

28th April 2016

Healthcare

Sanofi

Price EUR77.53

Battle over Medivation is just starting

Fair Value EUR87 (+12%)

NEUTRAL

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	100.7 / 67.3
Market Cap (EURm)	101,231
Avg. 6m daily volume (000)	3 247

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.3%	0.8%	-15.6%	-1.4%
Healthcare	5.0%	-3.7%	-8.4%	-8.7%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

	2015	2016e	2017e	2018e
P/E	13.7x	14.3x	13.7x	12.6x
Div yield (%)	3.8%	3.9%	4.1%	4.5%

ANALYSIS

- At 8am Paris Time this morning, Sanofi sent a press release in which it reports its approach to Medivation to try reach an agreement to combine the two companies. In view of repeated rejections to engage into discussions, CEO Olivier Brandicourt made public the letter sent to Medivation on 15 April 2016 setting forth a proposal to acquire the company for USD52.50 in cash. The price corresponds to a 50% premium over a 2-month weighted price unaffected by rumours.
- This price would represent a total consideration of approximately USD9.3bn. Sanofi reports that it would be both immediately accretive to earnings and offer value creation to shareholders.
- It is important to note that considering conditions, the offer is made based on public information as opportunity to discuss with Medivation was rejected.
- We commented the rumour twice already in our Healthcare Daily on 23 March and 13 April to say that it would make sense for Sanofi to consider acquiring Medivation to strengthen its Oncology portfolio in line with its strategy without diluting short-term earnings growth. Now we think today is only the first step in what could be a long-lasting battle with several parties involved that may include Astellas, current Medivation's partner on Xtandi. AstraZeneca was also mentioned as a potential suitor which makes sense for Xtandi but questions how to deal with the PARP inhibitors.

VALUATION

- We will wait a bit to see how things turn out before modelling Medivation into Sanofi. In any case, the final price is likely to be much higher than the current USD9.3bn and more like USD15bn in our view, where the deal would still be earnings accretive (based on a 1.5% average interest rate) but neutral in terms of value creation for Sanofi.

NEXT CATALYSTS

- 29 April 2016: First-quarter results

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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