Revance Therapeutics

(RVNC-NASDAQ)

Stock Rating: **Outperform**
Industry Rating: **Outperform**

March 3, 2014

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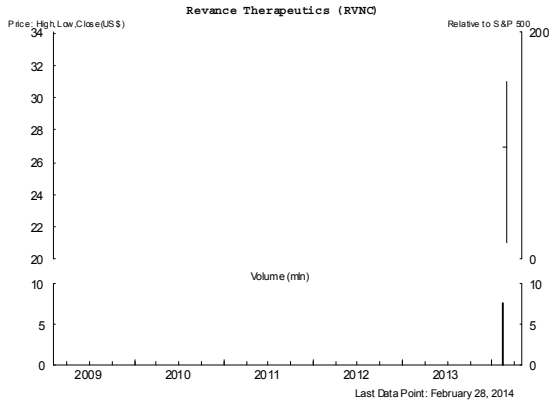
Initiating With Outperform; New Player in Neurotoxin Development

Securities Info

Price (28-Feb)	**$26.93**	**Target Price**	**$37.00**
52-Wk High/Low	$31/$21	Dividend	--
Mkt Cap (mm)	$501	Yield	--
Shs O/S (mm, BASIC)	18.6	Float O/S (mm)	6.7
Options O/S (mm)	na	ADVol (30-day, 000s)	526

Price Performance



Valuation/Financial Data

(FY-Dec.)	2012A	2013E	2014E	2015E
EPS GAAP	na	na	-$2.94	-$3.57
P/E		na	nm	nm
First Call Cons.				
FCF	na	na	-$2.83	-$3.53
P/FCF		na	nm	nm
EBITDA ($mm)	na	na	na	na
EV/EBITDA		na	na	na
Rev. ($mm)	na	$0	$0	$0
Quarterly EPS	**1Q**	**2Q**	**3Q**	**4Q**
2012A	na	na	na	na
2013E	na	na	na	na

Balance Sheet Data (30-Sep)

Net Debt ($mm)	$11	TotalDebt/EBITDA	na
Total Debt ($mm)	$13	EBITDA/IntExp	na
Net Debt/Cap.	nm	Price/Book	-1.9x

Notes: All values in US$.
Source: BMO Capital Markets estimates, Bloomberg, Thomson Reuters, and IHS Global Insight.

Investment Thesis

We are initiating coverage of Revance Therapeutics with an Outperform rating and $37 price target. We believe that Revance offers a unique opportunity in the growing botulinum toxin market, with several promising botulinum toxin type A programs in its pipeline. Revance's lead product candidate, RT001, is a topical botulinum toxin to treat wrinkles. RT001 is in Phase III clinical trials for crow's feet lines. Revance expects approval in 2017, and if approved, RT001 would be marketed as a topical alternative to injectable products such as Botox and Dysport. Revance is also developing RT001 to treat hyperhidrosis, or excessive sweating, and anticipates data from its current Phase II trial in 2015 and a US launch for this indication in 2019. In addition to its topical product, Revance is developing a long-acting injectable formulation, RT002, for cosmetic use, which Revance hopes will have a duration of action months longer than currently marketed products. In this report, we include the results from BMO's physician surveys on the potential of Revance's products – the physician feedback was quite positive.

Forecasts & Valuation

We currently forecast peak sales of $300 million for RT001 for cosmetic use, approximately $125 million for hyperhidrosis, and approximately $140 million for the long-acting injectable RT002. Our forecasts are risk adjusted, and as programs progress, we will reduce our risk adjustment, resulting in higher forecasts. We estimate that Revance will post significant losses for the next several years as it develops RT001 and RT002, and will begin to be profitable in 2019, with EPS of $2.30. Our DCF valuation results in a $37 price target, or approximately 37% from today's price. Discounting 2020 EPS by 15% per year and applying a 15x multiple, also results in a $37 price target.

Recommendation

We are initiating coverage with an Outperform rating and a $37 price target.

Key Points

A New Player in Neurotoxin Development

We estimate that the global botulinum toxin market represents a multi-billion dollar market globally, dominated mainly by Allergan's Botox, and is expected to reach $4.3 billion in sales by 2018

Revance, a clinical stage specialty biopharmaceutical company founded in 2002 and based in Newark, California, is focused on the development of novel botulinum toxin products for multiple aesthetic and therapeutic applications. Botulinum toxin type A (BoNTA) is the neurotoxin responsible for the activity of Botox and other injectable neurotoxins currently marketed for a number of aesthetic uses (smoothing wrinkles and lines) and therapeutic uses (hyperhidrosis, cerebral palsy, blepharospasm, over-active bladder, migraines).

Revance's lead program is a topical botulinum neurotoxin gel, called RT001, that is being developed for both cosmetic and therapeutic indications, including lateral canthal lines (crows feet lines) and hyperhidrosis, or excessive sweating. All currently approved and commercially available BoNTA products, such as Botox, Dysport, Xeomin, and PurTox, are injectables. Revance's second product candidate, RT002, is a long-acting injectable botulinum toxin formula that is designed to last months longer than existing botulinum treatments such as Botox.

If approved, we estimate Revance's topical botulinum toxin RT001 would enter the market in either late-2017 or early 2018. We believe that Revance's pipeline of RT001 and RT002 has the potential, if approved, to greatly expand and radically alter the aesthetics market. We estimate that the global botulinum toxin market represents a multi-billion dollar market globally, dominated mainly by Allergan's Botox, and is expected to reach $4.3 billion in sales by 2018.

All currently approved and commercially available BoNTA products are injectables

Potential Paradigm-Shifting Products in a Large and High-Growth Market

Revance's two main development programs represent paradigm shifts in the aesthetics market – a topical product and an injectable botulinum product that Revance hopes could last months longer than the market leaders. In our opinion, current valuation offers significant upside potential on Phase III development of RT001 for crow's feet lines, with a very reasonable timeline to data of 2H2014. Potential longer-term value could come from Phase II data of RT002 for glabellar lines and RT001 for hyperhidrosis in 2015.

Revance's topical Botox-like gel, RT001, would take significant share from market leaders while dramatically expanding the cosmetic botulinum toxin market

Revance's topical RT001 could dramatically expand the market if approved. Physicians we surveyed indicated that a topical botulinum neurotoxin product would expand the market by 30% – 40%. RT001 treats wrinkles similarly to currently marketed injectable botulinum treatments, but without the pain and bruising associated with injections. Not only will needle-phobic patients (who make up approximately 10% of the US population) be more interested in this treatment over Botox, but we believe patients who want to avoid the downside of injections will switch to Revance's topical product.

Revance's topical RT001 might also take share from the current market leaders if approved. Physicians we surveyed indicated that RT001, if approved, would take between 28%

and 37% share from existing treatments. Our forecasts are only calling for 15% share gains. We believe market expansion will drive use.

We believe RT002 will be successful in taking well more than 10% or more market share from currently marketed injectables such as Botox

RT002, Revance's long-acting injectable botulinum product also could be disruptive to the market. We believe that RT002 will be successful in taking market share from currently marketed injectables such as Botox, and potentially even future topical products with shorter durations. We believe this program is being watched very closely by industry leaders as a potentially attractive variant. Remember, for patients, the upside of not having to go to a doctor's office as often is large time and money savings. For doctors, they too like the idea of being able to charge a premium for the same injection, and seeing patients fewer times a year frees up time slots in the office for new patients or additional procedures.

The market-penetration of Revance's topical RT001 for excessive sweating will likely be significant and immediate, as we believe it will become the new standard of care for excessive sweating. Revance is also developing its topical botulinum neurotoxin gel, RT001, for hyperhidrosis, or excessive sweating. We believe the 25-40 injections in the underarm that patients must currently endure when treated with Botox discourages many patients who will seek a topical, painless treatment like RT001. We estimate the current market for Botox in hyperhidrosis in the US to be approximately $60-$100 million.

Future therapeutic indications for Revance's topical RT001 could provide further upside to Revance sales, although we do not include them at all in our projections

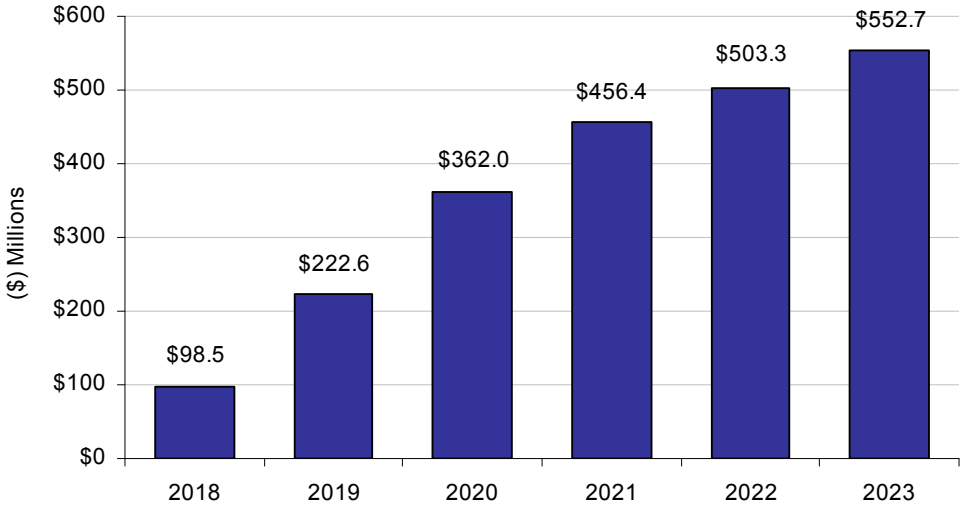
Future therapeutic indications for Revance's topical RT001, such as migraine headaches, overactive bladder or allergic rhinitis (inflammation of the mucous membrane inside the nose) could provide further upside to Revance sales, although we do not include them in our projections. Revance has conducted a Phase II clinical trial evaluating RT001 for migraine headaches – an indication for which Botox is already approved. The initial data is positive and the company plans to initiate a second Phase II trial. The current Botox treatment requires up to 31 injections in the head and neck. We estimate these indications in aggregate could be as large as or larger than the cosmetic use.

Revance will benefit from the sustained growth of the global botulinum toxin market. The global botulinum toxin market is expanding quickly, spurred by increasing popularity of aesthetic treatments, rising product approvals and new drug developments for cosmetic and therapeutic indications. Recent market research estimates the market will reach $4.3 billion by 2018. Our estimates are slightly more conservative, projecting a global botulinum toxin market of $3.6 billion in 2018. As they say, a rising tide lifts all boats. We believe this global macro trend will work in Revance's favor.

Robust IP estate with US exclusivity until 2027. Core US composition and methods patents expire in 2027 and 2029, and are potentially extendable for up to five years. Revance has been issued 80 patents and has more than 150 pending patents in all major global markets, with approximately 78 covering both RT001 and RT002, approximately 62 covering RT001 only and approximately 14 covering RT002 only.

In our view, the combination of topical RT001 and long-acting injectable RT002 represents a strong global revenue opportunity in a high growth, multi-billion dollar market and we anticipate $500+ million in Revance total sales in 2023.

Exhibit 1: Revance Total Sales Projections



Source: Company reports and BMO Capital Markets

Upcoming Catalysts

Revance has multiple catalysts coming in the next three years:

1H2014: RT001 efficacy data from first US Phase III crow's feet lines (CFL) trial

1H 2014: RT002 data from Phase 1/2 trial

2H 2014: RT001 duration data from first US Phase III CFL trial

2015: RT001 data from second US Phase III CFL trial

2015: EU Phase III CFL data

2015: RT001 hyperhidrosis Phase II data

2015: RT002 Glabellar Phase II data anticipated

2016: RT001 crow's feet US long-term safety data anticipated

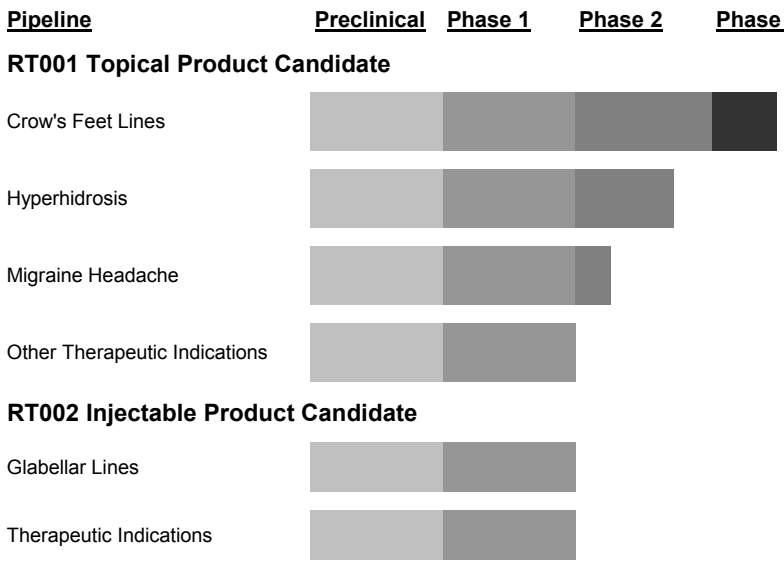
2016: Filing of US biologics license application (BLA)

2016: Filing of EU marketing authorization application (MAA)

2H 2017: RT001 crow's feet launch in the US

2017: RT001 hyperhidrosis Phase III data anticipated

Exhibit 2: Pipeline



Source: Company Reports, BMO Capital Markets

Risks

With any development-stage company, the over-riding risk is that the programs fail, leaving the company with a decision to pursue other indications or try again in the existing indications – both of which would cost a significant amount of money.

