Revance

Equity Research

Estimate Changes

March 27, 2014

Price: $30.82 (03/26/2014)

Price Target: $55.00

OUTPERFORM (1)

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Key Data

Symbol	NASDAQ: RVNC
52-Week Range:	$39.86 - 16.00
Market Cap (MM):	$574.6
Net Debt (MM):	$102.7
Cash/Share:	$20.01
Dil. Shares Out (MM):	17.7
Enterprise Value (MM):	$711.2
ROIC:	NA
ROE (LTM):	NA
BV/Share:	$(649.53)
Dividend:	NA

FY (Dec)	2013E	2014E	2015E
Earnings Per Share			
Year	$1.05	$(3.25)	$(3.65)
Prior Year	*$(2.95)*	-	-
P/E	29.4x	NM	NM
Consensus EPS	-	$(4.41)	$(3.21)
Prior Year	-	*$0.00*	*$0.00*

Consensus source: Thomson Reuters

Revenue (MM)			
Year	$0.6	$0.0	$0.0
Prior Year	*$0.0*	-	-

Earnings/Management Update Reinforces Positive Thesis - Add Right Here

The Cowen Insight

2014 could be transformative for Revance with key data disclosures from its two lead franchises. First, we anticipate that RT002 duration data could be revealed within the next 1-3 months. Following that disclosure, Phase III data from lead program RT001 should be released in Q3:2014. Positive data from both could treble the valuation from here. We would buy aggressively at these levels.

Management Indicates RT002 Data Should Be Available Soon

RT-002 is a long-acting injectable botulinum toxin, which we believe could be disruptive/transformative in the therapeutic treatment market. Importantly, Phase I/II duration data should be announced this spring – and although small scale and early – could prove exceedingly interesting. Recall, the original 30-day efficacy data from this study suggests that RT002 is at least equivalent in efficacy and potentially superior to existing neurotoxin injectables. Management indicates this spring (which we believe will be in the next 1-3 months) duration data from a 12 patient cohort will be disclosed. We believe a duration of action 50% greater (6+ months) compared to Botox (at 3-4 months) would be significant, and potentially allow for RT002 to be disruptive in the current neurotoxin injectable marketplace. Following results of this study – if positive – Revance is planning to initiate a head-to-head Phase II study comparing the durability of RT002 versus existing neurotoxin injectables (i.e. Botox). Given its disruptive potential, we wonder whether Allergan could afford to let such a head-to-head study read-out without owning the program.

Lead RT001 Clinical Program Continues To Progress

Revance has announced that the Phase III long-term, open-label safety study for RT001 in 1800 patients has been initiated with interim and final data to read out in 2015 and 2016, respectively. Importantly, the first pivotal Phase III efficacy study for RT001 in 170 patients should be initiated shortly and results are expected in Q3:2014. The second pivotal Phase III efficacy study will be initiated after these results with data expected in 2015. Management indicated that the EU pivotal program is on track for a 2015 initiation.

Multiple Scenarios Argue For Higher Valuation From These Levels

Assuming clinical success and a reasonable RT001 penetration rate, we arrive at a base valuation of $55 per share. This assumes that Revance embarks upon its own marketing/promotional effort, which we believe this management team is very well equipped to do. Alternatively, a potential acquirer with its own commercial infrastructure — which would significantly lower our spending assumptions in the DCF — would argue for a valuation of the RT001 opportunity alone of $80. And if combined with successful development for RT002 would provide for a transformational valuation in excess of $100+. Given these potential outcomes, we would be adding aggressively at these levels.

At A Glance

Our Investment Thesis

Assuming clinical success and a reasonable RT001 penetration rate, we arrive at a base valuation of $55 per share. This assumes that Revance embarks upon its own marketing/promotional effort, which we believe this management team is very well equipped to do. Alternatively, a potential acquirer with its own commercial infrastructure — which would significantly lower our spending assumptions in the DCF — would argue for a valuation of the RT001 opportunity alone of $80. And if combined with successful development for RT002 would provide for a transformational valuation in excess of $100+. Given these potential outcomes, we would be adding at these levels.

Forthcoming Catalysts

- Spring 2014 — Phase I/II duration data from RT002 study in glabellar lines
- H2:2014 — Phase III data from first, pivotal RT001 US study in crow's feet
- 2015 — Second pivotal US and first pivotal EU data release for RT001 in crow's feet
- 2015 — Phase II data of RT001 in hyperhidrosis and RT002 in glabellar lines

Base Case Assumptions

$55-60 per share assuming reasonable commercial success for RT001

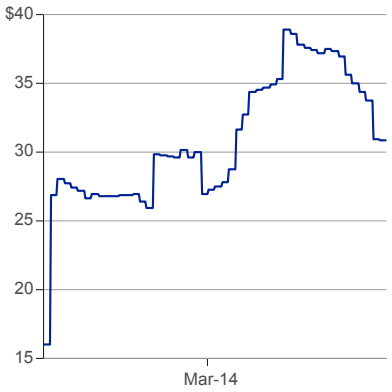
Upside Scenario

$80 upon acquisition and $100+ on successful development of RT002

Downside Scenario

$15 on another RT001 development setback

Price Performance



Source: Bloomberg

Company Description

Revance is a development-stage specialty pharmaceutical company developing transformative botulinum toxin products for cosmetic and therapeutic indications. The Company currently wholly owns worldwide rights to its products and has a powerful TransMTS delivery technology platform, which could provide future licensing/ partnering opportunities.

