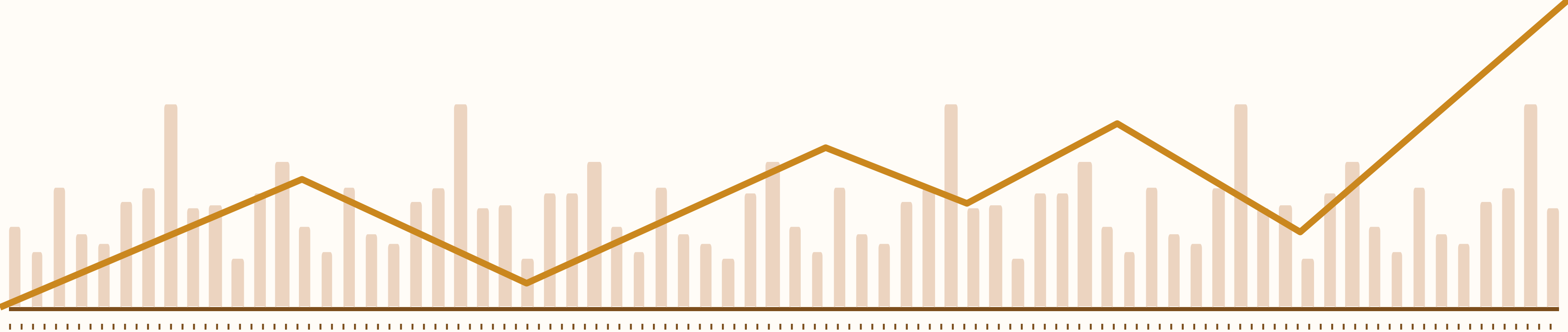

A Comparative Analysis of Sanofi's Stock Performance

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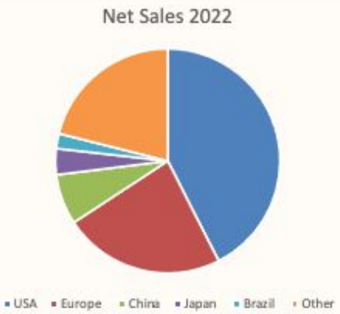
Sanofi Overview

Sanofi, headquartered in Paris, France, is a leading global pharmaceutical company established in 1973. It's main business practices include pharmaceuticals, vaccines, and consumer healthcare products. With operations in over 170 countries, Sanofi maintains a robust R&D effort to develop innovative vaccines and medicines. The company's focus areas include oncology, immunology, diabetes, cardiovascular diseases, and rare diseases. Committed to improving global health, Sanofi collaborates with partners across the healthcare ecosystem to deliver impactful solutions and improve patient outcomes. Sanofi is know to be part of the GRANOLAS, a group of EU stocks that have accounted for 60% of the gains last year. In addition to outperforming Magnif 7 over the last 2 years with half the volume.



Comparative Analyst Ratings

Our research shows:

- 13 analysts recommend buying the stock
- 4 analysts predict the stock will overperform
- 5 analysts recommend holding the stock
- Most notably, banking powerhouses UBS and Jeffries recommend to buy the stock

These are very strong and positive ratings for Sanofi as it clearly highlights the upside potential of the company. UBS and Jeffries have been highlighted as they have been recommending this company heavily to their institutional clients for a long term buy. Sanofi key shareholders are L' Oreal and Blackrock. This implies that they will not be activist investors or looking to make quick returns, and are looking for long term capital gains. Against their competitors, Sanofi do not have the best expectations. If the assumption is made that this is not a blue chip stock and has only recently been gaining attention, it is evident that not as many analysts cover Sanofi. This can explain the minimal input for analysis.

