

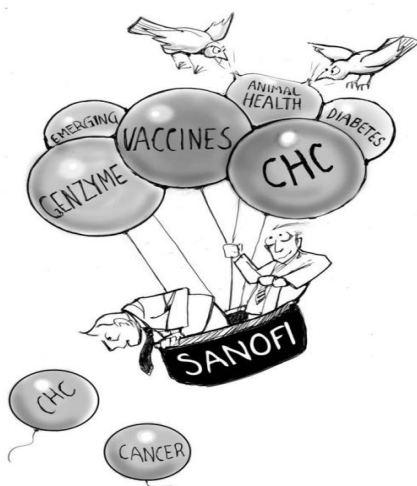
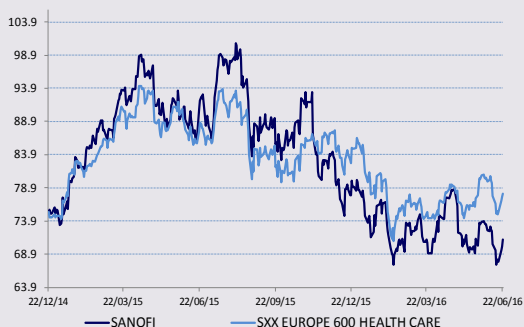
UPDATE
INDEPENDENT RESEARCH

24th June 2016

Healthcare

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	100.7 / 67.3
Market capitalisation (EURm)	91,594
Enterprise Value (BG estimates EURm)	98,993
Avg. 6m daily volume ('000 shares)	2 967
Free Float	91.0%
3y EPS CAGR	2.8%
Gearing (12/15)	13%
Dividend yields (12/16e)	4.22%

YE December	12/15	12/16e	12/17e	12/18e
Revenue (EURm)	36,575	35,963	36,740	38,444
EBIT(EURm)	9,948	9,587	9,591	9,984
Basic EPS (EUR)	5.64	5.40	5.40	5.69
Diluted EPS (EUR)	5.64	5.47	5.52	6.12
EV/Sales	2.7x	2.8x	2.7x	2.5x
EV/EBITDA	8.8x	9.2x	9.3x	8.9x
EV/EBIT	10.0x	10.3x	10.2x	9.6x
P/E	12.6x	13.0x	12.9x	11.6x
ROCE	11.9	11.2	10.9	11.3



Sanofi

How much diabetes for the new Sanofi?

Fair Value EUR83 (price EUR71.17)

NEUTRAL

Sanofi's strategy in diabetes is not that clear but ADA was not the right place to discuss this as nobody was available from the management. It is fair to say that the group is doing its best with what it currently has (i.e. essentially Toujeo) and that iGlarLixi is key for the next few years in terms of keeping the franchise in the guided range or doing better than this. The coming two months will be instructive and potentially exciting.

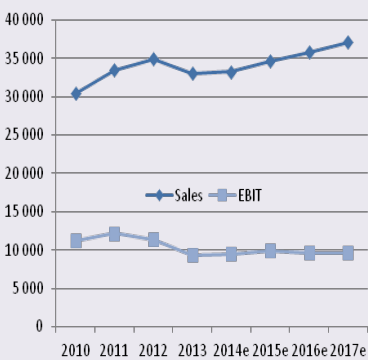
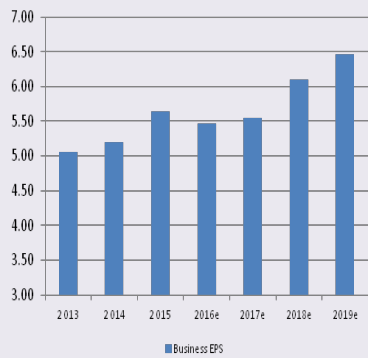
- Everyone agrees that Sanofi is very good at diabetes marketing and that it is doing an excellent job of defending its glargine franchise. In a tough environment, Toujeo is doing fairly well and is highly likely to become a blockbuster - in our view by no later than 2018. However, Sanofi clearly needs a second weapon to compete against Novo-Nordisk and it can't be anything other than iGlarLixi.
- The category is promising in that it is less crowded than others (duopoly) and the clinical data presented at ADA were good in terms of efficacy. Sanofi looks determined and ready to implement an aggressive strategy to make this drug its new flagship product in the diabetes field to intensify treatment after failure with glargine but also as a first injectable after OAD failure. The battle against Novo-Nordisk will be worth following because the positioning of their respective drugs could be slightly different.
- The first goal is currently to get monotherapy and combination both approved by the FDA in July and August respectively. After a 12-2 vote in favour by the Advisory Committee panellists last month, the probability looks fairly high. That said, drug-antibody formation and pen device defaults could make the regulatory process less straightforward than expected with possible label restrictions or even delay in approval
- In our note of 30 May, we highlighted that Sanofi would very probably experience a profound change in product mix in the next few years as CHC, vaccines and Genzyme are expected to enjoy strong growth. Diabetes could go in the opposite direction. However, the rate of decline matters in that this is still a very profitable business; we'll need to wait and see what happens with iGlarLixi at FDA level.



