Sanofi (SNY)

$48.73 (As of 01/24/20)

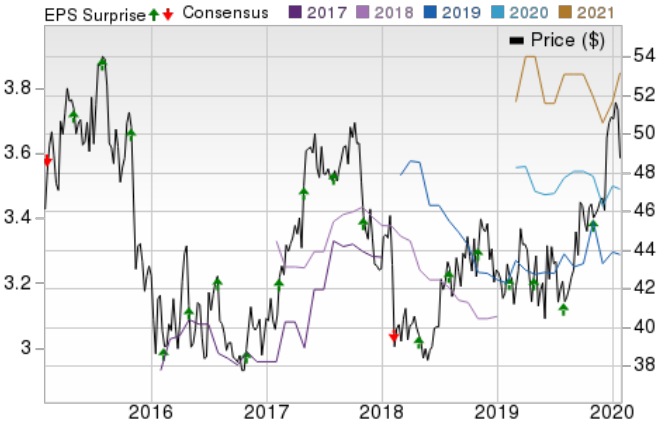
Price Target (6-12 Months): **$52.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 08/27/19) 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: A	

Summary

Sanofi's Specialty Care segment is on a strong footing, particularly with regular label expansion of Dupixent. Dupixent is now annualizing at around €2 billion in sales and could prove to be key long-term driver. The performance of the Vaccines and Consumer Healthcare franchises also improved of late. Sanofi's R&D pipeline is strong with several positive data read-outs and the achievement of regulatory milestones expected in 2020. 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. Estimates have gone down slightly, ahead of Q4 earnings release. Sanofi has a positive record of earnings surprise in the recent quarters.

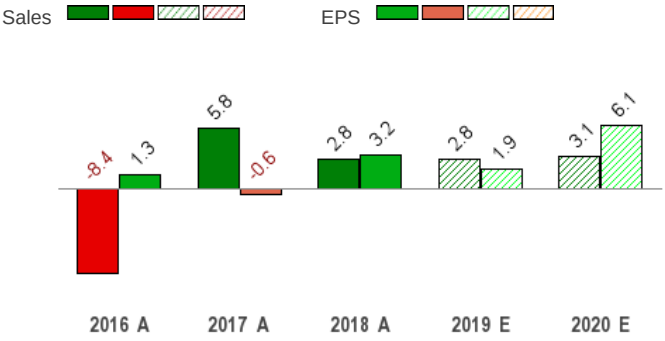
Price, Consensus & Surprise



Data Overview

52 Week High-Low	**$51.84 - $40.00**
20 Day Average Volume (sh)	**1,184,388**
Market Cap	**$122.0 B**
YTD Price Change	**-2.9%**
Beta	**0.60**
Dividend / Div Yld	**$1.16 / 2.4%**
Industry	**Large Cap Pharmaceuticals**
Zacks Industry Rank	**Top 28% (72 out of 255)**
Last EPS Surprise	**11.5%**
Last Sales Surprise	**-0.6%**
EPS F1 Est- 4 week change	**-0.3%**
Expected Report Date	**02/06/2020**
Earnings ESP	**0.5%**
P/E TTM	**15.0**
P/E F1	**14.0**
PEG F1	**2.1**
P/S TTM	**3.1**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2020					43,137 E
2019	9,529 A	9,696 A	10,561 A	11,169 E	41,839 E
2018	9,704 A	9,755 A	10,919 A	10,267 A	40,701 A

EPS Estimates

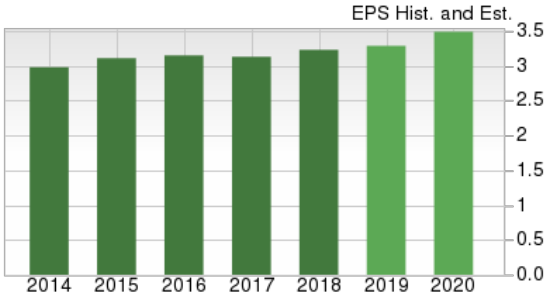
	Q1	Q2	Q3	Q4	Annual*
2020					$3.49 E
2019	$0.81 A	$0.74 A	$1.07 A	$0.70 E	$3.29 E
2018	$0.79 A	$0.74 A	$1.07 A	$0.63 A	$3.23 A

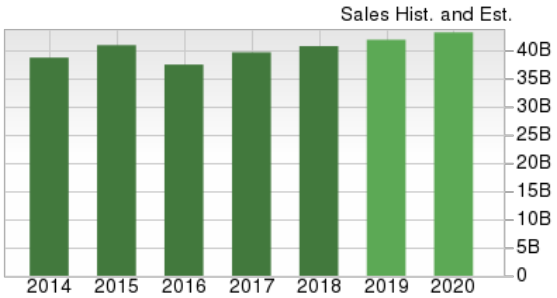
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/24/2020. The reports text is as of 01/27/2020.

