

## Sanofi

Price EUR76.06

Sanofi rumoured to be interested in Actelion too

Fair Value EUR83 (+9%)

NEUTRAL

Bloomberg	SAN FP
Reuters	SASY.PA
12-month High / Low (EUR)	80.2 / 67.3
Market Cap (EURm)	98,074
Ev (BG Estimates) (EURm)	105,534
Avg. 6m daily volume (000)	2 611
3y EPS CAGR	1.6%

According to rumours reported in the press, Sanofi has informed Actelion of its interest in the company. This makes a lot of sense. Actelion would be a very good fit for Sanofi, would speed up its recovery from 2018 onwards and help its transition phase with an even greater Specialty Care profile. We would view it as very positive for Sanofi, but negotiations still have to take place.

## ANALYSIS

- Today, the press reports new rumours suggesting that Sanofi would be interested in Actelion and has informed the Swiss company about its interest.
- It makes a lot of sense, in our view, as we already underlined. First, the PAH franchise offers a dual opportunity for Sanofi: on one hand it reinforces its rare disease franchise and would strengthen and diversify Genzyme's product lines; on the other hand, it would be the right time to acquire a platform in the field of respiratory products to prepare for the launch of dupilumab in severe asthma, likely in 2018. Instead of starting from scratch and having to recruit new people for a single drug, Sanofi would extract synergies by plugging dupilumab into Actelion's platform, well introduced and respected among the community of pneumologists.
- Then, moving to the pipeline, several assets are also very interesting for Sanofi, starting of course with lucerastat in Fabry disease, that could not have better fit than with Fabrazyme while balancing the risk with another oral drug in development at Genzyme. Beyond this one, ponesimod is an obvious target of interest for Sanofi as it compares to Aubagio and could well prove superior although the second trial in combination with Tecfidera might prove risky. With its experience in the field of MS, Sanofi should be able to leverage the opportunity of an S1P agonist. What should we say about the DORA in insomnia, other than just refreshing our memories: through Synthelabo and with Stilnox/Ambien, Sanofi used to be the leader in the field with USD2bn+ drug and the unmet need in this field is still intact. Last but not least, ACT132577 in resistant hypertension is another obvious interesting drug for Sanofi which is trying to reinvent itself in the field of cardiology since Plavix and Avapro lost their exclusivity with Praluent. Of course, here also like in Respiratory, having a second product to leverage a commercial infrastructure makes a lot of sense from an operational and a financial perspective. A word maybe also about the compound in phase III that should reach the market next at Actelion: cadazolid for C Diff infections, a field where Sanofi is also working, but with a vaccine developed at Pasteur i.e. two approaches that could be complementary one to the other.

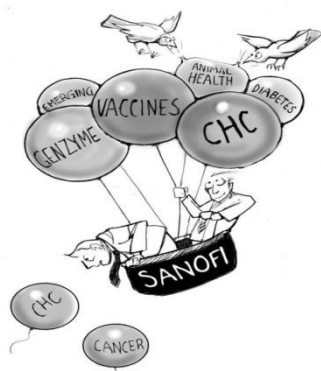
## VALUATION

- So, as we see, Actelion is a sensible target for Sanofi, one that could help the French company not only grow even faster 2018 onwards, but also transition to a different business mix with an increasing portion of Specialty Care into it. Note also that Actelion would not be the trickiest company to integrate for Sanofi because it includes a lot of French workers. Lastly, Actelion's tax rate could also help Sanofi manage its own Corporate tax rate over time.
- Now, the question is whether Sanofi can form an offer that is attractive enough for Actelion's Board and shareholders (J&J was said to now be north of CHF250 per share). It should maybe also make an offer that takes into consideration JP Clozel's wish to carry on with a stand-alone company that would be a portion of the current Actelion. It is not easy but it is worth take the time to think about it, because this link-up would make a lot of sense. The limiting factor is the price, not only because Actelion trades at P/E that are about twice as high as Sanofi's, but because at least J&J is already chasing for the same target.

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