Sanofi (SNY)

$47.26 (As of 05/15/20)

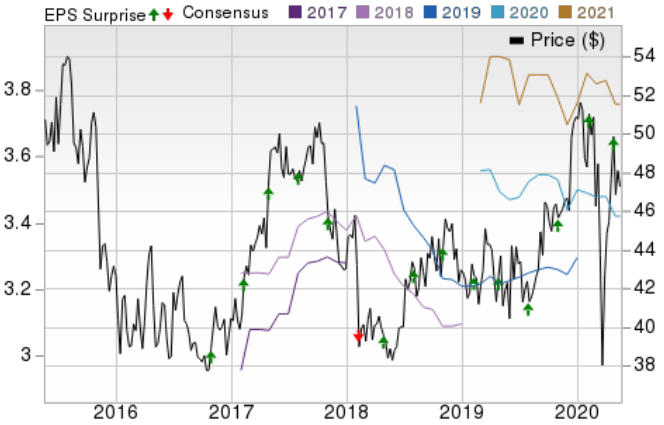
Price Target (6-12 Months): **$50.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 05/14/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**2-Buy**
	Zacks Style Scores:	VGM:A
	Value: A | Growth: B | Momentum: A	

Summary

Sanofi's Q1 earnings and sales beat estimates. However, it expects sales to decline in Q2 as the COVID-19 related Q1 benefits will reverse. Sanofi's Specialty Care segment is on a strong footing, particularly with regular label expansion of Dupixent. The drug has, in a very short time, become the key top-line driver for Sanofi. The performance of the Vaccines franchise has also improved of late. Sanofi's R&D pipeline is strong and several positive data read-outs are expected in 2020. Its cost-savings and efficiency initiatives are supporting bottom-line growth. However, headwinds include weak performance of the Diabetes unit, generic competition for many drugs and slower-than-expected uptake of core products like Praluent. Shares have outperformed the industry in the past year.

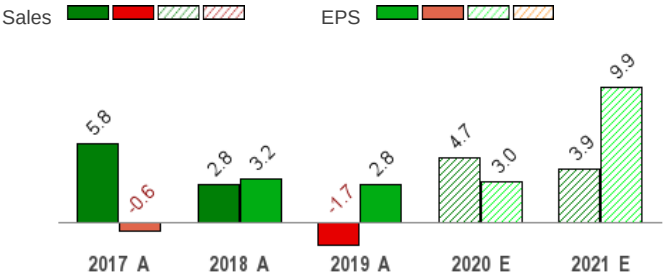
Price, Consensus & Surprise



Data Overview

52 Week High-Low	**$51.84 - $37.62**
20 Day Average Volume (sh)	**2,103,907**
Market Cap	**$118.3 B**
YTD Price Change	**-5.9%**
Beta	**0.60**
Dividend / Div Yld	**$1.21 / 2.6%**
Industry	**Large Cap Pharmaceuticals**
Zacks Industry Rank	**Top 6% (16 out of 254)**
Last EPS Surprise	**18.4%**
Last Sales Surprise	**2.7%**
EPS F1 Est- 4 week change	**-1.0%**
Expected Report Date	**NA**
Earnings ESP	**8.8%**
P/E TTM	**13.7**
P/E F1	**13.8**
PEG F1	**2.1**
P/S TTM	**2.9**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	10,152 E	9,828 E	10,908 E	11,340 E	43,532 E
2020	9,898 A	9,640 E	11,099 E	11,125 E	41,887 E
2019	9,529 A	9,696 A	10,561 A	10,639 A	40,002 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.96 E	$0.87 E	$0.99 E	$0.93 E	$3.76 E
2020	$0.90 A	$0.74 E	$1.06 E	$0.80 E	$3.42 E
2019	$0.81 A	$0.74 A	$1.07 A	$0.74 A	$3.32 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/15/2020. The reports text is as of 05/18/2020.

