

Revance Therapeutics, Inc. (RVNC)

Overweight

1Q Update: Brisk Lineup of Catalysts in 2H14/2015

CONCLUSION

Yesterday afternoon, Revance reported a 1Q14 non-GAAP net loss per share of (\$1.08). The company currently has a cash balance of approximately \$88M, which should be sufficient to fund operations into 2015. RVNC noted that it recently initiated a long-term safety study for needle-free neuromodulator RT001, with interim data expected in 2015. Data from the first placebo-controlled Phase III study for the product in lateral canthal lines (LCL) remain on track for 2H14. We continue to believe that the strong body of data for RT001 points to relatively limited Phase III risk. Given that backdrop, the potential for the product in multiple indications, plus the opportunity for long-acting injectible neuromodulator RT002, RVNC shares are trading at a compelling risk/reward in our view at a market cap of under \$600M. We reiterate our Overweight rating and \$44 PT.

- **Cash balance sufficient to fund operations into 2015.** RVNC reiterated that it will burn through \$75-\$85M of cash in 2014 (this includes \$7M paid under its settlement agreement with Medicis as well as \$10M of debt service). We would continue to expect another capital raise sometime in 2015 or even sooner. Regarding capital access beyond another equity raise, the wild card here is the potential for ex-U.S. partnerships on RT001 and RT002 (i.e., upfront payments being sources of non-dilutive capital). For RT001, we would expect to see an ex-U.S. partnership once the product has been de-risked from a pivotal trial standpoint.
- **Phase III data for RT001 in LCL on the horizon; long-term safety study now underway.** RVNC began the open-label long-term safety study during 1Q14, and the company is planning to enroll up to 1,800 patients. Recall that the study is a gating factor to regulatory filings in both the U.S. and Europe (hence the company's stated timeline for regulatory submissions being in 2016). Data from the first pivotal study in LCL are still expected in 2H14 (recall that this is a placebo-controlled trial that will enroll around 170 subjects). Given that RT001 was clearly superior to placebo in multiple Phase II studies on the composite responder analysis that will be used in the pivotal studies (refer to our initiation report on 3/3/14 for more details), we continue to believe that the risk surrounding the Phase III studies is relatively limited.
- **Head-to-head trial for RT002 versus currently available injectible neuromodulators now in the cards.** Recall that last month, RVNC announced encouraging Phase I/II results for RT002 that suggested a duration of effect that could be more than double what we see for products like Botox and Dysport. Management noted that it is planning to run a Phase II study that will include a head-to-head comparison versus currently available injectible neuromodulators, with data expected sometime in 2015.

RISKS TO ACHIEVEMENT OF PRICE TARGET

Risks include clinical and regulatory setbacks for RT001 and RT002.

COMPANY DESCRIPTION

Revance is focused on next-generation neuromodulator treatments.

YEAR	REVENUE (US\$ m)						EARNINGS PER SHARE (US\$)					
	Mar	Jun	Sep	Dec	FY	FY RM	Mar	Jun	Sep	Dec	FY	FY P/E
2014E	0.2A	0.1	0.1	0.1	0.5	1,153.6x	(1.08)A	(0.77)	(0.82)	(0.87)	(3.46)	NM
2015E	—	—	—	—	0.5	1,153.6x	—	—	—	—	(3.23)	NM
2016E	—	—	—	—	0.5	1,153.6x	—	—	—	—	(3.05)	NM

PRICE: US\$31.01

TARGET: US\$44.00

30x 2020E non-GAAP EPS of \$3.64, disc. by 20%

David Amsellem

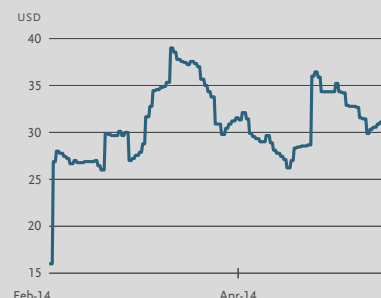
Sr. Research Analyst, Piper Jaffray & Co.
212 284-9455, david.a.amsellem@pjc.com

