Revance Therapeutics, Inc.
Form 10-Q
August 05, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
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	77-0551645
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer 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 x 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 x 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 ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Number of shares outstanding of the registrant's common stock, par value $0.001 per share, as of July 29, 2016: 28,484,935

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PART I. FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements
Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)
(Unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$52,651	$ 201,615
Short-term investments	164,293	50,688
Restricted cash, current portion	—	35
Prepaid expenses and other current assets	1,613	1,625
Total current assets	218,557	253,963
Property and equipment, net	17,658	19,708
Long-term investments	—	1,751
Restricted cash, net of current portion	580	400
Other non-current assets	214	—
TOTAL ASSETS	$237,009	$ 275,822
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$2,982	$ 2,657
Accruals and other current liabilities	5,622	6,245
Financing obligations, current portion	3,314	3,135
Total current liabilities	11,918	12,037
Financing obligations, net of current portion	3,659	5,346
Derivative liability associated with Medicis settlement	1,842	1,414
Deferred rent	3,714	3,773
Other non-current liabilities	100	—
TOTAL LIABILITIES	21,233	22,570
Commitments and Contingencies (Note 10)		
STOCKHOLDERS' EQUITY		
Preferred stock, par value $0.001 per share — 5,000,000 shares authorized both as of June 30, 2016 and December 31, 2015; no shares issued and outstanding both as of June 30, 2016 and December 31, 2015.	—	—
Common stock, par value $0.001 per share — 95,000,000 shares authorized both as of June 30, 2016 and December 31, 2015; 28,481,172 and 28,288,464 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	28	28
Additional paid-in capital	592,362	585,537
Accumulated other comprehensive income (loss)	148	(40)
Accumulated deficit	(376,762)	(332,273)
TOTAL STOCKHOLDERS' EQUITY	215,776	253,252
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$237,009	$ 275,822

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

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REVANCE THERAPEUTICS, INC.

Condensed Consolidated Statement of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue	$75	$75	$150	$150
Operating expenses:				
Research and development	15,192	10,303	27,556	19,557
General and administrative	7,018	6,360	14,473	12,356
Loss on impairment	1,949	—	1,949	—
Total operating expenses	24,159	16,663	43,978	31,913
Loss from operations	(24,084)	(16,588)	(43,828)	(31,763)
Interest income	324	49	635	76
Interest expense	(286)	(279)	(601)	(444)
Change in fair value of derivative liability associated with Medicis settlement	(413)	89	(428)	47
Other expense, net	(143)	(76)	(268)	(123)
Net loss	(24,602)	(16,805)	(44,490)	(32,207)
Unrealized gain/(loss) on available for sale securities	(38)	(12)	188	(12)
Comprehensive loss	$(24,640)	$(16,817)	$(44,302)	$(32,219)
Net loss attributable to common stockholders (Note 13):				
Basic	$(24,602)	$(16,805)	$(44,490)	$(32,207)
Diluted	$(24,602)	$(16,805)	$(44,490)	$(32,207)
Net loss per share attributable to common stockholders:				
Basic	$(0.88)	$(0.71)	$(1.59)	$(1.37)
Diluted	$(0.88)	$(0.71)	$(1.59)	$(1.37)
Weighted-average number of shares used in computing net loss per share attributable to common stockholders:				
Basic	28,089,731	23,584,910	28,047,671	23,560,133
Diluted	28,089,731	23,584,910	28,047,671	23,560,133

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

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REVANCE THERAPEUTICS, INC.

Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(44,490)	$(32,207)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	699	1,075
Amortization of premium on investment	786	128
Amortization of discount on debt and capital leases	—	5
Amortization of debt issuance cost	—	39
Change in fair value of derivative liability associated with Medicis settlement	428	(47)
Stock-based compensation expense	6,229	4,724
Effective interest on financing obligations	217	100
Loss on disposal of fixed assets	—	29
Loss on impairment	1,949	—
Acquisition of in-process research and development	2,000	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(74)	(412)
Other non-current assets	—	(345)
Accounts payable	279	(938)
Accruals and other liabilities	(33)	2,337
Net cash used in operating activities	(32,010)	(25,512)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(994)	(2,292)
Proceeds from maturities of investments	46,050	—
Proceeds from sales of investments	1,000	—
Purchases of investments	(159,755)	(53,076)
Payment for acquisition of in-process research and development	(1,800)	—
Change in restricted cash	(145)	75
Net cash used in investing activities	(115,644)	(55,293)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments made on capital leases and financing obligations	(1,725)	(956)
Net settlement of restricted stock awards to settle employee taxes	(341)	(620)
Principal payments made on notes payable	—	(2,652)
Proceeds from sale and leaseback financing	—	9,831
Proceeds from the exercise of stock options and employee stock purchase plan	938	587
Payment of registration statement costs	(182)	—
Net cash used in financing activities	(1,310)	6,190
NET DECREASE IN CASH AND CASH EQUIVALENTS	(148,964)	(74,615)
CASH AND CASH EQUIVALENTS — Beginning of period	201,615	171,032
CASH AND CASH EQUIVALENTS — End of period	52,651	96,417
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	384	300

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REVANCE THERAPEUTICS, INC.

	Six Months Ended June 30,	
	2016	2015
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING INFORMATION:		
Property and equipment purchases included in accounts payable and accruals and other current liabilities	90	20
Deferred offering costs	32	—
Holdback related to acquisition of in-process research and development	200	—
Write-off of fixed assets	—	28

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

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REVANCE THERAPEUTICS, INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. The Company and Basis of Presentation

Revance Therapeutics, Inc., or the Company, was incorporated in Delaware on August 10, 1999 under the name Essentia Biosystems, Inc. The Company commenced operations in June 2002 and on April 19, 2005, changed its name to Revance Therapeutics, Inc. The Company is a clinical-stage biotechnology company focused on the development, manufacturing and commercialization of novel botulinum toxin products for multiple aesthetic and therapeutic indications. The Company is leveraging its proprietary portfolio of botulinum toxin type A compound, DaxibotulinumtoxinA, combined with its patented TransMTS® peptide technology to address unmet needs in large and growing neurotoxin markets. The Company's proprietary TransMTS® technology is used in two investigational drug product candidates, DaxibotulinumtoxinA for Injection (RT002), or RT002 injectable, and DaxibotulinumtoxinA Topical Gel, or RT001 topical. The Company is pursuing clinical development for RT002 injectable. The Company discontinued the clinical development of RT001 topical for the treatment of crow's feet and for the treatment of axillary hyperhidrisis in June, 2016 and has moved RT001 topical into preclinical development. The Company holds worldwide rights for all indications of RT002 injectable and RT001 topical and the pharmaceutical uses of the TransMTS® technology platform.

Since commencing operations in 2002, the Company has devoted substantially all of its efforts to identifying and developing product candidates for the aesthetics and therapeutic pharmaceutical markets, recruiting personnel and raising capital. The Company has devoted predominantly all of its resources to preclinical, clinical, and manufacturing development of its product candidates. The Company has never been profitable and has not yet commenced commercial operations.

Since the Company's inception, the Company has incurred losses and negative cash flows from operations. The Company has not generated significant revenue from product sales to date and will continue to incur significant research and development and other expenses related to its ongoing operations. For the three and six months ended June 30, 2016, the Company had a net loss of $24.6 million and $44.5 million, respectively, and used $32.0 million of cash for operating activities during the six months ended June 30, 2016. As of June 30, 2016, the Company had a working capital surplus of $206.6 million and an accumulated deficit of $376.8 million. The Company has funded its operations since inception primarily through the sale and issuance of common stock, convertible preferred stock, notes payable, and convertible notes. As of June 30, 2016, the Company had capital resources consisting of cash, cash equivalents, and investments of $216.9 million. The Company believes that its existing cash, cash equivalents and investments will allow the Company to fund its operating plan through at least the next 12 months.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements, in the opinion of management, include all adjustments which the Company considers necessary for the fair statement of the Condensed Consolidated Results of Operations and Comprehensive Loss and Condensed Consolidated Statement of Cash Flows for the interim periods covered and the Condensed Consolidated Financial Position of the Company at the date of the balance sheets. The December 31, 2015 Condensed Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America, or US GAAP. The interim results presented herein are not necessarily indicative of the results of operations that may be expected for the full fiscal year ending December 31, 2016, or any other future period.

