

Revance Therapeutics, Inc.
Form 10-Q
November 13, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from_____to_____

Commission File No. 001-36297

Revance Therapeutics, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of	77-0551645 (I.R.S. Employer
incorporation or organization)	Identification Number)
7555 Gateway Boulevard	
Newark, California 94560	
(510) 742-3400	

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares outstanding of the issuer's common stock, par value \$0.001 per share, as of November 5, 2014: 23,719,902

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Revance Therapeutics, the Revance logos and other trademarks or service marks of Revance appearing in this quarterly report on Form 10-Q are the property of Revance Therapeutics, Inc. This Form 10-Q contains additional trade names, trademarks and service marks of others, which are the property of their respective owners. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Condensed Consolidated Financial Statements****REVANCE THERAPEUTICS, INC.****Condensed Consolidated Balance Sheets****(In thousands, except share and per share amounts)****(Unaudited)**

	September 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 187,486	\$ 3,914
Restricted cash, current portion	75	75
Prepaid expenses and other current assets	3,349	825
Total current assets	190,910	4,814
Property and equipment, net	17,394	14,315
Restricted cash, net of current portion	435	510
Other non-current assets	183	3,006
TOTAL ASSETS	\$ 208,922	\$ 22,645
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 2,666	\$ 5,526
Accruals and other current liabilities	3,317	4,161
Deferred revenue, current portion		83
Derivative liabilities associated with convertible notes, current portion		4,890
Derivative liabilities associated with Medicis settlement, current portion		6,684
Financing obligation, current portion	102	
Convertible notes, current portion		12,157
Notes payable, current portion and discount	8,662	10,702
Common stock warrant liability		3,358
Total current liabilities	14,747	47,561
Convertible preferred stock warrant liability		1,233
Financing obligation, net of current portion	938	
Note payable, net of current portion and discount		2,632
Derivative liabilities associated with Medicis settlement, net of current portion	1,647	1,610
Deferred rent	3,676	3,176

TOTAL LIABILITIES	21,008	56,212
Commitments and Contingencies (Note 9)		
Convertible preferred stock, par value \$0.001 per share 5,000,000 shares and 145,010,269 shares authorized as of September 30, 2014 and December 31, 2013, respectively; 0 shares and 8,689,999 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively (aggregate liquidation preference of \$0 and \$215,264 as of September 30, 2014 and December 31, 2013, respectively)		123,982
STOCKHOLDERS EQUITY (DEFICIT)		
Common stock, par value \$0.001 per share 95,000,000 and 224,000,000 shares authorized as of September 30, 2014 and December 31, 2013, respectively; 23,717,902 and 260,789 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	24	
Additional paid-in capital	432,475	38,331
Accumulated deficit	(244,585)	(195,880)
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	187,914	(157,549)
TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS EQUITY (DEFICIT)	\$ 208,922	\$ 22,645

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

Table of Contents**REVANCE THERAPEUTICS, INC.****Condensed Consolidated Statement of Operations and Comprehensive Loss****(In thousands, except share and per share amounts)****(Unaudited)**

	Three Months ended September 30,		Nine Months ended September 30,	
	2014	2013	2014	2013
Revenue	\$ 75	\$ 158	\$ 308	\$ 308
Operating expenses:				
Research and development	8,600	6,284	24,261	21,592
Sales, general and administrative	5,300	2,142	14,250	8,008
Total operating expenses	13,900	8,426	38,511	29,600
Loss from operations	(13,825)	(8,268)	(38,203)	(29,292)
Interest income	14		18	2
Interest expense	(228)	(351)	(10,336)	(13,466)
Change in fair value of derivative liabilities associated with convertible notes			4,032	1,800
Changes in fair value of derivative liabilities associated with Medicis settlement	67	(44)	(426)	(265)
Change in fair value of common stock warrant liability			(2,151)	
Change in fair value of convertible preferred stock warrant liability		(182)	(210)	(1,108)
Loss on settlement of preferred stock warrant			(1,356)	
Other expense, net	(5)	(38)	(73)	(40)
Net and comprehensive loss	\$ (13,977)	\$ (8,883)	\$ (48,705)	\$ (42,369)
Net income (loss) attributable to common stockholders:				
Basic	\$ (13,977)	\$ (12,793)	\$ (48,705)	\$ 733
Diluted	\$ (13,977)	\$ (12,793)	\$ (48,705)	\$ 2,966
Net income (loss) per share attributable to common stockholders:				
Basic	\$ (0.60)	\$ (55.92)	\$ (2.70)	\$ 3.40
Diluted	\$ (0.60)	\$ (55.92)	\$ (2.70)	\$ 3.05