Industry leaders describe clearly showing efficacy in a topical toxin as difficult

While on one hand, Revance is working with a known toxin and we would consider this something that might reduce development risk, we underscore that showing efficacy with a topical botulinum toxin is not easy, as the toxin needs to penetrate the skin. Industry leaders we spoke with describe clearly showing efficacy in a topical toxin as difficult.

Below we highlight some other risks:

Potential competition: We believe Allergan and privately held Anterios are working on their own topical botulinum toxin treatments. Not much has been said about these programs – Allergan won't even confirm they have a topical program in the works – but we believe they are credible competitors.

We believe Allergan is watching the development of the other programs (Revance and Anterios) and would consider bringing them under the Allergan umbrella if they continue to show progress

We believe Allergan is working on a topical Botox; this should come as no surprise given Botox is Allergan's largest, highest-margin product, and largest growth driver. That said, we also believe that Allergan is watching the development of the other programs (Revance and Anterios), thinking that if they were to continue to show progress, Allergan always could pursue to bringing those under the Allergan umbrella.

Allergan entered a $65 million upfront licensing agreement with Korean pharmaceutical company Medytox in September 2013 under which Allergan acquired exclusive worldwide rights (outside of Korea) to several development-stage neurotoxin product candidates. Many of the compounds included in the deal were undisclosed, but we believe Medytox is working on a topical botulinum toxin treatment and that this program is part of the Allergan agreement (although was not the focus of the deal). **However, the lack of information on this potential formulation and no listings leads us to believe that Allergan's product is not as close to reaching the market as Revance's RT001. Regardless, Allergan is a competitor that Revance investors should stay vigilant of.**

Having spoken several times with Anterios in the past several months, we believe Anterios is a competitor worth watching in the space

Privately held New York-based Anterios' program is in Phase IIb with a topical botulinum toxin – if approved, this too could be a threat to Revance. According to company press releases, ANT-1207 is a topical botulinum toxin type-A lotion that Anterios is developing for the treatment of facial wrinkles, hyperhidrosis and other FDA-approved clinical indications for injectable botulinum toxin products as well as potential new indications such as acne. The company is currently conducting Phase IIb trials studying ANT-1207 and says previously completed trials indicate one dose shows therapeutic benefits for both crow's feet wrinkles and hyperhidrosis patients, with similar duration to injectable botulinum treatments. Revance has conducted thirteen clinical trials for RT001 for the treatment of crow's feet lines, with a total of over 1,400 subjects. We do not know the number of patients that Anterios has tested to date. Anterios raised $8.5 million in April 2013 to further develop ANT-1207.

Having spoken several times with Anterios in the past several months, we believe Anterios is a competitor worth watching in the space. The company made a conscious decision several years

ago not to disclose too much of the detail of its programs, instead waiting to bring its program further along before disclosing more information. We believe 2014 and 2015 could see a more open Anterios.

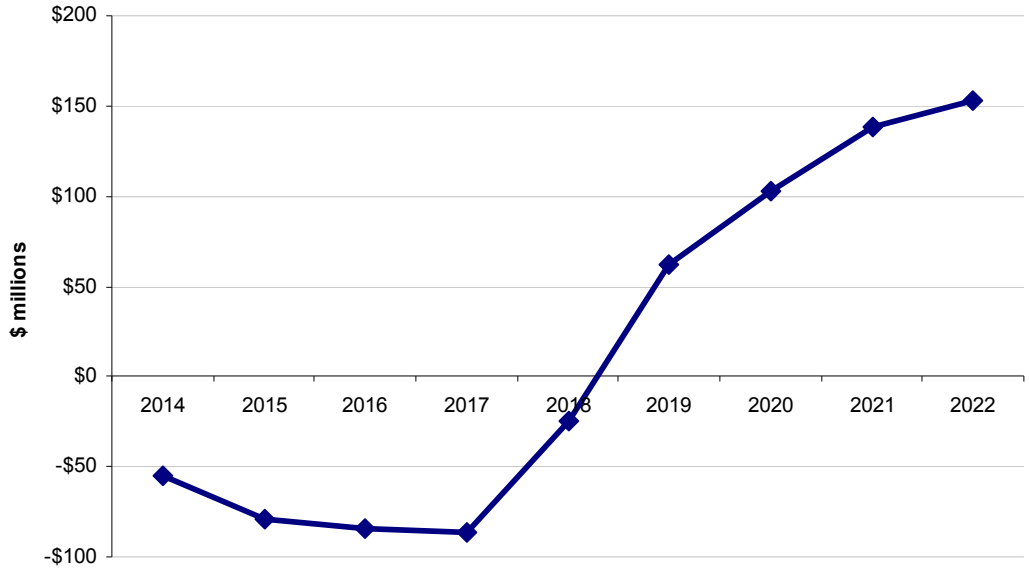
We believe Allergan and Anterios are credible competitors, despite the uncertainty and lack of details on the status or stage of their programs

Despite the uncertainty and lack of details on the status or stage of Allergan or Anterios' programs, we believe they are credible competitors. We take the potential for competing topical botulinum treatments into account in our forecasts.

Medium development risk. Both RT001 and RT002 appear to have shown no unusual side effects in clinical trials when compared to side effects seen with currently marketed injectable botulinum toxins. In fact, the topical nature of RT001 eliminates many of the side effects caused by an injection such as swelling and bruising. We believe the Revance programs are slightly de-risked since the active ingredient has already been approved.

Additional financing need - Revance should turn profitable in 2019. Based on our estimates, we do not expect Revance to turn earnings positive until 2019. In our opinion, RVNC will need another approximately $250 million in funding before becoming profitable. This financing may come from equity, out licensing or other sources.

Exhibit 3: Revance Net Income Projections



Source: BMO Capital Markets estimates

What We Believe Could Be Wrong:

Revance's issue with the stability of RT001 cost the program time and money but is resolved and we believe should not cause any further delays or problems.

After completing two Phase IIb clinical trials where RT001 met the primary endpoint in both trials, Revance performed accelerated aging tests to the RT001 formulation to test shelf life. In these tests, the compound is exposed to high temperatures to examine the life of the drug without waiting around for months or years to see when it loses its effect. The accelerated aging testing showed the botulinum toxin was stable at two years, while the gel portion of the formulation was only stable for nine months. The company attempted to reformulate the compound by adding ingredients to improve the stability of RT001 and used this new formulation in the initial Phase III trial. But instead of improving the shelf life, the additional components caused lack of signal in the formulation, rendering it ineffective.

We believe aesthetic companies' decisions to pass on purchasing Revance are classic cases of companies willing to buy an asset at a much higher price after it has been de-risked, rather than hit its own P&L with the R&D expense

The company returned to the previous, unchanged Phase IIb formulation, which Revance eventually found has a true shelf life of two years when aged normally, not at an accelerated pace. The company then conducted a two-cohort Phase II double-blind, randomized, placebo-controlled clinical trial, which showed comparable results to the previous Phase IIb study. This is the formulation the company is testing in the current Phase III trial.

We recognize that some investors will point to the lack of Medicis keeping the product when they were acquired, or other larger aesthetics players not buying the company as signs the product is not universally considered a home run yet. We believe it is fair to assume several leading aesthetic companies have probably looked at buying Revance or at least acquiring rights to its products, but have passed. However, we believe the main reason for this is that Revance will have to spend a good amount of money before RT001 could hit the market, not that the products don't have paradigm-shift potential. We believe this is a classic case of companies willing to buy an asset at a much higher price after it has been de-risked, rather than hit its own P&L with the R&D expense.

The majority of these doctors have plenty of other patients they would be happy to treat while waiting for RT001 to settle in

Is the application of the drug on a patient a challenge or a benefit? We have heard from some doctors that application of the drug might be a challenge since it must take place in the doctor's office and the patient might be required to wait in the office approximately 30 minutes, while many cosmetic dermatologists' offices are not set up to accommodate patients in this manner. However, we have an alternative view. In our opinion, there are very few doctors who will use this reasoning. The truth of the matter is that the majority of these doctors have plenty of other patients they would be happy to treat while waiting for RT001 to settle in. Also, nurses and supporting staff will likely be able to apply RT001 given its ease of application, freeing up even more time for the doctor to treat (and charge) other patients.

We believe RT001's duration could actually end up being a week or two less than Botox

Duration will likely not be a significant driver for RT001. After reviewing the data from clinical studies and discussing with doctors who have used the product, we believe RT001's duration could actually end up being a week or two less than Botox, although the company is targeting similar efficacy and duration. We do not see a week or two as a significant difference to the patient or physician relative to the large benefit of a topical administration, but if the duration comes in any shorter than entrenched competitors will have an advantage.

Is There Something We Can Fathom That Others Don't See?

RT002 could be more disruptive to the current botulinum toxin market than RT001

Long-acting injectable RT002 may be the eventual crown jewel. RT002 could be more disruptive to the current botulinum toxin market than RT001. While there is exceptionally strong brand loyalty to Botox, especially in the US, a longer-acting injectable could prove to be a serious threat to the current market goliath. Being able to charge more money for the same procedure will appeal especially to busy key opinion leading physicians.

As the topical aspect of RT001 expands the market, doctors will eventually begin discussing other cosmetic treatments with their new patients

We think the topical nature of RT001 will make it a gateway drug, which could be great for Botox. Our conversations with industry players indicate RT001 has the potential to expand penetration in both cosmetic and therapeutic patient populations by bringing new patients into doctors' offices who will start with aesthetic topical treatments and progress into injectable and possibly even other treatments. As the topical aspect of RT001 expands the market, doctors will eventually begin discussing other cosmetic treatments with their new patients, suggesting an injection of Botox or a filler for deeper wrinkles, for example. This could lead to a significant boost to Allergan sales, as the potential patient base able to hear about its products expands.

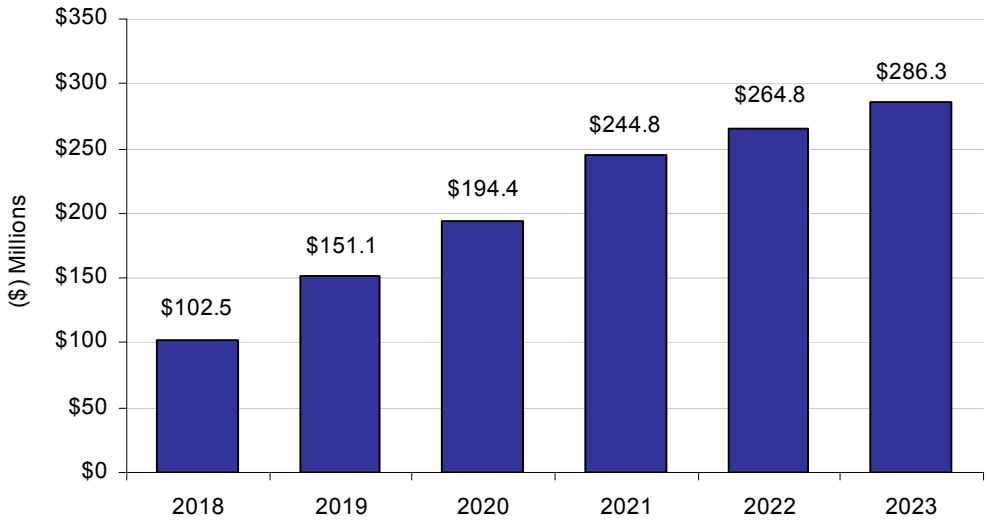
In Depth: Lead Product Candidate: RT001 for Crow's Feet Lines

We expect RT001 cosmetic to enter the US market in late 2017 and European market in late 2018

Revance's lead product, RT001, is a botulinum neurotoxin gel that is spread on the face and eliminates or lessens wrinkles without an injection. **In our opinion, RT001 presents a robust commercial opportunity in a large, growing aesthetic dermatology market as well as further opportunities for development in several therapeutic indications.**

The first indication Revance is evaluating RT001 for is lateral canthal lines, or the wrinkles around the eyes which are commonly referred to as crow's feet lines. We expect RT001 cosmetic to enter the US market in late 2017 and European market in late 2018. Our RT001 cosmetic worldwide sales estimates are demonstrated in the following exhibit.

Exhibit 4: RT001 for Crow's Feet Lines Worldwide Sales Forecast



Source: BMO Capital Markets estimates

Application

It will take much less expertise for a nurse or doctor to successfully apply an RT001 treatment than it takes to inject a botulinum neurotoxin

RT001 has several advantages to injectable botulinum toxin treatments currently on the market, the most obvious of which is its painless topical administration, ease of use, and limited dependence on administration technique. It will take much less expertise for a nurse or doctor to successfully apply an RT001 treatment than it takes to inject a botulinum neurotoxin. The physician must prepare the applicator, apply the gel that then stays in place on the patients face due to its thick, viscous nature, leave it on the skin for 30 minutes and then the physician easily removes the gel with a cleansing step. This ease of application provides a better patient experience, as the RT001 topical treatment will not lead to bruising or inflammation that often occurs with injections.