The Condensed Consolidated Financial Statements should be read in conjunction with the Company’s audited Consolidated Financial Statements contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the Securities and Exchange Commission, or SEC, on March 4, 2016.

The Condensed Consolidated Financial Statements of the Company include the Company’s accounts and those of the Company’s wholly-owned subsidiary and have been prepared in conformity with US GAAP.

2. Summary of Significant Accounting Policies

Significant accounting policies are described in Note 2 to the consolidated financial statements in Item 15 of the Company's Annual Report on Form 10-K for the year ended December 31, 2015. There have been no changes to the Company's significant accounting policies during the three and six months ended June 30, 2016, except as described below.

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REVANCE THERAPEUTICS, INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(Unaudited)

Use of Estimates

The preparation of Condensed Consolidated Financial Statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. Such management estimates include accruals, stock-based compensation, the fair value of derivative liability associated with the Medicis settlement, and the valuation of deferred tax assets. The Company bases its estimates on historical experience and also on assumptions that it believes are reasonable, however, actual results could significantly differ from those estimates.

Accounting Pronouncements

On March 30, 2016, the FASB issued Accounting Standards Update (ASU) 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718). The amendments in ASU 2016-09 affect all entities that issue share-based payment awards to their employees and involve multiple aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company is currently evaluating the impact that the standard will have on its financial statements.

On February 25, 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases. The ASU will also require new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact that the standard will have on its financial statements.

On January 5, 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The updated standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 and early adoption is not permitted. The Company is currently evaluating the impact that the standard will have on its financial statements.

In August 2014, the FASB issued Accounting Standard Update No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40), which will require management to assess an entity’s ability to continue as a going concern at each annual and interim period. Related footnote disclosures will be required if conditions give rise to substantial doubt about an entity’s ability to continue as a going concern within one year of the report issuance date. If conditions do not give rise to substantial doubt, no disclosures will be required specific to going concern uncertainties. The guidance defines substantial doubt using a likelihood threshold of “probable” similar to the current use of that term in U.S. GAAP for loss contingencies and provides example indicators. The guidance is effective for reporting periods ending after December 15, 2016, and early adoption is permitted. The Company is currently evaluating the impact of the adoption of this guidance on the Company’s financial statements.

3. In-Process Research and Development

On June 2, 2016, the Company entered into an asset purchase agreement with Botulinum Toxin Research Associates, Inc., or BTRX (the "BTRX Purchase Agreement"). Under the BTRX Purchase Agreement, the Company acquired all rights, title and interest in a portfolio of botulinum toxin-related patents and patent applications from BTRX and was granted the right of first negotiation and first refusal with respect to other botulinum toxin-related patents owned or controlled by BTRX. In exchange, the Company agreed to an upfront expenditure of $2.0 million of which $1.8 million was paid immediately with the remaining $0.2 million due and payable over the next two years. The Company also agreed to pay up to an additional $16.0 million in

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REVANCE THERAPEUTICS, INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(Unaudited)

aggregate upon the satisfaction of specified milestones relating to the Company's sales revenue, intellectual property, and clinical and regulatory events.

The Company concluded that the BTRX Purchase Agreement did not meet the criteria of a business combination pursuant to the guidance prescribed in Accounting Standards Codification Topic 805, Business Combinations. The Company accounted for the initial $2.0 million expenditure as research and development expense, as future alternative use of the acquired assets was deemed contingent upon the successful outcome of existing research and development activities as of the transaction date.

4. Medicis Settlement

In July 2009, the Company and Medicis Pharmaceutical Corporation, or Medicis, entered into a license agreement granting Medicis worldwide aesthetic and dermatological rights to the Company's investigational, injectable botulinum toxin type A product candidate. In October 2012, the Company entered into a settlement and termination agreement with Medicis. The terms of the settlement provided for the reacquisition of the rights related to all territories of RT002 injectable and RT001 topical from Medicis and for consideration payable by the Company to Medicis of up to $25.0 million, comprised of (i) an upfront payment of $7.0 million, which was paid in 2012, (ii) a proceeds sharing arrangement payment of $14.0 million due upon specified capital raising achievements by the Company, of which $6.9 million was paid in 2013 and $7.1 million in 2014, and (iii) $4.0 million to be paid upon the achievement of regulatory approval for RT002 injectable or RT001 topical by the Company, or Product Approval Payment. Medicis was subsequently acquired by Valeant Pharmaceuticals International, Inc. in December 2012.

