Zacks Small-Cap Research

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Resverlogix Corp. (RVX - TSX)

RVX: Moving Along with Phase 3 BETonMACE; Re-iterating 'Buy' Rating & Increasing Price Target

Current Recommendation	**Buy**
Prior Recommendation	Hold
Date of Last Change	11/03/2015
Current Price (01/19/16)	$1.63
Target Price	**$4.00**

UPDATE

Resverlogix Corp. (RVX.TO) began recruiting and dosing participants in the Phase 3 BETonMACE trial of apabetalone (RVX-208) in high-risk CVD patients with diabetes in November 2015. We believe the trial will take approximately 3 years to complete, putting topline data in 2018.

The company also recently announced the commencement of an Orphan Disease Program to study apabetalone in complement mediated diseases, and plans to begin a Phase 2 proof-of-concept pilot study in a small group of patients with Paroxysmal Nocturnal Hemoglobinuria (PNH) in 2016.

At the current price, we view Resverlogix shares as undervalued, and as providing long-term upside potential. We have raised our price target to $4.00 per share, and we continue to rate the stock a 'Buy'. We believe that the orphan disease program, as well as further exploration by the company into areas such as renal disease, could provide further upside to our valuation in the near future.

SUMMARY DATA

52-Week High	**3.13**
52-Week Low	**0.61**
One-Year Return (%)	**153.2**
Beta	**4.54**
Average Daily Volume (sh)	**26,451**
Shares Outstanding (mil)	**105.1**
Market Capitalization ($mil)	**171.3**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2015 Estimate	**N/A**
P/E using 2016 Estimate	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue

(In millions of $)

	Q1 (Jul)	Q2 (Oct)	Q3 (Jan)	Q4 (Apr)	Year (Apr)
2014	0 A	0 A	0 A	0 A	0 A
2015	0 A	0 A	0 A	0 A	0 A
2016	0 A	0 A	0 E	0 E	0 E
2017					0 E

Earnings per Share

(EPS is operating earnings before non-recurring items)

	Q1 (Jul)	Q2 (Oct)	Q3 (Jan)	Q4 (Apr)	Year (Apr)
2014	$0.55 A	-$0.02 A	$0.19 A	$0.00 A	$0.70 A
2015	$0.08 A	-$0.04 A	-$0.02 A	-$0.23 A	-$0.21 A
2016	$0.03 A	-$0.04 A	-$0.02 E	-$0.03 E	-$0.06 E
2017					-$0.14 E

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WHAT'S NEW

Financial Update

Resverlogix recently filed its Certification of Filings for the second quarter fiscal year 2016 ended October 31, 2015. The company reported no revenues in the quarter, and had a net loss of $3.8 million, or $0.04 per share.

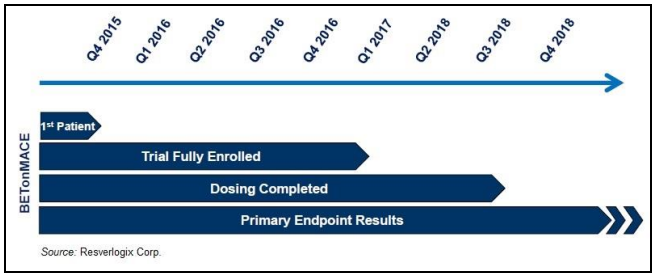
R&D expenses for the second quarter fiscal year 2016 were $3.2 million vs. $0.8 million for the same time period in 2014. R&D expenditures in the quarter consisted of approximately $2.2 million of clinical costs (including $1.5 million related to the BETonMACE clinical trial, $0.5 million on biomarker studies, and $0.2 million for sample analysis, regulatory, consultants and insurance related costs), $0.2 million of chemistry costs (chemistry, manufacturing, and controls), $0.1 million of preclinical costs (research, pharmacology, toxicology, drug metabolism, and pharmacokinetics), and $0.5 million of R&D compensation and related costs associated with expansion of clinical staff in preparation for the BETonMACE.