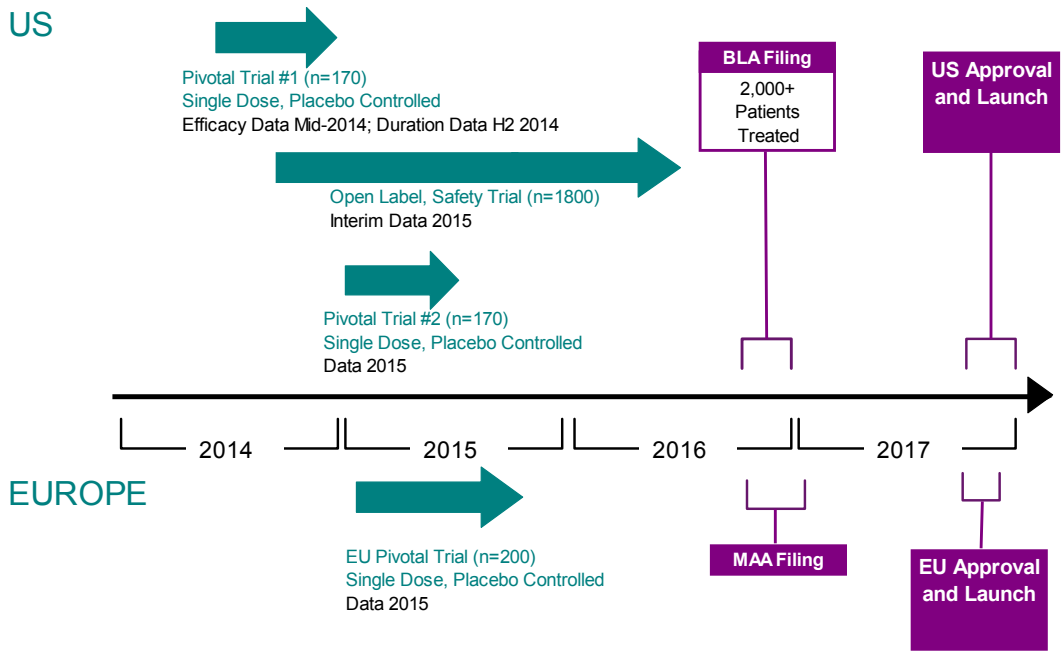
Data Looks Good So Far

Revance plans to complete the Phase III program for the treatment of crow's feet lines and file for regulatory approvals in the US and Europe in 2016

RT001 has met the primary and secondary endpoints in two Phase IIb clinical trials and is currently in a Phase III trial in the US. Revance expects primary efficacy data from this trial in mid-2014 and duration data in the second half of 2014. Revance plans to initiate an additional Phase III clinical trial for crow's feet lines in Europe by early 2015.

Revance plans to complete the Phase III program for the treatment of crow's feet lines and file for regulatory approvals in the US and Europe in 2016. To date, Revance has conducted 13 clinical trials for RT001, with a total of more than 1,400 subjects, for the treatment of crow's feet lines.

Exhibit 5: RT001 Lead Indication US/EU Phase III Plan



Source: Company reports

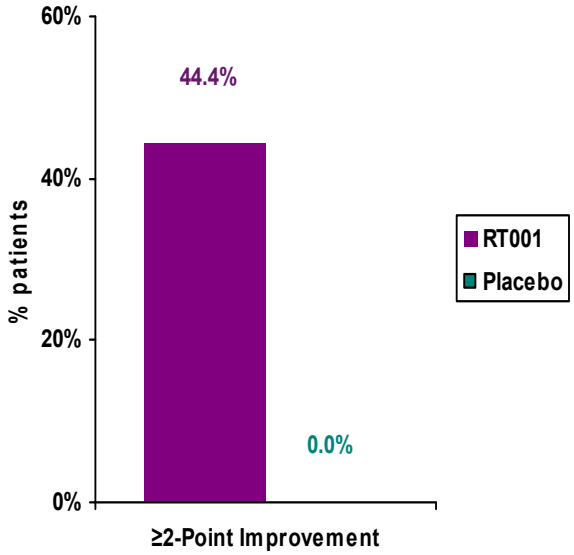
Clinical Results

Data from Revance's previous clinical trials indicate responder rates of more than 80% at day 30 and median duration of three to four months (in line with current injectables).

According to Revance, Allergan's Botox was approved on data based at smile, not at rest. Revance has stated that its Phase III endpoint, which measures wrinkle severity at rest, has been approved by the FDA. Revance argues this neutral position is the most direct evaluation of the drug on the target muscle. Revance developed and validated at rest scales for primary efficacy

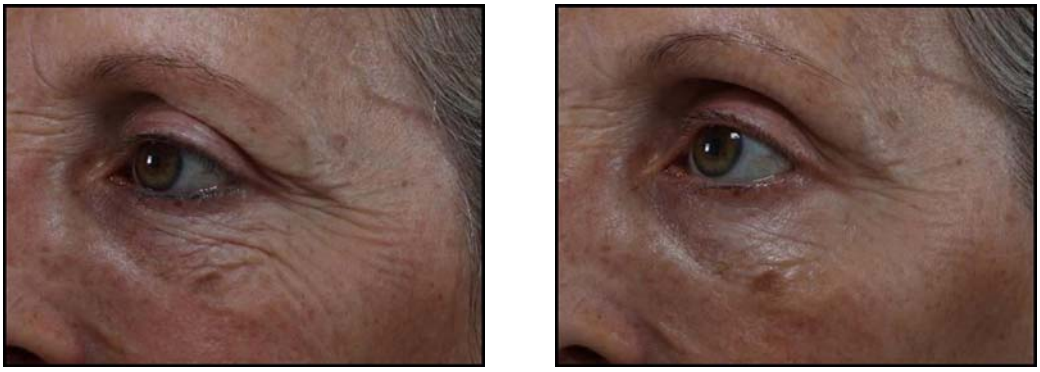
measurement. The primary endpoint of the trial was a composite of a two point improvement in both eyes as rated by the Investigator Global Assessment (IGA) and a two-point improvement as rated by the Patient Severity Assessment (PSA). TRT001 achieved the Phase III endpoints in two Phase IIb trials. The exhibit below shows the results of these trials.

Exhibit 6: RT001 for Crow's Feet Lines Phase IIb Endpoint



Source: Company Reports

Exhibit 7: RT001 for Crow's Feet Lines Phase IIb Trial Results



Baseline: Pre-Treatment

At Week 4: Post Single Treatment

Source: Company Reports

Exhibit 8: RT001 for Crow's Feet Lines Phase IIb Trial Data

	GROUP	STUDY CL024	STUDY CL017
Composite ≥2-pt IGA-LCL AND ≥2-pt PSA (Bilateral)	RT001	44.4%*	40.7*
	Controls	0.0%	1.1%
≥2-point IGA-LCL (Bilateral)	RT001	57.8%*	48.4%*
	Controls	14.0%	9.0%
≥2-point PSA (Bilateral)	RT001	44.4%*	47.3%*
	Controls	2.3%	3.4%
PGIC – Improved/Much Improved	RT001	57.8%*	50.5%*
	Controls	4.7%	9.0%

Results observed four weeks after a single treatment of RT001

*All values statistically significant at p ≤ 0.0007

Source: Company reports

Addressing concern RT001 will spread, affecting unintended muscles. In Phase IIb studies, investigators assessed cranial nerves, pupillary reaction and local muscle strength and found no evidence of diffusion of the drug away from the targeted muscles. Paralysis was only seen in the treated area.

Revance believes RT001 has a "softer look" that will especially boost sales in Europe, where market research shows patients put significant value on keeping a natural look

Revance believes these clinical trials have shown RT001 has a "softer" effect than injectable botulinum toxin products. The company believes RT001 targets the orbicularis oculi, which is the only muscular component of crow's feet lines that is visible at rest, not smile. The relaxation of this muscle results in fewer wrinkles around the eyes at rest, while leaving the muscles that scrunch up around your eyes to do so when one smiles, allowing for more expression in the face. Revance believes this benefit will especially boost sales in Europe, where market research shows patients put significant value on keeping a natural look.

The clinical data also shows a median duration of 113 days (before return to baseline), in line with the two to three-month duration of injectable botulinum toxins currently on the market. As long as RT001 gel results last approximately as long as Botox and other currently marketed injectable botulinum toxin treatments, we believe patients and physicians will likely most often chose the topical treatment over injectables.

Future Trials

Revance plans to conduct four Phase III trials in crow's feet lines in the US and the EU.

- Single dose, placebo-controlled pivotal trial (n=170) with efficacy data anticipated mid-2014, duration data 2H 2014
- Open label safety trial (n=1800) with data anticipated in 2015
- Single dose, placebo controlled (n=170) pivotal trial with data anticipated in 2015
- EU single dose, placebo controlled pivotal trial (n=200) , with data anticipated in 2015

Based on their discussions with the FDA, the European Medicines Agency (EMA) and other regulatory authorities, Revance believes that three Phase III pivotal clinical trials and the Phase III open label safety clinical trial, if successful, will provide the efficacy data to support our regulatory filing for approval of RT001 for the treatment of crow's feet lines in the United States, Europe and other countries.

Revance has received EU Scientific guidance on its RT001 CFL development program and proposed Phase III program was received from EMA and has incorporated EMA comments into its Phase III program.

- Indication will be similar to the other approved botulinum toxins
- Wrinkle severity scales are acceptable instruments for endpoints

Based on our current best estimate and not knowing exactly where competition stands, we believe RT001 will be the first approved non-injectable botulinum toxin product

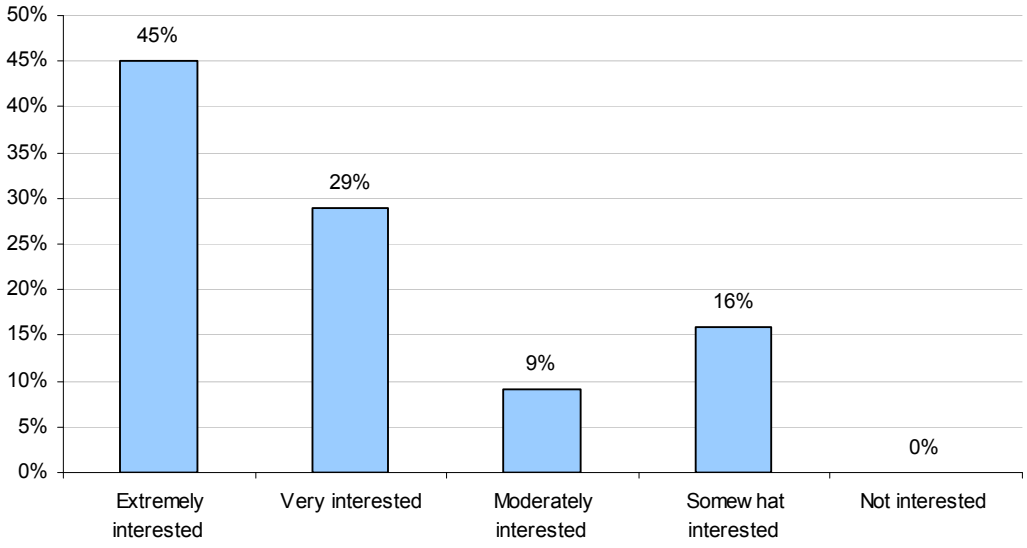
We estimate RT001 will be filed in 2H16 and, if approved, will reach the market in 2017.

Based on our current best estimate and not knowing exactly where competition stands, we believe RT001 will be the first approved non-injectable botulinum toxin product. Revance is also exploring therapeutic indications such as hyperhidrosis, or excessive sweating, migraine headache and allergic rhinitis, or inflammation of the mucous membrane inside the nose.

Our Physician Survey: Doctors Are Very Interested

We conducted two cosmetic physician surveys regarding RT001- the first in April 2013 and the second specifically focused on Revance's RT001 in January 2014. Both surveys indicated an obvious trend – physicians are looking forward to a topical botulinum product entering the market, and would use it on many of their patients currently receiving injectable botulinum toxin treatments. Nearly 75% of the physicians we surveyed in January were extremely or very interested in purchasing RT001.

Exhibit 9: How interested are you in purchasing RT001?



