opinion for the marketing authorization of our biosimilar candidate to Stelara. Ustekinumab has originator sales globally of €11 billion.

Looking at the mAbxience pipeline, they are already in the market with bevacizumab in the EU and US, with rituximab in Argentina.

In October last year, mAbxience announced a deal with Amneal for the US commercialization of denosumab; many other attractive molecules in the pipeline with a focus on oncology, autoimmune, and infectious diseases.

So in a nutshell, an attractive biosimilar product portfolio with strong potential, so watch this space over the coming quarters.

Over to Helios, many of you met Helios management in June. Let me touch on the highlights. Our Care Provision platform is market leading in Europe. It is a system-critical, patient-centric business, stable and reliable in terms of revenue streams, and costs are rigorously managed, meaning Helios is also stable and reliable in terms of earnings quality and cash flows.

We understand how to operate in a regulated market by being part of the solution and constantly improving patient outcomes.

Helios serves 26 million patients, creating a strong base for Fresenius to enter the next level of healthcare. Digital tools, connected devices, and AI will ultimately allow us to connect across patients and providers and create digital platforms for better care.

So in essence, we are very well positioned for capital-efficient earnings growth. At the CMD, you will recall the team moved up its ambitions.

On to the Helios highlights, we are seeing steady top-line growth. At Helios Germany, the cluster and specialization strategy is progressing, as we laid out at our CMD, along with good progress with our outpatient and emergency care programs.

At the same time, there is a focus on costs. Energy savings targets are being delivered and now exceeded, and the implementation of more measures has been initiated.

At Quirónsalud, we had another strong -- I'd say very strong -- operational and financial performance. We make newest frontend technologies most rapidly accessible to patients in our clinical centers.

As an example, the complex technology to apply Magnetic Resonance-guided focused ultrasound, also called HIFU, to treat deep brain regions for movement disorders like Parkinson's disease or essential tremor: Even though not curing the disease itself, it can be a huge step forward in controlling the patients' symptoms and increasing quality of life without invasive interventions.

The recognition of Fundación Jiménez Díaz in Madrid as one of the 25 leading healthcare centers in Spain is yet another testimony for the high level of technological innovation, skills of our medical staff, and the unique range of services.

Back to our group performance, as we have said, 2024 is the year of financial progression. I am especially pleased by our bottom-line development, proving the ability of our group to drive revenue and then benefit from operating leverage.

We solved fundamental legacy issues. After years with rising debt levels, increasing interest expenses, and declining earnings, we have revitalized this great company and are back to solid positive earnings trajectory with our sharpened focus on creating and driving value.

For now, that's it from my side. I will hand it now over to Sara, and I'll come back to you guys later.

Sara Hennicken: Thank you very much, Michael. A warm welcome also from my side. As you've already seen and heard, Fresenius delivered excellent results in the first half of this year. And not only did we build on Q1, in almost all financial metrics, we've accelerated this quarter. And we reached important milestones on leverage and ROIC.

#FutureFresenius is translating into a consistently strong financial performance.

Group revenue grew by 8% organically to €5.4 billion. EBIT before special items at €660 million was up by a powerful 15% in constant currency. This reflects our focus on operational excellence and execution.

Earnings growth well outpaced revenue, proof that our operating leverage continues to show its strength. We also saw dynamic growth on EPS, which was up by 15% in constant currency.

Interest expense at €108 million was in line with expectations. It puts our total interest for the first half at €220 million. For the full year, we continue to expect a range of €420 million to €440 million.

The tax rate before special items was 26.1% in Q2 and 25.3% in the first half of 2024, again, in line with expectations.

Cash flow was a real standout, with significant acceleration since Q1 and year-over-year. Operating cash flow increased by more than 370% year-over-year.

We have been talking about deleveraging since the beginning of the transformation. At the end of the half-year, we are within our target corridor, ending the quarter at 3.4x net debt to EBITDA. Our focus paid off. I'll have more on this in a minute.

As we said last quarter, we will be booking special items related to the Vamed exit. You saw some of these in Q2. All were within expectations and in line with what we communicated last quarter. We are on track.

Turning to the segments, they both had an excellent Q2.

Kabi's growth at 11% was above its structural growth band, helped by pricing effects in Argentina. The growth vectors drove performance, with very strong 19% revenue growth overall.

Nutrition delivered good growth at 14%. Positive pricing effects and growth across the regions offset some of the developments in China. These will probably linger more into the second half than initially anticipated. Growth was particularly strong in the US, driven by the good rollout of lipid emulsions.

Biopharma had another excellent quarter with organic growth of 102%, driven by mAbxience and the Tyenne rollout. Growth at mAbxience came from both milestone payments and product sales, demonstrating the breadth of its business model.

MedTech delivered 9% growth in Q2. The improvement was across all regions and benefitted from better pricing. Growth was balanced across both TCT and Infusion and Nutrition Systems.

Pharma showed solid organic revenue growth rate of 2%, with positive growth particularly in international markets and Europe, offsetting some softness in China and the US.

EBIT was at €334 million, translating to a margin of 15.9%. This is a significant year-over-year improvement of 170 basis points and a 17% constant-currency growth rate. You can see how better productivity and improved cost base are driving earnings conversion to the bottom line.

