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FY Results 2016: Transcript of video interview with Olivier Brandicourt, Chief Executive Officer

EuroBusiness Media (EBM): Sanofi, a global and diversified healthcare leader, reports results for 2016. Olivier Brandicourt, welcome.

Olivier Brandicourt: Hello.

EBM: You are the CEO of Sanofi. What are the highlights of your Q4 2016 and full year results?

Olivier Brandicourt: I'm pleased with the results in the fourth quarter. All 5 Global Business Units of our streamlined organization delivered growth. Sales grew 3.4% to €8.9bn, which no longer included any contribution from our former Animal Health business.

I am particularly impressed by the performance of Sanofi Genzyme which reported another quarter of double-digit sales growth. Also important was the return to growth of our Consumer Healthcare business, driven by strong sales in Europe.

On the bottom line, fourth quarter business EPS declined by 1.5% to €1.25 due to an unfavorable tax rate comparison to last year. We believe that the 3.7% increase in our Business Operating Income is a good indicator for the improved operational performance in the quarter, which we achieved despite the significant investments we made in our business.

Full year 2016 sales increased 1.2% and reached almost €34bn, excluding the former Animal Health business. Growth was driven by our Specialty Care and Vaccines businesses. Sanofi Pasteur sales were up 8.8% to €4.6bn and benefited from the strong performance of our AcXim family of pediatric combination products, which grew nearly 40% to €700m, and a new record year for our flu vaccine franchise.

So overall, our financial performance in 2016 was stronger than we had initially expected. Business EPS were up 4.1% to €5.68, consistent with our raised guidance.

EBM: After a challenging year for the Diabetes franchise, can you comment on the performance in Q4?

Olivier Brandicourt: Worldwide sales of diabetes grew by 1.9% in the quarter and reached €2bn in sales. We are encouraged by the strong performance of Toujeo® which posted sequential growth of 39% over the previous quarter and continues to capture share in key markets both in Europe and in Japan.

An important addition to the diabetes franchise is Soliqua™, our new fixed-ratio combination of Lantus® and the GLP-1 lixisenatide in a single once-daily injection. We launched Soliqua™ in the US last month and we are now preparing the rollout in Europe, following the EU approval in January.

As anticipated, the performance of our global diabetes franchise remains impacted by the competitive environment in the US. As a result, full year 2016 sales of diabetes declined by close to 2%, which is in line with our previously issued multi-year guidance for the global franchise.

EBM: Your atopic dermatitis therapy Dupixent® is expected to have FDA approval in Q1. What other interesting assets do you have in the pipeline?

Olivier Brandicourt: We are excited about the potential of Dupixent®, our breakthrough innovation for the treatment of moderate-to-severe atopic dermatitis for which we are anticipating a regulatory decision on March 29.

In addition to Dupixent®'s potential as a life-changing therapy for patients with atopic dermatitis, we are developing dupilumab in multiple other inflammatory diseases, such as asthma and nasal polyposis. The ongoing Phase 3 study in adult asthma is due this year and we expect to file before year-end. We also initiated Phase 3 studies in nasal polyposis and we plan to start a comprehensive life-cycle management program for pediatric AD patients this year.

Separately, we advanced 5 new molecular entities into registrational studies in 2016, including sotagliflozin in diabetes and isatuximab in oncology.

So with sotagliflozin, our SGLT-1 and 2 inhibitor, we explore the potential benefits of its dual inhibition mechanism of action and how the product profile is differentiated from currently marketed products in the class. We started Phase 3 studies in monotherapy and, also, in combination with metformin in the fourth quarter.

Isatuximab, our anti-CD38 antibody in oncology, targets a unique epitope and we believe this differentiation may have advantages over the marketed antibody. In the fourth quarter, we initiated a Phase 3 program in the multiple myeloma indication where anti-CD38 mechanism is rapidly becoming a standard of care.

EBM: What are your plans for returning capital to shareholders?

Olivier Brandicourt: As you know, we have clearly defined priorities for capital allocation. The overall objective is to create significant long-term shareholder value.

Today's proposal of a dividend of €2.96 per share for 2016 marks the 23rd year of a dividend increase. The continued commitment to a progressively growing dividend remains a core element of our capital allocation strategy.

We also ramped up our share buyback activity in 2016, particularly during the last quarter, in anticipation of the closing of the asset swap with Boehringer Ingelheim. And as a reminder, the €3.5bn program announced last October includes a portion of the net proceeds from the asset swap to offset dilution. While we expect to complete this program before year-end, we do not preclude the possibility of additional share repurchases once we have reached the €3.5bn figure.

EBM: Lastly, what is your outlook for 2017?

Olivier Brandicourt: In terms of outlook for 2017, we expect our business EPS to be stable to -3% at constant exchange rates. This guidance is consistent with our previously announced expectation of no meaningful growth over the period of 2016 and 2017 and comes despite the challenging environment in which we operate.

In fact, the high end of our 2017 guidance would exceed our initial expectation which was part of our 2020 strategic roadmap.

And in addition to the performance outlook for 2017 at constant exchange rates, we anticipate a positive currency tailwind of about 3% to 4% based on December 2016 average exchange rates.

EBM: Olivier Brandicourt, CEO of Sanofi, thank you very much.

Olivier Brandicourt: Thank you.