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I would now like to turn the call over to the J.P. Morgan host.

David Adlington:

Great. Thank you, operator. Good afternoon. Good morning, everybody. Very happy to continue the 2026 healthcare conference call series today with Michael Sen, CEO of Fresenius SE. Just a reminder of the format, Michael will make some initial comments, then I will lead us through some Q&A before opening up to the lines of questions. If investors would prefer to emailing questions, please feel free to do so to david.adlington@jpmorgan.com. I'm also on Bloomberg Chat.

With that, thanks, Michael, for joining us today and over to you for some initial comments.

Michael Sen:

Yes, David, thanks. And hi, everybody, and thanks for having me and giving us also the opportunity. These are very dynamic and fluid times. Nevertheless, if we step back and look at the journey of the last, let's say four years, four key messages I want to hone home.

The first one is the transformation as such, which you've been witnessing is translating into measurable financial delivery. Obviously, a lot of work is behind that, but if you look at the financial outcome, whether it's organic revenue growth, margin, margin expansion, but also return on capital and particularly also the leverage, that puts us in a position where number two is becoming more important, and you saw that at Q2 results. It is all about innovation-led growth, that this is becoming a material earnings platform. You saw that the contribution of the growth vectors has not only been meaningful in Q2, but it is a pattern where these are the growth platforms to rather build on going forward with

innovation. All of them are exposed to high growth market, attractive profit pools, a good competitive position, and now it is all about what do we make out of that one.

You saw us acquiring the remaining stake in the biopharma business on MAP Science. I think perfect timing where we stand for 45% because as of now, as this market is so vibrant and it's going to grow by minimum six times over the course of the next couple of years, it is important to now transact to get the full benefit and obviously operationally also the full control. And even that MAP Science right before we closed and signed, obviously since we have been a shareholder, majority shareholder, did a contract also with a peer in that space or a competitor also only proves the validity and the competitiveness of that platform. We will also scale further even beyond that one.

Obviously, execution discipline remains key for the equity story for delivering the full fiscal, which then could lead to another year of double digit EPS growth, having done an acquisition yet being probably more towards the lower end of the leverage. And concurrently, we are investing already in CapEx R&D manufacturing, and that gives us the strategic flexibility also going forward, but capital allocation will also remain disciplined. And don't forget, we also still have a financial asset at our disposal, like the MAP Science deal where I hinted that we do not necessarily need to go against our balance sheet. That now makes, with the benefit of hindsight, makes sense that we did this accelerated book bill a couple of weeks ago and the data points come together.

With this, David, over to you.

David Adlington:

Perfect. Thanks, Mike. That's a good summary. You mentioned that obviously you've been CEO of the group for nearly four years and there's been a substantial amount of change. You've exited Varma, Vamed, sold off some other non-core assets and restructured the Fresenius medical care situation. On top of that, you've made substantial operational improvements at Carbon, you're looking to do the same at Helios.

So I suppose the first big question is having made those big steps over the last few years... Maybe firstly, you recently sold, you mentioned that fell down at the further 2.5% stake in FMC. You only entered into a 45-day lockup on that, which I think recently expired. How should we be thinking about the pace of you selling more and perhaps more interesting what you might be doing with the proceeds having obviously used that first two and a half percent to acquire the MAP Science stake?

Michael Sen:

Yeah. Well, as I hinted, the MAP Science stake, what we disclosed is already baked in to what I mentioned, not selling further down with meaningful transaction will even get us to the low end of the leverage. And it is almost immediately EPS creative because of that one. On the ROIC, also everything is limited because there was this put call option which needed to be accounted for beforehand. That's why it is now the best timing.

On FMC stake, nothing changes. It's a financial investment and it is not about do we sell down or anything. We are also responsible shareholders. There's also value upside we see, but if there is better capital allocation to be made from our end, we can tap into different sources. We can create some sort of a merit order for us. This is also what we did on the MAP Science thing. That's why this roughly 300 million, which we also took in by 300 or 400 million by the dribble, i.e. going in lockstep with their share buyback program.

Nothing has changed. Financial investment, if we believe it is needed as a source of fund, we will act responsibly. By the same token, it is a financial investment and the financial investment also needs to be seen as creating value going forward or then having a different use in a way an asset rotation.

David Adlington:

Very clear. Perfect. Okay, let's move on to the core business, starting off with Kabi, which in itself is still a relatively broad business with pharma, nutrition, med tech, and biopharma. Just to get out of the way first, because I know it's been very recent news, but could we touch on the news from last week around the warning letter at Melrose Place? And for those that may have missed it, could you give an idea of what happened, what product lines are affected and how you're managing the matter and whether this changed anything in your outlook?

Michael Sen:

Yes. First of all, we are taking this very serious and are working very closely also with the regulator. And this was, by the way, already flagged at our Q2 earnings call where we already had the observation and we're waiting for the outcome. The whole thing actually began even beforehand because the audit probably, as you can calculate backwards, started at the beginning of the year.

