BofA SECURITIES

Sanofi

Frexalimab (MS) PII NEJM data publication supportive

Maintain Rating: BUY | PO: 122.00 EUR | Price: 86.55 EUR

We continue to see multi-blockbuster potential post NEJM

PII data for Frexalimab, Sanofi's anti-CD40L for multiple sclerosis were published in the New England Journal of Medicine (NEJM) along with an accompanying editorial. The article confirms previously published MRI lesion and biomarker data but adds first disclosure of relapse data. Editorial is broadly supportive of data and mechanism, in our view though caveats early nature of the data, high bar of existing anti-CD20 therapies and highlights need for disease progression advantage to differentiate. Frexalimab PIII trials in both RMS and nrSPMS with Q4W IV dosing began early 2024 with data expected 2H27 (noting sub-cut also to be run in-time for launch). As a reminder Frexalimab is one of Sanofi's key PIII assets for which it sees >Eur5bn sales potential (BofA Eur2bn risk adjusted to Eur1bn but conservative), PIIIs start for which contributed to the R&D step in 24E up that sees no EPS growth (ex-tax) this year. We reviewed Frexalimab in our Sanofi deep dive here and, on our physician call series, the KOL was excited about Frexalimab PII data, seeing need for a high-efficacy non-B cell depleting MS drug, especially in patients at higher risk of infection such as the elderly. We continue to see SAN's 9x 25E PE undervaluing its c10% 25-28E EPS CAGR low low LOE exposure and improving pipeline. Maintain Buy

Journal highlights positive PII. Broadly supportive editorial

The NEJM article confirms the 89% MRI lesion reduction and improvement in biomarkers (neurofilament light chain, a marker of brain tissue damage) at 12 weeks, reported last year (ECTRIMS23) with clean safety (no thrombosis and non-B-cell depletion. The publication also adds new data on relapses (none in the higher-dose group, and 4% each in the lower dose and placebo respectively at week 12). Overall the editorial hits a supportive tone, in our view, noting results are likely to see protective effect on relapses (primary endpoint of PIII trials expected 27E) if replicated longer term in PIII and plausibility (with some caveats) of the anti-CD40L mechanism of action. However, it also highlights that safe/effective anti-CD20 therapies (Roche's Ocrevus, Novartis's Kesimpta) represent a high bar with need for benefits on disease progression still the key unmet need in MS (key secondary endpoint in Frexalimab PIII).

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/Altuviiio plus SAN targeting 3-5 launches 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 Amlitelimab 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 & amlitelimab asthma, anti-TL1A).

15 February 2024

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Stock Data

Price (Common / ADR)	86.55 EUR / 46.51 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)	107,678 EUR
Shares Outstanding (mn)	1,244.1 / 2,488.2
Average Daily Value (mn)	123.32 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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Glossary on page 2

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Refer to important disclosures on page 3 to 6. Analyst Certification on page 2. Price Objective Basis/Risk on page 2. **12660143**

Exhibit 1: Glossary
Glossary of terms

PI/II/III = Phase 1/2/3
AD = Atopic dermatitis
MS = Multiple sclerosis
OX40L = OX40 ligand
Q2/4/812W = Every 2//4/8/12 weeks
TNF = Tumor necrosis factor
LOE = Loss of exclusivity
CD40L = CD40 ligand
PCV = Pneumococcal conjugate vaccine
RSV = Respiratory syncytial virus
CSU = Chronic spontaneous urticaria
CIDP = Chronic inflammatory Demyelinating Polyneuropathy
BTK = Bruton tyrosine kinase
C1s = Complement 1s
COPD = Chronic obstructive pulmonary disease
ExPEC = Extra-intestinal Pathogenic Escherichia Coli
HS = Hidradenitis Suppurativa
IRAK4 = Interleukin-1 Receptor-Associated Kinase4
ITP = Immune Thrombocytopenia
TSLP = Thymic Stromal Lymphopoietin
JAK = Janus kinase inhibitors
RMS = Relapsing multiple sclerosis
nrSPMS = non-relapsing secondary progressive multiple sclerosis
CD20 = cluster of differentiate 20
T1 = type 1
SLE = Systemic lupus erythematosus
SoC = Standard of care
INCAT = Inflammatory Neuropathy Cause and Treatment
PN = Prurigo nodularis
LOAC = loss of asthma control
FEV = Forced Expiratory Volume
QoL = Quality of life
CNS = Central nervous system
RA = Rheumatoid arthritis

Source: BofA global research

BofA GLOBAL RESEARCH

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.