Analyst Top Picks

	Ticker	Price (03/26/2014)	Price Target	Rating
Allergan	AGN	$122.34	$145.00	Outperform
Actavis	ACT	$202.94	$255.00	Outperform

RT002 Data Could Be Released Shortly

The bottom-line is that we can easily envision a scenario where the RT002 program creates value not only for Revance, but potentially creates significant value for Allergan which would not only be protecting its single most important (and still growing franchise) – but could actually enhance its value. What would a program like this be worth to both protect, extend – and create additional value? A lot, we believe.

The RT002 program (long-acting injectable botulinum toxin), receives significantly less focus than RT-001, Revance's topical botulinum toxin. This is understandable, as the data for this program has been limited to date. However, this is about to change as results from the ongoing Phase I/II 48 patient RT002 study – which has a 12 patient cohort to show duration – should be announced this spring. We believe a duration of action 50% greater (6+ months) compared to Botox (at 3-4 months) would be significant, and potentially allow for RT-002 to be disruptive in the current neurotoxin injectable marketplace. Following results of this study – if positive – Revance is planning to initiate a head-to-head study comparing the durability of RT002 versus existing neurotoxin injectables (i.e. Allergan's Botox). Given its potential disruptive potential, we wonder (aloud) whether Allergan could afford to let such a head-to-head study read-out without owning the program. We also wonder (aloud) whether RT002 could be used in the therapeutic indications to finally achieve the appropriate price differential between the Botox aesthetic market (where Allergan could leave that product in that setting) and use RT002 in the therapeutic market where having a longer-duration option would likely be very well received by neurologists/patients by minimizing visits and extending efficacy. For perspective, we estimate that U.S. Botox Therapeutic sales will reach nearly $850-900MM in 2014 (out of the total global Botox Therapeutic estimate of $1,250MM). Given the inability to price differentiate the product in this reimbursed setting because of the availability of the same product in the private pay aesthetic market, the value for the franchise likely could be 50-100% higher, or an additional/incremental $425-900MM in the U.S. alone if finally appropriately priced. Allergan indicates that they have several other botulinum programs in development (potentially even a long-acting option) but information on these products has been limited to date. And whether Allergan has such programs is – to a certain extent – irrelevant, given that if Revance could be faster to market with a differentiated duration product it would be able to establish a first mover advantage that other competitors (Valeant, Johnson & Johnson, GlaxoSmithKline, just to name a few) would likely very much covet, in our view. The bottom-line is that we can easily envision a scenario where the RT002 program creates value not only for Revance, but potentially creates significant value for Allergan which would not only be protecting its single most important (and still growing franchise) – but could actually enhance its value. What would a program like this be worth to both protect, extend – and create additional value? A lot, we believe.

While we caution that the information/data that we currently have on RT002 is exceedingly early, we believe that there are some interesting observations that can be made. In the first Phase I/II RT002 study conducted that confirmed efficacy, an effect was qualitatively observed in a study patient up to 7 months (+75-133% longer acting). In rodent studies, effects +58-126% longer than Botox were observed. Although these initial proof-of-concept studies for RT002 (described on later pages within this note) are in the cosmetic setting, we believe it ultimately could prove transformative for therapeutic treatment where fewer clinician visits for such treatments as spasticity/stroke, cervical dystonias, and migraine, would be very well received. And, as indicated above, if there is success in this program, we believe that this asset would look exceedingly attractive to other manufacturers (those already with an injectable and therefore seeking to protect their franchise, as well as to those that would like to enter this very lucrative market).

Background Information: RT002, A "Next Generation" Injectable Toxin With A Potential Longer Duration Of Action, Which Could Be Disruptive To Existing Neurotoxin Injectables

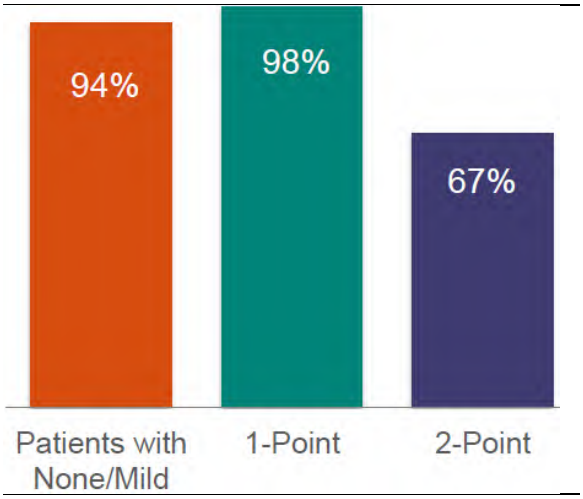
Essentially, instead of having to be reinjected every 3-4 months, RT002 could increase that time period to potentially every 6-7 months. If Revance is able to achieve this in the Phase I/II study to report out in the next few months, we – and our physician consultants – agree that this product could be highly disruptive to the existing $2.7B global neurotoxin injectable marketplace and command a significant share in a swift manner.

