

Revance Therapeutics

(RVNC-NASDAQ)

Stock Rating: Outperform
Stock Price: US\$30.82
Target Price: US\$37.00

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Specialty Pharmaceuticals

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In-Line 4Q Reported; RT002 Data Next Catalyst

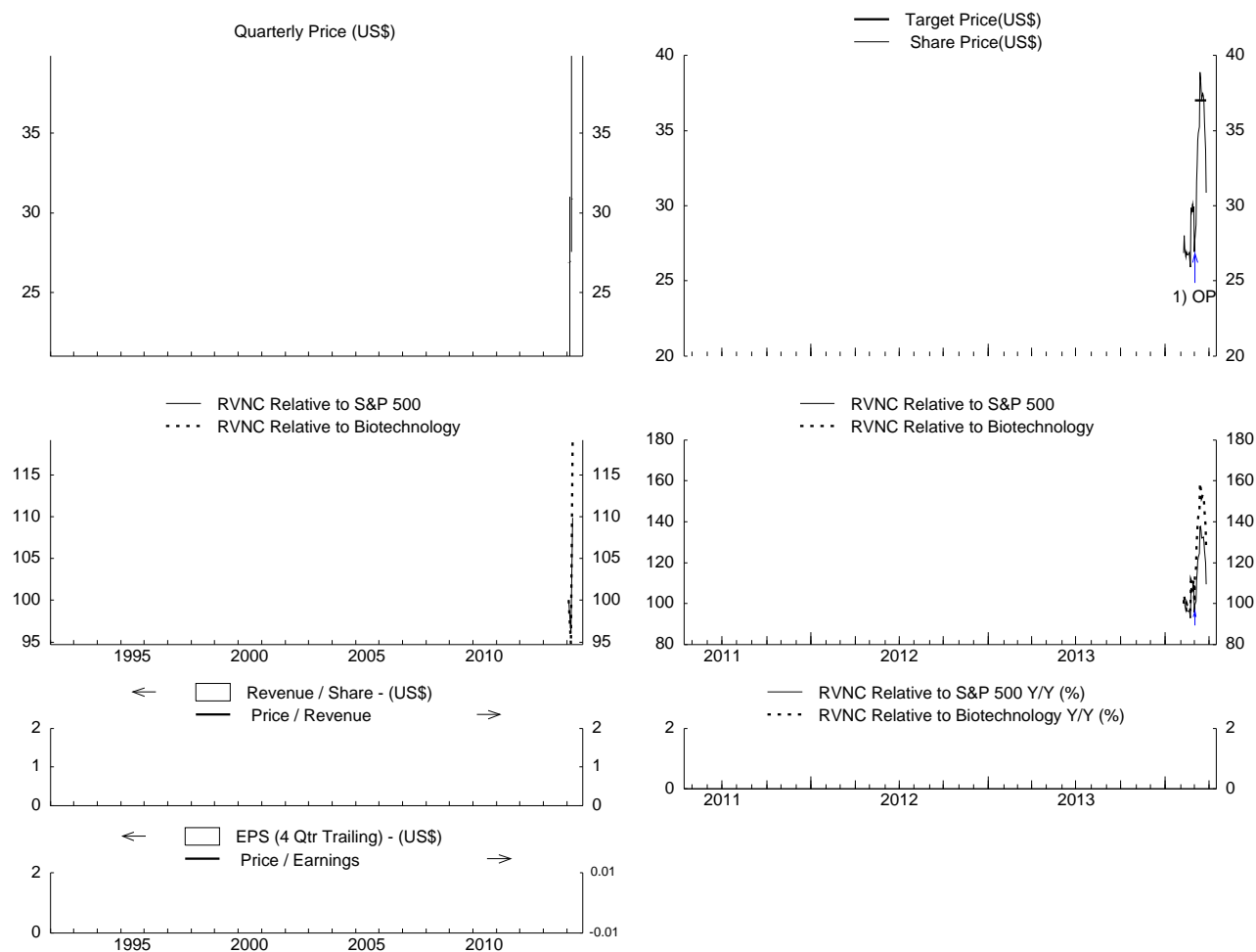
Revance Therapeutics reported 4Q13 results, its first quarter as a public company. Since the company is a development-stage company, overall financial results are less a focus for us than clinical development. Revance's net loss of \$10.1 million was slightly higher than our estimate of \$8.9 million. R&D expenses in the quarter came in at \$6.2 million, versus our estimate of \$6.0 million, while SG&A spending totaled \$3.0 million, in line with our projection of \$3.0 million. The company also provided projections for 2014 of operating expenses from \$55 million to \$60 million, in line with our expectation of \$55.5 million and cash burn in the range of \$75 million to \$85 million, which includes a \$7.1 million payment to Medicis related to Revance's previously completed deal to regain the rights to its clinical programs from Medicis.

Our View:

- There were few surprises in Revance's first earnings call as a public company. The company is on track to release the RT002 Phase I/II duration data in the next several months.
- Revance also initiated the RT001 Phase III study for long-term safety in crow's feet lines and plans to initiate the Phase III study of treatment of crow's feet lines in 2014.
- We continue to think of Revance as a potential game-changer in aesthetics, with two high value programs addressing multiple targets – the topical botulinum addressing crow's feet, hyperhidrosis, migraine and other areas, and a long-acting injectable formulation that has the potential to have much longer duration of action than current treatments. Investors should be aware of the risks that we outlined in our initiation of coverage report, especially risks associated with development-stage companies.
- We think if the RT002 data coming in the next month or two is positive, it will act as a major positive catalyst for the shares as investors until now, we believe, have been singularly focused the topical opportunity with RT001.
- We maintain our \$37 price target.

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

Revene 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	-1.9	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 (March 25, 2014): \$30.87
 Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

IMPORTANT DISCLOSURES**Analyst's Certification**

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Methodology and Risks to Price Target/Valuation

Methodology: We arrive at our target price using a discounted cash flow analysis, as well as a sector multiple applied to discounted earnings.

Risks: In addition to the normal risks inherent in pharmaceutical companies, such as regulatory, reimbursement, and competitive risks, our valuation of RVNC carries several other risks. Among the risks to our valuation is RVNC's dependence on approval of their lead product and anticipated sales and profitability to drive the value of RVNC.

Unseen side effects, safety issues, and competitive threats have not been taken into account in our valuation and if any of these were to emerge, it is likely RVNC shares would be significantly and negatively impacted. RVNC is currently running at a substantial loss, and with this fact comes several other risks, including the potential need for financing. One cannot be certain that RVNC would be able to secure additional financing and at what cost. Our valuation includes a value for the current pipeline of additional products RVNC is investigating. We have estimated a public market value for these assets based on what a similar company might be valued in a public market. Less is known about these programs relative to RVNC's lead program and given their early nature, they carry substantial development risk.

Distribution of Ratings (December 31, 2013)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	38.0%	20.4%	49.0%	38.8%	50.4%	52.5%
Hold	Market Perform	56.1%	13.8%	49.0%	54.0%	46.5%	41.8%
Sell	Underperform	5.8%	5.6%	2.0%	7.2%	3.1%	5.7%

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

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OP = Outperform - Forecast to outperform the analyst's coverage universe on a total return basis

Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis

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(S) = speculative investment;

NR = No rating at this time;

R = Restricted – Dissemination of research is currently restricted.

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