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FMEG.DE - Q1 2025 Fresenius Medical Care AG Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, welcome to the Q1 2025 of Fresenius Medical Care earnings conference call.

I'm Sandra, the Chorus Call operator. (Operator Instructions) The conference is being recorded.

(Operator Instructions) The conference must not be recorded for publication or broadcast.

At this time, it's my pleasure to hand over to Dr. Dominik Heger. Please go ahead, sir.

Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

Thank you, Sandra. I would like to welcome everyone to our earnings call for the first quarter 2025. I know that this is a very tough day with many companies in the sector reporting today.

Nevertheless, thank you for joining us today. As always, I would like to start out the call by mentioning our cautionary language that is in our safe harbor statement as well as in our presentation and in all the materials that we have distributed earlier today.

For further details concerning risks and uncertainties, please refer to these documents and to our SEC filings. As always, we will have 60 minutes for the call.

To give everyone the chance to ask questions, we would like to limit the number of questions to 2 like in the past, and it would be great if we could make it work again as always.

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Let me now welcome Helen Giza, CEO and Chair of the Management Board; and Martin Fischer, our Chief Financial Officer. Helen, the floor is yours.

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Thank you, Dominik. I'd like to extend a warm welcome to everyone on the call. Thank you for your continued interest in Fresenius Medical Care. I'm pleased to report that we are off to a great start in 2025. Our first quarter performance further underscores the strength in the execution of our current strategic plan.

With the start of the third and final year of our plan, I'm thrilled with our team's energy and focus, maintaining momentum and delivering continued operational and financial progress. I will begin my prepared remarks on Slide 4.

In the first quarter, we delivered strong organic revenue growth of 5% with positive contributions from both Care Delivery and Care Enablement. Despite a severe flu season increasing missed treatments, we realized stable same market treatment growth in the United States. This was possible due to continuously improving underlying referral trends, which were supported by the tremendous operational improvements made within Care Delivery.

Our FME25 transformation program continued its momentum, delivering EUR68 million in additional sustainable savings of our targeted EUR180 million for the year. We achieved 11% operating income growth, consistent with the expected phasing of our full year outlook, positioning us well for even greater growth in the quarters to come.

Thanks to robust cash flow development and our strict financial discipline, our net leverage ratio improved to 2.8x, which is well below our self-imposed target range. While tariffs have certainly been a prominent topic this year-to-date, recent changes in tariffs did not have an impact in the first quarter. Also, for the financial year 2025, we currently expect only a very limited impact from both U.S.

and any global retaliatory tariffs. Overall, the first quarter developed well in line with our expectations, and we are, therefore, confirming our full year outlook.

Turning to Slide 5. Here, I would like to highlight recent developments in each of our operating segments, beginning with Care Delivery. In the U.S., the stable or very slightly positive volume development reflected a 40 basis point impact from missed treatments driven by the severe flu season.

We experienced peak flu impact in February and March. Prior to that, we realized relatively strong volume development in January. At the same time, we are encouraged by the accelerating number of referrals, which have helped to offset the impact from flu-related missed treatments.

Throughout the quarter, we saw improving trends in patient referrals and the results of our operational improvements continuing from the second half of last year. This includes our efforts to streamline our admissions process and reduce patient cancellations.

Therefore, we continue to expect same market treatment growth of 0.5% plus for the U.S. in 2025. While we have not given a specific phasing, we would expect a similar trajectory as last year with Q1 as the low point and stronger performance following throughout the year.

While our same market treatment growth adjusts for the number of dialysis days, having one fewer dialysis day in the quarter creates a headwind for absolute volume development and utilization. In our international markets, we saw strong same market treatment growth accelerate to 2.5%.

This is an encouraging indicator for these markets as well as an outlook for the U.S. recovery. Our value-based care business contributed to overall revenue growth. We saw lives under management increase from around 130,000 at the end of 2024 to around 148,000 at the end of March.

Despite headwinds from one less dialysis day and the severe flu season, we maintained our operating income development at a stable level.

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Our 2025 outlook anticipated a lower contribution from the first quarter in Care Delivery, so all in line with expectations. Our Care Delivery earnings were supported by favorable rate and mix development as well as a positive impact from phosphate binders.

Within Care Delivery, we are continuing to prepare for the rollout of high-volume hemodiafiltration or HDF for short. In the U.S., our first U.S. pilot program has grown from a few patients to 11 currently treated on our new 5008x machine.

We are well positioned to expand that further as we approach the official launch at the end of the year. Turning to Care Enablement. After a strong Q4 last year, Care Enablement delivered a strong first quarter with solid volume growth in all regions and continued positive pricing momentum.