What we also see, what I also mentioned in the call, there is a higher scrutiny of the regulator as such. You see this across the industry, which by the way, I believe is not a bad thing. First of all, it is pushing the bar because modern technology can serve you better on outcomes when you talk about digital factories, when you talk about data-driven predictive analytics and so on and so forth. So if you want to take out, let's say, process flaws, only the potential or the ability for human error, this is what you do. You push the bar.

We, by the way, on our own also have this as a plan that we need to modernize. That is part of the rejuvenate agenda, modernize our manufacturing footprint. In the first couple of years, you have seen that we have rather cleaned the manufacturing footprint, as you rightfully mentioned, but now it is about modernization. Many things are a couple of decades old also when we talk about what is the potential, again, of technology.

What is, I think, important to manage is what we have seen in the warning letter is a quality system process issue. So it is not a patient safety issue. We nevertheless take it as serious because we want to have robust manufacturing systems according to good manufacturing practices in all our businesses where everywhere you see scrutiny. So process system things is the key here. We did take actions even on a management level, changing people, but the more important thing is how can we make our processes more robust? Again, no patient safety issue is involved. That is the most important thing.

The second thing is the financial impact of that one is limited for the remainder of the year. This is what we highlighted because it is all about transferring from one line to other lines in Melrose Park. There's an old Melrose Park and a new Melrose Park, and this is attributable to transferring from one line to the other to then use the new manufacturing line. So that one is in a way the subject of that one. Financial impact is limited. And for next year, we are already trying to navigate which other lines can be used in order to keep up the production volume and providing essential medicine for the country.

That being said, as serious as we take this, and it is serious, but concurrently gives us the opportunity, I would rather see gives us the opportunity to almost leapfrog in modernization, digitization, data-driven. This is almost, in my view, a self-help topic because the company will perform on the level it performs. What we said for the remainder of the year, for the full year, we said double-digit EPS growth. We gave you a hint on the margin, which is probably beyond 10, 11% for the group overall. Kabi going towards somewhere approaching the 17 and a five, six or 7% organic growth. This is all despite that topic, which

if it is rightfully attacked, and it is because it is concurrently an opportunity to enhance the entire system, is then a self-help opportunity going forward.

Nick:

David, just a quick comment from me, if I may, just to lead off Michael's comments. I think it's also just important to underscore that obviously within that warning letter, and I'm thinking specifically about your clients relative to a call we did earlier this week, is within the warning letter, it actually says may withhold approvals for new applications and supplement listings at Melrose Park. So my point is that there is absolutely no certainty with regards to that. And as many people will appreciate, this is actually standard warning letter. So I just think that's an important point to underscore.

David Adlington:

Very clear, Nick, thank you.

Okay, let's move onto pharma, so IV drugs and fluids. One of your more mature businesses now and one where the business enjoyed several years of super margins in the US as a lot of the competitors were off the market, those competitors came back and so did pricing and margins coming under bit of pressure. How do you see the outlook for pricing and margin of the business in what is one of the more commoditized parts of your business?

Michael Sen:

Look, it is a sizable business where it has a lot of stability and reliability. And on the one hand, you can label it commodity. From the patients and regulatory point of view, it is essential medicine. So no hospital, no system is going to work without what we cater there. And a few statements. The one thing is the super margins were a very particular window. I think it was 2018 or 2017 or whatever that was. And then ever since it has normalized, many competitors have come up. But the point also is that for the last 10 years, we have held our market share pretty stable. Actually, in the last couple of months, I think 12 months, even the number one market share on that one. And that is because the breadth of the portfolio, because also GPOs, our customers primarily, it is for them important not only that you have a competitive price; this is of course important; but that also you have supply certainty, that you have supply chain over there, a warehouse concept, that you have other little innovations which make a seamless integration into the workflow of the hospital, or we have little innovations which make the difference in the usage of containers or in the workflow of the nurses.

So this business by its nature, because it's generics, will see price pressure. The answer to the price pressure is volume and sometimes product launches, which is the innovation part in this equation. And that should lead you to what we said on average, 2% to 3% growth. And I always say, take a ruler, 20% margin. If you do the math, that gives you earnings growth. It will be volatile during the quarter. So there can be a quarter where we have 18.5 or there's a quarter where we may have 22% margin, but by and large, I always say take 20% margin.

And then on top of it, geopolitically what we see in the US, the administration has labeled that as very essential. So people who manufacture in the US for the US are

Michael Sen:

... Obviously getting the benefit. I also shared with you last year, I think in the Q3 call that we landed B2G, a government contract, opening a new customer segment, not only directly to the GPOs. And we will continue to do so because this is because of the portfolio breadth and the supply reliability. So yes,

price competition, but volume gain, breadth of portfolio, regulatory, I would say, or administration, even tailwind and essential medicine.