RT002 is Revance's second drug candidate and with it, the Company hopes to demonstrate at least a 50% longer duration of action relative to existing injectable neurotoxin treatments (Botox, Dysport, Xeomin). Serendipitously, the Company noticed that when the peptide-conjugated botulinum toxin complex was injected, the TransMTS peptide allowed for less diffusion increased toxin retention in the injection site, and ultimately a potential significantly longer duration of action. Essentially, instead of having to be reinjected every 3-4 months, RT002 could increase that time period to potentially every 6-7 months. If Revance is able to achieve this in the Phase I/II study to report out in the next few months, we – and our physician consultants – agree that this product could be highly disruptive to the existing $2.7B global neurotoxin injectable marketplace and command a significant share. Additionally, with a significantly extended duration of action, we believe RT002 could be priced at a premium to existing injectable neurotoxins.

RT002 is currently in Phase I/II, with Phase II results to report out this spring – before the Phase III results from the first pivotal RT001 study in crow's feet. Additional Phase II data could be generated and reported in 2015 at which point the Company would most likely make a decision to move into Phase III. We believe Phase III studies could start in 2015/2016 with data by 2016/2017. Then, a potential BLA filing in the US could occur in late 2017/early 2018, with a late 2018/early 2019 US approval and launch.

The initial indication for RT002 will be for the temporary reduction in the appearance of moderate to severe glabellar lines (the "I I" shaped lines in between the eye brows) associated with the corrugator and/or procerus muscle activity in adult patients $\leq$65 years of age – the initial Botox cosmetic indication. While the goal is to significantly increase the duration of effect, RT002 could also demonstrate a response rate and safety profile equal or superior to current injectable products. The product will be a vacuum-dried powder in a stoppered vial for reconstitution with sterile, preservative-free 0.9% sodium chloride, similar to existing injectable neurotoxin products. Also, since the product won't require mixing with a gel diluent, it should be stable at room temperature. Revance is conducting a Phase I/II study in 48 patients for RT002 with the objective of evaluating the safety and efficacy of a single administration of RT002, compared to placebo for the treatment of moderate to severe glabellar lines. The study is an open-label, dose-escalating trial with a single dose administration and 4 cohorts. The efficacy measures were investigator assessment at maximum smile, which consisted of a 4 point (0 is none; 3 is severe) Glabellar Line Severity Scale (GLSS) and a Global Aesthetic Improvement Scale (GAIS; from -3 very much worse, to 0 no change, to +3 very much improved). At 30 days, dramatic improvements in all dose groups were observed and even the effect of the lowest dose appeared to be superior to current, approved injectables. 98% and 67% of subjects had a 1 and 2 point improvement on the GLSS at maximum frown at week 4. Importantly, RT002 was well-tolerated with no safety concerns, minimal AEs, and no reported ptosis. We now await results from the 9-month duration portion of the study that should report out this spring.

Figure 1 RT002 Phase I/II Study Results (% responders; n=48)



Source: Company Reports

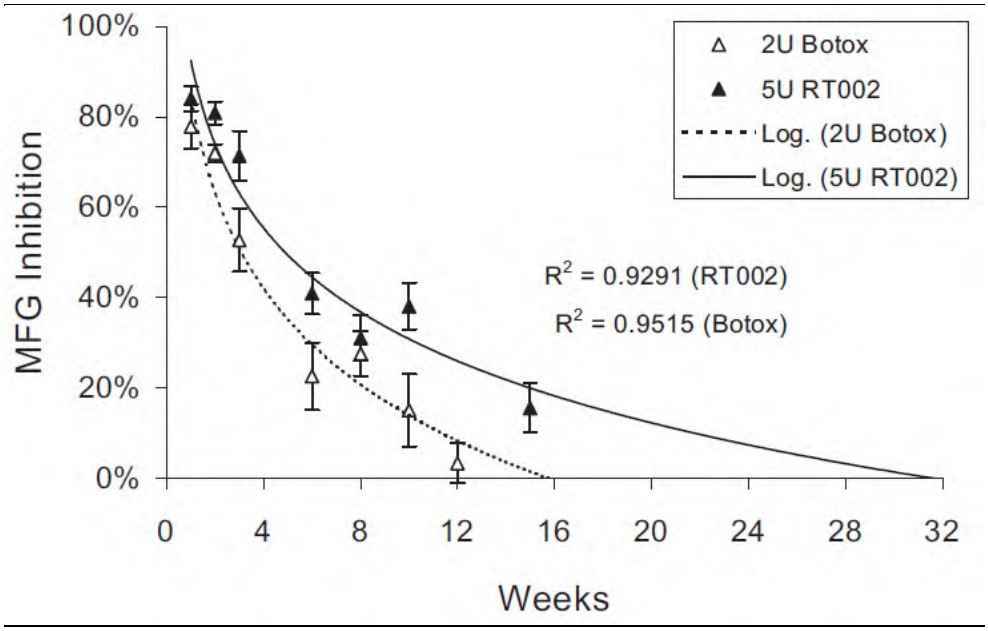
The image below shows the significant qualitative improvement observed with a single, lowest dose of RT002 after 4 weeks. Also qualitatively, the same subject pictured below maintained this effect up to 7 months post treatment.