The Company determined that the settlement provisions related to the proceeds sharing arrangement payment in (ii) above and Product Approval Payment in (iii) above were derivative instruments that require fair value accounting as a liability and periodic fair value remeasurements until settled.

The proceeds sharing arrangement payment derivative in (ii) above was settled upon completion of our IPO. As of June 30, 2016, the Company determined the fair value of its liability for the Product Approval Payment was $1.8 million, which was measured by assuming a term of 3.75 years, a risk-free rate of 0.82% and a credit risk adjustment of 11.00%. The Company's assumption for the expected term is based on an expected Biologics License Application, or BLA, approval in 2020. The Company did not make any payments under the Product Approval Payment during six months ended June 30, 2016.

5. Cash Equivalents and Investments

The Company's cash equivalents and investments consist of money market funds, U.S. government agency obligations, and U.S. treasury securities which are classified as available-for-sale securities.

The following table is a summary of amortized cost, unrealized gain and loss, and fair value (in thousands):

	June 30, 2016				December 31, 2015			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$43,082	$—	$ —	$43,082	$145,747	$ —	$ —	$145,747
U.S. treasury securities	150,207	146	—	150,353	—	—	—	—
U.S. government agency obligations	13,938	3	(1)	13,940	52,479	—	(40)	52,439
Total cash equivalents and available-for-sale securities	$207,227	$149	$ (1)	$207,375	$198,226	$ —	$ (40)	$198,186

Classified as:		
Cash equivalents	$43,082	$145,747
Short-term investments	164,293	50,688
Long-term investments	—	1,751
Total cash equivalents and available-for-sale securities	$207,375	$198,186

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REVANCE THERAPEUTICS, INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(Unaudited)

There have been no significant realized gains or losses on available-for-sale securities for the periods presented. No significant available-for-sale securities held as of June 30, 2016 have been in a continuous unrealized loss position for more than 12 months, and unrealized gains and losses are included in “accumulated other comprehensive loss” within shareholders’ equity on the Condensed Consolidated Balance Sheets. As of June 30, 2016, unrealized losses on available-for-sale investments are not attributed to credit risk and are considered to be temporary. The Company believes that it is more-likely-than-not that investments in an unrealized loss position will either be held until maturity or the cost basis of the investment will be recovered. The Company believes it has no other-than-temporary impairments on its securities as it does not intend to sell these securities and believes it is not more likely than not that it will be required to sell these securities before the recovery of their amortized cost basis. To date, the Company has not recorded any impairment charges on marketable securities related to other-than-temporary declines in fair value.

The following table classifies our marketable securities by contractual maturities (in thousands):

	June 30, 2016	December 31, 2015
Due within one year	$164,293	$ 50,688
Due between one and two years	—	1,751
Total	$164,293	$ 52,439

6. Fair Value Measurements

The Company determines the fair value of certain financial assets and liabilities using three levels of inputs as follows:

- Level 1—Observable inputs, such as quoted prices in active markets for identical assets or liabilities;
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, therefore requiring an entity to develop its own valuation techniques and assumptions.