Overview

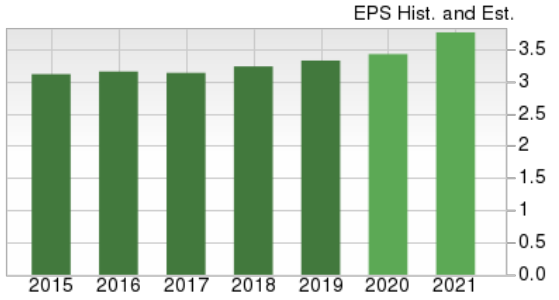
Sanofi, located in Paris, France, manufactures and markets prescription drugs in Europe, the United States and other countries. It focuses on major therapeutic areas such as cardiovascular, immunology, oncology and diabetes, among others.

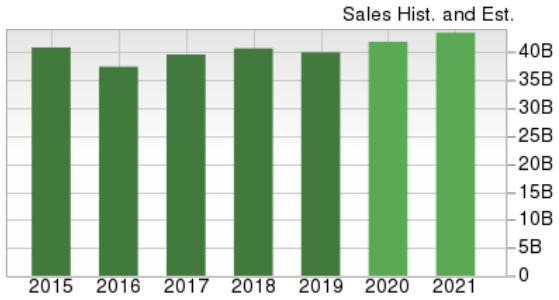
In April 2011, Genzyme Corporation became a subsidiary of Sanofi. With this deal, Sanofi has expanded its presence in biotech and now has products like Cerezyme, Myozyme/Lumizyme and Fabrazyme in its portfolio. Sanofi swapped its Merial Animal Health businesses with Boehringer Ingelheim's Consumer Healthcare (CHC) business in January 2017.

Sanofi has collaboration agreements with companies like Regeneron and Alnylam among others. Sanofi has developed and markets Dupixent, Kevzara, Praluent and Libtayo in collaboration with Regeneron.

Earlier, Sanofi reported through five Global Business Units (GBUs) — Sanofi Genzyme (Specialty Care), Primary Care, China & Emerging Markets, Consumer Healthcare and Vaccines. Beginning 2020, Sanofi restructured the company's operations under three GBUs —Specialty Care (immunology, rare diseases, rare blood disorders, neurology and oncology), Vaccines and General Medicines (diabetes, cardiovascular, and established products). The company's Consumer Healthcare (CHC) is being established as a standalone business unit.

In 2019, total sales declined 2.8% (at CER) to €36.1 billion.





Reasons To Buy:

▲ **Shares Outperforming Industry:** Sanofi's share price has risen 14.1% in the past year, outperforming the industry's increase of 11.4%.

▲ **Diversified Product Portfolio and New Product Launches:** Sanofi possesses a diversified product portfolio with a presence in several therapeutic areas including multiple sclerosis, cardiovascular diseases, diabetes, oncology, immunology, among others. Sanofi has also been progressing with new product launches.

> Sanofi's Specialty Care segment is on a strong footing, particularly with the regular label expansion of Dupixent. The drug could prove to be key long-term driver.

Sanofi's new immunology drug Dupixent is now annualizing at around €2.7 billion in sales after just around two years on the market. Sanofi expects Dupixent to achieve more than €10 billion in peak sales. Dupixent now is approved in the United States and the EU for three type II inflammatory diseases, namely severe chronic rhinosinusitis with nasal polyposis, severe asthma and moderate-to-severe atopic dermatitis. The frequent label expansion approvals are driving the drug sales higher with the positive trend expected to continue in the future quarters. We are optimistic about the sales prospects of Dupixent, which could prove to be an important catalyst for the company.

Libtayo/cemiplimab was approved in the United States in September 2018 and in the EU in July 2019 for the treatment of cutaneous squamous cell carcinoma. Libtayo is the only treatment approved by the FDA for this potentially life-threatening form of skin cancer. Cablivi (caplacizumab), for the treatment of a rare blood disorder called acquired thrombotic thrombocytopenic purpura, was approved by the FDA in February 2019 and in the EU in September 2018. Sarclisa (isatuximab) was approved in the United States for relapsed/refractory (third-line) multiple myeloma (RRMM) in March 2020.

Sanofi is investing in these launches to optimize their success. In fact, Sanofi's new products are now delivering revenues greater than the LoE impact.

▲ **Strong Vaccine Segment:** Sanofi possesses one of the world's leading vaccine operations, with total sales of more than €5 billion in the past three years (2017-2019). The company's portfolio includes pediatric vaccines, influenza vaccines, adult and adolescent booster vaccines, meningitis vaccines and travel and endemic vaccines. Sanofi also has a strong position in both seasonal and pre-pandemic influenza vaccine spaces.