Figure 2 Qualitative Phase I/II Results From The Lowest Dose (Cohort 1) of RT002 To Treat Glabellar Lines

Source: Company Reports; Cowen and Company

Supporting the concept that RT002 has the potential for a longer duration of action relative to existing injectable neurotoxins, a Toxicon publication in 2011 (H.F. Stone et al. / Toxicon 58 (2011) 159–167) demonstrated that in mice RT002 treatment resulted in an extended duration as compared to Botox by 58–100%. When using "diffusion matched doses," RT002 treatment resulted in a 100–126% increase in duration of drug effect as compared to Botox.

Figure 3 Time Course Of Single Twitch MFG Recovery After BoNTA Treatment In Mice (Weeks 1-15)



Source: H.F. Stone et al. / Toxicon 58 (2011) 159–167

Figure 4 Revance Annual P&L

REVANCE - 2014-2021 ESTIMATED ANNUAL EPS BUILDUP ($MM)

	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	CGR	Comments
U.S. RT001 Cosmetic Sales					$30.0	$115.0	$230.0	$360.0	$415.0		- RT001 in Phase III; Launch expected in late 2017
Growth Rate						+283%	+100%	+57%	+15%		- Rapid growth expected; core patents through 2027-29, with potential 5-year ext.
U.S. RT001 Therapeutic Sales							$25.0	$65.0	$105.0		- RT001 in Phase I/II; Launch expected in 2019
Growth Rate								+160%	+65%		- Solid growth expected
EU RT001 Cosmetic Sales						$15.0	$50.0	$105.0	$165.0		- RT001 in Phase III; Launch expected in 2018
Growth Rate							+233%	+110%	+15%		
U.S. RT002 Cosmetic Sales											- RT002 in Phase I/II; Launch expected in 2019
Growth Rate											- Could be a competitive threat to Botox; longer duration
Total Revance Revenues	**$0.6**	**$0.0**	**$0.0**	**$0.0**	**$30.0**	**$130.0**	**$305.0**	**$530.0**	**$685.0**		
% Change						+333%	+135%	+74%	+29%		
Cost of Goods	$0.00	$0.0	$0.0	$0.0	$15.0	$23.4	$48.8	$74.2	$82.2		
Gross Profit	$0.6	$0.0	$0.0	$0.0	$15.0	$106.6	$256.2	$455.8	$602.8		
Gross Margin					50.0%	82.0%	84.0%	86.0%	88.0%		- Solid margins
SG&A	$11.0	$17.5	$19.0	$30.0	$60.0	$75.0	$135.0	$175.0	$215.0	+17%	- Salesforce expansion in 2016/2017, in preparation for RT001 launch
% of Revs					200.0%	57.7%	44.3%	33.0%	31.4%		- 100 reps@$300K adds $30MM
R&D	$27.8	$40.0	$50.0	$50.0	$50.0	$50.0	$50.0	$50.0	$50.0	+0%	- Clinical trial costs in 2013 of approximately $35MM
% of Revs					166.7%	38.5%	16.4%	9.4%	7.3%		- Additional clinical trials for RT001 indications
Operating Expenses	$38.8	$57.5	$69.0	$80.0	$110.0	$125.0	$185.0	$225.0	$265.0	+9%	
% of Revenues					366.7%	96.2%	60.7%	42.5%	38.7%		
Operating Income	($38.2)	($57.5)	($69.0)	($80.0)	($95.0)	($18.4)	$71.2	$230.8	$337.8	NM	- Operating profit expected in 2019
% Operating Margin	NM	NM	NM	NM	-316.7%	-14.2%	23.3%	43.5%	49.3%		
Non-Operating Income											
Interest Income	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0		
Interest Expense	(15.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other Income	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Non-Operating Income	($14.2)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0		
Pretax Income	($52.4)	($57.5)	($69.0)	($80.0)	($95.0)	($18.4)	$71.2	$230.8	$337.8	NM	
% of Revs	NM	NM	NM	NM	NM	NM	23.3%	43.5%	49.3%		
Income Taxes							$24.9	$80.8	$118.2	NM	
Income Tax Rate							35.0%	35.0%	35.0%		
Net Income - Operations	($52.4)	($57.5)	($69.0)	($80.0)	($95.0)	($18.4)	$46.3	$150.0	$219.6	NM	
% Net Margin	NM	NM	NM	NM	NM	NM	15.2%	28.3%	32.1%		
Extraordinary Items	$52.7	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0		
Reported Net Income	$0.3	($57.5)	($69.0)	($80.0)	($95.0)	($18.4)	$46.3	$150.0	$219.6	NM	
Interest Add-Back	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0		
EPS (GAAP) - Before Ex. Items	($2.95)	($3.25)	($3.65)	($3.80)	($4.15)	($0.75)	$1.70	$5.15	$7.10	NM	- Profitable in 2018/2019 following the launch of RT001
Growth	NM	NM	NM	NM	NM	-82%	NM	+203%	+38%		
EPS - Extraordinary Items	$2.97	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00		
EPS - Reported	$1.05	($3.25)	($3.65)	($3.80)	($4.15)	($0.75)	$1.70	$5.15	$7.10	NM	
Shares - Fully Diluted (MM)	17.7	17.7	19.0	21.0	23.0	25.0	27.0	29.0	31.0		- Diluted shares; assuming some onward dilution from options

