



Sanofi Calls and Implied Volatility Surge in Unusual Trading

Ticker/Price: SNY (\$46.45)

Analysis:

Sanofi (SNY) buyers of 3,000 January \$48 calls this morning up to \$1.20 and volumes now over 9,450 and trading 15X average. SNY has seen buyers in the March \$47 and \$49 calls as well as the December \$48 calls recently. SNY shares are trading in a weekly bull flag under \$47.50 after a strong run from the July lows. Longer-term, SNY is near a big downtrend breakout from the 2014 highs that measures out to \$65. The \$113.65B company trades 13X earnings and 2.8X sales with a 3.8% yield and high-single digit EPS growth. SNY is coming off a strong quarter with improvement again for Dupixent and optimism around flu sales going into year-end and peak season. SNY continues to have a lot of portfolio optionality as well with reports on 11-21 that new CEO Paul Hudson is exploring options for their \$30B consumer health business. A review of the business could include a spin or merger much like several peers have done already and would allow them to focus more on fast-growing areas. Analysts have an average target for shares of \$52 with 6 buy ratings and 2 hold. MSCO upgrading to Overweight on 9-20 and think it outperforms other mega-cap peers given its lack of major patent cliffs and the "largely de-risked" nature of pipeline drugs in the late stages. Guggenheim upgrading to Buy on 9-23 seeing accelerating uptake for Dupixent across Asthma and Atopic Dermatitis, and several other indications. They also think emerging markets should stabilize some of their core products while diabetes and vaccines growth looks sustainable. Short interest is minimal and hedge fund ownership fell slightly in Q3. Eversept Partners and Balyasny notable buyers. SNY has a busy near-term schedule with ASH this weekend and the Credit Suisse EU conference next week. They also will be at the JP Morgan conference in January.

Hawk Vision:



Hawk's Perspective: SNY is one of the better Pharma stories in my recent breakdown of the group though want to see these 3000 December \$47 puts clear out of OI first.

Confidence Ranking: \$\$