Timeline of Key Events in 2023

30th January: Dupixent decided by the European Commission as the first and only targeted medicine indicated for EoE

24th February: FDA approves ALUTVIIIO

23rd March: New Study data shows the potential of Dupixent being able to treat COPD and smoker symptoms

4th April: Studies released in 'The Lancet', show Fitsurian's potential to become a preventative medicine for Hemophilia A & B

23rd May: General meeting commenced, where an annual dividend of €3.56/share is announced

8th June: FDA Advisory recommends Nirsevimab as first treatment for RSV

17th July: FDA give approval to Beyfortus

28th July: Sanofi agree to acquire Qunol

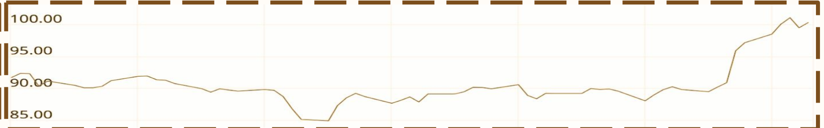
31st August: Sanofi announces multiple changes to it's executive committee

19th September: Sanofi plans to invest €450m by 2030 in an effort to achieve carbon neutrality

27th October: Sanofi announced it was abandoning it's 2025 profit target

15th December: R&D Day was held to increase investor and analyst confidence in Sanofi

Q1 Analysis



January

The stock price (pictured above) in January was relatively stable at around €90/share.

Trading volume also remained steady, hovering between 1.5m to 2.5m shares traded daily. This is the typical mean volume range for Sanofi.

Market capitalisation also told the same story, hovering at around $122bn.

There were 3 notable events throughout the month of January.

5th January: The FDA accepted the BLA for nirsevamb as a treatment for the RSV disease, early in the month.

11th January: The NEJM published study data demonstrating efanesoctocog has the ability to be a transformative treatment for hemophilia A.

30th January: Dupixent decided by the European Commission as the first and only targeted medicine indicated for EoE.

The stock price remained steady in January due to investor belief and positive announcements.
For example, Sanofi hit a major R&D milestone in Europe through one of their more prominent products, Dupixent, becoming the exclusive treatment for a specific disease, EoE. Across Q1 in total, there was a 39.7% growth in Dupixent sales, likely attributed to such announcements. The Dupixent sales were clearly carrying the overall sales growth of 18.3% over Q1, picking up the average overall performance. Therefore, Sanofi kept investors informed about the product in press releases, increasing investor confidence, giving the stock price a bullish quality across Q1 in general.

February

The stock price in February saw the first significant dip in performance from €90/share to €85/share during early February. This is the lowest price of Q1.

Trading volume hit 4.5m during this dip, before steadying to the mean value range previously stated. This spike likely had the same cause as the dip.

Market capitalisation hit a low for Q1 of $114bn before recovering; it did not return to ¢122bn for the rest of the month however.

There were 2 notable events throughout the month of February.

13th February: Dr. John Reed resigned as Global Head of R&D. Dr. Dietmar Berger then stepped up as interim leader.

24th February: A Press release had revealed that the FDA has approved ALUTVIIIO, changing the value of the asset, hence changing IFRS for 2022, leading to a net impact after-tax gain of €1,651 million for Sanofi.

The dip and recovery in February seems to be the main area of interest, as the FDA approval on the 24th is indicative of a small incline in stock price towards the end of the month. This small disruption in price stability caused a small amount of panic as trading volume spiked at the same time. It led to the lowest stock price of Q1, and although the price recovered completely, the market cap did not, so it clearly had an effect.

The most logical explanation is that investors had suspected, that Dr. Reed was set to resign in the week following the dip. This falls in line with a smaller release on the 1st of the month, mentioning deprioritization of R&D programs due to EPS being down at the time. This explains why Dr. Reed may have left and there was also a dip.

March

The stock price in March was defined by the surge from €90/share to €100/share where the price then stabilised.

The trading volume held a range far higher than the mean for March. The largest spike of Q1 coming on the 17th of March.

Market capitalisation, which was lower than the norm for Q1 following February, followed suit as it also rose with the stock price and steadied at $136bn.

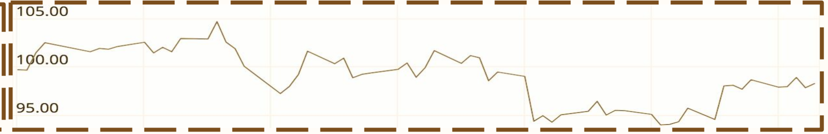
There were 2 notable events throughout the month of March.

13th March: Sanofi acquire Provention Bio, valuably adding TZIELD to their portfolio.