The growth vectors are within the structural EBIT margin band for the first quarter, an impressive margin improvement of 640 basis points to 14.7%. Biopharma was again EBIT breakeven, helped by phasing of license payments.

Helios turned in another good quarter -- nice growth, strong margin, and excellent cash delivery. Revenues grew organically by 6% to €3.2 billion. This is at the upper end of its structural growth band, which was raised at the Capital Markets Day in June.

Spain was the key driver, with impressive growth of 11% based on strong activity growth and positive price effects. The calendar helped, as the Easter week -- which is traditionally slow -- was in Q1 this year versus Q2 of last year. In Germany, the increased DRG inflator supported solid revenue growth of 3% on the back of moderately increased activity levels.

Helios' EBIT of €357 million resulted in a very strong margin of 11.1%, at the upper end of this year's guidance of 10% to 11%. This is also a remarkable 18% constant-currency growth.

Helios Spain was the key contributor to the EBIT performance with an exceptional 14.9% margin. Looking through the Easter effect, Helios Spain's first half margin was also up 30 basis points to 13.3%.

After a very strong Q1, Helios Germany delivered a solid second quarter with an EBIT margin of 8.3%, helped by energy-related government relief funding. In the first half, margin is up by a strong 110 basis points to 9.6%.

Driving down costs and improving efficiency is a commitment we made early on. In the first half of the year, we delivered €68 million of incremental cost savings, meaning that we achieved our full-year target of €330 million to €350 million cumulative cost savings already. Much of the savings came from Kabi, reducing complexity, sharpening procurement, and optimizing supply chains.

For the remainder of the year, obviously, we are not going to stop. We are pulling initiatives forward. Our ambition is to realize our cost and efficiency target of 2025 already by yearend '24. That is ambitious, but given the momentum and what we've done already, it is achievable.

I've emphasized this before, but it warrants repeating. The cost and efficiency actions we've taken are not transitory. They are permanent changes in the way we operate.

As we grow top line, these will permanently improve how much value you see at the bottom line and the margin and, of course, how much cash we generate.

That leads me to my next point, our great operating cash flow performance in Q2. As you know, we have a rigorous focus on cash. Kabi again delivered excellent cash flow development. Quarter-over-quarter, you can see how their focus on cash and working capital is paying off. Two standout areas are inventory management and a more rigorous receivable approach.

At Helios, cash performance was very strong in Q2. While partially a catchup from a weaker Q1, it is also the result of an increased focus on cash and working capital across Germany and Spain.

Group CapEx continues to be tightly managed. With 3.2%, it is well below the 5% level in the first half. We expect some catchup in the second half.

Free cash flow generation for Q2 is up powerfully year-over-year from negative €556 million to positive €655 million. Of course, this was also helped by the required dividend suspension. Overall, great results on the cash line.

We've spoken about deleveraging many times, improving our leverage ratio and reducing our absolute debt level. At the end of the first half, we are in our target corridor. This came from a combination of improved operational performance, better EBITDA and free cash flow. Dividend suspension and the Vamed exit also played a part.

While maybe not as pronounced as in the first half, we are targeting a further reduction of the leverage ratio for the full year.

Absolute debt levels also reduced. Since the start of '24, net debt fell from €13.3 billion to €12.4 billion. We are deploying our cash to refinance upcoming maturities and short-term borrowings. This will increase our flexibility and decrease the net interest drag on EPS.

Improving our capital returns is another important goal. And given our sizeable asset base, we are step-by-step, quarter-by-quarter making improvements in ROIC. In Q2, we achieved a ROIC of 6%, entering the lower end of our structural ROIC band of 6% to 8%. We are moving in the right direction.

Let me give you more detail on the outlook for full-year '24. We increased our group guidance in May on the back of a strong first quarter and an optimistic outlook. Just around 60 days ago, in June, we raised our outlook for Helios.

Today, we are confirming our full-year guidance for our organic revenue and EBIT growth on group level. Given what we delivered in the first half, we are optimistic to get into the upper half of the EBIT growth range for full-year '24.

Considering Helios Spain's seasonality in Q3, the lessened effects of Biopharma milestone payments, and energy relief funding in the second half, this is a strong signal of confidence.

There are also some unknowns out there. China remains softer, and while it is improving, we don't expect to see full recovery in the second half.

From a CFO perspective, it's without question we had a strong first half and an even better second quarter. We delivered improvements on almost all financial metrics and achieved key milestones on leverage and ROIC. We are accelerating in delivering the full value of Fresenius. Kudos to #TeamFresenius for the momentum and focus on performance.

Now back to Michael.

Michael Sen: Thanks, Sara. We have delivered another excellent quarter, significant momentum and progress on #FutureFresenius in Q2.

We're not stopping or slowing our commitment to building value at Fresenius. Great momentum, strong performance, operational and product milestones reached, these are foundations for sustainable success.

We are a simpler, stronger, and more focused company. 2024 looks to be a great year with excellent financial progression. We are back in our self-imposed leverage ratio target and aiming to driving down leverage further and on advancing our cost efficiency and productivity programs further. This in turn will drive cash conversion and, as we said from the very beginning, returns as we measure it in ROIC.

