

European Big Pharma

Most preferred

AstraZeneca | TP p10 800

Least preferred

Roche | TP CHF290

US policy, COVID-19: 2021 looks like 2020 for now

Publication date 01/02/2021 09:39

Writing date 25/01/2021 07:40

Company (Price 01/21/21)	Reco.	Curr.	Price	TP
AstraZeneca	Buy	GBP	7650.00	10800.00
GlaxoSmithKline	Buy	GBP	1364.80	1770.00
Novartis	Neutral	CHF	85.61	93.00
Novo Nordisk	Neutral	DKK	443.85	470.00
Roche Holding	Reduce	CHF	316.75	290.00
Sanofi	Buy	EUR	81.42	100.00

Next Events		
26/01/2021	Novartis	Q4 Results
03/02/2021	GlaxoSmithKline	Q4 Results
03/02/2021	GlaxoSmithKline	Q4 Results
03/02/2021	Novo Nordisk	FY Results
04/02/2021	Roche Holding	FY Results

Joe Biden is in theory well placed to enact the deflationary reforms for the pharma sector defended in his campaign programme. While it will likely be difficult to push through all the measures amid the prevailing health and political crisis, uncertainty could continue to put pressure on the European pharma sector in the short term. But the valuation multiples of the six big pharma stocks we cover are back in attractive territory (23% median discount for the 2022 P/E vs Stoxx 600) with earnings growth potential still solid (median 2020-2024 EPS growth of 7.3%). We maintain our sector hierarchy and continue to prefer stocks with the most attractive PEG: AstraZeneca (Buy, target price 10,800p) and Sanofi (Buy, target price € 100), but we are still cautious on Roche (Reduce, target price CHF 290).

Initial months of Democratic administration to take a toll on the sector

On 5 January, the Democrats won the two Senate runoff elections in Georgia, putting them in a very strong position in Congress. In theory, the new administration is well placed to enact the reforms pledged during the campaign. We provide an update on the two main measures (allowing Medicare to negotiate drug prices and the creation of an optional public healthcare system open to all) which have the potential to put massive pressure on prices. A return to the fiscal reform of 2017, though not specific to the sector, could also substantially undermine some players like Roche. All told, the next few months should shed more light on the priorities of the Biden team. In the meantime, we cannot totally rule out a rough scenario for the pharma sector.

Still solid earnings growth: 2020-2024 EPS growth of 7.3%

Beyond this short-term pressure, growth prospects, after a marginal adjustment of -1% for 2020-2022, remain robust, with further strong median EPS growth in the period 2020-2024 (7.3% vs 8.0% over 2019-2023). While some regulatory delays might have been on the cards initially given the health crisis, the number of FDA approvals for new compounds remains high (53 in 2020 vs 49 in 2019) which demonstrates the industry's continuing capacity to innovate. This report presents a detailed overview of the clinical newsflow for our stocks, which is a source of future growth and set to remain solid in 2021. The data for Novartis' canakinumab (NSCLC) and Sanofi's BiiV001 in haemophilia will be a particular focus. M&A is also set to continue to underpin big pharma groups' growth outlook in 2021. 2020 was extremely busy, with 222 deals for a total value of \$ 263bn (the most active year in five years). Given the average net debt/EBITDA ratio of 0.6x for our six European stocks, the trend is likely to remain strong on this front.

Attractive valuation levels

The US elections and the clinical and regulatory success of the initial vaccines which triggered a sector rotation, took a heavy toll on pharma stocks. Valuations are extremely attractive now. The six stocks we cover are trading at a median 2022 P/E of 14.1x, or a 23% discount to the Stoxx 600. Last September, the discount was no more than 6% (2021 P/E). The sector could embark on a new re-rating cycle once uncertainty surrounding the US reforms has been lifted.

Hierarchy unchanged: AZN and Sanofi are our Top Picks, and we have a cautious stance on Roche

On this basis, we still prefer AstraZeneca (Buy, target price 10,800p vs 10,300 p) and Sanofi (Buy, target price € 100 vs € 103) which offer the most attractive PEG (0.6x and 1.4x respectively vs 1.9x for the sector). But we are more cautious on Roche (Reduce, target price CHF 290 vs 285 CHF), given its relative-to-sector growth deficit and greater US exposure.

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Revisions

	Currency	Market Cap (m)	Rating		TP		EPS		PE (x)	
			Revised	Former	Revised	Former	2020e	2021e	2020e	2021e
AstraZeneca	£	137 690	Buy	Buy	10800.0	10300.0	4.03	5.27	25.6	19.9
GlaxoSmithKline	£	68 636	Buy	Buy	1770.0	1810.0	115.81	118.75	13.4	11.5
Novartis	CHF	220 848	Neutral	Neutral	93.0	90.0	5.80	6.46	15.1	15.0
Novo Nordisk	DKK	1 053 833	Neutral	Neutral	470.0	430.0	18.36	20.45	23.1	21.7
Roche Holding	CHF	274 573	Reduce	Reduce	290.0	285.0	19.45	20.78	16.6	15.2
Sanofi	€	102 182	Buy	Buy	100.0	103.0	5.75	6.23	15.1	13.1

Source: ODDO BHF Securities



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US POLICY, COVID-19 AND CLINICAL AND REGULATORY NEWSFLOW TO CHARACTERISE 2021

The US elections and concerns about the impact of deflationary reforms on drug prices have clearly prompted investors to steer clear of the pharmaceutical sector in recent months (see our report of 22 September: US elections: caution on European big pharma). As a result, sector multiples are now very attractive (median P/E discount in our sample of 23% to the Stoxx 600 vs 6% four months ago). But we think investors will return to pharma stocks only gradually, once visibility on the measures being adopted by the Biden administration has started to improve. On this basis, our preference is for the two stocks that best encapsulate value and growth, as well as offering the least exposure to the US market and the most exposure to COVID vaccines, namely AstraZeneca (Buy, target price 10 800p) and Sanofi (Buy, target price € 100). In contrast, we maintain our cautious stance on Roche (Reduce, target price CHF 290) at the start of 2021.

Review of Biden's deflationary proposals

We recall the two main measures set out by Joe Biden, as announced publicly during his campaign, which would have a negative impact on drug prices. Following the Democratic wins in the Senate early in January, Mr Biden seems to be in a much more commanding position, but whether this reform will continue to be a priority in the current climate remains to be seen.

Building a new public health insurance option accessible to all Americans

This measure has disruptive potential if the application arrangements are along the same lines as the “Medicare for all” vision of Bernie Sanders and Elizabeth Warren. But the seismic shift that universal and mandatory healthcare would trigger, with private insurers severely undermined and revenues and innovation from big pharma groups largely imperilled, looks to be politically unacceptable according to observers, even with the massive unemployment that has left many Americans without insurance.

The Biden programme talks about an option and not a compulsory system.

One working hypothesis could be a state-funded version of Obamacare. The Affordable Care Act of 2010 gave rise to insurance policies to meet the needs of those without insurance, with coverage of so-called essential conditions, limits on copayments and no rejection of claims on the grounds of pre-existing conditions. These offers are currently all private and an alternative based on public funds would increase competition to the benefit of patients. It is worth noting that ten years ago, the creation of a state-funded insurance system in the context of Obamacare was deemed too extreme by Congress (100% Democrats).

But Biden wants to go further; under his plan, this option would not be reserved for the current beneficiaries of Obamacare but would be made accessible to all who wish. The change would be significant as this new welfare system could attract people who are currently insured elsewhere. Employers would thus have to revise the insurance policy structures they offer their staff.



US exposure of groups and their pharma divisions (2019)

%	US as % of group sales	US as % of pharma sales	Pharma as % of group sales	US pharma as % of group sales
AstraZeneca	32	33	97	32
GlaxoSmithKline	41	42	52	22
Novartis	34	37	79	29
Novo Nordisk	47	47	100	47
Roche	48	55	79	43
Sanofi	35	35	71	25

Table 1 - Source: ODDO BHF Securities

A new coverage setup for all, even on an optional basis, would have a major impact on the healthcare system as a whole, including for private players. It would mean a significant shake-up in terms of reimbursements and would very likely depress prices in the pharma sector.

Allowing Medicare to negotiate directly with pharma groups

Under the terms of the non-interference clause which is intended to promote competition between laboratories and prevent a price formulary from being established, the Medicare programme has always been prohibited from negotiating drug prices with the manufacturers. The prices obtained by Medicare are automatically aligned to the average prices negotiated by private players.

But this approach is being called into question, by both ends of the political spectrum. And one of Biden's key proposals aims to correct what now looks like an anomaly.

The following table shows the share of revenues that pharmaceuticals groups derive from Medicare and which would be directly exposed to any renewed pricing pressure. We note that Medicare Part B (one quarter of Medicare spending) covers specialist treatments administered in doctors' surgeries or in a hospital setting. Roche, due to the nature of its products, is more specifically exposed here. Medicare Part D (three-quarters of Medicare medication spending) covers prescription drugs bought in pharmacies. General practice medications where several options are available (as with diabetes for example) are the most at risk. Novo Nordisk and to a lesser extent Sanofi/GSK/Novartis are exposed. AstraZeneca whose portfolio is more diversified is probably less vulnerable.

Medicare Part B and Part D as a proportion of worldwide sales

%	% US Pharma (total sales)	Part B (% total sales)	Part D (% of total sales)	Total Medicare (% of total sales)
Astra	32	3.2	4.8	8.0
GSK	22	0.4	6.1	6.5
Novartis	29	1.4	7.8	9.2
Novo Nordisk	47	0	14	14
Roche	43	11.7	2.6	14.3
Sanofi	25	4.0	5.0	9.0

Table 2 - Sources: ODDO BHF Securities, Bloomberg Intelligence, companies

Allowing Medicare to negotiate directly would clearly pressure prices across a significant swathe of pharma group sales (6.5% to 14.3%), and this proportion could even rise further depending on the success of the proposed new social security setup.



Innovation capacity remains intact

2020 was the second-biggest year for drug approvals

Last year was the second-largest year in terms of new compounds approved by the FDA, with 53 new compounds given the go-ahead, including 21 first-in-class treatments. As such, 40% of the approvals in 2020 represent genuine innovation in their respective segments.

Note also that 31 compounds were approved in a rare disease (58%).

We would also highlight two key figures which also demonstrate scientific advances: 17 of the 53 drugs authorised received the greenlight after a fast track designation which indicates a response to a real unmet therapeutic need, and 30 benefited from a priority review.

New compounds approved by the FDA

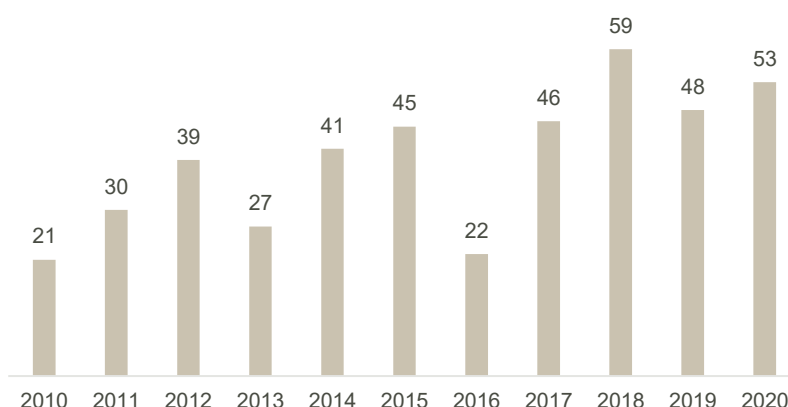


Chart 3 - Source: FDA

2021 is also set to be a busy year

Based solely on the six European stocks we cover, we think that 2021 is likely to be as busy as 2020 in terms of clinical, regulatory and commercial advances.

Below we set out the main triggers for the year for each of the stocks in our universe. We particularly note the data expected for the CANOPY programme for Novartis, the initial pivotal data from Sanofi's pipeline and the density of AstraZeneca's newsflow.

AstraZeneca: very dense newsflow

AstraZeneca's newsflow is set to be very brisk in 2021. All its growth drivers (Imfinzi, Lynparza, Tagrisso or Calquence) will see phase III read-outs for indication extensions. Several extension approvals are also likely to materialise this year. The pipeline is very well stocked. The following table merely indicates the expectations for H1.



Main newsflow for AstraZeneca in H1 2021

Date	Drug	Event
H1 2021	Imfinzi	Phase III read-out unresectable, stage III NSCLC (PACIFIC-2), NSCLC (1L) (PEARL)
H1 2021	Imfinzi +/- tremelimumab	Phase III read-out in head & neck cancer (1L)
H1 2021	Lynparza	Phase III read-out in adjuvant breast cancer
H1 2021	Calquence	Phase III read-out in CLL (2L) (ELEVATE R/R)
H1 2021	AZD7442	Phase III read-out in SARS-CoV-2 (vaccine)
H1 2021	Tagrisso	Approval adjuvant NSCLC (EGFRm) (US, CN)
H1 2021	Imfinzi	Approval new Q4W dosing (EU)
H1 2021	Lynparza	Approval pancreatic (1L, BRCAm) (JP); prostate cancer (2L) (JP)
H1 2021	Enhertu	Approval - gastric cancer (3L, HER2+) (US)
H1 2021	Calquence	Approval CLL (JP)
H1 2021	Koselugo	Approval NF1 (EU)
H1 2021	Forxiga	Approval HF CVOT (CN)
H1 2021	Brilinta	Approval CAD/T2D CVOT (EU, JP, CN); stroke (THALES) (EU)
H1 2021	Symbicort	Approval mild asthma (EU)

Table 4 - Source: company

GSK: bintrafusp alfa in BTC in response to NSCLC

After the failure in late-stage NSCLC, the market will pay attention this year to the results of bintrafusp alfa developed in biliary tract cancers (BTC) in partnership with Merck KGaA. The indication is still narrow but will partly reassure the market on the interest of this bispecific antibody (11 trials underway). The BLENREP indication extensions are likely to come a bit later this year.

GSK catalysts

Date	Drug	Event
2021	VIR-7831	Pivotal data in COVID-19 (COMET-ICE)
2021	Daprodustat	Pivotal results in renal anaemia
2021	Dostarlimab	Pivotal results in 2L EC (RUBY)
2021	Bintrafusp alfa	Pivotal results in BTC
2021	Otilimab	Proof of concept in COVID-19 (OSCAR)
2021	Feladilimab	Proof of concept in NSCLC (ENTRÉE)
2021	NY-ESO	Proof of concept in NSCLC
2021	Cobolimab	Proof of concept in NSCLC
2021	LAG-3	Proof of concept in ulcerative colitis
2021	BLENREP	DREAMM 4 / 5 in MM

Table 5 - Source: company

Novartis: initial data from the Canopy programme expected this year

Initial data from two trials involving canakinumab will be the main catalyst for Novartis this year. The compound is already approved under the commercial name Ilaris in rare and inflammatory diseases (arthritis). It acts by blocking IL-1 and suppressing inflammation. A Canopy-2 trial in combination with an anti-PD1 could enhance the immune effect in patients with advanced cancers.