David Adlington:

Perfect. And maybe on the IB solution side, you ramped up production at your Wilson plants in North Carolina, and I think that was initially started really just from a US security supply issue, but now looking like a pretty good idea from a tariffs angle as well. You mentioned earlier, but maybe you could just build out on your comment about how you're feeling about exposure to tariffs and what further mitigations you might take there, and particularly the need for any more CapEx requirements in the US.

Michael Sen:

Yeah, this is less about the finished product side. This is more an API issue, but everybody in the market is exposed to sourcing APIs from China and from India. I think we are one of the first companies which for specific products, in this case it was Ephedrine, which is adrenaline. We partnered with a US API manufacturer to show that we can even have the full vertical supply chain being made in the US. So comparing and contrasting for the drug product, we are in the lead, I would say, against competitors. And therefore section 232, let's knock on wood, up until now, we're exempted from tariffs. The Wilson plant is to our full satisfaction. I would probably maybe update in the next earnings call, but I think two calls ago I said we also are picking share from the solution. So the solution part is actually growing, giving the capacity utilization.

And by the way, since you said there are different businesses in Kabi, what we also have next to new customer segments is where can we offer the full range of the portfolio, which gave us some competitive edge in a few deals in the last couple of months and quarters because we could offer solutions, we could offer large volume pumps, we could offer the generics part, IV generics part, and we could even offer parenteral nutrition. So these were the deals where we tried to set us apart from others who may only go into a transaction with offering a low price on a few molecules. Actually, customers have been visiting our Wilson plant to get an idea as to what is being catered in the country for the country.

David Adlington:

Perfect. And then just on the IB solution side, one question I've been asked recently by investors about potential increasing competition from both Indian and Chinese players. Is that something you are seeing?

Michael Sen:

No, no. I mean, I would be very surprised because look, let's say, the margin for that one, you need to really manage your operations and have capacity and enough capacity to have scale in the country. I mean, trying to ship solutions from China or India by air to the US, first of all, you are also then exporting. And the second thing, this would be way too costly. So on a large front, no.

David Adlington:

Perfect. Okay, let's move on to the more growthy sectors at Kabi. So firstly on nutrition, you pointed towards 4 to 7% annual growth there. You already have number one market share, so what's going to drive that level of growth?

Michael Sen:

Well, this is first of all procedure growth and in that procedure growth there's a structural element in there because there is more and more clinical evidence that nutrition, particularly when you then go now start also breaking down nutrition into disease areas, nutrition for oncology, nutrition for autoimmune, nutrition for pediatrics. So this gets even more sub-segmented because there's more hardcore, hard data-driven evidence that the right nutrition gets you to a better clinical outcome. You could even go to some sort of a personal nutrition, personal medicine as a vision going forward. So that in the hospital setting with procedure growth on chronic disease patterns, which are growing, and then embedding nutrition in clinical pathways, which by the way, at Quirónsalud, we already did it because we have the clear evidence, is driving that one, particularly on the parenteral nutrition. Then you have to move over from parenteral to enteral and even to home.

If people are used to getting some nutrition in the hospital and for a patient journey still need nutrition at home, this is where we can then make the switch. Oncology patients, for example, patients which cannot swallow, suffering from esophagus cancer and so on and so forth, they cannot stay in the hospital forever. So they need to go home. And at home, this is where we again come in with a brand and we are doing functionalities, even digital solution application, wrapping around services around the home. And then the enteral nutrition will enter, we will do a nutrition session, Nick Florian, I think in December where you will learn more. The enteral nutrition is even getting some more structural growth drivers because we see a trend that there's also some out-of-pocket element from people which we call consumerization. This is not that we go that far that we do chocolate bars for the supermarket, but there is a specific segment which is growing, which we call science-backed, consumer-led.

So there is a growing population sub-segment which will take not only supplements from the supermarket, but they want to have clinical... Not clinical studies as in medication, but clinical studies that this nutrition will lead to something. I'll give you an example, GLP-1. The three effects of GLP-1 is fatigue, muscle loss, and some disturbances with a microbiome. And we're going to come out probably beginning of next year with a portfolio, we call it the GLP-1 booster. There's a fatigue element in there, there's a specific protein in there, and then also obviously for the gut for the microbiome. And that specific protein tells you it is not only a protein like everybody else takes. We develop that protein because that protein needs to be also worked on. You take the protein and concurrently need to work out. And if you do that, then you get to the reduction of muscle loss and have substance again. And this is an example of the science-led, consumer-based segment, which we will also try to target going forward.

David Adlington:

Perfect, very clear. And you've seen a bit of a headwind over the last year or so from VBP on keto, which should analyze from Q3. When you look at the rest of your China business, are there any other areas we should be worried about around VBP or any of the other Chinese initiatives to take cost out of the system?