23rd March: New Study data, shows the potential of Dupixent (Sanofi's bestseller) being able to treat COPD and smoker symptoms

The rise in stock price and subsequently the market cap on the 23rd of March was most definitely influenced by the release on the data of Dupixent.
However, first to cover an easily overlooked piece of data, the trading volume. The average volume per day was far higher than in January and February, as was expected with the surge and Dupixent announcement, but there was also a spike in volume on the 17th. This was 6 days before the Dupixent release, however only 4 days after Sanofi announced adding TZIELD to their portfolio, thus the volume may be explained by investors seeing some diversification in assets, for better or for worse.
Given the growth in sales previously mentioned over Q1 for Dupixent, as well as the fact that 600,000 patients were on the treatment globally by the end of March, it can be said that this announcement gave all the signs of a breakthrough drug. This is likely the same rationale investors followed also as the surge to €100/share shows. In particular, the potential of Dupixent to treat COPD caused this, as it is a disorder heavily linked with lung cancer and smoking. Hence, investors were buying into the potential for Dupixent to treat smoking, one of the most hated habits in the world.

Q2 Analysis



April

The stock price (pictured above) rode the optimism at the end of Q1, as it rose to a high for Q2 of €105/share, until a collapse to $95/share towards the end of the month.

Trading volume kept within the usual range between 1.5m and 2.5m. Towards the end of the month the upper limit was tested as expected.

Market capitalisation also hit its Q2 high at $143bn during the month, but dropped to $134bn with the stock price, this is still good growth past Q1.

There were 2 notable events throughout the month of April.

4th April: Studies released in ‘The Lancet’, show Fitsurian’s potential to become a preventative medicine for Hemophilia A & B.

26th April: HSR waiting period expires for Sanofi’s acquisition of Provention Bio, the offer may be extended to the March 12th by the SEC and each company involved, but the acquisition remains incomplete yet.

Given the scope of events in Q1 and the drastic stock price changes to come, April of 2023 was rather uneventful for Sanofi. They remained largely building on their success in March with Dupixent.
The small uptake on the 4th of April can only be explained by investor faith in the previous quarter, and also the published article by The Lancet on the potential for Fitsurian to prevent Hemophilia. This is special because Sanofi were close to Phase 4 in Fitsurian’s development (seeking FDA Approval before mass production).
The mini-collapse during the end of the month began on the 26th of April. This was incidentally when the release came of the news that Sanofi had not yet completed its acquisition of Provention Bio. This would have decreased stakeholder confidence as the possibility of acquiring Provention Bio and adding the popular product TZIELD to Sanofi’s portfolio was now in jeopardy. This is despite the acquisition being finalised on the 27th, when the stock price of Sanofi was still falling. This may imply bad practice on Sanofi’s part rather than genuine financial inability to complete the acquisition, making stakeholders uneasy.

May

The stock price rose back up to €100/share. It hovered here before returning to €95/share again at the end of the month.

Trading volume remained in its regular range, except at the end of May where a spike to 4m was seen following fall back to €95/share.

Market capitalisation followed the same pattern as the stock price, but arguably showed a steeper fall than others from $137bn to $126bn.

There were 2 notable events throughout the month of May.

12th May: Nirsevimab shows 83% reduction in RSV hospitalisations for infants in real-world clinical trial setting.

25th May: General meeting commenced, where an annual dividend of €3.56/share was decided, alongside Frédéric Oudéa being appointed as Chairman of the Board of Directors.

The key takeaway from May was the ability for the stock price to remain around €100/share before the end of the month. The trading volume was fairly low until the 25th of May, making it clear that it was a relatively stable period. There were very few press releases throughout the month, but a notable and promising one for stakeholders was certainly Nirsevimab and its potential to treat RSV, just before ‘RSV Season’ begins, hence increasing confidence.
Towards the end of the month, the price fell to €95/share, and the rationale is clearer. The new appointment of Frédéric Oudéa as Chairman, after the previous holder of the role Serge Weinberg held the position for 13 years, must have stoked doubt.
As well as this, the annual dividend payment of €3.56/share was rather ordinary and unexceptional. This wasn’t indicative of how well Sanofi was doing at the time compared to competitors, so confidence decreased.

June

The stock price in June remained safely between €95 and €100/share.

Trading volume hit 4m in the middle of June, otherwise remaining normal.

Market capitalisation did not follow stock price for this month, instead also seeing a spike in the middle of June as the volume did to $134bn.

There were 3 notable events throughout the month of June.

