Evaluate Vantage

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Sanofi’s new broom cleans house

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Paul Hudson has laid out his vision for Sanofi and it does not include diabetes or me-too products.

Out with diabetes and cardiovascular, in with haemophilia and rare diseases – and focus on Dupixent. This was the prevailing message of the root-and-branch overhaul announced by Paul Hudson, Sanofi’s new chief, as part of the French company’s first investor day under his leadership.

Having only just picked up the reins in September, Mr Hudson has wasted no time in laying out his vision to refocus Sanofi’s operations in the hope of achieving operating margins of over 32% by 2025 and saving of €2bn ($2.2bn) by 2022.

Much of the savings will come from “de-prioritising” certain activities, including any further development work in diabetes and cardiovascular. Drawing a line under diabetes, and in particular deciding not to launch efpeglenatide, was predicted by Vantage back in September (*Should the diabetes development road end for Sanofi?, September 12, 2019*).

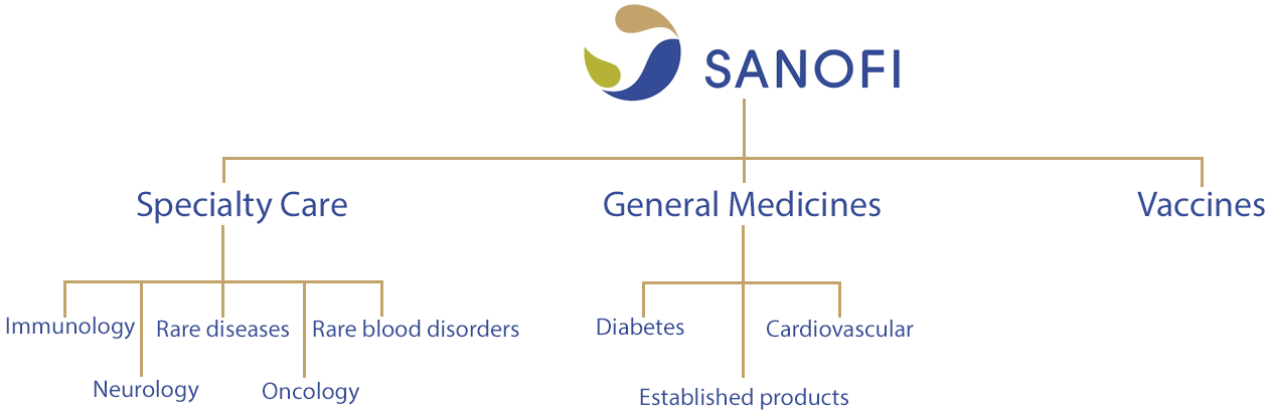
Today, Mr Hudson said Sanofi would now avoid situations where the group's projects were “me too and me too late”.

Punchy numbers

One of the central pillars of Sanofi’s growth is Dupixent hitting more than €10bn ($10.1bn) in peak sales. This looks ambitious, especially as few analysts are thought to have forecast peak sales above $7bn. Mr Hudson said that given Dupixent had only been used in 3.5% of adults with atopic dermatitis and 1.3% of 12-17 year olds there was scope for significant growth.

Even so, competition is coming from other sources, including Dermira, which has reported impressive efficacy and safety in phase IIa trials. By hanging his hat on such a big number Mr Hudson, the pressure will be on to deliver.

Sanofi is also following the industry trend of focusing on core areas, which it has identified as specialty care, general medicines, and vaccines.



Within this winnowing and refocus Sanofi has identified six pipeline projects on which it believes it can rely for much of its future growth. Haemophilia drug fitusiran does have the differentiator of working in patients with inhibitors to both haemophilia A and B; even so its eventual sales potential is less than clear owing to safety issues.

The only drug investors seem to agree could be Sanofi's stand-out hit is venglustat, indicated for lysosomal storage disorders including Gaucher's, Fabry and Tay-Sachs diseases, as well as sub-types of Parkinson's disease. But investors are likely to want more data in a number of different indications before upgrading beyond *EvaluatePharma*'s current consensus forecast of $50m in sales in 2024.

Both nirsevimab (SP0232) and the BTK inhibitor SAR442168 are up against much more advanced competitors in their respective indications of RSV and multiple sclerosis. Again Mr Hudson seemed confident in the chosen drugs' ability to deliver, stating: "More than half will overperform".

Sanofi's six picks for growth drivers

Product	Mechanism	WW Phase	FDA Approval	WW sales 2024e ($m)	Catalysts
GZ402671/ Venglustat	Glucosylceramide synthase inhibitor	Phase III	Dec 2022	50	Q1 2020 - Phase II results in GBA-mutation Parkinson's disease
Fitusiran	Thrombin III RNAi therapeutic	Phase III	Dec 2020	284	2020 - Phase III results in haemophilia A and B and filing
SP0232	Respiratory syncytial virus fusion antibody	Phase III	May 2023	84	Q4 2021 - Phase II/III data in respiratory syncytial virus
SAR439859	Selective oestrogen receptor degrader	Phase II	Dec 2024	2	Q1 2021 - Results of phase II monotherapy trial in metastatic breast cancer
SAR442168	Bruton's tyrosine kinase inhibitor	Phase II	Dec 2025		-
BIVV001	Coagulation factor VIII replacement therapy	Phase II	Dec 2022	67	Q2 2021 - phase III results in haemophilia A

Source: EvaluatePharma, company press release.

In Mr Hudson's new world order M&A and disposals are also firmly on the table, as is the restructuring of its

relationshop with Regeneron over Kevzara and Praluent. Under the new arrangement Sanof gains sole global rights to Kevzara, and hands back US rights to Praluent to Regeneron. The news, along with comments from Mr Hudson about a desire to simplify Sanofi's business sparked fears that the French group might eventually sell its 21% stake in the US company.

And surprisingly, amidst all the cuts, consumer health is staying as a standalone business, complete with its own R&D and manufacturing capabilities. Still, all of this, including the group’s intention to switch Cialis and Tamiflu to over-the-counter medicines to drive turnover in the division, look like the prelude to an eventual sale.

So far so good

In terms of a scorecard for his first hundred days, Mr Hudson deserves credit for taking big decisions in getting the company out of areas in which he himself admits Sanofi can compete, but is unlikely to win.

But for Mr Hudson to get his end of term A-grade, Dupixent will have to live up to its extremely elevated expectations and Sanofi’s hidden gems will have no scope for clinical or regulatory failure.