

Fresenius Medical Care AG & Co. KGaA

FY23 earnings call key takes & model update

Reiterate Rating: UNDERPERFORM | PO: 29.00 EUR | Price: 37.70 EUR

Limited room for positive surprise in 2024

As expected, most of the airtime on the call focused on the margins' trajectory to the +10-14% guide, despite management reiterating the target in the morning (see our [First Take here](#)). We see limited room for Fresenius Medical Care to positively surprise on profitability in 2024, given 1) productivity's improvements first expected in 2024 were pulled forward in 2023, and 2) benefits from re-negotiation of contracts in Care Enablement could be more than offset by inflation/transaction headwinds. We see Q1'24 as the weakest quarter due to the seasonality (more mistreatments in winter) and inflation/FX improving only from H2. We slightly cut our sales forecasts reflecting cost pressures and cut by 5-7% our EPS following a higher tax rate/financial expenses. With our estimates' cuts and our updated DCF (8% WACC, 1% terminal growth rate vs prior 8.7%/0.5%), our PO moves to €29 (ADR: \$15) from €31 (ADR: \$16). We reiterate our Underperform as we continue to see risks from 1) NOVO's FLOW study results to be published potentially around their CMD (7th of March) and 2) Fresenius SE's potential sell down.

3 key takes from the call

1) **Clinics closures & portfolio divestments:** After closing 72 clinics in 2023, Fresenius Medical Care could be closing only a single digit number of clinics in 2024, limiting profitability' gains from higher utilisation rates. However, we believe more divestments could be expected in 2024 given management continues to look into selling 1) non-core assets & 2) non-profitable businesses (mostly in Care Delivery International).

2) **Path to 2025 targets:** Management reiterated their 2025 guidance, for the group and each division. Our biggest concern remains Care Enablement's turn around, where we see limited pricing (L-MSD in 2024), continuous transactional pressure and cost inflation. We sit 1.7% below low end of the guide in 2025 (6.3% vs guide 8-12%).

3) **Treatments volume growth:** [Similar to DaVita's +1-2%](#), Fresenius Medical Care expect +0.5-2% volume in 2024. We note this excludes the exit of acute contracts (-0.5% headwind in '23) and assumes a balanced impact from GLP-1 on patients' growth.

Estimates (Dec) (EUR)	2022A	2023A	2024E	2025E	2026E
EPS (Adjusted Diluted)	2.49	2.58	2.70	3.47	3.98
EPS Change (YoY)	-28.3%	3.6%	4.9%	28.5%	14.6%
Dividend / Share	1.12	1.19	0.93	1.24	1.49
ADR EPS (Adjusted Diluted - US\$)	1.31	1.39	1.46	1.88	2.15
ADR Dividend / Share (US\$)	0.59	0.64	0.51	0.67	0.81
Valuation (Dec)					
P/E	15.2x	14.6x	13.9x	10.9x	9.47x
Dividend Yield	2.97%	3.16%	2.48%	3.29%	3.96%
EV / EBITDA*	6.95x	6.72x	7.24x	6.75x	6.56x
Free Cash Flow Yield*	15.0%	19.1%	19.8%	16.3%	17.0%

* For full definitions of *IQmethod*SM measures, see page 8.

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Refer to important disclosures on page 9 to 12. Analyst Certification on page 7. Price Objective Basis/Risk on page 7.

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21 February 2024

Equity

Key Changes

(EUR)	Previous	Current
Price Obj.	31.00	29.00
2024E Rev (m)	19,747.1	19,572.3
2025E Rev (m)	20,165.3	19,962.6
2026E Rev (m)	20,640.5	20,366.5
2024E EPS	2.92	2.70
2025E EPS	3.66	3.47
2026E EPS	4.21	3.98
2024E DPS	1.01	0.93

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Stock Data

Price (Common / ADR)	37.70 EUR / 20.62 USD
Price Objective	29.00 EUR / 15.00 USD
Date Established	21-Feb-2024 / 21-Feb-2024
Investment Opinion	B-3-8 / B-3-8
52-Week Range	30.16 EUR-49.62 EUR
Market Value (mn)	11,062 EUR
Shares Outstanding (mn)	293.4 / 586.8
Average Daily Value (mn)	15.71 USD
Free Float	67.8%
BofA Ticker / Exchange	FMCQF / GER
BofA Ticker / Exchange	FMS / NYS
Bloomberg / Reuters	FMEGY / FMEG.DE
ROE (2024E)	5.8%
Net Dbt to Eqty (Dec-2023A)	71.8%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