Source: Physician Survey by BMO Capital Markets, January 2014

Exhibit 10: How interested are you in purchasing RT001? Follow up comments

Extremely Interested- 45%	Very Interested- 29%
▪ I think I will have to offer it to be competitive. ▪ I've heard some of the basic science behind it and I am very interested. ▪ Very keen to be able to try it out and especially interested to see how well it markets to our patients. ▪ I think all patients seek a noninvasive treatment for wrinkles. There may be less systemic issues as well, in regards to recent data citing Botox affecting the brain of mice. ▪ This will replace some of Botox patients and add new patients who are afraid of injection. ▪ No pain associated with injection. ▪ Seems like a great alternative. ▪ A pain free but equally effective alternative to injections would be very appealing provided the cost is not prohibitive. ▪ A noninjectable that would give a similar result to Botox would be a game-changer. ▪ Seems great to have a topical. ▪ I can see this being very helpful in orbital area as well as possibly in the neck area. ▪ I am interested in something that sounds this way. I would need to demo it first. You would certainly kill the business of many plastic surgeons/dermatologists. ▪ I have a bunch of patients I can think of who would be interested. ▪ No needle!!!	▪ Interested in trying it on employees and close patients to test efficacy and compare to Botox. ▪ I think it has a place for a specific patient type on the market. Also good for patients who are concerned about bruising. ▪ I am an employed physician and I do not purchase any medications. However, I would be interested in trying this drug, and if it performs well, I would suggest that it be added to our formulary. ▪ Will need samples. ▪ It would be a great alternative for patients who don't like injections. ▪ Obviously many patients dislike injections and a topical alternative would be very appealing to them. ▪ Great alternative. ▪ I think it would be a great option and expand the market, while being lower risk for first-timers to try. Price will be the main determinant. ▪ Patient comfort.
Moderately Interested- 9%	**Somewhat Interested- 16%**
▪ Would like to relevant study info first. ▪ Not sure how effective this would be. ▪ Do not know that much about Revance's product.	▪ Need to see efficacy and safety data as well as head to head with injectables. ▪ Still skeptical but need to stay competitive. ▪ I would use it for axillary hyperhidrosis and possibly for crow's feet. ▪ Worry about spreading to unwanted areas and control of amount used and the associated efficacy. ▪ Would depend upon efficacy and duration

Source: BMO Capital Markets Corp. Survey, January 2014

Exhibit 11: Assuming the application is simple, and the data shows it is safe, and it works similarly to Botox, what do you make of RT001? What is your reaction?

April 2013 Commentary	January 2014 Commentary
Positive ▪ GOOD IDEA. ▪ Wow that would be great. ▪ Looks promising. ▪ I would offer it to patients in my office. ▪ It would be a huge addition to what's currently available and would appeal to a very wide range of people. ▪ Receptive- would be willing to try. ▪ Because the skin is thinner around the eyes there is potential benefit of topical Botox for crow's feet. There are patients who would prefer topical over injections. ▪ I think that this would be an excellent product to use, especially for prevention particularly in younger patients. ▪ Would be great and very popular. ▪ Sounds great. ▪ If you hype the terror of injections on national TV spots and reality shows it will probably sell well at the expense of the injectable neurotoxins. If you can get as good an effect as Botox without an injection, anybody who can afford it is going to use this product, even if it doesn't last as long or take effect as fast, though these would help. ▪ Very favorable. ▪ I would try it. ▪ Good option for patients that don't want injections. ▪ I think it's incredible if it works but have seen and heard lectures about it, very interesting a lot of potential, really new. ▪ If it works, I will switch. ▪ Would be great product if there was not chance of product reaction near eye. ▪ I think this sounds very interesting but it would have to have good efficacy and minimal potential for adverse reactions...could someone rub and spread it elsewhere? **Mixed/Have Questions** ▪ I feel like most of my patients find my technique not at all painful. This might apply to a small percentage of my patients who are needle-phobic. ▪ Good idea, but more research needs to be done. Concerned about side effects. Does the patient apply it? Will they use it in the correct areas? ▪ I am curious to see how effective it will be and how safely it can be applied. The reproducibility with topical application is always a difficult thing to quantify. ▪ Probably try it but needs to be significantly cheaper due to shorter duration.	**Positive** ▪ It would be great! ▪ Absolutely useful. As long as the toxin can be reasonably precisely limited to the application area, I think a LOT of patients would prefer a needle-free experience. ▪ I would love to trial the medication. Feedback from colleagues and research would back up my choice to integrate the new med into practice. ▪ Very intriguing. ▪ Seems like a great option despite the shorter duration. ▪ I love it for needle-phobic patients. ▪ Would definitely be interested. ▪ Would definitely consider using. ▪ Sounds like a great idea--seems like it would be less complicated to administer and dose. ▪ I would be very interested. ▪ Many patients would be interested. ▪ Sounds wonderful perhaps too good to be true. ▪ I would be very interested in trying a topical botulinum toxin. ▪ Many of my patients have needle phobias and would likely welcome topical application product. Cost of administration is minimal as no syringe, diluent. And likely the procedure can be performed much more quickly than standard Botox. ▪ Sounds great for so many patients who are terrified of needles. ▪ This would be great b/c many patients are afraid of needle sticks, bruising, etc. **Mixed/Have Questions** ▪ Either the toxin weakens the muscle enough to restrict movement or it doesn't. The differentiators among neurotoxins have more to do with diffusion/concentration and duration of action than some magical difference in how they paralyze or don't paralyze the muscle. ▪ Interesting but the economics of it make me skeptical ▪ It will be great if expertly applied. If it is applied by patients or non dermatologist/plastic surgeons, it will be met with tragic if not comically bad results ▪ Would definitely consider it, but would need to see results from the approval studies as far as efficacy and duration of effect. ▪ Sounds good, the main issue would be efficacy and how long it lasts, and then cost. ▪ May use it depending on efficacy and cost. ▪ I am open to offering it to my patients. A big

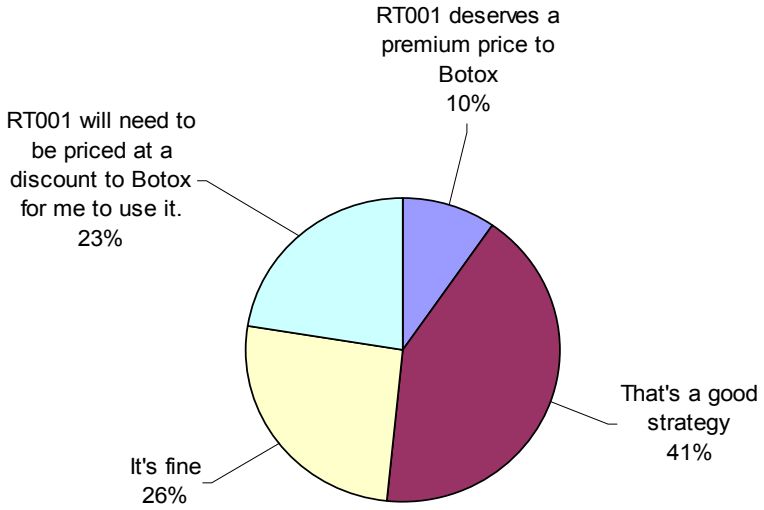
▪ Mixed... Takes longer to apply and not studied for multiple areas. Most patients have glabella and other areas injected along with crows feet. Botox injections are not painful and well tolerated. May have some value in rare patient that is needle-phobic. **Not Sure/Don't Think It Will Work** ▪ Not sure how it will be used. Do doctors apply it? How long does it need to sit on the area? Need to see it in action before I can decide on these things. Not sure about reliability. ▪ Let's see the price. And will it be administered in the doctor's office? ▪ Would have to see for myself that it works well. It is hard to get a protein to be absorbed through the epidermis, so would need to see that it is effective. ▪ I would be very surprised if it works.	consideration will be cost in comparison to Botox. ▪ Impressed: wary of its true efficacy... ▪ I think it would be a great alternative. My only concern is for expanded use by random non-physician (aestheticians) thinking it is safer. **Not Sure/Don't Think It Will Work** ▪ I think it's going to be less reliable because of variations in local penetration into the tissue. I would rather stay with BOTOX Cosmetic. ▪ I am happy with Botox. Cost could enter into the choice of Toxins. ▪ Worry about spreading to unwanted areas and control of amount used and the associated efficacy. ▪ Cost is everything. Paying more for shorter duration will not work. Glabellar is probably my #1 most treated area. If it doesn't work there, why bother?

Source: BMO Capital Markets Physician Surveys, April 2013and January 2014

Pricing

We expect RT001 will enter the market at a price similar to currently injectable botulinum toxin treatments, but believe there is a strong argument for a price premium. Our survey indicates only 10% of physicians believe RT001 should be priced at a premium to Botox, while 23% said RT001 would have to be priced at a discount for them to use it.

Exhibit 12: The company plans on pricing its easy to apply topical botulinum toxin A treatment, RT001, at a parity to Botox on a per treatment basis, or around $125 per crows feet lines treatment. What is your reaction to this?



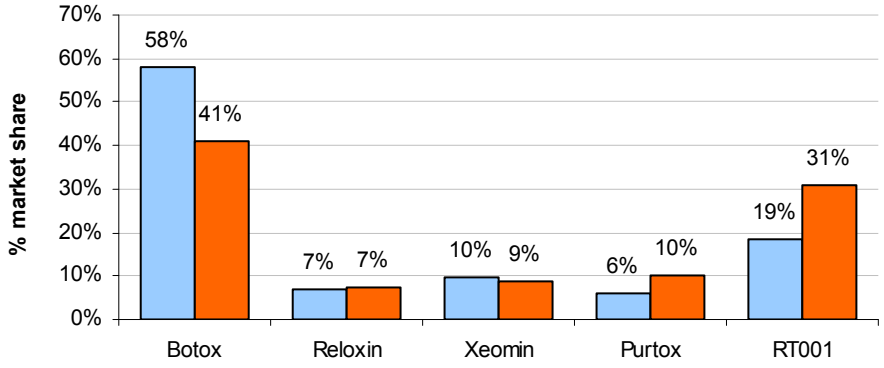
Source: BMO Capital Markets Corp. Physician Survey, January 2014

RT001 Should Rapidly Capture Share and Expand the Market

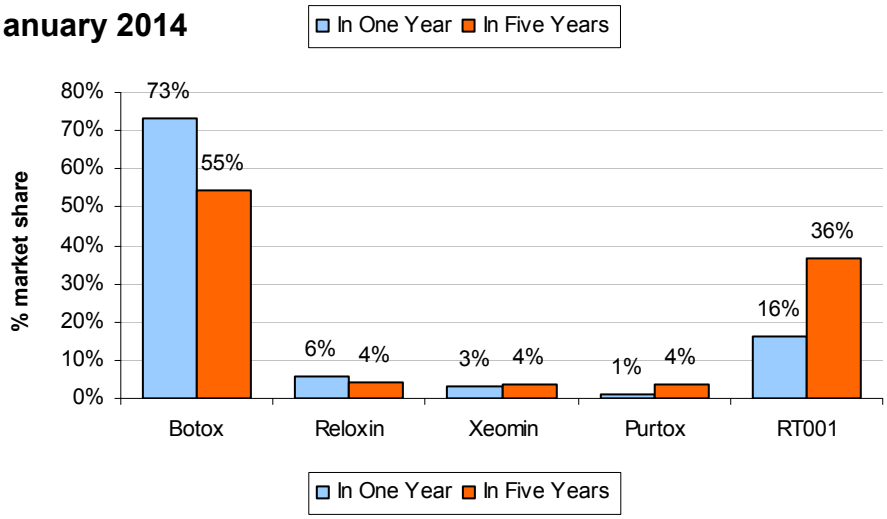
Our physician survey indicates doctors expect RT001 to take between 16% and 19% of the market in the first year, and up to 31% or 36% by the fifth year, mostly at the cost of Botox. Our forecasts, we believe, are conservative as they assume only 15% peak market share in the US and 10% in the EU.

Exhibit 13: What market share would Revance's topical gel Botox-like product have?

April 2013



January 2014



Source: Physician Surveys by BMO Capital Markets

RT001 Could Be a Gateway Drug

Our January 2014 doctor survey indicated 83% of doctors believe RT001 will take on the role of a gateway drug. For this reason, we do not view the entry of RT001 as a complete negative for Botox and other injectable botulinum toxin treatments currently on the market. We believe physicians will use RT001 alongside injectable treatments.

Exhibit 14: Some people believe RT001 will expand the market and bring in new patients who will start with aesthetic topical treatments and progress into injectable and possibly even other treatments. Do you believe this is a likelihood?

Yes, why?

- Starting with noninvasive techniques is a good strategy for people interested in anti-aging therapy.
- I've seen this happen with Botox and other neurotoxins now- a good initial experience leads to fillers and laser treatments later.
- Fear of pain and needles or the stigma of bruises and prick marks keeps a certain segment of the population from trying these treatments.
- It will open up avenues for biodelivery of previous injectable treatments.
- There are still people who are afraid of injection.
- Opens up new possibilities of drug delivery.
- Effective topicals will draw a consumer typically fearful of the historical cosmetic/plastic environment. They will think it can be effective and more natural perhaps.
- Similar to Botox---they try this, they often move on to other things.
- Less pain will definitely open up the market. Especially males.
- It might interest people who are afraid of needles but, if so, they probably won't be interested in fillers so not sure it will actually expand the market in use of other products.
- Always like to see new patients in the office, they are then exposed to the many other cosmetic procedures It will unmask other areas of concern.
- Seems easy to do. Patients won't be too nervous.
- These patients will be pleased with their result and want to address/improve other areas of concern.
- Because it is less invasive, more patients willing to come in
- Lowers the barriers to having the treatment.
- Currently fear of needles is a very big roadblock for patients who have this phobia. On the other hand, it may take patients out of the office as this treatment can be offered by primary care offices and itinerant nurses very easily.
- All noninvasive treatments act as gateway drugs
- Possibly. Once some of these patients are in a med-spa setting they often find other things they are interested in. I would not use "gateway drug" in marketing though.