Analyst:
Eric Le Berrigaud
33(0) 1 56 68 75 33
eleberrigaud@bryangarnier.com

Sector Analyst Team:
Mickael Chane Du
Hugo Solvet

Sanofi



Company description

The current Sanofi was formed in 2004 from the merger of two French companies, Sanofi-Synthelabo and Aventis. The new company is a consolidation of various mid-sized companies like Winthrop, Synthelabo, Roussel-Uclaf and, more recently, Genzyme, including diversified companies like Rhône-Poulenc whose businesses in chemicals and agrochemicals were spun off or sold. Today's Sanofi is a diversified healthcare company with strong businesses in animal health, vaccines or consumer health. Under the new leadership of Olivier Brandicourt, it looks determined to reduce the number of businesses while strengthening some of them. This is exemplified by the ongoing asset swap with B.I. where Sanofi sells its animal health division against bigger footprint in CHC. More globally, we see CHC, vaccines and Genzyme becoming more important for the Group.

Shareholders	
L'Oréal	9
Total	5
Free Float	91

Income Statement (EURm)	2013	2014	2015	2016e	2017e	2018e	2019e
Sales	32,951	33,766	36,575	35,963	36,740	38,444	40,310
Change (%)	-5.7%	2.5%	8.3%	-1.7%	2.2%	4.6%	4.9%
EBITDA	10,612	10,655	11,237	10,713	10,441	10,772	10,772
Profits from associates	85.0	147	170	254	370	432	407
Business EBIT	9,324	9,445	9,948	9,587	9,591	9,984	10,983
Change (%)	-17.9%	1.3%	5.3%	-3.6%	0.0%	4.1%	10.0%
Financial result	(503)	(447)	(390)	(386)	(296)	(206)	0.0
Pre-tax result	8,898	8,978	9,514	9,027	9,295	9,778	10,877
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	2,134	2,155	2,187	2,212	2,236	2,341	2,597
Minority interests	162	126	126	20.0	20.0	20.0	20.0
Net result	6,687	6,844	7,371	7,049	7,059	7,437	7,437
Business Net income	6,687	6,843	7,371	6,989	7,059	7,828	8,280
Change (%)	-18.2%	2.3%	7.7%	-5.2%	1.0%	10.9%	5.8%
Cash Flow Statement (EURm)							
Cash flow	7,531	7,483	8,548	8,166	7,959	8,665	9,041
Change in WCR	(124)	988	1,048	54.6	931	919	955
Net Capex	1,398	1,557	3,023	1,850	1,850	1,850	1,500
Net financials investments	(51.0)	2,040	157	0.0	0.0	0.0	0.0
Dividends	3,638	3,676	3,694	3,827	3,919	4,115	4,572
Net debt	6,333	7,473	7,406	7,399	5,970	3,900	1,673
Free Cash flow	6,257	4,938	4,477	5,834	5,347	6,185	6,799
Balance Sheet (EURm)							
Shareholders equity, 100%	57,014	56,268	58,210	58,452	60,812	63,555	66,883
+Provisions	9,619	10,711	10,290	10,290	10,290	10,290	10,290
+Net Debt	6,333	7,473	7,406	7,399	5,970	3,900	1,673
Capital employed	72,990	74,583	77,019	77,255	78,186	78,858	79,959
Intangible assets	67,985	69,801	67,487	67,241	67,411	67,452	67,811
+ WCR	5,712	4,538	2,336	2,818	3,579	4,210	4,952
+ Other / Miscellaneous	(721)	234	1,444	1,444	1,444	1,444	1,444
capital employed	72,990	74,583	77,019	77,255	78,186	78,858	79,959
Total Assets	96,065	97,392	102,321	100,850	103,295	106,181	109,616
Financial Ratios							
Operating margin (%)	28.30	27.97	27.20	26.66	26.10	25.97	27.25
Tax rate (%)	23.98	24.00	22.88	24.50	25.00	25.00	25.00
Net margin	20.29	20.27	20.15	19.44	19.21	20.36	20.54
ROE (after tax) (%)	11.71	12.11	12.91	12.02	11.87	12.63	12.74
ROCE (after tax) (%)	10.29	10.38	11.86	11.15	10.93	11.26	12.19
Gearing	11.11	13.28	12.72	12.66	9.82	6.14	2.50
Payout ratio (%)	54.97	53.97	51.92	55.59	58.29	61.47	66.74
Number of shares, diluted (m)	1,323	1,316	1,306	1,278	1,278	1,278	1,278
Data per Share (EUR)							
Reported EPS	5.00	5.20	5.64	5.40	5.40	5.69	5.69
Adjusted EPS	5.00	5.20	5.64	5.40	5.40	5.69	5.69
Business EPS	5.05	5.20	5.64	5.47	5.52	6.12	6.48
Change (%)	-18.5%	2.9%	8.5%	-3.1%	1.0%	10.9%	5.8%
BV/share	42.99	42.65	44.44	45.59	47.42	49.55	52.14
CF/share	5.69	5.69	6.54	6.39	6.23	6.78	7.07
FCF/share	4.73	3.75	3.43	4.56	4.18	4.84	5.32
Net dividend/share	2.80	2.85	2.93	3.00	3.15	3.50	3.80