LSD: Low single digit

M-H: Mid-to-high

CMD: Capital Market Day

FME: Fresenius Medical Care

iQprofileSM Fresenius Medical Care AG & Co. KGaA

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(EUR Millions)					
Sales	19,398	19,454	19,572	19,963	20,366
EBITDA Adjusted	3,378	3,493	3,245	3,481	3,579
Depreciation & Amortization	(1,838)	(1,752)	(1,500)	(1,481)	(1,410)
EBIT Adjusted	1,540	1,741	1,744	1,999	2,169
Net Interest & Other Income	(292)	(336)	(318)	(283)	(249)
Tax Expense / Benefit	(317)	(415)	(399)	(463)	(518)
Net Income (Adjusted)	729	756	793	1,019	1,168
Average Fully Diluted Shares Outstanding	293	293	293	293	293

Key Cash Flow Statement Data					
Net Income (Reported)	673	499	685	910	1,095
Depreciation & Amortization	1,838	1,752	1,500	1,481	1,410
Change in Working Capital	(454)	89.2	457	(92.0)	(74.4)
Deferred Taxation Charge	0	0	0	0	0
Other CFO	110	289	105	96.9	88.7
Cash Flow from Operations	2,167	2,629	2,747	2,396	2,519
Capital Expenditure	(724)	(685)	(1,468)	(1,497)	(1,527)
(Acquisition) / Disposal of Investments	96.4	188	0	0	0
Other CFI	(107)	(48.0)	365	0	0
Cash Flow from Investing	(735)	(544)	(1,103)	(1,497)	(1,527)
Share Issue / (Repurchase)	20.2	0	0	0	0
Cost of Dividends Paid	(396)	(329)	(349)	(274)	(364)
Increase (decrease) debt	(108)	(1,162)	(500)	0	0
Other CFF	(1,134)	(368)	(105)	(96.9)	(88.7)
Cash Flow from Financing	(1,617)	(1,859)	(954)	(371)	(452)
Total Cash Flow (CFO + CFI + CFF)	(185)	226	690	528	539
FX and other changes to cash	(23.2)	(96.3)	0	0	0
Change in Cash	(208)	130	690	528	539
Change in Net Debt	100	(1,292)	(1,190)	(528)	(539)
Net Debt	11,939	10,647	9,457	8,929	8,390

Key Balance Sheet Data					
Property, Plant & Equipment	4,153	3,783	3,398	3,359	3,318
Goodwill	15,791	14,650	14,650	14,650	14,650
Other Intangibles	1,519	1,362	1,318	1,272	1,237
Other Non-Current Assets	6,088	5,433	5,464	5,566	5,759
Trade Receivables	3,574	3,471	3,544	3,615	3,688
Cash & Equivalents	1,274	1,403	2,094	2,621	3,160
Other Current Assets	3,355	3,827	3,613	3,671	3,736
Total Assets	35,754	33,930	34,082	34,754	35,549
Long-Term Debt	11,176	10,489	9,989	9,989	9,989
Other Non-Current Liabilities	2,662	2,503	2,503	2,503	2,503
Short-Term Debt	2,037	1,562	1,562	1,562	1,562
Other Current Liabilities	4,430	4,550	4,867	4,902	4,967
Total Liabilities	20,305	19,103	18,920	18,956	19,020
Total Equity	15,449	14,827	15,162	15,798	16,529
Total Equity & Liabilities	35,754	33,930	34,082	34,754	35,549

Business Performance*					
Return On Capital Employed	3.93%	4.25%	4.48%	5.16%	5.35%
Return On Equity	5.46%	5.48%	5.75%	7.14%	7.81%
Operating Margin	7.94%	8.95%	8.91%	10.0%	10.7%
Free Cash Flow (MM)	1,661	2,110	2,193	1,804	1,886

Quality of Earnings*					
Cash Realization Ratio	2.97x	3.48x	3.46x	2.35x	2.16x
Asset Replacement Ratio	0.39x	0.39x	0.98x	1.01x	1.08x
Tax Rate	25.4%	29.5%	28.0%	27.0%	27.0%
Net Debt/Equity	77.3%	71.8%	62.4%	56.5%	50.8%
Interest Cover	4.28x	4.11x	4.38x	5.40x	7.32x

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Medical Technology

Company Description

Fresenius Medical Care is the largest integrated provider in the global dialysis product and services market, caring for over 345k patients (9% of global patient share in 2022) and holds a 35% market share in dialysis products and services. The company operates 4,116 dialysis centres globally (2022), sells dialysis machines, dialysers, and other related products. FMC also provides ESRD related drugs (renal pharmaceuticals), and ancillary services (e.g., value-based care programs, etc.).

Investment Rationale

We recognise FMC's new management team and FME25 program are improving results (from a low base). However, we see too many overhangs (few controllable by management) which could lead to earnings downgrades and de-rating. We expect consensus to decline with GLP-1 and wage inflation headwinds. We also see downside risks from Fresenius SE selling down its 32% stake and Novo Nordisk's FLOW study results expected to be published in H1'24.

