

Sanofi

# FY23 EPS and CER FY24 guide in line. Fx implies 3% downside to cons. New CFO

Maintain Rating: BUY | PO: 122.00 EUR | Price: 93.36 EUR

## EPS in line. Strong launches beat. Guide 3% down on Fx

Key takes from FY23 results/FY24 guide: 1) FY23 EPS Eur8.11 -1.8% YoY, +5.4% CER, in line with cons Eur8.14 on sales Eur43bn +0.2% (+5.3% CER) also in line; 2) Strong new launch sales of Eur731m, with Altuviio Eur90m vs cons Eur80m, Beyfortus Eur547m above cons Eur428m and our Eur533m. SAN sees Eur1bn of sales for 2024, ahead of cons Eur877m, with a capacity update expected during 2Q; 3) On key products, Dupixent growth remains strong (+29% YoY, +32% CER, to Eur10.7bn), in line with cons, with SAN having submitted COPD US/EU/CN in 4Q23, awaiting FDA acceptance; 4) Business Opinc Eur12.7bn 1% miss vs cons with margin 29.4% 40 bps off cons on other operating income cEur100m worse; 5) Guidance is maintained at EPS down low-single-digits CER but with Fx updated (-3.5% to -4.5%) looking worse vs cons, implying reported EPS c3% below cons. However, we see CER guide as likely conservative given potential for Altuviio/Beyfortus beats and faster cost savings; 5) CFO change a surprise with JB de Chatillon leaving April to be replaced by Francois-Xavier Roger (former Nestle CFO). Likely some disappointment as JB was liked by investors. However, Mr Roger comes with strong CFO experience pedigree and we understand was liked by investors in his prior role. Maintain Buy for undervalued growth and improving pipeline.

## FY24 guide unchanged from 3Q23. Fx implies -3% to cons

Unchanged FY24 guidance for EPS down low-single-digits CER due to step up in R&D expenses (to fund late-stage pipeline [see note](#)) and c200bp higher tax (OECD pillar II). However, updated Fx (-3.5% to -4.5%) implies c6% reported decline, aka EPS cEur7.60-7.70, which is c3% below cons. However, we see CER guide as conservative leaving SAN room to beat on revenues (potentially Altuviio/ Beyfortus though contingent on supply) and pull-through of Eur2bn cost savings (ref early termination of NOTUS COPD trial).

## New CFO from April, JB Chatillon to step down,

Francois-Xavier Roger announced as new CFO, effective April 1st, Jean-Baptiste (JB) de Chatillon stepping down. Likely disappointment for investors as JB well-liked in our view and replacement a relative unknown for European pharma investors. However, Mr Roger is experienced having been CFO of Nestle for more than 8 years, and previously CFO of Takeda Pharmaceuticals in Japan and we understand was liked by investors.

## Undervalued turnaround story. Pipeline & growth

Maintain Buy and Eur122 PO: 1) 9x 25E PE undervalues c10% 25-28E EPS CAGR driven by Dupixent (Eur20bn peak), launches (Beyfortus/Altuviio plus SAN targeting 3-5 with Eur2-5bn peak 25-30E) and no major LOE until ≥2031; 2) Potential for improving pipeline to drive PE re-rating over mid-term. 24E sees PIII starts for Amltelimab AD, Frexalimab MS, PCV21, Toddler RSV, Rilzabrutinib CSU/asthma & PII starts for IL13-TSLP (asthma), oral-TNF and OA RSV; 4) 24E catalysts are +ve risk reward given low expectations for tolebrutinib PIII and PII data (Rilza & amltelimab asthma, anti-TL1A).