Sanofi continues to expand its vaccine business further. Sanofi has also beefed up its Chinese presence with a new vaccine manufacturing facility in Shenzhen. Sanofi expects sales in its Vaccine unit to grow at mid-to-high single digit CAGR from 2018 to 2025.

▲ **Robust Pipeline:** Sanofi has shifted its R&D focus on Specialty Care therapy areas (oncology, immunology, rare disease and rare blood disorder) and Vaccines. Its programs in these areas have increased significantly since 2017. At the end of April 2020, Sanofi's pipeline included 39 pharmaceutical new molecular entities and vaccine candidates, which were in phase III studies or under regulatory review.

Promising candidates include dupilumab (bullous pemphigoid, chronic spontaneous urticaria, prurigo nodularis, eosinophilic esophagitis and chronic obstructive pulmonary disease — phase III; peanut allergy and grass pollen allergy — phase II), cemiplimab (first line non-small cell lung cancer in combination studies – phase III, metastatic and locally advanced basal cell carcinoma – phase II, second-line treatment of cervical cancer – phase III), fitusiran (hemophilia A and B – phase III), sutimlimab (cold agglutinin disease – under priority review in United States [PDUFA Date – November 2020]), sarilumab (Kevzara) (giant cell arteritis and polymyalgia rheumatica – phase III; systemic juvenile arthritis and polyarticular juvenile idiopathic arthritis – phase II), nirsevimab vaccine (respiratory syncytial virus (RSV) – phase III), fully liquid meningococcal vaccine, MenQuadfi (approved in the United States in April 2020 and under review in the EU),BTK inhibitor/SAR442168 (relapsing multiple sclerosis – phase II) and isatuximab (newly diagnosed multiple myeloma, smoldering multiple myeloma and second line r/r multiple myeloma – phase III).

▲ **Acquisitions and Deals to Drive Growth:** Sanofi has also significantly stepped up its acquisition and alliance activity over the past few years. The company diversified into the rare diseases segment with the Genzyme deal which provided the company with a new source of growth. The acquisition boosted Sanofi's revenues as well as its pipeline. Products like Fabrazyme, Aubagio and Cerdelga became part of Sanofi's portfolio through the Genzyme acquisition. Sanofi has also expanded its presence in biotechnology with this acquisition.

With the acquisition of Chattem in 2010, Sanofi has become a major player in the CHC sector. This acquisition has helped Sanofi establish a strong presence in the U.S. CHC market. Moreover, in order to realign its portfolio, the company swapped businesses with Boehringer – Sanofi's Merial (enterprise value of €11.4 billion) was exchanged with Boehringer's CHC business (worth €6.7 billion). The deal allowed Sanofi to strengthen its position in several categories including Pain Care, Allergy Solutions, Cough & Cold Care, Feminine Care, Digestive Health and Vitamins, Minerals and Supplements.

Sanofi has a 21.2% stake in Regeneron (as of Dec 31, 2019) and has also extended its agreement with Alnylam to develop RNAi therapeutics for rare genetic diseases. The company has been actively striking deals related to diabetes and oncology. The 2018 acquisitions of Ablynx and Bioverativ and the in-licensing of fitusiran from Alnylam have strengthened Sanofi's position in the rare blood disorders market.

Sanofi bought small cancer biotech Synthorx in early 2020 which added Synthorx's lead pipeline asset, THOR-707 to Sanofi's immuno-oncology portfolio. THOR-707 is being evaluated across multiple solid tumor types alone and in combination with immune checkpoint inhibitors.

We expect to see more such activities on the acquisition and collaboration front.

▲ **Cost Cutting Initiatives:** Sanofi's cost savings come from simplification of its organization, enhanced manufacturing productivity, streamlining of products portfolio and alignment of sales force.

In Dec 2019, Sanofi said that it is discontinuing all its research activities in diabetes and cardiovascular area to help it focus on high growth franchises. Meanwhile, the company said it will prioritize key growth drivers – Dupixent and vaccines and six investigational therapies,

including fitusiran, venglustat & nirsevimab. Along with these restructuring initiatives, Sanofi also announced a cost-saving plan, which is expected to generate €2 billion in savings by 2022. Sanofi expects business operating income margin to improve to 30% by 2022.

