Dermira, Inc.
Form 424B5
March 20, 2019
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-228249

PROSPECTUS SUPPLEMENT

(To the Prospectus dated November 21, 2018)

9,811,321 SHARES OF COMMON STOCK

We are offering 9,811,321 shares of our common stock pursuant to this prospectus supplement and the accompanying prospectus.

Our common stock is quoted on The Nasdaq Global Select Market under the symbol DERM. The last reported sale price of our common stock on March 19, 2019 was $14.13 per share.

An investment in our common stock involves a high degree of risk. Please read Risk Factors on page S-9 of this prospectus supplement and in the documents incorporated by reference into this prospectus supplement before investing in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 13.25	$ 130,000,003
Underwriting discounts and commissions[1]	$ 0.795	$ 7,800,000
Proceeds, before expenses, to us	$ 12.455	$ 122,200,003

(1)

We refer you to Underwriting beginning on page S-20 of this prospectus supplement for information regarding underwriting compensation.

We have granted the underwriters an option to purchase up to an additional 1,471,698 shares of our common stock from us at the public offering price, less the underwriting discounts and commissions, within 30 days from the date of this prospectus supplement.

The underwriters expect to deliver the shares against payment on or about March 22, 2019.

Joint Book-Running Managers

Citigroup **Cowen** **Cantor** **Guggenheim Securities**

Co-Managers

Needham & Company **H.C. Wainwright & Co.**

The date of this prospectus supplement is March 19, 2019.

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, including the documents incorporated by reference herein, which describes the specific terms of this offering and also adds to and updates the information contained in the accompanying prospectus and the documents incorporated by reference therein. The second part, the accompanying prospectus, including the documents incorporated by reference therein, provides more general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. Before you invest, you should carefully read this prospectus supplement, the accompanying prospectus and the information incorporated by reference herein and therein, as well as the additional information described in this prospectus supplement under Where You Can Find Additional Information. This prospectus supplement may add, update or change information contained in the accompanying prospectus. To the extent that any statement we make in this prospectus supplement is inconsistent with statements made in the accompanying prospectus or any documents incorporated by reference therein, the statements made in this prospectus supplement will be deemed to modify or supersede those made in the accompanying prospectus and such documents incorporated by reference therein. However, if any statement in one of these documents is inconsistent with a statement in another document with a later date that is incorporated by reference herein, the statement in the document having the later date modifies and supersedes the earlier statement. Before buying any of the shares of common stock that we are offering, we urge you to carefully read this prospectus supplement, the accompanying prospectus and any related free writing prospectus and all of the information incorporated by reference herein and therein, as well as the additional information described under the headings Where You Can Find Additional Information and Incorporation of Certain Information by Reference. These documents contain important information that you should consider when making your investment decision.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus, and any related free writing prospectus filed by us with the Securities and Exchange Commission, or SEC. Neither we nor the underwriters have authorized any other person to provide you with any information that is different. If anyone provides you with different or inconsistent information, you should not rely on it.

This prospectus supplement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the shares of common stock described in this prospectus supplement or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Persons outside the United States who come into possession of this prospectus supplement must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus supplement outside the United States.

You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference herein and therein and any related free writing prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed materially since those dates.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference in this prospectus supplement or the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

Unless the context indicates otherwise, as used in this prospectus, the terms Company, Dermira, Registrant, we, u our refer to Dermira, Inc., a Delaware corporation, and its sole subsidiary, taken as a whole, unless otherwise noted. When we refer to you, we mean the holders of our common stock.

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This prospectus supplement and the information incorporated herein by reference may include trademarks, service marks and trade names owned by us or others. Dermira is a registered trademark in Australia, Canada, the European Union, Japan, Mexico, Switzerland and the United States. Dermira and logo and D and logo are registered trademarks in China, the European Union, Hong Kong, Japan and Mexico and are pending trademark applications in Canada and the United States. Qbrexza is a registered trademark in Japan, Mexico and the United States and is a pending trademark application in Canada, China, European Union, Hong Kong and South Korea. All other service marks, trademarks and tradenames appearing in this prospectus supplement are the property of their respective owners. Solely for convenience, the trademarks and tradenames referred to in this prospectus supplement appear without the ® and symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or the right of the applicable licensor to these trademarks and tradenames.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained in other parts of this prospectus supplement or incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2018 and our other filings with the SEC listed under the section of the prospectus titled Incorporation of Certain Information by Reference contained in this prospectus supplement. This summary does not contain all of the information you should consider in making your investment decision. Before deciding to invest in our common stock, you should read this prospectus supplement, the accompanying prospectus, any related free writing prospectus and the information incorporated by reference herein and therein in their entirety. You should carefully consider, among other things, the matters discussed under the section titled Risk Factors contained in this prospectus supplement and any related free writing prospectus, and under similar headings in the other documents that are incorporated by reference in this prospectus supplement and the accompanying prospectus. Some of the statements in this prospectus supplement constitute forward-looking statements that involve risks and uncertainties. See the section titled Special Note Regarding Forward-Looking Statements.