Source: Cowen and Company

Figure 5 US Cosmetic Neurotoxin Treatment Market Build

ESTIMATED U.S. COSMETIC NEUROTOXIN INJECTABLE TREATMENT MARKET											
	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	CGR	Comments
Total WW Cosmetic & Thera Neurotoxin Sales (MM)	**$2,400**	**$2,700**	**$3,025**	**$3,350**	**$3,700**	**$4,050**	**$4,350**	**$4,650**	**$4,950**	+9%	**- Allergan indicates the current WW market is $2.7B**
Growth Rate	+14%	+13%	+12%	+11%	+10%	+9%	+8%	+7%	+6%		- Total WW Neurotoxin growth has been 13% over the last year
Total U.S. Cosmetic & Thera Neurotoxin Sales (MM)	**$1,500**	**$1,690**	**$1,890**	**$2,075**	**$2,295**	**$2,490**	**$2,655**	**$2,815**	**$2,995**	+8%	**- Est that U.S. contributes 60-65% of WW toxin use**
Growth Rate	+13%	+13%	+9%	+10%	+11%	+8%	+7%	+6%	+6%		- Estimated that Therapeutic growth will be higher than cosmetic
Estimated U.S. Cosmetic Use % of Total U.S. Neurotoxin	*48%*	*46%*	*45%*	*44%*	*43%*	*42%*	*41%*	*40%*	*39%*		- Est that roughly 46% of Neurotoxin use is Cosmetic
Total U.S. Cosmetic Neurotoxin Sales (MM)	**$720**	**$775**	**$850**	**$915**	**$985**	**$1,045**	**$1,090**	**$1,125**	**$1,170**	+5%	- U.S. market has been relatively healthy
Growth Rate	+11%	+8%	+10%	+8%	+8%	+6%	+4%	+3%	+4%		
Boxtox U.S. Cosmetic Share (AGN)	84%	79%	79%	79%	79%	79%	79%	79%	79%		- Leading treatment - market creator
Procedures (000)	5,378	5,422	5,763	6,237	6,710	7,097	7,398	7,656	7,957		- Procedure growth should continue to steadily grow
Average Cost Per Vial	$450	$450	$465	$465	$465	$465	$465	$465	$465		- Botox just took a 3% price increase in Jan 2014
Sales ($MM)	$605.00	$610.00	$670.00	$725.00	$780.00	$825.00	$860.00	$890.00	$925.00	+6%	
Dysport U.S. Cosmetic Share (VRX)	14%	14%	13%	13%	13%	13%	13%	13%	13%		- Valeant has taken over marketing; second to market
Procedures (000)	889	978	978	1,067	1,156	1,200	1,244	1,289	1,333		- Essentially undifferentiated product
Average Cost Per Vial	$450	$450	$450	$450	$450	$450	$450	$450	$450		- Priced in-line with Botox
Sales ($MM)	$100.0	$110.0	$110.0	$120.0	$130.0	$135.0	$140.0	$145.0	$150.0	+5%	
Others/Xeomin Share	2%	7%	8%	8%	8%	8%	8%	8%	8%		- Product was relaunched in January 2012
Procedures (000)	150	550	700	750	800	850	850	900	950		- Essentially undifferentiated product; currently has 7% market share
Average Cost Per Vial	$400	$400	$400	$400	$400	$400	$400	$400	$400		- Pricing has been more aggressvie
Sales ($MM)	$15.0	$55.0	$70.0	$75.0	$80.0	$85.0	$85.0	$90.0	$95.0	+5%	
Total Cosmetic Market Sales (MM)	**$720**	**$775**	**$850**	**$915**	**$985**	**$1,045**	**$1,090**	**$1,125**	**$1,170**	+5%	- Growth continuing to be relatively stable
% Growth	+11%	+8%	+10%	+8%	+8%	+6%	+4%	+3%	+4%		