We realized additional sustainable savings as part of our FME25 transformation program, driven by further optimization of our manufacturing and supply chain footprint. I'm pleased to report that our Care Enablement margin further improved to 8.3% for the first time it entered its target margin band of 8% to 12%.

While there is more work to be done, if you remember where we came from, this is a tremendous achievement and positions this segment for further growth and margin expansion beyond 2025. Not only from a Care Delivery perspective, but also from a Care Enablement perspective, we are actively preparing to bring transformational innovation to the U.S. market with the rollout of the 5008x.

We are well on track for the launch at the end of the year, and we look forward to sharing more detail at our CMD on June 17. I'll now hand over to Martin to take you through the first quarter financial performance in more detail.

Martin Fischer - *Fresenius Medical Care AG - Chief Financial Officer, Member of the Management Board*

Thank you, Helen, and welcome to everyone on the call also from my side. I'll pick up on Slide 7. In the first quarter, we achieved solid organic revenue growth of 5% with contributions from both segments. At constant currency, revenue increased by 1%. The muted revenue development reflects the successful execution of our portfolio optimization plan.

Divestitures negatively impacted our revenue development by 260 basis points. As a reminder, we decided not to adjust our numbers in the fiscal year 2024 and 2025 for the divestitures that were closed in those years. We decided to absorb the revenue and operating income effects of having sold the business in our guidance range for the respective year.

Operating income, excluding special items, increased by 11% on a constant currency basis, primarily driven by growth in our Care Enablement segment. This reflects the expected phasing for our 2025 outlook.

Special items negatively affected group operating income by EUR126 million. This mainly includes costs relating to portfolio optimization and our FME25 transformation program as well as negative effects from the remeasurement of our investment in Humacyte.

Next, on Slide 8. This slide highlights the drivers of our year-over-year margin development. We realized a 90 basis point margin increase, largely driven by growth in our Care Enablement segment.

This offset the slightly negative Care Delivery contribution, which reflected the impact of a severe flu season and one less dialysis day. I will review the drivers when we look at the segments in detail. Favorable contributions from corporate included the positive valuation effect of virtual power purchase agreements amounting to EUR3 million in the first quarter.

It is worth noting that foreign exchange translation had a beneficial effect on our business in the first quarter and contributed to the growth with EUR11 million. Moving on to Slide 9.

Care Delivery showed strong organic revenue growth of 4%, driven by both Care Delivery U.S. and Care Delivery International. In the U.S., our growing value-based care business supported revenue development along with favorable rate and payer mix development.

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This compensated for the muted same market treatment growth, reflecting higher levels of missed treatments driven by the flu season. As mentioned by Helen, we also realized solid international revenue growth, supported by accelerated same market treatment growth of 2.5% in those markets.

The revenue development was negatively impacted by one less dialysis day. Additionally, our portfolio optimization plan negatively impacted Care Delivery revenue development by 370 basis points. We expect the headwind from our portfolio optimization to reduce over the course of the year.

Despite the headwinds faced in this first quarter, Care Delivery maintained its operating income contribution at a stable level, even slightly expanding its margin to 9.3%. Earnings were supported by favorable rate and mix developments as well as a positive impact from phosphate binders.

Care Delivery earnings also benefited from FME25 savings. These earnings developments were offset by labor and inflation costs in the quarter, which developed in line with our expectations. Let us have a closer look at the developments in Care Enablement on Slide 10.

In the first quarter, Care Enablement continued to show strong revenue growth, supported by 5% organic growth. This development is mainly attributable to solid volume growth in all regions and continued positive pricing momentum globally.

In line with our expectations, volume-based procurement in China was again supportive of volume growth, but a headwind to pricing. The segment showed a significant 49% increase in operating income, resulting in a margin increase of 240 basis points. With an 8.3% margin, Care Enablement also reached its target margin band. This reflected continued execution of our FME25 transformation program as well as improved volume and price effects, which more than offset anticipated deflationary pressures. Moving to Slide 11.

In the first quarter, the relatively low operating cash flow was driven by seasonality in invoicing in line with our expectations. We realized a strong increase of 28% against last year's quarter due to improved operating working capital.

Consistent with our current strategic priorities, we further reduced both our total debt and lease liabilities and total net debt and lease liabilities compared to the prior year period. As a result of our continued strict financial discipline, our net leverage ratio improved to 2.8x. We remain comfortable being below our self-imposed target corridor of 3 to 3.5x.

Following the quarter end in early April, we took advantage of the favorable market conditions and our improved credit rating outlook to successfully place 2 bond tranches with an aggregate volume of EUR1.1 billion.

We used some of the funds to buy back approximately EUR300 million of bond maturing in 2026. We are planning to provide an update on our future capital allocation plans at our upcoming Capital Markets Day in June. I will now hand back to Helen to review our outlook.