Traver A. Davis

Research Analyst, Piper Jaffray & Co.
212 284-5031, traver.a.davis@pjc.com

Changes	Previous	Current
Rating	—	Overweight
Price Tgt	—	US\$44.00
FY15E Rev (mil)	—	US\$0.5
FY16E Rev (mil)	—	US\$0.5
FY15E EPS	US\$(3.27)	US\$(3.23)
FY16E EPS	—	US\$(3.05)
52-Week High / Low	US\$39.86 / US\$16.00	
Shares Out (mil)	18.6	
Market Cap. (mil)	US\$576.8	
Avg Daily Vol (ooo)	209	
Book Value/Share	US\$4.23	
Net Cash Per Share	US\$3.98	
Debt to Total Capital	11%	
Div (ann)	US\$0.00	
Fiscal Year End	Dec	

Price Performance - 1 Year



Source: Bloomberg

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Exhibit 1

1Q14: ACTUAL VS. PJC ESTIMATES

\$ in millions, except per share items

	Actuals	PJC Estimates
<i>Revenue</i>		
RT001	\$0.0	\$0.0
Total Revenue ⁽¹⁾	\$0.2	\$0.1
<i>Consensus ⁽²⁾</i>		\$0.1
<i>Expenses</i>		
COGS	\$0.0	\$0.0
R&D	\$7.6	\$11.0
SG&A	\$4.1	\$3.0
Operating income	(\$11.5)	(\$13.9)
Net Income	(\$12.0)	(\$14.8)
Non-GAAP EPS, diluted ⁽³⁾	(\$1.08)	(\$1.00)
<i>Consensus ⁽²⁾</i>		(\$0.87)

(1) Includes ex-U.S. royalties on RT001 and RT002

(2) Consensus prior to 1Q14 earnings announcement

(3) Excludes non-cash interest expense of ~\$9.5M in the quarter

Source: Company reports, ThomsonOne, and PJC estimates

Exhibit 2

RVNC CALENDAR OF UPCOMING EVENTS

Product/ Program	Event	Expected Date
RT001	Interim data from first single dose, placebo controlled Phase III trial in Crow's Feet	2H14
RT002	Initiate dose-ranging Phase II trial in Glabellar Lines	2014
RT001	Final data, including duration of effect, from first Phase III trial in Crow's Feet	early 2015
RT001	Possible data from additional Phase II trials in hyperhidrosis	2015
RT001	Data from second single dose, placebo controlled Phase III trial in Crow's Feet	2015
RT001	Data from EU pivotal trial in Crow's Feet	2015
RT002	Initiate Phase III program in Glabellar Lines	2015
RT001	File BLA/MAA in Crow's Feet	2016

Source: Company reports and PJC estimates

Exhibit 3

SUMMARY OF CURRENT AND PRIOR RVNC ESTIMATES

\$ in millions, except per share	2014E		2015E		2016E		2017E		2018E	
	Current	Prior	Current	Prior	Current	Prior	Current	Prior	Current	Prior
<i>Revenue</i>										
RT001 (U.S. only)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$41.2	\$41.2	\$108.7	\$108.7
RT002 (U.S. only)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Ex-U.S. royalties and other revenue	\$0.5	\$0.4	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$11.4	\$11.4
Total revenue	\$0.5	\$0.4	\$0.5	\$0.5	\$0.5	\$0.5	\$41.7	\$41.7	\$120.1	\$120.1
<i>Expenses</i>										
COGS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$20.8	\$20.8	\$22.8	\$22.8
R&D	\$40.6	\$44.0	\$55.5	\$58.0	\$50.0	\$50.0	\$45.0	\$45.0	\$45.0	\$45.0
SG&A	\$16.8	\$13.8	\$18.0	\$16.0	\$24.0	\$24.0	\$52.8	\$52.8	\$76.6	\$76.6
Operating income	(\$56.9)	(\$57.4)	(\$73.0)	(\$73.5)	(\$73.5)	(\$73.5)	(\$77.0)	(\$77.0)	(\$24.3)	(\$24.3)
Net Income	(\$58.2)	(\$61.0)	(\$73.8)	(\$74.8)	(\$74.3)	(\$74.3)	(\$77.5)	(\$77.5)	(\$24.8)	(\$24.8)
Share Outstanding, diluted	16.8	17.8	22.8	22.8	24.3	24.3	25.3	25.3	26.3	26.3
EPS, diluted	(\$3.46)	(\$3.43)	(\$3.23)	(\$3.27)	(\$3.05)	(\$3.05)	(\$3.06)	(\$3.06)	(\$0.94)	(\$0.94)

