



# Sanofi SA (SNY)

Updated October 28<sup>th</sup>, 2024 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$55	<b>5 Year CAGR Estimate:</b>	12.1%	<b>Market Cap:</b>	\$138 B
<b>Fair Value Price:</b>	\$71	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	5/09/26 <sup>1</sup>
<b>% Fair Value:</b>	78%	<b>5 Year Valuation Multiple Estimate:</b>	5.2%	<b>Dividend Payment Date:</b>	6/06/26 <sup>2</sup>
<b>Dividend Yield:</b>	3.7%	<b>5 Year Price Target</b>	\$86	<b>Years Of Dividend Growth:</b>	29 <sup>3</sup>
<b>Dividend Risk Score:</b>	C	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	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 October 25<sup>th</sup>, 2024, Sanofi reported third quarter earnings results for the period ending September 30<sup>th</sup>, 2024. For the quarter, revenue grew 14.8% to \$14.5 billion, beating estimates by \$787 million. The company's earnings-per-share per ADR of \$1.54 compared favorably to \$1.35 in the prior year and was \$0.16 ahead of expectations.

Unless otherwise noted, all figures are listed in U.S. dollars and at constant exchange rates. Third quarter revenue improved 15.7%. Pharma continues to post strong results, with revenue up 13% for the period. *Dupixent*, which treats patients with moderate-to-severe asthma, improved 23.8% due to growth across indications and geographies. 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. More than 1 million patients worldwide have been prescribed the product. Vaccine revenue surged almost 26% due to demand for flu and *Beyfortus*. Opella, formerly known as Consumer Healthcare, was up 7.9%. The company announced late last year that it intends to separate this business into a standalone publicly. In October 2024, it was announced that Sanofi was in exclusive talks to sell a controlling interest in Opella to privately equity firm Clayton, Dubilier, and Rice. By region, the U.S. grew 23.6%, Europe was up 6.6%, and the rest of the world was higher by 10.3%.

Sanofi reaffirmed its prior outlook for 2024 as well. The company expects earnings-per-share to grow at least low single-digits, up from a prior forecast of stable. Currency exchange is still projected to have a 5.5% to 6.5% negative impact on results, down from prior guidance of a 3.5% to 4.5% negative impact. We forecast that Sanofi will earn \$4.42 in 2024.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$2.00	\$1.82	\$1.78	\$2.36	\$3.19	\$3.33	\$3.44	\$3.84	\$4.27	\$4.40	<b>\$4.42</b>	<b>\$5.38</b>
<b>DPS</b>	\$1.91	\$1.61	\$1.66	\$1.64	\$1.86	\$1.74	\$1.70	\$1.93	\$1.92	\$1.90	<b>\$2.04</b>	<b>\$2.48</b>
<b>Shares<sup>4</sup></b>	2639	2611	2584	2508	2500	2500	2500	2500	2507	2507	<b>2498</b>	<b>2475</b>

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

<sup>1</sup> Estimated ex-dividend date.

<sup>2</sup> Estimated dividend payment date.

<sup>3</sup> In local currency.

<sup>4</sup> In millions.

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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 29 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	12.4	16.0
Avg. Yld.	3.7%	3.3%	4.1%	3.6%	4.3%	3.9%	3.4%	3.9%	4.0%	3.8%	3.7%	2.9%

Shares of Sanofi have increased \$3, or 5.8%, since our July 29<sup>th</sup>, 2024 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 estimates for earnings-per-share for 2024, shares trade with a price-to-earnings ratio of 12.4 today. Reaching our target valuation by 2029 would add 5.2% to annual returns over this period. The stock's 3.7% yield is well-above the yield of the S&P 500.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