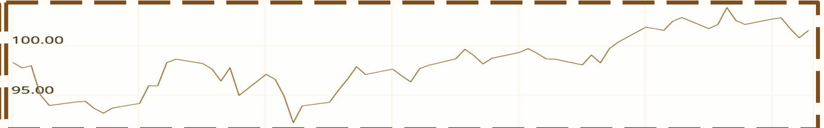
4th June: Sanofi Consumer Healthcare launches new portal allowing wider community to submit creative, disruptive, and game-changing solutions.

8th June: FDA Advisory recommends Nirsevimab as first treatment for RSV.

13th June: Sanofi rolls out “plai”, an app reliant on Artificial Intelligence.

Although there were an incredible amount of press releases and public news during the month of June, it seems only a few were able to influence the stock price. It was rather surprising that news on the Zantac arbitration and Amilitelab’s potential to treat dermatitis did not have more of an effect on metrics.
It seems the events prior to the small rise in market capitalisation and trading volume were many smaller announcements coalescing. 5 press releases were made by the 16th of June, more than any other month.
The FDA Advisory Committee recommending Nirsevimab as the first immunisation, alongside new platforms introduced internally amounted to a busy but progressive month by the time the middle of the month arrived, perhaps inducing confidence that under a new head of R&D and Chairman of the Board things were set to move forward quickly.
Q2 sales were also up 3.3% from the previous quarter showing marginal gains. CEO Paul Hudson was quick to publicly point this out in July.

Q3 Analysis



ABC Accuracy Business Cup

sanofi

July

The stock price (pictured above) in July saw a U-curve, taking the price below €95/share, before stabilising between €95/share and €100/share.

Trading volume showed nothing significant as it stayed in its usual range.

Market capitalisation was manic, seeming incredibly sensitive to changes in stock price. It ranged from $128bn to $137bn at it's high.

There were 2 notable events throughout the month of July.

17th July: FDA gave approval to Beyfortus (nirsevimab-alip) to protect against RSV disease. Only market approval (Phase 5) remains.

28th July: Sanofi agree to acquire Qunol, a fast-growing brand with strong Vitamins, Minerals, and Supplements in it's portfolio.

Between June 29th and July 17th, there were no press releases from Sanofi. There hasn't been such a period of silence from the company in 2023 until this point. CEO Paul Hudson appeared on CNBC to reassure stakeholders of performance and reminded them of the advancements in Artificial Intelligence and Q2 performance.
However, the stock price still dipped. It can be inferred that without reassurement of progress being made, or updates with current products or new projects that stakeholders and investors began to worry. Hence there was a small dip in the stock price. The dip is still relatively small compared to the volatility in other parts of the year, as there was no true crisis, likely due to the reactionary measures of the CEO to keep stakeholders confidence.
As the stock price had a steady dip due to silence, market capitalisation seemed to follow suit except with more of a sudden incline and decline in price, likely due to the unclear nature of the value of the company.

August

The stock price in August began at around €92/share, and then rose through the month, pushing €100/share again.

Trading volume was far lower than the usual range in this month.

Market capitalisation was far more sensitive as we've come to see. Although a bullish trend could still be seen by the end of the month, ending August with $133bn as a market cap, after a low of $127bn.

There were 2 notable events throughout the month of August.

3rd August: The U.S. CDC' Advisory Committee unanimously recommended routine use of Beyfortus for RSV illnesses.

31st August: Sanofi announces multiple change to it's executive committee.

There was a steady and healthy rise in the stock price throughout August, that can be attributed to optimism after the announcement of the Qunol acquisition, as well as other smaller releases.
Previously, a lack of press interaction has seemed to have a negative effect on stock price, but in the month of August, the few releases have been substantial. The CDC recommending Beyfortus for RSV atop of FDA recommendation given in June, makes Beyfortus seem formidable in the U.S. for stakeholders. Additionally, the changes in the executive committee seemed to give confidence in September. Most notably, a new permanent Head of R&D was appointed after Dr. Reed's departure in February, Houman Ashrafian. The effects of this are evident in September.
Additionally, overall Q3 sales were up another 3.2% for this period, much higher comparatively than the growth in Q3 of 2022. Speciality care in particular was up another 13.5%

September

The stock price continued to rise across September, steadying at around €102/share.

