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Q3 Results 2014: Transcript of video interview with Jérôme Contamine, Chief Financial Officer

EuroBusinesss Media (EBM): Sanofi, a global and diversified healthcare leader, reports results for the third quarter of 2014. Jérôme Contamine, welcome. You are the Chief Financial Officer of Sanofi. What are your comments on your third-quarter results? Are you satisfied with the overall performance of your growth platforms?

Jérôme Contamine: Again we post for this quarter solid results. We delivered solid top and bottom line growth at constant exchange rate this quarter, which reflects consistent execution on our strategy. Net sales were up +5.1% at constant exchange rate and Business EPS was up +10.3% at constant exchange rate in the third quarter of 2014.

The quarterly results demonstrate the robustness of the overall model at a time when our US Diabetes division sees a more challenging environment. Our Growth Platforms were up +10.3% at constant exchange rate and represented 78% of Group Sales. Vaccine Sales also returned to growth this quarter and Animal Health sales grew double digit. So in summary, I can say we are satisfied with this overall performance in Q3.

EBM: In vaccines, are we seeing a return to growth following your manufacturing challenges? And what is your update on your promising new dengue vaccine?

Jérôme Contamine: So yes, first of all we had a strong performance in vaccines this quarter; we returned to growth in line with expectations. This growth was achieved by strong flu vaccines sales, up +15% at constant exchange rate, driven by a successful differentiation strategy in the U.S. Other vaccines sales were up +8.4% at constant exchange rate, given recovery in Pentacel® sales in particular, due to improved supply.

We've also seen the achievement of several R&D milestones, namely: the submission of PR5i in the U.S. and Shantha's Rotavirus vaccine has entered into Phase III. When it comes to dengue, which you know is pretty important, we announced in September that the final landmark phase III efficacy study in Latin America successfully achieved its primary clinical endpoint. Results showed an overall significant reduction of over 60% of dengue disease cases in children and adolescents. Importantly, efficacy was observed against each of the four dengue serotypes. Additional observations of the results showed a clinically important reduction by more than 80% in the risk of hospitalization due to dengue during the study. The results also showed in the study population an efficacy against dengue haemorrhagic fever, the severe form of dengue, which is consistent with the results released from the Phase III study in Asia. A full analysis of the efficacy and safety data from the phase III study will be presented at a medical congress in November.

EBM: What is your update on your Animal Health division? Some of your competitors saw a slowdown this quarter; was that the case for Merial too?

Jérôme Contamine: If you recall, Merial returned to growth in Q2 this year with mid-single digit growth, and we are pleased to see even better growth this quarter. Sales were up 12.7% at constant exchange rate and we reported double digit growth in both the Companion and Production Animals segments. NexGard™, our new chewable product against fleas and ticks on dogs, launched successfully with sales of 85 million euros in the first nine months. We can also report solid performance of Heartgard® and pet vaccines this quarter.

EBM: In diabetes, can you comment on the ongoing competitive U.S. pricing pressures on Lantus? And what is the outlook for your next generation product Toujeo®?

Jérôme Contamine: This quarter, Diabetes sales grew 8.3% at close to 1.8 billion euros, despite increased price competition in the U.S. Lantus® accounted for 17.8% precisely of our Group sales this quarter. Lantus® delivered +9.5% sales growth in Western Europe and +19.7% in Emerging Markets at constant exchange rate this quarter. In the U.S. we saw some slowdown, the growth was +5.8% at constant exchange rate, reflecting increasing competitive pressure at the payor level and impact of the Affordable Care Act.

Looking forward, we have recently concluded payor negotiations in the U.S. and have secured favorable formulary positions for Lantus® with key payors. Lantus® enjoys over 90% unrestricted coverage in commercial and non-commercial channels. The level of rebates required to maintain these positions has increased significantly as a result of more aggressive discounting by competitors. This will continue in 2015, but we expect to mitigate the impact on the Diabetes division in 2015 through the launches of Toujeo® and Afrezza® as well as continued strong growth in Emerging Markets. All in all, global sales of the Diabetes division are expected to be broadly stable in 2015. This should not prevent our overall Growth Platforms to continue to post solid growth next year.

Toujeo® is our new generation basal insulin to improve patient care and we are very excited by its prospects. The basal insulin market is large and growing and patients initiating or using basal insulin therapy represent a broad pool of diabetics with unmet needs. Toujeo® offers a competitive profile and we are uniquely positioned to sustain a strong foothold in diabetes. Regulatory decisions for Toujeo® are expected in the first half of 2015, both in the U.S and in Europe.

EBM: In Multiple Sclerosis, what are your comments on the performance of Aubagio® and when do you expect the green light for Lemtrada™ in the U.S.?

Jérôme Contamine: So Aubagio® first: Aubagio® continues to see expanded use; we've seen a solid sales ramp up to 112 million euros in sales this quarter. Of note, we've seen positive developments from two Phase III studies strengthening the label of Aubagio® in the U.S and Europe. In the U.S. it is the only oral treatment to significantly slow progression of disability in two Phase III studies in RMS: the TEMSO study and the TOWER study. It is also the only oral treatment to have positive data on early Multiple Sclerosis in its label thanks to the TOPIC study. We expect label expansion in the EU in the fourth quarter of 2014, following a positive CHMP opinion in September 2014 including TOWER and TOPIC. And let's not forget of course that the U.S. regulatory decision for Lemtrada®, as you mentioned, is expected in this coming quarter

EBM: What is your update on the pipeline and new products?

Jérôme Contamine: We've made significant advances in bringing new medicines to the market this quarter: in vaccines as I mentioned already, we are quite excited with the result of our Phase III efficacy study for dengue both in Latin America and in Asia. We also just announced the entering into Phase III of our rotavirus vaccine for Emerging Markets. Full results from four pivotal Phase III trials with alirocumab were presented at the ESC.

A Global licensing agreement was announced for Afrezza®, a new rapid-acting inhaled insulin. This innovative product will help patients overcome many of the barriers to insulin treatment and we expect to launch in the U.S. in the first quarter next year. Cerdelga®, the only oral therapy for adult Gaucher disease patients was approved in the U.S. And finally, dupilumab, a therapy for moderate-to-severe atopic dermatitis, entered Phase III.

As you know, we are hosting an IR thematic seminar on New Medicines on November 20th in Boston, where we look forward to discussing some of our upcoming launches in greater detail.

EBM: And finally, do you confirm, or refine, your guidance for the full year?

Jérôme Contamine: Well based on our achievements in the first three quarters, we do reconfirm our guidance for the full year. This takes into account our investments to support new launches and development of our Growth Platforms. Therefore, we expect business EPS to grow between 6% and 8% in 2014 at constant exchange rate.

EBM: Jérôme Contamine, CFO of Sanofi, thank you very much.

Jérôme Contamine: You're welcome.