

Revance Therapeutics, Inc. (RVNC)

Overweight

4Q Update: Cash Runway Well into 2015; RT001 Phase III Data On Deck

CONCLUSION

Revance reported a 2013 net loss of \$52M. The current cash balance of around \$100M should be sufficient to fund operations well into 2015. Given the extensive body of Phase II data on RT001, RVNC's topical, needle-free form of botulinum toxin, we continue to believe that the risk surrounding Phase III studies (data from the first study will read-out later this year) in lateral canthal lines (LCL; wrinkles around the eyes), is relatively limited. Given that backdrop, coupled with multiple potential indications for RT001 (axillary hyperhidrosis (HH) being the next shot-on-goal for the product) plus the opportunity for RT002, a potential long-acting injectible neuromodulator, RVNC shares are trading at a compelling risk/reward at a market cap of under \$600 million. We reiterate our Overweight rating and \$44 PT.

- **Flush with cash; runway well into 2015.** Inclusive of net proceeds of \$103M from the February IPO and a payment to Valeant/Medicis of roughly \$7M, RVNC now has a net cash balance of close to \$100M. RVNC is expecting to use \$75M-\$85M in cash in 2014. Given the cost of multiple Phase III programs for RT001 and RT002 and the eventual build-out of a U.S. commercial organization, another capital raise is sure to come following the data read-outs on the horizon. That said, potential ex-U.S. partners for RT001 or RT002 (or both) could easily be a source of non-dilutive capital down the road.
- **Risk surrounding Phase III data for RT001 in LCL limited in our view.** Data from the first Phase III study (i.e., a single-dose trial) are expected by 2H14. Recall that in one of the Phase IIb studies in this setting, 41% of patients treated with RT001 showed at least a 2-point grade improvement in wrinkles at rest (as opposed to assessment at smile) on both an investigator and patient assessment of LCL's, compared to 3% of patients on placebo ($p < 0.0001$) at week 4. Clear superiority was replicated in other Phase II studies. What is noteworthy regarding the above data is that this composite responder rate is the primary endpoint for the Phase III studies in LCL. Given the body of data thus far, we are confident in a favorable Phase III outcome. Further, we would keep in mind that the safety data on RT001 has generally been in keeping with the safety profile of injectible neuromodulators.
- **Brisk pace of newsflow looming.** Final data, inclusive of data on the duration of benefit, from the first RT001 Phase III trial in LCL are expected in early 2015 (with initial results expected in 2H14). Data from the second single-dose, placebo, controlled Phase III study in LCL should read out sometime in 2015. Additional Phase II data for RT001 in axillary HH should be available in 2015. For RT002, we should see duration of effect data from the Phase I/II study before mid-2014.

RISKS TO ACHIEVEMENT OF PRICE TARGET

Risks include clinical and regulatory setbacks for RT001 and RT002.

COMPANY DESCRIPTION

Revance is focused on next-generation neuromodulator treatments.

YEAR	REVENUE (US\$ m)						EARNINGS PER SHARE (US\$)					
	Mar	Jun	Sep	Dec	FY	FY RM	Mar	Jun	Sep	Dec	FY	FY P/E
2014E	0.1	0.1	0.1	0.1	0.4	1,435.5x	(1.00)	(0.81)	(0.82)	(0.84)	(3.43)	NM
2015E	—	—	—	—	0.5	1,148.4x	—	—	—	—	(3.27)	NM
2016E	—	—	—	—	0.5	1,148.4x	—	—	—	—	(3.05)	NM

PRICE: US\$30.87

TARGET: US\$44.00

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

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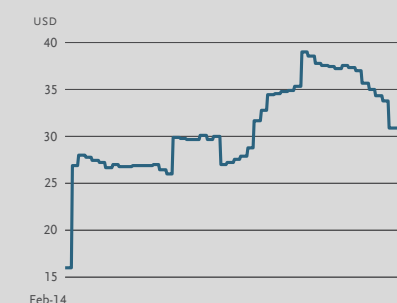
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Changes	Previous	Current
Rating	—	Overweight
Price Tgt	—	US\$44.00
FY15E Rev (mil)	—	US\$0.5
FY16E Rev (mil)	—	US\$0.5
FY15E EPS	—	US\$(3.27)
FY16E EPS	—	US\$(3.05)

