

Botox and the value of never-ending profits



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Abbvie's bid for Allergan shows that the Botox franchise is impenetrable. The market agrees.

Most biopharma megamergers are followed by deep scrutiny as analysts dig into the minutiae and decipher their most obscure driving forces. No such analysis is needed with yesterday's \$63bn bid for Allergan, which has one key motive: the Botox franchise.

Botox is virtually impossible to genericise, and Abbvie's ability to acquire it illustrates the valuation disconnect that opened up as Allergan management got distracted by proxy fights and calls to split the business. The impotence of the competition is evident: share prices of groups like Revance, Evolus, Mylan and Ipsen were virtually unmoved yesterday.

The powerlessness of available competitor companies to unseat the Allergan drug is demonstrated by the fact that, while Botox sold \$3.6bn last year, rival marketed neuromuscular blocking aesthetic drugs including Ipsen's Dysport and Merz's Xeomin managed only \$800m or so globally combined.

Still, a logical interpretation of Abbvie's validation of the Botox business might be that competitors should see an uptick in interest too. Yet the two stocks most likely to benefit in terms of pure-play exposure, Revance and Evolus, ended yesterday up only 5% and 4% respectively.

Me-too or biosimilar?

Revance's offering is RT002, which promises longer duration, while Evolus's Jeuveau might compete with Botox on price. Revance separately has a deal with Mylan to develop a Botox biosimilar, and claims to own the original Botox cell line, though Abbvie says a biosimilar is unlikely "for a very, very long time - if ever".

In any case, since there can by definition be no substitutable alternative to Botox, the distinction between me-toos and biosimilars is academic.

Jeuveau was [approved in the US earlier this year](#), and analysts expect RT002 to be launched in 2020. As for more established competitors, Ipsen's Dysport and Merz's Xeomin have struggled to gain market share despite claiming to have benefits over Botox such as longer duration and no need for refrigeration respectively.

Selected aesthetic botulin toxin products

Product	Generic name	Company	Global sales (\$m)		Status
			2018	2024e	
Botox	Onabotulinumtoxin A	Allergan	3,577	5,074	Marketed
Dysport	Abobotulinumtoxin A	Ipsen	507	637	Marketed
RT002	Daxibotulinumtoxin A	Revance Therapeutics	-	609	Phase III; US launch due 2020
Nabota/Jeuveau	Prabotulinumtoxin A	Daewoong/Evolus	-	489	Marketed in S Korea; US approved Feb 2019
Botulax	Botulinum toxin type A	Hugel	85	162	Marketed in S Korea; US partner sought
Dysport Aesthetic	Abobotulinumtoxin A	Nestlé	148	54	Marketed
Xeomin	Incobotulinumtoxin A	Merz	34	43	Marketed
Bocouture/Xeomin Aesthetic	Incobotulinumtoxin A	Merz	22	35	Marketed
Myobloc	Botulinum toxin type B	Eisai	11	11	Marketed
Meditoxin/MT10109L	Nivobotulinumtoxin A	Medytox/Allergan	-	-	Marketed in S Korea; US launch due 2022
Botox biosimilar	Onabotulinumtoxin A	Revance/Mylan	-	-	Preclinical

Source: EvaluatePharma.

Jeuveau is separately available under the Nabota brand in South Korea, where it competes against Hugel's Botulax and other products. Hugel has for some time been trying to attract a Western partner to take Botulax forward in the US, and its inability to find one is another reason for caution.

Investors should also bear in mind Allergan's own Botox follow-on, MT10109L. This is licensed from Medytox, which sells it as Meditoxin in South Korea, and some analysts think it could offer a way of seeing off the threat of longer-acting alternatives.

Impenetrable

Whether this will even come into play is a separate question. Botox is based on a deadly toxin, and its manufacturing is secret and tightly controlled. This, combined with the fact that Allergan has been able to bundle its sale with that of other aesthetic products, makes it one of the most impenetrable brands in biopharma.

Indeed, some analysts see not Botox but Dysport and Xeomin as the main casualties of US availability of Jeuveau and RT001. Sellside consensus, according to *EvaluatePharma*, is for Botox revenues to breach \$5bn in 2024, and then to flatline slowly rather than falling off a cliff.

It is largely this ability to generate sales and profits in perpetuity that is responsible for the product's remarkable NPV of \$46bn. If this estimate is anywhere near accurate then [Abbvie gets the rest of Allergan for virtually nothing](#).

No doubt many Allergan investors are today wondering just how it was possible for their company to agree to be sold for less than its stock was trading in the market nine months ago, and for barely half of what it was worth in 2015 – a time when, incidentally, some were suggesting Allergan should buy Abbvie.

The lesson is that when a company is mismanaged its shares fall. And, when the disconnect between its market value and what a buyer might pay becomes sufficiently large, a deal will get done.

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