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Thank you, Martin. I will pick up with our outlook on Slide 13. Given our first quarter performance and current expectations for the remainder of 2025, we are confident to deliver a strong performance in 2025 and are confirming our full year outlook.

We continue to expect a positive to a low single-digit percent revenue development, and our Q1 operating income developed in line with our expectations as we anticipated a relatively lower contribution from the first quarter. Therefore, we expect operating income to grow by a high teens to high 20s percent rate compared to prior year.

I will finish my prepared remarks on Slide 14. Finally, I am looking forward to seeing many of you on June 17 in London for our Capital Markets Day. We plan to share the details of our strategy and capital allocation priorities.

In addition, we have some interesting deep dive breakout sessions and a product show that we are excited about. If you have not already registered, please do connect with Investor Relations as our registration will close on May 15.

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With that, I will now hand back to Dominik to start the Q&A.

Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

Thank you, Helen and Martin, for your prepared remarks. (Operator Instructions) With that, I hand over to Sandra to open the Q&A, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Back over to you, sir.

Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

Thank you, Sandra. The first question comes from Victoria from Berenberg.

Victoria Lambert - *Berenberg - Analyst*

The first one is just on what you are seeing in April trading so far in the U.S.? I know Q1 was pretty volatile. So just an update on April would be helpful and how this gives you confidence to reiterate your full year guidance for the 50 bps or more of growth? And then the second question is just on phosphate binders. What benefit did those have in Q1?

And do you still expect the, I think, EUR50 million to EUR100 million operating income benefit for the full year?

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Victoria, I'll take the first question, and Martin can take the second question on the binders. Obviously, the flu season hit hard in February and March. It rose pretty quickly and came back down. We are encouraged by what we see with the underlying referrals. That is a very strong leading indicator for us.

I think what we'll also see in Q2 is the mortality effect, obviously, with a 6- to 8-week lag on the flu data. Obviously, we haven't seen that kind of data fully for April yet. I think we've even closed the month, so -- but we're encouraged by the kind of the weekly numbers that we're seeing, and we would expect that underlying inflow trends to continue.

And we do feel confident with the phasing that we always see in Q1 that we will continue on a positive trajectory through the end of the year and confident with our 0.5 plus for the year.

Martin Fischer - *Fresenius Medical Care AG - Chief Financial Officer, Member of the Management Board*

Yes. And Victoria, on the phosphate binders. So quarter 1 developed in line with expectations, and we have outlined the full fiscal year effect. And given that with the phosphate binders going to the bundle, the ASPs used to start higher and then only being going downwards and revised throughout the fiscal year.

We did see a seasonal or a stronger start into the fiscal year and had a double-digit million effect that contributed to the positive quarter.

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Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

The next caller is Victoria from Citi. Welcome back Victoria -- sorry, Veronika. Welcome back. See I even missed your name. It's been a long away so long.

Welcome back.

Veronika Dubajova - *Citi - Analyst*

Helen and Martin, great to be back. I'll keep it 2, please. The first one is just the revenue per treatment trend in the first quarter in the U.S., it seems like it held up particularly well. Just curious, Helen, if you can give us an update on what you're seeing from a commercial perspective and for Medicare Advantage and whether this is something that is sustainable? And I guess, to what extent it was flattered by the phosphate binder dynamic?

So that's my first question. And my second question is around Care Enablement. Congratulations in getting the margin into the target band. Martin, are you able to give us a bit of color on what was the contribution from pricing to revenue growth and profitability? And how much scope there is to do more as we go through this year?

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Welcome back, Veronika. I'll take the first one on RPT. Yes, look, we are seeing continued price and mix improvement in development there. Obviously, with the PPS rate increase as well as the -- what we have always spoken to this past year or so about kind of moderate price increases, that 1% to 2% price increase across the full portfolio of payers.

So I think we're comfortable with how that trend is developing and obviously, that revenue is developing in line with our expectations for the quarter.

Martin, do you want to take Care Enablement?

Martin Fischer - *Fresenius Medical Care AG - Chief Financial Officer, Member of the Management Board*

Yes. So Veronika, you saw from the bridge we provided that business growth was a significant contributor. We also stated that overall pricing is developing in line with expectations, and globally, is it positive and contributing.

And we also see that positive momentum that you saw last year also carrying forward in the quarter. To double-click a bit on that, this includes the China effect.

And the China effect, as you remember, was in the second half last year, about a mid-double-digit number. And you see the annualization of the China effect now also for quarter 1, and you can also expect that for quarter 2 until we have the full cycle of the year.

The important thing to note is that the volume contribution that we expected is developing according to our expectations. And even including the negative China headwinds, we do see a robust solid pricing momentum in the quarter as well. And I hope that gives a bit of color.