52-Week High / Low	US\$39.86 / US\$16.00
Shares Out (mil)	18.6
Market Cap. (mil)	US\$574.2
Book Value/Share	US\$0.00
Net Cash Per Share	US\$5.35
Debt to Total Capital	53%
Div (ann)	US\$0.00
Fiscal Year End	Dec

Price Performance - 1 Year



Source: Bloomberg

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Exhibit 1

RVNC CALENDAR OF UPCOMING EVENTS

Product/ Program	Event	Expected Date
RT002	Duration of effect data for Phase I/II study in Glabellar Lines	1H14
RT001	Interim data from first single dose, placebo controlled Phase III trial in Crow's Feet	2H14
RT002	Initiate dose-ranging Phase II trial in Glabellar Lines	2014
RT001	Final data, including duration of effect, from first Phase III trial in Crow's Feet	early 2015
RT001	Possible data from additional Phase II trials in hyperhidrosis	2015
RT001	Data from second single dose, placebo controlled Phase III trial in Crow's Feet	2015
RT001	Data from EU pivotal trial in Crow's Feet	2015
RT002	Initiate Phase III program in Glabellar Lines	2015
RT001	File BLA/MAA in Crow's Feet	2016

Source: Company reports and PJC estimates

Revance Therapeutics - Quarterly and Annual Income Statement

	2014E												
Fiscal Year Ends December 31 (\$ In millions, except for EPS)	2012A	2013A	1QE	2QE	3QE	4QE	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Product sales													
RT001 (U.S. only)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$41.2	\$108.7	\$185.9	\$267.6
RT002 (U.S. only)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.2	63.2
Total Product Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$41.2	\$108.7	\$218.1	\$330.8
Ex-U.S. royalties and other revenues ⁽¹⁾	0.7	0.6	0.1	0.1	0.1	0.1	0.4	0.5	0.5	0.5	11.4	22.3	33.6
Total Revenue	\$0.7	\$0.6	\$0.1	\$0.1	\$0.1	\$0.1	\$0.4	\$0.5	\$0.5	\$41.7	\$120.1	\$240.4	\$364.4
Cost of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.8	22.8	43.3	61.9
Gross Profit	\$0.7	\$0.6	\$0.1	\$0.1	\$0.1	\$0.1	\$0.4	\$0.5	\$0.5	\$20.8	\$97.3	\$197.1	\$302.4
Research & development	32.7	27.8	11.0	11.0	11.0	11.0	44.0	58.0	50.0	45.0	45.0	45.0	45.0
Selling, general and administrative	11.2	11.0	3.0	3.3	3.5	4.0	13.8	16.0	24.0	52.8	76.6	111.0	144.3
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenses	\$43.9	\$38.8	\$14.0	\$14.3	\$14.5	\$15.0	\$57.8	\$74.0	\$74.0	\$97.8	\$121.6	\$156.0	\$189.3
Operating Income	(\$43.2)	(\$38.2)	(\$13.9)	(\$14.2)	(\$14.4)	(\$14.9)	(\$57.4)	(\$73.5)	(\$73.5)	(\$77.0)	(\$24.3)	\$41.1	\$113.1
Other income (expense), net	(15.1)	(14.2)	(0.9)	(0.9)	(0.9)	(0.9)	(3.6)	(1.3)	(0.8)	(0.5)	(0.5)	0.0	1.0
Income (loss) before taxes	(\$58.3)	(\$52.4)	(\$14.8)	(\$15.1)	(\$15.3)	(\$15.8)	(\$61.0)	(\$74.8)	(\$74.3)	(\$77.5)	(\$24.8)	\$41.1	\$114.1
Income tax provision	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(\$58.3)	(\$52.4)	(\$14.8)	(\$15.1)	(\$15.3)	(\$15.8)	(\$61.0)	(\$74.8)	(\$74.3)	(\$77.5)	(\$24.8)	\$41.1	\$114.1
Non-GAAP EPS, basic	(\$27.14)	(\$7.31)	(\$1.00)	(\$0.81)	(\$0.82)	(\$0.84)	(\$3.43)	(\$3.27)	(\$3.05)	(\$3.06)	(\$0.94)	\$1.50	\$4.10
Non-GAAP EPS, diluted	(\$27.14)	(\$7.31)	(\$1.00)	(\$0.81)	(\$0.82)	(\$0.84)	(\$3.43)	(\$3.27)	(\$3.05)	(\$3.06)	(\$0.94)	\$1.36	\$3.64
Shares outstanding, basic ⁽³⁾	2.1	7.2	14.8	18.6	18.7	18.8	17.8	22.8	24.3	25.3	26.3	27.3	27.8
Shares outstanding, diluted ⁽³⁾	2.1	7.2	14.8	18.6	18.7	18.8	17.8	22.8	24.3	25.3	26.3	30.3	31.3
Expenses as % of total sales:													
COGS										50.0%	19.0%	18.0%	17.0%
R&D										108.0%	37.5%	18.7%	12.3%
Selling, general and administrative										126.8%	63.7%	46.2%	39.6%
Margins:													
Gross margin										50.0%	81.0%	82.0%	83.0%
Operating margin												17.1%	31.0%
Net income												17.1%	31.3%
Income Tax										0.0%	0.0%	0.0%	0.0%
Y-O-Y Growth rates:													
Total revenue											188.4%	100.2%	51.6%
R&D								31.8%	-13.8%	-10.0%	0.0%	0.0%	0.0%
Selling, general and administrative								16.4%	50.0%	120.0%	45.0%	45.0%	30.0%
Operating profit													175.0%
Net income													177.4%