We've laid out a clear path to fully realize the value of Fresenius. This is a commitment. This is actually our commitment, as strong as our commitment "Committed to Life," which is a promise, and you can take this one as a promise as well.

Now Sara and I will take your questions.

Q&A

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

Hassan Al-Wakeel: Hi, good afternoon, and thank you for taking my questions. I have two, please. Firstly, on momentum in Helios Germany, could you talk to what you're seeing there, given 8.3% is on the softer side in terms of margins? And on my math, excluding the relief payment, the underlying margin was closer to 6%. So what's driving that? How do you think about the recovery from here?

And then secondly, another really strong quarter in Clinical Nutrition despite a very tough comp from last year. I'd love to hear more about the drivers of that and some of the softness that you highlight in China and when you expect to see some of the benefits from the three launches in FSMP. Thank you.

Michael Sen: Hassan, first of all, hi. I'm going to start, and then Sara can detail it even more out on Helios Germany. I'm going to start with the Clinical Nutrition and [the] China. Clinical Nutrition has been strong, rightfully so. And I alluded to it. This is also an innovation-based business.

So a lot of innovations have been hitting the markets on all fronts, on formularies, and going more into detail on Parenteral Nutrition, where we can even differentiate out what is for pediatric and what is for cancer patients. So all of that one is driving the pipeline on innovation. That's why it was so important to structure Kabi differently in those business verticals. And obviously, we see that one also coming in growth.

US, having been a strong driver, we see a momentum in Europe and in Latin America. US, as we always said, from a low base, but even from a low base, every bigger business at some point started small, and the growth rates are really high. We are introducing a lot of lipid applications, SMOFlipid, and on the Kabi side, we will be coming with the three-chamber bag in the US. And in Europe and Latin America, we also see good momentum based on this innovation.

China, as Sara alluded to, we have been pointing out China as of Q3 last year that we say we expect a softer trajectory in China on the back of many aspects, the general economic weakness, then the shift in the business model going to tendering, and then the anticorruption campaign.

We shared our assumptions that we said we at the beginning of the year would assume that, in Q3, Q4, we would see an uptick, also based on the technical effect because, Q3, Q4, this is where the weakness started last year, yet we got to say it still remains soft for the coming quarters. That's why we highlighted this one.

Midterm, long term, we are still bullish. We are adjusting also the business models as we speak because the need will be there, but we currently do not see any alleviation of the anticorruption campaign.

FSMP is attractive. We launched two products, which I just mentioned. We will launch even more, but it's still a small segment that it will not move the needle to the extent that it is attributable to the group.

On Helios Germany, before we go into details, let me maybe reinforce our what I would call meanwhile modus operandi amongst you and us, where we usually say what are our assumptions, very transparent on our assumptions, where we stand, what our ambitions are, and what we're going to do.

So in the Capital Market Day, I think we were very transparent that, obviously, in this fiscal or calendar year and also last year, there are these energy relief funds. There is some phasing between the quarters. Sara will go into detail in a minute. But we were very transparent that, obviously, the results are being supported by those relief funds, but they are also embedded in the business model, very transparent on that one.

For the full year, we said, in order to get to the same margin level, they have to run faster. And they're working on that one. For the, let's say, beyond going into '25, obviously, the relief funds will fade, and they clearly outlined to you guys at the Capital Market Day that there's a program in place. There are measures in place that it's even quantified as to what Helios Germany is going to do to live up to their margin ambition and expectation, which we also outlined during the Capital Market Day. Yes, Sara.

Sara Hennicken: Yes, happy to deep dive a little bit into the whole energy relief funding topic. As you know, energy relief funding started beginning of last year and kind of is with us now for a couple of quarters, is expected to fade out by Q3. If I look at Helios, Helios Spain, Helios Germany, for me, it's not that much on quarter by quarter, but let's focus on the first half-year because you always know there is some slippage and some seasonality impacts between the quarters and so on.

So if I look into the first half of '24 and compare it with the first half of '23, the first thing I realize is, obviously, it's 100 basis point margin expansion between last year and this year. Now energy clearly played a role in that. For the first half of this year, we said we have almost €100 million in roughly of energy relief funding, whereas in 2023, we said, overall, across the year, it's more of a €200 million number, which was however tailored towards the second half of the year.

So if you now look at it, and you know that, in Q3, energy relief funding will start to fade away, clearly, what Michael outlined and what also the Helios Germany team outlined on the Capital Market Day is that they will need to run faster to stay that course. And I think they outlined to you in terms of revenue and in terms of growth with the cluster strategy and all of that how they're going to take that growth and how they want to drive revenue.

And on the other hand, they laid out €130 million cost saving plan, which goes -- cuts across from resource optimization, operations excellence, and synergies to compensate for the fade out of the energy relief funding.

Now let me also remind you of one thing. We didn't get the energy relief funding just for getting it. It was meant to compensate inflationary pressures and higher energy costs to start with. And this is a cost base which we're clearly still seeing.