No, why not?

- Not sure that is applicable for the group that would only come for a topical treatment.
- It would depend more on upsell from the doctor and/or the office staff.
- I have had very few patients convert from injectables to surgery.
- Injectables allow a bonding experience for patient and doctor building trust and confidence.

Source: BMO Capital Markets Corp. Survey, January 2014

Revance's RT001 – A Three-Month Antiperspirant?

Revance is studying RT001 for severe underarm sweating (severe primary axillary hyperhidrosis), a condition that affects an estimated one million people in the US.

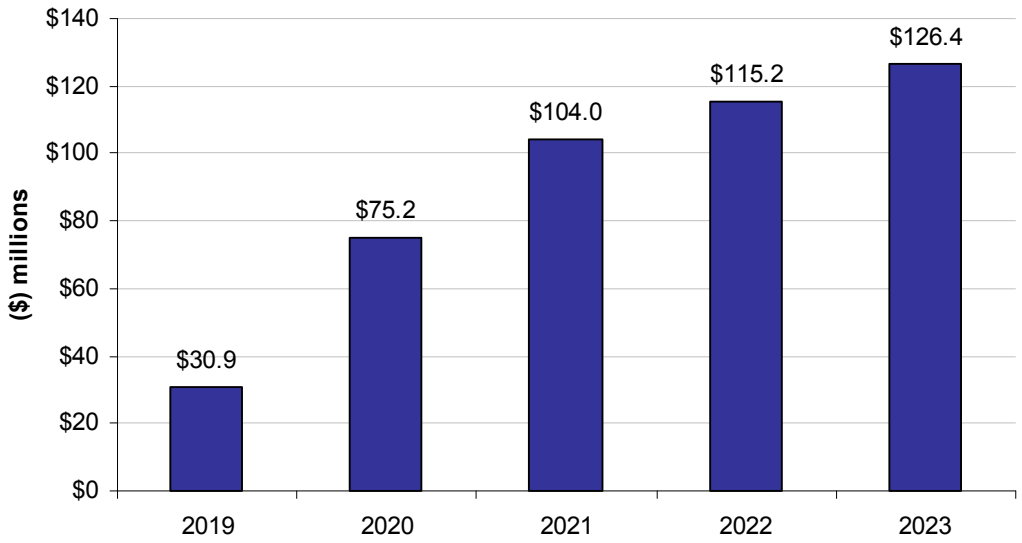
The market-penetration of RT001 for hyperhidrosis will likely be significant and immediate, as we believe it will become the new standard of care for excessive sweating.

The market-penetration of RT001 for hyperhidrosis will likely be significant and immediate, as we believe it will become the new standard of care for excessive sweating

The topical nature of RT001 also makes it much more suitable for other indications currently treated by injectable botulinum toxin, especially hyperhidrosis. We estimate the current US market for Botox use in hyperhidrosis at $60-$100 million, but view this low number indicative of the pain one must go through for multiple injections in the affected area (30+ in hands and armpits).

We estimate RT001 for hyperhidrosis will enter the market in 2019 and our sales estimates are shown in Exhibit 15.

Exhibit 15: RT001 for Hyperhidrosis Sales



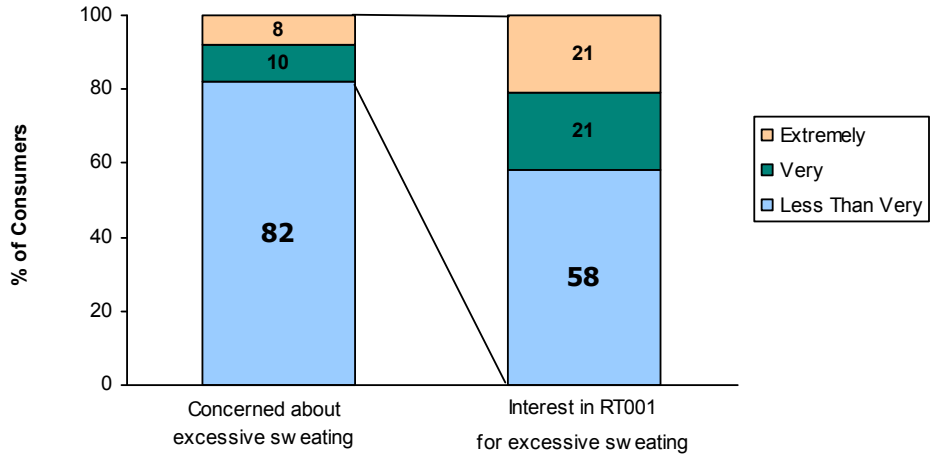
Source: BMO Capital Markets estimates

Given the ease of use and lack of pain involved in an RT001 treatment, we believe there is also a significant opportunity for Revance to reach people who do not suffer from hyperhidrosis but do believe they sweat too much

Medical publications indicate hyperhidrosis affects approximately eight million people in the US, one million of who have severe hyperhidrosis. Research shows only 38% of those affected by hyperhidrosis seek treatment.

However, given the ease of use and lack of pain involved in an RT001 treatment, we believe there is also a significant opportunity for Revance to reach people who do not suffer from hyperhidrosis but do believe they sweat too much.

Exhibit 16: Consumer Interest in Excessive Sweating Treatment



Source: Company Reports

In our view, any patient would rather have a painless gel applied to their palms or underarms than tolerate 30 or more injections in particularly sensitive areas. From a physician's perspective, treating hyperhidrosis with Botox injections is a time consuming process and reimbursement for the procedure is relatively low. RT001 could offer an option that takes up much less of the physician's time and potentially increases the profitability of a physician's practice.

RT001 could offer an option that takes up much less of the physician's time and potentially increases the profitability of a physician's practice

Data from the company's initial dose escalation hyperhidrosis Phase II clinical trial suggest the feasibility of treating primary underarm hyperhidrosis with RT001. The data showed an increased response as the dose increased, without any dose-related increase in adverse events.

Revance plans to initiate additional Phase II clinical trials for the treatment of hyperhidrosis with RT001. In these future trials, Revance plans to evaluate the efficacy of a higher dose compared to placebo and permit evaluation of the RT001 dose response to treatment of signs and symptoms of primary underarm hyperhidrosis. Revance believes this data will help to establish whether this new botulinum toxin dose is adequate or whether further dose escalation in this clinical indication is needed prior to definitive safety and efficacy testing.

We believe RT001 will capture this market and expand it dramatically

We estimate hyperhidrosis makes up approximately 2%-5% of Botox therapeutic sales, or $60-$100 million. We believe RT001 will capture this market and expand it dramatically.

Free Option RT001 Is Migraine

We believe that if approved, an indication for treatment of migraine headaches could provide significant upside to Revance shares and sales potential

Another exciting indication Revance is also developing RT001 for is the treatment of migraine headaches. The company has conducted a Phase II clinical trial in which RT001 was shown to be effective for the preventive treatment of chronic migraine headache, when applied topically to six areas on the head. For the company's next Phase II clinical trial, Revance plans to enroll and treat subjects with migraine headaches using RT001 in a randomized double-blind placebo-controlled dose-ranging clinical trial design. The company expects this trial will further characterize the dose response relationship of RT001 in migraine headache to identify the optimal dose to be carried forward into later-stage clinical trials.

The primary endpoint for the completed Phase 1/2 migraine study was a composite of Headache Impact Test (HIT-6), the number of migraines and migraine intensity at week 4. The study achieved the primary endpoint and the safety profile showed RT001 was well tolerated, with adverse events similar to placebo.

We have not included the migraine headache indication in our projections at all, but believe that if approved, an indication for treatment of migraine headaches could provide significant upside to Revance shares and sales potential in the $250 million range.

Revance's Long-Acting Injectable RT002: A Six-Month Injectable Botulinum Treatment?

Earlier Stage, But Big Potential

We expect all investor attention is on Revance's RT001, the topical botulinum, while the long-acting injectable may be quite promising

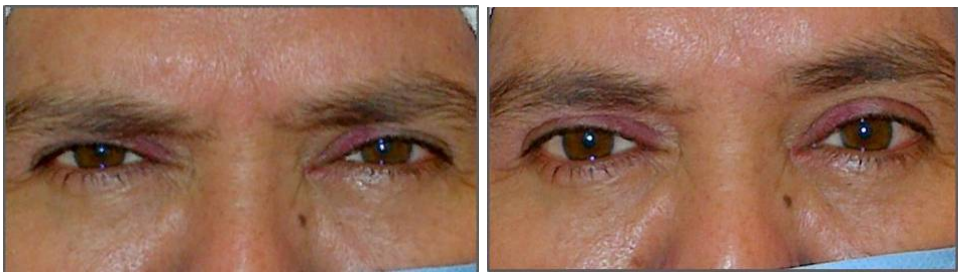
We expect all investor attention is on Revance's RT001, the topical botulinum, while the long-acting injectable may be quite promising. The company claims that initial clinical data shows RT002 could have a duration of up to six or seven months, approximately twice that of injectable botulinum neurotoxins. We believe this product presents a very interesting market opportunity for current injectable users.

Revance is currently testing RT002 in a four-cohort, dose escalating, open label Phase 1/2 clinical trial in Mexico for improvement of glabellar lines, the vertical lines between the eyebrows and above the nose. Initial data from this clinical trial indicated that RT002 is safe and efficacious at all four doses. The efficacy was measured by investigator assessment at maximum frown. The investigator then determines two scores, the Glabellar Line Severity Score (GLSS), a 4-point scale where 3 is severe wrinkles and 0 is none, and the Global Aesthetic Improvement Scale (GAIS) where +3 is very much improved, -3 is very much worse and 0 is no change. Results show the lowest tested dose of RT002 appears to deliver response rates superior to current approved injectables.

Exhibit 17: RT002 Treatment Example – Cohort 1

Baseline Week 4

Post study: Seven months after single treatment:



Max frown Rest after Max frown

Source: Company reports.

We believe therapeutic indications for RT002 would mean significant upside to Revance sales if brought to market, although we do not project it in our modeling

Based on the interim data analyzed, Revance plans to further develop RT002 for the treatment of glabellar lines by filing an IND and initiating a Phase II clinical trial in the US in 2014. In addition, Revance plans to study RT002 in therapeutic indications already approved for botulinum toxin, such as movement disorders and overactive bladder. Revance believes these indications require deeper delivery of the botulinum toxin, and are likely to be better served by injectable delivery of RT002. We do not project any therapeutic indications for RT002 in our modeling, but believe if brought to market would mean significant upside to Revance sales.

BMO Physician Survey: RT002 Could Be a "Game-Changer"

The feedback from physicians we surveyed indicates an overwhelming majority believe the increased duration of RT002 will provide a serious disruption to the market.

Exhibit 18: Assuming the data shows RT002 is safe, and it works similarly to Botox, but with a duration of approximately six to seven months, what do you make of it? What is your reaction? Would it be a game changer?

- Skeptical about claims but if true, it would be a game changer
- Would be a welcome addition, but the extra length will have to be balanced against downsides.
- Yes, it would be a game changer IF used properly or will fade to a disaster if misused. Very intriguing.
- Yes, it would be. Should be priced at least a 25%-30% premium over shorter-acting injectables, though.
- People are still going to want Botox because it's familiar to them and they're comfortable with it.
- Game changer if for real.
- It will be a game changer depending on how much the cost.
- Not a game changer but would probably attract a certain segment of patients where convenience (i.e., fewer times to the office) is more important than cost, pain, etc.
- I would absolutely use it. Many patients are discouraged that Botox only lasts three months.
- Game changer.
- It would be a major factor in my practice simply because of the duration.
- It wouldn't be a game changer unless we can charge more for it.
- Yes because of the increased duration of action. This would be very interesting and appealing to use.
- Not sure.
- This may go against the economic interests of the supplier and provider, but should be an advantage to the customer. I think customers will like the longer acting product.
- If it lasts longer and it actually has reliable penetration/efficacy it could be a game changer for some patients.
- Definitely interested if duration is twice as long as Botox.
- Yes it is a game changer. It would be a game changer even if it had the same duration as Botox, but with longer action, even more so.
- If true, I would try it.
- Seems good if it's true. Should cost more.
- Wow, yes a definite game changer.
- It would be a very real competitor to Botox.
- They would need to market heavy to draw patients since Botox has become such a well-known product; obviously focusing on the longer duration. In my practice, I frequently have patients who are interested in Botox, but are turned off when they hear it will only last three to four months. Not everyone can afford or wants to come in that often for treatment.