Proprietary to Piper Jaffray, March 27, 2014

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(1) Reflects the signing of an ex-U.S. partnership on both RT001 and RT002, with estimated royalties of 20% on ex-U.S. sales (and assumes a European launch of RT001 in 2018 and a European launch of RT002 in 2019)

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

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

Current disclosure information for this company can be found at

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

Revance - Annual Cash Flow Statement

(\$ in millions)

	2011A	2012A	2013A	2014E	2015E	2016E	2017E	2018E
Beginning Cash & Equivalents	\$4.0	\$29.6	\$4.1	\$3.9	\$34.9	\$63.9	\$130.5	\$51.1
Operating Activities								
Net Income (loss)	(\$30.2)	(\$58.3)	(\$52.4)	(\$61.0)	(\$74.8)	(\$74.3)	(\$77.5)	(\$24.8)
Depreciation	\$2.0	\$1.8	\$1.6	\$2.0	\$2.5	\$3.0	\$3.5	\$4.0
Other	(\$0.4)	(\$2.0)	\$16.5	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)
Stock-based Compensation	\$0.3	\$0.1	\$0.5	\$2.0	\$3.0	\$4.0	\$6.0	\$12.0
Net Change in Assets and Liabilities	(\$0.1)	(\$7.1)	(\$6.2)	\$1.2	\$1.3	\$1.4	(\$9.4)	(\$5.4)
Cash From Operations	(\$28.4)	(\$65.6)	(\$40.1)	(\$56.7)	(\$69.0)	(\$66.9)	(\$78.4)	(\$15.2)
Investing Activities								
Capital Expenditures	(\$0.2)	(\$0.3)	(\$3.0)	(\$3.0)	(\$2.0)	(\$1.5)	(\$1.0)	(\$1.0)
Short-Term Investments	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Acquisition of Tangible Assets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Acquisition of Intangibles	\$0.0	\$0.0	\$0.0	(\$7.0)	\$0.0	\$0.0	\$0.0	\$0.0
Other Investment ⁽¹⁾	\$0.1	\$0.1	\$2.8	\$0.0	\$0.0	\$100.0	\$0.0	\$0.0
Cash From Investing Activities	(\$0.1)	(\$0.2)	(\$0.2)	(\$10.0)	(\$2.0)	\$98.5	(\$1.0)	(\$1.0)
Financing Activities								
Debt Issuance	\$67.2	\$18.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Debt Repayments	(\$12.1)	(\$3.4)	(\$5.6)	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)
Share Repurchases	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Stock and Option Issuances ⁽²⁾	\$0.0	\$0.0	\$45.6	\$102.7	\$105.0	\$40.0	\$5.0	\$5.0
Other, Net	(\$1.0)	(\$1.2)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash From Financing Activities	\$54.1	\$13.6	\$40.1	\$97.7	\$100.0	\$35.0	\$0.0	\$0.0
Currency Translation Differences	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Change In Cash	\$25.6	(\$52.2)	(\$0.2)	\$31.0	\$29.0	\$66.6	(\$79.4)	(\$16.2)
Year End Cash	\$29.6	(\$22.6)	\$3.9	\$34.9	\$63.9	\$130.5	\$51.1	\$34.8