Reasons To Sell:

- **Sales Decline in Diabetes Franchise:** Sanofi's Diabetes franchise is under significant pressure with key product, Lantus (insulin glargine), facing increasing competitive pressure at the payor level and biosimilar competition in several European markets and Japan. Moreover, a biosimilar insulin glargine hit the U.S. markets in December 2016. Lantus was a major contributor to the company's top line having accounted for 10.3% of total sales in 2017 and 7.3% in 2018.

> The company is facing generic competition for several products and the Diabetes franchise continues to be under pressure.

  Sales of Sanofi's global diabetes franchise declined 11% in 2017, 17.5% in 2018 and 15.6% in 2019. Lantus sales declined more than 25% in the past three years (2017-2019) with sales in the United States declining in all years due to lower average net price and loss of Medicare Part D business. In Europe too, Lantus sales declined in all years due to biosimilar competition and patient switching to Toujeo. The trend continues in 2020.

- **Generics Impacting Revenues:** Sanofi has faced significant loss of revenues in the last couple of years as several of its key products went off patent including its blockbuster drug, Plavix. Meanwhile, sales of drugs like Lantus and Renagel declined in 2018 and 2019 due to loss of exclusivity.

- **Praluent Sales Below Expectations:** While Praluent was launched in 2015, sales have been below expectations since launch due to payer restrictions. Prescription volumes remain subdued in key markets with treatment being reserved only for very severe patients.

  Sanofi has been actively negotiating with U.S. payers to simplify the utilization management criteria and improve access to Praluent. Sanofi and Regeneron lowered Praluent's U.S. net price for those payers who agreed to reduce access barriers for high-risk heart patients. Though these efforts have paid off, the improved access came at the cost of significantly higher rebates, which hurt profits from the drug's sales. In February 2019, Sanofi announced a 60% cut in the U.S. list price of Praluent to improve access and affordability of the drug. However, the lower prices as well as the significantly higher rebates significantly dented Sanofi's profits from Praluent in 2019. Sales declined 7.6% in 2019.

  Meanwhile, though Sanofi has gained approval to include data from the phase III cardiovascular outcome study on Praluent's label in the United States as well as EU, it remains to be seen if the label expansion leads to improved demand trends.

  We note that Amgen's Repatha is also approved both in the U.S. and in the EU. Potential competitors that could enter the market include Alnylam/Novartis' Inclisiran (under review in the United States and EU).

- **Pipeline under Pressure:** In order to compensate for the loss of revenues to generic competition, Sanofi needs to successfully develop and launch new products. While the company has several candidates in different stages of development, we note that clinical development involves a high degree of risk. Gaining approval for pipeline candidates has become more difficult given the tough regulatory environment. Some high-profile setbacks include candidates like fedratinib, rimonabant, TroVax, larotaxel, otamixaban, AVE1642, iniparib and xaliproden.

Last Earnings Report

Sanofi's Q1 Earnings & Sales Beat

Quarter Ending	03/2020
Report Date	Apr 24, 2020
Sales Surprise	2.67%
EPS Surprise	18.42%
Quarterly EPS	0.90
Annual EPS (TTM)	3.45

Sanofi reported first-quarter 2020 earnings of 90 cents per American depositary share, which beat the Zacks Consensus Estimate of 76 cents. Earnings increased 15.6% on a reported as well on constant currency rates (CER) basis driven by higher revenues and lower costs.

First-quarter net sales rose 6.9% on a reported basis to $9.87 billion (€8.97 billion). At CER, sales increased 6.6% year over year. Sales also beat the Zacks Consensus Estimate of $9.64 billion.

The company said that around half of the sales and earnings growth at CER was due to COVID-19 associated patient stockpiling. While the Specialty Care unit continued to deliver double-digit growth, the sales decline at the General Medicines unit moderated in the quarter due to increased demand for chronic therapies including diabetes medicines amid the coronavirus pandemic.

Sales rose 13.1% at CER in the United States, 6.5% in Europe and 2.1% in the Rest of the World (includes China, Japan, Brazil and Russia).

