Sanofi (SNY)

$51.35 (As of 08/17/20)

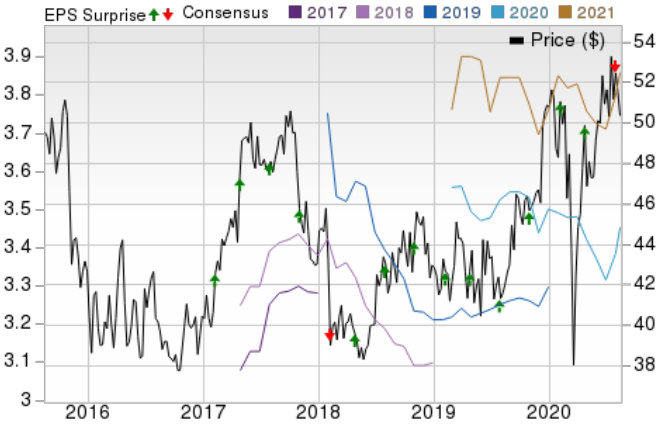
Price Target (6-12 Months): **$54.00**

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

Summary

Sanofi's Q2 earnings beat estimates while sales missed the same. In Q2, COVID-19 led to slowing new patient additions, deferral of procedures/vaccinations, and lower in- pharmacy traffic which hurt sales. However, the Specialty Care unit 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. Meanwhile, Sanofi possesses a leading vaccine operation. Its 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 this year so far.

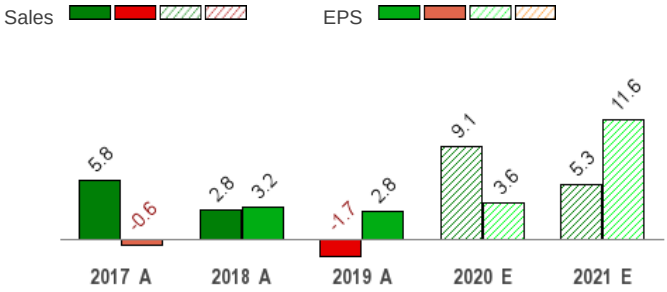
Price, Consensus & Surprise



Data Overview

52 Week High-Low	**$55.00 - $37.62**
20 Day Average Volume (sh)	**1,137,427**
Market Cap	**$128.6 B**
YTD Price Change	**2.3%**
Beta	**0.60**
Dividend / Div Yld	**$1.17 / 2.3%**
Industry	**Large Cap Pharmaceuticals**
Zacks Industry Rank	**Top 46% (116 out of 252)**
Last EPS Surprise	**-7.1%**
Last Sales Surprise	**-9.1%**
EPS F1 Est- 4 week change	**5.8%**
Expected Report Date	**10/29/2020**
Earnings ESP	**0.9%**
P/E TTM	**15.3**
P/E F1	**14.9**
PEG F1	**2.2**
P/S TTM	**3.2**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	11 E	10 E	12 E	12 E	45,969 E
2020	9,898 A	9,035 A	11,685 E	11,217 E	43,639 E
2019	9,529 A	9,696 A	10,561 A	10,639 A	40,002 A

EPS Estimates

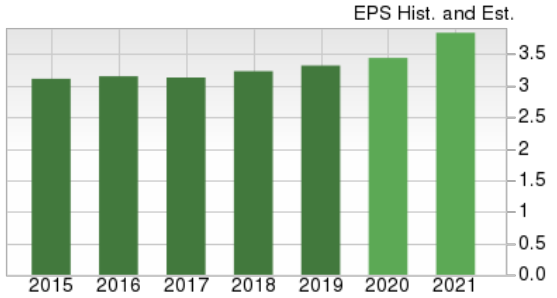
	Q1	Q2	Q3	Q4	Annual*
2021	$1.00 E	$0.85 E	$1.17 E	$1.04 E	$3.84 E
2020	$0.90 A	$0.65 A	$1.12 E	$0.78 E	$3.44 E
2019	$0.81 A	$0.74 A	$1.07 A	$0.74 A	$3.32 A

*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 08/17/2020. The reports text is as of 08/18/2020.

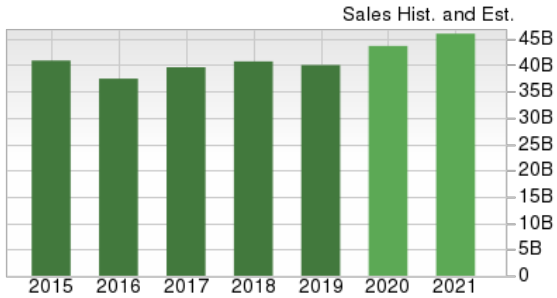
Overview

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



Sanofi has a presence in several therapeutic areas including multiple sclerosis, cardiovascular diseases, diabetes, oncology, immunology, among others.

