

24th March 2016

Healthcare

Sanofi

Price EUR70.68

An interest for Medivation? Why not!

Fair Value EUR88 (+25%)

NEUTRAL

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	100.7 / 67.3
Market Cap (EURm)	92,287
Avg. 6m daily volume (000)	3 272

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	-11.6%	-17.5%	-10.1%
Healthcare	-0.8%	-11.3%	-8.5%	-12.1%
DJ Stoxx 600	3.7%	-7.2%	-2.0%	-7.0%

	2016	2017e	2018e	2019e
P/E	12.7x	12.3x	11.3x	10.4x
Div yield (%)	4.2%	4.5%	5.0%	5.4%

ANALYSIS

- Rumours report interest from Sanofi for Medivation. This seems credible to us. We think Sanofi is looking for targets in the oncology field as the group clearly stated that it intends to make oncology one of its key franchises again in the future which would require years and years if only via internal growth. So we are convinced that at least one structuring acquisition or large partnership could be undertaken, that however has to be reasonably dilutive if not quickly accretive which limits the opportunities as a lot of targets in this field are biotech companies that do not have products on the market yet.
- But Medivation fits well into this category in view of its partnership with Astellas for Xtandi that has become one of the most popular drugs to treat prostate cancer (worldwide sales were close to USD2bn in 2015, booked by Astellas with Medivation receiving collaboration revenues of close to USD700m). This makes Medivation a profitable company in GAAP terms (including amortization of milestones). Moreover, Xtandi is still being developed in new indications for prostate and breast cancers in particular and Medivation has other assets in late-stage trials like pidilizumab in haematology or the recently-acquired PARP inhibitor talazoparib in breast cancer. All this would be a great addition to Sanofi's pipeline that has always been largely exposed to prostate and breast cancers through Taxotere or Jevtana.
- At the current share price, Medivation is worth between USD6bn and USD7bn but the acquisition is likely to be close to USD10bn in our view (a modest premium over the highest levels seen in 2015). We could also consider that other companies might be interested in bidding for Medivation, starting with its partner Astellas.

NEXT CATALYSTS

- Coming days: result from hearing about permanent injunction on Praluent

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Distribution of stock ratings

BUY ratings 72%

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