All growth rates mentioned below are on a year-on-year basis and at CER.

Segmental Performance

Pharmaceuticals sales rose 7.5% in the quarter to €6.76 billion driven by Dupixent and coronavirus-led patient stock-piling, which was partially offset by lower Plavix sales in China.

Sanofi Specialty Care GBU sales increased 31.3% to €2.7 billion, driven by Dupixent and Aubagio.

In immunology, multiple sclerosis and neurology franchise, Dupixent generated sales of €776 million in the quarter, up 129.8%. Sales of the drug in the United States were €613 million, up 123.7%, driven by continued growth in atopic dermatitis and rapid uptake in new asthma indication and launch in chronic rhinosinusitis with nasal polyposis in June 2019. In the United States, Dupixent's new prescription share and total prescription share rose 76% and 118%, respectively.

Sales in Europe were €90 million, up 140.5%. Importantly, Dupixent sales growth did not include any one-time COVID-19 related benefits in the first quarter. However, the company expects a slower rate of new patient starts in Q2 due to fewer in-person doctor visits, which could hurt sales growth.

Kevzara recorded sales of €55 million in the quarter, up 80%.

Aubagio sales increased 21.3% to €541 million driven by increased demand while sales of Lemtrada fell 46.7% to €49 million due to competitive pressure and lower new patient starts due to COVID-19.

Sales of rare disease drugs increased 11.2% to €794 million. Myozyme sales rose 11.8% to €246 million. Fabrazyme sales were €214 million, up 14.6%. Cerezyme sales rose 9.7% to €189 million.

Oncology sales increased 28.7% to €186 million. Key cancer drug Jevtana's sales were up 22.5% to €138 million supported by higher sales in the United States and Europe.

Rare blood disorders franchise recorded sales of €294 million, up 3.6% year over year. Sales of key drug in the franchise, Eloctate declined 10.9% to €161 million in the quarter due to ongoing competitive pressure in the United States. Newly launched Cablivi generated sales of €24 million in the first quarter.

Sales in General Medicines GBU declined 3.8% to €4.07 billion hurt by lower sales in Diabetes and Established Products.

The Diabetes franchise declined 1.2% to €1.28 billion due to lower sales of key drug Lantus in the United States.

Sales of diabetes drugs in the United States declined 18% to €375 million due to pricing pressure. In Europe, sales rose 4.8% and in rest of the world, it rose 9.3% due to patient stockpiling amid the COVID-19 crisis.

Lantus sales decreased 6.6% to €724 million in the quarter. Lantus sales declined 21.5% in the United States due to lower average net prices. In Europe, sales decreased 3.9% due to biosimilar competition and patient switching to Toujeo. In rest of the world, Lantus sales rose 4.8% driven by strong performance in China. Toujeo generated sales of €257 million in the reported quarter, up 20.9%.

Sales of Cardiovascular and Established Rx Products came in at €2.79 billion, down 5% mainly due to lower sales of Plavix and Aprovel in China due to anticipated price and inventory adjustments in the channel, following the implementation of the VBP program in China in December 2019. Meanwhile, excluding China, sales in the segment rose 0.6% due to patient stockpiling of chronic disease medicines.
Meanwhile, lower sales of Lovenox in Europe and generic competition for Renvela/Renagel in the United Sales also hurt segment sales.

Praluent garnered worldwide sales of €73 million in the reported quarter, up 28.6%, driven by higher sales in the United States and rest of the world. In Europe, Praluent sales were hurt by suspension of sales in Germany due to patent litigation issues.

Vaccines GBU sales rose 3.7% to €909 million as COVID-19 related benefits in influenza vaccines were offset by lower sales of travel vaccines due to COVID-19 related travel restrictions. U.S. sales of vaccines rose 2.9% in the quarter while sales rose 0.7% and 5.1% in Europe and the rest of the world, respectively.

Consumer Healthcare (CHC) stand-alone unit generated sales of€1.30 billion, up 4.2% as higher demand due to COVID-19 related consumer stockpiling was offset by Sanofi's voluntary recall of its over-the-counter acid reflux medicine Zantac. Meanwhile, non-core divestments and increased regulatory requirements, which resulted in product suspensions, also hurt the performance of the CHC segment.