Stock Data

Shares / ADR	0.50
Price to Book Value	0.8x

Quarterly Earnings Estimates

	2023	2024
Q1	0.52A	0.40E
Q2	0.60A	0.64E
Q3	0.57A	0.79E
Q4	0.88A	0.88E

Key Changes

(US\$)	Previous	Current
Price Obj.	16.00	15.00
2024E EPS	1.58	1.46
2025E EPS	1.98	1.88
2026E EPS	2.28	2.15
2024E DPS	0.55	0.51

Estimate changes

We slightly cut our 2024 top line forecasts to reflect continuous FX headwinds, moderate reimbursement but better volume growth. At the profitability level, we assume labour costs of €140m (guide €150-200m), cost inflation of €100m (guide €100-150m), FX headwinds of €60m, as well as €150m of savings from the FME25 program (guide €100-150m). We also adjusted our tax rate at the mid-point of the 2024 guide (27-29%). For 2024, we expect 2.5% organic growth and 13% adjEBIT growth vs respective guide of L-MSD sales % growth and M-H teens % growth in adjEBIT. Margins sit at the lower end of management's 10-14% mid-term targets with 10% expected in 2025. We updated our DCF assumptions, with an 8% WACC now using a risk-free rate of 3.4% and a market risk premium of 7% (BofAe internal metrics), an adjusted beta of 0.9x (Bloomberg) and a terminal growth rate of c1%.

Exhibit 1: We update our FY23 reflecting continuous FX headwinds, moderate reimbursement but better volume growth

New versus Old BofA estimates for Fresenius Medical Care, €m

FY24E Earnings changes				FY25E Earnings changes			
	Old	New	Change		Old	New	Change
Care Delivery	15,889	15,750	(0.9%)	Care Delivery	16,249	16,098	(0.9%)
Care Enablement	5,401	5,379	(0.4%)	Care Enablement	5,537	5,515	(0.4%)
Inter-segment eliminations	(1,544)	(1,557)	(0.9%)	Inter-segment eliminations	(1,621)	(1,651)	(1.8%)
Total Sales	19,747	19,572	(0.9%)	Total Sales	20,165	19,963	(1.0%)
AdjEBIT	1,748	1,744	(0.2%)	AdjEBIT	2,018	1,999	(0.9%)
EBIT - Care Delivery	1,571	1,597	1.7%	EBIT - Care Delivery	1,721	1,723	0.1%
EBIT - Care Enablement	224	216	(3.5%)	EBIT - Care Enablement	347	349	0.8%
EBIT - Inter-segment eliminations	(47)	(69)	(31.4%)	EBIT - Inter-segment eliminations	(50)	(73)	(32.1%)
Interest Income	84	80	(4.9%)	Interest Income	96	87	(9.3%)
Interest Expense	(373)	(398)	(6.3%)	Interest Expense	(362)	(370)	(2.4%)
EBT	1,459	1,427	(2.2%)	EBT	1,753	1,716	(2.1%)
Tax Expense	(379)	(399)	(5.0%)	Tax Expense	(456)	(463)	(1.7%)
Minority Interests	(225)	(234)	(3.8%)	Minority Interests	(225)	(234)	(3.8%)
Net Income	855	793	(7.2%)	Net Income	1,072	1,019	(5.0%)
Post Tax Exceptionals	(111)	(108)	2.8%	Post Tax Exceptionals	(111)	(110)	1.4%
Net Income Post Exceptionals	744	685	(7.9%)	Net Income Post Exceptionals	961	910	(5.4%)
Diluted EPS (Pre-Exceptionals)	2.92	2.70	(7.3%)	Diluted EPS (Pre-Exceptionals)	3.66	3.47	(5.0%)
Diluted EPS (Post-Exceptionals)	2.54	2.33	(8.0%)	Diluted EPS (Post-Exceptionals)	3.28	3.10	(5.4%)
DPS (€)	1.01	0.93	(8.0%)	DPS (€)	1.31	1.24	(5.4%)
GROWTH				GROWTH			
	Old	New	Change		Old	New	Change
Sales	2.1%	0.6%	(70.8%)	Sales	2.1%	2.0%	(5.8%)
EBIT	8.0%	0.2%	(97.7%)	EBIT	15.5%	14.6%	(5.5%)
EBT	14.6%	1.5%	(89.5%)	EBT	20.1%	20.3%	1.0%
Diluted EPS	28.3%	4.9%	(82.7%)	Diluted EPS	25.4%	28.5%	12.1%
MARGINS				MARGINS			
	Old	New	Change		Old	New	Change
EBITDA Margin	16.9%	16.6%	(2.0%)	EBITDA Margin	17.7%	17.4%	(1.7%)
EBIT Margin	8.8%	8.9%	0.7%	EBIT Margin	10.0%	10.0%	0.1%
EBT Margin	7.4%	7.3%	(1.4%)	EBT Margin	8.7%	8.6%	(1.1%)
Effective Tax Rate	26.0%	28.0%	7.7%	Effective Tax Rate	26.0%	27.0%	3.8%
Net Margin	4.3%	4.1%	(6.4%)	Net Margin	5.3%	5.1%	(4.0%)
RETURNS				RETURNS			
	Old	New	Change		Old	New	Change
Asset Turn	0.54x	0.58x	6.1%	Asset Turn	0.55x	0.58x	5.9%
EBIT Margin	8.8%	8.9%	0.7%	EBIT Margin	10.0%	10.0%	0.1%
Tax Rate	26.0%	28.0%	7.7%	Tax Rate	26.0%	27.0%	3.8%
ROIC Including Goodwill	5.2%	5.3%	1.4%	ROIC Including Goodwill	6.1%	6.2%	2.5%
ROIC Excluding Goodwill	14.2%	13.7%	(3.8%)	ROIC Excluding Goodwill	16.9%	16.6%	(2.3%)
Return on Equity	6.0%	5.8%	(3.5%)	Return on Equity	7.2%	7.1%	(0.3%)