Michael Sen:

Yeah, I think it was even with you, David, but I think I started, was it two years or even three years ago where I said, I was the first one at that time saying, "Don't bank on China." So I would even rephrase it. Are you worried? I mean, the point is the structure in China is changing and it will change for good. It's not going to go back. That is not attributable to us. It is attributable to everybody. They changed the way of procuring going into volume-based procurement. We even see that this thing is being hyped up. We call it volume-based procurement 2.0, where now they use data and digital because before that you

could have maybe time-wise do some arbitration between a regional volume-based tender and a national volume-based tender. But if you close that loop via data, then that is closed.

The second thing I always mention is that China is also in the hospital space under heavy budget constraints. And you always see that the tipping point in the middle of the year, how much is being spent in the first half, and if it's in brackets overspent because it's medically needed, then they're going to push the brakes in the second half. So China structurally will not be a growth market. Therefore, it is important to say our exposure is not that high. Medium term, you can say that on the long-term, there's a few growth drivers like demographic change, rise of chronic disease, but that also makes the system cost-wise rise, and that's why they're taking these measures. Our exposure, three years ago, I said less than a billion shy as a billion.

This is now even less because of the volume-based procurement it is contracting and it will remain as competitive and you can see the next volume-based procurement and the next volume-based procurement and the next. Thank God we are not exposed like, let's say, many other companies and many other industries. There are pockets in China. There are pockets where, again, it comes to this out of pocket payment. Food for special medical purpose is one of this example, but even other, particularly on the nutrition side, where again, if people are willing to take it out of their pocket and pay for that one, these are segments you can still go after, but with a different structure, these are not that big like the others were, and therefore I'm not very bullish or what have you on China or the contrary.

David Adlington:

Got it. And then with that keto headwind analyzing in Q3, should we expect to see a return to high single digit and clinical nutrition this quarter?

Michael Sen:

No, this quarter is probably driven by many things, particularly China. I said there will be a few launches, we will probably more come into Q4, so I would be a little softer on the nutrition for this quarter.

David Adlington:

Clear. Okay, let's move on to MedTech where you're pointing towards eight to 10% growth. How do you expect to drive that sort of growth in what looks like a reasonably mature business with some pretty strong competitors?

Michael Sen:

Yeah, well, there's a few drivers. The Ivenix business actually only started and will still be an important thing because it started basically if you have a new product and you want to industrialize, first of all, you need customer acceptance. That has been tremendous. Customers, if it's only by customer acceptance, we could sell many, many, many, many thousand pumps, but we also need to produce them. Then we had a lead customer with Mayo. They were very, very demanding, maybe rightfully so, which kept us on our toes when it comes to the portfolio of sets, for example, let's say the complexity of interconnectivity into the hospital system, the interfaces to the hospital information system or the EMR, for example, to Epic and the like. So that all worked. We have many customers following them. So if you wish the leads we have, this is all working nicely.

What is also working is that we are on track of bringing down the cost per pump because we are producing that ourselves or have more leverage on the procurement side. And then let's say over the course of the next two to three years, the installed base will grow. As we get more competitive per pump and the installed base grows, you have a razor blade kind of thing with the sets, with every

procedure you need sets and every now and then you need software and software updates, a new software suite. And then as I said, selling, for example, in bulk with solutions together, which we did with a few customers now with having a large volume pump, and the new management is rather working on infusion systems.

So we don't talk about a pump, we talk about a system, we talk about functionality, not a product. We talk about more applications, and that is to build out connectivity. What can we maybe take even more out of data? Because there was also a study out there that using infusion system is one of the most cognitive work a nurse can do. And there's also room for error when you take life-saving medicines or oncology drugs and so on and so forth. So there's a lot also going forward which you can offer. This is on the whole Ivenix part. And then we have other software like the Adaptive Nomogram and pushing these functionalities, this will drive the growth going forward.

David Adlington:

Understood. And then maybe finally for Kabi, let's talk about biopharma or biosimilar business. An area you've put a lot of investment in over the years, both M&A and R&D, and now you're seeing a real return on that investment with some really strong growth and margins. You hosted the capital markets event last year in which you pointed towards a doubling of revenues by 2030 and 20% margins. So the first question is how are you tracking towards both of those goals?

Michael Sen:

Yeah. Well, I mean, you have to break it down into years, and obviously for this year we had a goal which we already had in our budget and we are trailing very nicely towards this goal. And this was primarily, as you know, driven by Tyenne. And at the beginning of the year where I think we started at JP Morgan in San Francisco, but then came our annual press conference where people told us, "You're very too conservative with your outlook." We upgraded the outlook in Q2, but part was that we said this year one competitor will also come to the market on Tyenne. The competitor is there. Up until now, we don't see that much shares being taken. Actually, demand is even higher than we can cater. This is maybe probably one of your next questions. So everything is working, trailing towards what we wanted to achieve this

Michael Sen:

... also behind the numbers, getting the accounts we wanted. Even now, as you probably will hint to what happens with the three large PBMs in the US, we are optimizing for value currently. And also ustekinumab and denosumab, our Bomynta and Conexence, the other two we launched this year, and on Conexence, or is it Bomynta, we have the PFS, the only one, Bomynta where we are the only ones who have the PFS. On oncology side, everything is working according to plan also at mAbxience, and that's why we bought it. And even if also timing-wise, mAbxience always has to be looked at is, are there any points where it is a good angle to attack exactly that window of opportunity? And this is what we did.

