



Conversations with the C-Suite 2025 - EU Healthcare: Fresenius SE & Co KGaA July 22, 2025

Hassan Al-Wakeel:

Good afternoon and thank you for joining the 24th in our 2025 Conversations with the C-suite series in European Healthcare. My name is Hassan Al-Wakeel and I'm head of European MedTech and Services Research at Barclays. I am very pleased to be hosting today the CEO of Fresenius SE, Michael Sen, alongside the investor relations team in the form of Nick and Florian for a discussion of the business and industry dynamics. Today's call will last approximately one hour, and consists largely of questions from myself to Michael and the team. If you would like to ask a question, please drop me an email or a Bloomberg message as many of you have already done so, and we will relay your questions. With the housekeeping out of the way, Michael, thank you so much for your time.

Michael Sen:

Absolutely, it's a pleasure. So where do you want to start? Do you want to start?

Hassan Al-Wakeel:

So why don't we start with some high [inaudible 00:01:10], if that's okay?

Michael Sen:

Yes, you were breaking up for a couple of seconds. Can you...

Hassan Al-Wakeel:

Okay, can you hear me now?

Michael Sen:

Yes.

Hassan Al-Wakeel:

Perfect. So let's start high-level, if that's okay, Michael? And Fresenius SE has delivered a remarkable turnaround since 2022, going from reset to now rejuvenate under your leadership. Whilst this hasn't been easy and some big decisions and changes have been made, some may argue that the lower-hanging fruit has been picked. So how do you see the more structural improvement in the business from here?

Michael Sen:

Yes, thank you very much. I think that's a very good question. And usually, I don't want to be unpolite and I would never contradict you, but I'm going to do it anyways. I would not say the low-hanging fruits have been earned or worked upon. You said reset and then you said rejuvenate, there was something in between which was called revitalize. And since we're in the healthcare industry, I was in the media quoted that Fresenius in those days was in the ICU. And we needed some very targeted therapy and targeted care, because almost all vital signs have been trending into the wrong direction in those days. If you remember, organic growth rate was, at the end of the day, at roughly 3%. Operating margin was single digit at seven point something. The leverage was going through the roof at four point something and we did not earn our cost of capital.

So the journey we embarked on, let's say, almost three years ago was actually a very fundamental change. This is what I would call it, because as I said, the patient was on intensive care unit, so really some tough medicine, but really also some very targeted treatment needed to be done. And remember, my first calls when I said, "This company going forward is going to focus on returns, because returns have never been in the focus as an outcome, as in how do we want to measure. And it's going to focus on productivity as a means to improve operating performance." And the levers are you can grow organically and then get to earnings conversion or you also have to focus on your cost base. And then what we did is we cleaned up the entire portfolio. This is the story of the last, or let's say, the first two and a half years, you know all the narrative and the anecdotes, and fortunately enough the facts on that one. We did run a lot of improvement programs, for example, structural cost savings. It was not patting somebody's shoulder and tell him to run faster, but really take out costs out of the system. Remember, at Kabi what you've seen at the Capital Market Day that you decrease the footprint, you get manufacturing line optimization, but also structural cost savings on procurement and so on and so forth.

And then we instilled also, very much a cultural change up until how do you create a real good bench on top leaders, where also in the last one and a half years, we have exchanged a lot of leaders in very, very specific let's say, segments or industry where you need the appropriate domain know-how, biopharma for one, nutrition on the other hand, in MedTech, in the U.S., biopharma in the U.S. on the manufacturing side. So this has all been done and now in rejuvenate we feel that we created structurally people-wise, but also cultural-wise, the basis to go for more.

Going for more, we, I guess believe the foundation is good, because we can measure it by facts. Organic growth rate, you know where it went last year, it was at seven to 8%, we were a double-digit operating margin again, leverage came down, and one of the tools was obviously this financial framework which helped us guide and manage the company, the Capital Market Days, changing the incentive system, doing a lot of work internally to also bring the market expectations into the company, but at the same time measuring us against best in class peers and so on and so forth. So now we feel we have that basis that we can go into rejuvenate, which is focused on that basis, which is then dissected into three platforms to grow primarily organically, because there is the potential to grow organically. And then when you have the right cost position, then you get into earnings conversion. You focus on your cashflow networking capital, then you get the cash conversion rate. And we as a management board, we focus on capital deployment, capital allocation.

You also saw us pay a dividend again of €1 per share, which helped also on the TSR and this is how it worked. And the next phase rejuvenate, that's why in the middle of that we say upgrade the core, we define what the core is, the businesses, and we'll go through the individual business. And upgrading them means deliver on your plans, keep doing what you're doing, but do it even better, getting incrementally better. We have a lot of homework on each and every business. And if they deliver on that

one, let's say, for the next two to three years, there will be incremental growth, there will be incremental earnings, and at the end of the day, obviously EPS growth.

