Revance Therapeutics

(RVNC-NASDAQ)

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

January 19, 2015

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Management Update; Maintaining Outperform Rating

Event

We caught up with Revance's Dan Browne (CEO), Lauren Silvernail (CFO), and Jeanie Herbert (IR) to get an update on RT001 and RT002 following the recent initiation of the Phase II Active Comparator Trial of injectable RT002.

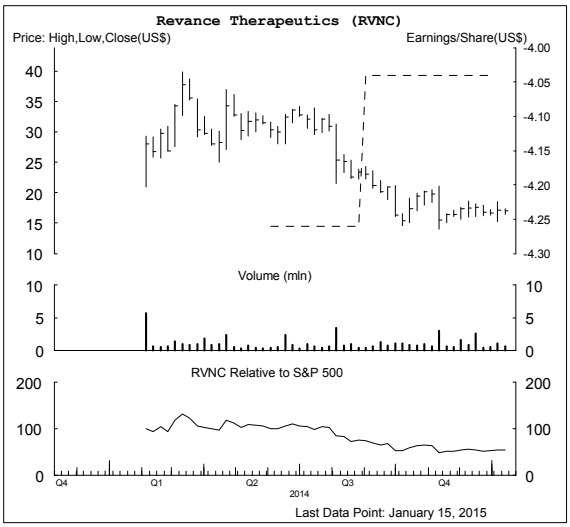
Impact & Analysis

1) Revance does not intend the change the formulation of RT001, but rather the process. 2) We left the meeting with a renewed sense of confidence given management's strong belief that data will be reported by the end of June and RT001 will move into a pivotal Phase III trial this year (>80% probability). 3) The company remains hopeful and confident that it will be able to get its topical product approved given its previous interactions with the FDA and the fact that the draft guidance does not explicitly say that the company's endpoints are insufficient to receive approval.

Valuation & Recommendation

There are still some areas that are not 100% certain on the path forward, but upcoming data will drive Revance's decision whether to move forward into Phase III. While management is hopeful that it is very close to moving ahead, it is quick to note that until the data is in hand, it is not a certainty. We maintain our Outperform rating and $31 price target.

Price (19-Jan)	$17.15	**52-Week High**	$39.86
Target Price	$31.00	**52-Week Low**	$14.02



(FY-Dec.)	2013A	2014E	2015E	2016E
EPS	na	- $2.24	- $3.75	- $3.68
P/E		na	na	na
CFPS	na	- $3.35	- $3.87	na
P/CFPS		na	na	na
Rev. ($mm)	$0	$0	$0	na
EV	$512	$883	$883	na
EBITDA ($mm)	na	-$48	-$76	na
EV/EBITDA	na	na	na	na

Quarterly EPS	**Q1**	**Q2**	**Q3**	**Q4**
2013A	na	na	na	na
2014E	-$1.93a	-$0.69a	-$0.60a	-$0.71
2015E	-$0.94	-$0.94	-$0.94	-$0.94

Dividend	$0.00	**Yield**	0.0%
Book Value	-$14.16	**Price/Book**	-1.2x
Shares O/S (mm)	23.5	**Mkt. Cap (mm)**	$403
Float O/S (mm)	6.7	**Float Cap (mm)**	$115
Wkly Vol (000s)	1,073	**Wkly $ Vol (mm)**	$27.0
Net Debt ($mm)	$4	**Next Rep. Date**	na

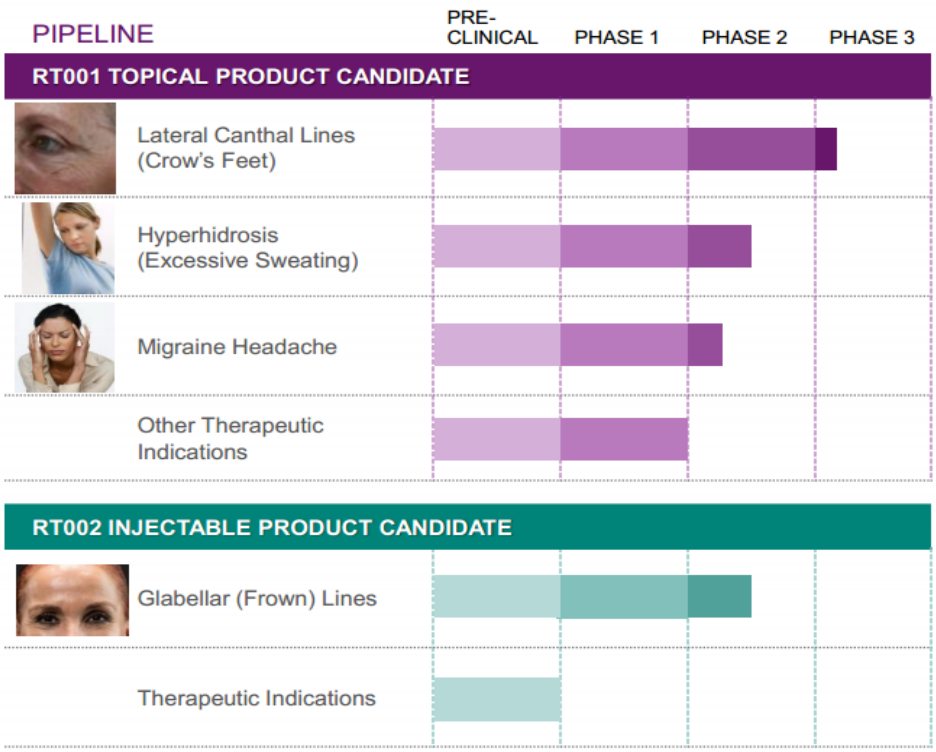
Notes: All values in US$
First Call Mean Estimates: REVANCE THERAPEUTICS INC (US$) 2014E: -$3.09; 2015E: -$3.30; 2016E: -$3.25