Source: BofA Global Research estimates

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Financial summary

Exhibit 2: We expect Fresenius Medical Care's EBIT margin to through in 2022, but see pressures on volume's growth rate

Fresenius Medical Care summary income statement (€m)

FMC P&L (€m)	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Care Delivery	nm	nm	nm	nm	15,593	15,578	15,750	16,098	16,463	16,835	17,216
Care Enablement	nm	nm	nm	nm	5,353	5,345	5,379	5,515	5,653	5,796	5,924
Inter-segment eliminations	nm	nm	nm	nm	-1,548	-1,469	-1,557	-1,651	-1,750	-1,855	-1,966
Total Sales	16,547	17,477	17,859	17,619	19,398	19,454	19,572	19,963	20,366	20,776	21,174
Care Delivery	nm	nm	nm	nm	1,478	1,687	1,597	1,723	1,861	2,002	2,148
Care Enablement	nm	nm	nm	nm	103	119	216	349	386	423	444
Inter-segment eliminations	nm	nm	nm	nm	(41)	(65)	(69)	(73)	(77)	(82)	(87)
EBIT	2,346	2,356	2,499	1,915	1,540	1,741	1,744	1,999	2,169	2,343	2,504
Interest Income	147	62	42	73	68	88	80	87	47	58	68
Interest Expense	(448)	(491)	(410)	(353)	(360)	(424)	(398)	(370)	(296)	(296)	(296)
EBT	2,045	1,927	2,131	1,635	1,248	1,405	1,427	1,716	1,920	2,105	2,276
Tax Expense	(424)	(452)	(501)	(367)	(317)	(415)	(399)	(463)	(518)	(568)	(615)
Minority Interests	(244)	(239)	(271)	(250)	(202)	(234)	(234)	(234)	(234)	(234)	(234)
Net Income attributable to FMC (Pre-Exceptionals)	1,377	1,236	1,359	1,018	729	756	793	1,019	1,168	1,303	1,428
Total Exceptionals	605	(36)	(195)	(49)	(56)	(257)	(108)	(110)	(73)	(73)	(73)
Net Income Post Exceptionals	1,982	1,200	1,164	969	673	499	685	910	1,095	1,230	1,355
Diluted EPS (Pre-Exceptionals)	4.48	4.08	4.62	3.47	2.49	2.58	2.70	3.47	3.98	4.44	4.87
Diluted EPS (Post-Exceptionals)	6.45	3.96	3.96	3.30	2.30	1.70	2.33	3.10	3.73	4.19	4.62
DPS (€)	1.17	1.20	1.34	1.35	1.12	1.19	0.93	1.24	1.49	1.68	1.85
GROWTH	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Sales	-6.5%	5.6%	2.2%	-1.3%	10.1%	0.3%	0.6%	2.0%	2.0%	2.0%	1.9%
EBIT	-5.9%	0.4%	6.1%	-23.4%	-19.6%	13.1%	0.2%	14.6%	8.5%	8.0%	6.9%
EBT	-4.4%	-5.8%	10.6%	-23.3%	-23.7%	12.6%	1.5%	20.3%	11.9%	9.6%	8.1%
Diluted EPS	14.3%	-8.9%	13.2%	-25.0%	-28.3%	3.6%	4.9%	28.5%	14.6%	11.6%	9.6%
MARGINS	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
EBITDA Margin	18.9%	22.6%	24.0%	20.1%	17.4%	18.0%	16.6%	17.4%	17.6%	17.7%	17.8%
EBIT Margin	14.2%	13.5%	14.0%	10.9%	7.9%	8.9%	8.9%	10.0%	10.7%	11.3%	11.8%
EBT Margin	12.4%	11.0%	11.9%	9.3%	6.4%	7.2%	7.3%	8.6%	9.4%	10.1%	10.7%
Effective Tax Rate	20.7%	23.5%	23.5%	22.5%	25.4%	29.5%	28.0%	27.0%	27.0%	27.0%	27.0%
Net Margin	8.3%	7.1%	7.6%	5.8%	3.8%	3.9%	4.1%	5.1%	5.7%	6.3%	6.7%
RETURNS	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Asset Turn	0.66x	0.59x	0.55x	0.53x	0.55x	0.56x	0.58x	0.58x	0.58x	0.58x	0.57x
EBIT Margin	14.2%	13.5%	14.0%	10.9%	7.9%	8.9%	8.9%	10.0%	10.7%	11.3%	11.8%
Tax Rate	20.7%	23.5%	23.5%	22.5%	25.4%	29.5%	28.0%	27.0%	27.0%	27.0%	27.0%
ROIC Including Goodwill	11.1%	8.5%	8.0%	6.3%	4.6%	4.9%	5.3%	6.2%	6.7%	7.2%	7.5%
ROIC Excluding Goodwill	40.7%	22.1%	18.3%	15.1%	11.3%	12.4%	13.7%	16.6%	17.7%	18.6%	19.1%
Return on Equity	12.8%	10.4%	11.7%	8.5%	5.5%	5.5%	5.8%	7.1%	7.8%	8.3%	8.6%