G&A expenses for the second quarter fiscal year 2016 were $0.9 million vs. $1.1 million for the same time period in 2014. G&A expenses in the quarter reflect business development costs primarily related to the Hepalink license.

As of October 31, 2015, Resverlogix had approximately CAD $42.4 million in cash and cash equivalents. We believe that the cash position as of the end of October 2015 is enough to fund the activities related to Phase 3 BETonMACE trial. Although exact costs will be based on the total number of patients enrolled, we believe the program will cost at least $30 million and take about 3 years to complete. In our opinion, the cash raised from the Hepalink and Eastern Capital Limited should fully fund the Phase 3 BETonMACE trial.

Business Update

On November 11, 2015, Resverlogix Corp. (TSX: RVX) announced that the first patient was randomized and that dosing has commenced in its Phase 3 BETonMACE clinical trial with apabetalone (RVX-208) in high-risk patients with coronary artery disease and type 2 diabetes mellitus following the October 26, 2015 announcement regarding trial commencement. Dosing commenced two weeks after the opening of the first clinical trial sites. The trial is currently recruiting participants, and further details regarding BETonMACE can be found on ClinicalTrials.gov. We recently spoke with management and patient recruitment is progressing as planned, and we believe that Resverlogix has received initial approval from the regulatory authority and ethics committee in ten countries including Belgium, Hungary and Israel. We believe that additional investigative sites are being activated and proceeding as scheduled.



As a reminder, the primary outcome measure of the trial will assess the effect of apabetalone on time to first occurrence of Major Adverse Cardiovascular Events (MACE) in high-risk type 2 DM patients with CAD. In the primary outcome measure, MACE is narrowly defined as a single composite endpoint of cardiovascular death, or non-fatal myocardial infarction (MI), or stroke. All subjects will remain on a high-dose statin therapy (atorvastatin or rosuvastatin), with the experimental group receiving 200 mg/day of apabetalone in the form of 100 mg capsules twice daily. We believe that the company will perform an interim futility analysis, which will look at the chance of a positive result if existing trends for MACE continue, and will be formed when 50% of events are admitted in addition to an ongoing safety analysis by the Data Safety Monitoring Board (DSMB). We expect the trial to take about 3 years to complete. This puts the topline data in 2018, with the goal to file a new drug application (NDA) during the end of 2018 or early part of 2019. We believe the program will cost in the area of $30 million, but note that exact costs will depend on how many patients are ultimately enrolled since the trial is currently setup to be adaptive.

In other company news, on September 25, 2015, Resverlogix provided a Research and Development Update on apabetalone in New York City. The presentation included analyses of diabetes and chronic kidney disease (CKD) as they relate to cardiovascular disease by BETonMACE clinical steering members. We also learned more about some recent findings from ongoing mechanistic studies focused on cardiovascular risk pathways and apabetalone's potential in reducing MACE, and have reviewed apabetalone and details from the event in our prior research report update.

More on Apabetalone & Phase 3 BETonMACE

The main objective of the Phase 3 BETonMACE trial will be to confirm MACE reduction by apabetalone as seen in SUSTAIN and ASSURE pooled analysis and also expand safety assessment. The study will be in a larger prospective setting with high-risk patients that have diabetes mellitus and low HDL-C (< 40 mg/dL who are post events). Management also plans to further explore the potential impact that apabetalone may have on inflammation, the complement and coagulation pathways, as well as on platelet improvement in these high-risk patients in the Phase 3 trial.

