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Fresenius Medical Care AG

Annual Press Conference

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Helen Giza Remarks

Good morning and thank you for joining today's annual press conference covering a look-back over 2023 and a look-ahead to 2024 priorities for Fresenius Medical Care. I am Helen Giza, CEO and Chair of the Management Board. It is my pleasure to host you this morning.

The primary takeaway I hope you will glean from today's presentation is this: In 2023 we delivered against our plan. We did what we said we would do. This accountability for our actions is critical to me as CEO, and it resulted in tremendous organizational progress and solid financial results in a change-heavy year.

I am exceedingly proud of our team for their very good work. One year ago, we laid out our strategic plan to turnaround and transform Fresenius Medical Care. This plan included ambitious structural, operational and cultural changes.

Much of the change we have undertaken would not have been possible without the implementation of our new operating model at the start of 2023. With our two distinct global segments, we are now operating with an end-to-end level of transparency and accountability that has not been in place previously.

Care Enablement reflects our best-in-class leadership in innovation and product development. Care Delivery, meanwhile, is where we combine our technical expertise with our passion for patient care. With our Global Medical Office and partnership from our global functions, this new foundation represents who we are, why we exist, and who we serve. The new operating model enabled us to introduce new financial reporting with enhanced transparency.

Our FME25 transformation program delivered savings ahead of schedule while ensuring our company becomes stronger and more resilient in the future. We have also undertaken a cultural transformation with much greater emphasis on accountability.

To this extent, we made two important leadership changes on our Management Board with Martin Fischer joining as CFO in October, and Craig Cordola, our new Head of Care Delivery joining in January of this year. I am very excited about the new perspectives that they bring to our company and the impact they are already having.

In the fourth quarter we finalized our change in legal form and are now operating in a simplified governance structure with strengthened rights of our free float shareholders.

Specific to portfolio management, we continued to execute against our plan with several key assets divested by the end of the year … and more underway.

And finally, our relentless focus on improving operating performance allowed us to upgrade our outlook for the first time in our company's history. I am very proud to say that we even exceeded our upgraded outlook.

I would now like to quickly recap our operational performance in 2023. We achieved revenue growth at the top end of our outlook range, and organic growth in the year was mainly driven by favorable business development. Contributing to the earnings growth were faster than expected labor productivity improvements in Care Delivery as well as positive impacts from our pricing initiatives in Care Enablement.

Regarding Portfolio Optimization, the divestments closed in 2023 accounted for 214 million Euro of revenue and 20 million Euro of operating income. The strict commitment to our stringent financial policy resulted in significantly improved cash flow and an important decrease in our net leverage ratio.

And we continue to make progress on our broader sustainability goals. Earlier this year we submitted our commitment letter to the Science Based Targets Initiative, underlining our goal to achieve climate neutrality in our operations by 2040, in line with the Paris Agreement.

To turn around our business performance, we need to reduce distraction and focus on our core and higher margin businesses. Since we laid out our portfolio optimization plan at our Capital Market's Day last April, we have been moving at speed.

We have announced and closed divestments of our clinic network and production sites in Argentina; our clinic network in Hungary; and National Cardiovascular Partners, our cardiovascular clinic network in the U.S.

We have announced additional divestments that are subject to regulatory approval and are in the process of closing. These include our clinic network in Sub-Saharan Africa, Cura Day Hospital Group in Australia and our clinic network in Türkiye. We continue to work on a number of other divestments and will keep you updated.

In 2023, we delivered 5 percent revenue growth at constant currency and 4 percent organic growth. Organic growth in Care Delivery was driven by the expansion of our value-based care book of business in the U.S. and higher reimbursement. Organic revenue growth in Care Enablement was driven by both higher volumes and prices.

Along with the solid topline growth, the successful execution of our turnaround initiatives translated into improved earnings. Our operating income increased 15 percent in constant currency and our group margin expanded 100 basis points to 8.9 percent.

We are making important progress toward our 2025 group margin target, which is supported by our FME25 program, where we realized 346 million Euro in savings through the end of 2023, well ahead of our plan. The 181 million Euro Tricare settlement proceeds was another positive earnings driver for which we increased our outlook the second time in 2023.

And we realized meaningful labor productivity improvements in Care Delivery that we originally only expected to realize in 2024. It is terrific to have achieved so much already in 2023. In Care Enablement, our successful pricing initiatives and earnings improvement were diluted by continued inflationary pressures and foreign currency transaction losses.