And on top of it we can say, wherever we have those businesses, which I dissected in three platforms, the pharma platform, the MedTech platform, and the cloud delivery platform. That should be scaling for relevance. This is more from the industry domain, looking at what is happening technologically, societal trends, regulatory trends, how can you scale these platforms for relevance in order to be a meaningful player? That's in brief what we are doing and what we did. And up until now, also going into Q2, next week is Q2, I feel happy that we are on track.

Hassan Al-Wakeel:

That's great, great to hear, and very useful context, Michael. You mentioned a bit about market expectations, and maybe before we go into a lot more of the detail around the businesses, it's interesting that the Fresenius stock has performed very well. But despite that, despite being one of the best European MedTech stocks in terms of performance this year and last year, we still observe a sizable conglomerate discount in the Fresenius SE share, albeit lower than before. What do you think the market continues to misunderstand? And what you think could shift perception over time?

Michael Sen:

Yes. I would try to focus on the latter part of your sentence. I learned when I was doing IR 20 years ago, see how old I am? It was literally 20 years, that I don't comment on the market. The market comes to whatever share price development there is, and we focus on our business and our business fundamentals. And I think you could see over the course of the last almost three years now that there has been really gradual but also consistent improvement. From the very beginning I said there is no panacea, there is no shortcut. I did say that also internally to our leadership team, there will be no shortcut, there will be no magic wand that day after tomorrow we have the business which is carrying everybody. We said all of our businesses have to perform concurrently and do gradual steps. It is more important to show the market that it is about consistency.

The other point is that we tried from the outset to be very transparent to you. I think at the end of the day, if you say that, let's say, we gained over the course of the last couple of years, but there's still some way to go, but that we gained is that we could regain some trust. And next to a consistent delivery it is also about transparency. We tried to be more transparent to the market as to what the makeup of our business is, next to cleaning the portfolio that you're not deluded anymore by medical care, are we responsible or are they responsible? What are [inaudible 00:10:46] businesses doing?

And even within the businesses, cleaning it up and then increasing transparency, when I started four years ago at Kabi, this was perceived as an IV Generics U.S. company only. But now you see, look, there's a very interesting intriguing business of nutrition in there. Dissecting into what we have, the growth vectors and you have the revenue, and obviously the bottom line as in a segment of growth vectors. That may even change going forward because now that the business has matured, this is creating transparency, but also being very transparent to the market, what our assumptions are.

In the last two years when we upgraded the guidance also, this was not a tactical move. This was always providing at the beginning of the year, what are our base assumptions and where do we stand vis-a-vis them? For example, remember a year ago, do we get the regulatory approval of Taiwan? Yes or no? If we get it, we will be the upper end of the range. If we don't get it, obviously it will be tougher. So we got it, and so on and so forth. So creating this transparency and then the dialogue, I think now, Nick and his team are doing a fantastic job and then always getting the feedback. And for me, it's actually good news that obviously we have more potential. It could be a function of a conglomerate discount, this is a result

of a sum of the parts, but it could be a function of the multiple. But at the end of the day, whatever it is, I'm actually happy that the market, as do we, see potential, but we focus on the operational performance, the transparency and the communication.

Hassan Al-Wakeel:

That makes a lot of sense, and it's a great segue way into the next question around the makeup of your portfolio, particularly given growth vectors are contributing meaningfully to profitability as well. How do you see the identity of the group evolving over time from what has been a lot more of a diversified healthcare conglomerate to a more focused growth platform by the end of the rejuvenate phase?

Michael Sen:

Yes. First of all, I love the heading, as you said at the end, a more focused growth platforms kind of thing. And if you go through the individual businesses, and at the end of the day, on a very specific level, it's six businesses we talk about. It's maybe more complicated than a one product company, but it's also not that complicated. So these six businesses have to have the merits to grow on their own, be in attractive profit pool markets and have a great competitive position. And then we can go through them and there's a lot of growth potential, and then obviously attractive profit pool potential in there. Now, if you take the IV Generics as one, it's a very stable one, that's why we call it three plus one in the Kabi strategy, I know it's not a high growth business with a 3% growth, there are businesses in the healthcare sector which grow much faster or higher, but it's a very stable, very stable bedrock. And we see it, and we will talk about that probably next week or maybe also today in the call, how important it is to cater essential medicine. And now we have the mix with solutions and you get to a 20% margin with 3% growth and highly cash generative. So that gives you a very stable basis already if you so wish for future investments or the balance sheet. Then what people did not know to that extent a couple of years back is your favorite one also, the nutrition business, where I always said it's north of 2 billion, but that's already three years ago when I said that. Now, it will be more towards the 2.5 billion at some point in time. And it is growing by four to 6%. And if you look at the industry structure, it's a pretty oligopolistic structure. And there are some barriers of entry with clinical studies and so on and so forth.