On the regulatory front, we expect the extension of the treatments in which Entresto is indicated to be approved after the conclusive results in heart failure with preserved ejection fraction (positive AdCom in December 2020).



Main newsflow for Novartis in 2021

Date	Drug	Event
H1 2021	Entresto	Phase III results in post-AMI patients (PARADISE)
H1 2021	Alpelisib (BYL719)	US data in PROS
H1 2021	Cosentyx	Results in Juvenile PsA / enthesitis-related arthritis (US/EU)
H1 2021	Lu-PSMA-617	Phase III results in mCRPC
H1 2021	Canakinumab	Phase III results in NSCLC (CANOPY-2)
H1 2021	Branaplam	Phase I/II results in SMA
H2 2021	Kisqali	Phase III results in aBC (MONALEESA-2 OS)
H2 2021	Ligelizumab	Phase III results in CSU (PEARL 1&2)
H2 2021	Canakinumab	Phase III results in NSCLC (CANOPY-1)
H2 2021	Remibrutinib	Phase II results in CSU

Table 6 – Source: Novartis Q3 presentation

Novo Nordisk: focused on semaglutide in obesity

Novo Nordisk's year will be focused on the newsflow on semaglutide and its diversification into obesity. Approval in the US in this indication is the main catalyst that could change the stock's share performance (expected in H2). Thereafter, the product will be mainly concerned by initiations of pivotal trials.

Main newsflow for Novo Nordisk in 2021

Date	Drug	Event
S2 2021	Semaglutide	US approval in obesity
2021	AM833 + semaglutide	Phase III initiation in obesity
2021	Semaglutide	Phase III initiation in NASH

Table 7 - Source: company

Roche: little significant news

Roche will have some important phase III read-outs in 2021, including indication extensions for Tecentriq and overall survival data from the phase II Cityscape trial (in combination with tiragolumab). Nevertheless, we note that only three projects likely to surprise the consensus (according to Roche) will be submitted for approval this year: REGN-COV-2 (the cocktail of anti-COVID antibodies in collaboration with Regeneron), Xofluza (flu) and faricimab (macular degeneration), which amount to a lightweight line-up in our view.

Main newsflow for Roche in 2021

Date	Drug	Event
2021	Tecentriq	IMpassion050 read-out (HER+2 BC)
2021	Tecentriq	IMpower 030 read-out (NSCL)
2021	Tecentriq	IMpower 010 read-out (NSCL)
2021	Tecentriq	IMvoka 010 read-out (SCCHN)
2021	Tominersen	Data from the phase I/II and phase III OLE studies and Natural History study in Huntington's disease
2021	Polivy	Phase III read-out in DLBCL
2021	Tiragolumab + Tecentriq	Phase II (CITYSCAPE) update including OS
2021	Tecentriq + Cotellic + Zelboraf	Interim phase III results in BRAF+ melanoma
2021	Faricimab	Phase III (TENAYA and LUCERNE) read-out in nAMD

Table 8 – Source: Roche Pharma Day presentation

Sanofi: the first clinical data for a revival?

After the take-off of fitusiran in hemophilia and its anti COVID-19 vaccine, the market will pay extremely close attention to the initial results for Amcenestrant (SERD '859) in late-stage breast cancer (however, the opportunity is in 1L for which phase II results will be released this year) as well as Bivv001 in hemophilia.



Note that alongside the publication of its Q4 2020 results, Sanofi will hold a CMD focused on its consumer franchise and the established medicines division.

Main newsflow for Sanofi in 2021

Date	Drug	Event
Q2-2021	Amcenestrant	Pivotal results in 2L/3L in mBC (AMEERA-3)
H2-2021	BIVV001	Pivotal results in hemophilia A
Mid-2021	Dupixent	Pivotal results in CSU & PN
2021	Sarclisa®	Pivotal results in 1L Ti MM (IMROZ)
2021	Libtayo®	Pivotal results in 1L NSCLC with CT
2021	Rilzabrutinib	Pivotal results in Pemphigus
2021	Venglustat	Ph II read-out in GBA PD
2021	Sarclisa®	Ph II read-out subcutaneous formulation
2021	Amcenestrant	Ph II read-out in early BC (AMEERA-4)
H2 2021	COVID-19 vaccine	Pivotal data

Table 9 - Source: Sanofi Q3 presentation

A new year rich in terms of business development

An active year on the M&A front as might be expected

The pandemic context is not a drag on the external growth of pharmaceuticals groups. 2020 was the biggest year for acquisitions in value terms for five years. The price tags are also extremely high: the \$ 263bn in acquisitions corresponds to just 222 deals.

Growth in acquisitions by volume and in value terms in the pharma sector

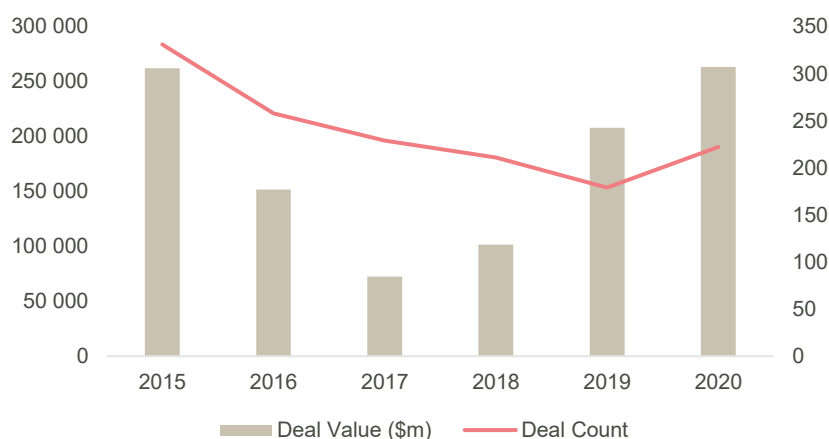


Chart 10 - Source: Evaluate

We believe that this activity is likely to continue this year in view of net debt to EBITDA ratios, which still remain extremely low for the industry.

Net debt/EBITDA ratios

\$ m	EBITDA (2020)	Net debt 2020	Net debt/EBITDA (x)
AstraZeneca	11,683	11,129	0.95
GSK	10,952	21,492	1.96
Novartis	15,892	10,746	0.68
Novo Nordisk	59,612	-24,356	-0.41
Roche	24,393	-2,257	-0.09
Sanofi	11,771	7,321	0.62

Table 11 - Source: FactSet



SECTOR HIERARCHY UNCHANGED

Based on themes that remain the same (US reform, COVID-19), our sector hierarchy is unchanged. We continue to prefer AstraZeneca and Sanofi, stocks whose growth is valued at affordable relative levels. What is more, they look more resilient to the US context and have the potential to be among the winners in the future COVID-19 prevention market. We show that the sector as a whole is at perfectly attractive valuation levels.

AstraZeneca and Sanofi are our Top Picks

Our target prices mainly change because of the roll forward of our DCF valuations (the first year taken into account is 2022) and use P/E 2022 in our peer comparison (vs P/E 2021 previously).

Sector hierarchy				
Companies	Rating	Rating comment	Target price	Target price comment
AstraZeneca	Buy	Strong growth momentum set to outperform that of the sector for several years yet, lower exposure to the US market.	10,800p vs 10,300p	Average of a DCF at 10,600p (WACC held at 8.9%) and a peer comparison at 11,000p (premium in terms of P/E of 50% on P/E 2022).
Sanofi	Buy	The diversification of its business and growth of its vaccine franchise partly offset US reform risk.	€ 100 vs € 103	Update to our model (-6.0% for 2021e EPS) with the main impact being currencies at end-2020/H1 2021.
GSK	Buy	The diversification of its business partly offsets US reform risk. After a year of decline, return to growth in 2021-2022	1,770p vs 1,730p	The roll-over of our DCF valuation offsets the update to our WACC and changes in currencies.
Novartis	Neutral	A less attractive valuation than its peers with lower growth.	CHF 93 vs CHF 90	Roll-over of the DCF and update to the peer comparison
Novo Nordisk	Neutral	A fast-growing stock but its matching valuation and exposure to the US lead us to stick with our Neutral rating.	DKK 470 vs DKK 420	Average of a DCF (WACC maintained at 8.3%) and a peer comparison (premium in terms of P/E 2022 of 30%).
Roche	Reduce	Several factors could exert a drag on the acceleration in earnings: strong US exposure and specifically to Medicare Part B, tax risk in the event of a new reform	CHF 290 vs CHF 285	Average of a DCF (WACC of 8.7% vs 9.1%) and a peer comparison, discount of 15% in terms of P/E 2022e vs 10% previously.

Table 12 - Source: ODDO BHF Securities



The changes to our estimates are marginal as the table below shows, with an average revision of between -0.5% and -1.7% per year for revenues out to 2022 and between -0.4% and -1.6% for EPS.

Main changes to our estimates			
%	2020e	2021e	2022e
AstraZeneca			
Revenues	-1.9	-1.3	-1.1
EPS	-1.7	-1.5	-1.2
GlaxoSmithKline			
Revenues	-1.2	-0.9	-0.7
EPS	-0.6	-1.3	-1.0
Novartis			
Revenues	-0.1	+0.6	+0.7
EPS	+0.2	+0.8	+0.6
Novo Nordisk			
Revenues	-0.6	-2.3	-1.2
EPS	-0.8	-0.3	+1.0
Roche			
Revenues	-0.2	-1.3	-1.2
EPS	+0.6	-1.3	-1.8
Sanofi			
Revenues	+1.1	-4.9	-5.4
EPS	-0.1	-6.0	-5.5
Average revision			
Revenues	-0.5	-1.7	-1.5
EPS	-0.4	-1.6	-1.3

Tableau n°13 - Source: ODDO BHF Securities

Valuations: sector discount of 23% vs Stoxx 600

Valuations							
x	Rating	Target price	Price	P/E			EPS CAGR 20-24e
				21e	22e	23e	
AstraZeneca	Buy	10,800p		19.9	14.6	12.7	23.1%
GlaxoSmithKline	Buy	1,770p		11.5	10.4	9.6	6.5%
Novartis	Neutral	CHF 93		15.0	13.8	13.3	6.6%
Novo Nordisk	Neutral	DKK 470		21.7	19.2	17.4	10.0%
Roche	Reduce	CHF 290		15.2	14.4	13.6	6.1%
Sanofi	Buy	€ 100		13.1	11.4	11.1	7.9%
Median				15.1	14.1	13.0	7.3%
Stoxx 600					18.4		
Premium (Discount)					-23%		

Table 14 - Source: ODDO BHF Securities



Q4 preview and 2021 guidance; currencies penalise sector growth

Below we give a preview of Q4 results for the stocks we cover. The quarter will be marked by a weak dollar that will undermine growth. More importantly, we sketch out the guidance that we believe the groups might give for 2021. As in 2020, we believe that guidance will be cautious at the start of the year due to the lack of visibility on the pandemic but that it is likely to be readjusted rapidly.







Our Q4 2020 / FY 2021 forecasts vs consensus

	Q4 2020		FY 2021		
	ODDO BHF	Consensus	ODDO BHF	Consensus	Expected 2021 guidance
AstraZeneca					
Total revenues (\$ m)	7,119	7,101	31,859	30,703	
Core EBIT (\$ m)	1,853	1,977	9,579	9,421	
Core EPS (\$)	1.08	1.08	5.27	5.27	AZN could choose to give guidance excluding Alexion, which will be consolidated in the second part of the year. But even without that we expect 20% EPS growth, the guidance could be "high double-digit CER EPS growth".
GlaxoSmithKline					
Total revenues (£ m)	8,734	8,752	35,165	35,067	
Core EBIT (£ m)	1,911	1,896	9,214	9,173	
Core EPS (p)	23.2	23	119	113	We think that management could steer the market towards low single-digit growth, led by a rebound in Shingrix sales and the consolidation of its respiratory franchise. We forecast 2.5% growth in 2021 vs a 2% decline for the consensus.
Novartis					
Total revenues (\$ m)	13,207	12,923	52,617	53,141	
Core EBIT (\$ m)	3,589	3,619	16,921	17,053	We forecast growth of 6.1% at constant forex for core EBIT with a positive forex impact of 3% in 2021. Our estimates are 0.7% below the consensus.
Core EPS (\$)	1.36	1.37	6.46	6.46	
Novo Nordisk					
Total rev. (DKK m)	32,096	32,071	133,217	133,189	
EBIT (DKK m)	11,967	11,356	58,321	56,530	We forecast EBIT growth of 9% at constant forex vs the consensus forecast of 7%. Guidance of "high single-digit growth at CER" is likely in our view.
EPS (DKK)	4.22	3.92	20.19	19.61	
Roche					
Total rev. (CHF m)	15,121	15,240	60,216	61,893	
Core EBIT (CHF m)	H2: 9,628	H2: 10,002	22,717	22,465	
Core EPS (CHF)	H2: 9.01	H2: 8.79	20.78	20.30	Roche might be tempted to err on the side of caution due to the quarterly volatility seen in 2020. Guidance along the lines of "mid-single-digit EPS growth at CER" looks possible but might disappoint.
Sanofi					
Total revenues (€ m)	9,321	9,374	36,546	37,156	
Core EBIT (€ m)	1,869	1,899	10,337	10,324	
Core EPS (€)	1.09	1.14	6.23	6.26	The management could remain cautious in its guidance indicating growth at cc in "high single digit to low double digit" terrain and which will probably be adjusted over the quarters to "low double digit" depending on how the pandemic evolves. We are currently more ambitious, anticipating an increase of 8.6% with a -5% forex effect.

