

23rd August 2016

Healthcare

Sanofi

Price EUR69.56

Still looking for a match

Fair Value EUR83 (+19%)

NEUTRAL

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	93.3 / 67.3
Market Cap (EURm)	89,664
Avg. 6m daily volume (000)	2,651

	1 M	3 M	6 M	31/12/15
Absolute perf.	-9.2%	-2.3%	-2.3%	-11.5%
Healthcare	-4.0%	2.8%	4.1%	-7.1%
DJ Stoxx 600	0.0%	0.7%	2.6%	-6.9%

	2015	2016e	2017e	2018e
P/E	12.3x	12.7x	12.6x	11.4x
Div yield (%)	4.2%	4.3%	4.5%	5.0%

ANALYSIS

- In the end, Medivation will fall into Pfizer's hands, the two companies having entered into a definitive merger agreement under which MDVN will be acquired for USD81.50 per share (hence a total value of c.USD14Bn). This is not great news for Sanofi as the acquisition would have 1/ dramatically boosted its lagging oncology franchise; and 2/ boosted EPS and value (even when assuming a USD15bn deal). Obviously, the company won't call it a day and will continue to look for other potential targets in the field (and preferably profitable ones, with a promising development pipeline). And we believe that Regeneron, Incyte or Ariad might attract SAN's interest.
- Rumours have reported interest for Biomarin (market cap of c. USD15Bn) although cancer is not really its main focus... Still, we see some pretty interesting synergies with Genzyme as 1/ BMN's commercial portfolio mainly involves enzyme replacement therapies addressing rare diseases (e.g. Aldurazyme for MPS I); 2/ its development pipeline would give access to some promising early-stage candidates, like BMN 270 (gene therapy developed as a treatment for haemophilia A).
- Note that Shire has been cited as a potential suitor for BMN on numerous occasions... However, we believe management is looking more at smaller targets (< USD5Bn), given its stretched financial ratios following the recent acquisition of Baxalta (2016e net debt/EBITDA: 3.3x).

VALUATION

- Neutral rating reiterated with a FV of EUR83.

NEXT CATALYSTS

- 23rd October: Q3 2016 results.

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Distribution of stock ratings

BUY ratings 72%

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