Company Overview

We are a biopharmaceutical company dedicated to bringing biotech ingenuity to medical dermatology by delivering differentiated, new therapies to the millions of patients living with chronic skin conditions. We are committed to understanding the needs of both patients and physicians and using our insight to identify, develop and commercialize leading-edge medical dermatology products. Our approved treatment, QBREXZA (glycopyrronium) cloth, or QBREXZA, is indicated for pediatric and adult patients (ages nine and older) with primary axillary hyperhidrosis (excessive underarm sweating). In March 2019, we announced positive topline results from our Phase 2b dose-ranging study of lebrikizumab in adult patients for the treatment of moderate-to-severe atopic dermatitis (a severe form of eczema) and have early-stage research and development programs in other areas of dermatology.

We are focused on the development of therapeutic solutions in medical dermatology to treat skin conditions, such as hyperhidrosis and atopic dermatitis. These diseases impact millions of people worldwide and can have significant, multidimensional effects on patients quality of life, including their physical, functional and emotional well-being. According to multiple published studies, patients report that medical dermatology conditions affect quality of life in ways comparable to other serious diseases, such as cancer, heart disease, diabetes, epilepsy, asthma and arthritis.

Our portfolio consists of:

- QBREXZA, a topical, once-daily anticholinergic cloth that was approved by the U.S. Food and Drug Administration, or FDA, in June 2018 for the treatment of primary axillary hyperhidrosis in adult and pediatric patients nine years of age and older. Primary axillary hyperhidrosis is a medical condition with no known cause that results in underarm sweating beyond what is needed for normal body temperature regulation. Anticholinergics are a class of pharmaceutical products that exert their effect by blocking the action of acetylcholine, a neurotransmitter that transmits signals within the nervous system that are responsible for the activation of sweat glands. QBREXZA is applied directly to the skin and is designed to block underarm sweat production by inhibiting sweat gland activation. We began shipping QBREXZA to wholesalers and a preferred dispensing partner in September 2018, and QBREXZA became commercially available in pharmacies nationwide on October 1, 2018. We estimate peak sales potential for QBREXZA to be in the range of $500 million to $600 million in approximately six to seven years from our launch in October 2018.

Lebrikizumab, a novel, injectable, humanized monoclonal antibody targeting interleukin 13, or IL-13, that we are developing for the treatment of moderate-to-severe atopic dermatitis. IL-13 is a naturally occurring cytokine that is thought to play an important role in promoting allergic inflammation and

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mediating its effects on bodily tissues, including in patients with atopic dermatitis. Lebrikizumab is designed to bind to IL-13 with high affinity, specifically preventing formation of the IL-13 receptor/interleukin 4 receptor complex and subsequent signaling. In August 2017, we entered into a license agreement with F. Hoffmann-La Roche Ltd and Genentech, Inc., collectively, Roche, pursuant to which we obtained exclusive, worldwide rights to develop and commercialize lebrikizumab for atopic dermatitis and all other therapeutic indications. Based on the results of two exploratory Phase 2 clinical trials conducted by Roche in atopic dermatitis patients, we initiated a Phase 2b clinical trial in January 2018 to evaluate the safety and efficacy of lebrikizumab as a monotherapy compared with placebo and to establish the dosing regimen for a potential Phase 3 program in patients with moderate-to-severe atopic dermatitis. We completed enrollment of 280 patients ages 18 years and older in the Phase 2b clinical trial in October 2018 and we announced positive topline results in March 2019. All three doses of lebrikizumab met the primary endpoint, demonstrating greater improvements in the Eczema Area and Severity Index, or EASI, score compared to placebo. The safety profile for lebrikizumab observed in the study was consistent with prior studies evaluating this investigational therapy. Following an end-of-Phase 2 meeting with the FDA, we plan to initiate a Phase 3 clinical development program for lebrikizumab by the end of 2019.