Weighted-average number of shares used in
computing net income (loss) per share attributable to
common stockholders:

Basic	23,331,104	228,785	18,009,537	215,315
Diluted	23,331,104	228,785	18,009,537	971,472

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

Table of Contents**REVANCE THERAPEUTICS, INC.****Condensed Consolidated Statements of Cash Flows****(In thousands)****(Unaudited)**

	Nine Months ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (48,705)	\$ (42,369)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,561	1,385
Amortization of discount on debt and capital leases	1,198	2,862
Amortization of debt issuance cost	148	179
Revaluation of derivative liabilities associated with convertible notes	(4,032)	(1,800)
Revaluation of derivative liabilities associated with the Medicis settlement	426	265
Revaluation of common stock warrant liability	2,151	
Revaluation of convertible preferred stock warrant liability	210	(60)
Extinguishment of warrant liability upon exercise of put option by warrant holder	1,356	
Convertible preferred stock warrant modification remeasurement adjustment		1,168
Loss on extinguishment of 2013 Notes	8,331	
Stock-based compensation expense	4,611	346
Interest on convertible notes converted to convertible preferred stock		9,178
Interest for new debt upon issuance, non-cash	271	
Capitalized interest	(649)	(103)
Non-cash effective interest on financing obligation	66	
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(2,654)	201
Other non-current assets	(1,238)	(304)
Accounts payable	(3,524)	5,168
Accruals and other current liabilities	1,178	(3,236)
Payments against Medicis liabilities	(7,073)	(6,927)
Deferred rent	500	101
Deferred revenue	(83)	167
Net cash used in operating activities	(45,951)	(33,779)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,444)	(2,672)
Change in restricted cash	75	75
Net cash used in investing activities	(5,369)	(2,597)

Table of Contents**REVANCE THERAPEUTICS, INC.****Condensed Consolidated Statements of Cash Flows (Continued)****(In thousands)****(Unaudited)**

	Nine Months ended September 30,	
	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of deferred follow-on public offering costs	131,882	
Proceeds from issuance of common stock, net of deferred initial public offering costs	102,672	
Proceeds from issuance of convertible notes and notes payable	6,750	
Principal payments made on capital leases and financing obligation	(146)	(858)
Principal payments made on notes payable	(6,230)	(5,594)
Proceeds from the exercise of stock options and employee stock purchase plan	1,402	4
Payments to settle warrants	(1,438)	
Proceeds from the exercise of common stock warrants		3
Proceeds from issuance of convertible preferred stock, net		40,647
Net cash provided by financing activities	234,892	34,202
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	183,572	(2,174)
CASH AND CASH EQUIVALENTS Beginning of period	3,914	4,083
CASH AND CASH EQUIVALENTS End of period	\$ 187,486	\$ 1,909
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 971	\$ 1,318
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING INFORMATION:		
Conversion of Series E-1, E-2, E-3, E-4 and E-5 preferred stock into common stock	\$ 123,982	\$
Conversion of 2013 Notes into common stock	\$ 26,206	\$
Issuance of common stock upon net exercise of common stock warrants in connection with IPO	\$ 6,490	\$
Fair value in excess of debt host for derivative liabilities associated with convertible notes	\$ 1,050	\$
Deferred initial public offering costs	\$ 4,028	\$ 1,748
Deferred follow-on public offering costs	\$ 546	\$
Conversion of preferred stock warrants to common stock warrants	\$ 1,441	\$
Conversion of Essex Notes into financing obligations	\$ 1,095	\$
Termination of stock option repurchase right	\$ 58	\$
Capital contribution on the extinguishment of the prior convertible preferred stock	\$	\$ 74,894
Capital contribution on the extinguishment of the 2011 Notes	\$	\$ 32,008

Deemed dividend on issuance of Series E-5 convertible preferred stock	\$	\$	177
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