David Adlington:

Yeah. And then when we run the maths on the margin side, at least, it seems to me that you should be able to hit that 20% margin target to possibly even three years early. Are we missing something there in terms of the investment required?

Michael Sen:

Yeah. Well, I think many people have been asking me, this is a weird way to answer, but still have been asking me also what do we think about the capital market day of [inaudible 00:33:29] and so on and so forth. What you do see is this market, this industry, this modality is so vibrant. It has changed tremendously over the course of the next three years, and it has a real run. We believe what we said in the capital market thing, the market we serve currently will probably grow by six times from roughly 30 billion to 180 billion. So this is not... You mentioned med tech a couple of minutes ago and said mature business. So what I forgot, maybe in the answer, our pump is a totally different animal than every other pump which competitors have. That's why we now go to a system. But in a mature business, it is a race who gets which market share from whom.

So like in the automotive industry or in the pump industry, you win some and then you have to fight again and so on and so forth. In a market which is growing six times, it is more or less how do you ensure that if you are in a leading position that you participate from that market growth, which is coming by the loss of exclusivity in let's say the next decade, we have not gone to 2040 yet, but others have, loss of exclusivity where a huge market is evolving. By the same token, you have even regulatory headwind of waiving of phase 3 clinical trial, not so worried about competition, but rather can we go after molecules which have let's say a smaller peak sales originator point and thereby market and volume? This is all a matter of time to market in the development cycle. So therefore, concurrently we need to invest.

This is not a mature business where it is about margin optimization for the next two years and getting some operational leverage. Yes, this is also about that one because this is in every business, but it is concurrently, how do we invest to participate in a market which is so vibrant that we can build a business which sustainably creates value? And therefore you need a pipeline. I do not disagree with the competitor and therefore you need to invest into R&D. And if it's not R&D, into inlicensing. If it's not inlicensing, maybe into capital contribution. If it's not capital contribution, maybe into an extended workbench. That's why also mAbxience. I said we may even go beyond mAbxience, because we already see with the platforms and the three locations, factories we have, that thing is at capacity. There's only so much lines we can add.

And this is not generics, we are talking about bioreactors and then we could go into technology and so on and so forth. So if we do nothing, you could approach, I don't know which kind of margin, but we need to invest in order to not only keep it afloat like in a regular business, nor to participate in that growing, highly attractive market and to rather strengthen our market position to be one of the leading players.

David Adlington:

Great. And then when you mentioned there in terms of expanding the portfolio either organically or through acquisitions or licensing strategic partnerships, what are the key skills that Kabi can bring to potential partners that makes you attractive?

Michael Sen:

The key skills are that now with mAbxience, we are already what we call a biopharma powerhouse, which we were also day before yesterday, but we only had 55% of something which is a meaningful asset. And it's always if you have the full control, then you get the economic benefit going forward and so on and so forth. And sometimes it's a window of opportunity as I mentioned. What we bring to the table that we already have a fully verticalized value chain, that means we have a development machine, development engine, which has a specific output and has proven that it can develop molecules and get regulatory approval. We have a manufacturing platform and then we have a commercial front end. So if

you want to go beyond that, all our customers, it's like your question with the generics. They don't want to have a one-trick pony. You have to tell your customers what else do you have in stock as in catering a whole array of pipelines.

And this is where if we have the appropriate load on development and manufacturing and want to go beyond that, we can do some incremental costing kind of exercise because when we in license, of course, profit is shared, but it's also an incremental costing for us on the commercial front end because everything's already running at capacity. And on the commercial front end, you can rather scale easily by just putting in new molecules than I might need, I don't want five or 10 more salespeople. Whilst on the development side, I cannot scale that easily. This is a highly complex task, this is highly capability and people driven, so I cannot throw in 100 more people and then get more outcome. And the manufacturing is the same. You need more CapEx or you need, that's why a partnership if you want to go beyond what you have today because you already have a good position.

David Adlington:

Perfect, okay. And then last couple of years you've seen very good growth out of biopharma. TYENNE's obviously been a big driver of that. More recently denosumab. Just on TYENNE, you had particularly good share in Europe and the US. How's the molecule done relative to your original expectations and what are the key things you've learned for future launches?

Michael Sen:

Yeah, I mean it is actually in brackets beyond our expectation. This has put us in the situation we're in, which is actually a good situation. On the other hand, it's also a missed opportunity because the demand is so strong that we can't cater the TYENNE demand. That is what you saw in the IQVIA data also with three PBMs and that's why we are optimizing for volume. Obviously preparing for such a demand is nothing you can do overnight or for a couple of quarters. We have been preparing for strong demand. Initially, as you know, mAbxience was not even planned when we did it four years ago for having TYENNE in their portfolio on the manufacturing side for drug substance and then for drug product at a Kabi site. But we did it two and a half years ago anyways, which put us under some time pressure and we needed to work hard and therefore some inefficiency here and there, but it somehow worked.