Early-stage research and development programs in other areas of dermatology.

Dermira was founded by Thomas G. Wiggans, Eugene A. Bauer, M.D., Christopher M. Griffith and Luis C. Peña with the vision of building a leading dermatology company. Our management team has extensive experience within the dermatology field. This experience brings us significant insight into product and commercial opportunities, as well as a broad network of relationships with leaders within the industry and medical community.

Recent Developments

Topline Results from Phase 2b Dose-Ranging Study of Lebrikizumab

In March 2019, we announced positive topline results from our Phase 2b dose-ranging study of lebrikizumab in adult patients with moderate-to-severe atopic dermatitis, which enrolled 280 patients at 57 sites in the United States. Across all of the doses evaluated, lebrikizumab showed a dose-dependent and statistically significant improvement in the primary endpoint, the mean percent change in EASI score from baseline to week 16. The improvement in EASI score was 62.3% for patients receiving lebrikizumab, 125 milligrams (mg), every four weeks (p=0.0165), 69.2% for patients receiving lebrikizumab, 250 mg, every four weeks (p=0.0022) and 72.1% for patients receiving lebrikizumab, 250 mg, every two weeks (p=0.0005) compared to 41.1% for patients receiving placebo.

Patients treated with lebrikizumab at the 250 mg dose every two or four weeks achieved statistically significant improvements in other key efficacy measures compared to placebo after 16 weeks of treatment, including:

Lebrikizumab 250 mg every four weeks:

33.7% of lebrikizumab-treated patients achieved clearing or near-clearing of skin lesions, as measured by an investigator s global assessment (IGA) score of 0 or 1, and a reduction of at least 2 points from baseline, compared to 15.3% with placebo (p=0.0392).

56.1% of lebrikizumab treated patients achieved a reduction of at least 75% from baseline in EASI score (EASI-75), compared to 24.3% on placebo (p=0.0021).

36.1% of lebrikizumab treated patients achieved a reduction of at least 90% from baseline in EASI score (EASI-90), compared to 11.4% on placebo (p=0.0062).

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Lebrikizumab 250 mg every two weeks:

- 44.6% of lebrikizumab-treated patients achieved clearing or near-clearing of skin lesions, as measured by an IGA score of 0 or 1, and a reduction of at least 2 points from baseline, compared to 15.3% with placebo (p=0.0023).

- 60.6% of lebrikizumab treated patients achieved a reduction of at least 75% from baseline in EASI-75, compared to 24.3% on placebo (p=0.0005).

- 44.0% of lebrikizumab treated patients achieved a reduction of at least 90% from baseline in EASI-90, compared to 11.4% on placebo (p=0.0006).

The secondary endpoints for the 125 mg lebrikizumab dosing arm did not meet statistical significance.

In addition, 47.4% and 70.0% of the patients at the 250 Q2W and 250 Q4W doses, respectively, achieved a four point or greater drop in their itch on the 11-point pruritis numerical rating scale compared to 27.3% of patients on placebo. We are continuing to evaluate several other secondary efficacy measures including the overall improvement in sleep, onset of action and durability.

The most common adverse events reported across all three lebrikizumab dosing arms were upper respiratory tract infection (7.5% vs. 5.8% for placebo), nasopharyngitis (6.6% vs. 3.8% for placebo), headache (3.1% vs. 5.8% for placebo) and injection site pain (3.1% vs. 1.9% for placebo). Rates of conjunctivitis (2.6% compared to no reports for placebo) and herpes infections (2.2% compared to no reports for placebo) were low. Overall, adverse events observed in lebrikizumab-treated patients were primarily mild to moderate in severity and infrequently led to study discontinuation.

Key inclusion criteria for the study included: chronic atopic dermatitis that had been present for ³1 year before the screening visit; an EASI score ³16 at the screening and the baseline visit; an IGA score of 3 or 4 at the screening and the baseline visit; and ³10% body surface area of atopic dermatitis involvement at the screening and the baseline visit. Over the course of the 16-week treatment period, patients were seen by the investigators a total of 8 times.

For the primary analysis and key secondary analyses, all statistical tests were two-sided and performed at the 0.05 level of significance, and the primary method of handling missing efficacy data was the method of MCMC multiple imputation.

