

## Sanofi delivers strong Q1 2019 business EPS growth of 9.4% at CER

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**In the first quarter of 2019, business earnings per share(10) (EPS) increased 10.9% to €1.42 and 9.4% at CER.**



In the first quarter of 2019, Sanofi generated net sales of €8,391 million, an increase of 6.2% (up 4.2% at CER).

First-quarter other revenues increased 41.2% (up 31.6% at CER) to €322 million, reflecting the VaxServe sales contribution of non-Sanofi products (€241 million, up 32.0% at CER) and the royalties received from Swedish Orphan Biovitrum AB. First-quarter Gross Profit increased by 8.7% to €6,097 million (up 6.3% at CER). The gross margin ratio was 72.7% (72.4% at CER) versus 71.0% in the first quarter of 2018 and benefited from the strong performance of Vaccines and Pharmaceuticals in China, the growth in Specialty Care including the contribution from Bioverativ as well as the end of royalty payments to Bristol-Myers Squibb on Plavix and Avapro sales(11). These positive drivers more than offset the negative impact from U.S. Diabetes net price evolution and Established Rx Products decrease in mature markets. In the first quarter of 2019, the gross margin ratio of segments was 76.0% for Pharmaceuticals (up 1.7 percentage points), 68.5% for CHC (up 0.7 percentage points) and 62.2% for Vaccines (up 5.1 percentage points). In 2019, Sanofi expects its gross margin ratio to be around 70% at CER.

Research and Development (R&D) expenses increased by 8.2% to €1,385 million in the first quarter of 2019. At CER, R&D expenses increased 4.9%, mainly reflecting the acquisitions of Bioverativ and Ablynx together with investments in diabetes, rare blood disorder and immunology programs. Excluding the impact of acquisitions and Generics in Europe(12), R&D expenses would have risen by 1.9% at CER in the quarter.

First-quarter selling general and administrative expenses (SG&A) increased by 3.0% to €2,380 million. At CER, SG&A expenses were up 0.6% mainly reflecting the consolidation of Bioverativ and Ablynx. Excluding the impact of acquisitions and Generics in Europe(12), SG&A expenses were stable at CER, reflecting investments in Specialty Care offset by cost efficiency measures notably in Primary Care. In the first quarter, the ratio of SG&A to sales decreased by 0.8 percentage points to 28.4% compared to the first quarter of 2018.

First-quarter operating expenses were €3,765 million, an increase of 4.9% and 2.1% at CER. Excluding the impact of

acquisitions and Generics in Europe(12), operating expenses would have risen by 0.7% at CER in the first quarter of 2019.

First-quarter other current operating income net of expenses was -€102 million versus -€31 million in the first quarter of 2018. This line included the share of profit/loss to Regeneron of the monoclonal antibodies Alliance net of associated marketing expenses incurred by Regeneron. In the first quarter of 2019, this line also included a legal contingency provision of €56 million.

The share of profits from associates was €71 million in the first quarter, down 4.1%. This line included the contribution of the share of profits in Regeneron.

In the first quarter, non-controlling interests were -€10 million versus -€30 million and reflected the restructuring of the Alliance with Bristol-Myers Squibb related to Plavix and Avapro.

First-quarter business operating income increased by 12.6% to €2,291 million. At CER, business operating income increased by 11.3%. The ratio of business operating income to net sales increased by 1.5 percentage points to 27.3% versus the first quarter of 2018. Over the period, the business operating income ratio of segments was 38.2% for Pharmaceuticals (up 0.7 percentage points), 34.9% for CHC (up 0.7 percentage points) and 27.1% for Vaccines (up 9.1 percentage points). Net financial expenses were -€45 million in the first quarter versus €2 million in the same period of 2018.

Net financial expenses included a gain of €76 million in the first quarter of 2018. In the first quarter of 2019, net financial expenses included the cost associated with the Bioverativ and Ablynx acquisitions. A €26 million financial gain was also recognized in connection with contingent payments on future regulatory milestones.

The first-quarter effective tax rate was stable at 22%. Sanofi expects its effective tax rate to be around 22% in 2019.

First-quarter business net income(10) increased 10.5% to €1,765 million and 9.0% at CER. The ratio of business net income to net sales was 21.0%, up 0.8 percentage points compared with the first quarter of 2018.

In the first quarter of 2019, business earnings per share(10) (EPS) increased 10.9% to €1.42 and 9.4% at CER. The average number of shares outstanding was 1,245.8 million in the first quarter of 2019 versus 1,248.2 million in the first quarter of 2018.

Sanofi Chief Executive Officer, Olivier Brandicourt, commented: "I am pleased with the strong start in 2019 as we sustained our new growth phase and delivered business EPS growth of 9.4%. We executed on key launches in Specialty Care led by the impressive uptake of Dupixent(R) in atopic dermatitis and asthma and also delivered strong growth in Vaccines. At the same time, our new GBU structure enabled us to optimize our growth opportunity in China & Emerging Markets and to adapt to the pressures in Primary Care. Based on our performance in the first quarter, we remain confident in the growth outlook for our business over the rest of the year despite challenging industry dynamics."