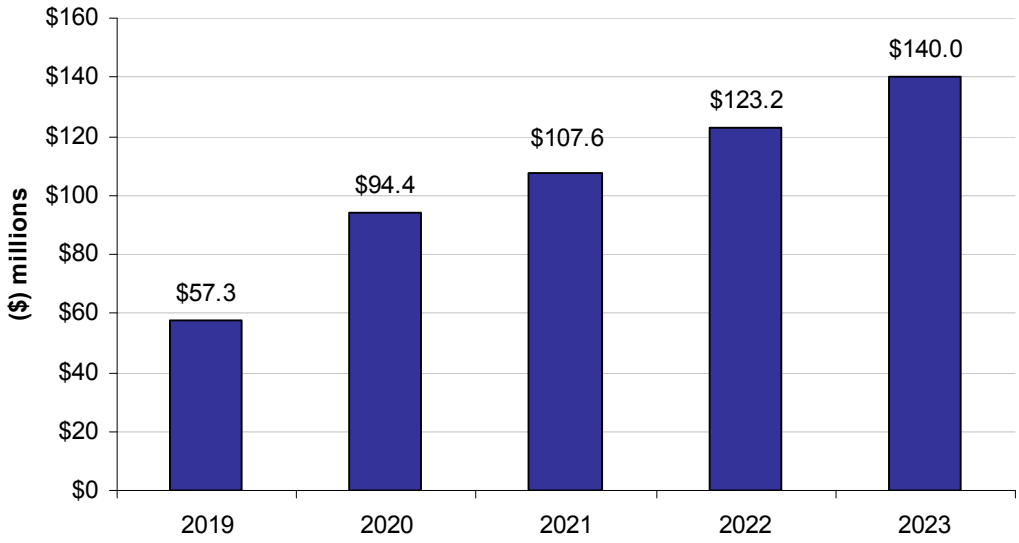
- Depends on cost and the amount of pain. Would it be reversible if the patient doesn't like it?
- Longer-lasting Botox would certainly be a game changer. Price point might be a little difficult to gauge well as it would potentially drop income from Toxins for many offices. As a plastic surgeon that's not as much of an issue as we use Botox as a gateway for other procedures.
- Would want to see the data.
- Yes because longevity is definitely an issue with Botox. Anything that lasts longer would be more attractive.
- Game changer....make it happen!
- I think the main issue will be using it correctly or you have more time of something being "messed up" (ptosis etc).

Source: BMO Capital Markets Corp. Survey, January 2014.

While this is a potential game changer, we think investors should note that this program remains earlier stage and we believe riskier than the RT001 topical program. As such, we only forecast 10% market share for RT002 and that the longer duration of RT002 will expand the cosmetic injectable botulinum toxin market by 2%.

We expect RT002 to enter the market in 2019 and achieve the sales numbers shown in Exhibit 19.

Exhibit 19: RT002 for Glabellar Lines Sales



Source: BMO Capital Markets estimates

The Technology Behind It All

Revance has developed TransMTS peptide technology that it utilizes in both RT001 and RT002, although this technology serves different purposes in each drug.

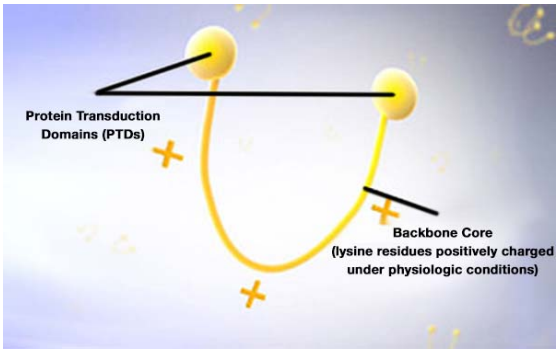
In topical RT001, Revance's TransMTS technology allows for transmembrane delivery of botulinum toxin type A, a large molecule that is otherwise not able to pass through the skin. In RT002, TransMTS allows for increased duration and keeps the toxin from spreading to neighboring tissues, restricting it to the targeted site.

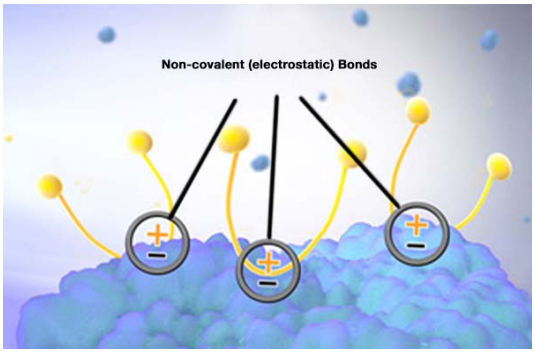
We believe this technology is promising and could possibly be used to transform other injectable treatments into noninvasive topical treatments

TransMTS peptide technology consists of a positively charged core attached to two identical proteins. The peptide core attaches to the negatively charged botulinum molecule and the proteins facilitate in the delivery of the molecule.

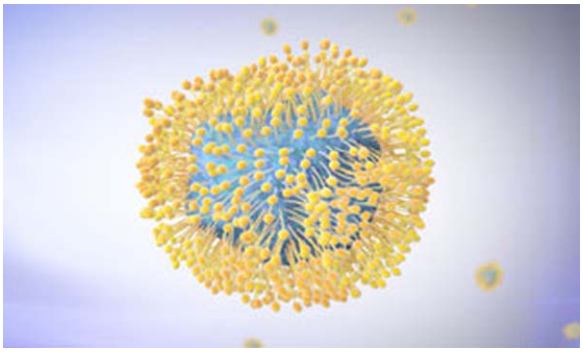
We believe this technology is promising and could possibly be used to transform other injectable treatments into noninvasive topical treatments. The potential is large, but the development past botulinum toxin is far off, so we do not attribute value to this possibility in our model.

Exhibit 20: TransMTS Technology





Non-Covalent Bonding of Toxin and Peptide



Botulinum Toxin Type A and TransMTS® Peptide Complex

Source: Company Illustrations

Management Team

We have had several discussions with the management team and found them to be forthright and open to our questions.

L. Daniel Browne, 52, President, Co-Founder, President, and Chief Executive Officer. Daniel Browne is a co-founder of Revance and has served as president and CEO and a member of the company's board of directors since Revance commenced operations in 2002. Prior to Revance, he served as president and CEO of Neomend, Inc. and held various positions at Gore Medical Products Division of W.L. Gore & Associates, Inc. Mr. Browne holds a B.S. from the University of Hawaii in Cell and Molecular Biology and an M.B.A. from Pepperdine University.

Jacob Waugh, M.D., 42, Co-Founder Chief Scientific Officer and Medical Director. Dr. Waugh is a co-founder of Revance and has served as chief scientific officer and medical director since June 2002. From 1997 to 2004, Dr. Waugh served on staff at the Stanford University School of Medicine and has authored over 30 research manuscripts and publications. He has six patents granted in the US and numerous additional patent applications. Dr. Waugh received his B.S. from Rice University and M.D. from the Baylor College of Medicine.

Curtis Ruegg, Ph.D., 51, Executive Vice President, Research and Development and Technical Operations. Dr. Ruegg has served as Revance's executive vice president, research and development and technical operations since September 2006. Previously, Dr. Ruegg held management and research and development positions at CoTherix, Inc., and before that was vice president of preclinical and process development at InterMune, Inc. Dr. Ruegg holds a B.S. in toxicology from the University of California, Davis, and a Ph.D. in pharmacology from Johns Hopkins University School of Medicine.

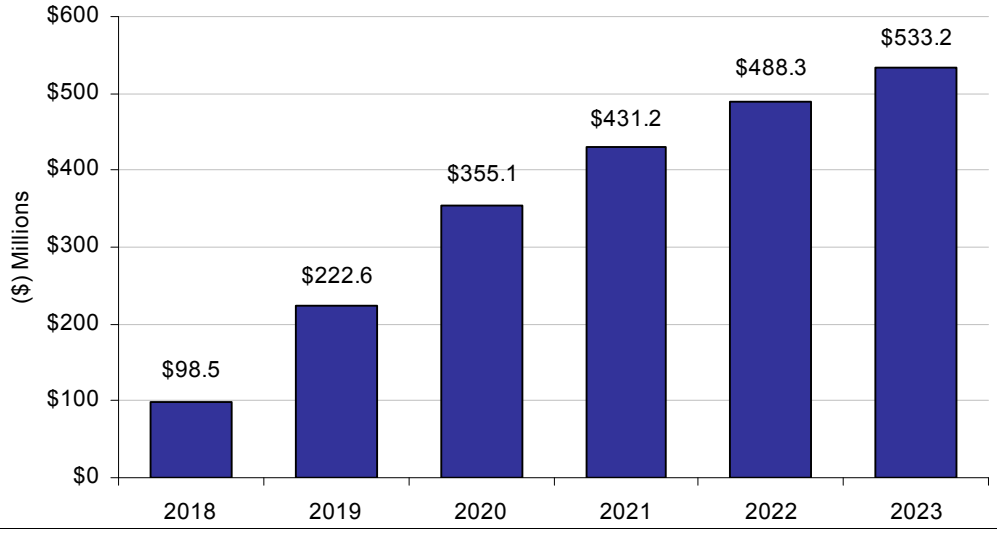
Lauren P. Silvernail, 55, Executive Vice President, Corporate Development and Chief Financial Officer. Ms. Silvernail has served as Revance's chief financial officer and executive vice president, Corporate Development since March 2013. From 2003 to 2012, Ms. Silvernail was chief financial officer and vice president of corporate development at ISTA Pharmaceuticals, Inc. During her tenure at ISTA, revenues grew to more than $160 million and headcount increased to more than 340 employees by the time ISTA was purchased by Bausch & Lomb in June 2012. Prior to that, she held various positions at Allergan. Ms. Silvernail holds a B.A. in Biophysics from the University of California, Berkeley and an M.B.A. from the Anderson Graduate School of Management at the University of California, Los Angeles.

Valuation

Assumptions:

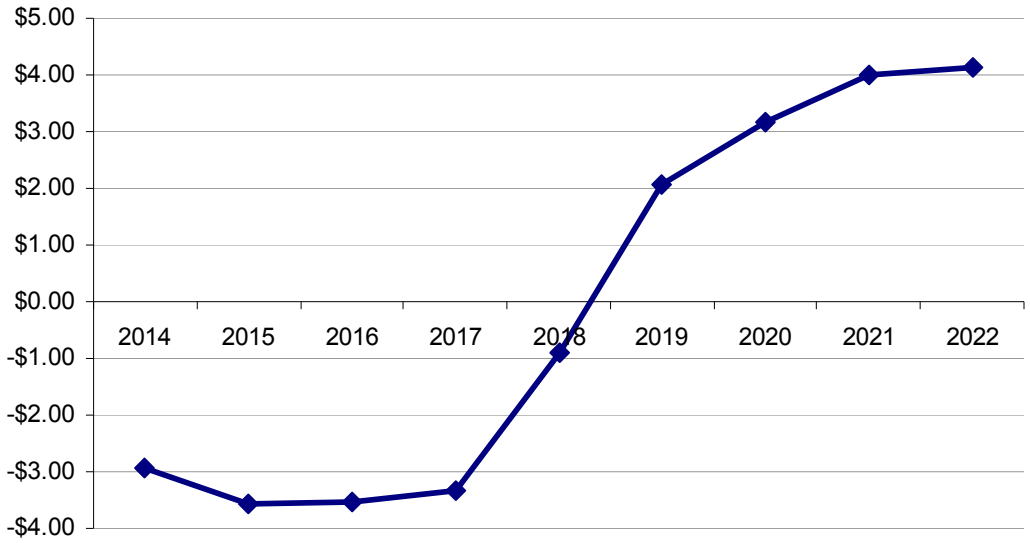
- We have risk adjusted our sales forecasts. Our peak US market share for Revance's topical RT001 is 15% and 10% in the EU, compared with our physician feedback that if approved, RT001 could garner 25% or more of the market. We believe our approach is conservative as RT001 and RT002 make progress, we will de-risk, or increase, these penetration rates.
- Our forecasts do not include any contribution for indications such as migraine, over-active bladder or allergic rhinitis.
- We assume that Revance will market its own products. We believe there is a chance that Revance will out-license one or more products, and as such our forecasts for SG&A may be high.
- We estimate that Revance will end 1Q14 with approximately $89.8 million in cash and cash equivalents and available-for-sale securities.
- We arrive at a $37 price target based on our DCF, a summary of which is provided below. Our DCF assumes a 10x EV/EBITDA multiple, compared with the current sector average of 12.8x, and a 15% WACC. Our per share valuation also reflects dilution of 8 million shares based on an additional potential equity raise. This price target equates to an approximate $930 million in enterprise value.
- Taking a discounted earnings approach, if we discount our projected 2020 earnings back by 10% per year and apply a 15x earning multiple, we arrive at an enterprise value of $1.05 billion, or 39 approximately 45% higher than today's approximately $525 million value. On the current share base of approximately 18.6 million shares, the value would be $56.60 per share. Given we believe that Revance may need approximately $250 million in additional financing before profitability and assuming this is done at today's share price, we estimate a 8 million more shares would be issued, resulting in a per share target price, including potential share dilution, of approximately $39. We note that Revance may look to other non-dilutive funding sources for cash and this would impact our price target.
- On a peer basis, we consider Kythera a good target comparison company, as both companies are working in the aesthetics space and are in a similar development stage. It is a bit of an apple-to-oranges comparison, as Kythera's lead product is not for wrinkles, but rather a product for reduction of submental fat, which commonly presents as an undesirable "double chin." That said, we believe the market opportunities, when adjusted for development, approval, and commercial risk, are very similar. Kythera is further along and anticipates filing for approval for its chin fat product in 2014, while Revance plans to file for approval in 2016. Kythera currently has a market value of $1.2 billion, and we believe that longer-term, if Revance progresses successfully, Revance's value will follow a similar trajectory and target value.

