SANOFI

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Q3 Results 2016: Transcript of video interview with Jérôme Contamine, Chief Financial Officer

EuroBusiness Media (EBM): Sanofi, a global and diversified healthcare leader, has just released Q3 results. Jérôme Contamine, hello.

Jérôme Contamine: Hello.

You are the CFO of Sanofi. What are some of the highlights of the quarter?

I'm pleased to share that the company reported a strong financial performance this quarter, with both an increase in sales and double-digit growth of Business EPS.

Aggregate sales were up 3% to almost €9.7bn and EPS was up 12.4% to €1.79 per share, driven by the performance of the Genzyme and Vaccines GBUs.

Our Specialty Care business, Sanofi Genzyme, was up 16.9%, driven by strong global performance of the MS and Rare Disease franchises.

Sanofi Pasteur, our vaccines arm, increased sales by 14.4%, supported by strong sales of influenza vaccines in the U.S.

At the same time, our Diabetes and Cardiovascular and General Medicines and Emerging Markets franchises have shown considerable improvement compared to the second quarter.

In November 2015, you announced a cost savings program. Could you update us on how that's progressing?

As we continue to focus on the strategic priorities of our 2020 Roadmap, this quarter is particularly noteworthy in terms of the operational and financial benefits we are seeing as a result of our streamlined and focused GBU organization.

Without discussing the specific level of our €1.5bn savings program achieved so far, the positive impact on our operating expense development for 2016 is now obvious throughout our P&L.

While we have generated savings more quickly than we originally planned, we still expect the overall program to be back-end loaded and we continue to believe that the savings will be largely reinvested in supporting the growth of our business.

So all in all, based on the plans in hand and the progress made to date, we can say today that we will at least meet and potentially exceed our original €1.5bn target.

What can you tell us about pricing for diabetes in the U.S. and how might this impact your 2017 outlook?

Globally, diabetes performance declined slightly in the third quarter, down -1.5% to €1.8bn, with strong sales in emerging markets and stable EU sales offsetting a decline in the U.S.

Of note, the launch of Toujeo® continues to perform well and the brand has been able to capture share in key markets with sales reaching €167m for the quarter. This was supported by a consistent performance in the U.S. where Toujeo® now represents a 6.6% share of the total basal insulin market.

Looking ahead in the US market, we have finalized most of our 2017 commercial and Medicare formulary contracts. As anticipated, volume and net price erosion will continue to impact sales of our glargine franchise due to the introduction of biosimilar Glargine in December of this year.

However, while we remain disappointed in the actions of some commercial plans, the overall coverage situation for Lantus® and Toujeo® will remain favorable in 2017.

Today, we can reaffirm our diabetes franchise guidance for a compounded annual decline of -4% to -8% for 2015 to 2018. Of course, I remind you that we can be above or below this range in any given year.

Do you have any updates for us on your priorities in terms of use of cash? Any acquisitions, share buybacks or dividend increases in the pipeline?

Historically, Sanofi's policy has been to conduct share buybacks in an opportunistic manner, giving us maximum flexibility and the ability to take advantage of market circumstances.
As part of our balanced capital allocation strategy, we are announcing the start of a €3.5bn share repurchase program to be completed by the end of 2017.

This figure includes the portion of the net proceeds from the Boeringer Ingelheim asset swap that we have said would be used to offset share dilution next year. This is in line with our previously stated opportunistic buyback philosophy. It’s also a recognition of the value we currently see in Sanofi and its diversified businesses.

In terms of business development and M&A, we maintain our commitment to financial discipline. Our approach remains the same and we will continue to apply the same strategic and value creation criteria to any business development transaction that we consider.

What progress have you made on your ongoing efforts to reshape the portfolio?

As mentioned earlier, we continue to execute on the simplification of our portfolio. Firstly, following an in-depth review, we have made the definitive decision to initiate a carve-out process and divest the generics portfolio in Europe within the next 12-24 months. This decision is consistent with our 2020 roadmap and we will have more information on this as plans evolve.

In CHC, we are all delighted that Alan Main is joining us as the Head of the newly created Consumer HealthCare GBU. Under his leadership we expect the closing of the CHC asset swap with Boehringer Ingelheim by the end of the year.

And finally, we remain on track to terminate the Sanofi Pasteur MSD joint venture in Europe over the next few months.

On the subject of Vaccines, can you comment on sales this quarter? Dengvaxia® had delayed uptake; what progress has been made now and what is the outlook overall?

Sanofi Pasteur increased sales by 14.4% this quarter – quite impressive – supported by early flu vaccines shipments in the U.S and the successful execution of our differentiation strategy.

We were able to deliver 52 million doses of the influenza vaccine to our customers during the quarter, which compares to only 43 million doses during the same period of last year in the U.S. As for the full year, we expect the number of doses to be similar to last year, when we shipped a total of 68 million doses.

The Dengvaxia® launch is progressing with €30m of sales and multiple new approvals across endemic countries. The performance in the third quarter was due to the two ongoing public immunization programs in the Philippines and in the State of Paraná in Brazil.

And finally, what guidance can you give us for the rest of the year?

I'm pleased to confirm that based on our strong third quarter results and the momentum in the business, we are raising our full year financial guidance for the year. We now expect Business EPS to increase 3% to 5% at constant exchange rates versus our previous guidance of "Broadly Stable".

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

Thank you.