Patients requiring rescue therapy were permitted to use topical corticosteroids or systemic therapy. Any patient who required topical corticosteroids treatment was eligible to remain in the study and advised to continue the topical corticosteroids for as brief a period as possible. Any patient who required systemic therapy for atopic dermatitis during the study was discontinued from the study. Across the treatment arms, 12.7% of the patients in the lebrikizumab dosing arms recorded rescue therapy, compared to 34.6% of patients in the placebo arm.

During the first 16 weeks of the study, 21.9% of patients in the lebrikizumab dosing arms discontinued the study compared to 55.8% in the placebo arm.

Following an end-of-Phase 2 meeting with the FDA, we plan to initiate a Phase 3 clinical development program for lebrikizumab by the end of 2019. Once we enroll the first patient in the Phase 3 program, we estimate that topline data will be available 15 to 18 months later. Based on comparable biologics phase 3 trials in chronic skin diseases, a reasonable estimate of costs to conduct the Phase 3 clinical development program for lebrikizumab is approximately $200 million.

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Current research projections suggest that the atopic dermatitis market will continue to grow and is projected to be approximately $14.8 billion by 2025, making it the largest market segment in dermatology. Approximately 7 million people in the United States suffer from moderate-to-severe atopic dermatitis, and the impact of this condition on a patient s quality of life is significant.

Almirall Option and License Agreement

Our option and license agreement with Almirall, S.A., or Almirall, provides Almirall with an option to exclusively license rights to develop lebrikizumab for the treatment or prevention of dermatology indications, including but not limited to atopic dermatitis, and commercialize lebrikizumab for the treatment or prevention of all indications in Europe. Pursuant to the option and license agreement, we will provide a data package to Almirall consisting of topline and additional data from our Phase 2b clinical study of lebrikizumab in moderate-to-severe atopic dermatitis, along with a development plan, after which Almirall will have 45 days to exercise its option to exclusively license rights to develop lebrikizumab for the treatment or prevention of dermatology indications and commercialize lebrikizumab for the treatment or prevention of all indications in Europe. If exercised, we are entitled to a $50.0 million option exercise fee.

Corporate Information

We were incorporated in the State of Delaware in August 2010 under the name Skintelligence, Inc. We changed our name to Dermira, Inc. in September 2011. Our principal executive offices are located at 275 Middlefield Road, Suite 150, Menlo Park, California 94025, and our telephone number is (650) 421-7200. Our website address is www.dermira.com. The information contained on, or that can be accessed through, our website is not a part of this prospectus supplement or the accompanying prospectus. Investors should not rely on any such information in deciding whether to purchase our common stock.

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THE OFFERING

Common stock offered by us	9,811,321 shares
Option to purchase additional shares	We have granted the underwriters an option to purchase up to an additional 1,471,698 shares of our common stock for a period of 30 days from the date of this prospectus supplement.
Common stock to be outstanding after this offering	52,139,488 shares (or 53,611,186 shares if the underwriters option to purchase additional shares is exercised in full)
Use of proceeds	We currently intend to use the net proceeds from this offering to continue to commercialize QBREXZA, to fund our planned Phase 3 clinical program for lebrikizumab, to fund our other research and development programs, and for working capital, capital expenditures and other general corporate purposes. Additionally, we may use a portion of the net proceeds from this offering to expand our business by in-licensing or acquiring, as the case may be, commercial products, product candidates, technologies, compounds, other assets or complementary businesses; however, we have no current commitments or obligations to do so. See the section titled Use of Proceeds for a more complete description of the intended use of the proceeds from this offering.
Risk factors	You should read the Risk Factors section of this prospectus supplement and in the documents incorporated by reference in this prospectus supplement for a discussion of factors that you should read and consider before investing in our common stock.
Nasdaq Global Select Market symbol	DERM

The number of shares of our common stock to be outstanding immediately following this offering as shown above is based on 42,328,167 shares of our common stock outstanding as of December 31, 2018 and excludes:

- 6,950,215 shares of our common stock issuable upon the exercise of outstanding stock options under our 2010 Equity Incentive Plan, 2014 Equity Incentive Plan and 2018 Equity Inducement Plan as of December 31, 2018, with a weighted-average exercise price of $19.06 per share;

- 1,571,504 shares of our common stock issuable upon the settlement of outstanding restricted stock units under our 2014 Equity Incentive Plan and 2018 Equity Inducement Plan as of December 31, 2018;

931,075 shares of our common stock issuable upon the exercise of outstanding stock options under our 2014 Equity Incentive Plan and 2018 Equity Inducement Plan granted after December 31, 2018, with a weighted average exercise price of $7.35 per share;