On the other hand, we see more and more really clinical and scientific progress that nutrition plays a key role in treatment paths, for example, or particularly in the oncology space. Last week, I'm in the advisory board of the German Cancer Association and I was in Heidelberg and they were talking about an institute which only focuses on nutrition in cancer care. And it's not a disruption, but more a gradual shift where a couple of years back, the nutrition was only seen as a cost item, and now it has really clinical benefit to it. So the nutrition, four to 6% rough-

Michael Sen:

Really clinical benefit to it. So, the nutrition, 4% to 6%, roughly two if you extrapolated \$2.5 billion business, I've always said it's highly, highly accretive. So, the Kabi margin is 16% to 18%. So, maybe it's 18%, maybe it's a little more. Some say it's 20%, I don't think they're too wrong. And then we have the biopharma business, which again, also the nutrition is the next thing, and then the biopharma business. And this is where this year, that's why the revitalize is so important. Up until last year, it was a clear investment case. And I remember the first years when I went out and everybody was talking about biopharma or biosimilars, and all I could do is talk about the future and maybe the decreased risk profile over time. Yet there was no profitability. And I get it that the market, if there is no profitability, maybe even no visibility, how would you attach a value to that one?

Zero times multiple is zero. Now, I could ask the market, why don't you take a DCF method? Which is highly complicated, then you would need to know our internal planning, all the milestones and everything and so on. So, there was a different stage where we are currently at. This year is the first year where there will be not only a meaning revenue piece, but also a meaningful profit and thereby, profitability piece. And we will probably go into detail on that one. And then we can extrapolate that one. What is the growth pattern on that one for the next three to five years? And obviously, yes, there are some unknowns on that one. How is the market going to evolve in the US? But if I particularly double click on our company, then I think there is the potential for incremental improvement.

And then you have the medtech, which is the smallest one, which on the one hand is good. On the other hand, it also gives us the opportunity to maybe think how we can grow on that one. But it is small because historically, it was an ancillary business with the infusion pumps and the nutrition pumps. But more and more because of the innovation which is in there, the software, the consumables, but also how customers buy that stuff. We see this is a business on its own, yet it does not have the profitability like all other businesses have, but it needs to improve. So, only by improving it will cater earnings growth. So, that's the whole Kabi business. And just think about, I already talked about minimum two businesses with 20%-ish margin. And then do the math, what the volume is. If you take the biopharma and the nutrition with the roughly \$2.5 billion. Not the biopharma business, and the other one and the biopharma will continue to grow.

And then you have a very stable, the hospital business, which I actually, because it's a regulatory business, two entities in Spain and Germany, which are market leading. And yes, we have to work on the margin in Germany because we have to make good for the energy relief and so on and so forth. It is growing nicely, has a stable... the point is it has a very stable margin. And if they do it right, then a stable cash flow. So, one investor once told me, if you're the owner of that asset, that means you want to have a 100% payout. And that's exactly what we have. The cash flow goes into our cash pooling and that stabilizes everything. And by the way, in today's environment where everybody talks so much about tariffs, may not be too bad to have a very stable business, which is not jeopardized by this one by care delivery. So, these are the platforms. They can grow, they can grow organically. And then there's even more opportunities, but that is only considered if the time is right. And as I always said, the company has the right maturity.

Hassan Al-Wakeel:

That makes sense. Why don't we double click on, I guess, what you said right at the end in terms of the organic and the potential for inorganic. I think you've talked about scaling means working in ecosystems and not necessarily through M&A. And you obviously talked about the importance of organic growth. How are you tailoring that approach to biopharma, nutrition, medtech when we think about in-licensing partnerships, vertical integration? And specifically for medtech, when everything else gets into the margin range, do you need to do something else to get medtech into that range, i.e., M&A?

Michael Sen:

Yes. Yeah, look, actually I think you teed it off quite nicely. Not like usual investment bankers do it when they come and give you targets for M&A and so on, so forth. M&A is always a means to an end. You have to actually come from the business and that is what I mean with scale for relevance. And you rightfully touched on the topics. When I say this is going to be about growth and scaling for relevance, then we need to know from a business perspective, what does it mean. Maybe it does mean that we need capacity extension on manufacturing because we are banking on vertical integration on biopharma. So, that would in essence mean CapEx, if you so wish. Maybe it means on nutrition that you

have to work more on the innovation pipeline, on formularies. We will be launching in due course again on the oncology side, but also we are very strong on the pediatric side, a new formulary, which then gets into clinical use.