The main benefit of customer stocking was seen in the cough and cold and pain categories driven mainly by strong demand in Europe.

Costs Decline

Selling, general and administrative expenses declined 2.1% at CER in the quarter, reflecting cost-control measures. Research and development expenses declined 4.3% at CER due to smart spending initiatives and decline in diabetes research expenses.

2020 Guidance

Despite the solid first-quarter results, the company maintained its full-year earnings growth guidance as it expects coronavirus-related benefits seen in the first quarter to reverse over the course of 2020, mainly during the second quarter.

Sanofi maintained its previously issued earnings growth guidance for 2020, barring unforeseen circumstances. It expects earnings to grow approximately 5% at CER in 2020. It anticipates a negative currency impact in the range of 1%-2% on earnings in 2020 versus prior expectation of positive currency impact of around 1%.

Second Quarter Outlook

In the second quarter, total revenues are expected to decline in a low single digit rate year over year as the first-quarter impacts of COVID-19 reverse. In pharmaceuticals, the company could see a reduction of in-channel inventory build.

In vaccines, the company expects a significant headwind from reduced travel vaccination on the postponement of pediatric vaccinations and boosters. In CHC, the company expects significant negative impact of unwinding of consumer stock piling and reduced consumer traffic in pharmacy.

Recent News

FDA Grants Priority Review to Sutimlimab – May 14

Sanofi announced that the FDA granted priority review to its biologics license application (BLA) for sutimlimab for the treatment of hemolysis in adult patients with cold agglutinin disease (CAD), a serious, chronic, rare blood disorder. With the FDA granting priority review to the BLA, a decision is expected on Nov 13. If approved by the FDA, sutimlimab would become the first and only approved treatment for CAD patients.

The BLA filing was based on positive data from a pivotal phase III study, CARDINAL. Data from the study showed that sutimlimab had a clinically meaningful effect on complement-mediated hemolysis, which is the cause of anemia and fatigue.

Sarclisa(isatuximab) Phase III Study Meets Primary Endpoint – May 12

Meanwhile, Sanofi's second phase III study, evaluating its anti-CD38 monoclonal antibody, isatuximab, in patients with relapsed multiple myeloma, met the primary endpoint. The data from an interim analysis of the phase III IKEMA study showed that Sarclisa (isatuximab) added to carfilzomib and dexamethasone significantly reduced the risk of disease progression or death compared to carfilzomib and dexamethasone alone in patients with relapsed multiple myeloma. Sarclisa was approved in March by the FDA in combination with standard-of-care medicines, pomalidomide and dexamethasone (pom-dex) for the treatment of patients with relapsed/refractory multiple myeloma.

Libtayo Shows Response in Difficult Skin Cancer – May 5

Sanofi and Regeneron announced that their PD-1 inhibitor Libtayo demonstrated clinically meaningful and durable response in a phase II study in patients with locally advanced basal cell carcinoma, a difficult-to-treat skin cancer. In the study, the objective response rate in patients treated with Libtayo was 29%. Meanwhile approximately 85% of patients who responded to Libtayo maintained their response for at least one year. Libtayo is presently approved to treat metastatic cutaneous squamous cell carcinoma (CSCC) or locally advanced CSCC.

Kevzara COVID-19 Study to Include only Critical Patients – Apr 27

Sanofi announced that the Independent Data Monitoring Committee has recommended amendment of the ongoing phase II/III study on Kevzara in severe COVID-19 patients. Based on a review of all available phase II and phase III data, the IDMC recommended that the phase III study will be amended to enroll only "critical" patients and discontinue the less advanced "severe" group. Meanwhile the phase III study will be amended to discontinue lower-dose Kevzara (200 mg). All patients will receive either Kevzara higher dose (400 mg) or placebo.

Libtayo Phase III Study Meets OS Primary Endpoint – Apr 27

Sanofi announced that a phase III study evaluating Libtayo as a monotherapy for first-line advanced non-small cell lung cancer was stopped early, based on a recommendation by the independent Data Monitoring Committee, due to highly significant improvement in overall survival. Data from the study showed that Libtayo decreased the risk of death by 32.4% compared to chemotherapy. Sanofi and Regeneron plan to file regulatory applications in the United States and EU in 2020.