Table 15 - Sources: ODDO BHF Securities, FactSet, Bloomberg



COMPANY PROFILES

 AstraZeneca	14
 GlaxoSmithKline	16
 Novartis	18
 Novo Nordisk	20
 Roche Holding	22
 Sanofi	24



AstraZeneca

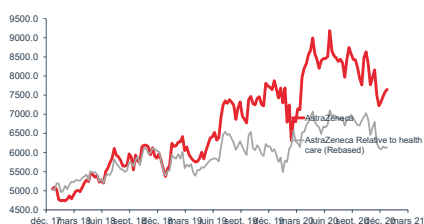
Buy → | Target 10800p vs 10300p ↗

Price (21/01/2021) : 7650.00p | Upside : 41 %

Revision	2020e	2021e
EPS	-1.7%	-1.5%

Substantial upside at the start of 2021

Friday 22 January 2021



Capital

AZN LN | AZN.L

Market Cap (£m)	143 966
Enterprise value (\$m)	173 501
Extrema 12 months (\$)	6 221 - 9 320
Free Float (%)	ns

Performance (%)	1m	3m	12m
Absolute	2.8	-3.4	-2.2
Perf. rel. Country Index	-3.2	-15.2	0.7
Perf. rel. health care	-3.0	-8.2	1.8

P&L	12/20e	12/21e	12/22e
Sales (\$m)	26 848	32 391	41 079
EBITDA (\$m)	11 444	14 665	21 028
Current EBIT (\$m)	7 294	9 579	14 575
Attr. net profit (\$m)	2 380	3 601	7 028
Adjusted EPS (\$)	4.03	5.27	7.20
Dividend (\$)	2.80	2.90	3.00

P/E (x)	25.6	19.9	14.6
P/B (x)	11.5	3.9	4.1
Dividend Yield (%)	2.7	2.8	2.9
FCF yield (%)	1.7	2.8	4.9
EV/Sales (x)	5.66	5.36	4.59
EV/EBITDA (x)	13.3	11.8	9.0
EV/Current EBIT (x)	20.8	18.1	12.9
Gearing (%)	110	72	60
Net Debt/EBITDA (x)	1.3	1.9	1.2

Next Events

11/02/2021	FY Results
30/04/2021	Q1 Results
29/07/2021	H1 Results
12/11/2021	Q3 Results

Q4 set to confirm particularly good resilience at the operating level

Q3 showed how resilient the growth drivers Tagrisso, Lynparza, Imfinzi and Calquence have been in the recent period (1% above the consensus in Q3). We do not anticipate a soft patch linked to the tightening of restrictive measures practically everywhere. Note, moreover, AstraZeneca had turned in a strong showing in Q2 when lockdowns were having a maximum impact on cancer players such as Roche. In addition, revenues from collaborations and other operating revenues should be particularly good in Q4, reaching around 50% of the 2019 level in 9M 2020, while AstraZeneca is guiding for a level just shy of the 2019 performance for 2020 as a whole. It is not the forex effect, set to edge into negative territory (-1% on the top line in Q4 vs between approximately +1 and +2% over 9M 2020), which will change the situation. All told, we are forecasting Q4 EPS of \$ 1.08 (+21%) towards the upper end of the full-year guidance range (EPS mid to high teens). However, the stakes are not so much about the final quarter of the year but about the 2021 guidance in our view.

2021 guidance likely to be historic

2021 will likely be marked by the closing of the acquisition of Alexion in Q3 2021. Depending on the exact timing of this closing and the initial costs and exact ramp-up of synergies, the annual guidance could vary significantly. Thus we cannot rule out the possibility of AstraZeneca's providing an initial 2021 guidance excluding the consolidation of Alexion. In this case, the implicit guidance should aim at an EPS of \$ 4.89, i.e. growth of 20%. We have decided to include one-quarter of Alexion in our 2021 guidance for AstraZeneca. We therefore expect 2021 EPS of \$ 5.27, representing growth of 31% vs 2020 (\$ 4.03). This also appears to be the consensus view (also \$ 5.27, source FactSet). In any event, 2021 is expected to mark a peak in terms of the company's growth profile.

Newsflow: COVID vaccine of course but not only

In terms of newsflow, 2021 will obviously be marked by the EU and US market approval and the subsequent rollout of the company's COVID-19 vaccine. Of course, it will be sold at zero margin in a pandemic period and therefore will not contribute to the company's value before 2022, but we effectively noted in 2020 that the sometimes mixed news about it may have acted as a drag on the stock. Momentum could therefore be more favourable for the vaccine in 2021, especially as AstraZeneca has significantly greater production capacity than Pfizer and Moderna combined (an annual rate of 3 billion doses by end-2021). Finally, particularly strong newsflow should materialise in H1 on the clinical (phase III PACIFIC 2, PEARL and head and neck for Imfinzi, breast adjuvant for Lynparza, second line CLL for Calquence) and regulatory front (US approvals for Tagrisso in NSCLC adjuvant, US approvals for Enhertu in third line gastric cancer, etc.).

Our pharma Top Pick

AstraZeneca remains our Top Pick in the pharma sector at the start of 2021. The negative sentiment around its COVID vaccine and the market's digestion of the Alexion acquisition have restored upside. At the same time, the company's prospects have never been better. We anticipate annual EPS growth of 24% between 2020 and 2024, nearly 3x the growth of the European pharma sector. Today, integrating Alexion as of Q4 2021, AstraZeneca is now trading at a premium of just 1% vs the sector (2022e P/E of 14.2x). Its premium to the sector was close to 50% last summer. We are lifting our target price to 10,800p.

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AZN LN | AZN.L
Pharmaceuticals | United Kingdom

Buy

Upside

41.18%

Price 7650.00 p

TP 10800.00 p

PER SHARE DATA (\$)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Adjusted EPS	4.27	4.31	4.28	3.46	3.50	4.03	5.27	7.20
Reported EPS	2.24	2.77	2.37	1.70	1.03	1.81	2.62	4.53
Growth in adjusted EPS	-0.2%	1.0%	-0.6%	-19.2%	1.1%	15.2%	30.5%	36.8%
Net dividend per share	2.80	2.80	2.80	2.80	2.80	2.80	2.90	3.00
FCF to equity per share	1.38	2.46	2.68	2.78	2.02	1.81	2.94	5.14
Book value per share	14.63	11.75	11.82	9.84	10.09	9.02	27.23	25.61
Number of shares market cap (m)	1 263.75	1 264.44	1 265.75	1 266.75	1 300.44	1 312.00	1 371.80	1 551.21
Number of diluted shares (m)	1 263.75	1 264.44	1 265.75	1 266.75	1 300.44	1 312.00	1 371.80	1 551.21
VALUATION (\$m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
12m highest price (\$)	73.28	71.02	69.77	81.91	102	118	105	
12m lowest price (\$)	60.77	50.53	52.39	65.28	69.97	76.34	101	
(*) Reference price (\$)	67.64	61.00	62.49	72.68	83.87	103	105	105
Capitalization	85 481	77 134	79 099	92 068	109 070	135 616	143 966	162 793
Restated Net debt	8 813	11 790	14 483	14 282	12 670	14 510	27 817	24 344
Minorities (fair value)	19.0	1 815	1 682	1 576	1 469	1 361	1 253	1 145
Financial fixed assets (fair value)	1 896	2 070	2 387	1 594	2 326	2 334	2 342	2 350
Provisions	1 974	2 186	2 583	2 511	2 807	2 807	2 807	2 807
Enterprise Value	94 391	90 855	95 460	108 843	123 690	151 960	173 501	188 739
P/E (x)	15.9	14.2	14.6	21.0	24.0	25.6	19.9	14.6
P/CF (x)	25.3	24.0	21.8	28.3	32.9	30.5	19.7	12.9
Net Yield	4.1%	4.6%	4.5%	3.9%	3.3%	2.7%	2.8%	2.9%
FCF yield	2.0%	4.0%	4.3%	3.8%	2.4%	1.7%	2.8%	4.9%
P/B incl. GW (x)	4.62	5.19	5.29	7.38	8.31	11.46	3.85	4.10
P/B excl. GW (x)	12.78	24.13	25.23	121	74.76	822	53.59	32.17
EV/Sales (x)	3.82	3.95	4.25	4.93	5.07	5.66	5.36	4.59
EV/EBITDA (x)	9.7	9.8	9.7	11.5	12.1	13.3	11.8	9.0
EV/Current EBIT (x)	13.7	13.5	13.9	19.2	19.2	20.8	18.1	12.9
(*) historical average price								
PROFIT AND LOSS (\$m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Sales	24 708	23 002	22 465	22 089	24 384	26 848	32 391	41 079
EBITDA	9 754	9 279	9 891	9 424	10 198	11 444	14 665	21 028
Depreciations	-2 852.0	-2 558.3	-3 036.0	-3 753.0	-3 762.0	-4 150.4	-5 086.1	-6 452.6
Current EBIT	6 902	6 721	6 855	5 671	6 436	7 294	9 579	14 575
Published EBIT	4 114	4 902	3 677	3 386	2 924	4 048	6 022	10 690
Net financial income	-1 045.0	-1 350.0	-1 450.0	-1 394.0	-1 376.0	-1 182.6	-1 616.2	-1 959.6
Corporate Tax	-243.0	-146.0	641	57	-321.0	-594.3	-913.7	-1 810.4
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	1.0	93	133	105	108	108	108	108
Attributable net profit	2 827	3 499	3 001	2 154	1 335	2 380	3 601	7 028
Adjusted attributable net profit	5 390	5 448	5 423	4 387	4 554	5 292	7 223	11 172
BALANCE SHEET (\$m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Goodwill	11 800	11 658	11 825	11 707	11 668	11 668	34 668	34 668
Other intangible assets	22 646	27 586	26 188	21 959	21 480	20 406	27 766	26 377
Tangible fixed assets	6 413	6 848	7 615	7 421	7 688	7 493	9 014	9 265
WCR	-4 186.0	-4 705.0	-4 310.0		-6 171.0	-5 361.8	-3 699.0	-1 092.6
Financial assets	3 190	3 172	4 576	4 955	5 048	4 986	7 186	7 186
Ordinary shareholders equity	18 490	14 854	14 960	12 468	13 127	11 833	37 354	39 729
Minority interests	19.0	1 815	1 682	1 576	1 469	1 361	1 253	1 145
Shareholders equity	18 509	16 669	16 642	14 044	14 596	13 194	38 607	40 874
Non-current provisions	12 541	16 100	14 769	12 956	12 447	11 487	8 510	11 187
Net debt	8 813	11 790	14 483	14 282	12 670	14 510	27 817	24 344
CASH FLOW STATEMENT (\$m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
EBITDA	9 754.0	9 279.3	9 891.0	9 424.0	10 198.0	11 444.1	14 665.0	21 027.7
Change in WCR	-49.0	926.0	-50.0	-639.0	-346.0	-739.2	-1 662.8	-2 606.4
Interests & taxes	-1 850.0	-1 089.0	-1 152.0	-1 213.0	-1 892.0	-1 993.9	-2 347.8	-3 395.1
Others	-4 531.0	-4 971.3	-5 111.0	-4 954.0	-4 991.0	-5 000.0	-5 000.0	-5 000.0
Operating Cash flow	3 324.0	4 145.0	3 578.0	2 618.0	2 969.0	3 711.0	5 654.4	10 026.1
CAPEX	-1 575.0	-1 032.0	-187.0	901.0	-342.0	-1 342.4	-1 619.5	-2 053.9
Free cash-flow	1 749.0	3 113.0	3 391.0	3 519.0	2 627.0	2 368.6	4 034.9	7 972.1
Acquisitions / disposals	-3 025.0	-2 857.0	-1 884.0	-349.0	-709.0	0.0	-39 400.0	0.0
Dividends	-3 486.0	-3 561.0	-3 519.0	-3 484.0	-3 592.0	-3 673.6	-3 841.0	-4 498.5
Net capital increase	43.0	47.0	43.0	34.0	3 525.0	0.0	25 899.0	0.0
Others	-723.0	-301.0	302.0	-165.0	-698.0	0.0	0.0	0.0
Change in net cash	-5 157.0	-3 618.0	-1 990.0	-72.0	1 552.0	-1 305.0	-13 307.2	3 473.6
GROWTH MARGINS PRODUCTIVITY	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Sales growth	-6.9%	-6.9%	-2.3%	-1.7%	10.4%	10.1%	20.6%	26.8%
Lfi sales growth	1.0%	-5.0%	-2.0%	-2.0%	13.0%	9.7%	18.1%	26.8%
Current EBIT growth	-0.5%	-2.6%	2.0%	-17.3%	13.5%	13.3%	31.3%	52.2%
Growth in adjusted EPS	-0.2%	1.0%	-0.6%	-19.2%	1.1%	15.2%	30.5%	36.8%
Net margin	21.8%	23.7%	24.1%	19.9%	18.7%	19.7%	22.3%	27.2%
EBITDA margin	39.5%	40.3%	44.0%	42.7%	41.8%	42.6%	45.3%	51.2%
Current EBIT margin	27.9%	29.2%	30.5%	25.7%	26.4%	27.2%	29.6%	35.5%
CAPEX / Sales	-11.5%	-11.1%	-7.6%	-6.7%	-10.1%	-5.0%	-5.0%	-5.0%
WCR / Sales	-16.9%	-20.5%	-19.2%		-25.3%	-20.0%	-11.4%	-2.7%
Tax Rate	4.1%	2.7%	-11.9%	-1.3%	6.3%	9.7%	11.5%	14.4%
Normative tax rate	15.5%	10.9%	14.0%	11.2%	20.0%	20.0%	20.0%	20.0%
Asset Turnover	0.7	0.6	0.5	-	-	0.8	0.6	0.6
ROCE post-tax (normative tax rate)	16.5%	15.3%	14.3%	-	-	16.9%	15.0%	17.0%
ROCE post-tax hors GW (normative tax rate)	24.6%	21.9%	19.9%	-	-	25.6%	27.6%	34.5%
ROE	28.3%	32.7%	36.4%	32.0%	35.6%	42.4%	29.4%	29.0%
DEBT RATIOS	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Gearing	48%	71%	87%	ns	87%	ns	72%	60%
Net Debt / Market Cap	0.10	0.15	0.18	0.16	0.12	0.11	0.19	0.15
Net debt / EBITDA	0.90	1.27	1.46	1.52	1.24	1.27	1.90	1.16
EBITDA / net financial charges	9.5	7.0	7.1	7.4	8.1	10.7	9.8	11.4

Sources: ODDO BHF Securities, SIX



GlaxoSmithKline

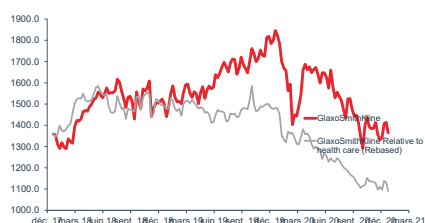
Buy → | Target 1770p vs 1730p ↗

Price (21/01/2021) : 1364.80p | Upside : 30 %

Revision	2020e	2021e
EPS	-0.6%	-1.3%

An attractive comparison base for 2021

Friday 22 January 2021



Capital

GSK LN | GSK.L

Market Cap (£m)	67 872
Enterprise value (£m)	101 246
Extrema 12 months (p)	1 292 - 1 823
Free Float (%)	90.7

Performance (%)	1m	3m	12m
Absolute	1.8	0.8	-25.7
Perf. rel. Country Index	-4.2	-11.5	-23.5
Perf. rel. health care	-4.0	-4.2	-22.7

P&L

	12/20e	12/21e	12/22e
Sales (£m)	34 184	35 165	36 327
EBITDA (£m)	10 880	11 131	11 943
Current EBIT (£m)	9 000	9 214	10 018
Attr. net profit (£m)	4 271	4 609	5 307
Adjusted EPS (p)	115.81	118.75	130.99
Dividend (p)	80.00	80.00	80.00

P/E (x)	13.4	11.5	10.4
P/B (x)	6.3	5.2	4.8
Dividend Yield (%)	5.1	5.9	5.9
FCF yield (%)	8.7	10.1	11.1
EV/Sales (x)	3.36	2.88	2.66
EV/EBITDA (x)	10.6	9.1	8.1
EV/Current EBIT (x)	12.8	11.0	9.6
Gearing (%)	114	88	59
Net Debt/EBITDA (x)	2.0	1.6	1.1

Q4 set to be impacted by the ongoing pandemic

Whilst sales at the respiratory franchise should continue their robust increase (+26% at constant forex at 9M) driven by Trelegy, Nucala and Relvar/Breo, the different lockdowns are likely to continue to penalise the group's established drugs business.

