



FEATURED OPTIONS RADAR REPORT



Large Call Buy in Large Cap Pharma with 2H21 Catalysts

Ticker/Price: SNY (\$49)

Analysis:

Sanofi (SNY) with an interesting trade on 9/9 as 5000 January \$50 calls bought the recent weakness at \$2.40, an unusually large trade for the name. SNY is lacking any other notable open interest. SNY shares have pulled back to a prior breakout level from earlier in 2021 and also touched VWAP off the March 2020 lows this week, so at a potential critical support with shares also near a 61.8% retracement of the 2021 range. Sanofi sold off this week as its Phase 3 PEGASUS trial for rilzabrutinib to treat pemphigus, a rare autoimmune skin condition, did not meet its primary or key secondary endpoints. Sanofi has also been active with M&A announcing \$1.9B deal for Kadmon (KDMN) this week which follows its early August buy of Translate Bio (TBIO) for \$3.2B. Sanofi is a leading global healthcare company, focused on patient needs and engaged in the research, development, manufacture and marketing of therapeutic solutions. It has exposure to Multiple Sclerosis / Neurology, Oncology, Rare Diseases, Rare Blood Disorders, Cardiovascular, Diabetes, Established Prescription Products, Consumer Healthcare, and Vaccines. Sanofi held a Capital Markets day earlier this year outlining its commercial opportunities and margin expansion. SNY's main catalyst is likely the Phase 3 AMEERA-3 study in metastatic breast cancer which is expected to read out in 2H21. Specialty Care is expected to grow in 2H21 with Dupixet being the key growth driver. General Medicines core assets are also expected to grow although Lovenox growth is expected to slow in 2H21. Sanofi expects another record year of flu vaccine sales and the WSJ highlighted a likely bad flu season in 2021. Sanofi is optimistic about the potential for their oral BTK inhibitor acquired from Principia, rilzabrutinib, for which Phase 3 data in pemphigus vulgaris will be available in 2H21. SNY will also have a COVID vaccine readout in Q4 2021. The \$127B Pharma currently trades 11.4X Earnings and 2.84X Sales with a 3.85% yield. SNY earnings are expected to grow 10-12% in 2021 and 2022 with 4-5% top-line growth. Analysts have an average target of \$63 and short interest at 0.2% of the float is minimal. JPM and UBS have EUR100 targets on shares. Goldman rates shares a Buy with a EUR113 target noting solid base business execution with plenty of upside drivers from the pipeline and margin expansion.

Hawk Vision:



Hawk's Perspective: SNY is oversold and looks like a solid value at these levels considering the upside drivers into year-end, though want to see some basing and price strength.

Confidence Ranking: \$\$