And by the way, one really, really nice thing we have, maybe not for models in the capital market, but for us working together, we can test all of that stuff in our own clinics. If we come up with a new formulary for pediatric nutrition for example, we get immediate feedback on how it works and doesn't work. So, there it's all about innovation. So, we might invest into R&D. At the end of day it's OpEx, but it's also money. A monetary item. On pharma and on bio-pharma, we may have to think about in-licensing if for example, fast to market. That's why I said it does not necessarily only mean M&A, it can then also mean capital commitment. And in-licensing, for me is a capital commitment, not necessarily buying an entire company. And this is how we think about it.

And on the medtech piece, this will not be a function of they necessarily need to be a 20% business by tomorrow because how would you achieve that one? You can only do it by doing then some stupid M&A, because you would buy into a high profit pool kind of target, pay a premium and maybe not even have a clue on the domain know-how. But how can we gradually improve it with the portfolio we have? And then you can think about maybe adjacencies, but always coming from the business. And if you think about medtech, where are we today? We are in the OR. We are in the ICU. We are in the ER. Everywhere.

Two weeks ago, I was in one hour of our hospitals and I went into an MRI myself, I wanted to have them look at my right foot. And next to me was a Kabi machine with a Kabi pump. And by the way, the guy didn't know who I am. So, I asked him, "What is this thing doing?" They said, "We need it. This is perfect for trauma patients and da, da, da, da, da." And he told me the machine is good because you don't have too many cables running around. So, we are in the OR, ICU and ER. And if there are, let's say we are also in patient monitoring, then there would be opportunities to move into these spaces only when it makes sense and only when we are ready enough. Currently they're also busy working on their homework, which they have in medtech. So, in medtech, I would rather focus on them improving incrementally year, over year, over year. And if they do it, because the flip side of that one is that we get deeper, and deeper and deeper into the wallet of the customer.

Hassan Al-Wakeel:

Yeah. No discussion on capital allocation would be complete without talking about your FME stake. And actually we've been receiving quite a few questions on this already during the session. How should we be thinking about the stake? I mean, on the one hand, you've benefited from the appreciation of that asset price, and you held off selling down and that was clearly the right thing to do. On the other, you're not an equity investor. So, I guess the question is, should we read much into the 25% plus one share that was stipulated as a flaw to the sell down? And whether there's any obstacle in the short to medium term going below that now that you're deconsolidating?

Michael Sen:

If I relate that to your first question or second question, how did we do in the last 2.5 years? This was my comment about trying to be very transparent on the assumptions. I started saying know FME, I don't know whether it is core or not core. Then we manage to get the deconsolidation. And we make the deconsolidation, which was quite an endeavor. Took us a year. And that was fast. Really fast. I've done a few transactions like that. Then I said, look, we are going to hold onto it because there is also value upside. And there were many voices to who were advising us to take a different route, selling that stake down immediately to deliver and so on and so forth. We did not go down that route. We chose a

different path that we were able to show that we can deliver and still hold onto that one. Then this year, especially going into rejuvenate, we said we are going to reduce the stake.

So, the statement is out with the 25.1. It's out and it stands. So, is this statement for infinity, eternity? Probably not. That is clearly what the development of the last years has shown you. But I don't want anybody in the market to get head over heels, or come with rumors or what have you because the statement is out and the statement stands. And what we try to say, and I get it, that by definition, we're not an equity investor, but the fact of the matter is we have that asset. And only saying we are not an equity investor so I'm going to... by the way, finding a transaction is not that easy. What should we do? The only way to then do three ABBs, four ABBs, one after the other with, I don't know, X percent of discounts and so on forth. I don't think we do good not only to the shareholders, but also to the asset as such.

So, we have it, and therefore, I would say we are very responsible investors. We believe there is value upside and we showed the market by reducing the state from 32 to it will be at the end roughly 27 point something by having on the one hand the ABB, and on the other one hand, the exchangeable. And the exchangeable signals that we believe in upside. So, the implied share price of the exchangeable is meaningfully higher than what we see today, which also supports their trajectory. But it is an investment.

And maybe I'm not an equity investor, but I would say I know probably more about the business than most equity investors because we know the management, we know the plan, we know the products. We did put the management in place and even the trajectory still comes from our pedigree with the margin targets and so on, so forth. But we are now behaving as an investor that we want to see value creation. And if and when the time is right, then we will obviously act. And we are always happy to have that one as a monetary item if and when we do think we need to scale on our platforms, on the rejuvenate side and maybe not going against the balance sheet. The other option, if a company does not have that opportunity, the only opportunity they have is going against the balance sheet and then you get all those investment bankers talking about firepower and all this stuff. And then they leave you again and you can deliver again. But we have that one at our disposal.