At this Q4 publication, we expect the market's attention to be focused on GlaxoSmithKline's vaccine franchise. Down 9% in Q3, the activity is once again set to be under pressure due to the pandemic and the resulting slowdown in sales of Shingrix, established vaccines and the meningitis vaccine. Like Sanofi, the sale of the seasonal flu vaccine should help to offset this pressure. With regards to the HIV franchise, after a solid nine months we see a slowdown of around -3% in Q4 at constant forex.

All told, we anticipate an -8.9% decline in EPS for Q4 (-5.9% and constant forex and a forex effect of -3%).

A return to growth anticipated for 2021

The adjustments to our forecasts for growth and forex prompt us to lower our estimates by 1%. We have factored in a 4% decline at constant forex with a forex effect of -3% in 2020. As such our estimates are positioned 0.7% below forecasts. We think that management could steer the market towards low single-digit growth, led by a rebound in Shingrix sales and the consolidation of the respiratory franchise. We forecast a 2.9% increase in 2021. The group may update its dividend policy at the presentation of full-year results.

On track for the CHC spin off, update anticipated at the publication of full-year earnings

For 2021, we think that the market will mainly focus on three aspects: i/ a return to growth at the group's strong franchises, i.e. vaccines, respiratory and HIV, ii/ progress on the spinning off of its consumer health division anticipated for end-2022 and iii/ the pipeline/launches (Blenrep, Cabotegravir and bintrafusp alfa).

Despite the notable slowdown in Shingrix' sales due to the pandemic, we are maintaining all of our forecasts for the vaccine's potential (estimated at £ 2.8bn in 2026). In our view, this context is just a temporary dip in the ramp-up of these sales.

At the Q3 publication, management confirmed that on track for the spin-off of its consumer health division. In particular, we expect an acceleration this year in the synergies anticipated with Pfizer OTC (80% of the £ 500m anticipated).

With regards to the pipeline, we anticipate clinical results from bintrafusp alfa (cancers of the biliary tract) after the failure in the NSLC stage 4 indication along with the initial sales figures for Blenrep (4L treatment of multiple myeloma ahead of results in more early stage lines of treatment not before 2022) and Cabotegravir (an injection every eight weeks, superior performance than PrEP in the prevention of HIV).

An attractive valuation

We maintain our Buy recommendation. We expect the group to return to growth this year. We anticipate an average annual EPS increase of 6.4% over the 2020-2024 period. The diversity of its product portfolio (38% pharma, 27% OTC, 21% vaccines and 14% ViiV) makes the company automatically resilient in a scenario of pricing pressures in the US. Some 34% of its business is focused on the European market but the decline of Advair reduces the direct risk from this. We have updated our valuation model which prompts us to raise our target price from 1,730p to 1,770p.

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GSK LN | GSK.L
Pharmaceuticals | United Kingdom
Buy

Upside

29.69%

Price 1364.80 p

TP 1770.00 p

PER SHARE DATA (£)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Adjusted EPS	75.72	102.43	111.83	119.29	124.54	115.81	118.75	130.99
Reported EPS	174.33	18.77	31.35	73.64	94.50	85.89	92.68	106.71
Growth in adjusted EPS	-20.6%	35.3%	9.2%	6.7%	4.4%	-7.0%	2.5%	10.3%
Net dividend per share	100.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00
FCF to equity per share	26.10	103.95	109.93	143.82	134.22	135.98	137.36	151.84
Book value per share	105.86	23.13	-1.39	88.62	242.25	247.29	259.97	286.68
Number of shares market cap (m)	4 831.00	4 860.00	4 886.00	4 920.00	4 947.00	4 973.00	4 973.00	4 973.00
Number of diluted shares (m)	4 831.00	4 860.00	4 886.00	4 920.00	4 947.00	4 973.00	4 973.00	4 973.00
VALUATION (£m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
12m highest price (£)	1 642	1 723	1 722	1 619	1 819	1 846	1 414	
12m lowest price (£)	1 238	1 345	1 276	1 243	1 436	1 292	1 365	
(*) Reference price (£)	1 415	1 520	1 540	1 471	1 621	1 556	1 365	1 365
Capitalization	68 352	73 893	75 265	72 369	80 197	77 376	67 872	67 872
Restated Net debt	10 727	13 804	12 959	21 846	25 447	21 426	17 338	12 590
Minorities (fair value)	0.0	0.0	0.0	0.0	13 913	13 913	13 913	13 913
Financial fixed assets (fair value)	2 452	2 447	1 596	1 812	1 334	1 334	1 334	1 334
Provisions	3 229	4 090	3 539	3 125	3 457	3 457	3 457	3 457
Enterprise Value	79 856	89 340	90 167	95 528	121 681	114 838	101 246	96 498
P/E (x)	18.7	14.8	13.8	12.3	13.0	13.4	11.5	10.4
P/CF (x)	26.9	11.3	9.8	8.3	9.0	11.4	9.4	8.5
Net Yield	7.1%	5.3%	5.2%	5.4%	4.9%	5.1%	5.9%	5.9%
FCF yield	1.8%	6.8%	7.1%	9.8%	8.3%	8.7%	10.1%	11.1%
P/B incl. GW (x)	13.37	65.74	ns	16.60	6.69	6.29	5.25	4.76
P/B excl. GW (x)	ns	ns	ns	ns	ns	ns	ns	69.22
EV/Sales (x)	3.34	3.20	2.99	3.10	3.60	3.36	2.88	2.66
EV/EBITDA (x)	10.5	9.3	7.8	9.1	10.1	10.6	9.1	8.1
EV/Current EBIT (x)	13.9	11.5	10.5	10.9	13.5	12.8	11.0	9.6
(*) historical average price								
PROFIT AND LOSS (£m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Sales	23 923	27 889	30 186	30 821	33 784	34 184	35 165	36 327
EBITDA	7 591	9 632	11 549	10 508	11 998	10 880	11 131	11 943
Depreciations	-1 862.0	-1 861.0	-2 981.0	-1 763.0	-2 996.0	-1 880.1	-1 916.5	-1 925.3
Current EBIT	5 729	7 771	8 568	8 745	9 002	9 000	9 214	10 018
Published EBIT	10 322	2 598	4 087	5 483	6 991	6 838	7 266	8 160
Net financial income	204	-659.0	-562.0	-683.0	-740.0	-721.7	-695.1	-674.4
Corporate Tax	-2 154.0	-877.0	-1 356.0	-754.0	-953.0	-961.2	-1 010.2	-1 160.5
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	50	-150.0	-637.0	-423.0	-623.0	-883.5	-951.6	-1 018.7
Attributable net profit	8 422	912	1 532	3 623	4 675	4 271	4 609	5 307
Adjusted attributable net profit	3 658	4 978	5 464	5 869	6 161	5 759	5 905	6 514
BALANCE SHEET (£m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Goodwill	5 162	5 965	6 660	7 180	12 502	12 760	13 018	13 276
Other intangible assets	16 672	18 776	17 562	17 202	31 921	27 796	23 659	19 557
Tangible fixed assets	9 668	10 808	10 860	11 058	10 348	10 937	11 554	12 222
WCR	-1 427.0	-3 147.0	-9 972.0	-1 821.0	-909.8	-1 126.2	-1 057.8	-931.3
Financial assets	5 357	6 821	5 392	5 699	5 430	5 430	5 430	5 430
Ordinary shareholders equity	5 114	1 124	-68.0	4 360	11 984	12 298	12 928	14 257
Minority interests	3 764	3 839	3 557	-688.0	6 373	6 578	6 849	7 227
Shareholders equity	8 878	4 963	3 489	3 672	18 357	18 876	19 777	21 483
Non-current provisions	15 827	20 456	14 054	13 800	15 487	15 487	15 487	15 487
Net debt	10 727	13 804	12 959	21 846	25 447	21 426	17 338	12 590
CASH FLOW STATEMENT (£m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
EBITDA	7 591.0	9 632.0	11 549.0	10 508.0	11 998.0	10 879.9	11 130.9	11 942.8
Change in WCR	27.0	-22.0	-737.0	-247.0	-888.9	-88.0	-215.9	-255.6
Interests & taxes	-1 409.0	-945.0	-671.0	-609.0	-139.0	-189.5	-265.1	-436.1
Others	-3 640.0	-2 168.0	-3 223.0	-1 231.0	-3 065.0	-2 216.6	-2 148.7	-1 974.4
Operating Cash flow	2 569.0	6 497.0	6 918.0	8 421.0	7 905.1	8 385.9	8 501.2	9 276.8
CAPEX	-1 308.0	-1 445.0	-1 547.0	-1 345.0	-1 265.0	-1 623.7	-1 670.4	-1 725.5
Free cash-flow	1 261.0	5 052.0	5 371.0	7 076.0	6 640.1	6 762.1	6 830.9	7 551.2
Acquisitions / disposals	7 528.0	587.0	166.0	-58.0	-4 089.0	-424.0	-424.0	-424.0
Dividends	-4 111.0	-5 384.0	-4 571.0	-4 501.0	-4 504.0	-4 508.6	-4 529.4	-4 529.4
Net capital increase	-26.0	15.0	-42.0	-9 248.0	51.0	51.0	51.0	51.0
Others	-529.0	-1 171.0	-781.0	-766.0	-895.0	-895.0	-895.0	-895.0
Change in net cash	3 895.0	-1 029.0	-845.0	-8 968.0	-9 049.9	4 112.5	4 085.5	4 740.8
GROWTH MARGINS PRODUCTIVITY	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Sales growth	4.0%	16.6%	8.2%	2.1%	9.6%	1.2%	2.9%	3.3%
Lfi sales growth	1.0%	5.6%	3.2%	6.1%	9.6%	1.2%	2.9%	3.3%
Current EBIT growth	-13.1%	35.6%	10.3%	2.1%	2.9%	0.0%	2.4%	8.7%
Growth in adjusted EPS	-20.6%	35.3%	9.2%	6.7%	4.4%	-7.0%	2.5%	10.3%
Net margin	15.3%	17.8%	18.1%	19.0%	18.2%	16.8%	16.8%	17.9%
EBITDA margin	31.7%	34.5%	38.3%	34.1%	35.5%	31.8%	31.7%	32.9%
Current EBIT margin	23.9%	27.9%	28.4%	28.4%	26.6%	26.3%	26.2%	27.6%
CAPEX / Sales	-5.5%	-5.2%	-5.1%	-4.4%	-3.7%	-4.8%	-4.8%	-4.8%
WCR / Sales	-6.0%	-11.3%	-33.0%	-5.9%	-2.7%	-3.3%	-3.0%	-2.6%
Tax Rate	20.5%	45.2%	38.5%	15.7%	15.2%	15.7%	15.4%	15.5%
Normative tax rate	19.5%	21.2%	21.0%	19.0%	15.9%	18.0%	18.0%	18.0%
Asset Turnover	0.9	0.9	1.0	1.0	0.8	0.7	0.7	0.8
ROCE post-tax (normative tax rate)	18.1%	19.6%	23.5%	24.1%	17.3%	14.2%	15.5%	18.0%
ROCE post-tax hors GW (normative tax rate)	21.9%	23.9%	30.1%	31.6%	22.3%	18.7%	21.1%	25.3%
ROE	78.0%	ns	ns	ns	75.4%	47.4%	46.8%	47.9%
DEBT RATIOS	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Gearing	ns	ns	ns	ns	ns	ns	88%	59%
Net Debt / Market Cap	0.16	0.19	0.17	0.30	0.32	0.28	0.26	0.19
Net debt / EBITDA	1.41	1.43	1.12	2.08	2.12	1.97	1.56	1.05
EBITDA / net financial charges	-40.0	14.5	20.1	14.7	14.7	14.1	14.9	16.5

Sources: ODDO BHF Securities, SIX



Target price raised
Pharmaceuticals | Switzerland

Novartis

Neutral → | Target 93.0 CHF vs 90.0 CHF ↗

Price (21/01/2021) : 85.61 CHF | Upside : 9 %

Revision	2020e	2021e
EPS	0.2%	0.8%

Canakinumab the main focus for 2021

Friday 22 January 2021



Capital

NOVN.VX | NOVN.S

Market Cap (CHFm)	217 366		
Enterprise value (\$m)	207 271		
Extrema 12 months (\$)	69.96	-	95.82
Free Float (%)	92.6		
Performance (%)	1m	3m	12m
Absolute	9.5	12.1	-7.8
Perf. rel. Country Index	3.0	-1.6	-5.0
Perf. rel. health care	3.3	6.5	-4.0

P&L

	12/20e	12/21e	12/22e
Sales (\$m)	49 096	52 617	55 014
EBITDA (\$m)	16 079	17 523	18 827
Current EBIT (\$m)	15 504	16 921	18 208
Attr. net profit (\$m)	8 056	9 306	10 240
Adjusted EPS (\$)	5.80	6.46	7.00
Dividend (\$)	3.38	3.49	3.61
P/E (x)	15.1	15.0	13.8
P/B (x)	3.6	3.8	3.7
Dividend Yield (%)	3.9	3.6	3.7
FCF yield (%)	7.3	7.9	8.3
EV/Sales (x)	4.03	3.94	3.59
EV/EBITDA (x)	12.3	11.8	10.5
EV/Current EBIT (x)	12.7	12.2	10.9
Gearing (%)	20	5	-11
Net Debt/EBITDA (x)	0.7	0.2	ns

Next Events

26/01/2021 Q4 Results

We do not expect Q4 to reveal any major surprises

Q4 should continue the same trend as previous quarters, i.e. i) a COVID-19 impact on top line growth offset by ii) effective cost controls. Recent launches like Entresto, Cosentyx and Zolgensma should be offset by the decline in sales at the established medicines franchise (notably, dermatology and ophthalmology), the franchise that has been the most severely affected by the ongoing pandemic.

