

31st August 2016

Healthcare

Sanofi

Price EUR69.69

Express Scripts acts slightly differently than CVS on glargine

Fair Value EUR83 (+19%)

NEUTRAL

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	93.3 / 67.3
Market Cap (EURm)	89,831
Avg. 6m daily volume (000)	2 618

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.5%	-5.7%	-4.8%	-11.3%
Healthcare	-4.7%	-2.2%	3.0%	-7.7%
DJ Stoxx 600	0.8%	-1.5%	3.2%	-5.8%

	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

- One month after ESI and CVS issued a first draft about medication exclusions to reimbursement for 2017, ESI has come back to clarify its position re the diabetes market and the situation with glargine in particular.
- Diabetes is actually becoming the fifth specific programme for ESI in which the largest US private insurer has decided to pay particular attention in order to balance the greatest possible service to patients suffering from the disease with the need to keep costs under control.
- In a dedicated press release, ESI details its new Diabetes Care Value Program by first saying that it intends to cap spending and drive diabetes drug costs down. The aim is to cut the anticipated growth rate by half in 2017 (ESI was anticipating spending for diabetes drugs to grow 17%). Among initiatives, ESI plans to improve logistics for the delivery of drugs, compliance (reduce burden linked to poor adherence to treatment) and also introduce new competing drugs. Here, unlike CVS that has decided to ban Lantus and Toujeo in favour of Basaglar, ESI has decided to cover both Basaglar and Lantus (there is no mention of Toujeo) in the glargine family. No doubt this is a way to have maximum pressure on prices for both.

VALUATION

- Although it is easy to imagine that Sanofi has been compelled to agree on massive discounts to keep Lantus on ESI formularies, the outcome is best than with CVS where volumes are completely lost. That said, the battle around Lantus will be fierce in 2017 in the US. We are not sure at all that Sanofi will be able to keep the Diabetes franchise as a whole in the -4/8% guided range.

NEXT CATALYSTS

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