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REVANCE THERAPEUTICS, INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(Unaudited)

The Company measures and reports certain financial instruments as assets and liabilities at fair value on a recurring basis. The fair value of these instruments was as follows (in thousands):

	As of June 30, 2016			
	Fair Value	Level 1	Level 2	Level 3
Assets				
Money market funds	$43,082	$43,082	$—	$—
U.S. treasury securities	150,353	150,353		—
U.S. government agency obligations	13,940	—	13,940	—
Total assets measured at fair value	$207,375	$193,435	$13,940	$—
Liabilities				
Derivative liability associated with the Medicis settlement	$1,842	$—	$—	$1,842
Total liabilities measured at fair value	$1,842	$—	$—	$1,842

	As of December 31, 2015			
	Fair Value	Level 1	Level 2	Level 3
Assets				
Money market funds	$145,747	$145,747	$—	$—
U.S. government agency obligations	52,439	—	52,439	—
Total assets measured at fair value	$198,186	$145,747	$52,439	$—
Liabilities				
Derivative liabilities associated with the Medicis settlement	$1,414	$—	$—	$1,414
Total liabilities measured at fair value	$1,414	$—	$—	$1,414

The fair value of the U.S. government agency obligations is estimated by taking into consideration valuations obtained from third-party pricing services. The pricing services utilize industry standard valuation models, including both income- and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include reported trades of and broker/dealer quotes on the same or similar securities, issuer credit spreads, benchmark securities, prepayment/default projections based on historical data, and other observable inputs. Changes in the ability to observe valuation inputs may result in a reclassification of levels of certain securities within the fair value hierarchy. The Company did not transfer any assets or liabilities measured at fair value on a recurring basis between Level 1 and Level 2 during the six months ended June 30, 2016 and the year ended December 31, 2015.

The following table sets forth a summary of the changes in the fair value of the Company’s Level 3 financial instruments as follows (in thousands):

	Derivative Liability Associated with the Medicis Settlement
Fair value as of December 31, 2015	$ 1,414
Change in fair value	428
Fair value as of June 30, 2016	$ 1,842

The fair value of the derivative liability resulting from the Medicis litigation settlement was determined by estimating the timing and probability of the related regulatory approval and multiplying the payment amount by this probability percentage and a discount factor based primarily on the estimated timing of the payment and a credit risk adjustment (Note 4). The significant unobservable inputs used in the fair value measurement of the Product Approval Payment derivative are the expected timing and probability of the payments at the valuation date and the credit risk adjustment.

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Notes to Condensed Consolidated Financial Statements — (Continued)
(Unaudited)

7. Notes Payable and Financing Obligations

Hercules Notes Payable

In September 2011, the Company entered into a loan and security agreement with Hercules Technology Growth Capital for $22.0 million, referred to as the Hercules Notes Payable. The Hercules Note Payable matured in March 2015 and was repaid in full. The Company made principal and interest payments on the Hercules Notes Payable of $2.6 million for the three months ended March 31, 2015.

Essex Capital Notes

On December 20, 2013, the Company signed a Loan and Lease Agreement to borrow up to $10.8 million in the form of Secured Promissory Notes from Essex Capital, or the Essex Notes, to finance the completion and installation of the Company's RT001 topical commercial fill/finish line, or the Fill/Finish Line. In May 2014, pursuant to the terms of this agreement, the Company sold equipment to Essex Capital, resulting in partial settlement of the outstanding loan balance of $1.1 million, and sold and leased the equipment back from Essex Capital for fixed monthly payments to be paid over 3 years. The lease provides for the option to purchase the leased equipment for 10% of the original purchase amount. This transaction did not qualify for sale-leaseback accounting due to the Company's continuing involvement in the equipment. Therefore, the Company accounted for this transaction as a financing obligation using the effective interest rate method.

On December 17, 2014, the Company entered into the First Amendment to the Loan and Lease Agreement with Essex Capital. Under the terms of this Amendment, the Company agreed to repay the outstanding debt balance of $3.9 million and issued a warrant to purchase 44,753 shares of common stock. In February 2015, the Company executed the Second Amendment to the Loan and Lease Agreement, under which the term of the facility was extended to April 15, 2015 and the purchase price for the remainder of the equipment was increased by $0.1 million to approximately $9.8 million. Concurrently with this sale, the Company will lease the equipment from Essex Capital for a fixed monthly payment to be paid monthly over 3 years. The lease provides for the option to purchase the leased equipment for 10% of the original purchase amount. This transaction also did not qualify for sale-leaseback accounting due to the Company's continuing involvement in the equipment. Therefore, the Company accounted for this transaction as a financing obligation using the effective interest rate method.

