

## **EXECUTIVE SUMMARY**



Fresenius Medical Care

**The Tenant:**

Fresenius Medical Care is an ideal tenant for several reasons. First and foremost, they are an extremely profitable, well run, multi-national corporation. Additionally, Fresenius is a classic industry leader, as they own the lion's share of their market, with the number two player being their largest client. Furthermore, they dominate a truly non-cyclical industry. Because kidney dialysis is an essential, life-sustaining medical service their business is almost completely unaffected by economic fluctuations which can decimate other fields. With its more than 3,000 clinics around the globe, Fresenius is the world's largest integrated provider of products and services for individuals undergoing dialysis because of chronic kidney failure, a condition that affects more than two million individuals worldwide. It services approximately 253,000 patients around the globe each year.

Since the foundation of the company more than 15 years ago, Fresenius Medical Care has been able to quadruple its sales and increase its earnings tenfold. With its strong performance in 2011, Fresenius is looking to deliver its fifteenth consecutive dividend increase to its shareholders. Ben Lipps, CEO of



Ben Lipps, CEO of Fresenius Medical Care, recently confirmed the sales and earnings outlook for 2012 by saying, "Our first quarter results show an excellent start for the year with both the North American as well as the International segment continuing their strong operating performance. On this basis we clearly confirm our previous guidance for the full year 2012 expecting another record year in terms of revenue and earnings."

**Financial and operating highlights include:**

- Cash Flow – During the first 9 months of 2012, cash flow was \$1.467 billion compared to \$950 million for the same period in 2011.
- Operating Income – Operating income increased by 11% to 1.659 billion compared to \$1.488 billion in the first 9 months of 2011. The operating income margin increased to 16.4% for the first 9 months as compared to 16.0% in the same period of 2011.
- Net Revenue – During the first 9 months of 2012, net revenue increased by 8% to \$10.09 billion compared to the first 9 months of 2011.
- Outlook for 2012 – For the full year of 2012, Fresenius confirms its sales and earnings outlook and expects revenue to grow to \$14 billion.

**The Lease:**

Fresenius Medical Care has committed to lease the property for an initial term of 15, years which expires in June 2024. During the initial term of the lease the base rent shall increase by 10% every 5 years with the first rent increase beginning June 1, 2014. The lease also includes three consecutive options to extend the lease for a period of 5 years each.

One of the more appealing aspects of this lease is that Fresenius Medical Care pays directly or reimburses all of the taxes, insurance premiums and maintenance costs of the building. Fresenius pays the Tenant's share of the operating expenses incurred by the Landlord during the term of the lease. Therefore, the property co-owners have very few active management duties rendering this triple-net lease property a passive, hassle-free, real estate investment.

Some of the lease specifics are:

-Lease payment schedule:	Monthly
-Lease guarantor:	Fresenius Medical Care Holdings, Inc.
-Initial lease term:	11.5 years remaining
-Renewal options:	Three 5-year options
-Rent increases:	10% every 5 years, (increases 6/2014)
-Rent per square foot:	\$24.01
-Building size:	7,003 square feet