Trading volume returned to its normal range except for a huge spike on the 15th, where it rose to 4m shares traded.

Market capitalisation in September was flatter, staying in a range between $132bn and $138bn.

There were 3 notable events throughout the month of September.

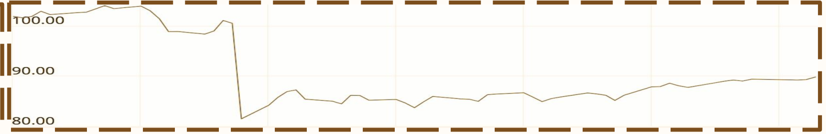
19th September: Sanofi plans to invest €450m by 2030 in an effort to achieve carbon neutrality by then, and net zero by 2045.

25th September: ALUTVIIIO approved in Japan to treat Hemophilia A

29th September: Sanofi completes acquisition of Qunol

The trading volume on September 15th had a positive spike, perhaps due to speculation on the upcoming Qunol acquisition. There was also some data released on the 14th, showing Xenpozyme's potential to treat lung disease, which was also a breakthrough as Dupixent had not yet been proven to treat COPD definitively as mentioned in the Q1 analysis.
Aside from this, the stock price continued to remain strong, and rose throughout Q4. This was likely built on the news on August 31st, where a new permanent Head of R&D was appointed, giving some consistency to future projects and direction within the company. As well as this, breakthroughs into the APAC region which was their lowest performing region across 2023. However, this is largely due to consumers paying 2.4% higher for US drugs than the average prices of 9 other major nations according to a 2021 study, which has then in the past reduced the incentive to diversify. As well as this, the completed acquisition of Qunol may have been speculated, keeping the price higher than the competitors towards the end of the month. This is not to mention the commitment to ethical standards made which certainly benefited the outlook on Sanofi.

Q4 Analysis



October

The stock price (pictured above) was steady at around €100/share until plummeting between the 26th and 27th of October to around €80/share before beginning a recovery phase.

Trading volume was in the usual range before hitting its year high of 8.5m!

Market capitalisation followed the stock price exactly the same, after it plummeted $21bn to it's year low of $108bn, on the same date.

There were 2 notable events throughout the month of October.

22 October: Dupixent Phase 3 trials show further effectiveness against EoE. It is now under priority review in the U.S.

27 October: Sanofi announced it was abandoning it's 2025 profit target, as well as it's intention to separate it's consumer healthcare business, increasing focus on R&D. The rationale is to focus on innovative medicines and vaccines, in an aim to increase 'long-term growth'.

On October 22nd Sanofi's flagship product, Dupixent, showed positive signs of efficacy for children aged 1 to 11. This was part of the reason for the stock's steadiness before decline as the medicine has already been rolled out in the EU with great success.
However, the biggest change in stock price and the year-defining event for Sanofi occurred on October 27th. Stock price, trading volume, and market capitalisation metrics above tell a clear story. After abandoning 2025 profit targets, separating it's vital consumer healthcare business, made for a press release from hell for the pharmaceutical giant. For long-term investors, and the company's future health the release proves to have many positives, but is still not without risk. This is because it is without a doubt that Sanofi traditionally have weak R&D productivity, but a focus on this would fix it in the long-term whilst causing profits and EPS to decline in the short term. Incredible pressure will have been mounted on the CEO Paul Hudson following this decision, however the price soon began to stabilise at $85/share.

November

The stock price in November saw stability at €85/share after October's fiasco

Trading volume returned to its usual range.

Market capitalisation, saw a steady and constant recovery over the month as opposed to stock price which recovered and stabilised instantly.

There were 2 notable events throughout the month of November.

9th November: Sanofi closes agreement with J&J subsidiary to develop vaccine candidate for Extraintestinal E.coli

27th November: Dupixent significantly reduced COPD exacerbations in a 2nd positive Phase 3 trial. This accelerated FDA submission.

The month of November was rather uneventful as shown by the metrics mentioned above. Two big press releases were still overshadowed by the collapse in October. Sanofi agreeing with Janssen Pharmaceuticals (a J&J company), to develop and commercialise a vaccine for a strand of E.coli, demonstrates a clear step towards R&D focus as was the main purpose of separating the consumer healthcare business in October.