01 February 2024

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### Stock Data

Price (Common / ADR)	93.36 EUR / 49.90 USD
Price Objective	122.00 EUR / 65.00 USD
Date Established	30-Oct-2023 / 30-Oct-2023
Investment Opinion	A-1-7 / B-1-7
52-Week Range	80.60 EUR-105.18 EUR
Market Value (mn)	116,150 EUR
Shares Outstanding (mn)	1,244.1 / 2,488.2
Average Daily Value (mn)	132.22 USD
Free Float	70.0%
BofA Ticker / Exchange	SNYNF / ENP
BofA Ticker / Exchange	SNY / NYS
Bloomberg / Reuters	SAN FP / SASY.PA
ROE (2023E)	13.4%
Net Dbt to Eqty (Dec-2022A)	8.4%
ESGMeter™	High

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Timestamp: 01 February 2024 03:28AM EST

**Exhibit 1: Sanofi 4Q23 Variance analysis**

Sanofi 4Q23 Variance analysis

	BofAe		Consensus	Reported	Difference v consensus			Previous	BofAe		Consensus	Reported	Difference v Consensus		
	4Q23E	% Chg	4Q23E	4Q23A	% Chg	EURm	% Chg	2022A	2023E	% Chg	2023E	2023A	% Chg	EURm	% Chg
Dupixent inc pipeline	2,910	23	2,973	2,990	26	17	1	8,263	10,635	29	10,698	10,715	30	17	0
Aubagio	150	-69	124	121	-75	-3	-2	2,031	984	-52	958	955	-53	-3	-0
Kevzara	83	5	81	105	33	24	30	339	335	-1	333	357	5	24	7
Cerezyme	150	-5	160	134	-16	-26	-16	707	703	-0	713	687	-3	-26	-4
Cerdelga	77	9	76	75	6	-1	-1	288	300	4	299	298	3	-1	-0
Myozyme/Lumizyme/Nexviazyme	262	-7	307	291	4	-16	-5	1,154	1,179	2	1,224	1,208	5	-16	-1
Fabrazyme	237	-1	242	242	1	0	0	938	986	5	991	991	6	0	0
Sarclisa	99	15	106	103	20	-3	-3	294	377	28	384	381	30	-3	-1
Jevtana	63	-29	NA	77	-13	nm	nm	393	306	-22	NA	320	-19	nm	nm
Fasturtec	47	0	NA	40	-15	nm	nm	177	177	0	NA	170	-4	nm	nm
Alprolix	140	-0	140	142	1	2	1	504	538	7	538	540	7	2	0
Altuviio (BIVV001)	72	nm	80	94	nm	14	18	0	136	nm	144	159	nm	15	10
Eloctate	107	-23	111	103	-25	-8	-7	580	475	-18	479	471	-19	-8	-2
Specialty Care	4,592	4	4,727	4,714	7	-13	-0	16,457	17,918	9	18,053	18,040	10	-13	-0
Lovenox/Clexane	247	-14	255	263	-9	8	3	1,310	1,109	-15	1,117	1,125	-14	8	1
Toujeo	245	-10	259	278	2	19	7	1,117	1,090	-2	1,104	1,123	1	19	2
Plavix consolidated	225	-8	228	254	4	26	11	983	919	-7	922	948	-4	26	3
Core Assets	1,509	-6	1,553	1,576	-1	23	1	6,389	6,212	-3	6,247	6,270	-2	23	0
Lantus	293	-32	325	277	-35	-48	-15	2,259	1,436	-36	1,468	1,420	-37	-48	-3
Non-Core Assets	1,259	-20	1,342	1,252	-21	-90	-7	7,118	5,531	-22	5,614	5,524	-22	-90	-2
Industrial Sales	177	-0	135	176	-1	41	30	620	583	-6	541	582	-6	41	8