Overview

Sanofi, located in Paris, France, develops and manufactures pharmaceutical products, primarily for sale in the prescription drug market. The company, which has global operations, focuses on major therapeutic areas such as cardiovascular, immunology, oncology and diabetes, among others. Sanofi manufactures and markets prescription drugs in Europe, the United States and other countries. 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 Dupixent, Kevzara, Praluent and Libtayo in collaboration with Regeneron.

Until 2019, Sanofi had five global business units (GBU): Vaccines (Sanofi Pasteur – 14.9% of 2018 sales), General Medicines & Emerging Markets (37.6%), Genzyme/Specialty Care (21%), Diabetes & Cardiovascular (13%) and Consumer Healthcare (13.5%).

However, beginning the first quarter of 2019, Sanofi implemented a new structure wherein the General Medicines & Emerging Markets and Diabetes and Cardiovascular GBU were reorganized into two new GBUs, namely Primary Care and China and Emerging Markets. Moreover, Emerging Markets sales for Specialty Care and Primary Care are now included in China & Emerging Markets GBU.

In 2018, total sales declined 1.7% (at CER) to €34.5 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 has risen 16.2% in the past one year compared with its industry's 16.1% increase.

- **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 billion in sales after just around two years in the market. 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.

  In January 2018, Sanofi launched Admelog (insulin lispro), a follow-on product to Lilly's blockbuster insulin, Humalog.

  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 both 2017 and 2018. The company's portfolio includes pediatric vaccines, influenza vaccines, adult and adolescent booster vaccines, meningitis vaccines, travel and endemic vaccines and Dengvaxia for dengue. 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.

- **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. It has also enhanced its internal research capabilities in gene therapy area while also expanding its competencies in data sciences, machine learning and artificial intelligence.

  At the end of October 2019, Sanofi's pipeline included 37 pharmaceutical new molecular entities and vaccine candidates, which were in phase III studies or under regulatory review. Sanofi expects to maintain an annual R&D budget of approximately €6 billion through 2021.

  Promising candidates include dupilumab (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 – phase III), sarilumab (Kevzara) (giant cell arteritis and polymyalgia rheumatica – phase III; systemic juvenile arthritis – phase II), nirsevimab vaccine (respiratory syncytial virus (RSV) – phase III), fully liquid meningococcal vaccine, MenQuadfi (under review in the United States and the EU) and isatuximab (third-line r/r multiple myeloma – under review in the United States (PDUFA Date- April 30, 2020); newly diagnosed 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 21.7% stake in Regeneron (as of Dec 31, 2018) 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 reviewed its cost base and conducted an extensive review of its research and development operations in order to reallocate resources to the highest growth and most promising development programs. Moreover, Sanofi's new operating model is expected to streamline the company's business and drive long-term growth. In 2016, the company's savings amounted to €650 million and more than doubled (roughly €1.5 billion) in 2017.

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. Sanofi expects business operating income margin to improve to 30% by 2022.

Reasons To Sell:

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

- **Softness in Diabetes Franchise:** Sanofi's Diabetes franchise is under significant pressure with key product, Lantus, facing increasing competitive pressure at the payor level and biosimilar competition in several European markets and Japan. Moreover, a biosimilar version of Lantus 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.

  Sales of Sanofi's global diabetes franchise declined 11% in 2017 and 17.5% in 2018. Lantus sales declined almost 23% in 2017 and almost 26% in 2018 with sales in the United States declining in both the years due to lower average net price and loss of Medicare Part D business. In Europe, Lantus sales declined in both the years due to biosimilar competition and patient switching to Toujeo.

  U.S. diabetes sales declined almost 23% in 2017 and 27% in 2018. Sanofi's global Diabetes sales declined at a CAGR of 7.4% in the 2015–2018 timeframe. The declining trend continued in 2019.

- **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 due to loss of exclusivity. The erosion caused by generic competition continued in 2019. Additionally, the company is facing increased genericization in Japan due to new policies.

- **Praluent Sales Yet to Pick Up:** 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.

