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Q1 Results 2015: Transcript of video interview with Jérôme Contamine, Chief Financial Officer

EuroBusiness Media (EBM): Sanofi, a global and diversified healthcare leader, reports its results for the first quarter of 2015. Jérôme Contamine, welcome.

Jérôme Contamine: Hello.

EBM: You're the CFO of Sanofi. What are your comments on the first quarter results? Has Sanofi started the year off on the right footing?

Jérôme Contamine: We clearly had a good start to 2015. In the first quarter, growth was mainly driven by the strong performance of Genzyme and Merial, and to a lesser extent also by our Consumer Healthcare business.

Group sales were €8.8 billion, up 2.4% at constant exchange rates (CER). On the bottom line, Sanofi delivered business EPS of €1.32, which represents growth of 2.6% at CER.

We saw much stronger growth on a reported basis than at a CER basis for both top and bottom line due to the favorable currency impact for the quarter. Exchange rate movements had a positive effect of 9.9 percentage points on reported sales and 10.2 percentage points on reported business EPS, reflecting mainly the strength of the US dollar and other currencies against the euro.

EBM: Does the Group's performance in Q1 mean that you're in a position to reiterate your guidance for 2015?

Jérôme Contamine: So, clearly, we had a good start for the year and our expectations for 2015 business EPS remain unchanged. We continue to expect 2015 business EPS to be stable to slightly growing versus 2014 at CER, barring major unforeseen adverse events.

We also expect to benefit from positive currency movements this year: the impact on business EPS is estimated to be approximately +12%, assuming that exchange rates remain stable in the following three quarters at the average rates of March 2015.

EBM: Please update us on the progress you made with Sanofi's recent launches.

Jérôme Contamine: Starting with Genzyme, we recently launched Cerdelga®, the first oral therapy for Gaucher disease strengthening our Gaucher franchise and reinforcing our leadership position in this business. Genzyme is also making great progress in expanding in Multiple Sclerosis with Aubagio®, our oral MS therapy, and more recently with Lemtrada™, a highly innovative treatment for multiple sclerosis recently launched in the US.

In February, Afrezza®, a new inhaled insulin, was launched in the US market. More recently, we also launched Toujeo® in the US in late March, our new once-daily long-acting basal insulin, which was approved by the FDA earlier this year and this week by the European regulatory authorities.

We are pleased with the progress we have made to date with our multiple new products and the roll-out of our launches globally. We are now also looking forward to the expected FDA decision on Praluent™ in July and the potential regulatory approval of Dengue later in the year.

EBM: And was the Diabetes division performance in-line with expectations in the first quarter?

Jérôme Contamine: As expected, our Diabetes sales were down slightly by 3.2% at CER, reflecting the anticipated pricing pressure on Lantus® in the US market. As previously communicated, increased rebates for most contracts in the US for Lantus® were required to secure favorable formulary positions and became fully effective at the beginning of 2015. Consequently, the impact of higher rebates is visible from Q1 2015.

While the market share of Lantus® in the US remained stable compared to the fourth quarter last year, US Lantus® sales were down 13.1% in the quarter versus Q1 last year. Of that, volume increased 2% and price was down 15%.

Outside of the US, Lantus® sales grew 18.0% in Emerging Markets and 6.3% in Western Europe in the quarter.

EBM: Has the performance of Genzyme met your expectations this quarter?

Jérôme Contamine: Genzyme delivered another outstanding quarter. First quarter sales of Genzyme increased 30.9% to €821 million, reflecting the strong performance of Aubagio® and double-digit growth of Rare Diseases products.

Actually, Genzyme recorded double-digit sales growth in all regions, including the US, Western Europe, Emerging Markets and Rest of the World. This reflects our sustained leadership position in Rare Diseases with the continued success of Cerezyme®, Fabrazyme® and Myozyme®. Overall, sales of the Rare Diseases business were up 15.9% at CER in the quarter.

At the same time, sales of our Multiple Sclerosis business were €208 million. Aubagio® continued its success with sales more than doubling to €170 million versus €78 million during the same period of last year. Lemtrada™ sales in Q1 also exceeded full year 2014 sales.

EBM: How did your Animal Health and Consumer Healthcare businesses perform this quarter?

Jérôme Contamine: Again, our Animal Health business delivered growth of 13.5% at CER in the first quarter, reaching record quarterly sales for Merial. This reflects strong sales of NexGard™ in the US, which more than doubled versus the first quarter last year, stabilization of Frontline® and strong performance of Heartgard®, also benefiting from the supply shortage of one of our competitors.

In Consumer Healthcare (CHC), we are pleased by the robust mid-single digit growth delivered in the first quarter, which is slightly above market growth. We benefited from a solid performance of

Allegra in the US ahead of the spring allergy season and we saw good growth for our CHC business in Emerging Markets, up 6.3%.

EBM: And what are your updates on the growth prospects of your vaccine business? Any update on your Dengue fever vaccine?

Jérôme Contamine: As we previously indicated during our full year results call, Vaccines sales declined in the first quarter resulting from a delay in the Southern Hemisphere influenza campaign due to two strain changes. As a result, Sanofi Pasteur sales were down 4.6% at CER. However, excluding flu, Vaccines showed growth of 17.2%, driven by the performance of Pentacel® and Menactra® in the US as well as Pentaxim® in China. Overall, I'm confident that Sanofi Pasteur will have another good year in 2015.

We are particularly excited about our Dengue vaccine: Sanofi Pasteur is at the leading edge of making Dengue the next preventable disease through vaccination. We have now extended our rolling submissions into endemic countries in Latin America and we anticipate the first licenses to be granted in countries in both Asia and Latin America in the second half of 2015.

EBM: What's the update on your R&D pipeline, and what do you see as being the future growth catalysts?

Jérôme Contamine: As you know, we have exciting late-stage pipeline opportunities in the near-term. Our next R&D milestones for this year include:

- Regulatory submission of lixisenatide, our GLP-1, in the US expected in the third quarter, following the positive ELIXA cardiovascular outcome data.

- Sanofi Pasteur also expects an FDA decision of PR5i, our hexavalent pediatric combination vaccine, during the third quarter of this year. It could become the first vaccine in the US approved to help protect against six important diseases, including Hepatitis B.

- Upcoming Phase III results and expected regulatory submission of our "insulin glargine / lixisenatide" combination project, Lixilan, in the fourth quarter.

- Also, upcoming pivotal data and the expected regulatory submission of sarilumab in rheumatoid arthritis before year end.

- Last but not least, we are encouraged by the recent start of our Phase III trial for dupilumab in moderate to severe asthma. This is the second indication of dupilumab moving to Phase III after moderate to severe atopic dermatitis indication.

EBM: How confident are you regarding your growth in Emerging Markets and what sort of trends are you seeing?

Jérôme Contamine: We are pleased to report another quarter of strong growth in Emerging Markets, reaching almost €2.9 billion sales, up 7.3% at CER, which now represents around a third of total Group sales. Growth in Emerging Markets was driven by Diabetes, Genzyme and Generics.

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

Jérôme Contamine: Thank you.