Remember, we discussed personnel expenses and tariff negotiations, which were mainly a topic of 2023. However, what we negotiated there was for more than a year. So these levels are still with us in 2024, in particular when it comes to personnel costs and so on.

So overall, I hope I gave you a little bit of a picture on how we look at the tailing off of the energy relief funding, our cost base, and the initiative the Helios Germany team is taking into their actions.

Hassan Al-Wakeel: Very helpful. Thank you.

Graham Doyle: Afternoon, guys. Thanks for taking my questions. Just firstly, on Tyenne, have you -- has the experience for the last few months given you clarity on how you'd like to tackle the US market from a commercial standpoint, so more reps, fewer reps, direct negotiation of payers, just to get a sense as to how much of a blueprint you now have?

And then a question on the balance sheet, obviously, the leverage has now really started to come down, and you've indicated further deleveraging in the second half. Is there actually flexibility to pay down some of the debt outright in order to reduce that interest charge? I will leave it there. Thank you.

Sara Hennicken: Balance sheet, I'm happy to take the balance sheet question, and yes, the free cash flow we are delivering on quarter-over-quarter is going straight into repaying some of our longer-term maturities -- we have around €2 billion upcoming in 2025 -- but in particular, also the short-term borrowings.

If you look at it, we have in general a €1.5 billion commercial paper facility. Currently, it's almost not in existence or not drawn because, obviously, we used the strong cash flow in Q2 to repay some of these short borrowings, and that go directly against our interest expense line.

Michael Sen: Yes, Graham, hi. On Tyenne, maybe to kind of specify that a little more, of course, we have clarity on how we go to market. If we would not have clarity at this point in time, it would be a little late.

We're actually in the mid of the execution of that one. The commercial activity has started. And obviously, we're very confident that we can benefit and capitalize on the head start we have there.

We have the three forms on vials, prefilled syringe, and subcutaneous. This gives us, in essence, also multichannel access. You can cover Part D and Part B. But it's still early innings. We just started. The activity level, which we are already monitoring and observing because we have clarity and are executing, is very promising. We posted the first revenues also, and this is going to continue.

So in this case, we will also, as I said, Part D, Part B, have a multiaccess strategy, still waiting for some HCPCS code on that one, but everything is very promising.

Graham Doyle: Great. Thank you very much, guys.

Veronika Dubajova: Hi, good afternoon, Michael, Sara, and Markus, and thank you for taking my questions. I'll keep it two, please. The first one is a bigger question on the guidance. If I look, you've done 15% EBIT growth in the first half of the year. You're guiding to 8% to 10%, which would leave us with low- to mid-single-digit growth in the back half of the year. Very much appreciate the conservatism, but just curious if you can talk through any risks that you see at this point in time that worry you as you move into the back half that would underpin that, such as significant slowdown in growth. So maybe if you can give us a little bit of insight into that, that'd be great.

And then second, if it's okay, a two-parter on biosimilars, one, Michael, would love to hear about the formulary access that you have secured because that has been historically a hurdle for some of the biosimilar launches. So if you can talk through to that, that would be helpful.

And then maybe just sort of dreaming a little bit, obviously, I know we have the high-triple-digit million revenue target from ages ago, but I'm just curious with the run rate that you're at. Are we potentially looking at biosimilar revenues that could be north of €600 million already in fiscal '24? Thank you, guys.

Michael Sen: Yes, hi, Veronika. We'll split it again. I'll give it the first shot, start with your last one. I guess, this is highly likely what you said, but don't forget we have a totally different business now. We have a mAbxience business, and we have what used to be our biosimilars business, which has also evolved and changed and so on and so forth. So this is now kind of a different platform and breadth and robustness of the business model, which also derisks the whole operation. And that's why we also saw in the first two quarters good kind of uptake.

Let me try to give it a shot on your guidance, and then Sara can also add some more color. Obviously, we also understand the math, but growth rates, mathematical growth rates are growth rates, and there's a business to manage.

And I wouldn't go that much into risks. Of course, we see risks. We just alluded to China. First of all, in the second half, we have Q3. Q3 is always seasonally weak because we have our hospital business. And as we all know, in Germany and in Spain, nobody goes to the hospital in August, at least nobody who doesn't have to. And therefore, the margin as such, I would rather look at the margin pattern, like Sara did with the Helios in Germany of first half of Q1, Q2 and then Q3, Q4.

So for Kabi, if you look at the first half, it was a great first half. I'm stepping up in Q2 from what used to be a good Q1 and then even improving the outlook. I think if you conceptually think of the same margin print Kabi has for the remainder of the year, that would be a good one.

For Helios, obviously, Q3 will be seasonally weaker, and if I take that into account what Sara just alluded to, to Helios Germany, maybe in Q3, there is some additional volatility to the downside, yet there are measures against that one. And all of that one taken into consideration, and we still have to compensate, for example, for that China weakness, which we now see is there to stay for the next couple of quarters. Next year, it may be a different game. So we need to compensate for that one. Tyenne needs to pick up.

And that one, all in all, let us made the statement on the outlook we said. And I said we are optimistic and working very hard. There's real work behind getting there where we want to be. Sara, I don't know whether you want to add to that one.