Veronika Dubajova - *Citi - Analyst*

Martin, maybe I can just push back on that a little bit or maybe ask for a little bit more detail. Obviously, you do have a large customer, which should be, I believe, paying some higher prices as of this year. Are you able to tell us how those negotiations have progressed and whether we're seeing the full impact of that already in Q1?

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Martin Fischer - *Fresenius Medical Care AG - Chief Financial Officer, Member of the Management Board*

Veronika, I hope you understand that we do abstain from commenting on individual contracts.

Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

The next question comes from Graham from UBS.

Graham Doyle - *UBS - Analyst*

Just one on HDF first and then on volumes and margins. In terms of how you're thinking about pitching this to competitor clinics or service providers, is it primarily the overall mortality benefit? Or is there a nuance as to which patients might benefit? And then is there actual just operational benefit in terms of lower training costs and things like that? Just to understand, as we get closer to the launch, how you're pitching that once you go commercial?

And then on margins, we -- you've obviously had phenomenal success in the last 2 years in terms of expanding margins, but that's been effectively without any U.S. volume growth and it's kind of a rough number, but what do you think going forward when you get to a sort of normalized recovered margin, what do you think you need to grow at to sustain -- in terms of U.S. volumes to sustain that margin? When does like operating leverage kick in? Is it like 1%, 2%, do we need to get back to 3%, just to understand how that moves?

I appreciate both of those might be a little bit early for where we are today versus Capital Markets Day, but I thought I'd try.

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Thanks, Graham. I'll take both those. And obviously, that will be a significant part of our Capital Markets Day and kind of getting into kind of the innovation and the benefits that we see for HDF. I can click on that a little bit. And of course, the same with the margin outlook, we'll give more color there.

But just to kind of double-click for a moment, for HDF, as I think we've been talking about this past year, we're incredibly excited about this new machine and the new -- the kind of the new treatment. A little bit of both on what you touched on, not just the mortality improvement, which if we do see that the kind of results from convinced a 23% improvement in mortality, that in itself full blown could relate to kind of 400 basis points of growth by itself, not just the patient benefit.

And look, obviously, improving outcomes is a big part of what we do as the leading innovator here, but also there are operational benefits from this machine. It is much simpler to use. It doesn't need saline.

The clean downtime is quicker. No time needed between treatments and the training time is also better. So we'll go through that in a ton more detail in June, but I think we can kind of clearly see a number of treatment benefit and an operational benefit.

So I think you can see why we're excited and why we're looking for the whole industry to adopt this treatment. In terms of your second question, yes, of course, we've been driving efficiencies.

And I think the result of the new operating model has really lent itself to the improvements that we've driven in the past 2 years. But you're right, that U.S. volume growth we've got there despite that. Obviously, we're looking to see and seeing that volume come back and that will improve operating leverage.

Clearly, the higher utilization and obviously, we do expect to be growing above the zero and even the 0.5.

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We will give more outlook on how we're seeing these market and volume trends in June as well and kind of the levers that we see both to drive top line growth and innovation as well as bottom line margin expansion.

So we're excited, and we're excited it's only a month or so away now, but we'll clearly give more insight to the market then. And thanks for the questions, Graham.

Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

The next round of question comes from [Lisa from Societe Generale Bernstein].

Unidentified Participant

Nice quarter to start the year. Two questions. Your large competitor in the U.S. has talked about significant CapEx investments over the past sort of 5-plus years, really focused on IT systems. And given that both companies were formed over a series of acquisitions, I imagine that's one area that could still be quite messy.

Just curious as to where you are on that transformation. And I think of note, DaVita has mentioned, it's been particularly useful in terms of their revenue cycle management in the private market. And so I just want to think through what the opportunities for Fresenius could be on that front? And then second, just on the HDF launch, how should we think about the ramp-up? There's obviously a long replacement cycle for machines, so should we just expect penetration of HDF to increase quite gradually despite the sort of patient benefits and as you mentioned, the operational benefits?

Just -- and lastly, just on that, what sort of manufacturing capacity will you have for serving the U.S. market? And should we worry about any potential bottlenecks there?

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Thanks, Lisa. Martin, do you want to take the first one on the capital allocation in IT, and I'll take the second?

Martin Fischer - *Fresenius Medical Care AG - Chief Financial Officer, Member of the Management Board*

Yes. Happy to, Lisa. So first of all, IT and also driving automation of our processes and efficiencies and also revenue cycle management together with EHR systems, is a focused topic of ours as well because of this being a value creation level, both on the efficiency side but also on the revenue yield. So this has been for quite some time as well. And as we continue to invest into our business, we will also here give a little bit more color on our capital allocation priorities, both how we drive profitable growth and improve profitability going forward at the Capital Markets Day as well.