Resverlogix believes that apabetalone is a BET inhibitor that has effects on pathways underlying CVD risk in high-risk patients. Reverse cholesterol transport, ApoA-I and HDL functionality are one part of the mechanism of action of apabetalone that the company will continue to look at over longer treatment durations in the Phase 3 trial. Additionally, Resverlogix has come across additional pathways and biomarkers that drive vascular risk that may play a role in the reduced MACE that the company observed. A larger and longer trial would further elucidate which biomarker(s) may be the best to correlate and predict future MACE. BETonMACE will be a randomized, double-blind, placebo-controlled, 2 arm parallel-group study of apabetalone at a dose of 100 mg twice daily (total daily dose of 200 mg) or matching placebo in combination with standard of care statin therapy administered to type 2 diabetes mellitus subjects with history of recent CVD event and HDL-C level < 40 mg/dL males or < 45 mg/dL females. Standard of care statin therapy shall consist of daily dose of either atorvastatin 20-40 mg or rosuvastatin 10-20 mg. After an initial screening period of 1 to 2 weeks during which subjects will be treated with standard of care high potency statin therapy, subjects will be randomized to either apabetalone 100 mg twice daily or matching placebo with continued statin treatment. This combination treatment period will continue for up to 104 weeks. BETonMACE will be conducted in over 150 European and (potentially some U.S. sites) and will be an adaptive trial with a minimum of 2,400 patients and the ability to go up to 4,000 patients if necessary.

The primary endpoint of the trial is the time from randomization to the first occurrence of three-point MACE narrowly defined as a single composite endpoint of cardiovascular death or non-fatal myocardial infarction or stroke. The secondary endpoints of the trial includes time from randomization to the first occurrence of MACE broadly defined (including cardiovascular death, non-fatal myocardial infarction, hospitalization for cardiovascular disease events, or stroke) between treatment groups, all-cause mortality, change in lipoprotein concentration, diabetes mellitus variables, alkaline phosphatase and kidney function. Safety endpoints for the trial include incidence of adverse events (AEs), serious adverse events (SAEs), vital sign measurements, clinical laboratory evaluations, Montreal Cognitive Assessment (MOCA) (for subjects over 70 years of age) and physical examination findings. The study is an event-based trial and will continue until at least 250 MACE events have occurred. MACE will be adjudicated by an independent Endpoint Adjudication Committee and the study will be monitored by a Data Safety Monitoring Board. Resverlogix hopes to see a 25-30% MACE reduction with apabetalone as compared to the placebo and the current standard of care statin therapy.

It is also important to mention that apabetalone has the potential to expand to other indications, and Resverlogix plans on conducting parallel or subsequent Phase 3 trials in the future. For instance, Resverlogix stated that up to 15-20% of patients enrolled in BETonMACE are anticipated to have stage 3 chronic kidney disease (CKD) and up to 10% are anticipated to have PAD (peripheral artery disease). These subgroups will be analyzed as part of the statistical analysis plan (SAP), and if the data are positive in these subgroups, this could represent important additional indications the company could pursue in the future.

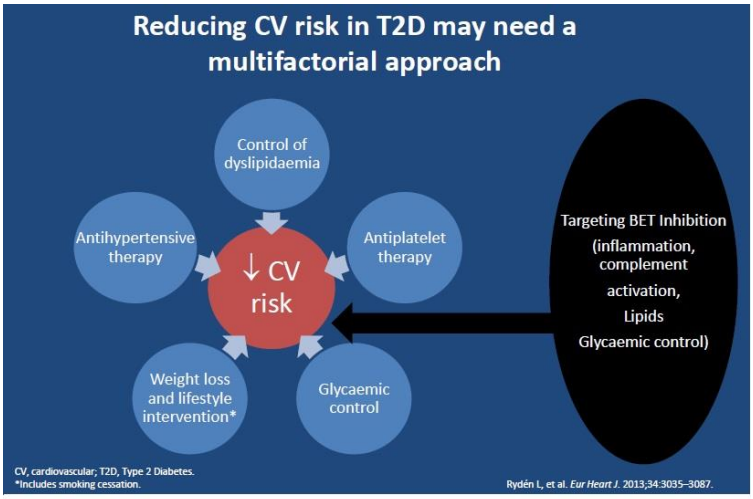
Resverlogix is confident that apabetalone is now well-positioned to move forward on an expedited and more affordable registration path. Resverlogix believes there are early revenue opportunities that include regional licensing deals, with discussions underway in high need areas, as well as potential through the orphan pathway. As a reminder, the company closed an equity and licensing deal with Shenzhen Hepalink Pharmaceutical Co., Ltd. for China, Hong Kong, Taiwan and Macau. By pursuing this parallel development program, Resverlogix hopes to expand and speed up revenue streams.