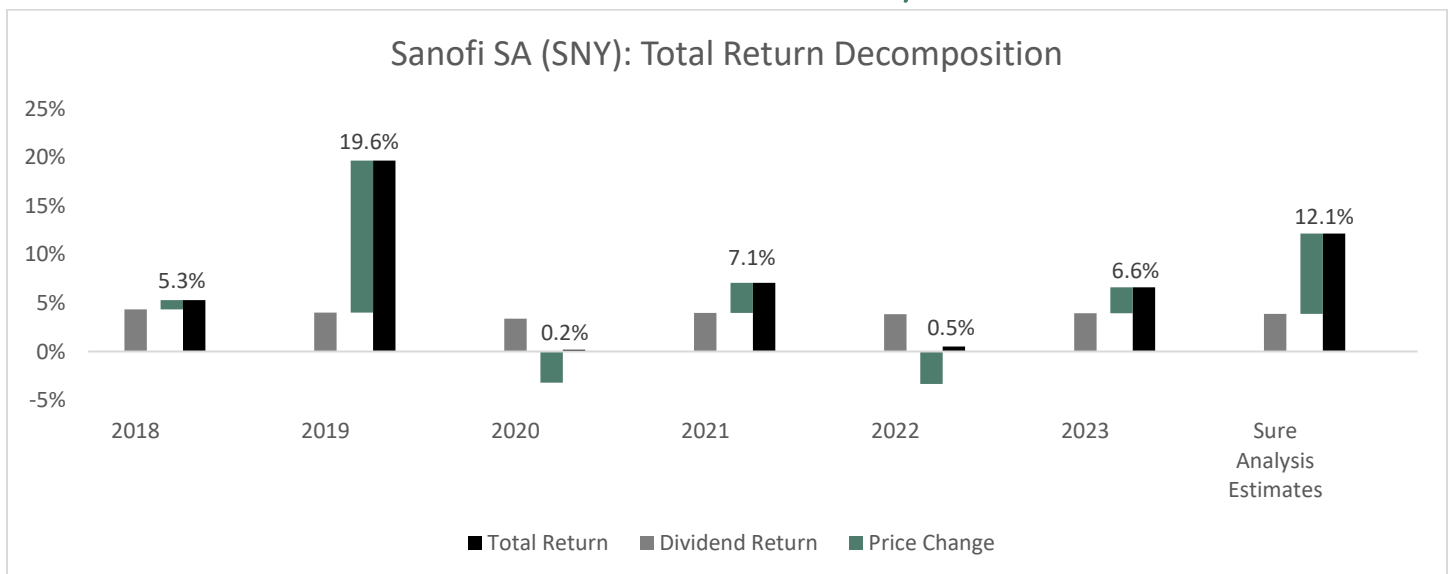
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	96%	89%	93%	70%	58%	52%	49%	50%	45%	43%	46%	46%

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, 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 12.1% annually through 2029, matching our prior estimate. Our projected return stems from a 4% earnings growth rate, a starting yield of 3.7%, and a mid-single-digit contribution from multiple expansion. Sanofi's products largely performed well during the recent period, especially *Dupixent*. Vaccines returned to growth as well. We are raising our five-year price target \$5 to \$86 due to EPS estimates for the year and 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
<b>Revenue</b>	42554	38685	38400	41021	42128	42128	42676	46351	47867	50281
<b>Gross Profit</b>	28949	26568	26557	27869	28625	28717	28791	31851	33424	34869
<b>Gross Margin</b>	68.0%	68.7%	69.2%	67.9%	67.9%	68.2%	67.5%	68.7%	69.8%	69.3%
<b>SG&amp;A Exp.</b>	11204	10411	10490	11407	11642	11065	10725	11305	11065	11575
<b>D&amp;A Exp.</b>	4362	4745	3653	4174	5053	8335	4192	3965	3607	5188
<b>Operating Profit</b>	8963	7916	8330	8156	7386	8036	9011	10823	12530	11250
<b>Op. Margin</b>	21.1%	20.5%	21.7%	19.9%	17.5%	19.1%	21.1%	23.3%	26.2%	22.4%
<b>Net Profit</b>	5838	4757	5212	9531	5085	3083	14040	7363	8828	5846
<b>Net Margin</b>	13.7%	12.3%	13.6%	23.2%	12.1%	7.3%	32.9%	15.9%	18.4%	11.6%
<b>Free Cash Flow</b>	8294	6822	6752	6142	4215	6636	6093	10032	8780	7832
<b>Income Tax</b>	1614	787	1466	1950	568	135	2064	1843	2116	1734

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets</b>	118431	111868	110662	119746	127440	126165	140723	136140	135897	139627
<b>Cash &amp; Equivalents</b>	8927	10002	10860	12375	7922	10560	17115	11433	13658	9628
<b>Acc. Receivable</b>	8693	8075	7729	8657	8305	8891	9214	8569	9034	9322
<b>Inventories</b>	7980	7124	7290	8180	8553	8955	10273	9867	9609	23826
<b>Goodwill &amp; Int.</b>	65349	56396	54091	63997	75639	68362	77125	78647	76711	81328
<b>Total Liabilities</b>	50008	48227	49641	49876	59909	59817	62926	57982	55304	57438
<b>Accounts Payable</b>	4440	4173	4543	5558	5766	5951	6513	6997	7306	23083
<b>Long-Term Debt</b>	18014	18098	19641	18717	28186	27651	27689	22991	20409	18120
<b>Total Equity</b>	68243	63465	60842	69667	67348	66153	77618	77762	80198	81844
<b>LTD/E Ratio</b>	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
<b>Return on Assets</b>	4.7%	4.1%	4.7%	8.3%	4.1%	2.4%	10.5%	5.3%	6.5%	4.2%
<b>Return on Equity</b>	8.0%	7.2%	8.4%	14.6%	7.4%	4.6%	19.5%	9.5%	11.2%	7.2%
<b>ROIC</b>	6.3%	5.7%	6.4%	11.3%	5.5%	3.3%	14.1%	7.1%	8.7%	5.8%
<b>Shares Out.</b>	2639	2611	2584	2508	2500	2500	2500	2500	2507	2507
<b>Revenue/Share</b>	15.98	14.65	14.81	16.19	16.78	16.76	16.93	18.42	19.04	20.09
<b>FCF/Share</b>	3.12	2.58	2.61	2.42	1.68	2.64	2.42	3.99	3.49	3.12

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

### Disclaimer

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