

Revance Therapeutics, Inc. (RVNC)

Overweight

Impressive Duration of Effect for RT002; Another Key Source of Value Creation

CONCLUSION

Revance reported results from its Phase I/II study of RT002, its next-generation injectible neuromodulator (i.e., botulinum toxin) for moderate to severe glabellar lines (GL) (i.e., wrinkles between the eyebrows). The most noteworthy data point in our view is that treatment yielded a median duration of benefit of around 7 months, or nearly double what is typically seen for conventional neuromodulators (i.e., Allergan's Botox; Valeant's Dysport). We believe that at current levels, RVNC shares are not ascribing any value to RT002, bearing in mind that RT001, RVNC's needle-free neuromodulator that is now in Phase III, has multiple shots-on-goal (refer to our initiation published on 3/3/14 for more details). We continue to believe that given the body of data on RT001 (and now RT002), RVNC is trading at a compelling risk/reward at a market cap of only \$550M. We reiterate our Overweight rating and \$44 PT.

- **Strong duration of effect data for RT002.** The Phase I/II study was a four-cohort, dose escalation trial conducted in Mexico testing RT002 for the treatment of GL. The primary efficacy measure in the study was an investigator assessment of GL per the Glabellar Line Severity Score (GLSS), a 4-point scale with a score of 3 denoting severe wrinkles and a score of 0 denoting no wrinkles. The assessment was measured in patients at maximum frown. In a total of 48 patients, 94% of subjects were shown to have no wrinkles or mild wrinkle severity at 4 weeks post-treatment per the GLSS. Further, 83% of subjects reported no or mild wrinkles per a patient assessment. Most importantly in our view, RT002 showed a median duration of efficacy of 29.4 weeks (7.3 months) based on both the investigator and patient assessments in the final cohort of 10 subjects. It is this measure that will most certainly raise eyebrows (no pun intended) given that conventional injectible neuromodulators typically show a duration of effect of roughly 3-4 months.
- **Data from a Phase II placebo-controlled study expected in 2015.** A single-dose, dose-ranging, placebo-controlled study will assess RT002 in the same treatment setting, with top-line data likely at some point next year. RVNC has suggested that a Phase III program could start before the end of 2015, and has guided to a potential U.S. commercial launch by 2019 (a Phase III program to support a BLA filing would likely consist of two placebo-controlled studies as well as an open-label long-term safety study). Our model reflects launch year sales of \$32M in 2019, growing to \$112M by 2023. Given the long duration of effect, we would expect to see RT002 take some share from conventional injectibles, though given the likelihood of continued brisk growth in the overall neuromodulator market and the potential for a product like RT002 to attract patients new to neuromodulators who like the idea of less frequent treatment, we would not reflexively conclude that RT002 would be fighting a raw zero-sum game with the established injectible competitors.
- **Pace of upcoming newsflow on RT001 should be brisk.** We should see data from the first RT001 Phase III trial in lateral canthal lines (LCL; i.e., wrinkles around the eyes) in 2H14, with final data, inclusive of data on duration of efficacy, likely by early 2015. Data from the second placebo-controlled study in LCL and additional Phase II data for RT001 in axillary hyperhidrosis should be available later in 2015.

* Price as of the close April 21, 2014

COMPANY DESCRIPTION

Revance is focused on next-generation neuromodulator treatments.

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Revance Therapeutics, Inc.

PRICE: US\$28.62

TARGET: US\$44.00

30x 2020E non-GAAP EPS of \$3.64, disc. by 20%

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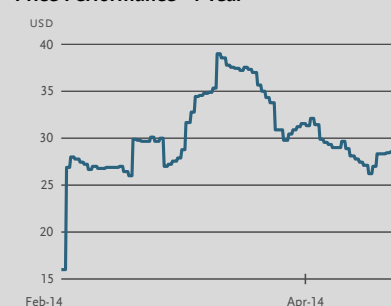
Share Price:

AGN	142.00
RVNC	28.62
VRX	126.01

RISKS TO ACHIEVEMENT OF PRICE TARGET

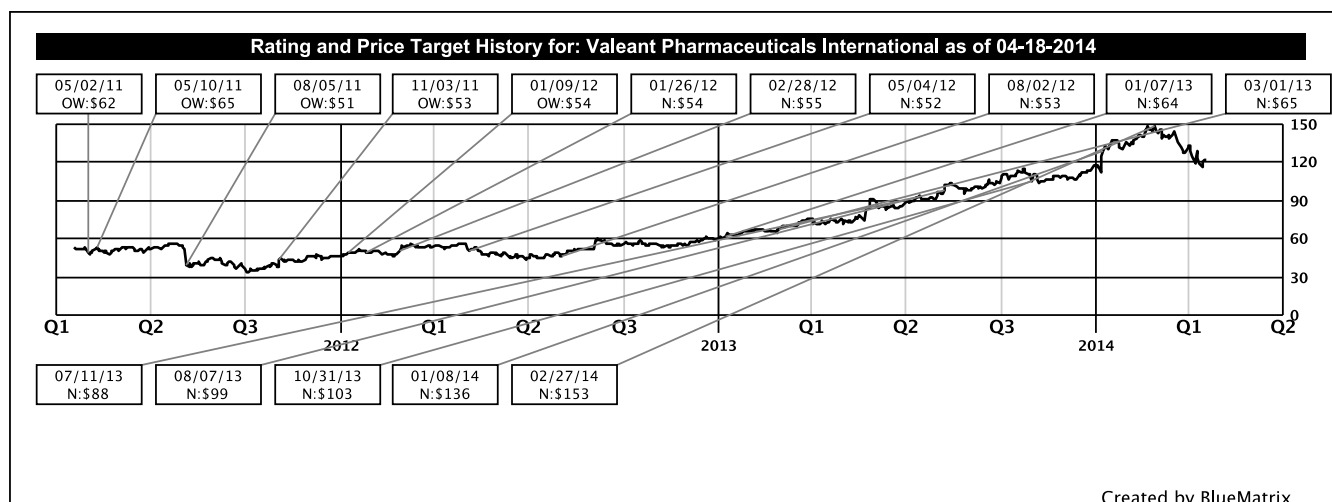
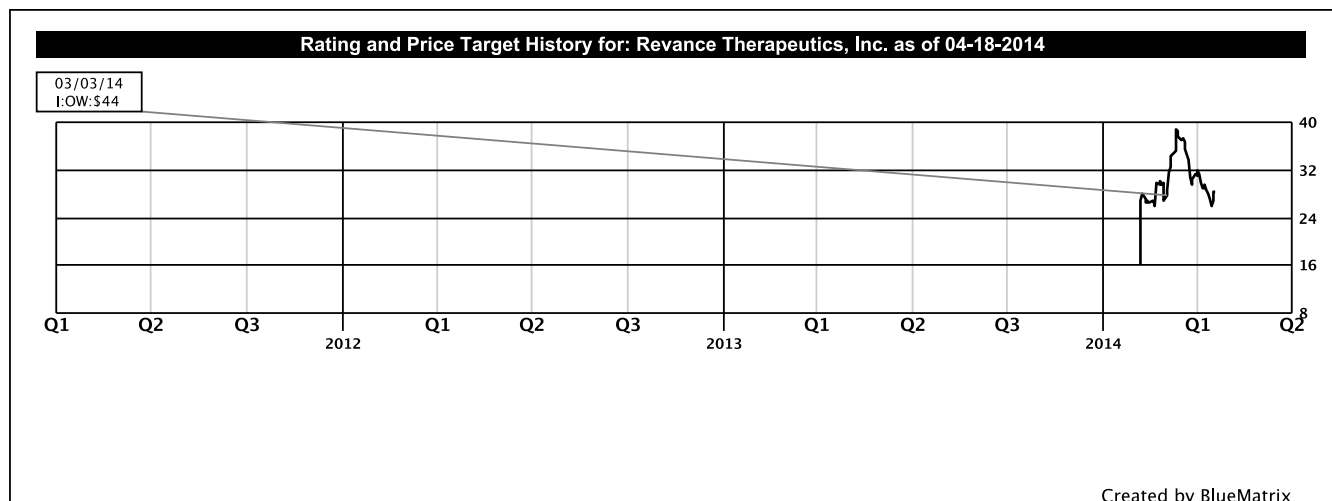
Risks include clinical and regulatory setbacks for RT001 and RT002.

Price Performance - 1 Year



Source: Bloomberg

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D: Discontinuing Coverage

S: Suspending Coverage

OW: Overweight

N: Neutral

UW: Underweight

NA: Not Available

UR: Under Review

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Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
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HOLD [N]	212	36.12	20	9.43
SELL [UW]	20	3.41	0	0.00

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