Source: BofA Global Research estimates, company data

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Exhibit 3: Fresenius Medical Care's leverage position to improve over time

Fresenius Medical Care summary balance sheet (€m)

FMC Balance Sheet (€m)	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Cash & Equivalents	2,146	1,008	1,082	1,482	1,274	1,403	2,094	2,621	3,160	3,648	4,111
Trade Accounts Receivable	3,232	3,421	3,153	3,409	3,574	3,471	3,544	3,615	3,688	3,762	3,834
Receivables from Related Parties	199	159	91	162	140	165	154	157	160	163	166
Inventories	1,467	1,663	1,895	2,038	2,296	2,179	2,251	2,296	2,343	2,390	2,436
Prepaid Expenses & Others	804	914	1,054	876	919	1,482	1,208	1,218	1,234	1,249	1,266
Deferred Taxes	-	-	-	-	-	-	-	-	-	-	-
Current Assets	7,847	7,165	7,275	7,967	8,203	8,701	9,251	9,907	10,584	11,213	11,812
Property, Plant & Equipment	3,836	4,190	4,057	4,235	4,153	3,783	3,398	3,359	3,318	3,279	3,209
Goodwill	12,210	14,017	12,959	14,362	15,791	14,650	14,650	14,650	14,650	14,650	14,650
Intangible Assets	681	1,426	1,381	1,459	1,519	1,362	1,318	1,272	1,237	1,200	1,160
Deferred Taxes	346	361	351	315	313	284	284	284	284	284	284
Investments in Associates	650	697	761	787	774	643	643	643	643	643	643
Other Assets	673	753	775	925	815	835	835	835	835	835	835
Non-Current Assets	18,395	25,770	24,414	26,399	27,551	25,228	24,831	24,847	24,965	25,193	25,521
Accounts Payable	641	717	732	736	813	762	806	813	828	844	859
Accounts Payable to Related Parties	154	119	95	121	118	123	123	125	127	129	132
Provisions and other Liabilities	2,904	2,226	3,414	3,677	3,355	3,293	3,566	3,593	3,639	3,687	3,734
Short Term Borrowings	1,205	1,150	63	1,178	665	457	457	457	457	457	457
Related Parties Borrowings	189	22	16	78	4	-	-	-	-	-	-
Current Portion of Long-Term Debt + Capital Lease	1,107	2,086	1,008	668	694	488	488	488	488	488	488
Income Tax Payable	68	102	118	138	144	372	372	372	372	372	372
Deferred Taxes	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities	6,268	7,059	6,056	7,258	6,467	6,112	6,428	6,464	6,528	6,593	6,658
Debt & Capital Lease Obligations	5,046	6,458	6,800	6,647	7,171	6,960	6,460	6,460	6,460	6,460	6,460
Other Liabilities	751	617	1,035	708	1,184	1,048	1,048	1,048	1,048	1,048	1,048
Pension Liabilities	552	689	719	783	514	664	664	664	664	664	664
Income Tax Payable	97	78	79	36	27	40	40	40	40	40	40
Deferred Taxes	627	740	786	868	936	750	750	750	750	750	750
Minority Interest	1,144	1,269	1,116	1,280	1,460	1,206	1,206	1,206	1,206	1,206	1,206
Non-Current Liabilities	8,216	13,918	14,418	14,410	15,297	14,198	13,698	13,698	13,698	13,698	13,698
Ordinary Shares	308	304	293	293	293	293	293	293	293	293	293
Preference Shares	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	(51)	(371)	-	-	-	-	-	-	-	-	-
Additional Paid in Capital	3,873	3,608	2,873	2,891	3,373	3,380	3,380	3,380	3,380	3,380	3,380
Retained Earnings	8,832	9,455	10,255	10,826	10,712	10,922	11,258	11,893	12,624	13,416	14,278
Accumulated Losses	(1,204)	(1,039)	(2,205)	(1,312)	(388)	(975)	(975)	(975)	(975)	(975)	(975)
Total Equity	11,758	11,958	11,215	12,699	13,989	13,620	13,956	14,592	15,322	16,114	16,977
ANALYTICS	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Working Capital (Simple)	(567)	(902)	138	(772)	462	1,186	729	821	896	971	1,043
Working Capital / Sales	-3%	-5%	1%	-4%	2%	6%	4%	4%	4%	5%	5%
Days Inventory Outstanding	30.4	32.7	36.4	40.7	40.8	42.0	42.0	42.0	42.0	42.0	42.0
Days Sales Outstanding	72.4	69.5	67.2	68.0	65.7	66.1	66.1	66.1	66.1	66.1	66.1
Days Payables Outstanding	16.8	18.3	19.5	19.0	17.6	18.0	18.0	18.0	18.0	18.0	18.0
Cash Conversion Cycle	86.0	83.8	84.1	89.7	88.8	90.1	90.1	90.1	90.1	90.1	90.1
Net Debt	(5,401)	(13,413)	(11,298)	(11,838)	(11,939)	(10,647)	(9,457)	(8,929)	(8,390)	(7,902)	(7,440)
Net Debt / EBITDA (adj)	1.7x	3.4x	2.6x	3.3x	3.5x	3.0x	2.9x	2.6x	2.3x	2.2x	2.0x
Interest Coverage	7.8x	5.5x	6.8x	6.8x	5.3x	5.2x	5.5x	7.1x	8.7x	9.8x	11.0x

