



Sanofi SA (SNY)

Updated February 5th, 2024 by Nathan Parsh

Key Metrics

Current Price:	\$47	5 Year CAGR Estimate:	14.6%	Market Cap:	\$119 B
Fair Value Price:	\$68	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	5/30/24 ¹
% Fair Value:	70%	5 Year Valuation Multiple Estimate:	7.5%	Dividend Payment Date:	6/21/24 ²
Dividend Yield:	4.0%	5 Year Price Target	\$82	Years Of Dividend Growth:	27 ³
Dividend Risk Score:	C	Retirement Suitability Score:	B	Rating:	Buy

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 \$49 billion. Sanofi is incorporated in France, but U.S. investors have access to the company through an American Depositary Receipt, or ADR. Two ADR shares equal one share of the underlying company.

On February 2nd, 2024, Sanofi announced fourth quarter and full year results for the period ending December 31st, 2023. For the quarter, revenue grew 2.5% to \$11.9 billion, but this was \$34 million below estimates. The company's earnings-per-share per ADR of \$0.90 compared to \$0.93 in the prior year and was \$0.01 less than expected. For 2023, revenue grew 5.1% to \$46.8 billion while earnings-per-share per ADR of \$4.40 compared to \$4.27 in the prior year.

Unless otherwise noted, all figures are listed in U.S. dollars and at constant exchange rates. Revenue grew 9.3% for the fourth quarter. Specialty Care continues to post strong results, with revenue improving 13.7%. *Dupixent*, which treats patients with moderate-to-severe asthma, increased 34% due to high demand in multiple markets and new-to-brand prescriptions. The product is approved for use in adults in more than 60 countries and in adolescents in ~20 countries. Sanofi estimates that the product can be launched in ~50 additional countries. General Medicines decreased 2.4%, though this was a slower decline than the preceding quarter. The company has reduced its product portfolio to ~100 from 300 to focus on core assets. Vaccine revenue returned to growth, surging more than 21% for the period. This growth was driven by strong uptake rates for *Beyfortus*, which is used to prevent certain respiratory viruses in children. Consumer Healthcare grew 8.5% due to double-digit gains in digestive wellness, physical and mental wellness, and cough and cold. The company announced last quarter that it intends to separate this business into a standalone publicly traded company by the fourth quarter of next year at the earliest. By region, the U.S. grew 4.8%, Europe was up 4.3%, and the rest of the world was higher by 6.5%. China improved 0.4%.

Sanofi provided an outlook for 2024 as well. The company expects earnings-per-share to be stable compared to last year. Currency exchange is estimated to have a 3.5% to 4.5% negative impact on results. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$2.00	\$1.82	\$1.78	\$2.36	\$3.19	\$3.33	\$3.44	\$3.84	\$4.27	\$4.40	\$4.22	\$5.13
DPS	\$1.91	\$1.61	\$1.66	\$1.64	\$1.86	\$1.74	\$1.70	\$1.93	\$1.92	\$1.90	\$1.90	\$2.31
Shares⁴	2639	2611	2584	2508	2500	2500	2500	2500	2507	2507	2507	2450

¹ Estimated ex-dividend date

² Estimated dividend date

³ In local currency

⁴ In millions of shares

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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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 2029. 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	25.7	26.8	22.6	19.5	21.3	33.9	8.2	13.0	11.3	11.3	11.1	16.0
Avg. Yld.	3.7%	3.3%	4.1%	3.6%	4.3%	3.9%	3.4%	3.9%	4.0%	3.8%	4.0%	2.8%

Shares of Sanofi have increased \$1, or 2.2%, since our November 13th, 2023 report. We maintain our 2029 target price-to-earnings ratio of 16, which is in line with peers and well below the long-term average. Based off guidance for earnings-per-share for 2024, shares trade with a price-to-earnings ratio of 11.1 today. If the stock expanded to our target valuation, investors would see a tailwind of 7.5% added to annual returns through 2029. The stock's 4.0% yield is well-above the yield of the S&P 500.