A Review of Apabetalone (RVX-208)

Resverlogix's lead candidate, apabetalone (RVX-208), is a first-in-class, orally active, small molecule that acts on epigenetics via selective inhibition of BET proteins and has the potential to impact cardiovascular disease, neurodegenerative diseases, diabetes, cancer, and autoimmune diseases. By targeting BET bromodomains, apabetalone has a multimodal approach and impacts several key biological processes that play a role in vascular disease risk. Apabetalone acts on BET proteins, specifically BRD4 with increased selectivity for BRD4-BD2.

Currently, apabetalone is the first selective BET bromodomain inhibitor in clinical trials for high-risk vascular disease with patent life extending to 2033. Resverlogix is the first to test apabetalone in the reduction of major adverse cardiac events (MACE) in diabetic and chronic kidney disease (CKD) patients. Analysis of prior Phase 2 clinical trials data ("ASSURE" and "SUSTAIN") has shown that apabetalone reduces coronary atherosclerosis and major adverse cardiac events in patients with CVD who also have a low level of HDL and elevated CRP, and other select populations with unmet medical need. We have discussed the data from "ASSURE" and "SUSTAIN" in prior reports, and would like to reiterate that data have been presented at the American College of Cardiology (ACC) 2014 (Puri *et al.*, 2014), the European Society of Cardiology (ESC) Congress 2014 and the ESC Congress 2015.

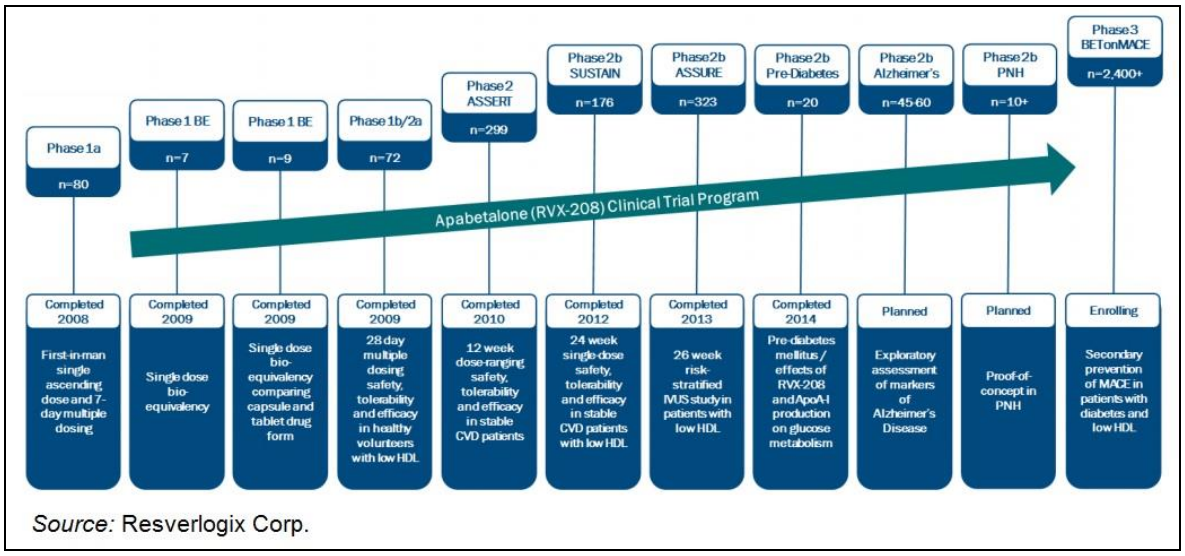
Because of the link between diabetes and CVD, there appears to be a need for novel therapies that target all aspects of the pathophysiology of cardiovascular disease in diabetes, as we discussed above. Resverlogix believes that the multimodal mechanism of action of apabetalone could potentially reduce cardiovascular risk through BET inhibition for high-risk patients with diabetes (*right*). We believe that although the incidence rates of type 2 diabetes related cardiovascular complications have declined due to improvements in standard of care, rates still remain higher than in adults without diabetes, and the rising incidence of type 2 diabetes is expected to increase the overall burden. Therefore, there is a need for new therapeutics that target all aspects of the pathophysiology of cardiovascular disease in diabetes, and this is an area where Resverlogix believes apabetalone (RVX-208) has potential.



