Sanofi SA (SNY)

Updated April 29th, 2021 by Nathan Parsh

Key Metrics

Current Price:	$53	**5 Year CAGR Estimate:**	8.7%	**Market Cap:**	$131 billion
Fair Value Price:	$57	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	5/3/2021
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.6%	**Dividend Payment Date:**	5/26/2021
Dividend Yield:	3.6%	**5 Year Price Target**	$70	**Years Of Dividend Growth:**	27[1]
Dividend Risk Score:	C	**Retirement Suitability Score:**	C	**Last Dividend Increase:**	12.2%

Overview & Current Events

Sanofi, a global pharmaceutical leader, incorporated in 1994. The company develops and markets a variety of therapeutic treatments and vaccines. Pharmaceuticals account for ~72% of sales, vaccines makeup ~15% of sales and consumer healthcare contributing the remainder of sales. Sanofi is truly a global leader, with a third of sales coming from the U.S., a little more than a quarter coming from Western Europe, and the remainder of sales coming from emerging markets/rest of the world. Sanofi produces annual revenues of $45 billion. Sanofi is incorporated in France, but U.S. investors have access to the company through an American Depositary Receipt, or ADR.

On 4/28/2021, Sanofi reported first quarter earnings results. Unless otherwise noted, all figures are listed in U.S. dollars and constant exchange rates. Revenue grew 7% to $10.4 billion, topping expectations by $164 million. The company's earnings-per-share per ADR of $0.97 was 10.2% higher than the prior year, but $0.25 below estimates.

Overall Pharmaceutical revenues were up 3.8%. Specialty Care sales grew 15.3% from the prior year. *Dupixent*, which treats patients with moderate-to-severe asthma, was higher by 46% as sales were very strong despite the headwinds from COVID-19. Total prescriptions increased 51% and new patients were up 16% despite fewer in-person physician visits that remain well below pre-COVID levels. *Dupixent* was approved for use in children ages 6 to 11 in the U.S. in May of 2020 and was recently approved for use in China for treatment in adults. The product is now approved for use in adults in 49 countries and in adolescents in ~20 countries. Sanofi estimates that the product can be launched in ~50 additional countries. Total Oncology sales were higher by 28% even as *Jevtana*, which treats prostate cancer that has spread to other parts of the body, fell 2.9% due to entrance of generic competition. Rare Diseases improved 4.4%, with strength in all areas. Cardiovascular and Established Products was down 5.6% due to divestments and some COVID-19 impact. Vaccine sales grew 5.3% due to gains in influenza, polio and meningitis vaccines. Consumer Healthcare continues to be challenged due to soft cold and cough season as a result of social distancing measures. The company also saw advanced purchases in Q1 2020 ahead of the pandemic. By region, U.S. sales grew 6.4%, Europe fell 5.6% 6% and the rest of the world was higher by 4.3%. China was up 8.4%%.

Sanofi reaffirmed its guidance for EPS of high single-digit growth with currency expected to be a 4% to 5% headwind to results.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	$2.98	$2.60	$2.25	$2.00	$1.82	$1.78	$2.36	$3.19	$3.33	$3.44	***$3.58***	***$4.36***
DPS	$1.76	$1.69	$1.91	$1.91	$1.61	$1.66	$1.64	$1.86	$1.74	$1.70	***$1.91***	***$2.32***
Shares[2]	2647	2647	2636	2639	2611	2584	2508	2500	2500	2500	***2500***	***2450***

Sanofi saw earnings growth during the last recession, though there has been some variance in results in the past few years. This is the case with many ADRs and is often a result of currency fluctuations. We expect the company's pharmaceutical segment to continue to show growth in the coming years, leading to a 4% annual increase in earnings

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[1] In local currency

[2] In millions of shares

and dividends per share through 2026. The fluctuations in dividends received for the ADR is, again, due largely to currency exchanges, as Sanofi has increased its dividend for 27 consecutive years in its local currency. Sanofi pays an annual dividend, usually in May or June.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	12.0	15.3	22.7	25.7	26.8	22.6	19.5	21.3	33.9	8.2	***14.8***	***16.0***
Avg. Yld.	4.9%	4.2%	3.7%	3.7%	3.3%	4.1%	3.6%	4.3%	3.9%	3.4%	***3.6%***	***3.3%***

Shares of Sanofi have increased $4, or 8.2%, since our 2/9/2021 update. We maintain our 2026 target price-to-earnings ratio of 16, which is in line with peers. Based off of initial guidance for earnings-per-share for 2021, shares trade with a price-to-earnings multiple of 14.8 today. If the stock expanded to our target valuation, investors would see an additional 1.6% added to annual returns through 2026. The stock's 3.6% yield is well-above the yield of the S&P 500.