Sara Hennicken: Not much to add from my perspective. Just remember we always flagged, in the first half, we had the benefit of the milestone payments and the energy relief, which is not going to repeat to the same magnitude in the second half.

I already alluded on Helios to the fact that Helios Germany was very much driven by energy relief funding in the second half of last year. As we're tempering out this year, there will be kind of an additional hurdle to take. Michael already alluded to the Quirón seasonality. And you can also look a little bit at the pattern we have seen last year around between H1, then Q3 and Q4 on Helios. That will be my comments on that.

Maybe an additional one on corporate, obviously, also again, you see a pattern here that, H1 to H2, our corporate costs are ramping up. And this year will be no exception. We have many more projects in the pipeline which are in the ramp-up phase which will be ramped up. So again, you can expect some step up.

And I think the relative kind of level between H1 to H2 of last year maybe is a good guidance for this year as well.

Michael Sen: Yes, and Veronika, on the biosimilars front -- and then I'll put it even into a bigger context again -- if I understood it correctly, there was some noise in there. You wanted to get our opinion on formularies and, I guess, how the market is evolving.

It is very, very dynamic, as we said. If I look to adalimumab, i.e., the originator Humira market, there is movement. If we go back a couple of months or couple of quarters, we all said nothing changed, that it's very crowded, and economically, our expectation has not changed. But you see the dynamics there that, a couple of months ago, the originator market share was roughly 99%. We now see that biosimilar uptake is roughly at 25% market share. Obviously, this is because other peers have their unbranded adalimumab aacf, and CVS Medicare took it on the formulary. So it's already two more. By the way, Humira also has a play on that one as well.

But on the other hand, we see -- I told you that we are playing a multichannel strategy here. We can go to providers. We can go to payers. We can go to individual health plans. We have a new strong hire at our biosimilar business who is looking at that one and looking at different routes where we can still get at least a decent share of that cake, which is not going to move the needle, but it is important to understand how dynamic this is.

On Tyenne, I think I already alluded to that. We feel very, very confident there, and also, Ada outside the US, we are making progress. Again, in Brazil, Brazil is a gift which keeps on giving with the PDP program we had in place there, so making traction there. And don't forget mAbxience. They have a real great network of partners, big, big companies, where they are also successful. Thank you.

Veronika Dubajova: Excellent. Thanks.

Robert Davies: Morning. Yes, thanks for taking my questions. I had two. One was just on the overall, I guess, strategic objective of the portfolio tidy up and everything you've kind of done over the last 2 years. Maybe you just sort of step back and give us some context of where we are, what's left to do. Is there anything within the Kabi or Helios portfolio you either need to add to or get rid of in terms of sort of tidying up and tying up loose ends within the business improvement?

And then the second one was just on the procurement savings that you sort of highlighted before or I guess the savings in general. One of the areas was procurement. I think you'd also highlighted process optimization, SG&A. Maybe you could just give us a bit more color in terms of where you're sort of ahead or behind schedule on those savings and if you see any additional opportunities looking forward. Thank you.

Sara Hennicken: Sure, happy to start with the cost savings, cost and efficiency. And for me, it's important -- I think it's operational excellence program in the end, which takes out costs but on a permanent basis by changing the way we operate, by changing processes, by touching, not just by holding our breath. I think that's a key important message.

I think the other important message for me is we tend to be ahead of schedule. I think we have -- in particular, on these initiatives, we have shown a lot of momentum. We have taken out Vamed, obviously, from our cost savings initiatives going forward, yet we are keeping the overall target level of €400 million. We advanced this to say, by now, we have the ambition to not only have that one in the book by '25 but already by year and 2024.

So overall, we are well on track with what we laid out. Most of it so far is coming from Kabi. And indeed, there, you can see a number of initiatives, and procurement is one of them where, through bundling of procurement, through procurement strategies, by category excellence management, we're taking out costs, and we're getting leaner and more organized on that one. And that drives kind of consistently cash out and productivity.

If you now go on complexity reduction and so on, another big theme on the Kabi side -- and that goes from closing of production site, but that also goes from supply chain and so on -- so there is a whole load of activity behind it.

As I said, also, on the Helios side, I think while there have been kind of less pronounced in the past, you can see them in particular with what they also outlined in their Capital Markets Day to step up their game in terms of complexity reduction, in terms of stepping up process optimization, and so on.

So for me, our cost and efficiency program is a real success factor, and it drives our productivity.

Michael Sen: Yes, Robert, hi. It's Michael. To your bigger question, the short answer as in a big, strategic, transformative portfolio rebuild, this is done. This is over. This is what we have said. We exited businesses. We even closed a few. And we deconsolidated Fresenius Medical Care. And we took care of a legacy topic and found a good solution for Vamed, as we believe.

I wouldn't rule out that there are some smaller things which I would consider normal course of business, if you get out of a country in some operations or part of a factory or manufacturing line or so, but this is nothing which moves the needle. This is normal course of operation, paying into what Sara said that you need to have permanent continuous structural productivity, which helps you to do that.

So in essence, what we now have is the more focused, simple company. And to that point, I actually liked your report when you said this is now geared on several legs to grow. This is, I think, the way you or you phrased it even better, but it has several opportunities, several legs to grow.

