



Sanofi SA (SNY)

Updated February 6th, 2022 by Nathan Parsh

Key Metrics

Current Price:	\$52	5 Year CAGR Estimate:	12.3%	Market Cap:	\$130 billion
Fair Value Price:	\$68	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	5/3/2022 ¹
% Fair Value:	77%	5 Year Valuation Multiple Estimate:	5.4%	Dividend Payment Date:	5/23/2022 ²
Dividend Yield:	3.7%	5 Year Price Target	\$82	Years Of Dividend Growth:	27 ³
Dividend Risk Score:	C	Retirement Suitability Score:	B	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 about \$44 billion. Sanofi is incorporated in France, but U.S. investors have access to the company through an American Depositary Receipt, or ADR.

Sanofi reported fourth quarter and full year earnings results on 2/4/2022. Unless otherwise noted, all figures are listed in U.S. dollars and constant exchange rates. For the quarter, revenue grew 1.3% to \$11.45 billion, topping expectations by \$54 million. The company's earnings-per-share per ADR of \$0.79 compared to \$0.73 in the prior year and was \$0.07 above estimates. For the year, revenue grew 6.6% to \$44.45 billion while earnings-per-share per ADR of \$3.84 compared to \$3.44 in 2020.

Pharmaceutical revenues were higher by almost 7.4% during the quarter. Specialty Care sales were once again up more than 20%. *Dupixent*, which treats patients with moderate-to-severe asthma, grew 53.1% due to higher uptake rates in adults and children age 6 to 11. Total prescriptions improved 44% and new patients starts grew 32% even as patient levels remain compressed due to COVID-19. The product is now approved for use in adults in more than 50 countries and in adolescents in ~20 countries. Sanofi estimates that the product can be launched in ~50 additional countries. Oncology was up 10.3%. *Jevtana*, which treats prostate cancer that has spread to other parts of the body, remains challenged as revenue fell almost 17%. The remainder of the portfolio, however, continues to show solid growth rates. Rare Diseases improved 9.5%, with gains in nearly all areas. Cardiovascular and Established Products fell 4.5%, primarily due to generic pressure and divestment of non-core products. Vaccine revenue was lower by 6.5% due to weakness in influenza and meningitis vaccines. Consumer Healthcare grew 5.6% as gains in pain care, cough, cold and flu and digestive and mental wellness offset weakness in physical wellness. By region, U.S. sales grew 1.8%, Europe increased 9.8%, and the rest of the world was higher by 2.3%. China was up 5.7%.

Sanofi offered an outlook for 2022 as well. The company expects earnings-per-share growth in the low double-digit range. Currency is expected to be a 2% to 3% tailwind to results. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$2.60	\$2.25	\$2.00	\$1.82	\$1.78	\$2.36	\$3.19	\$3.33	\$3.44	\$3.84	\$4.22	\$5.13
DPS	\$1.69	\$1.91	\$1.91	\$1.61	\$1.66	\$1.64	\$1.86	\$1.74	\$1.70	\$1.93	\$1.93	\$2.35
Shares⁴	2647	2636	2639	2611	2584	2508	2500	2500	2500	2500	2500	2450

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ In local currency

⁴ In millions of shares

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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 and dividends per share through 2027. This is below the company's guidance for the current year, but we are comfortable with this as the medium-term growth rate given the high base of earnings-per-share. 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	15.3	22.7	25.7	26.8	22.6	19.5	21.3	33.9	8.2	13.0	12.3	16.0
Avg. Yld.	4.2%	3.7%	3.7%	3.3%	4.1%	3.6%	4.3%	3.9%	3.4%	3.9%	3.7%	2.9%

Shares of Sanofi have increased \$2, or 4%, since our 11/1/2021 update. We maintain our 2027 target price-to-earnings ratio of 16, which is in line with peers. Based off of updated guidance for earnings-per-share for 2022, shares trade with a price-to-earnings multiple of 12.3 today. If the stock expanded to our target valuation, investors would see an additional 5.4% added to annual returns through 2027. The stock's 3.7% yield is well-above the yield of the S&P 500.