Please refer to pages 4 to 7 for Important Disclosures, including the Analyst's Certification.

Details & Analysis

We caught up with Revance's Dan Browne (CEO), Lauren Silvernail (CFO), and Jeanie Herbert (IR) following the recent initiation of the Phase II Active Comparator Trial of injectable RT002. While we are pleased that the RT002 program is on track to deliver interim results for the Phase II in late 2015, we wanted to get a better sense of where RT001 stood and whether the company still feels that it is "really close" to where it needs to be to move the program into Phase III. We left the meeting with a sense that management felt more confident than it was just a month or two ago.

Exhibit 1: Revance's Pipeline



Source: Company Reports, BMO Capital Markets.

What's the issue? Complexation and cohabitation. Revance does not intend the change the formulation of RT001, but rather the process to improve its delivery. The goal is to assemble these proteins and peptides into a compound, and to do so, there are some tweaks that need to take place. The open-label study for crow's feet lines will include up to 60 patients, beginning in 1Q15 and completing in 2Q15. The company does not expect to release results from the open-label study, but will rather simply announce whether it is moving into Phase III, which it expects will begin in late 1H15 or early 2H15. Revance anticipates results from the Phase III trial will be in hand in 2H15.

The company expects to initiate a Phase I/II study for RT001 to treat hyperhidrosis in early 2015, following the completion of the open-label study. Revance decided to wait until the open-label

study was completed and an optimal formulation of RT001 had been identified before beginning the Phase I/II hyperhidrosis trial. Revance made sure to point out the difference in anatomy and end points in this indication. The company expects the Phase I/II trial will begin in mid-2015 and data will be available in 2H15.

Draft guidance from the FDA. According to Revance, there have been three responses to the FDA's draft guidance and the likely next steps would be for the FDA to incorporate feedback and revise the draft in the coming years. The company does not believe it makes sense to wait for final draft guidance, as the timing is not clear and points out that the guidance does not affect its injectable product. The company remains confident that it will be able to get its topical product approved given its previous interactions with the FDA and the fact that the draft guidance does not explicitly say that the company's endpoints are insufficient to receive approval.