Furthermore, Dupixent made further progress in its Phase 3 trials in treating COPD, accelerating FDA submission. Although Dupixent is their most prominent product, making progress in such a trial, during a month with not many press releases, seems more like a front to reclaim investor confidence and raise the stock price unsuccessfully. Quite surprisingly and unexpectedly however, Q4 sales overall were up, especially Dupixent at 31% growth. It must be said that Dupixent's consistent growth throughout 2023 has carried Sanofi.

December

The stock price in December, recovered further, it started to re-enter the €90/share, before the year's end, however still far from it's high in 2023.

Trading Volume was in the usual range except a small spike on the 15th.

Market capitalisation continued its recovery reaching $125bn by the end.

There were 4 notable events throughout the month of December.

1st December: Sanofi's Consumer Healthcare Unit launches the Shared Care Collective, an advisory group aiming to advance sustainability.

7th December: R&D day was held for investors and analysts, focusing on the future of immunology.

21st December: Sanofi announced end of 'tusamitamab ravtansine' evaluation program after it did not achieve the desired results in Phase 3.

Sales in Q4 were 9.3% up compared to last year, keeping well ahead of inflation. The growth figures of Sanofi are clearly not bad, but the true question investors have is will the R&D focus pay off, hence the skepticism and the reason why the price has not fully recovered since October. Houman Ashrafian and Paul Hudson seemed to stay course on their new focus on R&D, with an R&D day specifically made for investors and stakeholders in December, certainly to regain confidence, however it seems too soon for investors and analysts to make such a judgement. Elsewhere, tusamitamab ravtansine had been discontinued, and further slows price recovery which Sanofi would have expected to be much faster. With immunology being the focus for R&D, the future seems unprecedented.

Comparative Analysis

Benchmark Selection

The returns of a number of indices were regressed against Sanofi's stock returns. It was found that the NYSE Arca Pharmaceutical Index, ticker symbol ^DRG yielded the highest Adjusted R-squared value of 0.44 meaning that 44% of the variation in Sanofi's (SNY) stock returns is accounted for by the index. This makes it the best fit for the analysis.

Though Sanofi are based in France, their biggest market is in the US, accounting for over 40% of total sales in 2023. Thus ^DRG being a US index contributed to it being a rational choice of index. The S&P 500 index was also regressed as a control for US indices and yielded a lower Adjusted R-squared value of 0.32, in line with the assumption that a tailored Pharmaceutical index would be more appropriate.

All of the competitors Sanofi have explicitly listed as peers rank in the Top 30 components of the index further lending credence to the choice in benchmark.

An investigation into the suitability of more indices such as the S&P Pharmaceutical Select Industry Index (SPSIPH) would result in a more robust analysis, but would require access to more sophisticated software such as Bloomberg Terminal.

Cumulative Returns: SNY, ^DRG

Relative Performance

Due to the differences in value, It was impractical to plot the index value and Sanofi stock price on the same graph. Thus the returns of each were calculated, cumulated and plotted above. Sanofi's stock price followed the index closely at the start of the year and began to pull away during March. Following a strong Q1 performance revealed in the financial report at the end of March, Sanofi's stock price soared to €100, making a cumulative return of over 15% in less than a month and outperforming the index. Sanofi continued trading at this higher price level until October where the announcement of a re-evaluation of targets and separation of the CHC unit caused a sell off, returning the price to the year start range of €85-90/share. The rapid changes in values seen in March and October can be expected given Sanofi's beta relative to the index of 2.07. Following the plunge, the stock price began to recover as the core business continues to perform in line with expectations.

Sanofi closed out the year similarly, yet outperforming the benchmark with a return of 5.31%.

Comparative Analysis

Competitor Selection

The aim in the competitor selection process was to find a diverse yet representative cohort of Sanofi's peers to compare its performance to. Both in business operations and in the financial market. Thus the rationale behind the choice of Johnson & Johnson (JNJ), Pfizer (PFE), AstraZeneca (AZN), and Novartis AG (NVS) is as follows:

For the operational comparison firms were picked form Sanofi's two largest markets; JNJ and PFE being from the US, and AZN and NVS being from Europe. Each of the selected firms have been explicitly stated to be peers by Sanofi demonstrating that the research and findings are in line with the firm's internal view of their competitive environment.