And it can now even grow organically. And since there is the focus now and everything else is being left aside, this is how we manage the company, what we call industrial domain management, that we focus on, how do you develop your top line? What are your activities on pricing?

Part of the Kabi success also stems from pricing in their innovation-driven businesses. We have been talking about Nutrition, for example. A couple of years back, there was the notion that we are in a business where we cater to GPOs. There's no pricing power.

Well, maybe yes, maybe no, but we see there is pricing and volume which you can work on. So the focus and the organic growth gives us now the result we have. And I really like what you said that we have the multiple growth legs where we can grow also going forward.

Robert Davies: That's great. Thank you. Thanks, both.

Oliver Reinberg: Thanks very much for taking my questions, three, if I may. Firstly, I wanted to dig a bit deeper on China. Can you just provide a bit more color why the anticorruption campaign is really having a kind of longer-lasting impact on what is actually a kind of consumable business and to what extent the kind of tender headwinds you talked about in the press release also play a role here? And maybe translating that into any kind of color, is this something that can drag on into 2025, or is 2025 rather seeing an easy comp versus last year?

Second question, just on Kabi Pharma, I guess the margin in Pharma ticked down a bit. There's always volatility, but I think you called out some kind of headwinds, US and China. Just trying to get a bit more color what is happening there.

And then thirdly, just on the license revenues at Kabi mAbxience, I guess this was the kind of larger swing factor in the earnings. So I guess it would be helpful to understand that. Can you just give us any kind of flavor? Of the 4.4 basis points of margin improvement and growth vectors in the first half, what is the share that really came from these kind of license revenues? Thank you.

Michael Sen: Thank you, Oliver. I'll try to give it a shot first. China, we said this is a mixture of many topics. It's also the general economic weakness. And there is structural change. The nation also realizes that, with the structure they have in their population and the rise of chronic disease patterns, there need to be also levers to control the costs, especially if they look at other countries and geographies as to how this thing exploded. So there is a structural change.

I understand your question because it's an interesting read across for other companies. Look, we have exposure to China. It is a good market. We also like the market from its fundamentals. With our product portfolio, we are very close to procedure growth, and therefore, on a sustainable basis, we remain positive on China. By the same token, the sensitivity on that very specific region is not that big that it moves the entire group. That's why, also for the remainder of the year, we gave you the guidance we gave you on the outlook, i.e., already trying to compensate for that one.

And yes, there may be easier comps where we're going to get there when we talk about the '25 numbers. It's too early to call. As I said, we always want to share the assumptions we did at the beginning of the year. And now we said it's still going to hold on. But in fact, it's also the anticorruption campaign, which is still holding on. We don't have a crystal ball. We don't know either. And we also think and believe people need critical medicine. But the fact of the matter is, it's still holding on. So there might be some relief sooner or later, probably more into '25, but there's still the general economic weakness and the structural change. So much to the headwinds and the easy comps.

On the margin of Pharma, a little bit like Sara alluded to on the Helios Germany, I wouldn't only look at one individual quarter only. If I look at the first half, they are where they said they want to be at the Capital Market Day. It's roughly at 20% margin. Then that's why it's called the 3 + 1 strategy. It has that margin. By the way, in there, the IV Fluids, rock solid, being market leader here.

There may be some volatility here and there, and depending on if there is a quarter where, based on drug shortage, for example, in the US, we are there to grab share and capacity. Then obviously, the growth is a little higher. And this will hopefully then also materialize in earnings conversion, or it's more normalized. So I don't see anything to worry about.

In the US, don't forget that we also went online. Now capacity came in online with factories. I mentioned Wilson, North Carolina. We have Melrose Park in Illinois, Chicago. So obviously, depreciation is also finding its way into the P&L. But that is not an excuse for us also in our business reviews because we made a deliberate decision to invest. So we need the revenues now also to fill the capacity. So that's what I would say to Pharma.

Anything else? Yeah, I think that's it.

Oliver Reinberg: There was also a question on mAbxience. Any kind of color on the contribution from the license revenues, please?

Michael Sen: We don't break that out, actually, and this is also because of commercial partnership agreements with their partners.

Oliver Reinberg: Okay. Thanks so much indeed.

Victoria Lambert: Thanks for taking my questions. Just a couple from me. The first one also is just on the generic Pharma business. So Q2, the organic growth rate was in line with targets, but margins a bit lower. Was this because of some of the ramp-up costs and the divesture from the Norway plant? Can we expect a return to Q1 margin levels in H2? Do you think you guys need to invest in more capacity for expanding growth in the North American portfolio? Some of your competitors have been doing some more bolt-on acquisitions.

And then just on the biosimilars, could you provide an update on what exactly your market share for Idacio is and then if you intend to file your Neulasta on-body device with the FDA in H2? Thank you.

Michael Sen: Victoria, hi. I'll try to give it a shot. I think part of the questions I've already answered, and Sara is going to come back to that one. The Neulasta or, i.e., pegfilgrastim, or in our case, Stimufend, the OBI, it will take a little longer than what you just mentioned. We did expect to hit it earlier, but it will take some more time there. There's some topics which need to be resolved with the supplier on mechanical topics, but we're confident that we're going to get there and then also grab our fair share on the OBI, on the on-body injector. That was one question. The other one was on Pharma, again?

