

11 Fresenius – Gunnar Romer, BUY, close €65.4, €83 tgt, 27% upside

- **Strong outlook – we expect defensive low-teens EPS growth to 2020**, given sound end market dynamics, market leadership positions, and a strong management team.
- **Weak sentiment means the negatives are priced in.** The shares have been weak recently on concerns over IV generics pricing and the poor performance of Akorn.
 - We expect consensus estimates to trough on 4Q17 results and to drive further buying of the shares.
 - IV generics price pressure is not outside of expectation to reassure
 - ‘Lowering the bar’ on Akorn should remove a key overhang.
- **4Q17 results should be strong.** We expect adj. NI up 22% CER, helped by a full contribution from Qirónsalud and soft comps at Kabi.
- **Valuation is undemanding** at 20x 18E P/E, in line with historical 12m forward range of 18-22x P/E
- **A number of positive catalysts to come.**
 - New product launches at Kabi should surprise to the upside.
 - Qirónsalud integration is progressing smoothly
 - Helios Capital Markets Day should be reassuring.

Related DB Research:

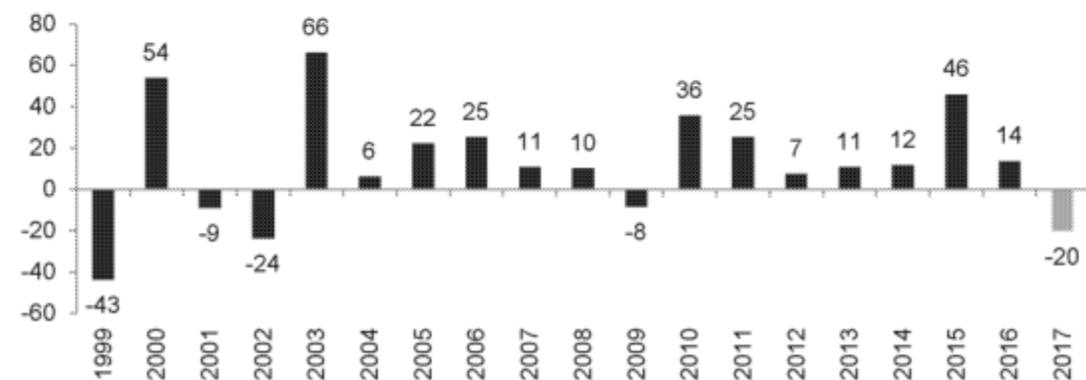
[European MedTech & Services: 2018E Outlook: Significant Outperformance \(Wang\)](#)

Fresenius has de-rated over 2017 closer to its historical average...



Source: Factset

... driving underperformance relative to the market (here, STOXX 600)



Source: Factset, Deutsche Bank