ESTIMATED U.S. COSMETIC TOPICAL NEUROTXIN TREATMENT MARKET/RT001 ESTIMATED SALES											
	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	CGR	Comments
RT001 U.S. Cosmetic Sales											
Procedures/Patients						**258**	**989**	**1,978**	**3,097**		- Procedure growth should grow rapidly
Average Cost						$465	$465	$465	$465		- In-line pricing with Botox and others
Sales ($MM)						**$30**	**$115**	**$230**	**$360**		- Should be alone in the market for many years
% of Estimated U.S. Injectable Cosmetic Neurotoxin						***3%***	***11%***	***20%***	***31%***		- Estimated to reach 30%+ of U.S. Neurotoxin market by 2020
Total U.S. Cosmetic Neurotoxin Market Sales (MM)		**$775**	**$850**	**$915**	**$985**	**$1,075**	**$1,205**	**$1,355**	**$1,530**	+10%	- Growth should be rapid given likely clinician/patient acceptance
% Growth						+9%	+12%	+12%	+13%		

Source: Cowen and Company

Figure 6 US Therapeutic Neurotoxin Treatment Market Build

ESTIMATED U.S. THERAPEUTIC NEUROTOXIN INJECTABLE TREATMENT MARKET

	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	CGR	Comments
Total WW Cosmetic & Thera Neurotoxin Sales (MM)	**$2,400**	**$2,700**	**$3,025**	**$3,350**	**$3,700**	**$4,050**	**$4,350**	**$4,650**	**$4,950**	+9%	**- Allergan indicates the current WW market is $2.7B**
Growth Rate	+14%	+13%	+12%	+11%	+10%	+9%	+8%	+7%	+6%		- Total WW Neurotoxin growth has been 13% over the last year
Total U.S. Cosmetic & Thera Neurotoxin Sales (MM)	**$1,500**	**$1,690**	**$1,890**	**$2,075**	**$2,295**	**$2,490**	**$2,655**	**$2,815**	**$2,995**	+8%	**- Est that U.S. contributes 60-65% of WW toxin use**
Growth Rate	+13%	+13%	+9%	+10%	+11%	+8%	+7%	+6%	+6%		- Estimated that Therapeutic growth will be higher than cosmetic
Estimated U.S. Therapeutic Use % of Total U.S. Neurotoxin	*52%*	*54%*	*55%*	*56%*	*57%*	*58%*	*59%*	*60%*	*61%*		- Est that roughly 54% of Neurotoxin use is Therapeutic
Total U.S. Therapeutic Neurotoxin Sales (MM)	**$780**	**$915**	**$1,040**	**$1,160**	**$1,310**	**$1,445**	**$1,565**	**$1,690**	**$1,825**	+10%	- U.S. market has been relatively healthy
Growth Rate	+16%	+17%	+14%	+12%	+13%	+10%	+8%	+8%	+8%		- Estimated that Therapeutic growth will be higher than cosmetic
Boxtox U.S. Therapeutic Share (AGN)	88%	85%	85%	85%	85%	85%	85%	85%	85%		- Leading treatment - market creator
Procedures (000)	761	867	952	1,059	1,199	1,323	1,430	1,543	1,667		- Procedure growth should continue to steadily grow
Average Cost Per Vial	$450	$450	$465	$465	$465	$465	$465	$465	$465		- Botox just took a 3% price increase in Jan 2014
Sales ($MM)	$685.00	$780.00	$885.00	$985.00	$1,115.00	$1,230.00	$1,330.00	$1,435.00	$1,550.00	+10%	
Dysport U.S. Therapeutic Share (VRX)	13%	15%	15%	15%	15%	15%	15%	15%	15%		- Valeant has taken over marketing; second to market
Procedures (000)	61	78	78	78	78	78	78	78	78		- Essentially undifferentiated product
Average Cost Per Vial	$450	$450	$450	$450	$450	$450	$450	$450	$450		- Priced in-line with Botox
Sales ($MM)	$55.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	+0%	
Others/Xeomin Share											
Procedures (000)											
Average Cost Per Vial											
Sales ($MM)											
Total Cosmetic Market Sales (MM)	**$780**	**$915**	**$1,040**	**$1,160**	**$1,310**	**$1,445**	**$1,565**	**$1,690**	**$1,825**	+10%	- Growth continuing to be relatively stable
% Growth	+16%	+17%	+14%	+12%	+13%	+10%	+8%	+8%	+8%		

ESTIMATED U.S. THERAPEUTIC TOPICAL NEUROTXIN TREATMENT MARKET/RT001 ESTIMATED SALES

	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E	CGR	Comments
RT001 U.S. Therapeutic Sales											
Procedures/Patients								27	70		- Procedure growth should grow rapidly
Average Cost								$465	$465		- In-line pricing with Botox and others
Sales ($MM)								**$25**	**$65**		- Should be alone in the market for many years
% of Estimated U.S. Injectable Cosmetic Neurotoxin								***1%***	***4%***		- Estimated to reach ~5% of U.S. Neurotoxin market by 2020
Total U.S. Cosmetic Neurotoxin Market Sales (MM)	**$780**	**$915**	**$1,040**	**$1,160**	**$1,310**	**$1,445**	**$1,565**	**$1,715**	**$1,890**	+10%	- Growth should be rapid given likely clinician/patient acceptance
% Growth	+16%	+17%	+14%	+12%	+13%	+10%	+8%	+10%	+10%		

Source: Cowen and Company

Valuation Methodology And Risks

Valuation Methodology

Pharmaceuticals/Specialty

For our valuation methodology, we arrive at fair value utilizing a discounted cash flow (DCF) approach to derive our 12-month price target.

