

17th March 2016

Healthcare

Sanofi

Price EUR73.02

Jury's verdict in PCSK9 battle favours Amgen

Fair Value EUR88 (+21%)

NEUTRAL

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	100.7 / 67.3
Market Cap (EURm)	95,342
Avg. 6m daily volume (000)	3 267

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.1%	-7.2%	-18.5%	-7.1%
Healthcare	2.4%	-9.0%	-10.3%	-11.2%
DJ Stoxx 600	6.4%	-5.4%	-5.8%	-6.8%

	2016	2017e	2018e	2019e
P/E	13.1x	12.7x	11.7x	10.7x
Div yield (%)	4.1%	4.3%	4.8%	5.2%

ANALYSIS

- Yesterday a jury ruled in favour of Amgen in the patent infringement case that concerns the PCSK9 class and that started in 2014 when Amgen sued both Regeneron and Sanofi for infringement of its patent portfolio with alirocumab. No decision was made in terms of damages or any royalty payment due to Amgen but a follow-on hearing by a judge this time is scheduled for 23rd March on Amgen's request for permanent injunction. Sanofi and Regeneron issued a press release to say that they "strongly disagree" with the US jury's verdict and that they plan to appeal the judgement. Should the case now move to the Appeal Court it may take a different angle if only because legal and patent specialists would advise the Court and a judge would make the decision rather than a jury that has little knowledge about these matters.
- That said, it could have been expected that that both parties reach an agreement even before this ruling. It is not fully clear why this has not been the case but each party thought it had strong enough arguments to move forward. Now clearly, Amgen looks in an even stronger position. Will the two parties wait for the permanent injunction hearing? Permanent injunction is granted when harm for one party is irremediable and it may prove difficult for the judge to make such a statement but Amgen will argue in this way. The probability is low but the risk is high for Sanofi. As such, it would make more sense than ever for Sanofi and even more for Regeneron to try settling the case with Amgen. Even without a permanent injunction being granted and appealing the jury decision, a long period of uncertainty (15-18 months?) would open that is not good for the drug, for the companies, their investment cases and the stock prices.

VALUATION

- In anticipation of this jury verdict, we said on 7th March that a 20% royalty rate paid to Amgen would have a negative impact on our FV for Sanofi of EUR1.2. We have made no changes to our estimates as yet but will do so after the decision on the permanent injunction is made and based on comments from the various parties involved in the case about their intentions.
- Besides this case, note that Zealand yesterday confirmed that LixiLan would face an AdCom in May. New diabetes drugs are used to having AdComs. It will be interesting to hear where exactly specialists consider a LixiLan-like proposition to be in the treatment paradigm of diabetes.

NEXT CATALYSTS

- 24th March 2016: decision on the permanent injunction request in the PCSK9 patent case

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