Source: Company reports, ThomsonOne, and PJC estimates

Revnance Therapeutics - Quarterly and Annual Income Statement

	2014E												
Fiscal Year Ends December 31 (\$ In millions, except for EPS)	2012A	2013A	1QA	2QE	3QE	4QE	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Product sales													
RT001 (U.S. only)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$41.2	\$108.7	\$185.9	\$267.6
RT002 (U.S. only)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.2	63.2
Total Product Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$41.2	\$108.7	\$218.1	\$330.8
Ex-U.S. royalties and other revenues ⁽¹⁾	0.7	0.6	0.2	0.1	0.1	0.1	0.5	0.5	0.5	0.5	11.4	22.3	33.6
Total Revenue	\$0.7	\$0.6	\$0.2	\$0.1	\$0.1	\$0.1	\$0.5	\$0.5	\$0.5	\$41.7	\$120.1	\$240.4	\$364.4
Cost of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.8	22.8	43.3	61.9
Gross Profit	\$0.7	\$0.6	\$0.2	\$0.1	\$0.1	\$0.1	\$0.5	\$0.5	\$0.5	\$20.8	\$97.3	\$197.1	\$302.4
Research & development	32.7	27.8	7.6	10.0	11.0	12.0	40.6	55.5	50.0	45.0	45.0	45.0	45.0
Selling, general and administrative	11.2	11.0	4.1	4.2	4.2	4.3	16.8	18.0	24.0	52.8	76.6	111.0	144.3
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenses	\$43.9	\$38.8	\$11.6	\$14.2	\$15.2	\$16.3	\$57.3	\$73.5	\$74.0	\$97.8	\$121.6	\$156.0	\$189.3
Operating Income	(\$43.2)	(\$38.2)	(\$11.5)	(\$14.1)	(\$15.1)	(\$16.2)	(\$56.9)	(\$73.0)	(\$73.5)	(\$77.0)	(\$24.3)	\$41.1	\$113.1
Other income (expense), net	(15.1)	(14.2)	(0.5)	(0.3)	(0.3)	(0.3)	(1.3)	(0.8)	(0.8)	(0.5)	(0.5)	0.0	1.0
Income (loss) before taxes	(\$58.3)	(\$52.4)	(\$12.0)	(\$14.4)	(\$15.4)	(\$16.5)	(\$58.2)	(\$73.8)	(\$74.3)	(\$77.5)	(\$24.8)	\$41.1	\$114.1
Income tax provision	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(\$58.3)	(\$52.4)	(\$12.0)	(\$14.4)	(\$15.4)	(\$16.5)	(\$58.2)	(\$73.8)	(\$74.3)	(\$77.5)	(\$24.8)	\$41.1	\$114.1
Non-GAAP EPS, basic	(\$27.14)	(\$7.31)	(\$1.08)	(\$0.77)	(\$0.82)	(\$0.87)	(\$3.46)	(\$3.23)	(\$3.05)	(\$3.06)	(\$0.94)	\$1.50	\$4.10
Non-GAAP EPS, diluted	(\$27.14)	(\$7.31)	(\$1.08)	(\$0.77)	(\$0.82)	(\$0.87)	(\$3.46)	(\$3.23)	(\$3.05)	(\$3.06)	(\$0.94)	\$1.36	\$3.64
Shares outstanding, basic ⁽³⁾	2.1	7.2	11.1	18.6	18.7	18.8	16.8	22.8	24.3	25.3	26.3	27.3	27.8
Shares outstanding, diluted ⁽³⁾	2.1	7.2	11.1	18.6	18.7	18.8	16.8	22.8	24.3	25.3	26.3	30.3	31.3
Expenses as % of total sales:													
COGS										50.0%	19.0%	18.0%	17.0%
R&D										108.0%	37.5%	18.7%	12.3%
Selling, general and administrative										126.8%	63.7%	46.2%	39.6%
Margins:													
Gross margin										50.0%	81.0%	82.0%	83.0%
Operating margin												17.1%	31.0%
Net income												17.1%	31.3%
Income Tax										0.0%	0.0%	0.0%	0.0%
Y-O-Y Growth rates:													
Total revenue											188.4%	100.2%	51.6%
R&D								36.9%	-9.9%	-10.0%	0.0%	0.0%	0.0%
Selling, general and administrative								7.2%	33.3%	120.0%	45.0%	45.0%	30.0%
Operating profit													175.0%
Net income													177.4%

