

6th January 2016

Healthcare

**Sanofi**

Price EUR77.57

**Termination of agreement with Mannkind on Afrezza**

**Fair Value EUR90 (+16%)**

**NEUTRAL**

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	100.7 / 73.3
Market Cap (EURm)	101,278
Avg. 6m daily volume (000)	3 059

	1 M	3 M	6 M	31/12/14
Absolute perf.	-2.1%	-8.7%	-12.0%	2.5%
Healthcare	-0.4%	3.6%	-2.6%	12.5%
DJ Stoxx 600	-3.8%	2.5%	-7.0%	4.1%

  

	2014	2015e	2016e	2017e
P/E	14.9x	13.8x	13.7x	13.2x
Div yield (%)	3.7%	3.9%	4.1%	4.3%

#### ANALYSIS

- Mannkind announced yesterday the termination of the licence and collaboration agreement with Sanofi for the development and commercialisation of the short-acting inhaled insulin Afrezza. It is said in the press release that the two companies will commence shortly the transition from Sanofi to Mannkind that will last between 90 and 180 days. As per the agreement, the termination will be effective no later than 6 months from the notice of termination, i.e. 4 July 2016. Actually the objective is to make the transition shorter and to terminate the agreement by early April. Sanofi paid USD150m upfront and our understanding is that there is no further financial obligation from any party except that the loan facility granted by Sanofi remains in place.
- The decision taken by Sanofi should not be a surprise to anyone. It has been said that it was Chris Viehbacher's decision to in-license the drug but this one has been a true disappointment since its launch in 2014 in the US. The clinical results were mixed, the label was restrictive, the scepticism from physicians about long-term effects of inhaling insulin on the lung was resilient and support from payers was poor. For the first nine months of 2015, Afrezza reported EUR5m in sales.

#### VALUATION

- We were expecting USD100m at peak for Afrezza around the turn of the decade but the drug would have struggled to reach break-even any way. It had already been de-emphasised since the new management took the reins of the company. It has therefore no impact on our FV.
- This termination makes things even clearer: in the diabetes franchise, Toujeo and LixiLan will be the drugs in focus from a commercial perspective for the next few years.

#### NEXT CATALYSTS

- 9 February 2016 : FY 2015 results

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## Distribution of stock ratings

BUY ratings 56,9%

NEUTRAL ratings 34,6%

SELL ratings 8,5%

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