Unlike the first nine months of the year, we anticipate an increase in SG&A charges to support the launch of Kemsimpta (ofatumumab) and Inclisiran. For Q4, we forecast core EBIT growth of 4.7% at constant forex. At 9M, core EBIT posted growth of 16%. Note that the forex effect should be positive at 2% for sales in Q4 but negative, to the tune of 1% for core EBIT for Q4 2020.

Guidance for 2021 expected to be cautious, but positive forex

At the publication of Q3 earnings, Novartis adjusted down its full-year guidance for core EBIT and is now forecasting growth of between 10% and 15% at constant forex. We forecast a 9.9% increase in core EBIT for 2020 (13.5% at constant forex) for a margin of 31.6% of sales. The consensus forecasts 12.5% at constant forex. Like its peers, we think that Novartis will be cautious in its guidance at the beginning of the year indicating mid-single-digit growth for its core EBIT. This could be adjusted at the Q2 publication depending on the launches of Kemsimpta and Inclisiran, as well as work currently underway on the margin.

We forecast growth of 6.1% at constant forex for core EBIT with a positive forex impact of 3% in 2021. Our estimates are 0.7% below the consensus.

Canakinumab the main focus of 2021

The 2021 share price performance will be largely determined by the results of CANOPY (canakinumab, interleukin in 1L/2L of NSCLC). The suppression of an inflammatory response by canakinumab could favour the triggering of an anti-tumour response from T-cells notably by an anti PD1 (Canopy-1). This assumption is not yet clearly defined and can only be confirmed by the CANOPY programme.

At the same time, it is not uninteresting to bear in mind that the year 2021 will also allow a slightly better understanding of the group's long-term growth with the first results of phase II of Remibrutinib in Sjogren's syndrome.

The next main clinical catalyst will be the results on Lu-PSMA-617 in prostate cancer expected in H1 2021.

Neutral recommendation maintained

We have slightly adjusted our model, factoring in the forex effect at end-2020 and the likely visible trend for H1 2021. Following an update to our model, our new target price is CHF 93 vs CHF 90 previously. The group is trading in line with the sector with a 2022e P/E of 13.8x vs 14.1x for the sector and a PEG of 2.1x vs 1.9x for peers.

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NOVN VX | NOVN.S
Pharmaceuticals | Switzerland
Neutral

Upside 8.63%

Price 85.61CHF

TP 93.00CHF

PER SHARE DATA (\$)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Adjusted EPS	5.01	4.61	4.46	4.71	5.28	5.80	6.46	7.00
Reported EPS	7.40	2.82	3.20	5.52	5.12	3.52	4.14	4.56
Growth in adjusted EPS	-3.9%	-8.0%	-3.2%	5.5%	12.1%	9.8%	11.4%	8.4%
Net dividend per share	2.75	2.72	2.87	2.89	3.27	3.38	3.49	3.61
FCF to equity per share	3.85	3.98	4.48	4.84	6.22	6.41	7.61	8.03
Book value per share	32.10	31.49	31.64	33.93	24.25	24.33	25.19	26.02
Number of shares market cap (m)	2 403.00	2 378.00	2 346.00	2 319.00	2 291.00	2 285.82	2 249.78	2 244.61
Number of diluted shares (m)	2 403.00	2 378.00	2 346.00	2 319.00	2 291.00	2 285.82	2 249.78	2 244.61
VALUATION (\$m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
12m highest price (\$)	106	89.84	86.75	93.80	96.52	98.09	96.62	
12m lowest price (\$)	85.42	67.78	69.61	72.59	76.13	71.30	93.25	
(*) Reference price (\$)	98.16	77.34	80.48	82.91	88.75	87.48	96.62	96.62
Capitalization	235 874	183 907	188 800	192 262	203 317	199 956	217 366	216 865
Restated Net debt	16 484	16 025	19 047	16 184	17 641	11 251	2 880	-6 659.2
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	3 067	2 894	3 061	21 729	21 745	21 745	21 745	21 745
Provisions	8 044	8 470	7 057	7 319	6 632	8 183	8 770	9 170
Enterprise Value	257 335	205 508	211 843	194 036	205 845	197 645	207 271	197 631
P/E (x)	19.6	16.8	18.0	17.6	16.8	15.1	15.0	13.8
P/CF (x)	18.2	15.9	15.2	16.4	15.8	12.6	13.5	12.6
Net Yield	2.8%	3.5%	3.6%	3.5%	3.7%	3.9%	3.6%	3.7%
FCF yield	3.9%	5.1%	5.6%	5.8%	7.0%	7.3%	7.9%	8.3%
P/B incl. GW (x)	3.06	2.46	2.54	2.44	3.66	3.60	3.84	3.71
P/B excl. GW (x)	5.13	4.19	4.44	4.43	7.00	6.24	6.04	5.33
EV/Sales (x)	5.21	4.24	5.00	4.34	4.34	4.03	3.94	3.59
EV/EBITDA (x)	17.7	14.2	14.1	19.0	19.4	12.3	11.8	10.5
EV/Current EBIT (x)	18.7	15.8	18.1	15.5	14.6	12.7	12.2	10.9
(*) historical average price								
PROFIT AND LOSS (\$m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Sales	49 414	48 518	42 338	44 751	47 445	49 096	52 617	55 014
EBITDA	14 552	14 443	15 034	10 186	10 633	16 079	17 523	18 827
Depreciations	-762.0	-1 456.0	-3 320.0	2 371	3 479	-575.3	-602.5	-618.6
Current EBIT	13 790	12 987	11 714	12 557	14 112	15 504	16 921	18 208
Published EBIT	8 977	8 268	8 702	8 403	9 086	10 093	11 536	12 623
Net financial income	-843.0	-451.0	400	5 692	-146.0	-380.8	-386.0	-352.7
Corporate Tax	-1 106.0	-1 119.0	-1 603.0	-1 295.0	-1 793.0	-1 651.1	-1 839.8	-2 024.5
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	10 766	0.0	0.0	0.0	4 590	0.0	0.0	0.0
Minority interests	0.0	14.0	0.0	-3.0	-5.0	-5.0	-5.0	-5.0
Attributable net profit	17 794	6 712	7 499	12 797	11 732	8 056	9 306	10 240
Adjusted attributable net profit	12 041	10 966	10 474	10 920	12 093	13 252	14 530	15 710
BALANCE SHEET (\$m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Goodwill	31 174	30 980	31 750	35 294	26 524	23 539	20 704	17 719
Other intangible assets	34 217	31 340	29 997	38 719	30 464	27 347	24 346	21 150
Tangible fixed assets	15 982	15 641	16 464	15 696	12 069	9 924	7 974	5 900
WCR	-706.0	850	628	-330.0	-3 175.0	-596.2	-539.7	-501.2
Financial assets	27 338	27 232	26 660	20 291	19 809	20 690	21 694	22 520
Ordinary shareholders equity	77 132	74 891	74 229	78 693	55 552	55 609	56 666	58 415
Minority interests	-10.0	0.0	-2.0	-1.0	-1.0	-6.0	-6.0	-6.0
Shareholders equity	77 122	74 891	74 227	78 692	55 551	55 603	56 660	58 409
Non-current provisions	14 399	15 127	12 225	14 794	12 499	14 050	14 637	15 037
Net debt	16 484	16 025	19 047	16 184	17 641	11 251	2 880	-6 659.2
CASH FLOW STATEMENT (\$m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
EBITDA	14 552.0	14 443.0	15 034.0	10 186.0	10 633.0	16 079.0	17 523.2	18 826.7
Change in WCR	-863.0	-77.0	244.0	1 255.0	1 008.0	-2 332.8	-56.5	-38.5
Interests & taxes	-1 943.0	-2 047.0	-1 507.0	-1 894.0	-2 460.0	-2 918.0	-3 084.6	-3 208.1
Others	339.0	-844.0	-1 077.0	3 462.0	4 712.0	2 677.9	1 716.8	1 533.0
Operating Cash flow	12 085.0	11 475.0	12 694.0	13 009.0	13 893.0	13 506.1	16 098.9	17 113.2
CAPEX	-2 826.0	-2 020.0	-2 193.0	-1 793.0	366.0	1 134.8	1 019.6	917.2
Free cash-flow	9 259.0	9 455.0	10 501.0	11 216.0	14 259.0	14 640.8	17 118.5	18 030.4
Acquisitions / disposals	-16 840.0	-673.0	-786.0	-2 797.0	-1 433.0	0.0	-500.0	0.0
Dividends	-6 643.0	-6 475.0	-6 495.0	-6 966.0	-6 645.0	-7 580.4	-7 824.3	-8 067.0
Net capital increase	-4 490.0	-895.0	-5 238.0	-1 336.0	-5 332.0	-500.0	-500.0	-500.0
Others	-4.0	7.0	10.0	67.0	56.0	56.0	56.0	56.0
Change in net cash	-18 718.0	1 419.0	-2 008.0	184.0	905.0	6 616.4	8 350.2	9 519.4
GROWTH MARGINS PRODUCTIVITY	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Sales growth	-5.3%	-1.8%	-12.7%	5.7%	6.0%	3.5%	7.2%	4.6%
Lfi sales growth	4.9%	0.7%	2.0%	5.0%	9.0%	3.0%	6.7%	4.6%
Current EBIT growth	-4.7%	-5.8%	-9.8%	7.2%	12.4%	9.9%	9.1%	7.6%
Growth in adjusted EPS	-3.9%	-8.0%	-3.2%	5.5%	12.1%	9.8%	11.4%	8.4%
Net margin	24.4%	22.6%	24.7%	24.4%	25.5%	27.0%	27.6%	28.6%
EBITDA margin	29.4%	29.8%	35.5%	22.8%	22.4%	32.8%	33.3%	34.2%
Current EBIT margin	27.9%	26.8%	27.7%	28.1%	29.7%	31.6%	32.2%	33.1%
CAPEX / Sales	-7.8%	-6.8%	-7.7%	-6.5%	-5.5%	-3.8%	-3.7%	-3.8%
WCR / Sales	-1.4%	1.8%	1.5%	-0.7%	-6.7%	-1.2%	-1.0%	-0.9%
Tax Rate	8.5%	8.9%	13.2%	7.1%	12.8%	10.9%	11.1%	11.3%
Normative tax rate	13.6%	14.3%	17.6%	9.2%	20.1%	17.0%	16.5%	16.5%
Asset Turnover	0.6	0.6	0.5	0.5	0.6	0.8	0.9	1.1
ROCE post-tax (normative tax rate)	15.6%	14.0%	12.2%	13.6%	14.5%	20.4%	25.1%	31.4%
ROCE post-tax hors GW (normative tax rate)	25.7%	22.9%	20.3%	22.5%	24.1%	33.8%	41.3%	52.1%
ROE	16.3%	14.4%	14.0%	14.3%	18.0%	23.8%	25.9%	27.3%
DEBT RATIOS	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Gearing	21%	21%	26%	21%	32%	20%	5%	-11%
Net Debt / Market Cap	0.07	0.09	0.10	0.08	0.09	0.06	0.01	-0.03
Net debt / EBITDA	1.13	1.11	1.27	1.59	1.66	0.70	0.16	ns
EBITDA / net financial charges	13.1	12.5	21.2	13.7	13.2	16.1	17.1	18.7

Sources: ODDO BHF Securities, SIX



Novo Nordisk

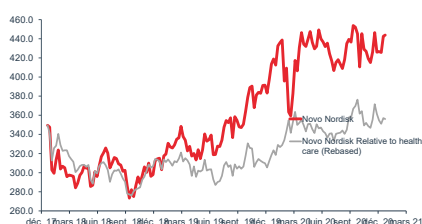
Neutral → | Target 470 DKK vs 420 DKK ↗

Price (21/01/2021) : 443.85 DKK | Upside : 6 %

Revision	2020e	2021e
EPS	-0.8%	-0.3%

Favourable momentum, good visibility and fully valued

Friday 22 January 2021



Capital

NOVOB DC | NoVOB.CO

Market Cap (DKKm)	#####
Enterprise value (DKKm)	1 012 667
Extrema 12 months (DKK)	352.0 - 466.0
Free Float (%)	73.5

Performance (%)	1m	3m	12m
Absolute	1.5	-0.6	7.5
Perf. rel. Country Index	-4.4	-12.7	10.8
Perf. rel. health care	-4.2	-5.5	11.9

P&L	12/20e	12/21e	12/22e
Sales (DKKm)	126 904	133 217	146 346
EBITDA (DKKm)	60 476	63 982	70 124
Current EBIT (DKKm)	54 815	58 321	64 463
Attr. net profit (DKKm)	42 625	46 520	51 496
Adjusted EPS (DKK)	18.18	20.16	22.67
Dividend (DKK)	8.74	9.69	10.90

P/E (x)	23.1	21.7	19.2
P/B (x)	15.2	13.5	11.2
Dividend Yield (%)	2.1	2.2	2.5
FCF yield (%)	4.1	4.2	4.6
EV/Sales (x)	7.79	7.60	6.75
EV/EBITDA (x)	16.3	15.8	14.1
EV/Current EBIT (x)	18.0	17.4	15.3
Gearing (%)	0	-10	-17
Net Debt/EBITDA (x)	ns	ns	ns

Next Events

03/02/2021	FY Results
05/05/2021	Q1 Results
05/08/2021	Q2 Results
03/11/2021	Q3 Results

As usual, Q4 set to be a small quarter

We expect Q4 to be the weakest quarter of the year with a 1% decline in the top line on a reported basis, due to a still unfavourable forex effect (-3%) essentially stemming from the depreciation of the dollar and sluggish organic growth (+2%) once again marked by lockdowns and continued destocking at patients. That said, EPS should be up 14% on our estimates (DKK 4.22) with management's guidance for a largely positive financial result in Q4. The consensus forecast is even slightly more pessimistic than ours at DKK 3.94.

Guidance for 2021: Novo should continue its trajectory, as expected

The main focus of the publication will be guidance for the full year. Novo Nordisk issues guidance for operating profit and in 2020 the group should achieve the high end of the range for the full year (8% excluding forex, 4% reported).

For 2021, momentum should remain more or less the same. We forecast EBIT growth of 9% at constant forex. The consensus stands at 7%.

Approval of semaglutide in obesity, the main event of 2021

With regards to newsflow, we will be paying attention to reforms in the US made by the new administration. Novo Nordisk is one of the European pharma players with the greatest exposure to the US market (around 47% of its 2020e sales in North America) and could be affected by any intensification in the pressure on the price of medicines in the US.