Source: Company Data; Bryan, Garnier & Co ests.

Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 00%

NEUTRAL ratings 0%

SELL ratings 00%

Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the "Bryan Garnier Group") has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the "Issuer").	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	No
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person's household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at www.bryangarnier.com



BRYAN, GARNIER & CO

London	Paris	New York	Munich	New Delhi
Beaufort House 15 St. Botolph Street London EC3A 7BB Tel: +44 (0) 207 332 2500 Fax: +44 (0) 207 332 2559 Authorised and regulated by the Financial Conduct Authority (FCA) and the Financial Conduct Authority (FCA) Autorité de Contrôle prudentiel et de resolution (ACPR)	26 Avenue des Champs Elysées 75008 Paris Tel: +33 (0) 1 56 68 75 00 Fax: +33 (0) 1 56 68 75 01 Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudentiel et de resolution (ACPR)	750 Lexington Avenue New York, NY 10022 Tel: +1 (0) 212 337 7000 Fax: +1 (0) 212 337 7002 FINRA and SIPC member	Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11	The Imperial Hotel Janpath New Delhi 110 001 Tel +91 11 4132 6062 +91 98 1111 5119 Fax +91 11 2621 9062 Geneva rue de Grenus 7 CP 2113 Genève 1, CH 1211 Tel +4122 731 3263 Fax +4122731 3243 Regulated by the FINMA

Important information

This document is classified under the FCA Handbook as being investment research (independent research). Bryan Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

This report is prepared by Bryan Garnier & Co Limited, registered in England Number 03034095 and its MIFID branch registered in France Number 452 605 512. Bryan Garnier & Co Limited is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange. Registered address: Beaufort House 15 St. Botolph Street, London EC3A 7BB, United Kingdom

This Report is provided for information purposes only and does not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. This Report is for general circulation to clients of the Firm and as such is not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

The information and opinions contained in this Report have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in this Report are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of this Report. Information may be available to the Firm and/or associated companies which are not reflected in this Report. The Firm or an associated company may have a consulting relationship with a company which is the subject of this Report.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firm's prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

Disclosures specific to clients in the United Kingdom

This Report has not been approved by Bryan Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC, 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.

This Report is based on information obtained from sources that Bryan Garnier & Co Limited believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan Garnier & Co Limited and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available.