Proprietary to Piper Jaffray, May 13, 2014

RVNC: David Amsellem; david.a.amsellem@pjc.com; 212.284.9455

(1) Reflects the payment of \$7M to Medicis

(2) Cash paid for interest; excludes non-cash interest expense

(3) Reflects post-IPO split adjusted share count; Assumes follow-on equity capital raises in 2015 and a small raise in 2016

Current disclosure information for this company can be found at

<http://www.piperjaffray.com/researchdisclosures>

Revance - Annual Cash Flow Statement

(\$ in millions)

	2011A	2012A	2013A	2014E	2015E	2016E	2017E	2018E
Beginning Cash & Equivalents	\$4.0	\$29.6	\$4.1	\$3.9	\$31.0	\$61.0	\$127.5	\$48.1
Operating Activities								
Net Income (loss)	(\$30.2)	(\$58.3)	(\$52.4)	(\$58.2)	(\$73.8)	(\$74.3)	(\$77.5)	(\$24.8)
Depreciation	\$2.0	\$1.8	\$1.6	\$2.0	\$2.5	\$3.0	\$3.5	\$4.0
Other	(\$0.4)	(\$2.0)	\$16.5	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)
Stock-based Compensation	\$0.3	\$0.1	\$0.5	\$2.0	\$3.0	\$4.0	\$6.0	\$12.0
Net Change in Assets and Liabilities	(\$0.1)	(\$7.1)	(\$6.2)	\$1.2	\$1.3	\$1.4	(\$9.4)	(\$5.4)
Cash From Operations	(\$28.4)	(\$65.6)	(\$40.1)	(\$53.9)	(\$68.0)	(\$66.9)	(\$78.4)	(\$15.2)
Investing Activities								
Capital Expenditures	(\$0.2)	(\$0.3)	(\$3.0)	(\$3.0)	(\$2.0)	(\$1.5)	(\$1.0)	(\$1.0)
Short-Term Investments	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Acquisition of Tangible Assets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Acquisition of Intangibles	\$0.0	\$0.0	\$0.0	(\$7.0)	\$0.0	\$0.0	\$0.0	\$0.0
Other Investment ⁽¹⁾	\$0.1	\$0.1	\$2.8	\$0.0	\$0.0	\$100.0	\$0.0	\$0.0
Cash From Investing Activities	(\$0.1)	(\$0.2)	(\$0.2)	(\$10.0)	(\$2.0)	\$98.5	(\$1.0)	(\$1.0)
Financing Activities								
Debt Issuance	\$67.2	\$18.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Debt Repayments	(\$12.1)	(\$3.4)	(\$5.6)	(\$11.7)	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)
Share Repurchases	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Stock and Option Issuances ⁽²⁾	\$0.0	\$0.0	\$45.6	\$102.7	\$105.0	\$40.0	\$5.0	\$5.0
Other, Net	(\$1.0)	(\$1.2)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash From Financing Activities	\$54.1	\$13.6	\$40.1	\$91.0	\$100.0	\$35.0	\$0.0	\$0.0
Currency Translation Differences	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Change In Cash	\$25.6	(\$52.2)	(\$0.2)	\$27.1	\$30.0	\$66.6	(\$79.4)	(\$16.2)
Year End Cash	\$29.6	(\$22.6)	\$3.9	\$31.0	\$61.0	\$127.5	\$48.1	\$31.9