Exhibit 21: Revance Revenue Projections



Source: BMO Capital Markets

Exhibit 22: Revance EPS Projections



Source: BMO Capital Markets

We estimate 2014-2018 per share losses of $2.94, $3.57, $3.52, $3.23, and $0.92, and a profit of $2.30 per share in 2019.

In taking into consideration our DCF, discounted EPS, and target peer valuation approaches, we believe our 12-month price target of $37.

Exhibit 23: RVNC Discounted Cash Flow ($ millions)

WACC	**15.0%**										
Terminal Value EV/EBITDA Multiple	**10.0x**										
Unlevered Free Cash Flows											
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Net Sales		$0.0	$0.0	$0.0	$12.1	$98.5	$222.6	$362.0	$456.4	$503.3	$552.7
Growth Rate							*126.0%*	*62.6%*	*26.1%*	*10.3%*	*9.8%*
EBIT		-$55.5	-$80.0	-$85.0	-$87.3	-$25.9	$68.4	$119.5	$159.8	$176.1	$193.4
Margin							*30.7%*	*33.0%*	*35.0%*	*35.0%*	*35.0%*
Pre-tax income		-$54.7	-$79.0	-$84.0	-$86.3	-$24.9	$68.8	$120.7	$162.3	$180.1	$198.4
Tax		$0.0	$0.0	$0.0	$0.0	$0.0	($6.5)	($17.9)	($24.0)	($26.4)	($53.4)
Tax rate		0.0%	0.0%	0.0%	0.0%	0.0%	9.5%	15.0%	15.0%	15.0%	27.6%
EBIAT		($55.5)	($80.0)	($85.0)	($87.3)	($25.9)	$61.9	$101.5	$135.8	$149.7	$140.0
Plus: Depreciation and Amortization		$5.0	$5.2	$5.3	$5.5	$5.6	$5.8	$6.0	$6.1	$6.3	$6.5
Less: Capital Expenditures		($4.0)	($4.2)	($4.4)	($12.0)	($12.0)	($12.0)	($20.0)	($20.0)	($20.0)	($20.0)
Less: Change in Net Working Capital		$1.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$2.0
Unlevered Free Cash Flow		**($53.5)**	**($79.1)**	**($84.1)**	**($93.8)**	**($32.3)**	**$55.7**	**$87.5**	**$121.9**	**$136.1**	**$128.5**
Cumulative Unlevered FCF	$213.7	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5
Terminal Value[2]	$1,999.6										
PV of Free Cash flow	($136.7)	-$53.5	-$79.1	-$84.1	-$93.8	-$32.3	$25.8	$35.3	$42.7	$41.5	$34.1
PV of Terminal Value	$1,066.1										
Implied Enterprise Value	$929.4	**Implied Equity Value Sensitivity Table**									
Plus: Cash & Equivalents **(est)**	$89.8		***EBITDA Multiple Terminal Value***								
Less: Total Debt **(3Q13)**	$13.0	***WACC***	**$37.13**	**6.0x**	**7.0x**	**8.0x**					
Implied Value of Equity	$1,006.3		**11.5%**	$26.69	$31.21	$35.73					
Diluted Shares Outstanding*	27.1		**12.5%**	$25.06	**$29.41**	$33.75					
Implied Value per Share	**$37.13**		**13.5%**	$23.53	$27.71	$31.88					

Source: BMO Capital Markets estimates

Summary

We believe that Revance offers a unique opportunity in the growing botulinum neurotoxin market, with three promising botulinum toxin type A programs in its pipeline. We believe that with topical botulinum gel RT001 for cosmetic and therapeutic indications as well as longer-lasting botulinum injectable RT002, Revance's pipeline has the potential to greatly expand and radically alter the aesthetics market.

Our valuation results in a $37 price target, which is approximately 37% higher than the shares are currently trading.

On the cautious side, we believe Revance will need additional cash prior to becoming profitable, and with RT001 still at least four years away from reaching the market, investors should consider this overhang. We note the unknowns as far as competition to Revance's topical wrinkle treatment also present a risk to our current valuation. Should Allergan or Anterios release information surrounding their potential development programs of similar products, Revance shares would likely suffer.

Our valuation is highly dependent on RT001 continuing on a steady development trajectory, since RT002 and further programs depend significantly on RT001's success.

Overall, we believe Revance's two main development programs represent potential paradigm-shifts in the aesthetics market, and are initiating coverage with an Outperform rating.

Other companies mentioned (priced as of the close on February 28, 2014):

Allergan (AGN, $127.00, Outperform)

Exhibit 24: Revance Income Statement

$ millions, except per-share data

Revance Income Statement	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
US Cosmetic Neurotoxin Market (est.)								
Total	**$596**	**$667**	**$772**	**$838**	**$921**	**$1,059**	**$1,218**	**$1,309**
Y/Y % Growth	17.6%	11.9%	15.8%	8.5%	10.0%	15.0%	15.0%	10.0%
EU Cosmetic Neurotoxin Market (est)	**$263.4**	**$274.0**	**$284.9**	**$296.3**	**$308.2**	**$320.5**	**$333.3**	**$346.6**
Y/Y % Growth		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
RT001 (Topical Cosmetic Use) - US					**$12.1**	**$98.5**	**$134.4**	**$170.2**
Market Share					*1.3%*	*9.3%*	*11.0%*	*13.0%*
RT001 (Topical Cosmetic Use) - EU						**$4.0**	**$16.7**	**$24.3**
Market Share						*1.3%*	*5.0%*	*7.0%*
RT002 (Long-Acting Injectible)							**$57.3**	**$92.4**
RT001 (Topical for Hyperhidrosis)							**$30.9**	**$75.2**
Total revenues	**$0.4**	**$0.0**	**$0.0**	**$0.0**	**$12.1**	**$98.5**	**$222.6**	**$362.0**
							126%	*63%*
COGS	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$64.6**	**$18.5**	**$35.9**	**$54.3**
as % of product revenues						18.7%	16.1%	15.0%
Gross profit	**$0.4**	**$0.0**	**$0.0**	**$0.0**	**$9.7**	**$84.1**	**$203.4**	**$307.7**
Gross margin					80.0%	85.3%	91.4%	85.0%
R&D	$27.6	$36.5	$55.0	$60.0	$50.0	$50.0	$50.0	$61.5
as % of revenues						50.7%	22.5%	17.0%
SG&A	$12.0	$19.0	$25.0	$25.0	$47.0	$60.0	$85.0	$126.7
as % of revenues							38.2%	35.0%
Operating profit	**($39.2)**	**($55.5)**	**($80.0)**	**($85.0)**	**($87.3)**	**($25.9)**	**$68.4**	**$119.5**
Operating margin							30.7%	33.0%
Financial Income	$0.0	$0.9	$1.0	$1.0	$1.0	$1.0	$0.4	$1.2
Financial Expense	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Other	($13.1)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Pretax income	($51.3)	($54.7)	($79.0)	($84.0)	($86.3)	($24.9)	$68.8	$120.7
Pretax margin								
Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$6.6	$18.1
Tax rate	0%	0%	0%	0%	0%	0%	10%	15%
Net income	**($51.3)**	**($54.7)**	**($79.00)**	**($84.0)**	**($86.3)**	**($24.9)**	**$62.2**	**$102.6**
Net margin							28.0%	28.3%
Shares out (diluted)		18.6	22.1	23.9	26.7	27.1	27.1	27.1
Earnings per share GAAP		**($2.94)**	**($3.57)**	**($3.52)**	**($3.23)**	**($0.92)**	**$2.30**	**$3.78**

Source: Company reports, BMO Capital Markets

Exhibit 25: Revance Balance Sheet

$ millions

Revance Balance Sheet	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Assets								
Cash and cash equivalents	$4	$48	$70	$47	$54	$23	$79	$167
Restricted cash (current portion)	$0	$0	$0	$0	$0	$0	$0	$0
Prepaid expenses and other current asse	$0	$0	$0	$0	$0	$0	$0	$0
Total current assets	**$4**	**$49**	**$70**	**$47**	**$54**	**$23**	**$79**	**$167**
Restricted cash (non-current)	$1	$1	$0	$0	$0	$0	$0	$0
Property, plant and equipment, net	$13	$14	$14	$15	$23	$31	$39	$55
Other non-current assets	$1	$0	$0	$0	$0	$0	$0	$0
Total assets	**$19**	**$63**	**$84**	**$62**	**$77**	**$54**	**$118**	**$222**
Liabilities								
Current liabilities								
Trade payables	$13	$13	$13	$13	$13	$13	$13	$13
Accruals and other	$10	$10	$10	$10	$10	$10	$10	$10
Deferred revenue (current portion)	$0	$0	$0	$0	$0	$0	$0	$0
Derivative liabs associated with Medicis s	$7	$7	$7	$7	$7	$7	$7	$7
Capital leases (current)	$0	$0	$0	$0	$0	$0	$0	$0
Notes payable (current)	$8	$8	$8	$8	$8	$8	$8	$8
Total current liabilities	**$39**	**$39**	**$39**	**$39**	**$39**	**$39**	**$39**	**$39**
Notes payable (net of current portion)	$5	$5	$5	$5	$5	$5	$5	$5
Derivative liabilities associated with Medicis settlement(non-current)	$2	$2	$2	$2	$2	$2	$2	$2
Convertible preferred stock warrant liability	$1	$1	$1	$1	$1	$1	$1	$1
Deferred rent	$3	$3	$3	$3	$3	$3	$3	$3
Total liabilities	**$49**	**$49**	**$49**	**$50**	**$50**	**$50**	**$50**	**$50**
Shareholder's Equity								
Convertible preferred stock	$124	$124	$124	$124	$124	$124	$124	$124
Common stock	$0	$99	$199	$259	$359	$359	$359	$359
Share premium	$0	$0	$0	$0	$0	$0	$0	$0
Additional paid-in capital	$40	$40	$40	$40	$40	$40	$40	$40
Accumulated deficit	($195)	($249)	($328)	($411)	($495)	($519)	($455)	($350)
Total equity	**($31)**	**$13**	**$35**	**$12**	**$27**	**$4**	**$68**	**$172**
Total liabilities and equity	**$19**	**$63**	**$84**	**$62**	**$77**	**$54**	**$118**	**$222**