Sara Hennicken: Yes, happy to add a little bit to Pharma. Alluding to also what Michael said, if you look at Q1, Q1 Pharma was very strong. We had a 5% growth and a 21.4% margin. So again, I prefer to look at the first half, where you had then a 3% growth and a 20.4% margin. If you look like this, you can see there will always be quarters which are a little stronger and quarters which may be a little bit softer.

And as Michael alluded to, in Q1, for example, we saw the market shortages, and we could take advantage of it. Also, Q1, we had backorder reduction also supporting our margin expansion in the US, which was strong in the first quarter. So second quarter, we saw Europe broad-based growth. Also there, we were able to take advantage of some market shortages. US was a bit softer because what we've seen in the Q1 didn't repeat in the Q2, and so competitive pressure was a bit higher.

And yes, you alluded to it. We have some extra costs with the start of production of our US plants. Actually, coming back to your question on do we need to even further increase capacity, we feel that, with Melrose Park and with Wilson, we do have capacity in the US, and we do have sufficient capacity to tailor for more growth going forward. In fact, we hope that now we get that revenue in, and it gives us some flexibility, added flexibility, to capture market shortages when and if they appear. So overall, Kabi is doing exactly what we expect them to do under the 3 + 1 strategy with their Pharma business.

Michael Sen: And Halden did not have a negative effect on the margin. And the good thing is we already invested and have the capacity. So if and when that market, which is a very relevant market, the US on the IV generic side, is in need -- and it is still in need. There is drug shortage on the essential medicine list of the FDA. And then we are there with capacity. We don't need to further invest. It is rather for us now taking the next step. How can we in a flexible manner make use of what we already have there in order to then again drive operating leverage.

On the market share, I think you asked on Idacio. I said it is it is almost minute what we have, but the dynamics we see with, again, the class uptake compared to 2 or 3 or 4 months ago -- and I expect further class uptake on Idacio also with the unbranded version and low WAC version. And there is activity going on at the US government to further get biosimilars to be disseminated for the patients' benefit. There's regulations in the pipeline, and therefore, we remain also positive for all the molecules which we are launching going forward.

Victoria Lambert: Great. Thank you.

Falko Friedrichs: Thank you very much. My first question, a follow-up on the previous biosimilar point, on your candidates denosumab and Ustekinumab. Do you believe that you can be one of the first joiners here as well and therefore have a similarly good position than what you have for Tyenne?

Then my second question is on Helios, Germany specifically, and the growth you've shown in the second quarter. Can you give us a little bit of color on the mix between volume and price here? Because I just have in mind that, with the DRG inflator being relatively favorable, just a little surprised that the growth there is not a little bit higher. But maybe you can clarify that.

And then thirdly, just to clarify the comments you made on the energy-related funding, you mentioned the €100 million in the first half of this year. Is that fully booked, or is there still something left that would be P&L relevant for the third quarter? Thank you.

Michael Sen: Sara, you want to start?

Sara Hennicken: Sure, happy to start on the Helios questions. And maybe let's take the energy related first. So let me differentiate and be very clear on cash versus P&L impact because there is a distinction, right?

So in last year, we broadly received €300 million of cash in, of which the majority came from lump sum per bed payments, and then there was an individual reimbursement. And that we knew that we would only get the final calculation by this year. So in 2023, of the €300 million, only around €200 million were P&L effective. Now as we now move into 2024, we received under those lump sum payments nothing in Q1 but, in Q2, broadly €50 million. So that leaves us with that around, let's say, €150 million-ish, of which €100 million are P&L effective in the first half.

It's also fair to say, however, we do expect that, under the individual reimbursement scheme, we will need to pay back some of the funds received. I hope that gives you a little bit of an idea on how you need to think about energy relief funding from a P&L and from a cash flow perspective because it hits in a different manner.

Now if you discuss Helios Germany growth in Q2, you're absolutely right. We do have an all-time high DRG inflator of 5.2%, and so indeed, in Q2, our admission growth as well as our cost rates were a little bit on the softer side, with low-single-digit number growth. Again, if you look at the first half in total, you can, however, see that, in Q1, admission growth and cost rates were stronger compared to the Q2.

Michael Sen: Yes, on your question on Tyenne and uste and deno, I think it's important to understand that the situation and that head start, that really temporary being first to market, what we have with Tyenne, is a very particular specific situation. So this will not be the case.

But do we feel confident on usta, for example -- which by the way, is also the bigger market, and I think, also, the profit pool is quite nice there. It's a €10 billion originator market. On usta, we're confident to be among those, at least when we look at the settlement pattern.

On deno, we'll see. We have submitted. You may have seen on the chart I showed you that deno is twice on there. So deno is also being catered by mAbxience with a commercial partner, especially in Latin America. But we're in the preparation of all of that. This will not be before somewhere in '25.