Source: Resverlogix Corp.

Clinical Trial History of Apabetalone

Resverlogix has completed numerous clinical trials to date (*below*). Apabetalone has been tested in close to 1,000 patients, and over the years, Resverlogix has gathered information from these studies and shifted focus to target patients with low HDL and diabetes with co-treatment of Apabetalone and rosuvastatin (Crestor®).



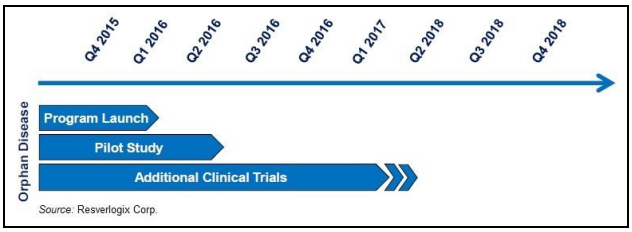
Source: Resverlogix Corp.

Value Proposition

Resverlogix hopes that successful pharmaceutical partnerships or licensing agreements for apabetalone, similar to the one with Hepalink, will help overcome the cost burden, lengthy development time, and high attrition rates, while helping to advance the drug through clinical trials and drug development stages. Management hopes that this will ultimately lead to commercialization of the drug. Through extensive modeling and ongoing outreach to key opinion leaders (KOLs), management believes that if apabetalone shows a 20-30% relative risk reduction of MACE in the Phase 3 trial, the pharmacoeconomics of apabetalone could be quite appealing for the near future. The company believes it will cost around $3,000-$4,200 per year once it hits the market depending on the specific efficacy scenario (20-30% RRR). Management believes that at this price point, the drug would be in the preferred co-pay status (Tier 2, which comes right after generics in Tier 1), and if so, there is a very strong opportunity for preferred reimbursement. Greater than $5,000 would likely put the drug in Tier 3 and require prior authorization. It's also important to remember that this is a sliding scale and that numbers needed to treat (NNT) and the cost to prevent an event must also be taken into consideration. Efficient NNT are an important assessment in the accretive value added by reimbursement and payer groups. NNT is calculated as the inverse of the ARR (Absolute Risk Reduction): NNT = 1/ARR, where ARR = PER (Placebo Event Rate) – TER (Treatment Event Rate). For example, when looking at Praluent® (alirocumab) and Repatha™ (evolocumab) with a reported $14,600 and $14,100 per year treatment cost per patient, respectively, some would argue that the cost to prevent an event could be close to or exceeding $1 million for one year as per the analysis of the NNT, in this case 63 for alirocumab and 81 for evolocumab (vs. 21 for RVX-208 from pooled SUSTAIN and ASSURE trial data), based on annualized treatment therapy. Even if the costs of these drugs were lowered to around $10,000 annually per patient, the total cost to avoid such an event with the medications would be approximately $600,000 to $800,000 for one year. If apabetalone can illustrate a greater than 20-25% relative risk reduction over standard of care medicines, pricing will be a major advantage over agents such as PCSK9 inhibitors. If approved, and if apabetalone costs mirror what management is currently predicting, we believe this could be a game changer from the viewpoint of payer groups. While the jury is still out on RVX-208, management believes that the drug is positioned to be one of the most promising drugs in development for the prevention and reduction of atherosclerotic related CVDs.

Orphan Disease Program

On September 24, 2015, Resverlogix announced the commencement of an Orphan Disease Program for Complement Mediated Diseases.