For the financial market comparison it was ensured that the selected peers were all dividend paying, giving a higher degree of substitutability between the securities from an investor's perspective.

The validity of the selection could be further increased by selecting at least one firm from the 'Rest of the World' in the words of Sanofi. As sales from the segment were not insignificant. China would be an ideal candidate as it had been cited in a number of Sanofi's 2023 financial reports.

	SNY	JNJ	PFE	AZN	NVS
Operating Margin	16.1%	20.1%	-8.6%	-1.7%	25.4%
EBITDA Margin	28.9%	34.7%	19.5%	28.7%	37.5%
Revenue Growth	6.5%	-9.7%	-41.3%	7.3%	7.4%
Return on Assets	5.1%	6.9%	5.1%	5.2%	7.3%

Operational Performance

The table above shows that there was a wide range in operational performance among the cohort, despite rigorous precautions taken to ensure comparability. NVS was the top performer at the close of 2023, beating out the competition in every metric. Conversely, Pfizer was the weakest performer losing out in every metric and had a strikingly low revenue growth of -41% over the course of 2023. There are a number of potential reasons for this that will be discussed in this report.

Sanofi had an all round strong performance relative to its peers, ranking 2nd or 3rd in all metrics except Return on assets. Return on assets measures the effectiveness of management at generating a return from the firm's existing asset. SNY having the tied lowest ROA with the weakest performer PFE suggests current projects are not particularly high yielding. This could be due to the firm's strategic focus on research and development, in accordance to the Play to Win strategy, that only makes a return after years of research and clinical trials.

Comparative Analysis

Financial Market Performance

SNY and NVS were the only two to outperform the ^DRG index and make a gain over the course of 2023. Although, AZN's loss can be considered insignificant. PFE's financial market performance mirrored that of its operations, cumulatively dropping 41% from its year start value.

A stock's volatility is important to its perceived performance as investors tend to be risk averse, a stock with a lower volatility is preferred over a higher volatility when returns are held constant. Thus the Sharpe Ratio shows how returns compensate investors for the level of risk taken by investing in the stock.
The table shows that SNY had the highest Sharpe Ratio of the cohort shown in table 2 implying it would be the ideal stock to hold.
This is a questionable outcome considering NVS' leading performance in every metric. This could elucidate the drawback of the Sharpe Ratio as a measure as it values upside and downside risk equally, whereas most investors are only adverse to the downside.

Despite this, the findings are supported by the analyst ratings, showing that SNY had the highest proportion of overweight rating, and second highest buy rating of its peers. So there is an inclination to accept the result

Cumulative Returns: SNY, JNJ, PFE, AZN, NVS, ^DRG

	SNY	JNJ	PFE	AZN	NVS	^DRG
2023 Return	5.3%	-9.4%	-41.3%	-0.8%	14.3%	4.2%
2023 Beta (against ^DRG benchmark)	2.02	1.23	1.71	1.63	2.29	1
Sharpe ratio	0.30	-0.52	-1.78	0.08	0.00	*0.3*
Percentage of Analyst Buy	59%	36%	38%	69%	38%	N/A

Comparative Analysis

Novartis AG Case Study:
Activity & Firm Strategy

Novartis AG is a Swiss healthcare giant focused on cardiovascular and cancer drug patents. Despite different core products, NVG had the highest correlation in returns with Sanofi, yet outperformed its peer with a cumulative return of 14.3% over the year. It's strong performance was driven by two key factors. Firstly, NVG continuously increased their patent share of Entresto; a first choice treatment for various forms of heart failure. The second being the successful launch and adoption of Pluvicto in the US.

With Sanofi's product mix being centered around vaccinations, it holds no patents for either of the aforementioned drugs. Despite this Sanofi's cumulative returns was largely in line with the top performer until the announcement of the Consumer Health Care business separation in late October. This move was the next step in Sanofi's "Play to Win" strategy, the rationale of which was in accordance with the priority to accelerate efficiency by allowing the management teams to focus on the needs of their individual business areas.

This suggests that the difference in returns can be attributed to different long-term goals and activities of the two giants as opposed to the product mix. Further evidence of this is the relatively insignificant difference in revenue growth of 0.9% between the peers. It is unlikely to result in a difference in return of this magnitude.