General Medicines incl pipeline	2,945	-12	3,005	3,004	-10	-1	-0	14,127	12,326	-13	12,377	12,376	-12	-1	-0
Total Rx Pharma Sales incl Generics	7,537	-3	7,732	7,718	-1	-14	-0	30,584	30,244	-1	37,921	30,416	-1	-7,505	-20
Polio/ Pertussis /Hib Vaccines	387	-13	454	434	-2	-20	-4	2,285	2,118	-7	2,185	2,165	-5	-20	-1
Adult Booster	152	3	150	139	-6	-11	-7	587	611	4	609	598	2	-11	-2
Meningitis, Travel and other															
Endemics Vaccines	224	-3	235	242	5	7	3	1,213	1,152	-5	1,163	1,170	-4	7	1
Seasonal flu	767	-4	779	741	-8	-38	-5	2,977	2,695	-9	2,707	2,669	-10	-38	-1
Beyfortus (nirsevimab)	396	nm	291	410	nm	119	41	0	533	nm	428	547	nm	119	28
Vaccines	1,956	14	1,958	1,986	16	28	1	7,228	7,444	3	7,446	7,474	3	28	0
Consumer health care	1,276	3	1,301	1,215	-2	-86	-7	5,185	5,241	1	5,266	5,180	-0	-86	-2
Sales	10,770	0	11,036	10,919	2	-117	-1	42,997	42,930	-0	43,187	43,070	0	-117	-0
Other Revenues	898	23	1,018	1,282	75	264	26	2,392	2,990	25	3,110	3,374	41	264	8
COGS	-3,641	-2	-3,797	-4,034	8	-237	6	-13,692	-13,823	1	-13,979	-14,216	4	-237	2
% Sales	33.8		34.4	36.9		2.5		31.8	32.2		32.4	33.0			
Gross profit	8,026		8,257	8,167	6	-90	-1		32,096		32,318	32,228	nm	-90	-0
Margin %	74.5		74.8	74.8		(0.0)			74.8		74.8	74.8			
R&D	-1,798	-1	-1,882	-1,872	3	10	-1	-6,706	-6,654	-1	-6,738	-6,728	0	10	-0
% Sales	16.7		17.1	17.1		0.1		15.6	15.5		15.6	15.6			
S,G&A	-2,843	-2	-2,887	-2,931	1	-44	2	-10,492	-10,604	1	-10,648	-10,692	2	-44	0
% Sales	26.4		26.2	26.8		0.7		24.4	24.7		24.7	24.8			
Other current operating															
income/expenses	-765	177	-709	-821	197	-112	16	-1,514	-2,168	43	-2,112	-2,224	47	-112	5
Associates, post-tax	24	293	27	47	683	20	74	88	99	12	102	122	39	20	20
Minority interests	-7	-27	-10	-7	-30	3	-30	-33	-36	10	-39	-36	9	3	-8
Business Operating Income	2,637	-3	2,771	2,583	-5	-188	-7	13,040	12,733	-2	12,858	12,670	-3	-188	-1
Margin %	24.5		25.1	23.7		(1.5)		30.3	29.7		29.8	29.4			
Net Financial Income	-45	62	-96	-49	75	47	-49	-234	-177	-24	-228	-181	-23	47	-21
Business Income tax expense	-491	-12	-508	-451	-19	57	-11	-2,465	-2,374	-4	-2,388	-2,334	-5	54	-2
Business Income tax rate (%)	19.1		19.1	18.1		(1.0)		19.3	19.0		19.0	18.8		(0.2)	
Business Net Income	2,101	-2	2,137	2,083	-3	-54	-3	10,341	10,182	-2	10,209	10,155	-2	-54	-1
Business (Core) EPS	1.68	-2	1.70	1.66	-3	-0.04	-2	8.26	8.14	-1	8.15	8.11	-2	-0.04	-0
DPS								3.56	3.67	3	3.79	3.76	6	-0.03	-1