Management believes that the new data that we discussed above suggests that apabetalone downregulates different components of the complement and coagulations pathways, which are important to cardiovascular disease as well several orphan diseases. Resverlogix would like to further explore the potential of apabetalone in humans with overactive complement pathways. We believe that apabetalone will be tested in a Phase 2 proof-of-concept pilot study in a small group of patients with Paroxysmal Nocturnal Hemoglobinuria (PNH) in 2016.

We believe there is potential for Resverlogix to study other complement mediated diseases, such as atypical hemolytic uremic syndrome (aHUS), and glomerulonephritis in conjunction with apabetalone as well as other pre-clinical BET inhibitors/follow-on compounds (*below*), but we are not exactly sure the path the company plans to go down at this point. We are unsure at this point if the drug candidates will receive orphan drug designation. Resverlogix does not have any type of orphan drug designation at this point, but we are assuming that this will be the route that the company plans to pursue at some point in the future. If things go well, and apabetalone is approved for PNH, management believes that the orphan drug route will allow for the drug to get to the market sooner, potentially 2 years earlier.

Compound	Selectivity fold (BRD4(1)/BRD4(2))	IC50 uM							Fold Induction
		InfA	InfB	Comp 'A'	Comp 'B'	Fact'1'	Clot 'B'	Clot 'C'	ApoA-I
RVX-208	30	0.97	4.4	14.5	5	0.18	ND	ND	2.35 fold
1	43	2.29	ND	11.1	>50	4.4	ND	ND	ND
2	14	1.54	ND	29.6	12.9	2.14	26.5	19.9	ND
3	13	1.21	ND	18.5	17.2	1.8	ND	ND	2.27 fold
4	9	2.16	ND	13.9	13.8	0.58	ND	ND	3.55 fold
5	4	0.94	ND	29.2	21.1	7.7	38.4	20.7	2.75 fold
6	2.7	1.98	ND	15.4	17.8	4.2	ND	ND	2.01 fold
7	2	0.87	1.55	12.6	9.3	0.29	35.6	8.8	3.59 fold
8	2	ND	ND	9.5	15.6	3.22	ND	ND	3.92 fold
9	1.5	1.38	ND	20.4	17.4	0.83	37.4	21.2	2.02 fold
10	ND	0.87	1.67	5.3	13.8	3.4	ND	ND	ND

Source: Resverlogix Corp. ND = no data

Paroxysmal Nocturnal Hemoglobinuria

The National Organization for Rare Disorders (NORD) states that paroxysmal nocturnal hemoglobinuria, or PNH, is a rare yet progressive and often life-threatening acquired hematopoietic stem cell disease of the blood. Hematopoietic stem cells give rise to red blood cells. In PNH, red blood cells break down or are prematurely destroyed earlier than normal (hemolysis) by an individual's own immune system (complement system), with potentially fatal consequences. It is estimated to affect between 1 to 5 million individuals. A quick search on clinicaltrials.gov shows 42 results related to PNH, with 14 being "open studies."

In healthy individuals, RBCs and other blood cell types have specific cell surface proteins that function to inhibit the complement system and ultimately protect cells against formation of the MAC (membrane attack complex). Individuals with PNH have blood cells that are missing a gene called PIG-A. This gene normally allows a substance known as glycosyl-phosphatidylinositol (GPI) to help particular proteins to stick to cells. Without PIG-A, certain proteins are unable to stick to cell surfaces in order to offer protection to the cell against complement substances that are circulating in the blood. Due to the acquired mutation in their hematopoietic stem cells, patients with PNH do not express these host proteins and their red blood cells become subject to complement-mediated destruction. A direct link exists between excessive complement activation and the clinical manifestation of PNH. This process leads to early destruction of red blood cells, and leakage of hemoglobin into the blood, which can pass into the urine (hemoglobinuria) and can lead to renal failure, (U.S. National Library of Medicine, 2014) as well as repeated, potentially fatal blood clots (thromboses) that account for up to 40-67% of PNH mortality. Other symptoms of PNH include extreme fatigue, abdominal pain, and anemia. The resultant excessive red blood cell destruction often causes transfusion dependence in PNH patients.