Investment Risks

Pharmaceuticals/Specialty

Risks include: (1) growing competitive dynamics in the specialty pharmaceuticals space; (2) the ability of management to execute on external growth by successfully acquiring new strategic, accretive products; (3) the ability to grow organically and keep the product pipeline robust; (4) potential regulatory delays, rejections, or failures of pipeline products; (5) economic sensitivity of any self-pay products or weakening consumer demand; (6) domestic or international pricing pressures for marketed products; and (7) failure to execute on new product launches.

Risks To The Price Target

Revance is a development-stage specialty pharmaceutical company and with that carries risk. Failure to successfully develop RT001 could result in a significant decrease to our valuation.

Addendum

Stocks Mentioned In Important Disclosures

Ticker	Company Name
ACT	Actavis
AGN	Allergan
RVNC	Revance

Analyst Certification

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Cowen and Company Rating System effective May 25, 2013

Outperform (1): The stock is expected to achieve a total positive return of at least 15% over the next 12 months

Market Perform (2): The stock is expected to have a total return that falls between the parameters of an Outperform and Underperform over the next 12 months

Underperform (3): Stock is expected to achieve a total negative return of at least 10% over the next 12 months

Assumption: The expected total return calculation includes anticipated dividend yield

Cowen and Company Rating System until May 25, 2013

Outperform (1): Stock expected to outperform the S&P 500

Neutral (2): Stock expected to perform in line with the S&P 500

Underperform (3): Stock expected to underperform the S&P 500

Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period

Cowen Securities, formerly known as Dahlman Rose & Company, Rating System until May 25, 2013

Buy – The fundamentals/valuations of the subject company are improving and the investment return is expected to be 5 to 15 percentage points higher than the general market return

Sell – The fundamentals/valuations of the subject company are deteriorating and the investment return is expected to be 5 to 15 percentage points lower than the general market return

Hold – The fundamentals/valuations of the subject company are neither improving nor deteriorating and the investment return is expected to be in line with the general market return

Cowen And Company Rating Definitions

Distribution of Ratings/Investment Banking Services (IB) as of 12/31/13

Rating	Count	Ratings Distribution	Count	IB Services/Past 12 Months
Buy (a)	415	59.20%	68	16.39%
Hold (b)	270	38.52%	4	1.48%
Sell (c)	16	2.28%	1	6.25%

(a) Corresponds to "Outperform" rated stocks as defined in Cowen and Company, LLC's rating definitions. (b) Corresponds to "Market Perform" as defined in Cowen and Company, LLC's ratings definitions. (c) Corresponds to "Underperform" as defined in Cowen and Company, LLC's ratings definitions.

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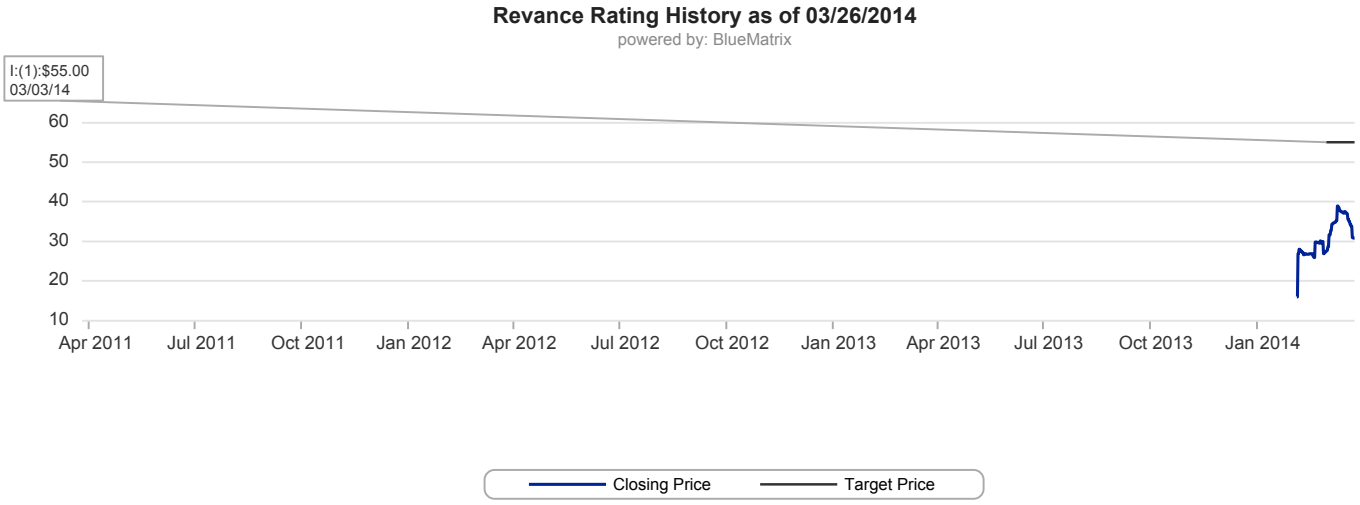