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

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

Proprietary to Piper Jaffray. March 27, 2014

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Revanche - Annual Balance Sheet

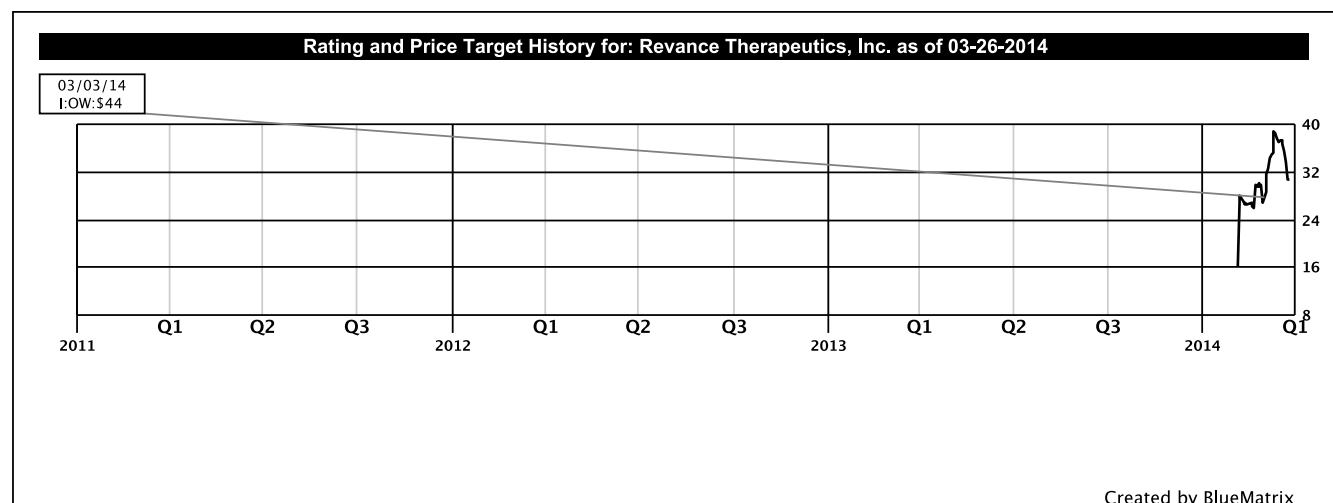
(\$ in millions)

	2011A	2012A	2013A	2014E	2015E	2016E	2017E	2018E
Current Assets								
Cash & Equivalents	\$29.6	\$4.1	\$3.9	\$34.9	\$63.9	\$130.5	\$51.1	\$34.8
Restricted Cash	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Accounts Receivable, net	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$3.2	\$6.6
Inventories	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$7.7	\$11.3
Other Current Assets	\$0.4	\$1.2	\$0.8	\$0.9	\$0.9	\$1.0	\$1.0	\$1.1
Total Current Assets	\$30.1	\$5.4	\$4.8	\$35.8	\$64.9	\$131.5	\$63.0	\$53.8
Property, Plant & Equipment, Net	\$8.4	\$7.0	\$14.3	\$15.3	\$14.8	\$13.3	\$10.8	\$7.8
Goodwill & other intangible assets	\$0.0	\$0.0	\$0.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0
Other Assets	\$1.4	\$1.0	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5
Total Assets	\$39.9	\$13.4	\$22.6	\$61.7	\$90.2	\$155.3	\$84.3	\$72.1
Liabilities & Equity								
Current Liabilities	\$8.9	\$31.0	\$24.7	\$25.9	\$27.2	\$28.6	\$30.0	\$31.5
Long-Term Debt	\$63.5	\$98.0	\$25.5	\$20.5	\$15.5	\$10.5	\$5.5	\$0.5
Other Liabilities	\$27.6	\$5.8	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0	\$6.0
Equity	(\$60.0)	(\$121.3)	(\$33.6)	\$9.2	\$41.5	\$110.2	\$42.8	\$34.1
Total Liabilities & Equity	\$39.9	\$13.4	\$22.6	\$61.7	\$90.2	\$155.3	\$84.3	\$72.1

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

Distribution of Ratings/IB Services Piper Jaffray				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	350	59.12	83	23.71
HOLD [N]	222	37.50	22	9.91
SELL [UW]	20	3.38	0	0.00

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

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— Michael H. Lehrhoff, Research Analyst

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

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