Treatment Options for PNH

PNH treatment is often tailored to specific symptoms and includes many different therapeutic and supportive approaches. Treatment often involves steroids that can suppress the immune system to help slow down red blood cell destruction, as well as blood transfusions, supplemental iron and folic acid, anti-coagulation drugs to prevent clot formation, and bone marrow transplantation.

The U.S. Food and Drug Administration (FDA) approved Soliris® (eculizumab), an orphan drug, in 2007 for the treatment of PNH. It was the first drug to be approved for PNH, and although it does not cure the disease, it does block the breakdown of red blood cells, and in turn, can prevent thrombosis. Soliris® blocks the complement system of the body that is responsible for destroying blood cells in PNH individuals. Since it does block the immune system, the drug does increase the risk of meningococcal infections, and patients must be vaccinated with a meningococcal vaccine at least two weeks before receiving the first dose of the drug. Soliris® is also approved for the treatment of aHUS. The drug was developed by Alexion Pharmaceuticals and patent expiration occurs in 2021.

Soliris® has been the subject of controversy as it has been called one of the most expensive drugs in the world, and. In 2014, it had a U.S. list price of about $440,000 per patient a year. According to EvaluatePharma, worldwide sales of Soliris® in 2014 were $2.2 billion, and estimates sales to be over $2.6 billion in 2015. According to a 2014 report by the International PNH Registry, close to 75% of PNH patients are not receiving Soliris® treatment. Some believe it is only being used in severe cases of PNH due to the high cost of the drug. For these reasons, Resverlogix believes that if apabetalone is successful as a treatment for PNH, it could fill a large unmet medical need for patients with this severe disease. It is still a little early for us at this point, but we will take a wait and see approach regarding the orphan disease program.

Conclusion & Valuation Methodology

We would like to remind investors that Resverlogix's lead product candidate, apabetalone (RVX-208), is the first selective BET bromodomain inhibitor in clinical trials for high-risk vascular disease. Apabetalone is targeting a very specific patient population with low HDL, type diabetes mellitus and chronic kidney disease with a high cardiovascular risk for increased MACE. Things are moving along with patient recruitment and trial site activation in Phase 3 BETonMACE.

According to internal analysis conducted by Resverlogix, there is a minimum high-risk market for apabetalone of 18.8 million patients in the top 7 global markets. We have adjusted our model to reflect apabetalone entering Phase 3 BETonMACE, and the first patient being dosed in the trial in November 2015. Management gave us some pretty good initial inputs for our valuation model and we have slightly ticked these up to 23% probability for high-risk CVD and 16% for diabetes mellitus, and 12% probability for chronic kidney disease for the U.S. We believe these are relatively conservative figures for projecting U.S. revenues, however, we have increased the probabilities for revenues outside of the U.S. to 40% for high-risk CVD and diabetes mellitus and 20% for chronic kidney disease, given the recent news that trial sites were initiated in Europe, and that the first patient should be dosed by year end. Management believes that the product will likely launch in 2021, with sales ramping up over the next several years. We are assuming peak sales in 2027. Management also gave us a 24% discount rate assumption, which we believe is a fair and conservative estimate.

We are modeling peak sales of $6.3 billion or approximately $5.7 billion, net of royalties. We have assumed gross sales of $1.5 billion from high-risk cardiovascular disease, $2.7 billion in diabetes mellitus, and $2.1 billion in chronic kidney disease. We also compared our projected peak sales figures to the existing market for at risk CVD patients, including approved drugs like Lipitor® ($13.7 billion peak in 2006), Crestor® ($6.6 billion peak in 2011, $5.5 billion in 2014), Lovaza® ($1.1 billion peak in 2013). We are also using several peak sales estimates we found for recently approved drugs such as Amgen's and Regeneron/Sanofi's PCSK9 inhibitors, evolocumab and alirocumab, respectively. We are also including CETP inhibitors, such as Merck's Phase 3 candidate anacetrapib, on the list of comparable drugs to help us understand the peak sales potential for apabetalone. Wall Street consensus estimates, as well as independent analyst estimates from websites such as TheStreet.com, FierceBiotech, Benzinga, and Seeking-Alpha, for these drugs range between $3 billion to $10 billion. We believe apabetalone, although flying significantly below the radar of these other drugs, has similar peak sales potential, if Phase 3 BETonMACE data are positive.