But rest assured, this has been already a focus topic and will continue to be a focus topic also to invest into operational efficiencies.

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Thanks, Martin. Lisa, the full rollout plan and how we're thinking about commercialization, both from a Care Enablement and Care Delivery, we will share at Capital Markets Day and obviously, the capital piece on that as well. Obviously, this is -- while it's exciting and unique innovation, it is also replacing an installed base. So as you can appreciate, the kind of the strategic approach here has been weighing up kind of the implementation and rollout plan versus the current installed base, but we'll give you more color into all of those questions that you had in June with quite a detailed breakout session on HDF and you can see the machine.

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Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

The next question comes from James from Jefferies.

James Vane-Tempest - *Jefferies - Analyst*

Just a couple please, if I may. Firstly, when we look at the operating growth of around 11% in constant currency, the EBITDA level in constant currency I think is just under 4%. So I think adjusted D&A was down materially, which is about half the margin gain. So we are at the run rate we can expect for 2025? And what are the considerations here, please?

And then my second question is, again, just on the 5008x. You mentioned in terms of look getting preparations for launching at the end of the year. But just wondering when we might get more detail on either pricing, what sort of feedback you've got in the U.S. ahead of potential upgrades and how we should think about an upgrade cycle?

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Yes. Martin, do you want to take the first one? And I'll come back to 5008x?

Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

Yes, more than happy to. So on the D&A, I think it's important to note that when you look at the reported numbers, there's a significant portion and element of last year's divestitures in that, which equates to most of the reduction that we saw. And hence, when you look at it in a percentage of revenue, it is not such a large extent where it comes down. It does come down a bit in the quarter. But at the same time, the maturity, which was back then over EUR100 million hit coming out of that, which we also disclosed, was driven in the depreciation and amortization by the divestitures.

Overall, the D&A is for us a stable development, where we do plan for, let's say, also sustainable reinvestment into predominantly our clinics as well as our machines as we place them as well next to our continued R&D investment in C&E. And also here on the capital allocation priorities for the innovation, we will give additional color also for the Capital Markets Day.

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

James, on your question about launch and probably theme of my day, more on June 17. But no, look, we are excited and the fact that we now have 11 patients, which all in one clinic getting the HDF treatment is giving us kind of real data in real time. And obviously, trying to get that proven experience in our clinics also helps with the commercialization to other players in the industry. Obviously, the pricing is kind of contract by contract and probably not going to disclose that. But I think what we are seeing and hearing as well, and we saw it in the CONVINCE study is for our patients not just the hard outcomes that we've talked about like mortality, but also their own quality of life measures and how much better they are feeling.

It's quite -- we hope to share some of this. I think we have videos lined up, but how the patients are feeling from getting this treatment as well. So we are seeing that patients really want to be on this treatment after they're kind of seeing what's happening in the pilot. So more to come, where we're thrilled to be rolling this out. And obviously, we'll give as much detail as we can while keeping what we need to keep proprietary, proprietary if that makes sense.

But yes, we look forward to seeing you next month and sharing more on that.

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Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

The next caller is Oliver from ODDO BHF.

Oliver Metzger - *ODDO BHF - Analyst*

First one is about a deeper view on the same market treatment growth in the U.S. So the peak of flu season was early to mid-February. So the 6-week cycle should have come to end somewhere in April. So have you seen an excessive mortality or was the negative impact more about that the patients stayed longer in hospitals and were consequently not available for treatments in your clinics? The second one is on the current foreign exchange environment.

Can you give us your view if the euro-U.S. dollar remains at the level as it stands right now what will be the impact on top and bottom line?

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Sorry, I was on mute here. Oliver, I'll take the first one on same market treatment growth. Yes, look, we did see the numbers in the February, the spike. We started to see it come down in March. We haven't -- we're still getting data in real time.

I'd say too soon to say that anything has changed. We're still seeing that slightly elevated mortality. What the full impact was from the flu season, I don't think we'll start to see that until May. So obviously, when we get to Q2, we'll be able to see how that trend is continuing. But yes, too soon for us to tell at this point.

What we saw in Q1, obviously, was still elevated, but the flu data with the 6- to 8-week lag will be later. Martin, do you want to take the FX.

Falko Friedrichs

Yes. Oliver, on the FX, I mean, obviously, in the current environment, it's very hard to predict where the U.S. dollar will go with the volatility that we see. At the same time, let me give you some color, how we think about it and how we also here specifically on the translation topic that it is for us, have started the year and see the rest of the year. In the quarter 1, for us, the average rate was about at 105.

And you also saw that in quarter 1, we had a positive FX tailwind to the results. At the same time, we ended the quarter at a spot rate of 108, which is pretty much in line with the indication that we gave to you for the outlook when we shared our assumptions for 2025 results.