And then, Falko, we need to even dig deeper because we need to look into formularies. If you take deno, for example, I mentioned in the speech it's for osteoporosis, but there's also a double-concentration formula which may be for oncology use also. So you need to dig a little deeper there. There will be competition. We feel confident also with what we can build upon. I've said time and again that you need a pipeline. You need to have a broad portfolio in order to get follow-on customer relationships because nobody wants to contract with a one-trick pony.

So every inning we can win depending on the channel with also Tyenne we will also use for pulling through other molecules, depending on the counterparty on the customer side.

Falko Friedrichs: Thank you.

Marianne Bulot: Hello, thank you very much for taking my question. I have two. On the first one, I was just wondering on MedTech -- you had a good performance this quarter, so just wondering if you could provide some details on how that translates into the profitability for this division. I remember, from the CMD, it was -- improving the margin was a key focus.

And just a quick follow-up as well on MedTech and the completion of the clinical study, just wondering if you could provide any color in terms of timing and impact for your results in this division. Thank you.

Michael Sen: Yes, look, nothing changed. It remains a key focus that they're going to need to improve their margin, as they laid out in the Capital Markets Day. We said that, in the first half, there was some homework they needed to do on the ramp-up on Ivenix. They got their hands around it. Obviously, that helps for this year for the profitability because they still have to work on the cost per unit, to get it down.

There will be a favorable run rate also for MedTech for the remainder of the year. That's why we said, all in all, if you look at the Kabi business for the second half, take roughly the imprint which you have seen in the first half. We're not breaking out the individual margins of the growth vectors.

Yes, the study is just an example on the software that we are launching innovations to the market. That as such is not moving the needle. It just tells you that, if you do many of these things, that helps you fuel growth going forward.

Marianne Bulot: Okay. Thank you.

James Vane-Tempest: Hi, thanks for taking my questions. Just a couple on group, please. From some of the restructuring divestments which have been made so far, how much cash is still to be received from those?

Secondly, just on return on invested capital, most obviously, you've raised the guidance for this year to around 6% versus 5.4% to 6%. So how much of this improvement is just from divestments, and how should we think about cadence from here to generating your cost of capital?

And then just finally, on your financial companies, obviously, for Vamed, there's a path and strategy to a full exit, but what's your latest thinking around the possible options you have for your FME stake? Thank you.

Sara Hennicken: Sure, I'm happy to start. Look, if I look at group, and let's take Vamed out of the picture for a moment, I think it's fair most of the cash in from the sales proceeds have been received. Obviously, with Vamed, if I look at the rehab business and the Austrian business which we sold, their closing is expected in the second half of this year and, obviously, no cash proceeds beforehand.

You asked on ROIC. We made great progress this kind of end of last year to end of first half if you look at it. And around 40 basis points came from the exit of Vamed. The rest, however, was achieved by increase in profitability and some tax adjustments.

If I now look into moving forward, if you look at it, we are making progress. It's obviously one of these metrics which is in my description very sticky because it is over our asset base. So it means moving our profitability but also moving our asset base, and then the tax rate is the third lever, which an impact of the ROIC.

However, as I said, we are making progress quarter-over-quarter. It is a key metric for us, and we remain fully focused and committed in getting us further up into our range, which is between 6% and 8%, where we feel we would want to be.

Now in terms of Vamed, just to reiterate, we are on track. You saw, A, with the rehab business and the Austrian business, this is now all accounted for as IFRS 5 until closing. So this is basically out of the normal kind of P&L you look at.

And then the project business, we are heading for the structure exit. Again, here, you saw the charges being booked in Q2, all in line with expectations. Maybe also there, to give you some flavor, we always said the majority of that will be cash out as well on those kind of project business exits. In Q2, we have seen some negative cash impacts from that. However, it will obviously also unfold in the quarters to come. So from what we have booked, around one-third you see as a cash impact in Q2 already.

And then the hospital service business was incorporated and included in the corporate line of Fresenius Group.

Michael Sen: Yes, and then, James, I'll take probably your last question as the last answer, but only adding to if I heard it through the lines also on your question. The improved outlook of last quarter and now us saying we will be optimistic at the top half, basically on the new structure. So everything has been taken into account, which is in divestment and not divestment, already last quarter when we revised the guidance. There was a nice chart from Sara alluding to that one, how it works.

Look, FMC, nothing changed on that one. We are a shareholder. We are an anchor shareholder. We are a committed shareholder of FMC. This is a financial investment. Therefore, we treat it as a financial investment, i.e., we want to see returns on our investment. And therefore, we are also an active shareholder or will be an active shareholder.

Management runs the company and speaks for the company. So we don't speak about the business there. But obviously, we look at it and also compare and contrast it vis-à-vis peers and also looking forward to what others have to disclose in the coming days. And obviously, the ground rule is that we want our assets to be market leading, like with our own assets. And there's a clear plan which management of the other company laid out as how they can get into the margin range. And we want to see that operational improvement and want them to focus on that very turnaround. Thank you very much.

James Vane-Tempest: Thank you.

Markus Georgi: Thank you, Michael and Sara, and many thanks to all participants for your attention and joining today's conference call. If there are any further questions, please contact the IR team. Wishing all of you a good summer break. Thank you, and goodbye.