Source: Company data, Vara consensus, Visible Alpha consensus, BofA Global Research Estimates

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**Price objective basis & risk****Sanofi (SNYNF / SNY)**

Our PO of EUR122 (US\$65) is based on c13x 25E PE, which is a c20% discount to our target sector PE despite faster growth (c10% 25-28E EPS CAGR vs sector c7%) due to recognition that PIII pipeline catalysts are needed to re-rate the stock further, with a



quieter near-term pipeline data path.

Our target sector multiple of c16x 25E PE is based on: 1) A 40% premium to the market average multiple which implies c15x 25E PE, a premium which is in line with the long-term historical trend for periods of growth for the sector during times of broader market uncertainty, 2) Regression analysis of historical sector forward PEs and three-year-forward EPS CAGR implies a target PE of c16x 25E PE based on sector growth of c7%, 3) Our DCF valuations imply c17x 25E PE

Upside risks to our PO are currency and positive EPS momentum driven by Dupixent, product launches and cost savings, pipeline success.

Downside risks to our PO are downward trends in diversified growth drivers, adverse currency moves, litigation (including Zantac), pipeline failure, failure to execute on product launches, competition or further pricing risk to key franchises, regulatory changes and pricing pressure.

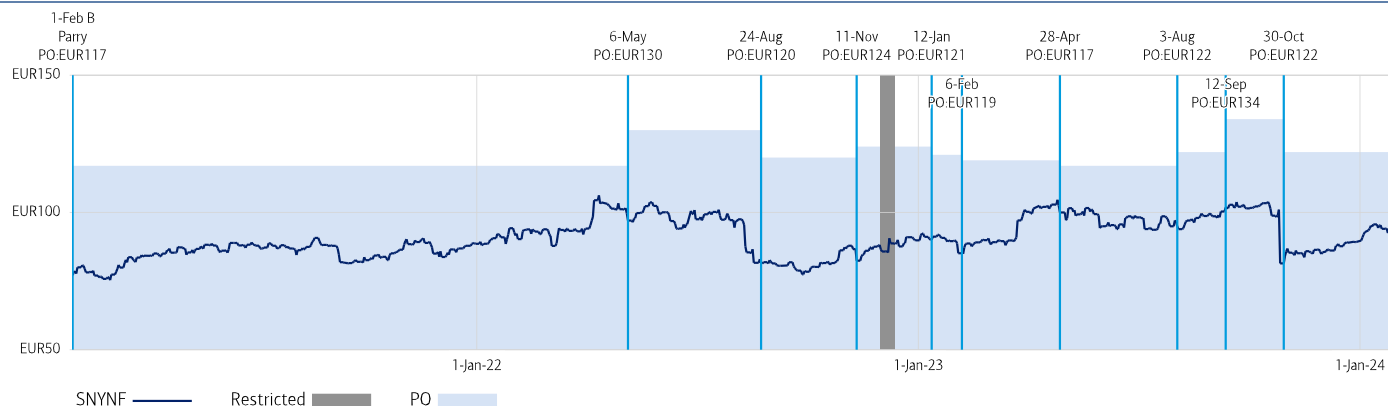
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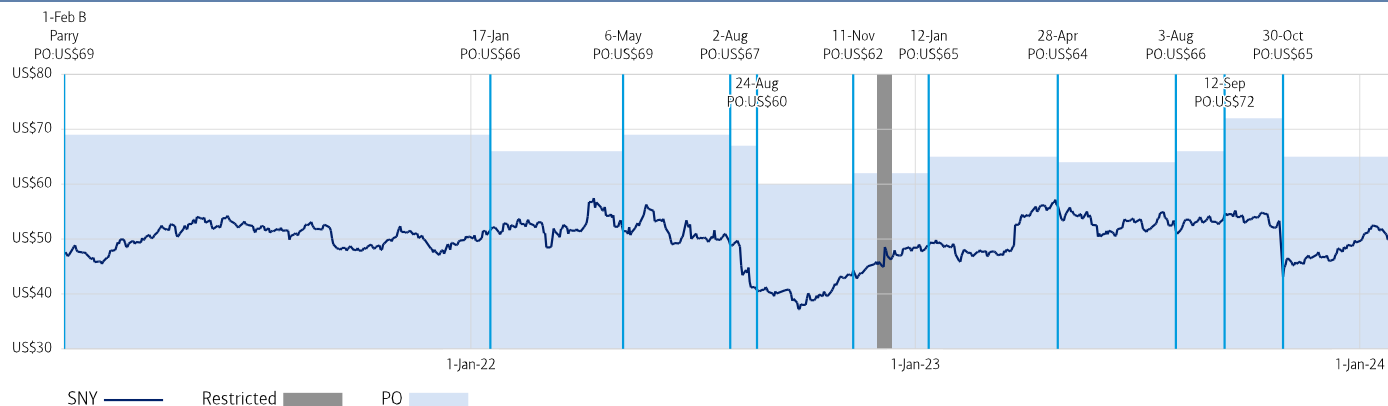
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### Sanofi (SNY) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Buy	≥ 10%	≤ 70%
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