Source: BofA Global Research estimates, company data

BofA GLOBAL RESEARCH

Exhibit 4: Fresenius Medical Care's CFO/sales to remain stable over time

Fresenius Medical Care summary cash flow (€m)

FMC Cash Flow (€m)	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Net Income (Pre-Minorities)	2,226	1,439	1,436	1,219	894	732	919	1,144	1,329	1,464	1,589
Depreciation & Amortization	790	1,593	1,786	1,624	1,838	1,752	1,500	1,481	1,410	1,330	1,260
Increase / (Decrease) in Deferred Taxes	89	64	111	67	(41)	(122)	-	-	-	-	-
(Gain) / Loss on Sale of Investments	-	-	-	-	-	-	-	-	-	-	-
(Gain) / Loss on Sale of Fixed Assets	(807)	(99)	(58)	44	(99)	(13)	-	-	-	-	-
Compensation Expense for Stock Options	11	2	-	-	-	-	-	-	-	-	-
Cash Inflow from Hedging	-	(13)	-	-	-	-	-	-	-	-	-
Investments in Associates	(28)	(28)	(95)	(92)	(67)	(122)	-	-	-	-	-
(Increase) / Decrease in Accounts Receivable	(165)	(106)	12	(101)	(77)	(126)	(73)	(71)	(73)	(74)	(72)
(Increase) / Decrease in Inventories	(157)	(118)	(356)	(49)	(204)	(13)	(72)	(45)	(46)	(47)	(46)
Prepaid Expenses & Other	(13)	(46)	(178)	164	154	146	274	(9)	(16)	(16)	(16)
Receivables from Related Parties	(6)	42	60	(63)	30	(26)	12	(3)	(3)	(3)	(3)
Payables to Related Parties	4	(36)	(16)	20	(9)	(11)	0	1	2	2	2
Accounts Payable, Accrued Expenses & Other	(85)	(129)	1,390	(384)	(348)	119	316	35	62	63	62
Income Tax Payable	157	(8)	324	314	326	472	-	-	-	-	-
Other Operating Cash Flow Items & Adjustments	(255)	(421)	(550)	(555)	(522)	(496)	(447)	(420)	(394)	(392)	(391)
Operating Cash Flow	2,062	2,567	4,233	2,489	2,167	2,629	2,747	2,396	2,519	2,564	2,613
(Purchase) / Sales of PPE & RoU	(1,003)	(1,113)	(1,052)	(854)	(724)	(685)	(1,468)	(1,497)	(1,527)	(1,558)	(1,588)
(Acquisitions) / Divestments	(925)	(2,233)	(259)	(434)	(59)	(35)	365	-	-	-	-
(Purchase) / Sales of Investments	1,683	60	30	77	96	188	-	-	-	-	-
Other investing CF items	-	-	(54)	15	(48)	(13)	-	-	-	-	-
Investing Cash Flow	(245)	(3,286)	(1,335)	(1,196)	(735)	(544)	(1,103)	(1,497)	(1,527)	(1,558)	(1,588)
Increase / (Decrease) in Borrowings	161	319	(1,266)	(359)	(1,118)	(1,190)	(500)	-	-	-	-
Increase of AR Securitization Program	(299)	381	(374)	-	95	(69)	-	-	-	-	-
Purchase (Proceeds) from Shares	47	16	13	7	20	-	-	-	-	-	-
Conversion of Preference Shares	-	-	-	-	-	-	-	-	-	-	-
Purchase of Treasury Stock	(37)	(600)	(366)	-	-	-	-	-	-	-	-
Dividends Paid	(325)	(355)	(351)	(392)	(396)	(329)	(349)	(274)	(364)	(438)	(492)
Distributions to Minorities	(296)	(296)	(366)	(335)	(307)	(313)	(234)	(234)	(234)	(234)	(234)
Contributions from Minorities	67	68	47	55	89	43	129	137	145	154	163
Other Financing Cash Flow	-	-	-	-	(0)	-	-	-	-	-	-
Financing Cash Flow	(682)	(467)	(2,664)	(1,024)	(1,617)	(1,859)	(954)	(371)	(452)	(518)	(563)
Net Change in Cash	1,135	(1,186)	234	269	(185)	226	690	528	539	488	463
FX Impact	32	48	(160)	131	(23)	(73)	-	-	-	-	-
Change in Cash	1,168	(1,138)	74	400	(208)	153	690	528	539	488	463
ANALYTICS	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
CFO	2,062	2,567	4,233	2,489	2,167	2,629	2,747	2,396	2,519	2,564	2,613
CFO / Sales	12%	15%	24%	14%	11%	14%	14%	12%	12%	12%	12%
CAPEX	(1,003)	(1,113)	(1,052)	(854)	(724)	(756)	(783)	(799)	(815)	(831)	(847)
Net Interest Add Back (Post Tax)	239	329	281	217	218	237	229	206	182	174	167
Free Cash Flow to Firm	1,298	1,782	3,463	1,852	1,661	2,110	2,193	1,804	1,886	1,907	1,933
Free Cash Flow to Equity	739	1,941	1,234	1,003	222	343	1,359	1,500	1,615	1,653	1,696
CFO (Pre-Interest) / EBITDA	73%	73%	105%	76%	71%	82%	92%	75%	75%	75%	74%