Source: Company reports, BMO Capital Markets

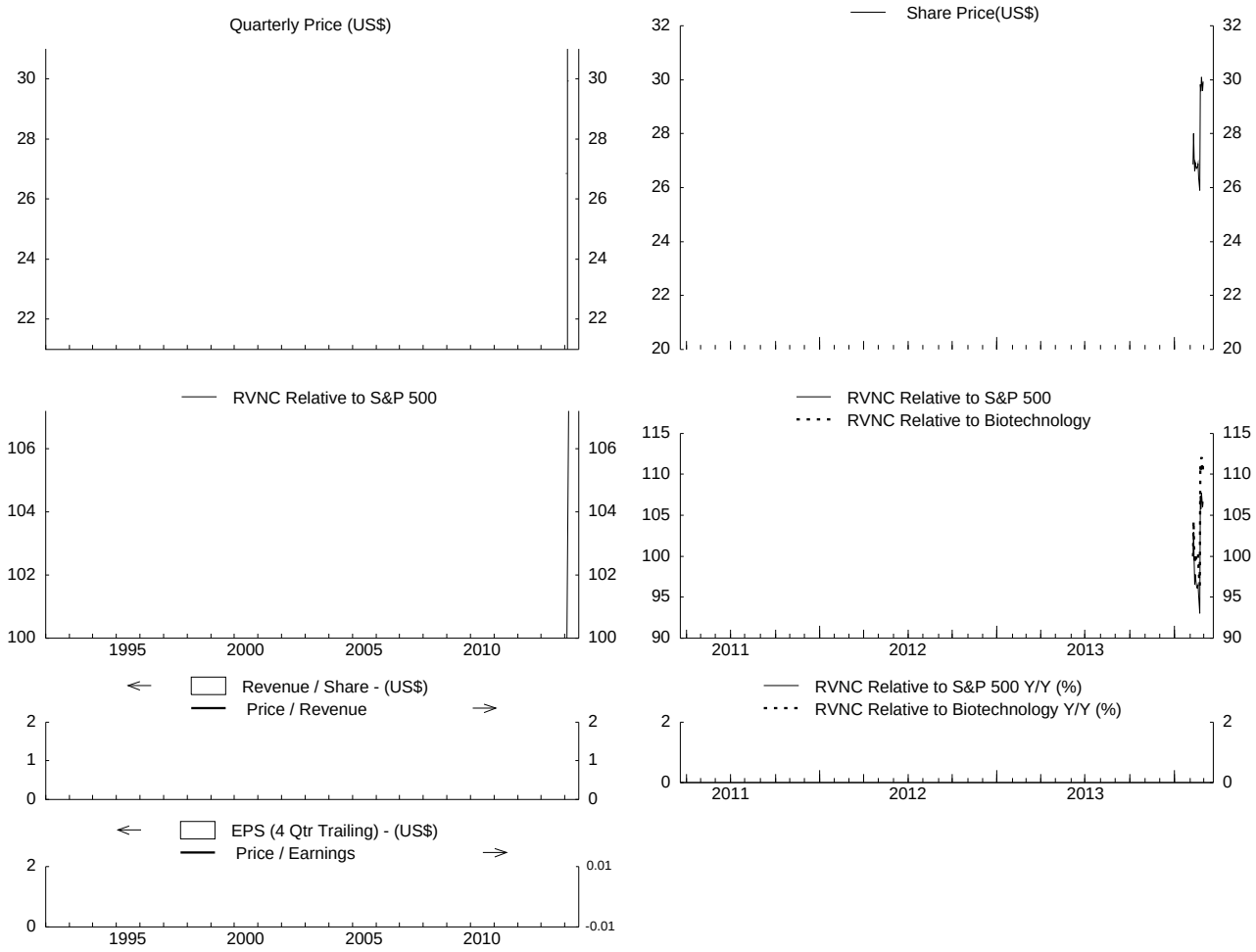
Exhibit 26: Revance Cash Flow Statement

$ millions

Revance Cash Flow	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Net earnings	**($51.3)**	**($54.7)**	**($79.0)**	**($84.0)**	**($86.3)**	**($24.9)**	**$62.2**	**$102.6**
Adjustments to reconcile net income (loss) to net cash used in continuing operating activities								
Depreciation and amortization	$5	$5	$5	$5	$5	$6	$6	$6
Revaluation of convertible preferred stock warrant liability	($0)	$0	$0	$0	$0	$0	$0	$0
Revaluation of derivative liabs associated with convertible no	($3)	$0	$0	$0	$0	$0	$0	$0
Revaluation of derivative liabs associated with Medicis settler	$0	$0	$0	$0	$0	$0	$0	$0
Convertible preferred stock warrant modification	$1	$0	$0	$0	$0	$0	$0	$0
Stock-based compensation	$0	$0						
Interest on convertible notes	$15	$0						
Capitalized interest	($0)	$0	$0	$0	$0	$0	$0	$0
Changes in operating activities								
Prepaid expenses and other current assets	$1	$0	$0	$0	$0	$0	$0	$0
Other non-current assets	$1	$1	$0	$0	$0	$0	$0	$0
Trade payables	$8	$0	$0	$0	$0	$0	$0	$0
Accruals and other	$1	$0	$0	$0	$0	$0	$0	$0
Payments against Medicis liabs	($7)	$0	$0	$0	$0	$0	$0	$0
Deferred rent	$0	$0	$0	$0	$0	$0	$0	$0
Deferred revenue (current portion)	$0	$0	$0	$0	$0	$0	$0	$0
Net cash flows used in operating activities	**($27)**	**($49)**	**($74)**	**($79)**	**($81)**	**($19)**	**$68**	**$109**
Cash flows from investing activities:								
Purchase of property and equipment	($4)	($4)	($4)	($4)	($12)	($12)	($12)	($20)
Change in restricted cash	$0	$0	$1	$0	$0	$0	$0	$0
Net cash used in investing activities	**($4)**	**($4)**	**($4)**	**($4)**	**($12)**	**($12)**	**($12)**	**($20)**
Cash flows from financing activities:								
Payments made on capital leases	($4)	($2)	($1)	$0	$0	$0	$0	$0
Payments made on notes payable	($6)	$0	$0	$0	$0	$0	$0	$0
Proceeds from exercise of stock options	$0	$0	$0	$0	$0	$0	$0	$0
Proceeds from exercise of common stock	$0	$99	$100	$60	$100	$0	$0	$0
Proceeds from issuance of convertible preferred stock	$41	$0	$0	$0	$0	$0	$0	$0
Net cash provided by financing activities	**$31**	**$97**	**$99**	**$60**	**$100**	**$0**	**$0**	**$0**
Exchange rate differences on cash and cash equivalents								
Net decrease in cash and cash equivalents	($0)	$45	$21	($23)	$7	($31)	$56	$89
Cash and cash equivalents - beginning	$4.1	$3.9	$48.5	$69.8	$46.7	$53.8	$22.5	$78.5
Cash and cash equivalents - end	**$3.9** #	**$48.5** #	**$69.8** #	**$46.7** #	**$53.8** #	**$22.5** #	**$78.5** #	**$167.1**
Free cash flow	($31)	($53)	($78)	($83)	($93)	($31)	$56	$89

Source: Company reports, BMO Capital Markets

Revance Therapeutics (RVNC)



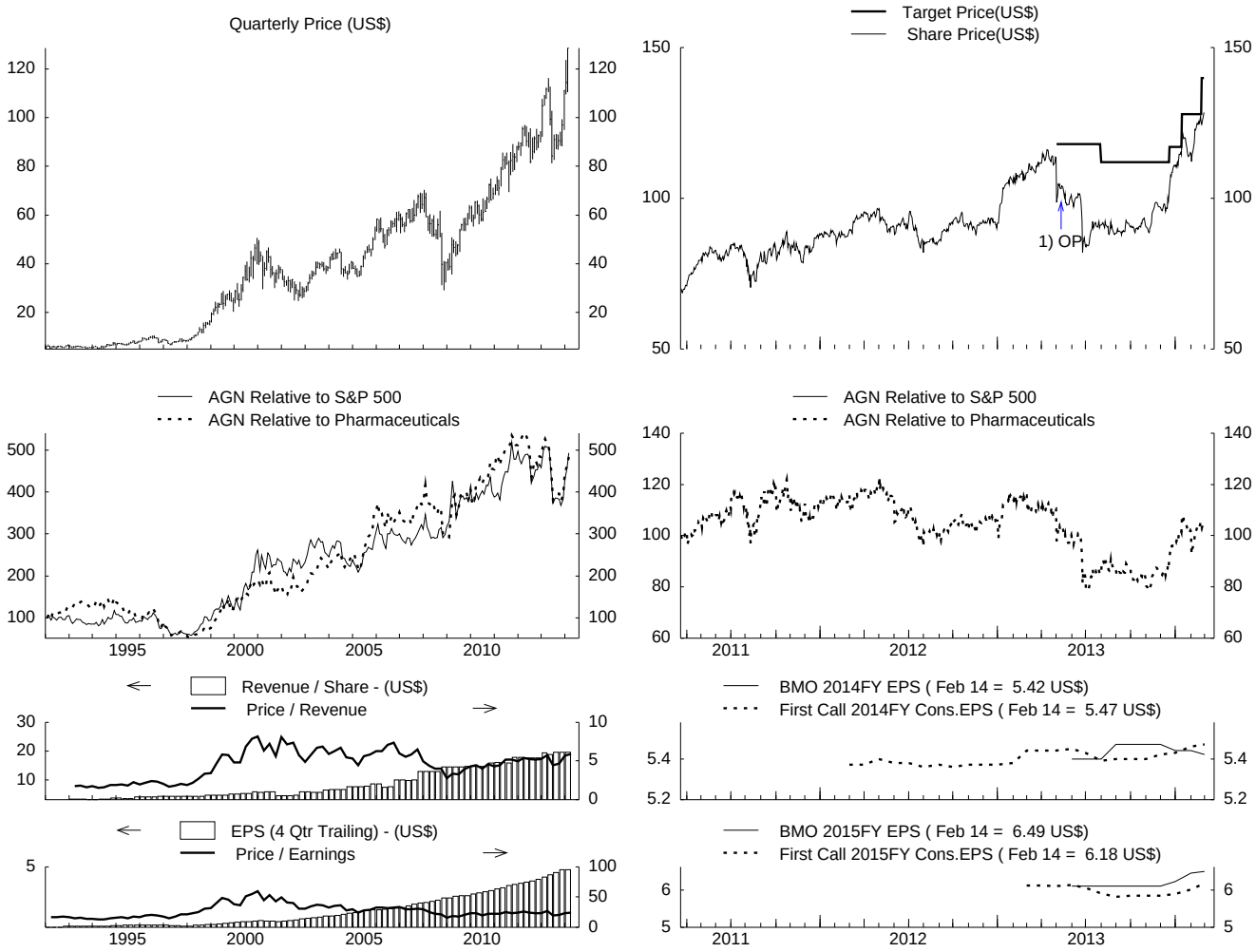
FYE (Dec.)	EPS US$	P/E Hi - Lo	DPS US$	Yield% Hi - Lo	Payout %	BV US$	P/B Hi - Lo	ROE %
Range*:		na na		NC			>15 >15	
Current*	ND	na	0.00	0.0	na	-1.4	-19.2	na

RVNC - Rating as of 24-Feb-14 = NR

* Current EPS is the 4 Quarter Trailing to Q4/2013.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

Last Price (February 27, 2014): $29.94
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

Allergan Inc. (AGN)



FYE (Dec.)	EPS US$	P/E Hi	P/E Lo	DPS US$	Yield% Hi	Yield% Lo	Payout %	BV US$	P/B Hi	P/B Lo	ROE %
1992	0.38	17.7	13.2	0.09	1.9	1.4	25	1.9	3.6	2.7	
1993	0.40	16.7	12.8	0.10	1.9	1.5	25	2.0	3.3	2.5	21
1994	0.43	17.7	11.5	0.11	2.2	1.4	25	2.4	3.2	2.1	20
1995	0.49	17.0	13.0	0.12	1.9	1.4	24	2.6	3.2	2.5	20
1996	0.50	20.7	14.8	0.13	1.7	1.2	26	2.9	3.6	2.6	18
1997	0.39	23.6	16.4	0.13	2.0	1.4	33	3.2	2.9	2.0	13
1998	0.51	32.6	15.2	0.13	1.7	0.8	25	2.6	6.3	2.9	17
1999	0.65	44.5	22.5	0.14	1.0	0.5	22	2.4	11.8	6.0	26
2000	0.80	63.2	25.4	0.16	0.8	0.3	20	3.3	>15	6.1	28
2001	0.74	68.3	39.9	0.18	0.6	0.4	24	3.7	13.6	7.9	21
2002	0.94	41.2	26.1	0.18	0.7	0.5	19	3.1	12.4	7.9	27
2003	1.16	35.3	22.6	0.18	0.7	0.4	16	2.8	14.8	9.5	39
2004	1.39	33.3	24.0	0.18	0.5	0.4	13	4.2	11.1	8.0	40
2005	1.65	33.5	20.9	0.20	0.6	0.4	12	5.9	9.4	5.8	33
2006	1.80	34.2	25.7	0.20	0.4	0.3	11	10.3	6.0	4.5	22
2007	2.18	31.7	24.1	0.20	0.4	0.3	9	12.2	5.7	4.3	19
2008	2.57	27.4	11.3	0.20	0.7	0.3	8	13.2	5.3	2.2	20
2009	2.78	23.1	11.6	0.20	0.6	0.3	7	15.8	4.0	2.0	19
2010	NA	23.7	17.5	0.20	0.4	0.3	6	15.7	4.8	3.5	na
2011	3.65	24.5	18.2	0.20	0.3	0.2	5	17.4	5.1	3.8	22
2012	4.04	24.0	20.1	0.20	0.2	0.2	5	19.4	5.0	4.2	22
2013	4.77	24.4	17.1	0.20	0.2	0.2	4	18.5	6.3	4.4	25
Range*:		68.3	11.3		2.2	0.2			>15	2.0	
Current*	4.78	24.0		0.20	0.2		4	21.8	5.3		22
Growth(%):											
5 Year:	13.2			0.0				10.5			
10 Year:	15.1			1.1				22.9			
20 Year:	13.2			3.6				12.6			

* Current EPS is the 4 Quarter Trailing to Q4/2013.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

AGN - Rating as of 18-Mar-11 = NR

	Date	Rating Change	Share Price
1	9-May-13	NR to OP	$103.15

Last Price (February 27, 2014): $128.55
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

Important Disclosures

Analyst's Certification

I, David Maris, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Company Specific Disclosure RVNC

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Disclosure 3: BMO Capital Markets has managed or co-managed a public offering of securities with respect to this issuer within the past 12 months.
Disclosure 4: BMO Capital Markets or an affiliate has received compensation for investment banking services from this issuer within the past 12 months.
Disclosure 6: This issuer is a client (or was a client) of BMO Nesbitt Burns Inc., BMO Capital Markets Corp., BMO CM Ltd. or an affiliate within the past 12 months: Investment Banking Services.

Methodology and Risks to Our 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.

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.
** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.
*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.
**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.
***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

Rating and Sector Key (as of April 5, 2013)

We use the following ratings system definitions:
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;
Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis;
(S) = Speculative investment;
NR = No rating at this time; and
R = Restricted – Dissemination of research is currently restricted.

BMO Capital Markets' seven Top 15 lists guide investors to our best ideas according to different objectives (CDN Large Cap, CDN Small Cap, US Large Cap, US Small Cap, Income, CDN Quant, and US Quant have replaced the Top Pick rating).

Prior BMO Capital Markets Rating System (January 4, 2010 – April 4, 2013):

http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf

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