1,112,100 shares of our common stock issuable upon the settlement of outstanding restricted stock units granted under our 2014 Equity Incentive Plan and 2018 Equity Inducement Plan after December 31, 2018; and

2,236,564 shares of our common stock reserved for future issuance under our equity compensation plans, consisting of (1) 999,551 shares of our common stock reserved for issuance under the 2014 Equity Incentive Plan as of December 31, 2018, (2) 1,229,558 shares of our common stock reserved for

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issuance under the 2014 Employee Stock Purchase Plan as of December 31, 2018 and (3) 7,455 shares of our common stock reserved for issuance under the 2018 Equity Inducement Plan as of December 31, 2018, as well as any future automatic increases in the number of shares of our common stock reserved for future issuance under the 2014 Equity Incentive Plan and 2014 Employee Stock Purchase Plan.

Except as otherwise indicated, all information in this prospectus supplement reflects and assumes:

that the underwriters do not exercise their option to purchase an additional 1,471,698 shares of our common stock from us at the public offering price;

no exercise of the outstanding stock options or settlement of the restricted stock units described above subsequent to December 31, 2018; and

that no at-the-market sales of our common stock are placed pursuant to the sales agreement between us and Cowen and Company, LLC, which allows for the sale of shares of our common stock with an aggregate offering price of up to $75.0 million.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the risk factors described below together with all of the risks, uncertainties and assumptions discussed under Part I, Item 1A, the section titled Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2018, which is incorporated herein by reference, and may be amended, supplemented or superseded from time to time by other reports we file with the SEC in the future, before deciding whether to invest in shares of our common stock. The risks and uncertainties described below and incorporated by reference herein are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we deem immaterial may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, financial condition, results of operations and future prospects could be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.

Risks Related to this Offering

Because management has broad discretion as to the use of the net proceeds from this offering, you may not agree with how we use them, and such proceeds may not be applied successfully.

Our management will have considerable discretion over the use of proceeds from this offering. We currently intend to use the net proceeds from this offering to continue to commercialize QBREXZA, to fund our planned Phase 3 clinical program for lebrikizumab, to fund our other research and development programs, and for working capital, capital expenditures and other general corporate purposes. Additionally, we may use a portion of the net proceeds to us from the sale of our common stock under this prospectus to expand our business by in-licensing or acquiring, as the case may be, commercial products, product candidates, technologies, compounds, other assets or complementary businesses. However, our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not necessarily improve our operating results or enhance the value of our common stock, or with which you otherwise do not agree. You will be relying on the judgment of our management concerning these uses and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. The failure of our management to apply these funds effectively could, among other things, result in unfavorable returns and uncertainty about our prospects, each of which could cause the price of our common stock to decline. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value. These investments may not yield a favorable return to our investors.

If you purchase shares of common stock sold in this offering, you will incur immediate and substantial dilution.

If you purchase shares of our common stock in this offering, you will experience immediate and substantial dilution in the pro forma net tangible book value per share after giving effect to this offering of $11.12 per share as of December 31, 2018, at the public offering price of $13.25 per share, because the price that you pay will be substantially greater than the pro forma net tangible book value per share of the common stock that you acquire. This dilution is due in large part to the fact that our earlier investors paid substantially less than the offering price when they purchased shares of our capital stock. You will experience additional dilution upon exercise of the outstanding stock options and other equity awards that may be granted under our equity incentive plans, and when we otherwise issue additional shares of our common stock. See the section titled Dilution for more information.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus, the documents incorporated by reference herein and therein and any related free writing prospectus contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein other than statements of historical fact, including statements regarding our future consolidated results of operations and financial position, our business strategy and plans, market growth, and our objectives for future operations, are forward-looking statements. The words believe, may, will, estimate, potentially, continue, anticipate, intend, expect, could, would similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our consolidated financial condition, consolidated results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under the section titled Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2018, as well as those discussed in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference herein and therein and any related free writing prospectus. All subsequent written or oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this prospectus supplement and the documents incorporated by reference herein may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this prospectus supplement, or in the case of documents referred to or incorporated by reference herein or in the accompanying prospectus, the date of those documents, or to conform such statements to actual results or revised expectations, except as may be required under applicable U.S. securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

You should read this prospectus supplement, the accompanying prospectus, any related free writing prospectus and the documents incorporated by reference herein and therein with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