Hassan Al-Wakeel:

And maybe just to follow up on that, Michael, you've also talked about the importance of returns and prioritizing the higher returning businesses. And so, should we understand what you've just said as more of a opportunistic view on potentially monetizing the stake when there is a transaction to be done? Or not necessarily? Just because I'm trying to marry what you've just said with the whole view-

Michael Sen:

Yes, yes, but I think you even gave the answer when you asked me about what does it mean to scale in the ecosystem. If you come from the business, then you know which fields you want to go into. Take on the pharma, biopharma side, it's maybe easier to explain. You scan you the environment, you scan what... for example, on biopharma, you scan what is in loss of exclusivity on the patent front, you see what will be hitting the markets. And then you will have to decide whether we go behind that molecule, yes or no. And then you go through what is the market potential, how many people will already be in there, what is the therapeutic area?

Primarily we are in oncology and autoimmune. But for example, with Ilia, we went into ophthalmology on the one hand, and this is how we look at it. And if then we feel there's an in-licensing or there's a target to be going after, this is the way we would do it. And the same for example, on medtech when I told OR, ICU and ER. On nutrition, it's obviously more known to the market. There are not that many

targets out there. If there would be, then maybe you would think if it adds to being more relevant and scaling. And if it does, then we would be... and we feel comfortable with everything else-

Michael Sen:

And we feel comfortable with everything else and we are in a good position. If we're not performing then it doesn't help us to make M&A. Then we could go after these targets and use the cash from the monetary item.

Hassan Al-Wakeel:

No, that makes sense. This has been quite an extensive high-level discussion, but maybe just before we jump into some of the businesses, can you talk about the business trajectory through Q2? You've obviously highlighted the keto impact. We talked about this for some months. Tie-in contracted revenues are probably more Q3, Q4. So just trying to think about how we should be thinking about the risks to guidance both up and down.

Michael Sen:

Yeah. Well, I'll probably not comment on risk up or down because next week we're going to disclose it, but I think we have been very busy talking to the market and the feedback I get also in parts directly from the market. We have been flagging again to that point of transparency, what to expect in Q2 and Q3. Q3 obviously always being seasonally weak on the hospital side and Q2 having, at the end of the day, three effects. You have the lack of energy relief funds in Helios year-over-year, obviously you have the Easter effect year-over-year, and you have the keto effect. The keto effect, I even was bold enough, this is now a couple of weeks ago, but to even almost spill out a number when I said roughly 80, 80 what have you, plus base points from Kabi and think about where they were sequentially in Q1. So I think from what I saw, the market has all those risks embedded in not only their models but in their conversations. As we stand here up until next week, I don't see any incremental bigger thing falling on our foot.

When I see the overall trajectory in Q2, I'm actually happy with what I see because it will be a proof point of another quarter where everything we have under our own control, if you look at the overall company, there are always tweaks here and there, we are delivering. So there will be some top line growth and consider the keto effect and so on so forth. So that will obviously weigh on that one, but we'll be growing and we'll go into the businesses in a minute probably and we will see on the growth year-over-year. I said if you take that effect, if you only take growth, you come up with whatever the numbers are in your model. If I take the margin, it looks differently. And at the end of the day I will be looking at EPS.

And remember I always have this arrow up that the EPS will also be growing because all our operational efforts, especially on networking capital and cash flow, will also have the effect not only on deleveraging but then on the interest rate line item, which was two years ago exactly the opposite. Operational improvement was good, very good in parts, but we lost in the interest rate line item and now both ends are working. So going into Q2, I'm actually very satisfied but we'll probably talk business by business.

Hassan Al-Wakeel:

Absolutely. So why don't we kick off with Kabi and starting off with biopharma? Maybe a couple of things to talk about. Firstly, Tyenne and its share of the US toci market seems to be progressing really well based on the IQVIA data that we see. But we'd love to get your view on how you think that market is developing, whether you're seeing any signs of competition coming into that market. And then also

you've just announced the launch of denosumab in the US. So again, some color on competitive environment, be it pricing. Here we see three other competitors. So I guess those two molecules would be great to hear more about.

Michael Sen:

First of all, overall it will be competitive and will remain competitive. That's what we said from the outset. There will be no change, almost like a generics industry play but different maybe structure S-curve and so on. Denosumab is great with what you said in the US and wait and see. I'm actually very confident that we may say something on the launch of deno in Europe pretty soon. Pretty confident about that one and therefore now you have all the launch approval. You obviously go into now preparing the commercialization because in the US you need the J-code, the HCPCS code. For Otulfi, for example, we already have that. Before you have that, you cannot start with commercial marketing market access and these kind of thing.