In terms of regulations, in 2021 we anticipate the FDA's decision on the authorisation of semaglutide in obesity and the first sales of this product which looks set to be a major new source of growth for Novo Nordisk (22% contribution to growth out to 2024, on our reckoning). That said, from the clinical standpoint, 2021 should see the initiation of phase III and we do not anticipate any major read-outs.

Neutral maintained: a dynamic stock but fully valued

We are sticking with our Neutral recommendation for Novo Nordisk. In our view, the group is fully valued. Indeed, the premium on 2022e P/E vs the sector (38%, 19.2x vs 14.0x) is in line with the additional growth presented by Novo Nordisk vs its peers (2020-2024e EPS CAGR of 10% vs 7.7% for the European pharma sector). Novo Nordisk's PEG is, consequently, identical to that of the sector (0.8x). Growth of 90% buoyed by GLP-1 (in diabetes but also obesity) is very visible out to 2024. Thereafter, new indications will probably be necessary to continue this momentum, such as NASH followed by Alzheimer's, an indication on which we are far more cautious.

Our new target price, average of DCF and 2022e P/E multiples (30% premium vs the sector) comes in at DKK 460, i.e. upside of only 5%.

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NOVOB DC | NoVob.CO
Pharmaceuticals | Denmark

Neutral

Upside 5.89%

Price 443.85DKK

TP 470.00DKK

PER SHARE DATA (DKK)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Adjusted EPS	13.49	14.93	15.36	15.90	16.35	18.18	20.16	22.67
Reported EPS	13.52	14.96	15.39	15.93	16.38	18.22	20.19	22.72
Growth in adjusted EPS	34.4%	10.7%	2.9%	3.5%	2.8%	11.2%	10.9%	12.5%
Net dividend per share	6.40	7.60	7.85	8.35	8.35	8.74	9.69	10.90
FCF to equity per share	12.83	16.27	13.54	14.43	15.91	17.29	18.66	20.23
Book value per share	18.22	17.86	20.10	21.38	24.21	27.86	32.96	39.55
Number of shares market cap (m)	2 570.80	2 530.02	2 473.22	2 419.60	2 374.30	2 335.64	2 299.26	2 262.52
Number of diluted shares (m)	2 584.60	2 540.17	2 482.97	2 429.23	2 383.02	2 344.36	2 307.98	2 271.24
VALUATION (DKKm)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
12m highest price (DKK)	411	404	338	352	392	466	449	
12m lowest price (DKK)	260	221	231	273	301	352	418	
(*) Reference price (DKK)	360	325	281	305	341	423	444	444
Capitalization	924 260	823 287	694 784	737 726	810 474	989 038	1 020 528	1 004 221
Restated Net debt	-18 314.0	-18 421.0	-19 153.0	-13 303.0	-10 446.0	-248.6	-7 455.7	-15 537.6
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	6 806	2 683	1 941	2 893	4 121	2 158	2 326	2 575
Provisions	1 186	1 451	1 336	1 256	1 334	1 601	1 921	2 305
Enterprise Value	900 326	803 634	675 026	722 786	797 241	988 232	1 012 667	988 413
P/E (x)	26.6	21.8	18.3	19.1	20.7	23.1	21.7	19.2
P/CF (x)	22.9	15.9	15.5	15.4	16.2	20.0	19.6	17.6
Net Yield	1.8%	2.3%	2.8%	2.7%	2.4%	2.1%	2.2%	2.5%
FCF yield	3.6%	5.0%	4.8%	4.7%	4.7%	4.1%	4.2%	4.6%
P/B incl. GW (x)	19.73	18.22	13.97	14.26	14.10	15.20	13.47	11.22
P/B excl. GW (x)	19.73	18.22	13.97	14.26	14.10	15.20	13.47	11.22
EV/Sales (x)	8.34	7.19	6.04	6.46	6.53	7.79	7.60	6.75
EV/EBITDA (x)	17.2	15.6	12.9	14.1	13.7	16.3	15.8	14.1
EV/Current EBIT (x)	18.2	16.6	13.8	15.3	15.2	18.0	17.4	15.3
(*) historical average price								
PROFIT AND LOSS (DKKm)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Sales	107 927	111 780	111 696	111 831	122 021	126 904	133 217	146 346
EBITDA	52 403	51 625	52 149	51 173	58 144	60 476	63 982	70 124
Depreciations	-2 959.0	-3 193.0	-3 182.0	-3 925.0	-5 661.0	-5 661.0	-5 661.0	-5 661.0
Current EBIT	49 444	48 432	48 967	47 248	52 483	54 815	58 321	64 463
Published EBIT	49 444	48 432	48 967	47 248	52 483	54 815	58 321	64 463
Net financial income	-5 961.0	-634.0	-287.0	367	-3 930.0	-1 400.0	-170.6	-93.3
Corporate Tax	-8 623.0	-9 873.0	-10 550.0	-8 987.0	-9 602.0	-10 789.8	-11 630.1	-12 874.0
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	34 860	37 925	38 130	38 628	38 951	42 625	46 520	51 496
Adjusted attributable net profit	34 860	37 925	38 130	38 628	38 951	42 625	46 520	51 496
BALANCE SHEET (DKKm)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	2 158	2 714	3 325	5 145	5 835	5 735	5 635	5 535
Tangible fixed assets	25 545	30 179	35 247	41 891	50 551	52 504	54 170	55 826
WCR	-4 047.0	-6 091.0	-6 129.0	-8 400.0	-9 982.0	-8 517.0	-6 623.3	-2 684.4
Financial assets	8 956	4 880	3 703	4 666	6 770	4 807	4 975	5 224
Ordinary shareholders equity	46 969	45 269	49 815	51 839	57 593	65 192	75 928	89 652
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	46 969	45 269	49 815	51 839	57 593	65 192	75 928	89 652
Non-current provisions	3 957	4 834	5 484	4 766	6 027	-10 414.0	-10 315.4	-10 213.3
Net debt	-18 314.0	-18 421.0	-19 153.0	-13 303.0	-10 446.0	-248.6	-7 455.7	-15 537.6
CASH FLOW STATEMENT (DKKm)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
EBITDA	52 403.0	51 625.0	52 149.0	51 173.0	58 144.0	60 476.1	63 982.0	70 124.3
Change in WCR	-2 157.0	-3 708.0	-3 634.0	-3 370.0	-3 388.0	-1 465.0	-1 893.7	-3 938.9
Interests & taxes	-8 629.0	-2 851.0	-9 087.0	-9 652.0	-11 076.0	-10 929.8	-11 770.1	-13 014.0
Others	-3 330.0	3 248.0	1 740.0	6 465.0	3 102.0	0.0	0.0	0.0
Operating Cash flow	38 287.0	48 314.0	41 168.0	44 616.0	46 782.0	48 081.2	50 318.2	53 171.4
CAPEX	-5 209.0	-7 061.0	-7 617.0	-9 623.0	-8 928.0	-7 614.3	-7 326.9	-7 317.3
Free cash-flow	33 078.0	41 253.0	33 551.0	34 993.0	37 854.0	40 467.0	42 991.3	45 854.1
Acquisitions / disposals	-1 159.0	-1 288.0	-989.0	-2 844.0	-2 504.0	0.0	0.0	0.0
Dividends	-12 905.0	-23 830.0	-18 844.0	-19 048.0	-19 409.0	-19 539.0	-20 142.0	-21 973.6
Net capital increase	-17 196.0	-15 057.0	-16 845.0	-15 567.0	-15 334.0	-15 487.3	-15 642.2	-15 798.6
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash	2 174.0	2 611.0	-1 303.0	-1 623.0	523.0	-10 165.4	7 207.1	8 081.9
GROWTH MARGINS PRODUCTIVITY	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Sales growth	21.5%	3.6%	-0.1%	0.1%	9.1%	4.0%	5.0%	9.9%
Lfi sales growth	-	-	-	-	-	-	-	-
Current EBIT growth	43.3%	-2.0%	1.1%	-3.5%	11.1%	4.4%	6.4%	10.5%
Growth in adjusted EPS	34.4%	10.7%	2.9%	3.5%	2.8%	11.2%	10.9%	12.5%
Net margin	32.3%	33.9%	34.1%	34.5%	31.9%	33.6%	34.9%	35.2%
EBITDA margin	48.6%	46.2%	46.7%	45.8%	47.7%	47.8%	48.0%	47.9%
Current EBIT margin	45.8%	43.3%	43.8%	42.2%	43.0%	43.2%	43.8%	44.0%
CAPEX / Sales	-4.8%	-6.3%	-6.8%	-8.6%	-7.3%	-6.0%	-5.5%	-5.0%
WCR / Sales	-3.7%	-5.4%	-5.5%	-7.5%	-8.2%	-6.7%	-5.0%	-1.8%
Tax Rate	19.8%	20.7%	21.7%	18.9%	19.8%	20.2%	20.0%	20.0%
Normative tax rate	19.8%	20.7%	21.7%	18.9%	19.5%	20.2%	20.0%	20.0%
Asset Turnover	4.5	4.4	3.8	3.1	2.9	2.6	2.6	2.6
ROCE post-tax (normative tax rate)	ns	ns	ns	ns	99.4%	91.0%	90.7%	92.2%
ROCE post-tax hors GW (normative tax rate)	ns	ns	ns	ns	99.4%	91.0%	90.7%	92.2%
ROE	79.9%	82.2%	80.2%	76.0%	71.2%	69.4%	65.9%	62.2%
DEBT RATIOS	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Gearing	-39%	-41%	-38%	-26%	-18%	0%	-10%	-17%
Net Debt / Market Cap	-0.02	-0.02	-0.03	-0.02	-0.01	0.00	-0.01	-0.02
Net debt / EBITDA	ns	ns	ns	ns	ns	ns	ns	ns
EBITDA / net financial charges	8.8	81.4	181.7	-139.4	14.8	43.2	375.1	751.3

Sources: ODDO BHF Securities, SIX



Roche Holding

Reduce → | Target 290 CHF vs 285 CHF ↗

Price (21/01/2021) : 316.75 CHF | Upside : -8 %

Revision	2020e	2021e
EPS	0.6%	-1.3%

Still reflects growth deficit vs the sector

Friday 22 January 2021



A H2 2020 that looks decent but all eyes on 2021 guidance

We are forecasting a stable H2 2020 for Roche on a reported basis (EPS CHF 9.01 vs CHF 9.04 in H2 2019), which would be a good performance given the contraction observed in H1 (-6%) and the persistently negative forex effect. Roche, which was particularly hard hit in Q2 by the lockdowns, could turn in a stronger performance in H2, buoyed moreover by its COVID diagnostics portfolio. However, it is on 2021 guidance and the medium-term outlook that market attention will focus.

Roche could be cautious for 2021

For 2021, we are forecasting EPS of CHF 20.78, up by 6.9% on a reported basis, decent growth benefiting from the 2020 base effect but which should not be maintained beyond 2021. The consensus is 1.7% lower at CHF 20.43. However, we think that in light of the quarterly volatility experienced by the sector and Roche in particular, the Swiss laboratory could be tempted to play it safe in terms of its full-year guidance. Note that in May 2020, Roche, that we thought to be impervious to the lockdowns as it focuses on treatments for very serious illnesses, saw its business contract by 15%. Far from being immune, Roche showed itself to be relatively sensitive to the lockdowns. The persistent lack of visibility argues in favour of achievable guidance. Thus, a "mid-single digit EPS growth at cer" type guidance would be disappointing given market expectations (around +5% reported) and the forex effect which will be negative (-3% on the top line in 2021, on our estimates).

Inadequate newsflow in our view

2021 will continue to be marked by Roche, as for the sector, by the evolution of the COVID pandemic and the reforms adopted by the Biden administration. On these two themes, we expect newsflow to be on the negative side for Roche with an expected resolution of the pandemic which means fewer tests and sales of antibodies for the Swiss laboratory (partnership with Regeneron) and potential US reforms which would have a deflationary effect for the sector. Regarding internal developments, amongst the projects that the group hopes to file for registration in 2021, we note three products mainly: REGN-COV-2 (the anti-COVID antibody cocktail in collaboration with Regeneron), Xofluza (flu) and faricimab (macular degeneration). However, after its Pharma Day last September, the group identified none of these products amongst those underestimated, according to Roche, by the consensus. In short, this means that newsflow is unlikely to significantly alter the landscape, in our view.

Still our least favourite European pharma stock

Roche remains the European big pharma group with the least appeal, in our view, due to its growth profile amongst the least dynamic in the sector (2020-2024 EPS of 6.1% vs 7.7% for the sector median). We note an improvement relative to the 2019-2023e period (CAGR of 4.3%) but probably more linked to the contraction of 2020 (-3.5% estimated for reported EPS) rather than a significant acceleration in the pace of growth over the long term. The historic Avastin/Mabthera/Herceptin franchise will likely lose a further CHF 3.7bn in 2021. Admittedly, alternative sources of growth exist, and promising new franchises, although not enough vs Roche's size, to secure growth that would compare favourably with the rest of the sector. Moreover, in H2 2021, the support of COVID-19 tests, notably PCR, could weaken as the pandemic is gradually brought under control. Note, finally, another likely difficulty, following Jo Biden's election, the potential intensification of pressure on drug prices in the US (Roche is particularly exposed to the US market, XX% of sales) and a tax risk (rowing back on Trump's reform of 2017 from which Roche benefited significantly). Despite this growth deficit, Roche is trading in line with European pharma (2022e P/E of 14.2x) and therefore has a higher PEG (2.0x vs 1.8x for the sector). We therefore maintain our Reduce recommendation on the stock.