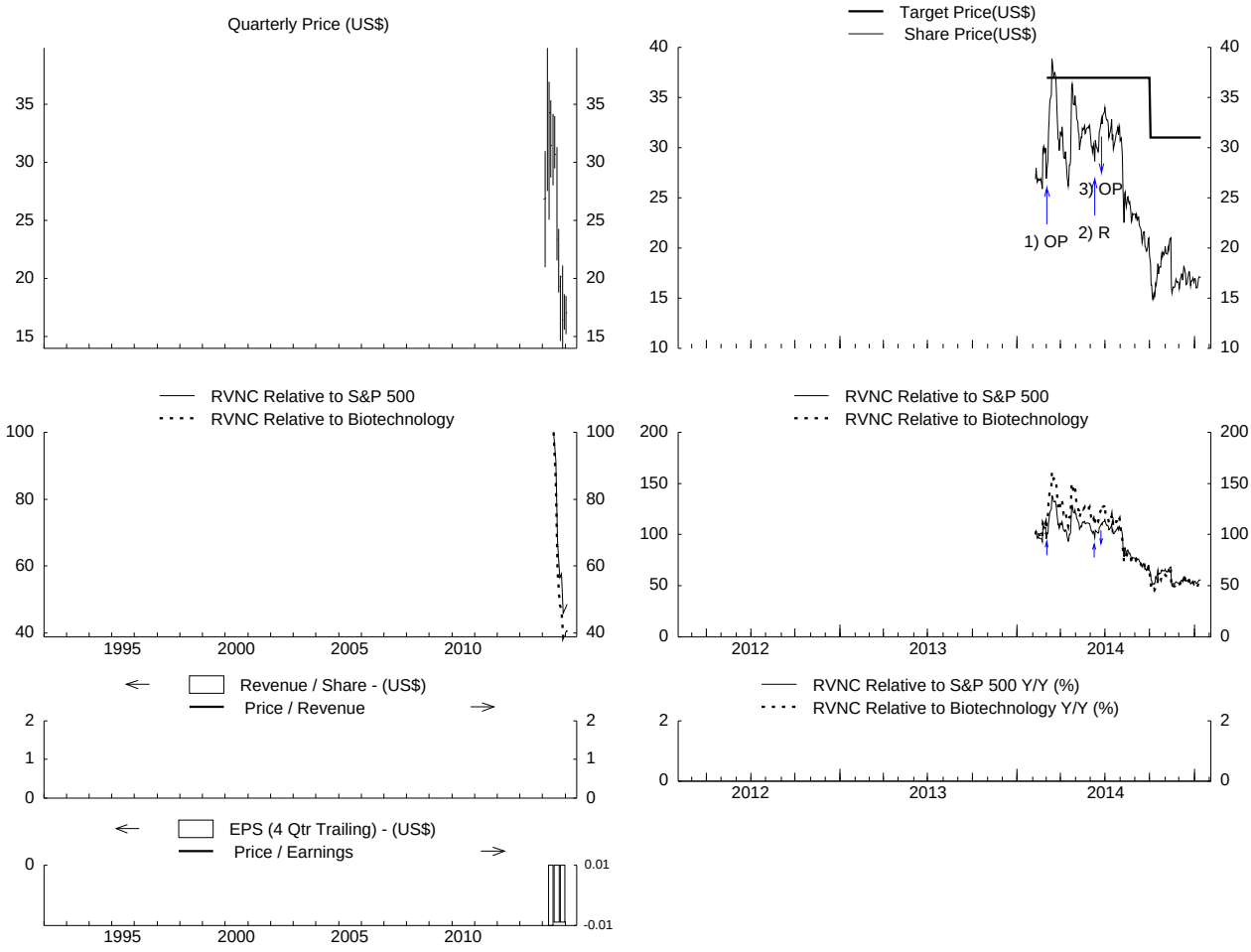
Exhibit 2: Key 2015 Milestones

Product Candidate	Milestone	Timing
Topical RT001 – Lateral Canthal (Crow's Feet) Lines	Complete Open-Label Study Upon Successful Completion of Open-Label Study, Initiate 1st U.S. Phase 3 Pivotal Study Report U.S. Phase 3 Efficacy Data	1H 2H 2H
Topical RT001 – Hyperhidrosis	Initiate Phase 1/2 Study Report Phase 1/2 Results	Mid-2015 2H
Injectable RT002 – Glabellar (Frown) Lines	Report Interim Duration Results from BELMONT Phase 2 Active Comparator Study	Late 2015
Injectable RT002 – Therapeutic Indication	Initiate Phase 1/2 Study and Report Interim Results	2H

Source: Company Reports, BMO Capital Markets.

Our meeting was to some extent challenging and direct as in the past, but the company is clear about what it can and cannot answer. There are still some areas that are not clear to us or to the company as it waits for more data, but as we gain more clarity in the coming months leading to reported data, the probability of success will become clearer. We maintain our Outperform rating and $31 price target.

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*	-4.04	na	0.00	0.0	0	-14.2	-1.2	

RVNC - Rating as of 5-Feb-14 = NR

	Date	Rating Change	Share Price
1	3-Mar-14	NR to OP	$27.78
2	9-Jun-14	OP to R	$28.65
3	23-Jun-14	R to OP	$32.93

* Current EPS is the 4 Quarter Trailing to Q3/2014.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

Last Price (January 13, 2015): $17.06
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

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Methodology: We arrive at our target price using a discounted cash flow analysis, as well as a sector multiple applied to discounted earnings.
Risks: In addition to the normal risks inherent in pharmaceutical companies, such as regulatory, reimbursement, and competitive risks, our valuation of RVNC carries several other risks. Among the risks to our valuation is RVNC's dependence on approval of their lead product and anticipated sales and profitability to drive the value of RVNC.
Unseen side effects, safety issues, and competitive threats have not been taken into account in our valuation and if any of these were to emerge, it is likely RVNC shares would be significantly and negatively impacted. RVNC is currently running at a substantial loss, and with this fact comes several other risks, including the potential need for financing. One cannot be certain that RVNC would be able to secure additional financing and at what cost. Our valuation includes a value for the current pipeline of additional products RVNC is investigating. We have estimated a public market value for these assets based on what a similar company might be valued in a public market. Less is known about these programs relative to RVNC's lead program and given their early nature, they carry substantial development risk.
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Distribution of Ratings (December 31, 2014)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	43.4%	16.2%	60.6%	42.6%	51.7%	55.6%
Hold	Market Perform	52.6%	8.1%	36.6%	53.0%	45.8%	39.5%
Sell	Underperform	3.9%	8.3%	2.8%	4.5%	2.5%	4.9%

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