But this is all in preparation, all working. So denosumab, you will not see anything in Q2 numbers, in Q3. This is more Q4 and then going next year. Otulfi may be, this is ustekinumab a little bit into Q4. Tyenne is working nicely. The IQVIA obviously is lagging, but from what I see overall the biopharma business, what is the news? The news is this is growing, this will be growing, this will be growing nicely year-over-year and it was a great contribution in Q1 on the top line. If they get to the same kind of contribution in Q2 on absolute numbers, this would be great.

So this thing is growing, the more important thing, this is growing also in volume. So we need the volume then to have the fixed cost absorption. And it is growing also in market share. So I think in the US we are at roughly 9% market share. In Europe we are at I think roughly 25%. We'll update you next week, but that should be the number. And in Germany, every time I talk to investors I have to increase the number. In Q1 it was I think 31%, when we were on roadshow it was 32% and I think we're now at 35%.

So in all three, let's say key markets, we are growing and that gives us traction by the way, also on ustekinumab and obviously on denosumab. And yes on Tyenne, a competitor is now in there, but so what? That only drives the absorption of the class uptake. The theme I think will remain, even though there are a lot of uncertainties in the US, but the theme will remain in the US, how to bring down healthcare costs. One of the ways to bring down healthcare costs is introducing biosimilars. Whether they're going to do it or not, I don't know, but this lever is very obviously. So with Tyenne development, I'm satisfied. I did say on roadshow, this was more at the beginning of the quarter, that there were some supply constraints, which they have been working on. But this shows you that our focus on having a vertically integrated business and it will still take some time. We're still in the midst of tech transferring Tyenne also to map science, which will be done probably next year, which initially was not planned. This shows you that you need to be in control of your vertical value chain, then you're not dependent on a third party supplier. But again, I'm satisfied with the overall direction I see.

Also uste, there's a lot of activity in the US on each and every molecule. There are many, many more conversations compared to the past on what I always call multichannel commercial strategy. That's not only being on national formularies on the PBMs, you can talk about private label contracts with health plans directly. Then there are other institutions which have mini PBMs who have a lot of health plans underneath. We have some contracts in place on this one and, as I said, a lot of activity going on and we would like to see that activity translate in Q3 and Q4 then into sales and pull through.

Hassan Al-Wakeel:

What is the update with the supply constraints for Tyenne.

Michael Sen:

I was very transparent that on when I was on roadshow, I was in Paris and in London, I think, right? So I did talk about that one at the beginning of the quarter that a few things were held back, but there are mitigation measures on the way. But this is nothing which now concerns me. That's why I said we are working on everything we have under our operational control. Not everything will work according to plan, but if I add up net-net, I'm really happy with what I see.

Hassan Al-Wakeel:

Excellent. And you've spoken about this business being a 1 billion euro business by 2026 or 2027. Has anything changed in the last six months that makes you think that this could be higher or lower given some of the launches?

Michael Sen:

What happened in the last six months only makes me more... The same thing what we said at the beginning where we de-risked when we were in the regulatory approval phase. This is now the phase, let's say can we approach the 1 billion? And this is a function of all the activities we have and take all the data points we just mentioned, which should pay into our confidence in proving that we are going to get there. Are we there? No, because as I just said, denosumab we just get the approval, we will have to get it in Europe as well. As I said, I'm confident when you then have it, you have the J-code and so there's a lot of steps until you can post revenue. But we're getting there and there's a lot of data points and a lot of activities, so I have no reason to step away from that.

Hassan Al-Wakeel:

Sure. And then maybe a final one on biosimilars. One of your next launches that you've highlighted could be rituximab. Should we be thinking of this as a 2026 launch and it seems to be quite a competitive environment. Appreciate what you said about the entirety of biosimilars, but what are your expectations in terms of share and how are you thinking about the degree of price discounts?

Michael Sen:

Yeah, I mean the price discount on rituximab will be big care. That's why I said also when we talk about in-line, we call molecule by molecule, see how many competitors are, what is the originator market, what is the therapeutic area? And rituximab, obviously we are there working with a development partner, which is Dr. Reddy's from India. They are still working on their regulatory approval. We'll see whether they get it. But mAbxience is also having rituximab in their portfolio and selling it, I think, or their partner is selling it, I think in Latin America and the like.

So this is not that rituximab will change the game. It is just adding another molecule. This is by the way, what we see when we talk to customers and meanwhile, not only in Europe or outside Europe like New Zealand and the like, but now in Canada, but also in the US. By the way, now we're starting to pick up share in Canada that the other side, customer health plans, do want to have a partner who has a stable pipeline on molecules because you don't want to contract with somebody who may not be there tomorrow if we are talking about the next molecule.

Hassan Al-Wakeel:

Absolutely. Why don't we shift gears to nutrition? And obviously a very high quality business within your portfolio. Can we talk a bit about the US strategy, lipid emulsions and scaling that business and how you think about the midterm strategy for the US nutrition business?