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Capital	
ROG VX ROG.S	
Market Cap (CHFm)	271 138
Enterprise value (CHFm)	272 755
Extrema 12 months (CHF)	274.5 - 354.1
Free Float (%)	ns

Performance (%)	1m	3m	12m
Absolute	4.6	5.9	-4.0
Perf. rel. Country Index	-1.6	-7.0	-1.1
Perf. rel. health care	-1.4	0.6	0.0

P&L	12/20e	12/21e	12/22e
Sales (CHFm)	59 100	60 216	62 072
EBITDA (CHFm)	24 349	25 728	27 008
Current EBIT (CHFm)	21 394	22 717	23 904
Attr. net profit (CHFm)	12 301	13 508	14 385
Adjusted EPS (CHF)	19.45	20.78	21.98
Dividend (CHF)	9.30	9.70	10.10

P/E (x)	16.6	15.2	14.4
P/B (x)	7.4	6.4	5.6
Dividend Yield (%)	2.9	3.1	3.2
FCF yield (%)	6.1	6.3	6.6
EV/Sales (x)	4.80	4.53	4.29
EV/EBITDA (x)	11.7	10.6	9.8
EV/Current EBIT (x)	13.3	12.0	11.1
Gearing (%)	-15	-28	-39
Net Debt/EBITDA (x)	ns	ns	ns

Next Events	
04/02/2021	FY Results
21/04/2021	Q1 Sales
22/07/2021	H1 Results
20/10/2021	Q3 Sales



ROG VX | ROG.S

Pharmaceuticals | Switzerland

Reduce

Upside -8.45%

Price 316.75CHF

TP 290.00CHF

PER SHARE DATA (CHF)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Adjusted EPS	13.51	14.57	15.36	18.16	20.20	19.45	20.78	21.98
Reported EPS	10.41	11.24	10.12	12.30	15.77	14.37	15.78	16.80
Growth in adjusted EPS	-5.5%	7.9%	5.4%	18.2%	11.2%	-3.7%	6.9%	5.7%
Net dividend per share	8.10	8.20	8.30	8.70	9.00	9.30	9.70	10.10
FCF to equity per share	13.14	11.75	16.31	17.80	20.52	19.57	20.06	21.01
Book value per share	24.65	28.06	31.00	32.34	38.26	43.28	49.64	56.76
Number of shares market cap (m)	851.00	852.00	853.00	854.00	856.00	856.00	856.00	856.00
Number of diluted shares (m)	862.00	860.00	860.00	860.00	864.00	866.85	866.85	866.85
VALUATION (CHFm)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
12m highest price (CHF)	286	275	273	260	317	354	320	
12m lowest price (CHF)	242	220	228	208	248	274	298	
(*) Reference price (CHF)	266	244	247	232	277	322	317	317
Capitalization	226 678	208 226	210 603	198 177	236 841	275 859	271 138	271 138
Restated Net debt	14 080	13 248	6 963	5 652	2 505	-5 980.1	-13 095.5	-20 754.0
Minorities (fair value)	2 895	2 355	2 880	5 475	9 165	9 623	10 104	10 610
Financial fixed assets (fair value)	1 601	2 038	2 171	2 266	3 639	3 639	3 639	3 639
Provisions	8 341	7 678	7 421	7 017	7 480	7 854	8 247	8 659
Enterprise Value	250 393	229 469	225 696	214 055	252 352	283 717	272 755	266 014
P/E (x)	19.7	16.8	16.1	12.8	13.7	16.6	15.2	14.4
P/CF (x)	14.5	13.0	12.0	10.0	10.7	13.5	12.5	11.8
Net Yield	3.0%	3.4%	3.4%	3.7%	3.3%	2.9%	3.1%	3.2%
FCF yield	4.9%	4.8%	6.6%	7.7%	7.4%	6.1%	6.3%	6.6%
P/B incl. GW (x)	10.81	8.71	7.97	7.17	7.23	7.45	6.38	5.58
P/B excl. GW (x)	22.90	16.49	12.87	10.61	11.67	11.22	9.03	7.51
EV/Sales (x)	5.20	4.54	4.23	3.77	4.11	4.80	4.53	4.29
EV/EBITDA (x)	12.9	11.2	10.6	9.4	9.9	11.7	10.6	9.8
EV/Current EBIT (x)	14.3	12.5	11.9	10.4	11.2	13.3	12.0	11.1
(*) historical average price								
PROFIT AND LOSS (CHFm)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Sales	48 145	50 576	53 299	56 846	61 466	59 100	60 216	62 072
EBITDA	19 479	20 578	21 208	22 825	25 419	24 349	25 728	27 008
Depreciations	-1 937.0	-2 158.0	-2 196.0	-2 320.0	-2 940.0	-2 955.0	-3 010.8	-3 103.6
Current EBIT	17 542	18 420	19 012	20 505	22 479	21 394	22 717	23 904
Published EBIT	13 821	14 069	13 003	14 769	17 548	16 525	17 960	19 001
Net financial income	-1 834.0	-1 062.0	-755.0	-621.0	-934.0	-464.4	-363.1	-273.8
Corporate Tax	-2 931.0	-3 274.0	-3 423.0	-3 283.0	-2 506.0	-3 099.7	-3 396.2	-3 614.3
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-193.0	-157.0	-192.0	-365.0	-611.0	-660.0	-693.0	-727.7
Attributable net profit	8 863	9 576	8 633	10 500	13 497	12 301	13 508	14 385
Adjusted attributable net profit	11 644	12 531	13 212	15 616	17 451	16 858	18 017	19 051
BALANCE SHEET (CHFm)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Goodwill	11 082	11 282	10 077	8 948	12 456	12 456	12 456	12 456
Other intangible assets	13 861	12 046	8 368	9 346	8 358	7 940	7 543	7 166
Tangible fixed assets	18 473	19 957	20 912	21 818	22 173	23 650	24 855	26 096
WCR	1 394	2 326	536	-1 214.0	-3 028.0	-3 737.9	-3 402.9	-2 846.1
Financial assets	4 165	4 864	5 747	6 161	8 850	8 850	8 850	8 850
Ordinary shareholders equity	20 979	23 911	26 441	27 622	32 747	37 048	42 493	48 583
Minority interests	2 321	2 491	2 566	2 744	3 120	3 705	4 249	4 858
Shareholders equity	23 300	26 402	29 007	30 366	35 867	40 752	46 742	53 442
Non-current provisions	11 595	10 825	9 670	9 041	10 437	14 386	16 654	19 034
Net debt	14 080	13 248	6 963	5 652	2 505	-5 980.1	-13 095.5	-20 754.0
CASH FLOW STATEMENT (CHFm)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
EBITDA	19 479.0	20 578.0	21 208.0	22 825.0	25 419.0	24 349.0	25 728.0	27 008.0
Change in WCR	-431.0	-1 023.0	427.0	176.0	149.0	709.9	-335.1	-556.7
Interests & taxes	-3 696.0	-3 738.0	-3 909.0	-3 288.0	-3 543.0	-3 875.9	-4 006.8	-4 125.6
Others	-101.0	-816.0	298.0	266.0	360.0	0.0	0.0	0.0
Operating Cash flow	15 251.0	15 001.0	18 024.0	19 979.0	22 385.0	21 183.1	21 386.1	22 325.7
CAPEX	-4 065.0	-4 994.0	-4 113.0	-4 776.0	-4 823.0	-4 432.5	-4 215.2	-4 345.1
Free cash-flow	11 186.0	10 007.0	13 911.0	15 203.0	17 562.0	16 750.6	17 171.0	17 980.6
Acquisitions / disposals	1 895.0	531.0	-2 107.0	930.0	823.0	0.0	0.0	0.0
Dividends	-6 954.0	-7 040.0	-7 140.0	-7 253.0	-7 682.0	-7 704.0	-7 789.6	-8 046.4
Net capital increase	-129.0	-557.0	-353.0	-448.0	-934.0	-956.5	-966.0	-975.7
Others	-1 367.0	-1 060.0	-413.0	-581.0	-1 133.0	-1 300.0	-1 300.0	-1 300.0
Change in net cash	2 047.0	1 846.0	3 765.0	4 371.0	3 818.0	6 790.1	7 115.3	7 658.5
GROWTH MARGINS PRODUCTIVITY	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Sales growth	1.4%	5.0%	5.4%	6.7%	8.1%	-3.8%	1.9%	3.1%
Lfi sales growth	5.0%	7.0%	5.0%	7.0%	9.0%	2.0%	4.6%	3.1%
Current EBIT growth	-0.5%	5.0%	3.2%	7.9%	9.6%	-4.8%	6.2%	5.2%
Growth in adjusted EPS	-5.5%	7.9%	5.4%	18.2%	11.2%	-3.7%	6.9%	5.7%
Net margin	24.2%	24.8%	24.8%	27.5%	28.4%	28.5%	29.9%	30.7%
EBITDA margin	40.5%	40.7%	39.8%	40.2%	41.4%	41.2%	42.7%	43.5%
Current EBIT margin	36.4%	36.4%	35.7%	36.1%	36.6%	36.2%	37.7%	38.5%
CAPEX / Sales	-8.5%	-10.2%	-7.9%	-8.7%	-8.0%	-7.5%	-7.0%	-7.0%
WCR / Sales	2.9%	4.6%	1.0%	-2.1%	-4.9%	-6.3%	-5.7%	-4.6%
Tax Rate	18.7%	18.9%	18.7%	16.5%	11.6%	14.8%	15.2%	15.3%
Normative tax rate	24.5%	25.2%	27.9%	23.2%	22.5%	22.5%	22.5%	22.5%
Asset Turnover	1.1	1.1	1.2	1.4	1.6	1.5	1.5	1.5
ROCE post-tax (normative tax rate)	30.3%	30.5%	32.0%	40.0%	44.2%	41.3%	43.1%	43.9%
ROCE post-tax hors GW (normative tax rate)	39.9%	40.5%	42.7%	52.7%	60.6%	59.9%	61.9%	62.4%
ROE	57.4%	55.8%	52.5%	57.8%	57.8%	48.3%	45.3%	41.8%
DEBT RATIOS	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Gearing	60%	50%	24%	19%	7%	-15%	-28%	-39%
Net Debt / Market Cap	0.06	0.06	0.03	0.03	0.01	-0.02	-0.05	-0.08
Net debt / EBITDA	0.72	0.64	0.33	0.25	0.10	ns	ns	ns
EBITDA / net financial charges	10.6	19.4	28.1	36.8	27.2	52.4	70.9	98.6

Sources: ODDO BHF Securities, SIX



Sanofi

TOP PICKS

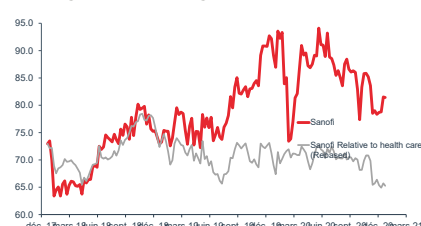
Buy ➔ | Target 100.0 € vs 103 € ➡

Price (21/01/2021) : 81.42 € | Upside : 23 %

Revision	2020e	2021e
EPS	0.0%	-6.1%

Solid growth but hit by forex

Friday 22 January 2021



Capital

SAN FP | SASY.PA

Market Cap (€m)	102 182
Enterprise value (€m)	114 350
Extrema 12 months (€)	72.05 - 94.29
Free Float (%)	90.5

Performance (%)	1m	3m	12m
Absolute	5.5	-2.3	-10.9
Perf. rel. Country Index	-0.7	-14.2	-8.2
Perf. rel. health care	-0.5	-7.2	-7.2

P&L	12/20e	12/21e	12/22e
Sales (€m)	35 978	36 546	38 978
EBITDA (€m)	11 726	12 483	13 974
Current EBIT (€m)	9 580	10 337	11 828
Attr. net profit (€m)	4 370	4 958	6 139
Adjusted EPS (€)	5.75	6.23	7.15
Dividend (€)	3.11	3.18	3.33

P/E (x)	15.1	13.1	11.4
P/B (x)	1.8	1.7	1.7
Dividend Yield (%)	3.6	3.9	4.1
FCF yield (%)	2.8	6.9	8.1
EV/Sales (x)	3.43	3.13	2.83
EV/EBITDA (x)	10.5	9.2	7.9
EV/Current EBIT (x)	12.9	11.1	9.3
Gearing (%)	12	8	2
Net Debt/EBITDA (x)	0.6	0.4	0.1

Next Events

05/02/2021	Q4 Results
28/04/2021	Q1 Results
29/07/2021	Q2 Results

Activity in China and the specialty care activities will stand out in terms of their performances in Q4

Prior to the Q4 2020 results publication, the company considered that prescriptions for specialty drugs should be between 80% and 90% of their pre-COVID levels. The mass-market pharma business including diabetes will naturally be more impacted in mature countries (regional lockdown) but offset by growth in China (an attractive comparative base: Plavix and Aprovel). Regarding their vaccines, despite a demanding comparative base, sales of flu vaccines should remain sustained. Sanofi confirmed notably that Q3 sales accounted for 50% of seasonal flu vaccine sales in H2 2020 (vs 39% in 2019). The rest of the business is expected to be adversely affected by the pandemic. The latest lockdowns and protective social distancing measures should once again penalise OTC sales. Regarding Sanofi's Efficiency programme, R&D and marketing expenditure should be comparable between H2 2019 and H2 2020. Some reinvestment in these two areas is therefore expected in Q4.

But a significant forex impact at end-2020 and again in H1 2021

The forex impact should be significant in Q4 2020, justifying the lion's share of the changes to our model. In particular, the group has focused on an impact of -11% to -13% on its Q4 2020 EPS. However, the 2020 guidance is maintained with core EPS growth of 7% to 8% cc, for a forex impact estimated at around -6% to -7% for the full year. To date, the consensus, according to VaraResearch, is € 5.78 in 2020, an increase of 2.5%. It is still 1% too high, in our view, but should adjust in January. Q4 2020 results publication scheduled for 5 February alongside the group's CMD. Looking ahead to 2021, we think that management will remain cautious on its guidance indicating growth at cc in "high single digit to low double digit" terrain and which will probably be adjusted during the quarters to "low double digit" in line with how the pandemic evolves. We are now more ambitious, anticipating an increase of 8.6% with a -5% forex effect.

2021 will provide an initial indication about the company's pipeline

The delay in the results of Fitusiran and its candidate vaccine against COVID-19 announced at the end of 2020 does not compromise the group's clinical expectations for 2021. In particular, we expect three main catalysts for the group: i/ the pivotal results of its SERD '859 in 2L/3L breast cancer monotherapy in mid-21 (+ POC with its Pi3kinh), ii/ BiiV001 in haemophilia A in H2, as well as iii/ the extension of the indications of Dupixent and Libtayo in the 1L of NSCLC + chemotherapy. Note that the CMD scheduled for 5 February will partly focus on the group's consumer franchise and general medicines activity.

Buy rating maintained

The stock market performance of the share was disappointing at end-2020, impacted by the delays of Fitusiran and its candidate vaccine but also by investor disillusionment with the sector. We still believe that Sanofi has an attractive profile combining both a period of growth and portfolio renewal (2020-2024e CAGR of 8%). This year's clinical results will give the market an initial indication of the group's ambitions. Also with a pipeline that is only marginally integrated in the valuation, we maintain our Buy recommendation as we find the risk/reward profile attractive (2022e P/E of 11.4x; 2020-2024e PEG of 1.4x). The update of our model prompts us to adjust our target price from € 103 to € 100.

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Update to our model including forex

The lion's share of our update come from the forex impact and the EUR/USD effect of end-2020/beginning of 2021. Maintaining this spot rate, the most marked impact will be in H1 2021 whereas the average €/€ exchange rate in H1 2020 was 1.10 (vs 1.21 at time of writing), i.e. +10%.