  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/The Medicines Co.'s Inclisiran (ALN-PCSsc) (phase III).

- **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 Q3 Earnings Beat, Vaccines/CHC Units Hurt Sales

Quarter Ending	09/2019
Report Date	Oct 31, 2019
Sales Surprise	-0.59%
EPS Surprise	11.46%
Quarterly EPS	1.07
Annual EPS (TTM)	3.25

Sanofi reported third-quarter 2019 earnings of $1.07 per American depositary share, which beat the Zacks Consensus Estimate of 96 cents. Earnings also increased 4.3% on a reported basis. Meanwhile, at constant currency rates (CER), earnings were flat as lower costs were offset by lower revenues.

Third-quarter net sales rose 1.1% on a reported basis to $10.54 billion (€9.5 billion). Exchange rate movements benefited sales by 2.2%. However, at CER, sales dipped 1.1% year over year. Sales also missed the Zacks Consensus Estimate of $10.62 billion.

Double-digit growth in the Specialty Care was offset by persistent sluggishness in Diabetes and Cardiovascular franchises and a weak performance in the CHC and Vaccines units during the quarter.

In September 2018, Sanofi closed the agreement to sell its European generics business Zentiva to Advent International. Adjusting for the Zentiva divestiture and sales of Bioverativ products to Swedish Orphan Biovitrum AB (SOBI), sales inched up 0.5% at constant structure and CER basis.

Sales decreased 4.5% at CER in the United States. At CER, sales rose 9.7% in the Emerging Markets. Sales again declined 7.5% in Europe at CER and 1.7% in the Rest of the World (Japan, South Korea, Canada, Australia, New Zealand and Puerto Rico).

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

Segmental Performance

Pharmaceuticals sales (including the emerging markets) rose 1.5% to €6.43 billion, driven by key eczema drug Dupixent, which was partially offset by lower Diabetes and Established Rx products sales and the Zentiva (European generics business) divestiture.

Sanofi Genzyme/Specialty Care GBU sales (excluding the emerging markets) increased 19.5% to €2.36 billion, boosted by Dupixent.

In the immunology franchise, Dupixent generated sales of €561 million in the quarter, up 140.8% year over year and 14.5% on a sequential basis. Sales were driven by continued growth in atopic dermatitis and a rapid uptake in new asthma indication. Dupixent was launched for adolescent atopic dermatitis and chronic rhinosinusitis with nasal polyposis in the United States during mid-March and June, respectively, and for asthma indication in Japan in April. It was approved in Europe during May and August, respectively, for the treatment of asthma indication and adolescent atopic dermatitis. All the label expansion approvals contributed to the drug's sales growth in the third quarter. Sales in the United States were €455 million while the same in Europe were €54 million.

Dupixent's new prescription share and total prescription share were respectively up 15% and 21%, sequentially, in the United States.

Kevzara recorded sales of €49 million in the quarter compared with €51 million in the previous quarter.

Sales of rare disease drugs increased 2.8% to €637 million, driven by Gaucher, Pompe and Fabry therapies. Myozyme/Lumizyme rose 5.6% to €192 million while Fabrazyme sales were €180 million, up 0.6%. However, Cerezyme sales declined 4.2% to €114 million.

Oncology sales increased 7.4% to €297 million. Also, key cancer drug Jevtana's sales were up 9.1% to €112 million, supported by higher sales in United States and Japan. Additionally, newly-approved drug Libtayo achieved ex-U.S. sales of $4 million in the quarter. Libtayo was approved in the European Union in June 2019. While Sanofi records ex-U.S. sales, U.S. Libtayo sales are reported by partner Regeneron

Sales of multiple sclerosis drugs rose 2.2% to €534 million. Although Aubagio sales increased 12.8% to €482 million, sales of Lemtrada fell 45.2% to €52 million.

Rare blood disorders franchise, added to Sanofi's portfolio with the acquisition of Bioverativ in 2018, fetched sales of €281 million compared with €287 million in the previous quarter. New drug Cablivi (caplacizumab) generated sales of €20 million in the quarter compared with €15 million sequentially. Cablivi was launched in the United States during April and generated sales of €13 million in the region. The remaining €6 million in sales came from the five European countries where the product is now commercially available. However, sales of Eloctate declined 22.8% in the quarter due to the ongoing competitive pressure

Primary Care GBU comprises the Diabetes and Cardiovascular and the Established Rx Products segments. Sales in the Primary Care GBU declined 17.5% to €2.19 billion, hurt by lower diabetes sales and Zentiva divestiture.