All of the work undertaken in 2023 was designed to lay a foundation for sustainable profitable growth. Let's take a look at what I mean. We strictly adhered to our disciplined financial policy in 2023. We improved our cash flow and limited any capital expenditures.

With our top priority to deleverage, we applied proceeds from divestments and the Tricare settlement to reduce our debt. We reduced our leverage ratio from 3.4 to 3.2 times.

As prescribed by our dividend policy, for 2023, the supervisory board and management board propose a dividend of 1 Euro and 19 cents per share.

Finally, we are turning a sharp eye to the returns on our capital investments, with a goal to double our return on invested capital by 2025.

As you can imagine, I like this slide a lot as it confirms that we delivered against what we said we would – and more. In 2023 we guided for low to mid-single digit revenue growth, and we finished the year at the top of our outlook range with 5 percent revenue growth. We upgraded our earnings outlook twice in 2023, and ultimately delivered operating income growth of 15 percent, exceeding our upgraded range of 12 to 14 percent. This approach of a realistic outlook combined with successful execution is something I intend to continue.

Here you can see our FME25-related savings since the program's initiation. As I discussed earlier, our FME25 transformation has successfully delivered sustainable savings through 2023. In fact, we exceeded our planned savings for 2023. As such, we are fully on track to deliver our savings target of 650 million Euro by 2025.

Looking ahead to 2024 specifically, we anticipate 100 to 150 million Euro in incremental sustainable savings from FME25 by year end. We also expect 100 to 150 million Euro of one-time costs for the execution during 2024.This leaves us with 150 to 200 million Euro in incremental sustainable savings until the end of 2025 with investments of 80 to 100 million Euro in the same year.

Now let's turn our attention beyond 2023. In 2024, we are executing on the same strategy. It's about a focus on continuous improvement, consistent execution, disciplined capital allocation, and continued portfolio optimization. It's about bringing strength and stability in service of those who benefit most: Our patients and their families. And it's about being the best versions of ourselves.

We will also continue to lead the market in innovation. As you will have seen from our press release earlier this month, we are preparing an introduction of a key innovation development in the U.S. with the potential to set a new standard of care for the industry.

High volume Hemodiafiltration or high volume HDF for short, is a technology that is already transforming how dialysis is done in many of our international markets and would present an important opportunity for our patients and our business in the U.S. following the CONVINCE study publication last year.

The CONVINCE study was a multinational research study that compared these two types of dialysis techniques. It was a three-year trial performed at 61 dialysis centers in 8 European countries and included 1,360 patients. The results showed a 23 percent reduction in all-cause mortality in patients treated with High Volume HDF versus those treated with high flux hemodialysis. In our own EMEA dialysis patient population, over half the treatments are already High Volume HDF and we have been using this technique for a decade.

Our 5008X hemodialysis system received FDA approval this month. It is the first machine capable of high volume HDF to be approved in the U.S.

Along with our FX CorAL dialyzer, which is already registered in the U.S., the 5008X combines the latest device engineering and cutting-edge membrane technologies required to make high-volume HDF possible.

This is a very exciting opportunity for the upcoming years as we plan a broad commercial launch in 2025. In the U.S. there is currently an estimated installed base of around 160,000 in-center hemodialysis machines across all service providers that could be replaced to adapt this new standard of care.

Financially, we expect 2024 to deliver top- and bottom-line growth above that of our strong 2023 performance. We expect revenue to continue to grow in the low- to mid-single digit percent rate, and operating income to grow in the mid- to high-teens percent rate, compared to prior year. We are also reconfirming our group margin target of 10 to 14 percent by 2025.

When I look back at everything we accomplished in 2023, I am very optimistic about what we will be able to achieve this year and beyond. Though 2023 was a year of significant transformation, we never lost sight of those who most count on us: Our patients.

With a mix of great humility and pride I am pleased to report that our patients have continued to reward Fresenius Medical Care as the number one kidney care company worldwide. We are committed to meeting our patients where they are – both physically and emotionally. As such, we provide home hemodialysis treatment offerings and continued strong clinic-based care.

Those suffering from chronic kidney disease count on us in the most fundamental ways. We are honored by that trust and treat it with the expertise, dignity, and compassion it deserves.

Our mission is to C*reate a future worth living, for patients. Worldwide. Every day.*

With that, I thank you for your time and Martin, our CFO, and I are happy to take any questions you might have.

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