We believe that strong patent position and pharmacoeconomics of apabetalone, combined with a management skill set surrounding CVD and diabetes and a novel approach to addressing the residual risk in high need CVD patients, allows for Resverlogix to be in an interesting position. The company secured access to approximately $37 million USD in new capital through licensing and stock purchase agreements with Hepalink and Eastern Capital, which we believe should fully fund the Phase 3 BETon MACE program. On the other hand, we still believe that there are certain challenges that Resverlogix will continue to face such as proving the long-term hepatic safety of apabetalone use, and significant operating losses that are building up year after year. Additionally, we are still not sure what type of cardiovascular clinical trials the FDA and EMA will require of apabetalone, and we are still uncertain regarding the outcome of Phase 3 BETonMACE.

We do want to point out that data from this trial will not likely be available until mid to late-2018, but we hope to see some data from the interim futility analysis which will look at the chance of a positive result if existing trends for MACE continue, and will be formed when 50% of events are admitted. The recently announced complement-mediated orphan disease program could also provide further upside to our valuation, however at this time it is too early to include in our model. Additionally, the proposed multimodal mechanism of action of Resverlogix that we have discussed in previous reports leads us to believe that Resverlogix may consider evaluating apabetalone as it relates to other conditions in more depth, such as real disease, which would also provide additional upside to our valuation. Currently, we believe the company is undervalued. We are re-iterating our 'Buy' rating and raising our price target to $4.00 per share given the potential upside to the Resverlogix story.

PROJECTED FINANCIALS

Resverlogix Corp. - Income Statement

Resverlogix Corp.	Apr. 2015 FY-15 A	Jul. 2015 Q1 A	Oct. 2015 Q2 A	Jan. 2016 Q3 E	Apr. 2016 Q4 E	Apr. 2016 FY-16 E	Apr. 2017 FY-17 E	Apr. 2018 FY-18 E
RVX-208	$0	$0	$0	$0	$0	$0	$0	$0
Licensing & Collaborative	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-	-	-	-
Total Revenues	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
CoGS	$0	$0	$0	$0	$0	$0	$0	$0
Product Gross Margin	-	-	-	-	-	-	-	-
R&D Expense (net)	$4.2	$2.2	$3.2	$3.0	$3.5	$11.9	$15.0	$20.0
SG&A Expense	$4.3	$1.3	$0.9	$1.5	$1.6	$5.3	$6.3	$6.8
Operating Income	($8.5)	($3.5)	($4.1)	($4.5)	($5.1)	($17.2)	($21.3)	($26.8)
Operating Margin	-	-	-	-	-	-	-	-
Net Finance Activities	($9.9)	$6.1	$0.3	$1.7	$1.7	$9.8	$6.7	$6.7
Other Gain / Loss	($1.1)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Pre-Tax Income	($19.4)	$2.6	($3.8)	($2.8)	($3.4)	($7.4)	($14.6)	($20.1)
Taxes & Other	($1.1)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*100%*
Net Income	($18.3)	$2.6	($3.8)	($2.8)	($3.4)	($7.4)	($14.6)	($20.1)
Reported EPS	**($0.21)**	**$0.03**	**($0.04)**	**($0.03)**	**($0.03)**	**($0.07)**	**($0.14)**	**($0.18)**
YOY Growth	-						-	-
Shares Outstanding	85.6	105.1	105.1	105.1	106.5	105.4	108.0	110.0

Source: Company Filing // Zacks Investment Research, Inc. Estimates



Source: Resverlogix Corp.

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