And I think currently, when you look at it today, in the last couple of days, we are hovering around the 113-ish. And when you would expect that we stay at a similar level, that would, for us, mean about a 2% to 3% headwind on the top and bottom line for the full fiscal year 2025. And I hope that helps a bit of color.

Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

The next question comes from Hugo from BNP.

Hugo Solvet - *Exane BNP Paribas - Analyst*

I have 3 questions, please. First on tariffs. I know probably not very material for you, but could you help us understand a bit more what the impact could be, should things change at the beginning of July? Second, a follow-up on Lisa's question. Your U.S.

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competitor also suffered a severe attack earlier in April. Just wondering if you could comment on anything you've seen that would impact you positively more patient or increasing recourse, for example, keen to get your thoughts on that? And lastly, on volumes. If I'm not mistaken, you mentioned 40 bps tailwind on U.S. volumes from referral in Q1 Or should we think about this accelerating potentially throughout the year?

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Thanks, Hugo. I think I can -- I'll tag all of those. First, on tariffs. As you heard and we sort of outlined, no impact in Q1 and we're calling it somewhat limited for full year. For the U.S.

footprint, we have a lot of U.S. local manufacturing. So all the consumables are kind of produced in the U.S. We do have machines coming in from Germany and/or final assembled in Mexico. I think as a result of all that we've done with FME25 and kind of rebuilt our manufacturing footprint and supply chain, we're pretty, pretty resilient here.

So we see the impact is limited clearly with the USMCA agreements as well as other protocols that are in place. We feel pretty good about what we are seeing. Look, I think the broader question is what does this do ultimately to kind of inflation or labor rates.

And obviously, we would be looking to see what we would need to pass on in pricing, but at this point from what we can see through 2025, we're feeling pretty good and as you can appreciate, a lot of work being done on the flows of materials and the relative impact in scenarios. So a special call out to the tariff task force for the great work that they've done here.

Your second question regarding the cyber-attack on DaVita and what we are seeing. Clearly, I'm not going to comment on kind of how -- what impact that's had there for them. But we have seen, during the quarter, some -- in Q2, I should say, not Q1, some benefit from additional patient referrals.

What that translates into, we'll see when we close April. But obviously, our priority is making sure that patients get the care they need.

And I think the work that we've done on accelerating and improving our admissions process and patient inflows is clearly working in our favor. Your third point on the 40 bps impact, that was from a negative missed treatment, not from inflow.

What we're saying is the accelerated inflow has neutralized, the missed treatment impact, that was mainly due to flu. So we're flat with a 40 bp headwind, if you will, from flu, which is also supported by the underlying inflow that we are seeing.

Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

And the next question comes from Marianne from Bank of America.

Marianne Bulot - *Bank of America - Analyst*

The first one is, could you talk a little bit about the remaining FME25 savings that you expect for the rest of this year? I've noticed that you have already delivered a large chunk into Q1. So just wondering a little bit where do you see the most of the remaining savings coming from? And what do you need to deliver them?

And then a bit more of a broader question on the company, and I appreciate that might be further discussed at the CMD, but as you look into your portfolio, have you identified or are you still working on identifying other assets that aren't growing as profitably as you would like and that you could potentially sell over the midterm?

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Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Thanks, Marianne. Martin, you want to take the FME25, and I'll take the divestiture question?

Martin Fischer - *Fresenius Medical Care AG - Chief Financial Officer, Member of the Management Board*

Yes. More than happy to. Marianne, as you saw in the quarter, we had a good quarter contribution and also with the EUR68 million and the total year of EUR180 million, we feel that we started well. The phasing of that was in line with our expectations.

And also when we give additional color on that, you do see further contributions from the Care Enablement, also from the manufacturing and supply chain footprint optimization that we have, but also some further contributions from the G&A functions as well as CD to a smaller extent.

We continue to see that structure also holding through the remainder of the year, and the overall phasing, as I said, is in line with our expectations and should give us good confidence or gives us good confidence for the fiscal year target.

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Yes. Regarding your question on divestiture, so really, really pleased and proud of the progress the teams have made over the last 2 years in cleaning up the portfolio. As you would have seen in the Q1, we've already announced it at full year, the Spectra Labs in Malaysia are kind of the 2 in the quarter.

I'd say, for the most part, we're done -- I mean, we obviously, as part of our ongoing review of our country portfolio, we'll look to make sure that there's nothing that's changing in the environment that would change our view on any small market, but I feel good about where we are and that's part of our new rigor and discipline that we will continue to look at the performance of the assets to make sure they're performing as they need to.

I think we're very clear of what is core and the work that we need to do to continue to drive the improvement in the core.

And again, I think you can kind of see how streamlined that has now become compared to where we were 2 years ago, again, we can share more on that in June.

Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

The next question comes from Richard from Goldman Sachs.

Richard Felton - *Goldman Sachs - Analyst*

Just 2 for me, please. The first one is a follow-up on the treatment volume dynamics and the strong referrals you mentioned. Could you just tell us where we are on the growth of new starts today and how that compares to this time last year? That's the first question.

And then the second one, it's been a while now, but could you just comment if you've seen any changes in the competitive dynamic or potential opportunities that have been created by Baxter sale of Vantive to Carlyle?

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

I don't know if I have that treatment volume year-over-year. Let me see if we can snag that as we're talking here. Martin or Dominik, I think you can pull that for me here. In terms of the competitive dynamic, obviously, we both participate in different parts of the -- whether it be of the whole

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market, whether it be PD or HHD, we're happy -- we're always happy to have the competition. And I think the focus lens that Vantive is bringing is good for the overall market.

We feel very proud of the work that we are doing. And I think the progress that we are seeing in terms of volume growth across all regions, pricing acceleration and margin expansion really speaks to the kind of how we see our own product assets and the work that we're doing.

So we are obviously significant market share in HHD. We're clearly #2 in PD, but we think that there's space for both companies to compete and operate. And we're very clear of what the potential is and what we can do.

So yes, it's focused on what's in our control and how we continue to drive this business and the progress, I think, speaks for itself there. Thank you, guys are calling the same market treatment growth. I think on the referrals, on the phasing, what we are seeing is that it has improved every month, but year-over-year the referrals are down. I think the challenge we have in Q1 is there's one less dialysis day.

And so that's one day less for accepting new patients, but we are -- we're very pleased with the progress we are making.

And I think the other piece that we are seeing here clearly on the admissions and the work that we've been doing on getting new patients and getting them admitted and keeping them in the clinics, is obviously the operational turnaround taking hold here. So I kind of think the leading indicators are going in the right direction.

Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

The next question comes from David from JPMorgan.

David Adlington - *JPMorgan - Analyst*

Most have been asked already, but maybe I could just push you a little bit more on the phosphate binders in the quarter, if you could clarify that double-digit, that's quite a wide range, how much you saw in Q1? And just to confirm, are you happy with that EUR50 million to EUR100 million still?

And I suppose just on that, obviously, the EUR12 million improvement in Care Delivery EBIT, basically, did that all come from phosphate binders, just a follow-up there? And then secondly is a wider one. Are you seeing anything in the new U.S.

administration on the Medicare side or on the regulatory side that is concerning?

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Martin, sorry, do you want to take binders, and I'll take the administration?

Martin Fischer - *Fresenius Medical Care AG - Chief Financial Officer, Member of the Management Board*

Yes, I'll take the binder one. So to also reiterate a bit, we did give an indication of an effect for the full year of about EUR100 million. And also, I did say that for quarter 1, we have always anticipated quarter 1 to be a bit stronger contribution because of how the mechanics work and also starting out with a higher ASP assumption and then having ASPs being reduced throughout the year consistently.

So also here, we have seen a double-digit contribution or double-digit million contribution in the quarter, as we called out on the profitability side. And this is across all assets in our portfolio.

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We have given the color that it is more a positive on the pharma and clinics business and the negative on the pharmacy business. So I hope that additional color helps.

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Yes, David, your question on the new administration. Obviously, we're all navigating all those changes. The color that we've got to date is not expecting to see changes on the base kind of Medicaid or Medicare programs or the participation in kidney care or anything changing.

Obviously, we have seen some targeted cuts in other parts of health care, but what we are seeing in our core business looks fine. I mean there were some early changes of models.

There was the tangible change of the ETC models that were ending by the end of 2025, that was a mandatory model. Actually, that worked out quite well for us or minimal impact. So that's all we have seen and heard, but of course, the conversations and the kind of just the relationships building and continuing in D.C.

But a lot of our input says that those big changes that the President has said the scope seems to be off the table, which is -- but obviously, we continue to monitor.

Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

The next question comes from Robert from Morgan Stanley.

Robert Davies - *Morgan Stanley - Analyst*

Just a couple left. One was just on the equipment business and the margin profile through the year. How should we think about that? You've seen 2 or 3 quarters now where that margin has been building quite nicely. Is there any seasonality at all in that business that we should think of heading through the year?

Or is that we just assume that 1Q is a sort of base level and it's upwards from here? And then the only other one I had left was just around return on capital employed.

I saw you put in a slide on that towards the back of the pack, just thinking about some of the key elements that are driving that ROCE back up into the high single-digit territory where you were maybe 7 or 8 years ago, what are the key elements do you think in terms of getting there from where you are today? Is it just the operational leverage of the business as the growth comes back? Or are there other elements as well?