FDA Approves Meningococcal Vaccine – Apr 24

Sanofi announced that the FDA has approved its BLA for MenQuadfi, a meningococcal vaccine candidate, developed for the prevention of meningococcal meningitis in persons 2 years of age and older. The vaccine is under review in Europe and other countries.

SAR442168 Meets Endpoints in Phase IIb Study – Apr 23

Sanofi also announced that its investigational brain-penetrant BTK inhibitor, SAR442168 met the primary as well as secondary endpoints in a phase IIb study in relapsing multiple sclerosis. Data from the study showed that SAR442168 significantly reduced disease activity associated with multiple sclerosis as measured by magnetic resonance imaging (MRI). Sanofi plans to initiate four pivotal phase III studies on SAR442168 in relapsing and progressing forms of multiple sclerosis by mid-2020.

Collaborates With Glaxo to Make Adjuvanted COVID-19 Vaccine – Apr 14

Sanofi and Glaxo signed a letter of intent to combine their innovative technologies to develop an adjuvanted COVID-19 vaccine. The vaccine candidate is expected to enter clinical studies in the second half of 2020. The vaccine, if successfully developed, will be available in the second half of 2021.

To make the vaccine, Sanofi will contribute the S-protein COVID-19 antigen developed using its recombinant DNA technology, which has helped produce an exact genetic match to proteins found on the surface of the virus.

Meanwhile, Glaxo will provide its proven pandemic adjuvant technology for the development of the coronavirus vaccine candidate. This technology may reduce the amount of vaccine protein required per dose, which, in turn, will allow more vaccine doses to be produced.

Proven technologies of these leading companies may lead to a better and scalable coronavirus vaccine, which is the need of the hour.

Valuation

Sanofi's shares have declined 5.8% in the year-to-date period but are up 14.1% over the trailing 12-month period. Stocks in the Zacks sub-

industry and sector are down 0.9% and 3.3%, respectively, in the year-to-date period. Over the past year, stocks in the sub-industry and sector are up 11.4% and 2.8%, respectively.

The S&P 500 Index is down11.1% in the year-to-date period but up 0.6% in the past year.

The stock is currently trading at 13.32X forward 12-month earnings per share, which compares with 14.79X for the Zacks sub-industry, 22.48X for the Zacks sector and 20.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 16.63X and as low as 10.7X, with a 5-year median of 13.32X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $50 price target reflects 14.1X forward 12-month earnings per share.

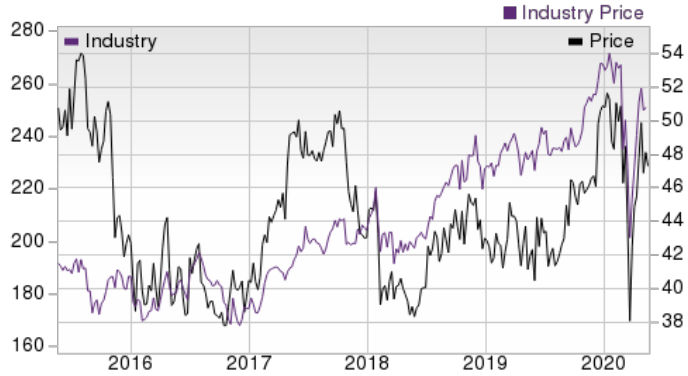
The table below shows summary valuation data for SNY

Valuation Multiples - SNY

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.32	14.79	22.48	20.8
	5-Year High	16.63	18.12	22.48	20.8
	5-Year Low	10.7	13.07	15.81	15.19
	5-Year Median	13.32	15.35	18.81	17.45
P/S F12M	Current	2.78	4.66	2.71	3.23
	5-Year High	3.32	4.83	3.84	3.44
	5-Year Low	2.16	3.92	2.24	2.54
	5-Year Median	2.59	4.39	2.96	3.02
P/B TTM	Current	1.79	5.28	3.74	3.76
	5-Year High	2.25	7.19	5.04	4.54
	5-Year Low	1.44	3.8	3.03	2.9
	5-Year Median	1.69	5.21	4.28	3.65