The Diabetes franchise (excluding the emerging markets) declined 17.7% to €837 million due to lower sales of the key drugs Lantus and Toujeo.

Sales of diabetes drugs in the United States declined 24.7% to €451 million due to pricing pressure and loss of Part D business. In Europe, the same slipped 3% and in rest of the world, it declined 21.7%.

Lantus sales decreased 27.5% to €487 million in the quarter. Lantus sales also deteriorated 32.7% in the United States due to lower average net price and change in coverage with respect to Sanofi's Part D business. In Europe, sales decreased 13% due to biosimilar competition and patient switching to Toujeo.

Toujeo generated sales of €175 million in the reported quarter, down 5%. However, the same rose 18.3% in Europe while it declined 25% in the United States.

Admelog, a rapid-acting insulin similar to Lilly's Humalog, launched in the United States last April, achieved sales worth €51, less than €77

million in the previous quarter due to 44% price reduction for Admelog..

In the cardiovascular franchise, Sanofi's anti PCSK9 therapy Praluent garnered worldwide sales of €56 million in the reported quarter, down 15.4% as growth in Europe was offset by a decline in the United States. Sales in the United States declined 31.7% due to significantly higher rebates offered by Sanofi and partner Regeneron to payers for improving access to the drug. Sales of the other drug Multaq in this franchise also fell 9.9% to €85 million.

Sales of Established Rx Products came in at €1.21 billion, down 17.9% due to generic competition for Renvela/Renagel in the United States, lower sales of Lovenox in Europe and the divestment of European generics business Zentiva.

Sales of China and Emerging Markets GBU rose 10% to €1.89 billion.

Consumer Healthcare GBU (including the emerging markets) sales were €1.14 billion, up 0.4% as higher sales in the Emerging Markets were offset by lower sales in the United States and Europe. Sales declined 4.4% in the United States due to Sanofi's voluntary recall of its over-the-counter acid reflux medicine Zantac, which is sold by its generic name ranitidine by many other companies. FDA tests, results of which were released in September, found low levels of a chemical called NDMA, which has been classified as a probable human carcinogen in multiple ranitidine products. This prompted Sanofi and a couple of companies marketing the generic ranitidine to recall their products.

In the third quarter, Zantac sales slumped 58.1% to €14 million, reflecting the impact of this recall.

Further, non-core divestments and increased regulatory requirements hurt the performance of the CHC segment. These factors are expected to dent sales in the CHC segment during the fourth quarter of 2019 and the first half of 2020.

Moreover, in Europe, sales decreased 7% to €306 million, reflecting divestments of non-strategic brands and strengthening regulatory requirements.

Sanofi Pasteur (Vaccines) sales (including the emerging markets) declined 9.8% to €1.93 billion due to a decline in U.S. sales. U.S. sales of vaccines declined 19.5% in the quarter due to delay in flu vaccines supply. Sales, however, rose in the Emerging Markets and Europe.

Sanofi expects the third-quarter lost sales to be compensated in the fourth. The company believes it can still post higher vaccine sales in 2019 from 2018-levels.

Costs Decline

Selling, general and administrative expenses declined 1.5% at CER in the quarter, reflecting cost-control measures. Research and development expenses declined 8.1% at CER owing to favorable phasing of expenses and lower research costs resulting from restructuring of the immuno-oncology collaboration with Regeneron.

2019 Guidance

Sanofi maintained its previously issued earnings growth expectations. It expects earnings to grow approximately 5% at CER in 2019. It now anticipates a positive currency impact of around 3% on earnings compared with the prior expectation of 1-2%.

Operating expenses are expected to rise less than 1% in 2019 compared with prior expectation of around 1%.

Recent News

Sanofi Closes Synthorx Deal – Jan 23

Sanofi announced that it has completed the p[previously announced acquisition of Synthorx for for $68 per share in cash

Announces Intent to Restructure Regeneron Deal – Dec 10

Sanofi and Regeneron announced intent to restructure their antibody collaboration for Kevzara and Praluent into a royalty-based agreement while collaboration relating to Dupixent remains unchanged. Under the restructured deal, Sanofi is expected to gain sole global rights to Kevzara and sole ex-U.S. rights to Praluent while Regeneron is expected to gain sole U.S. rights to Praluent.