What you learn out of that one that if you believe there's a molecule which will hit it off, you need to have the right capacities for that one and/or you need the right partner with the right capacities because that one, TYENNE is still primarily manufactured by Merck, Merck Germany. And that was the whole game plan to go into mAbxience. So going forward, if we believe one or the other molecule in 2030 or what have you will hit it off, we rather should reserve capacities on our own or make sure that we have enough capacity from partners. But the learning is still a positive one because we showed with our commercial front end that you can even go beyond the PBMs and get traction. And also outside the US, traction is very high.

David Adlington:

Yeah, you alluded to it there, but maybe we could just build out a bit more color. Obviously, we saw those TYENNE scripts fall a little bit over the summer. Maybe could you just expand on the explanation for that fall in script numbers and any impacts on the financial side?

Michael Sen:

Yeah, financial side is limited. I said that already, I think three weeks ago. I think we even disclosed it. We said one million or something like that. But Nick, why don't you give us some more color on that one?

Nick:

Yeah, no, happy to. I mean, I guess the short answer, David, is that TYENNE has actually delivered more than 750 million in cumulative sales. I think when you look at it from a revenue generation perspective at a geographic level, I mean, 66% of the revenue's coming from ex-US countries, so obviously there is not a concentration risk at a geographic level. And then similarly, if we look specifically at the US, I guess there's two things that I would pull out. So one of those is payer mix. So when we look at payer mix, actually we see that at a global level, it's actually skewed to subcutaneous. It's around 70% relative to IV. If you look at that through a European lens, it's then actually closer to 80% is subcutaneous in terms of volume just for the avoidance of doubt. And then when actually you look at the US, it's around 50% broadly split equally.

I think then when you look at each individual payer, so as I think about GPOs and obviously PBMs, they've all got a slightly different skew relative to each of the modes of administration in terms of subq or IV. And really when you look at PBMs, they are predominantly skewed almost entirely to subcutaneous. But then if you look at GPOs, for example, maybe it's a little bit more of a 40/60 split in terms of IV. The other part that I think is important is when you look at actually the preferred status of our contracts, particularly in the US. So for example, with subcutaneous, we still have 80% preferred status.

Obviously, it's always a dynamic situation as companies always meet and change obviously agreements. And then IV is around 55%. So I think the key message, and Michael's already taken the punchline if you will, in terms of the one million annualized impact, but I think actually when you look at the detail that underpins that number, there's actually a huge amount of diversification, both at a geographic level and then more specifically in the US when you look at it through the lens of payer and also mode of administration.

Michael Sen:

Yeah, let me reiterate again. I think what we said, David, is the demand is very strong. We don't see the demand taking a different trajectory. And what we've also seen is as we are not catering the demand for those PBMs anymore, because there's some contractual terms in that one, if you cannot meet them, then you get penalized pretty heavily between the difference between the originator price and the price they get. So that's why we make sure that the PBMs get what we promise them and make sure as a first priority that they get that. And then we also need to cater other customers. So we are basically optimizing for value for money, volume times price over the entire scale. But what we've also seen the script data is the volume or the share, which did not go to us, did not go to the competitor. It did go to the originator.

David Adlington:

Yeah, no, we saw that. Perfect. And then maybe just one thing that's come up for the investors is obviously you've received some milestone payments in biopharma over the last couple of years. Maybe you just would be able to share what contribution they've had in FY '26 and how we should be thinking about that in terms of either growth or contraction trajectory into '27. I know it's becoming less of a feature as the business overall grows, but just an idea around the milestone payments would be useful.

Michael Sen:

Yeah. Did we disclose that? If not, we'll give you some, or at latest Q3 where we always give the entire market some... Obviously, the milestone payments as they may be in brackets as financial people call it sometimes slump during the quarters, but it's an integral part of the business and it has been an integral part of the business. Now going forward, this will change obviously as mAbxience will be primarily our manufacturing platform, but where for the one contract which they have with the competitor, they will still receive milestone payments. We did that four years ago in order to de-risk the entire business. Now this whole thing turned around, it's not about de-risking anymore, it's about growing and that's why it will play a different role. But whenever they have external customers, they will, of course, receive milestone payments.

David Adlington:

Perfect. And then just to round out the mAbxience question, with your move to full ownership, does anything change operationally now you've got complete control or is it just a financial transaction taking over that last 45%?