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Thanks, Robert. I'll take the first one, and Martin can take the second one. Yes, look, we don't guide by segment within the year, but we've made it very clear that for our Care Enablement business, we have a margin band of 8 to 12.

And in Q4, it's typically the strongest. So starting Q1 at 8.3, I think you can expect that target, we continue to improve that margin band kind of along the way this year.

What I'm excited to show is where we go from here and where we see this med tech margin in the future. But obviously, that will be June. But I think the progression for this business over the year. And we always said, look, we were starting from a 2% margin here. And I always said, we have very definitive plans all underpinned with initiatives.

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It would be back-end loaded, and that's what we're seeing, but the acceleration that we're seeing is a great testament to the Care Enablement team and all that they're delivering, both on FME25, but also on volume and kind of market share as well as pricing.

So across the board, I feel that we are kind of pulling on every cylinder there. So look forward to kind of showing the outlook for this beyond 2025.

Martin Fischer - *Fresenius Medical Care AG - Chief Financial Officer, Member of the Management Board*

So let me take the capital efficiency one. And thank you, Robert, for the question. So you have seen a nice recovery from our low in the 2023. And to your point, yes, this is partially on the back of the operational transformation and turnaround and the improvement of the profitability.

And you can expect us to further drive profitable growth in that regard.

So yes, a major part comes from the operational performance improvement. The second piece actually is a continued stringent capital management. And yes, we do see still potential and continue to manage that capital efficiency piece also on the capital side.

And when you saw the trajectory where we improved over 8 percentage points compared with 2023 that we have seen in Q1, I think you also see that those measures are taking effect, and we will continue to focus on further improving it. We are not happy with where we stand.

We have been very clear that we want to further improve and drive it also above the mid-single-digit margin ROIC levels as well.

Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

The next question comes from Falko from Deutsche Bank.

Falko Friedrichs

Just a few quick ones. Firstly, on the improving referral process that you mentioned, that's good to hear. How far away is that still from where you would want to see it ultimately? And second question on cost cutting. Obviously, you've done a tremendous job over the recent past on that front.

How much of a topic will that still be beyond this year? I know you're going to speak about that at the CMD, but maybe you can give us some initial flavor. I mean the house is still standing, you've taken a lot of cost out. Is there still a lot more to go? You've just had divestments, you're sort of done with that.

So on the pure cost cutting, what's to be expected beyond 2025? And then last but not least, on share buybacks, it seems to be some excitement in the market that you might be announcing something big in terms of share buyback plans at the CMD. Is there anything you can say about that at this point, how you're looking at these, whether that's something you would at all consider going forward?

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Falko, you made me smile, and yet my house is still standing, but we'll tag team these questions. Look, in terms of the improving referral process, I mean when we are all back to a 3% plus growth rate, and we're seeing all the patient funnel from CKD refill and we're snagging every patient that we can from any physician that is referring someone to us.

But I think then we get to a point where we're happy, right? But until then, we'll continue to work and make sure our processes and the patient flows are getting momentum along that way. And I feel like that's where we are finally starting to see that proverbial light where our internal processes are significantly improved.

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The flows are improving, but more importantly, that the CKD funnel that has been a bit of an uncertainty to us through this COVID period or post-COVID period, seeing that improvement is key. We're obviously taking it a quarter at a time on what we can do there.

In terms of the cost cutting, yes, look, I feel incredibly proud of what we've all accomplished on FME25, not just cost-cutting, but really kind of streamlining the organization around the operating model or the new operating model and driving efficiencies. I think for us, where we see further opportunities to drive improvements and to invest in the company, we will take a look at those.

And I think that would obviously be part of our outlook for June.

And capital allocation, I know that's a big ask from everyone. A bit of a repeat answer, I'm sorry. More to come in June on what we plan to do with that capital and how we deploy it to shareholders. At the end of the day, you know we're focused on value creation, and we'll give you insights into how we're thinking about that.

Dominik Heger - *Fresenius Medical Care AG - Head of Investor Relations, Strategic Development & Communications, EVP*

So thank you, everyone. That's the first in 15 years of IR, we have 4 minutes left and no questions. So that is great. We answered all questions. That's good.

Thank you very much for listening in to our call. We will go now very quiet until our Capital Markets Day for obvious reasons because the questions you will get answered at the Capital Markets Day. And we look forward to seeing you all. Please register, if you haven't, and we'll see you in London on June 17, I hope.

Helen Giza - *Fresenius Medical Care AG - Chairman of the Management Board, Chief Executive Officer*

Yes. Thanks, everyone. Look forward to seeing you in June. Take care. Bye-bye.

Martin Fischer - *Fresenius Medical Care AG - Chief Financial Officer, Member of the Management Board*

Thank you. Take care. Bye-bye.

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