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USE OF PROCEEDS

We estimate that the net proceeds from our sale of 9,811,321 shares of our common stock in this offering, at the public offering price of $13.25 per share, will be approximately $121.8 million (or $140.1 million if the underwriters exercise their option to purchase additional shares in full), after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

As of December 31, 2018, we had $316.0 million in cash, cash equivalents and investments, plus $90.0 million available under our credit agreement with Athyrium Opportunities III Acquisition LP, or Athyrium, $40.0 million of which may be borrowed in a single draw at our option on or before July 1, 2019 and $50.0 million of which may be borrowed in a single draw on or before March 2, 2020 provided that our consolidated net revenues from QBREXZA sales in the United States for the four fiscal quarter period then most recently ended, as calculated in accordance with the terms of the credit agreement were at least $45.0 million, and subject to certain other covenants and closing conditions set forth in the credit agreement. We currently intend to use the net proceeds we receive from this offering, together with our existing cash, cash equivalents and investments, as follows:

- to continue to commercialize QBREXZA;
- to fund our planned Phase 3 clinical program for lebrikizumab;
- to fund our other research and development programs; and
- for working capital, capital expenditures and other general corporate purposes.

Additionally, we may use a portion of the net proceeds from this offering to expand our current business by in-licensing or acquiring, as the case may be, commercial products, product candidates, technologies, compounds, other assets or complementary businesses, using cash or shares of our common stock. However, we have no current commitments or obligations to do so.

Based on (a) our planned use of the net proceeds from this offering, (b) the $90.0 million available under our credit agreement with Athyrium, assuming that we meet the net revenues covenant and subject to other covenants and closing conditions set forth in the credit agreement, and (c) our existing cash, cash equivalents and investments as described above, we expect that such funds will be sufficient to fund our operations into the first half of 2021 and to enable us to fund our planned Phase 3 clinical program for lebrikizumab through receipt of topline results.

The preceding:

(i) does not reflect the potential exercise by Almirall, S.A., or Almirall, of its option under our option and license agreement with Almirall pursuant to which Almirall may, at its sole discretion, exercise an option to exclusively license rights to develop lebrikizumab for the treatment or prevention of dermatology indications and commercialize lebrikizumab for the treatment or prevention of all indications in Europe, which, if exercised, will entitle us to a $50.0 million option exercise fee; and

(ii) assumes that we achieve our internal forecast regarding future revenue from QBREXZA and future operating expenses.

The expected use of the net proceeds from this offering represents our intentions based upon our current plans and business conditions. We cannot specify with certainty all of the particular uses of the net proceeds that we will receive from this offering, or the amounts that we will actually spend on the uses set forth above. The amounts and timing of our actual expenditures will depend on numerous factors, including the ongoing status of and results from clinical trials and other studies, the timing of potential regulatory submissions, the successful performance of QBREXZA, as well as any strategic collaborations that we may enter into with third parties for our product candidates, any in-licensing transactions or acquisitions, any unforeseen cash needs and the performance of our investments.

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We will have broad discretion over the uses of the net proceeds of this offering and investors will be relying on the judgment of our management regarding the application of the proceeds. Pending these uses, we intend to invest the net proceeds in investment-grade, interest-bearing securities such as money market funds, certificates of deposit, commercial paper, repurchase agreements, corporate debt and guaranteed obligations of the U.S. government.

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DILUTION

If you invest in our common stock, your ownership interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the as adjusted net tangible book value per share of our common stock immediately after our public offering.

As of December 31, 2018, our net tangible book value (deficit) was $(10.8) million, or $(0.25) per share. Net tangible book value per share represents the amount of our tangible assets less our liabilities divided by the total number of shares of our common stock outstanding as of December 31, 2018.

Our as adjusted net tangible book value as of December 31, 2018 would be $111.0 million, or $2.13 per share. As adjusted net tangible book value per share reflects the sale by us of 9,811,321 shares of our common stock in this offering, assuming the underwriters option to purchase additional shares is not exercised, at the public offering price of $13.25 per share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. This represents an immediate increase in as adjusted net tangible book value of $2.38 per share to existing stockholders and immediate dilution of $11.12 per share to new investors purchasing shares in this offering.