Michael Sen:

I mean, that is easy, maybe sobering on the other hand. We are starting from a very small business. And when we had the capital market day, there were a few guys who went there in a capital market day 20 years ago or something. Remember that guy? And then he said, "I've heard the story time and again with the US." So we said, "We're going to do it differently this time."

We're going to start organically because we have the market access on the commercial team into the hospital space, into the B2B space. And we can do some education on our own when it comes to, let's say the adoption rate, the diffusion rate, for example, on three chamber bags and the like. But obviously this takes time and this is on a small basis. So everything is working there nicely. In percentage points, it has huge growth rates in absolute terms. Doesn't move the needle, but let's say where it is in let's say 3, 4, 5 years. And it is lipid emulsions, it is about amino acids and the like, and this is the way we're going to grow into that. So always nice little contribution which we take and we're going to keep on doing this, but it's not going to move the needle.

Hassan Al-Wakeel:

Maybe a market that does move the needle for nutrition, China. You've talked about pressure in this business for some time. Keto VBP is obviously going to come through in Q2. We should hear more about that next week. How is your thinking evolving on the China market? Are you expecting any recovery in the short to medium term?

Michael Sen:

Not in the short term. I was I think on the record saying I don't expect anything before '26. We still see softness in China, not only in our own numbers, which is also a function of keto, which is on our internal nutrition portfolio, but the market still overall. There was always this uncertainty, which we-

Michael Sen:

... [inaudible 00:48:00] overall. There was always this uncertainty, which we called budget constraints, which you still see also in Q2, in China, that folks are holding back, and you also see and feel some of the uncertainty vis-a-vis the whole trade relationship between China and the US. So, China also in Q2, obviously primarily through [inaudible 00:48:30], is or was contracting year over year in Q2, but I expect that whole fiscal year '25 to be also contracting year over year. '26 may be a little different, we'll see how the external environment evolves that, obviously I don't have a crystal ball, but there are a few things where, again, we can work on our stuff. We are changing the go-to-market because we go now into a much deeper segmentation of the customer landscape. Before that it was "easier" to just sell to the big hospitals, because they just bought it.

The next step was the VBP, and then, okay, you are left with no business or business with a low price. Now, there are many more hospitals, we can tier the hospitals into 1, 2, 3, but that means that you have to change your go-to-market model into the tier one, tier two, tier three hospitals, looking at product segments which are outside, VBP. And in '26 we'll see Q1, Q2, I would say more Q2, whether we'll come online, on the nutrition side, as you rightfully mentioned, opening a line for three chamber bags, which today is shipped from Europe to China, which, from a pricing point of view may not be the most

advantageous point, but also in the whole political landscape there will be a factory in China, for China, with a different price point. And from China it will cater at least the North Asian, maybe South Asian, but I would bet more on Northern Korea, and da da da markets also from China. So, this is where we then would want to see a pickup, but not before '26.

Hassan Al-Wakeel:

Yeah. And we're getting a question on this topic from an investor on the call, one estimate is [inaudible 00:50:30] makes as much as 500 to 600 million of very high margin China nutrition sales, we've seen increasing tension recently between Europe and China on net devices, how should we think about risk to the rest of your China nutrition portfolio?

Michael Sen:

Yeah, this is basically what I said, that I think the number isn't too bad, which was spelled out, I'm not so sure whether I would qualify high margin, and then the margins are also on nutrition... Let's put it this way, because customers pay. But we like the margin all over the place, we like the margin also in Europe and the US. And one thing next to this whole go-to-market is exactly to have that local for local value add, which will bring down the cost position if the prices are also under pressure, and again, cater neighboring countries of China to basically protect your profit line over there. So, these are the... And then always coming with new formularies and the like, which we're working on FSMP, for example. It's small, but still we launched three products, more products will be launched going forward, and these are countermeasures on that one.

Hassan Al-Wakeel:

And yeah, I guess what the question was also getting at is the possibility of VBP across other products in nutrition. How are you thinking about that? I know that it's so far been a slower process than maybe some would've expected a couple of years ago, so I guess what's your outlook for VBP on other products?

Michael Sen:

Yeah, well, the VBP is not... It will stay. We cannot make it away, it will stay. It is a question, what is the rollout of what do they think? Don't forget, they also need to cater their communities and everything with medication, and I think the last couple of quarters we discussed that even medical professionals were speaking up with all the budget constraints and so on so forth. But VBP is a new model, so the only thing in brackets which helps is to innovate, and find new segments where VBP is not there yet, and then at some point in time it will be there, and then you find the new segment. And this is the way, like in every other business actually. But VBP will stay in China, this is the only way for them to get the cost down.

