

Fresenius

Health Care

2007-10-31

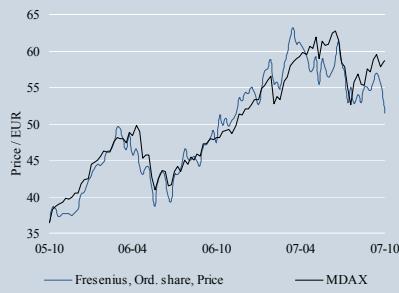
Applied disclosures can be found in the appendix

Buy

Fair Value EUR67.00

Price EUR51.41 (Closing price as of 2007-10-29)

Price and rel. Performance



Market Data

Reuters	FREG_p.DE
Bloomberg	FRE3 GR
Market cap €bn	7.9
Free float %	100.0

Key Data

Yr.end 12/31	2006	2007e	2008e
Revenues m	10,777.0	11,404.0	12,060.1
Net profit m	330.0	406.9	451.3
Adj. EPS	2.16	2.63	2.92
PER	21.2	19.5	17.6
EV/EBIT	13.4	13.1	12.1
EBIT mgn. %	13.4	14.1	14.3
EPS CAGR 06-09e:	14 %		

Next Events

Quarterly results	2007-10-31
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Q3 AGAIN ABOVE EXPECTATIONS - GUIDANCE SLIGHTLY RAISED

INVESTMENT CASE AND PERFORMANCE TRIGGER

All three segments continued their strong operational performance in Q3 and slightly surpassed both our and market expectations. Fresenius therefore increased its sales and EBIT guidance slightly (sales growth now 9-10% in CC instead of 8-10%), increase of net income now more than 25% compared to approx. 25%. These figures, and the positive outlook, should stop the recently negative share price performance. Due to the defensive growth character of Fresenius' business and the expected positive operational performance we confirm our **buy** rating.

FACTS

___ Sales of Fresenius in Q3 increased by 1% to €2,798m (SOP estimate and consensus: €2,840m), organic growth was strong at 6% (H1: 7%), EBIT increased over-proportionally by 7% to €404m (SOPe: €403m). Net profit increased to by 11% to €103m (SOPe: €102m). EPS rose by approx. 9% to €0.66 (SOPe: 0.66) due to a higher no. of shares.

___ Sales of Fresenius Medical Care were strong and grew by 1% to €1766, slightly below our sales estimates of €1,774m. Organic growth was strong at 6%, nevertheless, down from 8% in Q2 also due to a working day less. Revenue per treatment was stable at US\$327 in the US despite the decrease of the Epo reimbursement. FMC now expect to reach the upper end of the given net income range of US\$685-705m (SOPe: US\$706m).

___ Kabi showed sales growth of 9% to €508m with organic growth of approx. 8% slightly up vs. H1. EBIT of €83m was also slightly above our estimate of €82m due to the accelerating internal growth. The outlook was confirmed.

___ ProServe sales declined by 4% due to a deconsolidation effect of Pharmatec that we had not expected. EBIT matched our estimates of €47m. Organic growth of the hospital business was very strong at 3%. The organic growth of the engineering business was -7%, due to a delay of projects, but Vamed won a contract worth more than €100m. Fresenius confirmed its sales target (organic sales increase 2-3%) and raises its outlook form approx. €170m to more than €170m.

ASSESSMENT

___ All in all, the figures confirm our positive view that Fresenius is in good shape. We will review our figures after the conference call this afternoon and will adjust mainly for the impact of the weak US\$. Nevertheless, we see currently only minor changes to EPS and fair value.

VALUATION

___ Given the dynamic growth of Fresenius, the valuation with a PER08e of approx. 17.6 looks very attractive in our view, taking the high growth rate of Fresenius (EPS CAGR06-09e 14%).