Cumulative Returns: SNY, NVS, ^DRG

Comparative Analysis

Pfizer Case Study

Product Mix & Diversification

Due to falling demand and government subsidies drying up, COVID vaccine makers have seen a consistent fall in stock prices since their 2021-22 peaks. As Pfizer's product mix is largely centered around COVID vaccines, its poor performance can likely be attributed to this. Though there seems to be a wide range of performances even among COVID vaccine makers e.g. Moderna losing 85% of its value while Johnson & Johnson only fell 15%. A more apt comparison would be between JNJ and PFE but is outside the scope of this report. Sanofi are involved in the COVID vaccination market with their VidPrevtyn Beta booster that saw sales growth similar to peers during the crisis, through the diversification of its vaccine portfolio, Sanofi has been relatively unaffected by the slowdown in COVID vaccinations.

In May (Area A) Pfizer announced the purchase of Seagen, a cancer focused biotechnology firm, in order to diversify their product mix. But similarly to Sanofi's announcement with Qunol in September, this had no significant impact on stock price.

Evidently the differences in stock price is due to product mix as Pfizer's over-exposure to the covid vaccine market has caused the stock price to decline in line with the market.

Cumulative Returns: SNY, PFE, ^DRG

Dividend Prediction 2024

DCF Valuation method

In the past Sanofi has had very positive and organic dividend growth. Steadily increasing however, in an investor presentation on October the 22nd, Sanofi announced that they will be investing heavily into R&D due to facilitate long-term growth and to minimise the impact of taxes upon their revenue.

The assumptions made within this valuation, were that a 9% CAGR issued by the head of R&D, Houman Ashrafian was used, in the Q4 investor presentation.

The evidence points to a payout ratio of 87.5%

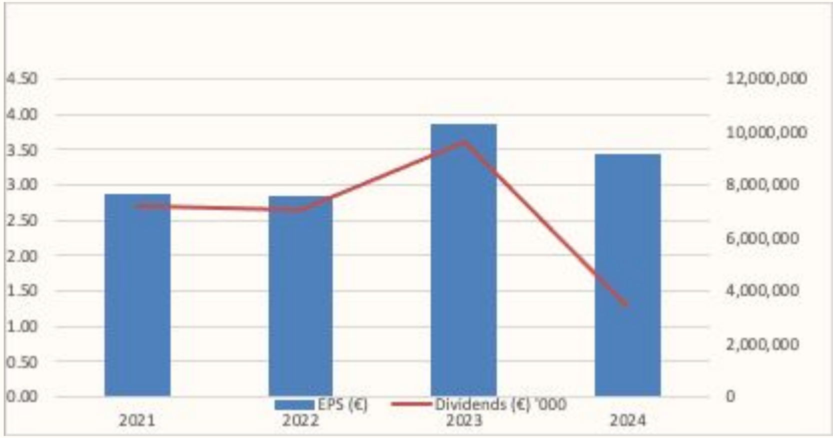
The company reiterated that adjusted EPS would slip by a "low single- digit number". This is not looking to be a consistent action and will recount most likely by 2025.

Therefore within our assumption we made the conservative assumption that they would doubt their R&D spend, from 6.7 billion last year to 13 billion this year in order to justify the dividends cut.
We also make the assumption that the payout ratio will decrease from 87.5% down to 40% due to the company needing to preserve their profits for R&D spend. However, as stated this would only last until 2025.

Below are projections for the dividends and EPS for Sanofi, following a DCF analysis.

- The EPS for 2024 amounts to $3.44 (10% decrease from 2023)
- The overall dividends amount to 3,440,000,000

The Head of R&D at Sanofi made the following statement, "our plan is to be achieve industry benchmarks", highlighting that increased R&D development was crucial in order to stay at the forefront of the industry.
Within this analysis we make an assumption that the payout ratio decreases from 87% down to 40%. This assumption me make as during Sanofi's Q3 earnings call the CFO of the company mentioned higher R&D costs and lower dividends due to an aim to increase the long term standing to the company. The payout ratio will have to suffer, as it will be the most viable source from witch to raise funds. There is a great advantage within the positive growth within the US market, as they have had FDA approval for multiple drugs. As stated before USA medicine sells at a rate of 2.4 times higher than than in the EU. Hence, higher prices in the US will lead to inevitable higher profits.



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