Safety, Quality, Competitive Advantage, & Recession Resiliency

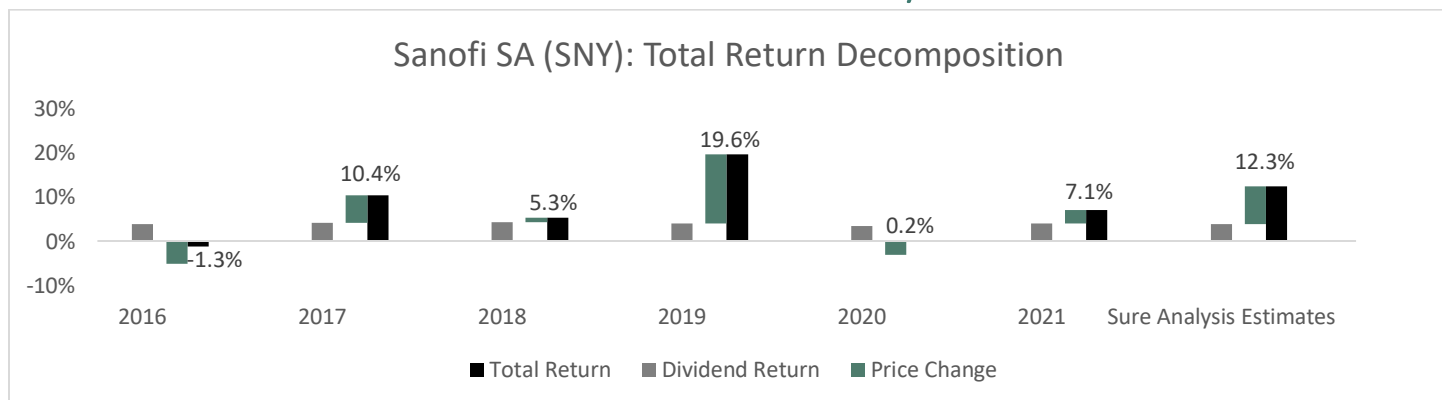
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	65%	85%	96%	89%	93%	70%	58%	52%	49%	50%	46%	46%

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 12.3% annually through 2027, up from our previous estimate of 11.1%. Our projected return stems from a 4% earnings growth rate, starting yield of 3.7%, and a mid-single-digit contribution from multiple expansion. Sanofi ended the year on a strong note, with solid growth in most of the company's key product lines. We have raised our 2027 price target \$8 to \$82 due to earnings guidance. We continue to rate shares of Sanofi as a buy due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	46,227	41,557	42,554	38,685	38,400	41,021	42,128	42,128	42,676	46,351
Gross Profit	31,960	27,875	28,949	26,568	26,557	27,869	28,625	28,721	28,793	31,851
Gross Margin	69.1%	67.1%	68.0%	68.7%	69.2%	67.9%	67.9%	68.2%	67.5%	68.7%
SG&A Exp.	11,482	10,558	11,204	10,411	10,490	11,407	11,642	11,064	10,724	11,305
D&A Exp.	6,309	6,767	4,362	4,745	3,653	4,174	5,053	8,342	4,207	
Operating Profit	10,131	8,444	8,963	7,916	8,330	8,156	7,386	8,089	9,014	10,823
Op. Margin	21.9%	20.3%	21.1%	20.5%	21.7%	19.9%	17.5%	19.2%	21.1%	23.3%
Net Profit	6,284	4,935	5,838	4,757	5,212	9,531	5,085	3,141	14,063	7,363
Net Margin	13.6%	11.9%	13.7%	12.3%	13.6%	23.2%	12.1%	7.5%	33.0%	15.9%
Free Cash Flow	8,432	7,501	8,294	6,822	6,752	6,142	4,215	6,636	6,093	
Income Tax	1,424	964	1,614	787	1,466	1,950	568	156	2,070	1,843

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	132778	132639	118431	111868	110662	119746	127440	126283	140866	136140
Cash & Equivalents	8,439	11,402	8,927	10,002	10,860	12,375	7,922	10,560	17,115	11,433
Acc. Receivable	9,928	9,433	8,693	8,075	7,729	8,657	8,305	8,891	9,214	
Inventories	8,436	8,771	7,980	7,124	7,290	8,180	8,553	8,955	10,273	22,479
Goodwill & Int.	77,055	72,536	65,349	56,396	54,091	63,997	75,639	68,432	77,223	78,647
Total Liabilities	56,752	53,884	50,008	48,227	49,641	49,876	59,909	60,072	63,198	57,982
Accounts Payable	4,219	4,147	4,440	4,173	4,543	5,558	5,766	5,951	6,513	19,697
Long-Term Debt	19,217	20,147	18,014	18,098	19,641	18,717	28,186	27,651	27,689	22,991
Total Equity	75,848	78,577	68,243	63,465	60,842	69,667	67,348	66,016	77,489	77,762
LTD/E Ratio	0.25	0.26	0.26	0.29	0.32	0.27	0.42	0.42	0.36	0.30

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	4.8%	3.7%	4.7%	4.1%	4.7%	8.3%	4.1%	2.5%	10.5%	5.3%
Return on Equity	8.5%	6.4%	8.0%	7.2%	8.4%	14.6%	7.4%	4.7%	19.6%	9.5%
ROIC	6.7%	5.1%	6.3%	5.7%	6.4%	11.3%	5.5%	3.3%	14.1%	7.1%
Shares Out.	2647	2636	2639	2611	2584	2508	2500	2500	2500	2500
Revenue/Share	17.38	15.52	15.98	14.65	14.81	16.19	16.78	16.76	16.93	18.50
FCF/Share	3.17	2.80	3.12	2.58	2.61	2.42	1.68	2.64	2.42	

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

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