

Sanofi

Price EUR75.70

Sanofi can try to defend its Diabetes franchise with Soliqua

Fair Value EUR84 (+11%)

NEUTRAL

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	84.4 / 67.3
Market Cap (EURm)	97,610
Avg. 6m daily volume (000)	2 589

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.4%	8.6%	6.4%	-3.7%
Healthcare	-3.5%	-6.8%	-4.7%	-13.9%
DJ Stoxx 600	-1.2%	0.0%	0.7%	-7.0%

	2015	2016e	2017e	2018e
P/E	13.5x	13.5x	13.8x	12.5x
Div yield (%)	3.9%	4.0%	4.2%	4.6%

ANALYSIS

- Yesterday Soliqua obtained approval from the FDA for marketing in the US under an unexpected strength and a unique pen device containing 100 units/mL of glargine and 33 mcg/mL of lixisenatide, which is very likely the answer provided by Sanofi to the questions raised by the AdCom panel and probably by the FDA too about the risk of misuse with the initial two pens. The new offer is no longer differentiated from Novo's but is much easier for the patient. The range of daily units that can be delivered by the pen is unchanged.
- As far as we can see, the label is not surprising and makes Soliqua (as well as Xultophy) the treatment of choice for people with type II diabetes that are not controlled with either a basal insulin like Lantus or a GLP1 analogue. For Sanofi clearly, the target population is Lantus users not at goal (i.e. with A1c>7%). This represents a population of about 2m people and our estimate is that half of them might migrate to a fixed-dose combination. As a consequence, this market could reach USD4-5bn in value.
- Price negotiations will start shortly with payers. We have assumed that Lyxumia would be priced at a 40% discount to Victoza and would carry a mandatory rebate of 20% on average whereas Soliqua would be priced at a 40% premium to Lyxumia i.e. around or slightly below Victoza alone.

VALUATION

- We are making no change to our estimates so far and will wait until January and the first indicators on pricing to fine-tune our numbers. This is good news for Sanofi's Diabetes franchise because Soliqua should help mitigate the decline in the glargine product line.

NEXT CATALYSTS

- January 2017: EU decision on Soliqua and US launch of Soliqua

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Distribution of stock ratings

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