

13th May 2016

Healthcare

Sanofi

Price EUR69.11

Medivation: Sanofi starts the clock

Fair Value EUR86 (+24%)

NEUTRAL

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	100.7 / 67.3
Market Cap (EURm)	90,492
Avg. 6m daily volume (000)	3 199

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.9%	0.5%	-15.1%	-12.1%
Healthcare	-1.5%	4.3%	-10.6%	-11.7%
DJ Stoxx 600	-0.5%	6.6%	-10.6%	-8.9%

	2015	2016e	2017e	2018e
P/E	12.2x	12.6x	12.5x	11.5x
Div yield (%)	4.2%	4.3%	4.6%	5.1%

ANALYSIS

- So far, everything is developing in line with expectations since Sanofi's approaches to Medivation's Board have failed to result in open negotiations, and since Sanofi has decided to go hostile and to present the rationale of the transaction and direct its offer to shareholders, while still hoping for discussions with management. So yesterday, Sanofi announced that it had filed for a Hard-Scott-Rodino premerger notification, which provides the FTC and the Department of Justice (DOJ) with information about the proposed acquisition of Medivation by Sanofi. It provides information about each party's business. This is pure procedure as we do not expect any issue from a legal or antitrust perspective considering the small size of Medivation and the absence of any conflict and anticompetitive situation with any product. Xtandi and Jevtana are highly complementary but do not represent a threat to competition in the prostate cancer field in our view.
- We also know that Medivation has decided to invite banks to help defend the best interests of its shareholders including through exploration of a sale of the company. Recently, Medivation would have opened doors to Pfizer and Amgen, which have signed non-disclosure agreements, to access data room and consider making an offer. Other names like AstraZeneca or Novartis have also been mentioned. We think it would make sense for Novartis to look at a combination with Medivation.

VALUATION

- There is little doubt that, unless companies invited to the data room see something unpleasant, prices will go much higher than the original USD52.50 that Sanofi has offered. A deal is value-enhancing up to USD80 in our view and that's where we see the final price in case of a battle.

NEXT CATALYSTS

- 24-25th May 2016: FDA Advisory Committee for LixiLan and Xultophy

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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