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) has been established as a standalone business unit.

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

Reasons To Buy:

> 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.

- **Shares Outperforming Industry:** Sanofi's share price is up 2.3% this year so far, outperforming the industry's increase of 0.5%.

- **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 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 July 2020, Sanofi's pipeline included 34 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), Libtayo/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), avalglucosidase alfa (Pompe Disease – phase III), fitusiran (hemophilia A and B – phase III), sutimlimab (cold agglutinin disease – under priority review in United States [PDUFA Date – November 2020]), 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 III), venglustat (GM2 gangliosidoses - phase III) and Sarclisa/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.

  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 with €900 million already achieved in the first half of 2020. Sanofi expects business

operating income margin to improve to 30% by 2022.

▲ **Favorable Debt Profile:** As of Jun 30, 2020, the company had $23.6 billion in total debt (long-term debt plus current debt) and around $16 billion in cash plus short-term investments. Its cash is sufficient to pay its short-term debt of $3.33 billion in case of insolvency. Meanwhile, its debt-to-total capital ratio was 26.2 as of Jun 30, 2020, which was lower than 29.4 as of Mar 31, 2020. A lower ratio indicates lower financial risk.

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 Q2 Earnings & Sales Lag Estimates, EPS View Up

Quarter Ending	06/2020
Report Date	Jul 29, 2020
Sales Surprise	-9.12%
EPS Surprise	-7.14%
Quarterly EPS	0.65
Annual EPS (TTM)	3.36

Sanofi reported second-quarter 2020 earnings of 65 cents per American depositary share, which missed the Zacks Consensus Estimate of 70 cents. The earnings excluded the gain on revaluation of the retained Regeneron shares and declined 2.4% on constant currency rates ("CER") basis. Including this gain, earnings were 70 cents, up 3.2% on a reported basis and 4.8% CER.

Second-quarter net sales declined 4.9% on a reported basis to $9.03 billion (€8.21 billion). At CER, sales decreased 3.4% year over year, in line with the guidance of a low single-digit decline. Sales missed the Zacks Consensus Estimate of $9.94 billion.

In the quarter, COVID-19 resulted in a slowdown in new patient additions, deferral of procedures and some vaccinations and lower in- pharmacy traffic. Also, reversal of the COVID-related stockpiling benefit seen in the first quarter hurt sales.

Sales remained flat at CER in the United States, while it declined 10.8% in Europe and 1.4% 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 declined 2% in the quarter to €6.26 billion as a strong performance of Dupixent, was more than offset by lower sales in General Medicines, affected by COVID-19 related destocking and the VBP program in China.

Sanofi Specialty Care GBU sales increased 17.4% to €2.71 billion, mainly driven Dupixent. Oncology also contributed solid growth.

In immunology, multiple sclerosis and neurology franchise, Dupixent generated sales of €858 million in the quarter, up 70%. Sales of the drug in the United States were €697 million, up 69.5% driven by continued growth in atopic dermatitis and rapid uptake in new asthma indication and launch in chronic rhinosinusitis with nasal polyposis. In the United States, Dupixent's new prescription share and total prescription share rose 92% and 11%, respectively. New prescription growth slowed down due to COVID-19 related global confinements. Sales in Europe were €84 million, up 84.8%.

Kevzara recorded sales of €62 million in the quarter, up 17.3%.

Aubagio sales increased 12% to €527 million driven by increased demand and stocking at patient level while sales of Lemtrada fell 74.3% to €19 million due to competitive pressure and the impact of COVID-19.

Sales of rare disease drugs decreased 0.5% to €738 million due to the COVID-19 pandemic. Myozyme sales declined 2.6% to €226 million. Fabrazyme sales were €199 million, down 5.7%. Cerezyme sales rose 2.1% to €179 million.

Oncology sales increased 18.2% to €189 million. Key cancer drug Jevtana's sales were up 4.8% to €133 million, benefiting from increased demand in metastatic castration-resistant prostate cancer. New drugs Libtayo and Sarclisa recorded sales of $15 million and $4 million, respectively in the quarter. Sarclisa's launch has been hurt by COVID-19 related lockdown restrictions.

Rare blood disorders franchise recorded sales of €314 million, up 6.2% year over year. Sales of key drug in the franchise, Eloctate declined 2.9% to €169 million in the quarter due to the ongoing competitive pressure in the United States, partially offset by higher sales in the Rest of the World. Alprolix sales were €117 million, up 9.5%.