(1) Reflects the payment of \$7M to Medicis

(1) Reflects the signing of ex-U.S. partnerships on RT001 and RT002 (and associated upfront payments)

(2) Reflects additional equity capital raises in 2015 and 2016

Proprietary to Piper Jaffray. May 13, 2014

RVNC: David Amsellem; 212.284.9455

Revance - Annual Balance Sheet

(\$ in millions)

	2011A	2012A	2013A	2014E	2015E	2016E	2017E	2018E
Current Assets								
Cash & Equivalents	\$29.6	\$4.1	\$3.9	\$31.0	\$61.0	\$127.5	\$48.1	\$31.9
Restricted Cash	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Accounts Receivable, net	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$3.2	\$6.6
Inventories	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$7.7	\$11.3
Other Current Assets	\$0.4	\$1.2	\$0.8	\$0.9	\$0.9	\$1.0	\$1.0	\$1.1
Total Current Assets	\$30.1	\$5.4	\$4.8	\$31.9	\$61.9	\$128.6	\$60.1	\$50.8
Property, Plant & Equipment, Net	\$8.4	\$7.0	\$14.3	\$15.3	\$14.8	\$13.3	\$10.8	\$7.8
Goodwill & other intangible assets	\$0.0	\$0.0	\$0.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0
Other Assets	\$1.4	\$1.0	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5
Total Assets	\$39.9	\$13.4	\$22.6	\$57.7	\$87.3	\$152.4	\$81.4	\$69.2
Liabilities & Equity								
Current Liabilities	\$8.9	\$31.0	\$24.7	\$25.9	\$27.2	\$28.6	\$30.0	\$31.5
Long-Term Debt	\$63.5	\$98.0	\$25.5	\$13.8	\$8.8	\$3.8	(\$1.2)	(\$6.2)
Other Liabilities	\$27.6	\$5.8	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0
Equity	(\$60.0)	(\$121.3)	(\$33.6)	\$12.0	\$45.2	\$114.0	\$46.6	\$37.8
Total Liabilities & Equity	\$39.9	\$13.4	\$22.6	\$57.7	\$87.3	\$152.4	\$81.4	\$69.2

Proprietary to Piper Jaffray. May 13, 2014

RVNC: David Amsellem; 212.284.9455

IMPORTANT RESEARCH DISCLOSURES



Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

Legend:

I: Initiating Coverage
R: Resuming Coverage
T: Transferring Coverage
D: Discontinuing Coverage
S: Suspending Coverage
OW: Overweight
N: Neutral
UW: Underweight
NA: Not Available
UR: Under Review

Distribution of Ratings/IB Services Piper Jaffray				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	354	61.46	87	24.58
HOLD [N]	204	35.42	20	9.80
SELL [UW]	18	3.12	0	0.00

Note: Distribution of Ratings/IB Services shows the number of companies currently in each rating category from which Piper Jaffray and its affiliates received compensation for investment banking services within the past 12 months. FINRA rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Piper Jaffray ratings are not the equivalent of buy, hold or sell, but instead represent recommended relative weightings. Nevertheless, Overweight corresponds most closely with buy, Neutral with hold and Underweight with sell. See Stock Rating definitions below.

Analyst Certification — David Amsellem, Sr. Research Analyst — Traver A. Davis, Research Analyst

The views expressed in this report accurately reflect my personal views about the subject company and the subject security. In addition, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

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- **Overweight (OW):** Anticipated to outperform relative to the median of the group of stocks covered by the analyst.
- **Neutral (N):** Anticipated to perform in line relative to the median of the group of stocks covered by the analyst.
- **Underweight (UW):** Anticipated to underperform relative to the median of the group of stocks covered by the analyst.

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