Source: BofA Global Research estimates, company data

BofA GLOBAL RESEARCH



Price objective basis & risk

Fresenius Medical Care AG & Co. KGaA (FMCQF / FMS)

To derive our PO of €29 (ADR \$15, using a 1.09 FX rate), we take avg of 3 methodologies P/E (€31, c11x), EV/EBITDA (€34, c7x) and DCF (€23, c1% terminal growth rate). Assumptions:

P/E (€31, c11x): We apply a 50% discount to our sector multiple, with an additional 10% above the historical discount (40%) to reflect a lower growth profile vs history. We expect FMC to deliver lower growth and margin expansion vs our MedTech sector, forecasting a c2% sales CAGR in 2023-25E vs our sector avg of c6%.

EV/EBITDA (€34, c7x): We apply a 50% discount to our sector EV/EBITDA multiple, given FMC's lower 2023-25E CAGR in EBITDA of 6% vs MedTech sector at 13%. FMC has traded at avg discount of c50% over past 5 years.

DCF (€23, c1% terminal growth rate): We use DCF to capture the long-term value of FMC. We assume an 8% WACC using a risk-free rate of 3.4% and market risk premium of 7%, adjusted beta of 0.9x and terminal growth rate of c1%.

Upside risks: 1) better reimbursement levels and higher share of commercial payers in FMC's mix, 2) low patients' penetration and drug compliance with GLP-1, 3) market share gains and better execution, 4) acceleration of home haemodialysis, and 5) weakness in the EUR/USD. Downside risks: 1) reduction in reimbursement levels and smaller share of commercial payers in mix, 2) medical innovation removing the need for dialysis' treatment, 3) quality issues and product recalls, 4) inability to pass on inflation costs and 5) deterioration in USD against EUR.

Analyst Certification

I, Marianne Bulot, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EMEA - Medtech & Services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Amplifon	AMFPF	AMP IM	Julien Ouaddour
	Coloplast A/S	CLPBF	COLOB DC	Marianne Bulot
	Coloplast A/S	CLPBY	CLPBY US	Marianne Bulot
	Fresenius SE & Co KGaA	FSNUF	FRE GY	Marianne Bulot
	SCHOTT Pharma	XCVOF	1SXP GR	Julien Ouaddour
	Siemens Healthineers AG	SEMHF	SHL GY	Julien Ouaddour
	Siemens Healthineers AG	SMMNY	SMMNY US	Julien Ouaddour
	Smith & Nephew	SNNUF	SN/ LN	Julien Ouaddour
	Smith & Nephew	SNN	SNN US	Julien Ouaddour
	Sonova	SONVF	SOON SW	Julien Ouaddour
	Sonova Holding AG	SONVY	SONVY US	Julien Ouaddour
	Straumann	SAUHF	STMN SW	Julien Ouaddour
	Straumann	SAUHY	SAUHY US	Julien Ouaddour
NEUTRAL				
	Alcon	ALC	ALC US	Julien Ouaddour
	Alcon	XSLCF	ALC SW	Julien Ouaddour
	Carl Zeiss Meditec AG	CZMWF	AFX GY	Julien Ouaddour
	ConvaTec	CNVVF	CTEC LN	Marianne Bulot
	Philips	PHG	PHG US	Julien Ouaddour
	Philips	RYLPF	PHIA NA	Julien Ouaddour