Safety, Quality, Competitive Advantage, & Recession Resiliency

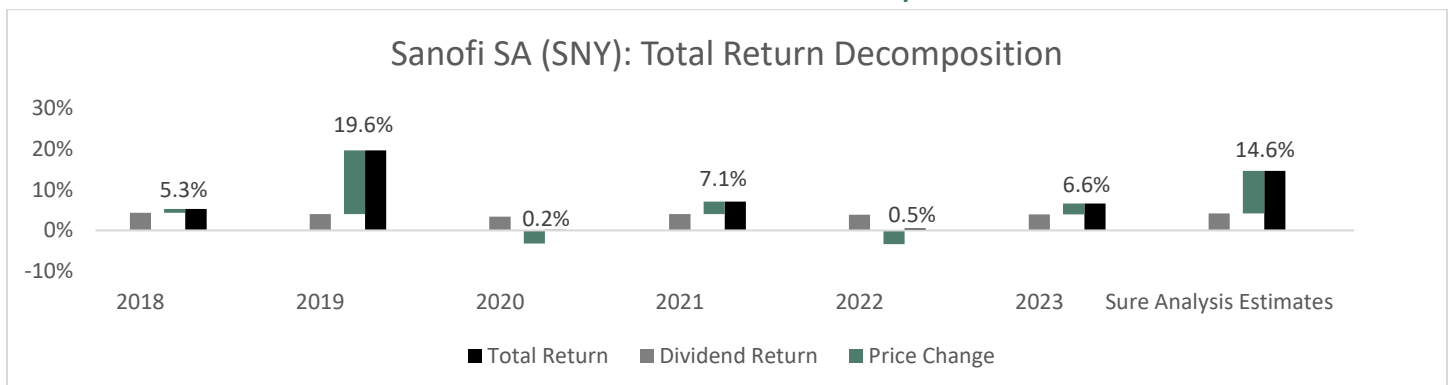
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	96%	89%	93%	70%	58%	52%	49%	50%	45%	43%	45%	45%

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, should not 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 14.6% annually through 2029, down from our previous estimate of 16.3%. Our projected return stems from a 4% earnings growth rate, a starting yield of 4.0%, and a high single-digit contribution from multiple expansion. Sanofi continues to see high growth rates throughout its business. We have lowered our five-year price target \$5 to \$82 due to EPS estimates for the year, but 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	42554	38685	38400	41021	42128	42128	42676	46351	47867	50281
Gross Profit	28949	26568	26557	27869	28625	28717	28791	31851	33424	34869
Gross Margin	68.0%	68.7%	69.2%	67.9%	67.9%	68.2%	67.5%	68.7%	69.8%	69.3%
SG&A Exp.	11204	10411	10490	11407	11642	11065	10725	11305	11065	11575
D&A Exp.	4362	4745	3653	4174	5053	8335	4192	3965	3607	
Operating Profit	8963	7916	8330	8156	7386	8036	9011	10823	12530	11250
Op. Margin	21.1%	20.5%	21.7%	19.9%	17.5%	19.1%	21.1%	23.3%	26.2%	22.4%
Net Profit	5838	4757	5212	9531	5085	3083	14040	7363	8828	5846
Net Margin	13.7%	12.3%	13.6%	23.2%	12.1%	7.3%	32.9%	15.9%	18.4%	11.6%
Free Cash Flow	8294	6822	6752	6142	4215	6636	6093	10032	8780	
Income Tax	1614	787	1466	1950	568	135	2064	1843	2116	1734

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	118431	111868	110662	119746	127440	126165	140723	136140	135897	139627
Cash & Equivalents	8927	10002	10860	12375	7922	10560	17115	11433	13658	9628
Acc. Receivable	8693	8075	7729	8657	8305	8891	9214	8569	9034	
Inventories	7980	7124	7290	8180	8553	8955	10273	9867	9609	23826
Goodwill & Int.	65349	56396	54091	63997	75639	68362	77125	78647	76711	81328
Total Liabilities	50008	48227	49641	49876	59909	59817	62926	57982	55304	57438
Accounts Payable	4440	4173	4543	5558	5766	5951	6513	6997	7306	23083
Long-Term Debt	18014	18098	19641	18717	28186	27651	27689	22991	20409	18120
Total Equity	68243	63465	60842	69667	67348	66153	77618	77762	80198	81844
LTD/E Ratio	0.26	0.29	0.32	0.27	0.42	0.42	0.36	0.30	0.25	0.22

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	4.7%	4.1%	4.7%	8.3%	4.1%	2.4%	10.5%	5.3%	6.5%	4.2%
Return on Equity	8.0%	7.2%	8.4%	14.6%	7.4%	4.6%	19.5%	9.5%	11.2%	7.2%
ROIC	6.3%	5.7%	6.4%	11.3%	5.5%	3.3%	14.1%	7.1%	8.7%	5.8%
Shares Out.	2639	2611	2584	2508	2500	2500	2500	2500	2507	2507
Revenue/Share	15.98	14.65	14.81	16.19	16.78	16.76	16.93	18.42	19.04	20.09
FCF/Share	3.12	2.58	2.61	2.42	1.68	2.64	2.42	3.99	3.49	

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

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