Michael Sen:

Yeah, operationally it will change because they will get much closer. I mean, I know that many people always say, "Does it really change whether you have 55% or 100%?" Yes, it does. I mean, I've managed a lot of companies with co-shareholders in my professional life, and you have to also respect the corporate governance. You have the rights of other shareholders. Sometimes you have minority shareholders where they have specific rights, you have so-called related party transactions and so on. That all makes life operationally more complex than having 100%. Now that there's 100%, we don't need to take care of all these formal kind of things and can drive things much better, yet leave or give them the distance because mAbxience is a highly agile kind of company. It comes from a family-owned business. So the way they do things is maybe faster decision making on a few things, being more agile,

Michael Sen:

... to trying things out a little faster, for example, on manufacturing and introducing a digital twin, because in brackets they have three companies. So you have probably seen that we had a partnership with Hewlett Packard on a digital twin because they always have in their genes, how can I get the next generation of molecules which I produce at a lower cost?

They have, for example, Bevacizumab, they have a project which is called BEVA 4.0 because it's always a cycle of if I go to the next lot and the next non-contractual thing, how can I bring down the cost as the price in the market also fell? And this agility we want to keep by the same token when it comes, for example, to quality. When it comes to resources, they can tap into much bigger resources without paying a cost for that one. Talk about legal, talk about other support, also on the quality management as I said, but by the same token, keeping the agility.

David Adlington:

Great stuff. Okay, that's probably enough of Kabi now at least. Let's move on to Helios and Helios Germany. Obviously you faced some headwinds last year in terms of the energy support rolling off. This year you've had a few tailwinds, four billion surcharge for the industry seemed pretty healthy and some pretty healthy reimbursement uplift. A lot of chatter in the first half about German healthcare reform. That seems to be largely in the rearview mirror now.

We've got reimbursement uplift for next year of 4.85%. A lot of moving parts there, so I suppose the big question is if you think about the combination of volume growth, reimbursement measures coming through and inflation and then some cost efficiency measures offsets, how should we be thinking about, top line I think we can model quite well, but in terms of margins from here?

Michael Sen:

Yeah, I think we gave you a hint in last earnings call without, I mean, we'll give you more when we go for the full year outlook in February. But what we said is, as you nicely said, on the top line you can try to model by the volume, the inflator or the reimbursement. But then there's another piece which is the mix, which cases you have, the case weight. And this is something where you can work on if you have a system, for example, referral management.

And this is where the new management under Christian Pawlu, this is one of their levers going forward that they want to bank much more also with the help of digital and so on and so forth on referral management to manage the mix. First of all, referral, get the more complicated one into the right hospitals. And then in the hospital, if somebody has a knee surgery, he or she does not need to be in one of our full service providers, maybe it's even an ambulatory kind of thing.

And then there are things on the cost side which we can still do because a hybrid DRG obviously on the other hand will also have some pressure. But Christian committed himself to, I mean the margin band, there's no question of him committing or not, but he committed his organization to delivering in the margin band and also increasing the margin over the course of the next two, three years for Helios Germany despite headwinds. But there's also levers and there's volume growth and there's mix you can work on, and I think this is the hint we gave you in Q2.

David Adlington:

Fair enough. Perfect. And then on Spain, we've talked a lot over the years about German healthcare reform. Is there anything we should be thinking about in terms of Spain in terms of coming up and the reimbursement outlook there?

Michael Sen:

Nothing in particular. We always are also monitoring Spain as they now go, so we'll see what happens with the country after Pedro Sanchez wants to dissolve the parliament. But for us, it is also more important what happens in the region, so for in the Madrid area, in the Barcelona area and on the state level, if you so wish. Spain is continuing to invest into digitization and now AI on top of CASSIOPEIA. So they just showed us recently the use of meaningful agents with their work. So this is the continuous invest into digitization, partly also into CapEx, partly maybe into one or two... In Spain, as I always said there, we may buy something. We also bought some radiology things and so on and so forth, but this should enable them to further grow the way they grew and to deliver the margin.

David Adlington:

Perfect. Just mindful of time here. I just want to wrap up with another strategic question, which is you've been on this simplification journey, obviously exiting VarMed and Fresenius Medical on track. Kabi and Helios, very different businesses. Kabi is a more typical med tech products business, decent growth and margins. Helios much more defensive, but lower growth and margins and returns. Maybe you could just remind us of what the synergies are between the two businesses and have you considered a further step of simplification?

Michael Sen:

Yeah. No, I have not because there is nothing in the way of further capturing value or creating value and also no pathway for expediting creating value by changing the makeup. I think we rather have to be patient and we have to work very hard operationally and now go into this innovation-led growth because look at your first questions and our 700 or if the milestone comes, 750 million acquisition we did last week without jeopardizing the leverage, that comes from the stability of the portfolio.

You called it yourself defensive business, the hospital business. And again, being market leader, the volume is rather coming our way. So we have to manage it and then cater, I think, a decent margin, which equals cash earnings, gives the stability in the balance sheet and has a nice organic growth. Yes, the return may be a little different, but therefore it's more resilient, more defensive, even system critical. By the way, also not exposed to tariffs for an investor looking for stability.