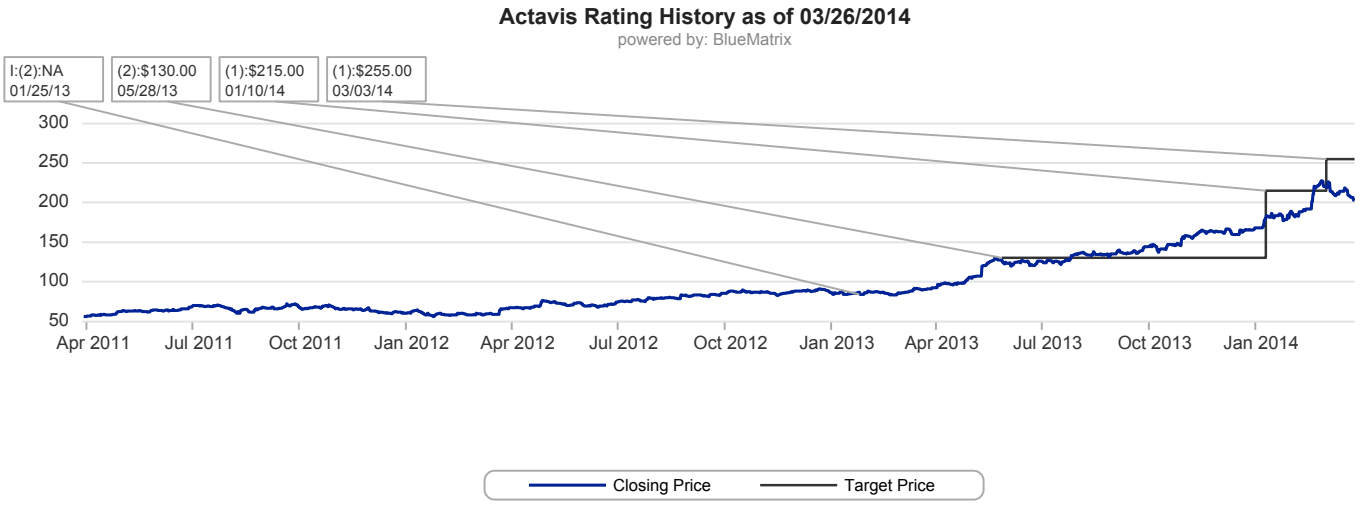

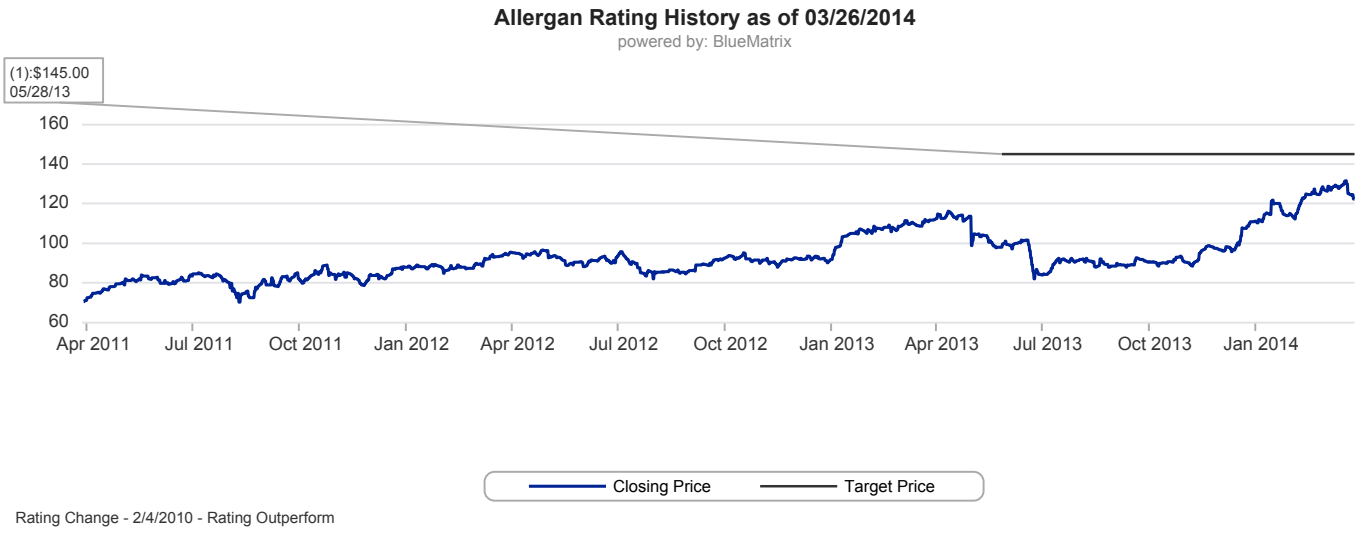

Rating Change - 2/4/2010 - Rating Outperform

Legend for Price Chart:

I = Initation | 1 = Outperform | 2 = Market Perform | 3 = Underperform | UR = Price Target Under Review | T = Terminated Coverage | $xx = Price Target | NA = Not Available

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