Sales in General Medicines GBU declined 12.7% to €3.55 billion hurt by lower sales in Diabetes and Established Products. COVID-19 related deferrals of elective procedures and channel destocking hurt sales of this GBU.

The Diabetes franchise declined 5.7% to €1.2 billion. Sales of diabetes drugs in the United States declined 17.4% to €391 million due to pricing pressure. In Europe, sales fell 5.7% while in rest of the world, it rose 4.7%.

Lantus sales decreased 7% to €693 million in the quarter. Lantus sales declined 15.8% in the United States due to lower average net prices. In Europe, sales decreased 12.6% due to biosimilar competition and patient switching to Toujeo. In rest of the world, Lantus sales rose 3.4% driven by strong performance in China. Toujeo generated sales of €239 million in the reported quarter, up 10%.

Sales of Cardiovascular and Established Rx Products came in at €2.36 billion, down 15.9% mainly due to lower sales of Plavix and Aprovel in China following the implementation of the VBP program and the impact of the COVID-19 pandemic.

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 9.1% 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 declined 6.8% to €927 million as growth in influenza vaccines in Rest of the World market was more than offset by lower sales of travel vaccines due to COVID-19-related travel restrictions and lower sales of meningitis and booster vaccinations due to postponement of pediatric vaccinations and boosters. The demand for influenza vaccines was strong in the Southern Hemisphere.

Sales of vaccines declined 40.9% and 22.4% in the U.S. market and Europe, respectively, in the quarter while sales rose 20.4% in rest of the

world.

Sanofi expects to record high flu vaccine sales in the Northern Hemisphere in the second-half as it began flu vaccine shipments to the U.S. market early and expects to deliver 80 million to the U.S. market (higher than last year). The expected high flu demand and potential catch up on pediatric vaccinations is expected to lead to a strong vaccines' performance in the second half. However, the company also said that the catch up on meningitis and booster vaccinations will depend on the level of COVID-19 related restrictions in the second half.

Consumer Healthcare (CHC) stand-alone unit generated sales of €1.02 billion, down 8% due to consumer destocking and reduced consumer traffic in pharmacies in Europe and Rest of the World. Moreover, Sanofi's voluntary recall of its over-the-counter acid reflux medicine Zantac in November also hurt CHC sales.

Meanwhile, non-core divestments and increased regulatory requirements, which resulted in product suspensions, also hurt the performance of the CHC segment.

Costs Decline

Selling, general and administrative expenses declined 7.1% at CER in the quarter, reflecting cost-control measures as well as lower expenses due to COVID-19 pandemic. Research and development expenses declined 15.1% at CER due to decline in diabetes research expenses.

2020 Guidance

Despite expectations of more onerous currency headwinds, Sanofi increased its previously issued earnings growth guidance for 2020. It expects earnings to grow between 6% and 7% at CER in 2020, compared with its previous guidance of growth of approximately 5%. It anticipates a negative currency impact in the range of 3%-4% on earnings in 2020 versus prior expectation of negative currency impact of 1%-2%.

Third-Quarter Outlook

In Pharmaceuticals, the company expects a recovery in new patient starts and elective procedure, though not to pre-COVID levels. Dupixent sales are expected to remain strong. In vaccines, though flu sales are expected to be high, sales of travel vaccines will continue to be hurt by COVID-19. In CHC, the company expects to see increased consumer traffic in pharmacies in most of the United States and Europe but not in emerging markets yet.

Operating expenses in the second half will be slightly down to flat year over year.

Recent News

To Buy Principia Biopharma for $3.7B – Aug 17

Sanofi announced a definitive agreement to buy late-stage biotech Principia Biopharma for $100 per share in cash for an aggregate equity value of approximately $3.68 billion. The board of directors of both the companies have approved the transaction.

Principia has two late-stage Bruton tyrosine kinase (BTK) inhibitors for immune-mediated diseases, SAR442168 and rilzabrutinib, in its pipeline, which Sanofi believes have a 'pipeline in a product' potential. SAR442168 has just entered phase III development in patients with multiple sclerosis, with the first patient enrolled in June. The phase III program comprises four pivotal clinical trials across the disease spectrum. In phase II studies, the candidate reduced Gd-enhancing T1 hyperintense lesions by 85% in patients with multiple sclerosis compared to placebo.

Sanofi can now explore the candidate in other central nervous system diseases and therapeutic areas. Moreover, Sanofi in-licensed global rights to SAR442168 from Principia in 2017. If the acquisition gets through, Sanofi will gain full control of the candidate and will eliminate future royalty payments.

