



MEMORANDUM

Sanofi board votes to remove CEO Mr. Chris Viehbacher - October 29, 2014

Early this morning (a few hours after we sent out our Sanofi [3Q14 update](#), we learned that Sanofi's Board of Directors [voted unanimously](#) to remove Mr. Christopher Viehbacher from his position as CEO of the company. Chairman Mr. Serge Weinberg will be stepping in as acting CEO until a successor is found. While according to analyst and other reports, it had been known that there has been friction between Mr. Viehbacher and the board, this news came as a major surprise to us for two reasons. First, the issue came up during Q&A in yesterday's [3Q14 update](#), and Mr. Viehbacher stated that management change was not on the agenda at the board's most recent meeting. Second, we are just surprised given how well in our view Mr. Viehbacher has steered Sanofi over the past six years and what a good steward of Sanofi's assets he has appeared to be. (We also liked it that he did not ever sound scripted.) However, it sounds like the major waves from call, most notably the guidance that Diabetes division growth will likely be flat in 2015 due to concessions on rebates helped push the friction to a breaking point. While we understand that this is a sharp turn for the diabetes business, we do think finding a CEO like Mr. Viehbacher will be a challenge - as we wrote on Twitter this morning - tough shoes to fill. On a fairly frank and critical [press call](#) earlier today, Chairman (and now acting CEO) Mr. Weinberg cited multiple issues with Mr. Viehbacher's performance, including insufficient cooperation with the board and a failure to fully execute on the company's strategy - the Lantus guidance was mentioned as one of a few contributing factors. We were very surprised that the board would share this information and think it may make finding eager CEO candidates more challenging given how open they have made the conflicts. In his six-year tenure, Mr. Viehbacher renewed the company's focus on promising research and retained its focus on diabetes even with the juggernaut Lantus' impending patent cliff. By most accounts his friction was mainly with the board, as he was fairly popular with investors, although we do remember stated goals in diabetes that certainly seemed ambitious and not reachable. With challenging times ahead in terms of sales for the diabetes portfolio, now is a critical juncture for Sanofi's commitment to diabetes, and we certainly hope that Mr. Viehbacher's successor remains committed to the cause.