

5th August 2015

Healthcare

Sanofi

Price EUR98.17

What is good for Regeneron is good for Sanofi

Fair Value EUR105 (+7%)

BUY

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	99.1 / 71.1
Market Cap (EUR)	128,703
Avg. 6m daily volume (000)	3 180

	1 M	3 M	6 M	31/12/14
Absolute perf.	11.3%	6.4%	20.3%	29.8%
Healthcare	7.3%	3.9%	13.5%	23.9%
DJ Stoxx 600	4.0%	0.5%	7.2%	16.4%

	2014	2015e	2016e	2017e
P/E	18.9x	17.2x	16.9x	15.3x
Div yield (%)	2.9%	3.1%	3.2%	3.4%

ANALYSIS

- Yesterday Regeneron presented second-quarter results that far exceeded market expectations, based on skyrocketing Eylea sales and also on lower-than-expected operating expenses. As a consequence EPS grew 17% to USD2.89 when CS anticipated USD2.77 and guidance for the full-year has been increased across the board including Eylea US sales now expected to grow 45-50% (vs 30-35% previously). Not only is the product benefiting from new indications (with more to come in Japan) but it is gaining market shares to Lucentis in key European countries and in the US. The drug should exceed USD2bn in sales in the US alone in 2015.
- In terms of R&D, there is little to highlight as Sanofi updated on recent developments last week, including a long time spent on Praluent which was recently approved in the US and recommended for approval in Europe. To note however is that phase III trial for dupilumab in atopic dermatitis completed enrolment, which seems fully in line with schedule with data expected to be collected in November (16-week data) and filing to be done by mid-2016.

VALUATION

- We assume Sanofi has estimated Regeneron's contribution in the second-quarter based on analysts' expectations and as a consequence may not have fully reflected the good performance of its partner during the period. Same for the year now that the guidance is revised upwards. GAAP net income was up 64% in the first half but 103% in the second quarter. A catch-up in Q3 is possible and we revise RGN's share in the profits from associates from EUR89m to EUR100m.
- Profits from associates are non-cash items so do not impact our FV, unlike the share in RGN that has grown by another 5% yesterday. The value of this stake is now close to EUR12bn.

NEXT CATALYSTS

- 27 August 2015: PDUFA date for Repatha (evolocumab, Amgen)

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Distribution of stock ratings

BUY ratings 61,6%

NEUTRAL ratings 33,9%

SELL ratings 4,5%

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