The following table illustrates this per share dilution to new investors:

Public offering price per share		$ 13.25
Net tangible book value (deficit) per share as of December 31, 2018, before giving effect to this offering	$ (0.25)	
Increase in as adjusted net tangible book value per share attributable to investors purchasing our common stock in this offering	2.38	
As adjusted net tangible book value per share, after giving effect to this offering		2.13
Dilution per share to investors purchasing our common stock in this offering		$ 11.12

If the underwriters exercise in full their option to purchase an additional 1,471,698 shares of our common stock from us at the public offering price of $13.25 per share, the as adjusted net tangible book value after this offering would be $2.41 per share, representing an increase in net tangible book value of $2.66 per share to existing stockholders and immediate dilution in net tangible book value of $10.84 per share to investors participating in this offering.

The number of shares of our common stock to be outstanding immediately following this offering is based on 42,328,167 shares of our common stock outstanding as of December 31, 2018 and excludes:

- 6,950,215 shares of our common stock issuable upon the exercise of outstanding stock options under our 2010 Equity Incentive Plan, 2014 Equity Incentive Plan and 2018 Equity Inducement Plan as of December 31, 2018, with a weighted-average exercise price of $19.06 per share;

- 1,571,504 shares of our common stock issuable upon the settlement of outstanding restricted stock units under our 2014 Equity Incentive Plan and 2018 Equity Inducement Plan as of December 31, 2018;

931,075 shares of our common stock issuable upon the exercise of outstanding stock options under our 2014 Equity Incentive Plan and 2018 Equity Inducement Plan granted after December 31, 2018, with a weighted average exercise price of $7.35 per share;

1,112,100 shares of our common stock issuable upon the settlement of outstanding restricted stock units granted under our 2014 Equity Incentive Plan and 2018 Equity Inducement Plan after December 31, 2018; and

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2,236,564 shares of our common stock reserved for future issuance under our equity compensation plans, consisting of (1) 999,551 shares of our common stock reserved for issuance under the 2014 Equity Incentive Plan as of December 31, 2018, (2) 1,229,558 shares of our common stock reserved for issuance under the 2014 Employee Stock Purchase Plan as of December 31, 2018 and (3) 7,455 shares of our common stock reserved for issuance under the 2018 Equity Inducement Plan as of December 31, 2018, as well as any future automatic increases in the number of shares of our common stock reserved for future issuance under the 2014 Equity Incentive Plan and 2014 Employee Stock Purchase Plan.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

FOR NON-U.S. HOLDERS OF OUR COMMON STOCK

This section summarizes the material U.S. federal income tax considerations relating to the acquisition, ownership and disposition of our common stock by non-U.S. holders (as defined below) pursuant to this offering. This summary does not provide a complete analysis of all potential U.S. federal income tax considerations relating thereto. The information provided below is based upon provisions of the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder, administrative rulings and judicial decisions currently in effect. These authorities may change at any time, possibly retroactively, or the Internal Revenue Service, or the IRS, might interpret the existing authorities differently. In either case, the tax considerations of the acquisition, ownership and disposition of our common stock could differ from those described below. As a result, we cannot assure you that the tax consequences described in this discussion will not be challenged by the IRS or will be sustained by a court if challenged by the IRS.

This summary does not address the tax considerations arising under the laws of any non-U.S., state or local jurisdiction, or under U.S. federal generation-skipping, gift and estate tax laws, except to the limited extent provided below. In addition, this discussion does not address tax considerations applicable to an investor s particular circumstances or to investors that may be subject to special tax rules, including:

banks, insurance companies or other financial institutions;

partnerships or entities or arrangements treated as partnerships or other pass-through entities for U.S. federal tax purposes (or investors in such entities);

corporations that accumulate earnings to avoid U.S. federal income tax;

persons subject to the alternative minimum tax or Medicare contribution tax;

tax-exempt organizations or tax-qualified retirement plans;

controlled foreign corporations or passive foreign investment companies;

persons who acquired our common stock as compensation for services;

dealers in securities or currencies;

traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;

persons required for U.S. federal income tax purposes to conform the timing of income accruals to their financial statements under Section 451(b) of the Code;

persons that own, or are deemed to own, more than 5% of our capital stock (except to the extent specifically set forth below);

certain former citizens or long-term residents of the United States;

persons whose functional currency for tax purposes is not the U.S. dollar;

persons who hold our common stock as a position in a hedging transaction, straddle, conversion transaction or other risk reduction transaction;

persons who do not hold our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, for investment purposes); or

persons deemed to sell our common stock under the constructive sale provisions of the Code.

