

Revance Therapeutics

(RVNC-NASDAQ)

Stock Rating: Outperform
Stock Price: US\$28.62
Target Price: US\$37.00

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Specialty Pharmaceuticals

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Positive Trial Results for Long-Acting Injectable

The results from Revance's Phase I/II study of RT002 in glabellar (frown) lines showed the long-acting botulinum toxin injectable wrinkle treatment met its primary efficacy and safety endpoints. RT002 successfully reduced the severity of wrinkles, with results lasting more than seven months, or approximately twice as long as Botox's labeled duration. Based on the positive results of this study and previous findings from pre-clinical data, Revance plans to continue studying RT002 in a Phase II active comparator study. The company expects data from the study in 2015.

The open-label, dose-escalating, 48-person, four-cohort trial showed 94% of subjects were rated with None or Mild wrinkle severity at maximum frown four weeks post-treatment using the GLSS as assessed by the clinical investigator, and 83% of subjects assessed themselves as achieving None or Mild wrinkles at maximum frown at the same time point.

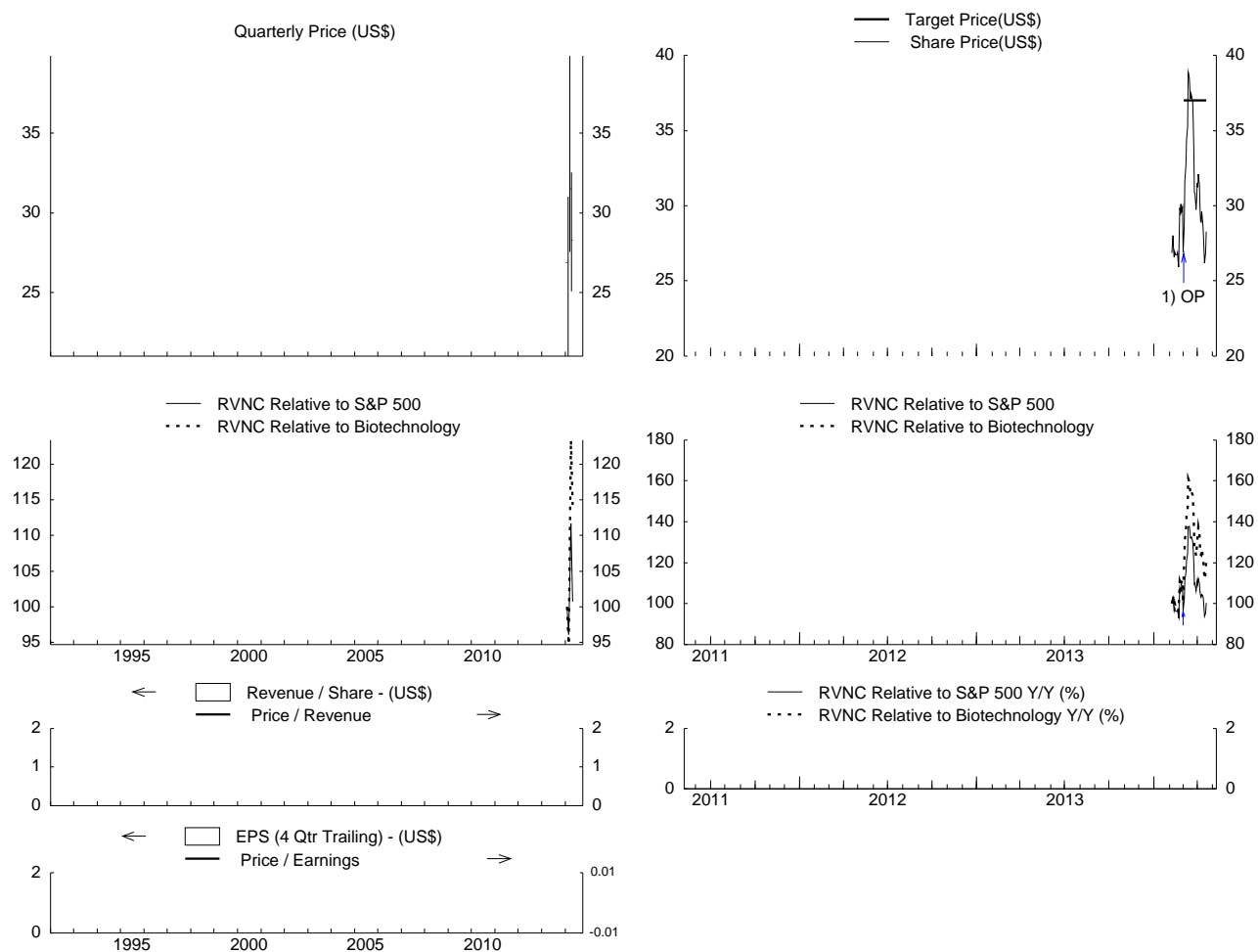
In the final cohort, the only one where duration of effect was measured, RT002 achieved a median duration of 29.4 weeks, or 7.3 months, based on both investigator and subject assessments. The labeled duration for a Botox treatment is three to four months.

Our View:

- We are encouraged that the data is in line with our and Revance's expectations. The four-week efficacy data coincides with initial data that showed RT002 appears to deliver response rates superior to currently approved injectables.
- We believe most investors will, and should, focus on the positive duration data. While more than seven months is very encouraging, it is important to note that the duration was only tested in one of the four cohorts in the trial, or 10 patients. Furthermore, patients in this cohort were given doses twice the strength of the Botox label. Revance believes its novel peptide technology allows for a safe higher dosing, as it keeps the drug at the target longer, which in turn leads to a longer duration. The company did not see any safety issues incongruous with literature so we do not believe a higher dose will indicate any safety issues, but we think it is worth noting.
- We walked through the data with the Revance management team and heard the company's tentative plans for the upcoming active comparator study. While it will take some time for the company to digest this data and refine the appropriate study design, Revance does intend to test the same range of dosing, from half of Botox's labeled amount to double, while expanding the number of patients in each cohort. The company is finalizing the details, and we suspect this study will begin in 3Q14.
- This data reinforces our belief, stated in our initiation of coverage (see full report dated 3/3/14), that RT002 presents a very interesting market opportunity for current injectable users and could be Revance's crown jewel.

Please refer to pages 2 to 5 for Important Disclosures, including the Analyst's Certification.

Revance Therapeutics (RVNC)



FYE (Dec.)	EPS US\$	P/E Hi - Lo	DPS US\$	Yield% Hi - Lo	Payout %	BV US\$	P/B Hi - Lo	ROE %	RVNC - Rating as of 5-Feb-14 = NR		
Range*:		na na		NC			>15 >15		Date	Rating Change	Share Price
Current*	ND	na	0.00	0.0	na	-14.2	-2.2	na	1 3-Mar-14	NR to OP	\$27.78

* Current EPS is the 4 Quarter Trailing to Q3/2013.
 * Valuation metrics are based on high and low for the fiscal year.
 * Range indicates the valuation range for the period presented above.

Last Price (April 17, 2014): \$28.28
 Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

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Distribution of Ratings (March 31, 2014)

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Hold	Market Perform	52.8%	10.8%	38.2%	52.8%	43.8%	40.8%
Sell	Underperform	5.2%	3.2%	1.1%	6.3%	2.7%	5.6%

- * Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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