

Revance Therapeutics, Inc. (RVNC)

Overweight

More Color On RT001 And RT002; Pivotal Milestones On Tap; Reiterate Overweight

CONCLUSION

We had the opportunity to meet with Revance senior management today and gained additional color on botulinum toxin-based product candidates RT001 and RT002. For RT001 (i.e., needle-free botulinum toxin) in lateral canthal lines (LCL), the initiation of a second open-label Phase II in 1H15 was not a surprise. Though management suggested that it has made progress on optimizing manufacturing, it is speeding up development of RT001 in axillary hyperhidrosis (HH) with the idea here that the hurdle for success in this setting is lower versus LCL. Given the depth of the pipeline (multiple potential shots-on-goal for RT001 and RT002), we continue to believe that RVNC is valued attractively in the context of a market cap of around \$400M. We reiterate our Overweight rating and \$31 PT.

- **Another Phase II study for RT001 in LCL not surprisingly on the horizon.** RVNC expects to run a second open label study using RT001 manufactured at its own commercial facility, with completion expected by mid-year. Recall that data from the first open label study testing product made in-house did not entirely dovetail with the strong efficacy seen in earlier Phase II studies (i.e., though there was improvement in LCL, it was not as strong as the efficacy signals seen in prior studies that used supply made from a contract manufacturer). Management noted to us that it has made further progress on optimizing their in-house manufacturing (and cited progress on optimizing the ability of the toxin to consistently attach to the peptide), and it is with this optimization in mind that the product will move into the second open label study. If RVNC sees results that are in keeping with the prior successful Phase II trials, then it will advance RT001 into Phase III in 2H15.
- **RVNC speeding up development of RT001 for HH.** Revance is currently finalizing design of its Phase I/II clinical study of RT001 in HH and expects to initiate the trial by mid-2015. We would expect a quick turnaround in terms of data given that the primary efficacy endpoint will be a 30-day assessment of sweating per the Hyperhidrosis Disease Severity Scale (HDSS). We continue to view the HH opportunity as a somewhat lower-risk shot-on-goal versus LCL given that there is no controversy surrounding endpoints (i.e., the smile versus at-rest controversy seen in the LCL setting) and given that at least in theory, deep tissue penetration is not necessarily needed in the HH setting in order to drive a significant treatment effect. HH is a logical opportunity for RT001 commercially speaking given that injectable neuromodulators haven't gained a great deal of traction in HH (for obvious reasons). In our prior checks with physicians, 70% of respondents noted that they would treat HH patients significantly more often if a topical alternative were available (refer to our report on 3/3/14 [here](#) for more details).
- **RT002 head-to-head study versus Botox underway.** Recall that RVNC recently initiated a Phase IIb study evaluating three doses of RT002 head-to-head versus Allergan's Botox Cosmetic in up to 250 patients for glabellar lines (GL). Beyond the current study in GL (with interim data expected in late 2015), RVNC noted that it is exploring therapeutic indications for RT002, and that it would likely pivot more aggressively to RT002 in such an indication (e.g., migraine) should the company continue to see mixed results for RT001.

COMPANY DESCRIPTION

Revance is focused on next-generation neuromodulator treatments.

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Revance Therapeutics, Inc.

PRICE: US\$17.06

TARGET: US\$31.00

30x 2020E non-GAAP EPS of \$3.35, disc. by 30%

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RISKS TO ACHIEVEMENT OF PRICE TARGET

Risks include clinical and regulatory setbacks for RT001 and RT002.

Note: Price as of the close Jan. 14, 2015.

Price Performance - 1 Year



Source: Bloomberg

IMPORTANT RESEARCH DISCLOSURES



Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

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 N: Neutral
 UW: Underweight
 NA: Not Available
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