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Durata Therapeutics (DRTX - OUTPERFORM): Competition Fears from Oritavancin Overblown, Reiterate Outperform

Price: $8.03 **12-Month Price Target: $20**

- **Durata shares have been under pressure recently, likely due to the announcement of positive Phase III results from possible competitor oritavancin (being developed by The Medicines Company, MDCO, Not Covered).** The trial (SOLO-1) was a non-inferiority study of oritavancin compared to vancomycin in the acute bacterial skin and skin structure infection (ABSSSI) setting. There were 968 patients enrolled, and oritavancin was dosed once and compared with the standard 7-10 days of vancomycin dosed BID. Both drugs are administered intravenously.

- **Oritavancin met its non-inferiority endpoint, as did DRTX's dalbavancin.**

- **We note several advantages for dalbavancin when compared to oritavancin:**

    - **Dalbavancin is ahead in development. The results of its second Phase III trial, DISCOVER 2 is expected in Q1:13; oritavancin's second Phase III (SOLO-2) results are expected mid:13.**
    - **Oritavancin is infused over a three hour period; dalbavancin's infusion is 30 minutes. Although oritavancin is only dosed once and dalbavancin dosed twice, dalbavancin's total infusion time is less than oritavancin's.**
    - **Oritavancin remains in the body possibly permanently, particularly in macrophages where it can cause changes in the lysosomes. This can lead to questions about repeat dosing in the future, and drug/drug interactions.**

- **We would take advantage of unwarranted (in our view) weakness in DRTX shares and remain buyers.**

- **Reiterate OUTPERFORM rating and $20 price target.** Our $20 share price target is derived from the net present value (25% discount rate) of our estimate of profits and losses for DRTX through our projection of the end of dalbavancin's exclusivity period in the U.S. and EU in 2027 and 2023, respectively, with no terminal value and cash per share in 12 months.

- Risks to our price target include; 1) dalbavancin to demonstrate non-inferiority ongoing Phase III abSSSI clinical trials, 2) commercial and launch risks, 3) regulatory risks and 4) risks to the IP estate of Durata and dalbavancin in the U.S. and ROW.

Analyst Certification
I, Gregory R. Wade, Ph.D., David M. Nierengarten, Ph.D., Christopher N. Marai, Ph.D., certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

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Company	Disclosure
Durata Therapeutics	1,3,4,5,7

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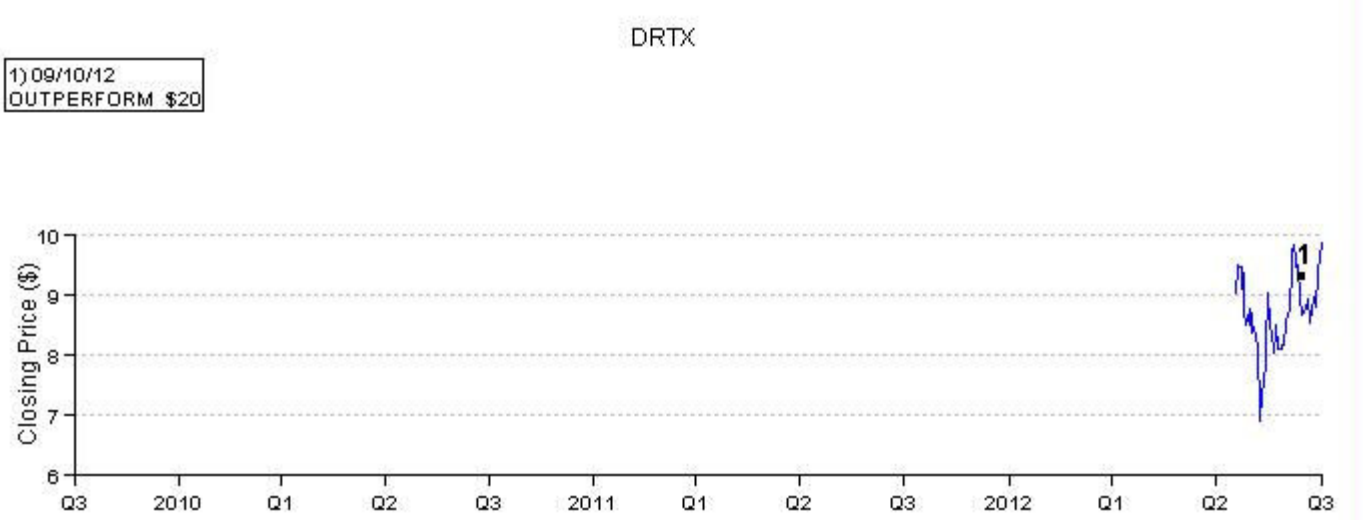

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