Analyst Certification

I, Graham Parry, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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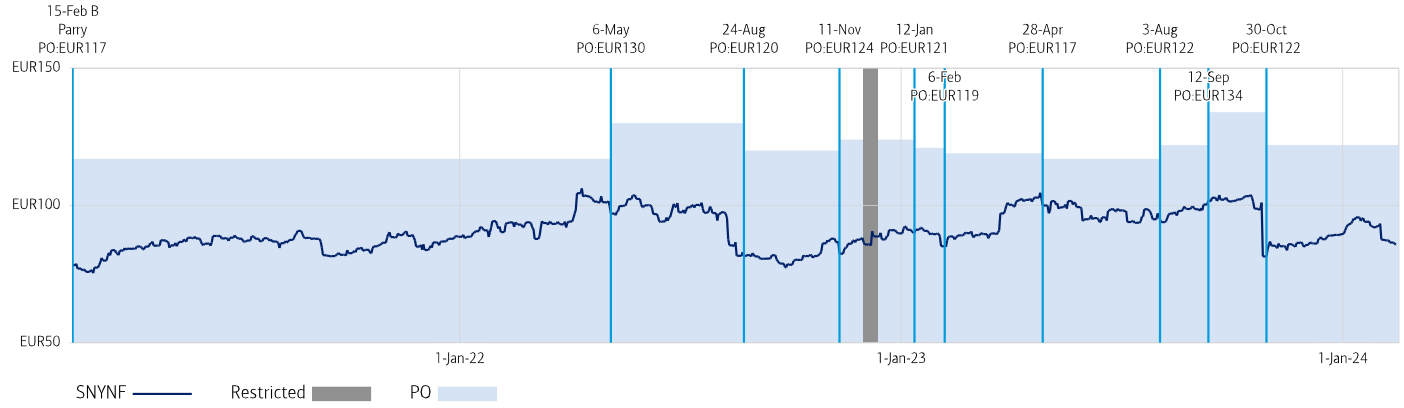
Sanofi (SNYNF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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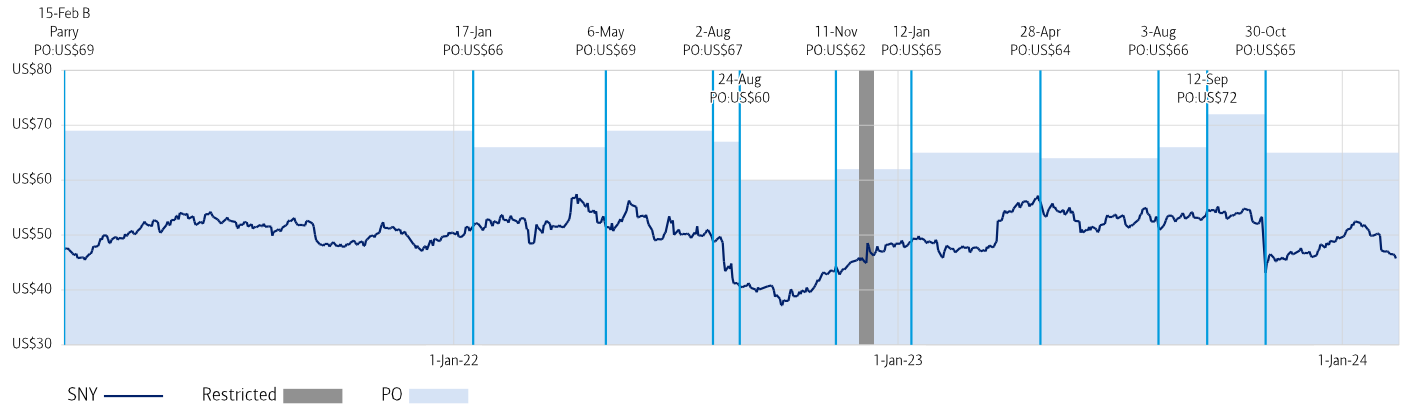
Sanofi (SNY) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	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%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	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%

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