Sutimlimab Data at ASH – Dec 10

Sanofi presented detailed data from pivotal phase III study – CARDINAL - evaluating sutimlimab in patients with cold agglutinin disease, a serious, chronic, rare blood disorder. The study met the primary and secondary endpoints. Data from the study showed that sutimlimab led to rapid inhibition of hemolysis and clinically significant improvements in anemia and fatigue within one week of treatment

Capital Markets Day Update – Dec 9

At its Capital Markets Day, Sanofi announced a new strategic framework at its Capital Markets Day in a bid to drive innovation and growth at the company.

Sanofi announced plans to restructure the company's operations under three core global business units – 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 will operate as a standalone business unit. This move will likely help the company to unlock shareholders' value by forming a joint venture or conducting an outright sale among other options for the Consumer Healthcare unit.

Importantly, Sanofi said that it is discontinuing all its research activities in diabetes and cardiovascular area. It said it does not plan to launch late-stage type II diabetes candidate, efpeglenatide to help it focus on high growth franchises. Meanwhile, the company said it will prioritize key growth drivers – Dupixent and vaccines. The company expects peak sales of Dupixent to cross €10 billion. It expects sales of its Vaccines franchise to grow at mid-to-high single-digit CAGR from 2018 to 2025.

The company has also prioritized six investigational therapies, including fitusiran, venglustat & nirsevimab, and expects these to be potentially practice changing therapies in areas of high unmet patient need

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

To Buy Synthorx for $2.5B — Dec 9

Sanofi announced a definitive agreement to buy small biotech Synthorx for $2.5 billion to boost its immuno-oncology ("IO") portfolio. Under the terms of the merger agreement, Sanofi has offered to acquire all of the outstanding shares of Synthorx for $68 per share in cash, a premium of almost 172% to the latter's closing price of $25.03 on Dec 6

The deal, approved by board of directors of both the companies, will add Synthorx's lead pipeline candidate, THOR-707 to Sanofi's oncology portfolio. Synthorx's proprietary IO technology platform, Expanded Genetic Alphabet, should also prove to be synergistic with Sanofi's existing therapeutic platforms, including its Nanobody technology.

THOR-707 is being evaluated across multiple solid tumor types alone and in combination with immune checkpoint inhibitors. Once acquired, it can be evaluated in combination with Sanofi's present oncology medicines as well as immuno-modulatory agents in pipeline. Meanwhile, the acquisition will also boost Sanofi's pipeline with Synthorx's pre-clinical candidates for oncology and autoimmune disorders. The transaction is expected to close in the first quarter of 2020.

Valuation

Sanofi's shares are up 16.2% in the trailing 12-month period. Stocks in the Zacks sub-industry and sector are up 16.1% and 5%, respectively, over the past year. The S&P 500 Index is up 23.8% in the past year.

The stock is currently trading at 13.86X forward 12-month earnings per share, which compares with 15.31X for the Zacks sub-industry, 21.23X for the Zacks sector and 18.94X for the S&P 500 index.

Over the past five years, the stock has traded as high as 17.07X and as low as 10.68X, with a 5-year median of 13.4X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $52 price target reflects 14.8X forward 12-month earnings per share.

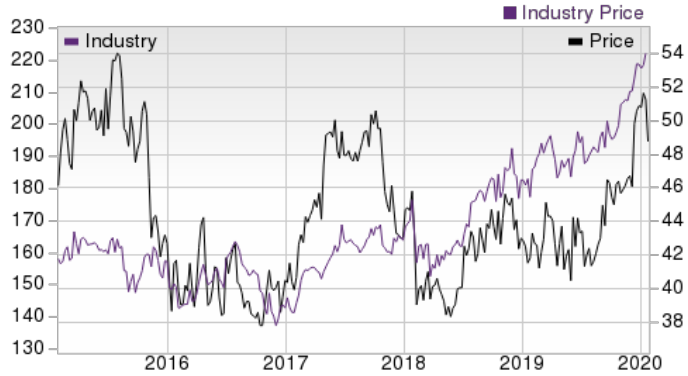
The table below shows summary valuation data for SNY

Valuation Multiples - SNY

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.86	15.31	21.23	18.94
	5-Year High	17.07	18.1	21.23	19.34
	5-Year Low	10.68	13.94	15.85	15.17
	5-Year Median	13.4	15.53	18.91	17.44
P/S F12M	Current	2.82	4.71	2.82	3.52
	5-Year High	3.38	4.84	3.82	3.52
	5-Year Low	2.13	3.93	2.43	2.54
	5-Year Median	2.6	4.43	2.94	3
P/FCF	Current	18.49	21.05	17.48	36.82
	5-Year High	21.21	25.48	21.62	37.22
	5-Year Low	13.95	17.67	14.54	16.22
	5-Year Median	16.96	19.75	17.53	22.81