Update to our estimates							
€	2019	2020	2021e	2022e	2023e	2024e	CAGR 20-24
Core EPS (old)	5,64	5,76	6,63	7,57	7,67	7,97	
Core EPS (New)	5,64	5,75	6,23	7,15	7,35	7,79	7.9%
Var (%)		1,6%	8,6%	14,9%	2,7%	6,1%	
Diff (%)		-0,1%	-6,1%	-5,5%	-4,3%	-2,2%	
Cons (Vara)	5,64	5,78	6,28	7,09	7,34	7,79	7,7%
Var. (%)		2,7%	8,5%	12,9%	3,5%	6,1%	
Diff. (%)		-1,0%	-0,9%	0,9%	0,1%	0,0%	

Sources: ODDO BHF Securities, Vara Research


SAN FP | SASY.PA
Pharmaceuticals | France
Buy

Upside

22.82%

Price 81.42EUR

TP 100.00EUR

PER SHARE DATA (€)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Adjusted EPS	5.36	5.31	5.54	5.47	5.64	5.75	6.23	7.15
Reported EPS	3.66	3.66	6.70	3.45	2.04	3.48	3.95	4.91
Growth in adjusted EPS	3.1%	-0.9%	4.3%	-1.3%	3.2%	2.0%	8.2%	14.9%
Net dividend per share	2.93	2.96	3.03	3.07	3.15	3.11	3.18	3.33
FCF to equity per share	4.39	4.63	4.74	4.60	5.52	2.43	5.64	6.60
Book value per share	44.45	44.73	46.22	47.21	47.15	46.94	47.31	48.69
Number of shares market cap (m)	1 306.00	1 286.60	1 256.90	1 247.10	1 249.90	1 255.00	1 255.00	1 250.00
Number of diluted shares (m)	1 306.00	1 286.60	1 256.90	1 247.10	1 249.90	1 255.00	1 255.00	1 250.00
VALUATION (€m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
12m highest price (€)	101	78.67	92.97	80.21	90.86	94.29	83.23	
12m lowest price (€)	73.27	67.27	71.85	63.21	72.24	72.05	77.72	
(*) Reference price (€)	88.12	72.65	81.82	71.30	78.32	86.62	81.42	81.42
Capitalization	115 081	93 465	102 842	88 919	97 894	108 707	102 182	101 775
Restated Net debt	7 406	8 306	5 286	17 715	16 245	7 341	4 748	1 155
Minorities (fair value)	161	170	169	159	174	209	244	279
Financial fixed assets (fair value)	10 115	10 379	10 517	10 986	11 692	2 145	2 145	2 145
Provisions	9 169	8 834	9 154	8 613	9 321	9 321	9 321	9 321
Enterprise Value	121 702	100 396	106 934	104 420	111 942	123 433	114 350	110 385
P/E (x)	16.4	13.7	14.8	13.0	13.9	15.1	13.1	11.4
P/CF (x)	15.9	13.3	14.2	13.0	12.4	13.3	11.8	10.3
Net Yield	3.3%	4.1%	3.7%	4.3%	4.0%	3.6%	3.9%	4.1%
FCF yield	5.0%	6.4%	5.8%	6.4%	7.0%	2.8%	6.9%	8.1%
P/B incl. GW (x)	1.98	1.62	1.77	1.51	1.66	1.85	1.72	1.67
P/B excl. GW (x)	4.69	3.85	4.39	5.59	5.33	6.32	5.36	4.63
EV/Sales (x)	3.57	2.97	3.05	3.03	3.10	3.43	3.13	2.83
EV/EBITDA (x)	10.4	9.1	9.5	9.4	9.7	10.5	9.2	7.9
EV/Current EBIT (x)	13.1	10.8	11.4	11.8	12.0	12.9	11.1	9.3
(*) historical average price								
PROFIT AND LOSS (€m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Sales	34 060	33 809	35 072	34 463	36 126	35 978	36 546	38 978
EBITDA	11 740	10 979	11 209	11 054	11 495	11 726	12 483	13 974
Depreciations	-2 427.0	-1 692.0	-1 866.0	-2 170.0	-2 146.0	-2 146.0	-2 146.0	-2 146.0
Current EBIT	9 313	9 287	9 343	8 884	9 349	9 580	10 337	11 828
Published EBIT	6 322	6 531	5 804	4 676	3 125	5 653	6 410	7 931
Net financial income	-425.6	-856.0	-273.0	-271.0	-303.0	-146.4	-169.1	-213.9
Corporate Tax	-1 165.9	-1 325.0	-1 722.0	-481.0	-139.0	-1 101.3	-1 248.2	-1 543.5
Net income of equity-accounted companies	169	136	85	499	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	314	4 643	-13.0	-101.0	0.0	0.0	0.0
Minority interests	-126.0	-91.0	-121.0	-104.0	-31.0	-35.0	-35.0	-35.0
Attributable net profit	4 773	4 709	8 416	4 306	2 551	4 370	4 958	6 139
Adjusted attributable net profit	7 003	6 834	6 964	6 819	7 050	7 223	7 814	8 943
BALANCE SHEET (€m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Goodwill	33 529	33 258	34 674	42 981	40 554	41 691	40 296	38 877
Other intangible assets	18 054	17 908	18 670	23 143	21 837	22 449	21 698	20 934
Tangible fixed assets	9 943	10 019	9 579	9 651	9 717	11 316	11 362	11 401
WCR	2 521	1 942	2 198	3 252	3 910	1 204	1 219	1 286
Financial assets	14 884	15 605	10 551	11 054	12 011	2 470	2 470	2 470
Ordinary shareholders equity	58 049	57 554	58 089	58 876	58 934	58 904	59 376	60 857
Minority interests	161	170	169	159	174	209	244	279
Shareholders equity	58 210	57 724	58 258	59 035	59 108	59 113	59 620	61 136
Non-current provisions	13 315	12 702	12 128	13 331	12 676	12 676	12 676	12 676
Net debt	7 406	8 306	5 286	17 715	16 245	7 341	4 748	1 155
CASH FLOW STATEMENT (€m)	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
EBITDA	11 740.0	10 979.3	11 209.0	11 054.0	11 495.0	11 725.7	12 483.0	13 974.3
Change in WCR	1 055.0	825.0	147.0	-1 280.0	-419.0	-423.6	-15.5	-66.6
Interests & taxes	-1 714.4	-2 249.0	-2 142.0	-916.0	-583.0	-1 388.6	-1 558.3	-1 898.3
Others	-2 790.6	-1 720.3	-1 835.0	-3 311.0	-3 004.0	-2 154.3	-2 277.5	-2 199.2
Operating Cash flow	8 290.0	7 835.0	7 379.0	5 547.0	7 489.0	7 759.1	8 631.7	9 810.2
CAPEX	-2 561.0	-1 874.0	-1 421.0	186.0	-592.0	-4 709.0	-1 553.2	-1 559.1
Free cash-flow	5 729.0	5 961.0	5 958.0	5 733.0	6 897.0	3 050.1	7 078.5	8 251.1
Acquisitions / disposals	-362.0	-634.0	-1 212.0	-12 994.0	-526.0	8 509.1	0.0	0.0
Dividends	-3 706.0	-3 780.0	-3 725.0	-3 787.0	-3 848.0	-3 900.2	-3 985.2	-4 158.3
Net capital increase	-1 211.0	-2 603.0	-1 843.0	-924.0	153.0	-500.0	-500.0	-500.0
Others	-206.0	85.0	-7.0	-245.0	-428.0	0.0	0.0	0.0
Change in net cash	786.0	-628.0	-1 092.0	-12 429.0	-1 532.5	8 904.0	2 593.3	3 592.8
GROWTH MARGINS PRODUCTIVITY	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Sales growth	0.9%	-0.7%	3.7%	-1.7%	4.8%	-0.4%	1.6%	6.7%
Lfi sales growth	-	-	-	-	-	-	-	-
Current EBIT growth	-1.4%	-0.3%	0.6%	-4.9%	5.2%	2.5%	7.9%	14.4%
Growth in adjusted EPS	3.1%	-0.9%	4.3%	-1.3%	3.2%	2.0%	8.2%	14.9%
Net margin	20.6%	20.2%	19.9%	19.8%	19.5%	20.1%	21.4%	22.9%
EBITDA margin	34.5%	32.5%	32.0%	32.1%	31.8%	32.6%	34.2%	35.9%
Current EBIT margin	27.3%	27.5%	26.6%	25.8%	25.9%	26.6%	28.3%	30.3%
CAPEX / Sales	-8.1%	-6.2%	-5.6%	-5.7%	-5.0%	-13.1%	-4.3%	-4.0%
WCR / Sales	7.4%	5.7%	6.3%	9.4%	10.8%	3.3%	3.3%	3.3%
Tax Rate	19.0%	22.6%	29.6%	9.4%	2.2%	17.6%	17.9%	18.2%
Normative tax rate	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Asset Turnover	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
ROCE post-tax (normative tax rate)	10.2%	10.7%	10.6%	9.0%	8.8%	9.2%	10.0%	11.7%
ROCE post-tax hors GW (normative tax rate)	21.1%	22.5%	22.6%	19.5%	19.1%	19.9%	21.8%	25.4%
ROE	12.3%	11.8%	12.0%	11.7%	12.0%	12.3%	13.2%	14.9%
DEBT RATIOS	12/15	12/16	12/17	12/18	12/19	12/20e	12/21e	12/22e
Gearing	13%	14%	9%	30%	27%	12%	8%	2%
Net Debt / Market Cap	0.06	0.09	0.05	0.20	0.17	0.07	0.05	0.01
Net debt / EBITDA	0.63	0.76	0.47	1.60	1.41	0.63	0.38	0.08
EBITDA / net financial charges	27.6	12.8	41.1	40.8	37.9	80.1	73.8	65.3

Sources: ODDO BHF Securities, SIX



• Valuation method

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on ODDO BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

• Sensitivity of the result of the analysis/ risk classification:

The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

• Our stock market recommendations

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

• The prices of the financial instruments used and mentioned in this document are the closing prices.

• All publications by ODDO BHF concerning the companies covered and mentioned in this document are available on the research site: www.securities.oddo-bhf.com

Recommendation split		Buy	Neutral	Reduce
Our whole coverage	(447)	49%	37%	14%
Liquidity providers coverage	(84)	51%	46%	2%
Research service coverage	(34)	56%	41%	3%
Investment banking services	(16)	56%	38%	6%

Risk of conflict of interest:

Investment banking and/or Distribution	
Has ODDO BHF, managed or co-managed in the past 12 months a public offering of securities for the subject company/ies?	No
Has ODDO BHF, received compensation for investment banking services from the subject company/ies in the past 12 months or expects to receive or intends to seek compensation for investment banking services from the subject company/ies in the last 12 months?	No
Research contract between ODDO group & the issuer	
ODDO BHF and the issuer have agreed that ODDO BHF will produce and disseminate investment recommendations on the said issuer as a service to the issuer	No
Liquidity provider agreement and market-making	
At the date of the distribution of this report, does ODDO BHF, act as a market maker or has ODDO BHF, signed a liquidity provider agreement with the subject company/ies?	No
Significant equity stake	
Does ODDO BHF, own 5% or more of any class of common equity securities of the subject company/ies?	No
Does the subject company beneficially own 5% or more of any class of common equity of ODDO BHF or its affiliates?	No
Disclosure to Company	
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Recommendation history over the last 12 months for the company analysed in this report

Company	Date	Reco	Price	
AstraZeneca	22/09/2020	Buy	109.79	Sebastien Malafosse
	22/06/2020	Reduce	104.71	Sebastien Malafosse
GlaxoSmithKline	22/09/2020	Buy	1479.60	Martial Descoutures
Novartis	22/09/2020	Neutral	89.21	Martial Descoutures
Roche Holding	22/09/2020	Reduce	340.35	Sebastien Malafosse
	31/03/2020	Buy	314.05	Sebastien Malafosse
	10/03/2020	Neutral	297.35	Martial Descoutures

Target price history over the last 12 months for the company analysed in this report

Company	Date	Price Target	Price	Analyst
AstraZeneca	14/12/2020	10300.00 GBP	7692.00	Sebastien Malafosse
	22/09/2020	10200.00 GBP	8580.00	Sebastien Malafosse
	22/06/2020	7600.00 GBP	8400.00	Sebastien Malafosse
	14/04/2020	8100.00 GBP	7606.00	Sebastien Malafosse
	31/03/2020	7600.00 GBP	7216.00	Sebastien Malafosse
	29/10/2020	1730.00 GBP	1304.20	Martial Descoutures
GlaxoSmithKline	22/09/2020	1810.00 GBP	1479.60	Martial Descoutures
	22/06/2020	1840.00 GBP	1647.00	Martial Descoutures
	30/04/2020	1760.00 GBP	1661.00	0
	31/03/2020	1530.00 GBP	1514.60	0
	31/01/2020	1830.00 GBP	1784.00	Martial Descoutures
	25/11/2020	90.00 CHF	80.98	Martial Descoutures
Novartis	28/10/2020	89.00 CHF	71.85	Martial Descoutures
	22/09/2020	93.00 CHF	81.67	Martial Descoutures
	22/06/2020	97.00 CHF	85.30	Martial Descoutures
	29/04/2020	98.00 CHF	85.06	Martial Descoutures
	31/03/2020	89.00 CHF	79.85	Martial Descoutures
	24/01/2020	103.00 CHF	91.55	Martial Descoutures
Novo Nordisk	22/09/2020	420.00 DKK	437.20	Sebastien Malafosse
	22/06/2020	430.00 DKK	444.85	Sebastien Malafosse
	07/05/2020	420.00 DKK	432.00	Sebastien Malafosse
Roche Holding	23/10/2020	285.00 CHF	297.40	Sebastien Malafosse
	22/09/2020	310.00 CHF	340.35	Sebastien Malafosse
	22/06/2020	390.00 CHF	339.55	Sebastien Malafosse
	27/04/2020	375.00 CHF	349.50	Sebastien Malafosse
Sanofi	31/03/2020	320.00 CHF	314.05	Sebastien Malafosse
	30/10/2020	103.00 EUR	77.37	Martial Descoutures
	22/09/2020	107.00 EUR	84.76	Martial Descoutures
	22/06/2020	108.00 EUR	93.03	Martial Descoutures
	27/04/2020	103.00 EUR	93.40	Martial Descoutures
	31/03/2020	91.00 EUR	80.14	Martial Descoutures
	31/01/2020	105.00 EUR	86.95	Martial Descoutures

Fixed-income recommendations & ratings

	Recommendation	Oddo	Rating	
			S&P	Moody's
AstraZeneca		\		
GlaxoSmithKline		\		
Novartis		\		
Novo Nordisk		\		
Roche Holding		\		
Sanofi		\		



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