I think the progress you see on that one is that if they overdo it, theoretically, maybe a management consultant told them now tender everything and you'll get the best price. By that one, you can also kill suppliers, look at the telecommunication business and so on and so forth. So, at the end of the day, you want to have supply for your country.

Hassan Al-Wakeel:

Yeah. And maybe a final one on nutrition. You talked about disease specific areas such as oncology, can you maybe elaborate on the areas of differentiation within your nutrition portfolio, vis-a-vis some of these more disease-specific higher growth areas?

Michael Sen:

Yeah. Oncology is I think the biggest one, and then pediatric, then there are many other trends. If we are outside China, we see a home trend, going into the home, because... This is also, by the way, even in China, on the FSMP, this is a segment where it will be out of pocket. So, people have to pay for that one. So, then you get more into a promotion kind of thing, if you can show what the benefit is of taking that nutrition, then people hopefully will be happy to pay for that one. So, the pediatric one is an area then we are diversifying in taste, this is also because we get into further segmentation on taste. We are diversifying, for example... How should I say, what's the right word?

It's not religion, it's not ethnic, but for vegan people. So, it's called plant-based there, not vegan. So, this is spreading the segmentation of the portfolio. And then there are a few nice innovations, it's too early to talk about them, but there are a few nice innovations on short chain fatty acids and so on and so forth. Or let's say GLP-1, it's not that we are going to maybe go into GLP-1, but one of the side effects of taking all these stuff is loss of muscle mass. So, nutrition can play a role on that one, maybe accompanying this one, these are some of the thoughts.

Hassan Al-Wakeel:

Perfect. I guess there's only a few minutes to talk about the other half of Fresenius, in the form of Helios, but maybe a couple of questions in the interest of time. You've obviously talked extensively about the cost out plan in Helios Germany, it'd be great to get an update there as we move into the second half, and some of the clustering efforts that you've been pushing through for some time, in the context of the hospital reform that we've been talking about for some time. So, maybe to start in Germany, that'd be helpful.

Michael Sen:

Yeah. Som in Germany, you fully mentioned it, this was what we said from the very outset, that it's going to be more in the second half, I even said they need two years for the entire amount. We have always been talking about the 100 million-ish EBIT effect, not construction, EBIT effect, I think 140, 140-ish was the whole energy relief, and I said they probably need two years. Nevertheless, internally, we obviously want them to be as rigid and stringent and fast as possible. They're making good progress. In this case, you are right with the, I would say, lower hanging fruits, where they can... Procurement for example is a module. This may surprise everyone, but it was the fact of the matter, and thank God, because then we have potential, that we can consolidate much more the procurement efforts around all clinics, so that module is working nicely, and already contributing to some savings, and I would expect that one also to contribute nicely too [inaudible 00:57:35] year.

What is also working on the whole, let's say, revenue or case management, is that now for a couple of weeks we have been managing that all our emergency rooms are open 24/7 because that's the feed in, and especially in Germany where you always read that an ambulance passed the clinic because the emergency room was closed. So, we have a rule out there that ours should be open 24/7. Obviously sometimes there are limitations to that one, and that is a function of, do we have enough workforce? On the one hand, we are reducing workforce and overhead functions and administrative functions, this would be another work stream where we consolidate, I don't need an accounting department in every hospital, I don't need an HR department in every hospital, and so on and so forth. So, you can consolidate that one, a bundling effort if you so wish on administrative efforts.

That obviously always takes time because you need the systems for that one as well, it doesn't help to fire the people and consolidate it and not have the system in place. But they are progressing. But on the other hand, we feel that we may need more people, more staff to keep the emergency rooms open,

because that's the feed in for the whole infrastructure which is in there. Because you then can think about what they have in Spain, that a CT or an MRI runs 24/7. So, how can we get to that stage, that obviously we need the patients for that, but we also need the people for that. These are the things which they're currently working on and I think this is working nicely. And then, the structural topics, which is the clustering, which takes a little more time because we have to map out, on the one hand, yes, this has been going on for a couple of years, but this also needs to be "realigned: with the hospital reform, as you said.

If the hospital reform says by definition, only this clinic can do this and this procedure, because you have the people, and da da da... So, we have to map it out in a region like North Rhine-Westphalia or something like that, to say, okay, clinic is the core, and the others are the satellites around it. And this clinic is then eligible to do all the big procedures. So, that's why I say that it takes them two years. We'll give you an update where we stand vis-a-vis the 100, next week, and yeah, then take it from there.

Hassan Al-Wakeel:

Looking forward to it. Michael, I think we are unfortunately out of time, I could go on for a lot longer. Michael, Nick, and Florian, thank you for what has been a really insightful session.

Michael Sen:

Thank you everybody. Thank you Hassan and team. Thank you.

Speaker 2:

Thank you.

Speaker 1:

Thanks for hosting us.