Rilzabrutinib is an oral BTK inhibitor being evaluated in a phase III study for moderate-to-severe pemphigus a rare skin disorder that causes lesions in the skin and in the mucous membranes. Another phase III study in immune thrombocytopenia, a blood disorder that causes high risk for bleeding events, is expected to be initiated this year. Another BTK inhibitor, a topical agent is in phase I studies for immune-mediated diseases.

To Supply Coronavirus Vaccine to U.S. Government – Jul 31

Sanofi and Glaxo have been selected for Operation Warp Speed program to supply the United States government with 100 million doses of their COVID-19 vaccine, which the companies are developing together. The U.S. government will provide funding of $2.1 billion for the development and manufacturing of the initial 100 million doses. The U.S. government also has an option to purchase an additional 500 million doses.

Sanofi and Glaxo are also in advanced discussion with the European Commission to supply up to 300 million doses of their COVID-19 vaccine to European countries. The doses will be manufactured in European countries including France, Belgium, Germany and Italy.

Sanofi is combining its recombinant protein-based technology with Glaxo's pandemic adjuvant technology to develop an adjuvanted COVID-19 vaccine. The vaccine candidate is expected to enter clinical studies (phase I/II) in September 2020 with a phase III study expected to start by the end of the year. The vaccine, if successfully developed, will be available in the second half of 2021. The agreement is subject to final contract.

Detailed Results from Phase IIb Study on Nirsevimab – Jul 30

Sanofi presented detailed results from a phase IIb study evaluating its extended half-life RSV monoclonal antibody (mAb), nirsevimab as a passive immunization to help prevent RSV in healthy premature infants. The results were also published in New England Journal of Medicine

The data showed that nirsevimab reduced respiratory syncytial virus infections requiring medical care, mainly bronchiolitis and pneumonia and hospitalizations in the above patient population.

Agreement to Supply Coronavirus Vaccine to U.K. Government – Jul 29

Sanofi and Glaxo entered into an agreement with the U.K. government to supply up to 60 million doses of a COVID-19 vaccine, which the companies are developing together.

Coronavirus Study on Kevzara Fails to Meet Endpoint – Jul 2

Sanofi and partner Regeneron's phase III study testing their drug Kevzara in critical COVID-19 patients failed to meet its primary and key secondary endpoints. The study was evaluating Kevzara (400 mg) in COVID-19 patients requiring mechanical ventilation when Kevzara was added to best supportive care compared to best supportive care alone. In April, the study was amended to enroll only "critical" patients and discontinue the "severe" group on the recommendation of the Independent Data Monitoring Committee.

Data from the U.S.-based phase III study showed that treatment with Kevzara achieved minor positive trends but failed to achieve statistical significance in the primary pre-specified analysis group. The group included critical patients who were mechanically ventilated at baseline and receiving 400mg dose of the drug. Moreover, Kevzara also led to negative trends in a subgroup of critical patients who were not mechanically ventilated at baseline. Serious adverse events and adverse events were also observed in higher proportion of patients compared to placebo.

Based on the latest data, the Sanofi-led U.S. based study has been stopped. However, a Sanofi-led outside U.S study in hospitalized patients with severe and critical COVID-19 using a different dosing regimen continues and so does the Regeneron-led U.S. study.

with pomalidomide and dexamethason for the treatment of relapsed/refractory (third-line) multiple myeloma (RRMM). Sarclisa was approved in the United States in March.

Valuation

Sanofi's shares are up 2.3% in the year-to-date period and 20.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are up 0.5% and 0.4%, respectively in the year-to-date period. Over the past year, the Zacks sub-industry and sector are up 12.6% and 7.7%, respectively.

The S&P 500 Index is up 4.5% in the year-to-date period and 15.4% in the past year.

The stock is currently trading at 13.85X forward 12-month earnings per share, which compares to 14.79X for the Zacks sub-industry, 22.16X for the Zacks sector and 22.85X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 16.03X and as low as 10.68X, with a 5-year median of 13.34X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $54 price target reflects 14.6X forward 12-month earnings per share.