Then on top of it comes also businesses which are, that's why you don't hear me often say Kabi and Helios. I talk about six businesses. And even within Kabi, yes, I mentioned some examples on the go-to market in the US, for example, where some of the businesses work together to come to a comprehensive go-to-market offering. But the dynamics, because you said MedTech, the dynamics in the biopharma business are different than in the MedTech business. And that's why we are banking on domain expertise in these businesses and want to get to leading position capturing innovation led growth. And that is our priority with capital allocation.

The biopharma being exposed to a very, very, very high growth, the nutrition tool, let's say a nice kind of growth, and I think still it is one of the crown jewels we have, the nutrition business. And then the MedTech business with the IV generics business, I talked about large volume pump and solutions, for example, I would cluster this one into critical care segment whilst the other tools in the last two years have been even growing more in highly and even more attractive markets. And this is the way I would cluster this.

And if you then take the cash flows, you get to the stability to further invest into innovation-led growth and then provide the return, giving it back to shareholders and the like. There are even some synergies, and I can elaborate on that one quite at length, but for capital markets, I will not put them in the window because quantifying them is a different thing. For example, when I talked about nutrition and science-based consumer-led, we have a huge data pool to tap into when we want to design and build these studies for science-based by having our own system, for example.

But also on the biopharma front, if speed is of the essence in designing clinical trials, then if we have data, and this is maybe the next sex appeal in the hospital business, is we need to go much more into digital and data on a platform level. And if we can tap in this proprietary data, then maybe at some point in time I will even talk to capital markets about that one.

David Adlington:

Perfect. That's a nice way to round it up from my side. Operator, do you have any questions on the lines, please?

Operator:

Yeah, nobody's in at the moment.

David Adlington:

Perfect. I've got a few that come through on email. I'll try and get through very quickly, maybe bring them all together. So there's three here around Melrose Place. So what are the next steps on Melrose?

What are the chances you won't be able to get new products approved, and how long does it take to switch production of new approvals to another facility?

Michael Sen:

I think we answered that one already. Look, the financial impact, and Nick even mentioned the language in the letter, the financial impact for this year, everything is baked into what we have said, and it is also limited. For next year, we are in the process of trying to navigate. I mean, this is not an overnight process as to can we use other lines for the launches for the products we want to produce and then ship into the US. This is an ongoing, and then we'll update you on this one.

But again, also that one will not shake the entire company. There may be some time lags or something like that, but then we concurrently think about mitigation and there's enough growth in many of our businesses to still have regular growth and margin and margin expansion even. And that's why I said if and when we then get it solved, this is even like a self-help.

And we need the investment anyways. This is, I think, one of the key messages. The world is not standing still, and that's why I said the scrutiny of the regulator is even maybe a nice kind of catalyst. And actually, sometimes I would also say we should like having a regulator because it increases the barrier of entry. If we now invest into manufacturing technology and modernize it, you mentioned at the beginning, what about competition and from Asia and so on and so forth, then maybe it is even increasing the competitive edge.

David Adlington:

Perfect. And then just mindful of time, two more to round out. So firstly, as you look across your businesses, how are you thinking about inflation headwinds into next year? And are there any areas you are a bit more concerned about?

Michael Sen:

Yeah, I mean, it's clear that there will be inflation headwinds because as we see in the newspaper every day, where you can already see it is particularly on logistic costs. This would be the direct impact of fuel costs. Actually, not so much the oil price, but it's more about oil products or refinery products. So this goes into logistics where oil is a feedstock, for example, on our bags and stuff.

We do expect inflationary headwinds and maybe incremental to what we've seen, let's say half a year ago, because there was no Middle East war. But by the same token, we always call it the economic equation or our productivity bridge. There is volume, there is inflation, there is price, and price can be price pressure on generics, but you can also have in particular businesses pricing power, which we only came to use in the last couple of years.

I know it from other industry. When you have innovations, I talked about even in the generics industry, innovation of handling of our containers, of so on and so forth, either it helps you in the tender process or in some instances on MedTech, for example, on nutrition, when there's pricing power, it's a question of incentivizing your field force, your sales force. So it's always the price net equation, this is positive or negative. The inflation is always a headwind. This is more than maybe half a year ago. But then what comes out of volume? How much can we compensate already by volume? And then comes productivity measures.

And this company has learned over the course of the last couple of four years, remember my first call where I said, this is all going to be focused operationally on productivity, that you need to pull productivity levers, and we still have several levers, even structural levers. And then even think about

that thing gets dissolved where of course we have remediation costs also on the FDA topics, but at some point in time they will also vanish.

David Adlington:

Perfect. And then Warren has a quite quick one to round us out the day. Are you interested in the generic GLP-1 opportunity?

Michael Sen:

Less so. That's why we are more interested in the nutrition GLP opportunity.

David Adlington:

Great stuff. Perfect. Michael, thank you very much for that. Really appreciate your time as always. Always a really good call to round out the business for the year. Thank you very much and thanks everyone for joining and we'll see you next time. [inaudible 01:02:48]. Thanks guys.

Michael Sen:

Thank you. Bye now.