In addition, if a partnership or entity classified as a partnership for U.S. federal income tax purposes is a beneficial owner of our common stock, the tax treatment of a partner in the partnership or an owner of the entity will depend upon the status of the partner or other owner and the activities of the partnership or other entity. Accordingly, this summary does not address tax consideration applicable to partnerships that hold our common stock. Partnerships and partners in such partnerships should consult their tax advisors.

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INVESTORS CONSIDERING THE PURCHASE OF OUR COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AND THE CONSEQUENCES OF FOREIGN, GENERATION-SKIPPING, GIFT, ESTATE, STATE OR LOCAL TAX LAWS, AND TAX TREATIES.

Non-U.S. Holder Defined

For purposes of this summary, a non-U.S. holder is any holder of our common stock, other than a partnership, that is not:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state therein or the District of Columbia;
- a trust if it (1) is subject to the primary supervision of a U.S. court and one of more U.S. persons have authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or
- an estate whose income is subject to U.S. income tax regardless of source.

If you are a non-U.S. citizen individual, you may, in some cases, be deemed to be a resident alien, as opposed to a nonresident alien, by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. For these purposes, all the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year are counted. Resident aliens are subject to U.S. federal income tax as if they were U.S. citizens. Such an individual is urged to consult his or her own tax advisor regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of our common stock.

Dividends

We do not expect to declare or make any distributions on our common stock in the foreseeable future. If we do pay dividends on shares of our common stock, however, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that is applied against and reduces, but not below zero, a non-U.S. holder s adjusted tax basis in shares of our common stock. Any remaining excess will be treated as gain realized on the sale or other disposition of our common stock. See Sale or Other Disposition of Common Stock.

Any dividend paid to a non-U.S. holder on our common stock that is not effectively connected with a non-U.S. holder s conduct of a trade or business in the United States will generally be subject to U.S. withholding tax at a 30% rate. The withholding tax might apply at a reduced rate, however, under the terms of an applicable income tax treaty between the United States and the non-U.S. holder s country of residence. You should consult your tax advisors regarding your entitlement to benefits under a relevant income tax treaty. Generally, in order for us or our paying

agent to withhold tax at a lower treaty rate, a non-U.S. holder must certify its entitlement to treaty benefits. A non-U.S. holder generally can meet this certification requirement by providing a Form W-8BEN or Form W-8BEN-E (or any successor form) or any other appropriate Form W-8 or appropriate substitute form to us or our paying agent. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the holder s behalf, the holder will be required to provide appropriate documentation to the agent. The holder s agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. If you are eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty, you may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS in a timely manner.

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Dividends received by a non-U.S. holder that are effectively connected with a U.S. trade or business conducted by the non-U.S. holder, and if required by an applicable income tax treaty between the United States and the non-U.S. holder s country of residence, are attributable to a permanent establishment maintained by the non-U.S. holder in the United States, are not subject to U.S. withholding tax. To obtain this exemption, a non-U.S. holder must provide us or our paying agent with a Form W-8ECI properly certifying such exemption. Such effectively connected dividends, although not subject to withholding tax, are taxed at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. In addition to being taxed at graduated tax rates, dividends received by corporate non-U.S. holders that are effectively connected with a U.S. trade or business of the corporate non-U.S. holder may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable tax treaty.

For additional withholding rules that may apply to dividends paid to certain foreign entities, see the discussion below under the section titled Foreign Account Tax Compliance Act.

Sale or Other Disposition of Common Stock

Subject to the discussion below regarding Backup Withholding and Information Reporting, non-U.S. holders will generally not be subject to U.S. federal income tax on any gains realized on the sale, exchange or other disposition of our common stock unless:

- the gain (1) is effectively connected with the conduct by the non-U.S. holder of a U.S. trade or business and (2) if required by an applicable income tax treaty between the United States and the non-U.S. holder s country of residence, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States (in which case the special rules described below apply);

- the non-U.S. holder is an individual who is present in the United States for a period or periods aggregating 183 days or more, as determined under special rules in the Code, during the calendar year in which the sale or disposition occurs and certain other conditions are met; or

- the rules of the Foreign Investment in Real Property Tax Act, or FIRPTA, treat the gain as effectively connected with a U.S. trade or business.

The FIRPTA rules may apply to a sale, exchange or other disposition of our common stock if we are, or were within the shorter of the five-year period preceding the disposition and the non-U.S. holder s holding period, a U.S. real property holding corporation, or USRPHC. In general, we would be a USRPHC if interests in U.S. real estate comprised at least half of the value of our business assets. We do not believe that we are a USR