As of 5/15/2020

Industry Analysis **Zacks Industry Rank:** Top 6% (16 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Eli Lilly and Company **(LLY)**	Outperform	1
AbbVie Inc. **(ABBV)**	Neutral	2
Bayer Aktiengesellschaft **(BAYRY)**	Neutral	3
GlaxoSmithKline plc **(GSK)**	Neutral	2
MerckCo., Inc. **(MRK)**	Neutral	3
Novartis AG **(NVS)**	Neutral	3
Pfizer Inc. **(PFE)**	Neutral	3
Roche Holding AG **(RHHBY)**	Neutral	3

Industry Comparison Industry: Large Cap Pharmaceuticals

Industry Peers

	SNY	X Industry	S&P 500	BAYRY	GSK	MRK
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	2	3
VGM Score	A	-	-	A	C	C
Market Cap	118.35 B	145.02 B	18.98 B	57.93 B	102.62 B	201.37 B
# of Analysts	5	2	14	2	6	7
Dividend Yield	2.57%	2.57%	2.21%	3.42%	4.54%	3.06%
Value Score	A	-	-	A	B	C
Cash/Price	0.09	0.05	0.06	0.10	0.07	0.04
EV/EBITDA	10.95	14.21	11.60	8.16	10.47	14.26
PEG Ratio	2.06	1.91	2.58	1.14	7.75	2.19
Price/Book (P/B)	1.79	3.89	2.59	1.09	3.99	7.66
Price/Cash Flow (P/CF)	7.11	11.92	10.28	4.47	9.44	11.92
P/E (F1)	13.82	14.90	19.01	8.30	13.99	14.90
Price/Sales (P/S)	2.90	4.17	1.92	1.16	2.30	4.19
Earnings Yield	7.24%	6.72%	5.06%	12.04%	7.14%	6.72%
Debt/Equity	0.36	0.56	0.75	0.78	1.23	0.82
Cash Flow ($/share)	6.64	4.33	7.01	3.48	4.33	6.69
Growth Score	B	-	-	C	D	D
Hist. EPS Growth (3-5 yrs)	1.18%	8.53%	10.82%	NA	7.29%	9.00%
Proj. EPS Growth (F1/F0)	3.01%	4.62%	-10.48%	5.65%	-7.73%	3.19%
Curr. Cash Flow Growth	26.95%	3.68%	5.68%	-8.03%	4.83%	5.54%
Hist. Cash Flow Growth (3-5 yrs)	5.29%	7.62%	8.52%	6.30%	1.08%	0.15%
Current Ratio	1.40	1.11	1.27	1.40	0.87	1.11
Debt/Capital	26.32%	39.71%	44.25%	43.72%	55.18%	45.14%
Net Margin	9.10%	22.54%	10.54%	9.65%	15.28%	21.10%
Return on Equity	19.95%	32.02%	16.29%	14.15%	43.97%	52.46%
Sales/Assets	0.49	0.46	0.54	0.35	0.45	0.57
Proj. Sales Growth (F1/F0)	3.62%	4.52%	-2.55%	-3.06%	1.86%	2.59%
Momentum Score	A	-	-	A	D	C
Daily Price Chg	-0.86%	0.50%	0.20%	1.97%	0.12%	-0.34%
1 Week Price Chg	2.63%	1.35%	3.23%	-2.35%	1.70%	-1.64%
4 Week Price Chg	2.45%	3.63%	0.88%	0.21%	-2.13%	-3.88%
12 Week Price Chg	-6.88%	-3.29%	-23.26%	-23.23%	-4.33%	-3.29%
52 Week Price Chg	13.44%	8.85%	-12.56%	-2.94%	3.99%	0.82%
20 Day Average Volume	2,103,907	3,116,396	2,553,422	486,796	3,638,893	11,127,674
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	-0.62%	0.00%
(F1) EPS Est 4 week change	-1.01%	-0.74%	-5.57%	-2.86%	-0.74%	-6.41%
(F1) EPS Est 12 week change	-0.86%	-1.98%	-16.22%	-7.20%	-1.78%	-7.25%
(Q1) EPS Est Mthly Chg	-5.77%	-5.97%	-11.63%	NA	-5.00%	-18.18%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	B
Momentum Score	A
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock.The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment.This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time.ZIR is not a broker-dealer.ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients.Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.