

23rd March 2016

Healthcare

Sanofi

Price EUR71.16

Praluent still very much in the news

Fair Value EUR88 (+24%)

NEUTRAL

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	100.7 / 67.3
Market Cap (EURm)	92,913
Avg. 6m daily volume (000)	3 282

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	-8.5%	-16.8%	-9.5%
Healthcare	-1.7%	-9.2%	-8.5%	-12.3%
DJ Stoxx 600	2.6%	-4.6%	-1.8%	-7.0%

	2016	2017e	2018e	2019e
P/E	12.8x	12.4x	11.4x	10.5x
Div yield (%)	4.2%	4.4%	4.9%	5.3%

ANALYSIS

- Sanofi and Regeneron have issued positive results from a small but interesting study from the ODYSSEY programme called ESCAPE in which patients with HeFH undergoing LDL apheresis (a procedure by which the blood is cleaned of LDL cholesterol somewhat like dialysis used in kidney impaired patients) were tested on Praluent every two weeks vs placebo as an add-on to their existing therapy. The results were highly clinically meaningful as 63% of the patients treated with Praluent no longer required apheresis while in total, 75% reduced the frequency of such procedures which are cumbersome and costly.
- In the press release, Sanofi reports that apheresis can cost up to USD100,000 per year per patient and EUR60,000 in Germany. From a pharmaco-economic perspective, there is little doubt that anti-PCSK9 agents are very competitive therapeutic options for patients with HoFH and HeFH as it has already been demonstrated. It is here further illustrated in a subset of patients with HeFH that a study from the National Lipid Association in 2014 estimated to be approximately 650,000 in the US for HeFH including 15,000 (2.4%) requiring LDL apheresis. It is less meaningful from a financial perspective than for the sake of the value proposition that PCSK9-targeting agents represent and that is once again illustrated by these results in a subgroup of patients with a high unmet need.
- On the same topic i.e. Praluent, note that a hearing on Amgen's request for a permanent injunction that could kick the drug off the US market is due to take place today and tomorrow with a decision shortly thereafter. The consensus believes this is unlikely to happen but some have voiced opinions saying it could. Most think it will result in a settlement with royalty payments.

VALUATION

- Sensitivity to a 20% royalty rate is EUR1.2 to our FV according to our calculation.
- Our PS of EUR5bn obviously includes HeFH.

NEXT CATALYSTS

- 25th March 2016 (or following days): Decision after hearing for permanent injunction

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Distribution of stock ratings

BUY ratings 72%

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