Safety, Quality, Competitive Advantage, & Recession Resiliency

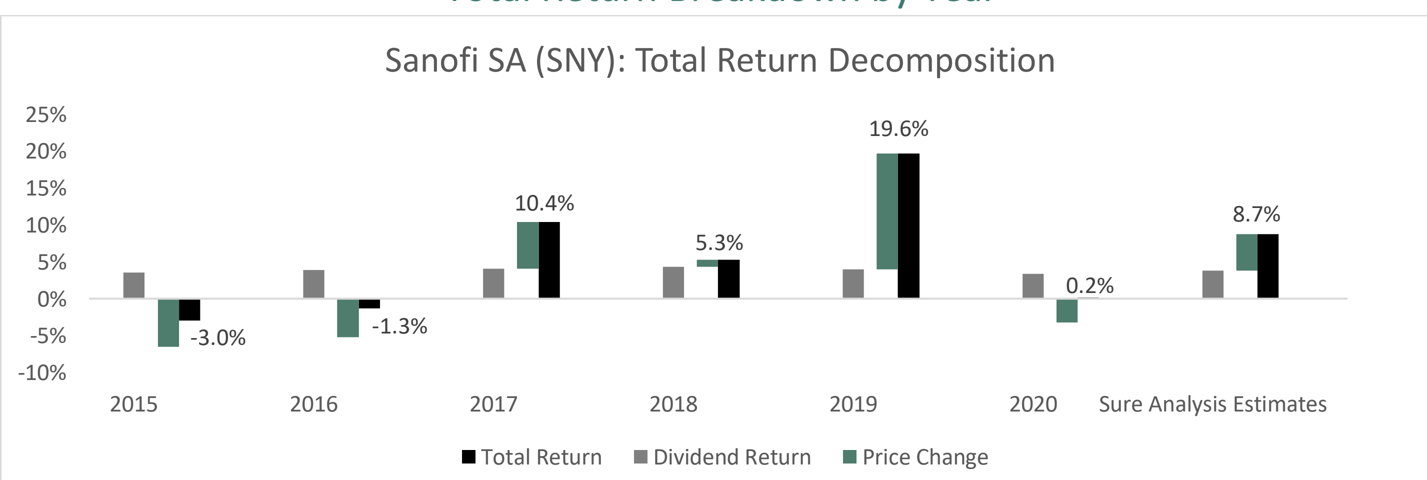
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	59%	65%	85%	96%	89%	93%	70%	58%	52%	49%	***53%***	***53%***

Sanofi's specialty care division, especially in the areas of rare disease and immunology, have demonstrated high rates of growth. These areas are likely to be continued sources of strength for the company. Several of these products, such as *Dupixent*, are just starting to gain traction. Sanofi has also showed a willingness to use acquisitions to fund its growth. Given Sanofi's products are used to treat diseases, and thus, shouldn't be dependent upon strong economic conditions, we see Sanofi as a defensive play for when the next recession strikes.

Final Thoughts & Recommendation

Sanofi is now expected to return 8.7% through 2026, down from our previous estimate of 10.1%. Our projected return stems from a 4% earnings growth rate, starting yield of 3.6% and a low single-digit contribution from multiple expansion. First quarter results showed more of the same for Sanofi, as pharmaceuticals showed strength in multiple areas, particularly *Dupixent*. The product's strength, even in the face of fewer patient visits due to the pandemic, is impressive. However, the 17% gain in the stock over the last two reports has lowered our expected annual returns. We would recommend investors wait for a pullback before purchasing Sanofi. Shares receive a hold rating from Sure Dividend due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	48,882	46,227	41,557	42,554	38,685	38,400	41,021	42,128	42,128	42,676
Gross Profit	33,733	31,960	27,875	28,949	26,568	26,557	27,869	28,625	28,721	28,793
Gross Margin	69.0%	69.1%	67.1%	68.0%	68.7%	69.2%	67.9%	67.9%	68.2%	67.5%
SG&A Exp.	11,863	11,482	10,558	11,204	10,411	10,490	11,407	11,642	11,064	10,724
D&A Exp.	7,743	6,309	6,767	4,362	4,745	3,653	4,174	5,053	8,342	
Operating Profit	10,637	10,131	8,444	8,963	7,916	8,330	8,156	7,386	8,089	9,014
Op. Margin	21.8%	21.9%	20.3%	21.1%	20.5%	21.7%	19.9%	17.5%	19.2%	21.1%
Net Profit	7,872	6,284	4,935	5,838	4,757	5,212	9,531	5,085	3,141	14,063
Net Margin	16.1%	13.6%	11.9%	13.7%	12.3%	13.6%	23.2%	12.1%	7.5%	33.0%
Free Cash Flow	10,509	8,432	7,501	8,294	6,822	6,752	6,142	4,215	6,636	
Income Tax	614	1,424	964	1,614	787	1,466	1,950	568	156	2,070

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets ($B	130.4	132.8	132.6	118.4	111.9	110.7	119.7	127.4	126.3	140.9
Cash & Equivalents	5342	8439	11402	8927	10002	10860	12375	7922	10560	17115
Acc. Receivable	10417	9928	9433	8693	8075	7729	8657	8305	8891	
Inventories	7838	8436	8771	7980	7124	7290	8180	8553	8955	22853
Goodwill & Int.	80595	77055	72536	65349	56396	54091	63997	75639	68432	77223
Total Liabilities	57393	56752	53884	50008	48227	49641	49876	59909	60072	63198
Accounts Payable	4123	4219	4147	4440	4173	4543	5558	5766	5951	18975
Long-Term Debt	19998	19217	20147	18014	18098	19641	18717	28186	27651	27689
Total Equity	72787	75848	78577	68243	63465	60842	69667	67348	66016	77489
D/E Ratio	0.27	0.25	0.26	0.26	0.29	0.32	0.27	0.42	0.42	0.36

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	6.5%	4.8%	3.7%	4.7%	4.1%	4.7%	8.3%	4.1%	2.5%	10.5%
Return on Equity	11.0%	8.5%	6.4%	8.0%	7.2%	8.4%	14.6%	7.4%	4.7%	19.6%
ROIC	9.0%	6.7%	5.1%	6.3%	5.7%	6.4%	11.3%	5.5%	3.3%	14.1%
Shares Out.	2647	2647	2636	2639	2611	2584	2508	2500	2500	2500
Revenue/Share	18.42	17.38	15.52	15.98	14.65	14.81	16.19	16.78	16.76	17.02
FCF/Share	3.96	3.17	2.80	3.12	2.58	2.61	2.42	1.68	2.64	

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.