Fresenius - P&L (Cost of Sales)

EURm (Yr. end: 12/31)	2005	2006	2007e	2008e	2009e
Sales	7,889.0	10,777.0	11,404.0	12,060.1	12,884.0
Cost of goods sold	-5,300.0	-7,351.0	-7,698.0	-8,114.7	-8,646.6
Gross profit	2,589.0	3,426.0	3,706.1	3,945.4	4,237.3
Selling costs	-1,471.0	-1,815.0	-1,920.6	-2,031.1	-2,169.8
R&D costs	-149.0	-167.0	-176.7	-186.9	-199.6
EBITDA	1,289.0	1,843.0	2,018.7	2,147.4	2,298.8
EBIT	969.0	1,444.0	1,608.7	1,727.4	1,867.8
Interest result	-203.0	-395.0	-366.5	-352.5	-340.5
Financial result	-203.0	-395.0	-366.5	-352.5	-340.5
Profit or loss on ordinary activities	766.0	1,049.0	1,242.2	1,374.9	1,527.3
EBT	766.0	1,049.0	1,242.2	1,374.9	1,527.3
Taxes	-298.0	-414.0	-452.1	-506.0	-562.1
Profit / loss for the year (cont. operations)	468.0	635.0	790.1	868.9	965.3
Minority	-246.0	-305.0	-383.2	-417.6	-471.8
Net profit	222.0	330.0	406.9	451.3	493.5
Adjusted net profit	222.0	330.0	406.9	451.3	493.5

Key ratios and figures

EURm (Yr. end: 12/31)	2005	2006	2007e	2008e	2009e
Valuation					
PER	18.2	21.2	19.5	17.6	16.1
P/BV	1.4	2.2	2.4	2.3	2.2
Dividend yield %	1.4	1.1	1.1	1.3	1.5
EV/Sales	1.5	1.8	1.8	1.7	1.6
EV/EBITDA	9.4	10.5	10.4	9.7	9.2
Sustainable FCF yield %	12.3	12.2	7.8	8.3	8.7
Data per share					
Weighted avg. number of shares	126.24	153.01	154.63	154.63	154.63
EPS (reported)	1.76	2.16	2.63	2.92	3.19
adj. EPS	1.76	2.16	2.63	2.92	3.19
Dividend	0.49	0.57	0.67	0.78	0.88
Book value per share	22.50	20.71	21.36	22.40	23.37
Sustainable FCFPS	2.3	3.0	1.6	2.0	2.3
Growth rates %					
Sales	8.5	36.6	5.8	5.8	6.8
EBITDA	11.1	43.0	9.5	6.4	7.1
EBIT	14.7	49.0	11.4	7.4	8.1
Net profit	32.1	48.6	23.3	10.9	9.3
adj. EPS	28.7	22.6	22.0	10.9	9.3
Margins %					
Gross	32.8	31.8	32.5	32.7	32.9
EBITDA	16.3	17.1	17.7	17.8	17.8
EBIT	12.3	13.4	14.1	14.3	14.5
Net profit	2.8	3.1	3.6	3.7	3.8
Expense ratios %					
Personnel cost to sales	31.5	26.3	25.0	24.1	22.9
R&D to sales	1.9	1.5	1.5	1.5	1.5
Depreciation to sales (Cost of sales)	4.1	3.7	3.6	3.5	3.3
Tax rate	38.9	39.5	36.4	36.8	36.8
Other ratios					
EVA ® SOP	8.9	178.6	121.1	194.8	199.2
Interest cover	-5.8	-4.4	-5.2	-5.7	-6.3

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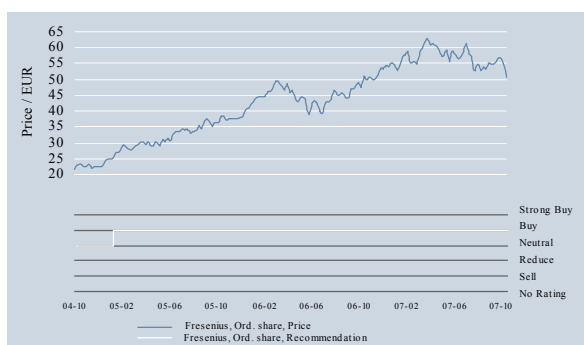
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