EMEA - Medtech & Services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM	Demant	WILLF	DEMANT DC	Julien Ouaddour
	Elekta AB	EKTAF	EKTAB SS	Julien Ouaddour
	Fresenius Medical Care AG & Co. KGaA	FMS	FMS US	Marianne Bulot
	Fresenius Medical Care AG & Co. KGaA	FMCQF	FME GY	Marianne Bulot
	GN Store Nord	GGNDF	GN DC	Julien Ouaddour

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales
Basic EBIT + Depreciation + Amortization

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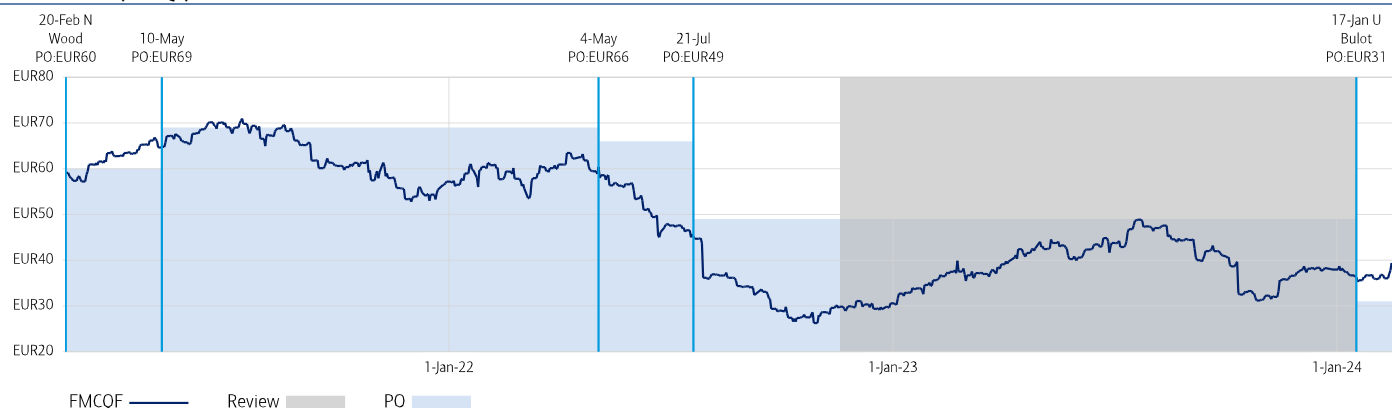
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Disclosures

Important Disclosures

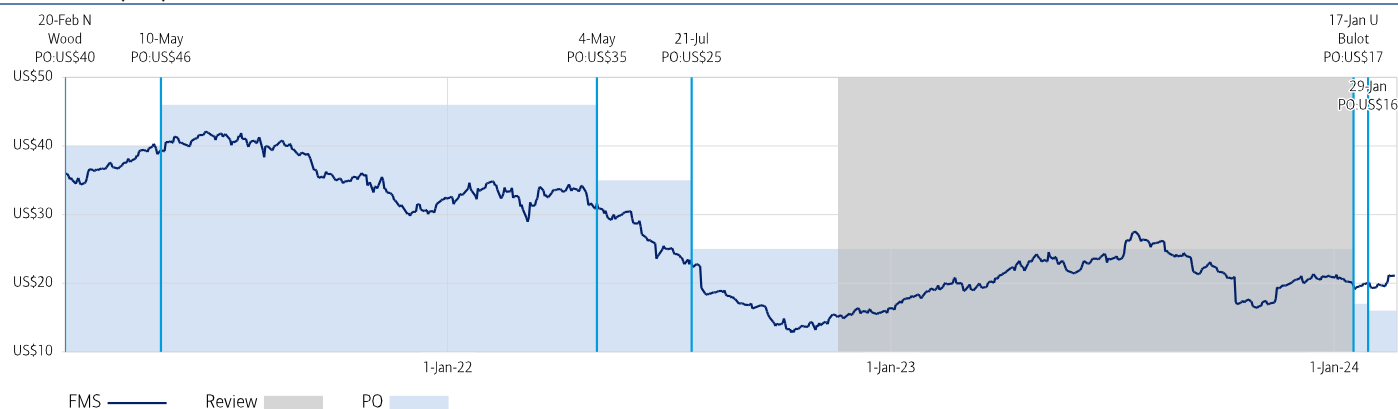
Fresenius Medical (FMCQF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Fresenius Medical (FMS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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