As of 1/06/2020

Industry Analysis **Zacks Industry Rank:** Top 28% (72 out of 255)



Top Peers

Eli Lilly and Company **(LLY)**	Outperform
Pfizer Inc. **(PFE)**	Outperform
AbbVie Inc. **(ABBV)**	Neutral
Bayer Aktiengesellschaft **(BAYRY)**	Neutral
GlaxoSmithKline plc **(GSK)**	Neutral
Merck & Co., Inc. **(MRK)**	Neutral
Novartis AG **(NVS)**	Neutral
Roche Holding AG **(RHHBY)**	Neutral

Industry Comparison Industry: Large Cap Pharmaceuticals

Industry Peers

	SNY Neutral	X Industry	S&P 500	BAYRY Neutral	GSK Neutral	MRK Neutral
VGM Score	A	-	-	B	B	A
Market Cap	122.03 B	131.41 B	24.13 B	77.59 B	117.80 B	218.90 B
# of Analysts	5	3	13	2	5	6
Dividend Yield	2.37%	2.59%	1.78%	2.62%	4.17%	2.84%
Value Score	A	-	-	A	B	B
Cash/Price	0.00	0.04	0.04	0.08	0.05	0.03
EV/EBITDA	11.33	14.59	14.02	8.54	14.31	17.67
PEG Ratio	2.08	1.94	2.03	0.96	3.11	1.72
Price/Book (P/B)	1.91	5.59	3.30	1.51	5.29	8.18
Price/Cash Flow (P/CF)	9.32	12.56	13.52	5.50	11.36	13.85
P/E (F1)	13.96	15.50	18.92	10.32	15.17	15.52
Price/Sales (P/S)	3.05	4.32	2.65	1.51	2.80	4.76
Earnings Yield	7.16%	6.45%	5.28%	9.71%	6.58%	6.44%
Debt/Equity	NA	0.68	0.72	0.82	1.38	0.84
Cash Flow ($/share)	5.23	4.30	6.94	3.78	4.16	6.21
Growth Score	B	-	-	C	C	A
Hist. EPS Growth (3-5 yrs)	0.29%	8.42%	10.60%	NA	5.16%	7.23%
Proj. EPS Growth (F1/F0)	6.14%	6.77%	7.59%	14.81%	-5.14%	7.41%
Curr. Cash Flow Growth	8.92%	10.96%	13.90%	60.37%	8.35%	3.40%
Hist. Cash Flow Growth (3-5 yrs)	-4.43%	4.99%	9.00%	6.70%	-0.78%	-1.53%
Current Ratio	1.32	1.17	1.22	1.29	0.82	1.26
Debt/Capital	28.06%	40.27%	42.99%	45.00%	57.90%	45.72%
Net Margin	8.61%	20.26%	11.35%	-2.89%	13.76%	20.26%
Return on Equity	24.23%	38.63%	17.10%	13.42%	92.73%	48.16%
Sales/Assets	0.63	0.53	0.55	0.35	0.49	0.55
Proj. Sales Growth (F1/F0)	3.10%	5.10%	4.03%	2.64%	1.78%	5.95%
Momentum Score	A	-	-	B	C	A
Daily Price Chg	-1.75%	-1.79%	-1.01%	-3.66%	-1.23%	-2.91%
1 Week Price Chg	-0.74%	2.32%	2.29%	-0.26%	2.35%	1.61%
4 Week Price Chg	-3.12%	0.63%	1.02%	0.57%	0.68%	-5.87%
12 Week Price Chg	5.75%	7.17%	6.85%	7.00%	3.12%	-0.78%
52 Week Price Chg	18.22%	17.86%	20.39%	11.17%	23.09%	17.51%
20 Day Average Volume	1,184,388	1,994,557	1,536,379	354,443	2,086,901	7,299,390
(F1) EPS Est 1 week change	0.17%	0.00%	0.00%	0.00%	-0.85%	0.10%
(F1) EPS Est 4 week change	-0.29%	0.00%	0.00%	0.00%	-0.21%	0.88%
(F1) EPS Est 12 week change	-1.13%	1.22%	-0.23%	-3.59%	3.93%	3.44%
(Q1) EPS Est Mthly Chg	NA%	0.00%	0.00%	NA	-6.25%	NA

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.

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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.

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