

Revance Therapeutics

(RVNC-NASDAQ)

Stock Rating: Outperform
Stock Price: US\$31.10
Target Price: US\$37.00

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Specialty Pharmaceuticals

David Maris
BMO Capital Markets Corp.
david.maris@bmo.com

212-885-4091

Chugging Toward PIII Data Event in 2H14

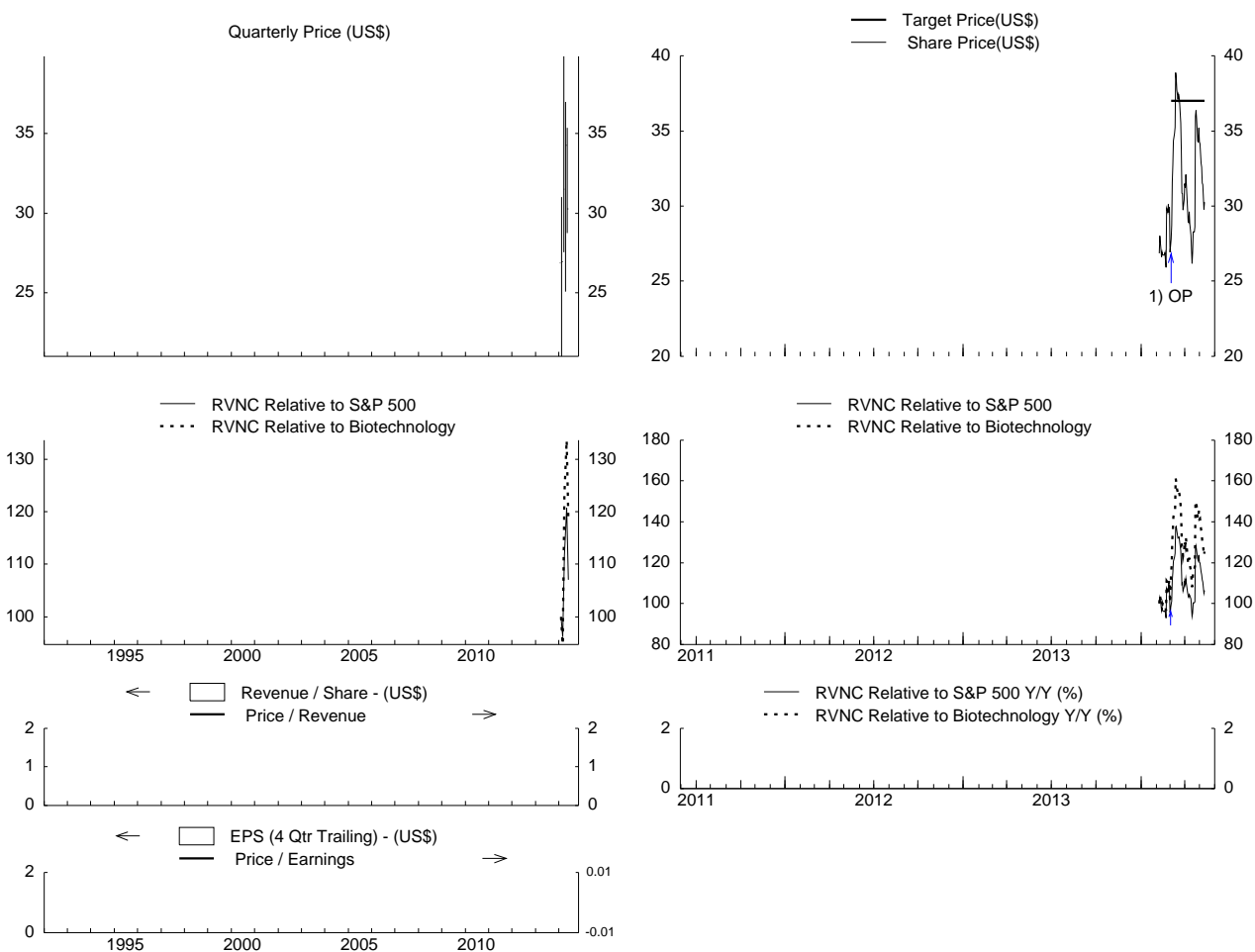
Revance Therapeutics reported 1Q14 results, with a net loss of \$21.4 million, larger than our \$13.7 million forecast, due to non-cash interest expense in relation to the conversion of outstanding 2013 notes – a one-time item. The company reaffirmed its 2014 full-year guidance of operating expenses in the range of \$55-\$60 million (excluding amortization, depreciation and stock-based compensation) and 2014 cash burn to be in the range of \$75-\$85 million. Revance also announced the appointment of Mark Prygrocki to the board. Mr. Prygrocki is a well-known pharmaceutical executive and his experience gained at Medicis will be a good addition to Revance.

Our View:

- Revance is a development-stage company, which recently completed an IPO, and most investors will be less focused on the financial results just reported than the upcoming clinical milestones.
- The R&D expense for the quarter of \$7.6 million was roughly \$1.5 million below our estimate of \$9.1 million, while SG&A was \$4.1 million, less than a million below our forecast of \$4.8 million.
- During the quarter, Revance announced data from its long-acting injectable and this program remains on track and progressing well.
- RVNC had \$87.9 million in cash and cash equivalents at March 31, 2014, compared with \$3.9 million as of December 31, 2013.
- RVNC is planning to report results from the RT001 U.S. Phase 3 pivotal study for the treatment of crow's feet lines in the second half of 2014 – we believe this will be a significant catalyst for the shares. Revance would not disclose when in 2H14 to expect the news.
- We maintain our Outperform rating and \$37 price target.

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

Revene Therapeutics (RVNC)



FYE (Dec.)	EPS US\$	P/E Hi - Lo	DPS US\$	Yield% Hi - Lo	Payout %	BV US\$	P/B Hi - Lo	ROE %	RVNC - Rating as of 5-Feb-14 = NR		
Range*:		na na		NC			>15 >15		Date	Rating Change	Share Price
Current*	ND	na	0.00	0.0	na	-14.2	-2.4	na	1 3-Mar-14	NR to OP	\$27.78

* Current EPS is the 4 Quarter Trailing to Q3/2013.
 * Valuation metrics are based on high and low for the fiscal year.
 * Range indicates the valuation range for the period presented above.

Last Price (May 9, 2014): \$30.28
 Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

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Methodology and Risks to Price Target/Valuation

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

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

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

Distribution of Ratings (March 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	42.0%	21.5%	60.7%	40.8%	53.6%	53.6%
Hold	Market Perform	52.8%	10.8%	38.2%	52.8%	43.8%	40.8%
Sell	Underperform	5.2%	3.2%	1.1%	6.3%	2.7%	5.6%

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

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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 on a total return basis

(S) = speculative investment;

NR = No rating at this time;

R = Restricted – Dissemination of research is currently restricted.

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