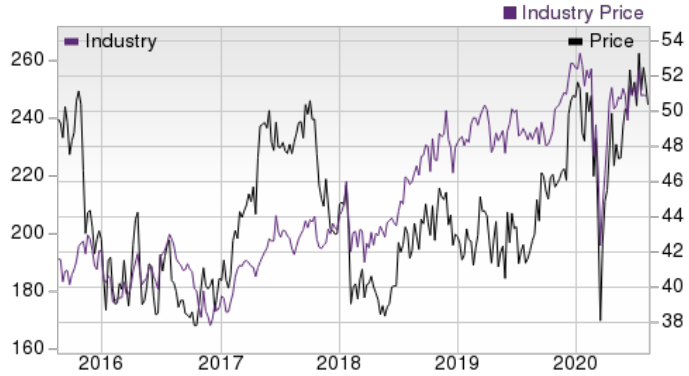
The table below shows summary valuation data for SNY

Valuation Multiples - SNY

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.85	14.79	22.16	22.85
	5-Year High	16.03	16.62	23.17	22.85
	5-Year Low	10.68	13.61	15.89	15.25
	5-Year Median	13.34	15.32	18.97	17.58
P/S F12M	Current	2.85	4.71	2.8	3.7
	5-Year High	3.21	4.85	3.41	3.7
	5-Year Low	2.13	3.88	2.22	2.53
	5-Year Median	2.59	4.4	2.89	3.05
P/B TTM	Current	1.84	5.38	3.76	4.52
	5-Year High	2.18	7.37	5.07	4.56
	5-Year Low	1.44	3.69	2.94	2.83
	5-Year Median	1.67	5.25	4.28	3.74

As of 8/17/2020

Industry Analysis **Zacks Industry Rank:** Top 46% (116 out of 252)



Top Peers

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

Industry Comparison Industry: Large Cap Pharmaceuticals

	SNY	X Industry	S&P 500	ABBV	GSK	MRK
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	A	-	-	B	A	A
Market Cap	128.59 B	152.81 B	23.75 B	170.04 B	103.18 B	214.38 B
# of Analysts	4	2	14	6	5	5
Dividend Yield	2.29%	2.31%	1.62%	4.90%	4.71%	2.88%
Value Score	A	-	-	B	A	B
Cash/Price	0.14	0.05	0.07	0.04	0.11	0.05
EV/EBITDA	11.21	14.53	13.49	20.59	10.29	15.18
PEG Ratio	2.22	2.06	3.03	1.54	3.04	2.20
Price/Book (P/B)	1.84	5.18	3.18	11.54	4.13	7.71
Price/Cash Flow (P/CF)	7.73	11.78	12.85	9.32	9.49	12.67
P/E (F1)	14.93	14.89	22.17	9.21	13.83	14.85
Price/Sales (P/S)	3.20	4.54	2.49	4.69	2.34	4.54
Earnings Yield	6.70%	6.72%	4.32%	10.86%	7.22%	6.74%
Debt/Equity	0.34	0.78	0.77	5.57	1.28	0.94
Cash Flow ($/share)	6.64	4.22	6.94	10.33	4.33	6.69
Growth Score	B	-	-	C	C	B
Hist. EPS Growth (3-5 yrs)	1.54%	7.34%	10.44%	21.34%	7.30%	9.70%
Proj. EPS Growth (F1/F0)	3.61%	7.66%	-5.97%	16.98%	-6.18%	9.94%
Curr. Cash Flow Growth	26.95%	2.90%	5.22%	8.78%	4.83%	5.54%
Hist. Cash Flow Growth (3-5 yrs)	5.29%	7.37%	8.52%	19.92%	1.08%	0.15%
Current Ratio	1.85	1.24	1.33	0.86	0.96	1.32
Debt/Capital	25.17%	43.67%	44.59%	84.78%	56.09%	48.53%
Net Margin	13.88%	19.20%	10.13%	19.20%	19.03%	22.20%
Return on Equity	24.71%	31.21%	14.51%	-628.57%	31.21%	52.94%
Sales/Assets	0.63	0.43	0.51	0.37	0.42	0.55
Proj. Sales Growth (F1/F0)	7.95%	5.05%	-1.67%	36.69%	2.20%	3.59%
Momentum Score	B	-	-	D	C	C
Daily Price Chg	2.03%	1.48%	-0.02%	1.35%	1.43%	1.53%
1 Week Price Chg	-2.29%	-0.32%	1.09%	2.31%	-0.59%	3.04%
4 Week Price Chg	-4.50%	-2.77%	4.83%	-3.20%	-1.08%	6.74%
12 Week Price Chg	8.56%	2.26%	13.09%	4.61%	0.59%	10.99%
52 Week Price Chg	20.17%	16.04%	2.77%	44.76%	1.88%	-1.66%
20 Day Average Volume	1,137,427	2,323,059	1,932,479	6,799,111	3,233,051	8,116,688
(F1) EPS Est 1 week change	0.14%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	5.83%	1.24%	1.80%	0.03%	2.46%	7.28%
(F1) EPS Est 12 week change	2.10%	1.85%	2.88%	-0.96%	2.28%	7.53%
(Q1) EPS Est Mthly Chg	8.74%	-0.14%	0.80%	1.45%	0.00%	2.46%

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	B
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.

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