In June 2015, the Company exercised its option to purchase all equipment sold and leased back from Essex Capital for 10% of the original purchase amount, or approximately $1.1 million, at the conclusion of the lease terms.

As of June 30, 2016, the aggregate total future minimum lease payments under the financing obligations were as follows (in thousands):

Year Ending December 31,	
2016	$2,109
2017	3,936
2018	949
Total payments	$6,994

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Notes to Condensed Consolidated Financial Statements — (Continued)
(Unaudited)

8. Interest Expense

Interest expense, includes cash and non-cash components with the non-cash components consisting of (i) interest recognized from the amortization of debt issuance costs, which were capitalized on the Condensed Consolidated Balance Sheets, and generally derived from cash payments related to the issuance of convertible notes and notes payable, (ii) interest recognized from the amortization of debt discounts, which were capitalized on the Condensed Consolidated Balance Sheets, and derived from the issuance of warrants in conjunction with notes payable, and (iii) effective interest recognized on the financing obligations. The capitalized amounts related to the debt issuance costs and debt discounts are generally amortized to interest expense over the term of the related debt instruments.

The interest expense by cash and non-cash components is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest expense				
Cash related interest expense (1)	$(181)	$(190)	$(384)	$(300)
Non-cash interest expense				
Non-cash interest expense — debt issuance costs	—	—	—	(39)
Non-cash interest expense — warrant related debt discounts	—	—	—	(5)
Effective interest on financing obligations	(105)	(89)	(217)	(100)
Total non-cash interest expense	(105)	(89)	(217)	(144)
Total interest expense	$(286)	$(279)	$(601)	$(444)

(1) Cash related interest expense includes interest payments on the Hercules Notes Payable and the Essex Financing Obligations.

9. Loss on Impairment

The Company constructed a large capacity Fill/Finish Line for the future commercial manufacturing of RT001 topical and to support its clinical trials and regulatory license applications. In June 2016 following the results of the REALISE 1 Phase 3 clinical trial, the Company discontinued its RT001 topical clinical development programs for the treatment of crow’s feet and for the treatment of primary axillary hyperhidrosis.
Long-lived assets such as the Company’s Fill/Finish Line are reviewed for impairment whenever adverse events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used are measured by a comparison of the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

The Company performed an impairment analysis of the RT001 topical Fill/Finish Line to determine its fair value based on its highest and best use. Based on the analysis, the Company determined that for certain components of the Fill/Finish Line, the carrying value of the equipment was not entirely recoverable and the determined fair value, which was calculated using the market approach, is lower than the carrying value. Accordingly, during the three months ended June 30, 2016, the Company recorded a loss on impairment of $1.9 million related to certain components of the RT001 topical Fill/Finish Line.

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REVANCE THERAPEUTICS, INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(Unaudited)

10. Commitments and Contingencies

Facility Lease

In January 2010, the Company entered into a non-cancelable facility lease that requires monthly payments through January 2022. This facility is used for research, manufacturing, and administrative functions.

In February 2014, the Company extended the term of the Lease by thirty-six (36) months to January 2025. Under the terms of the lease agreement, the payments escalate over the term of the lease with the exception of a decrease in payments at the beginning of 2022. However, the Company recognizes the expense on a straight-line basis over the life of the lease.

Rent expense was $1.3 million and $2.6 million for each of the three and six months ended June 30, 2016 and 2015.

As of June 30, 2016, the aggregate total future minimum lease payments under non-cancelable operating leases were as follows (in thousands):

Year Ending December 31,	
2016	$2,614
2017	5,394
2018	5,578
2019	5,763
2020 and thereafter	26,591
Total payments	$45,940

Other Milestone-Based Commitments

The Company has one remaining obligation to make a future milestone payment to List Laboratories that becomes due and payable on the achievement of a certain regulatory outcome. The Company is also obligated to pay royalties to List Laboratories on future sales of botulinum toxin products. The Company has a remaining future milestone payment of $4.0 million due and payable to Valeant Pharmaceuticals International, Inc. upon the achievement of regulatory approval for RT002 injectable (Note 4). The Company has obligations to pay Botulinum Toxin Research Associates, Inc. (BTRX) up to $16.0 million upon the satisfaction of specified milestones relating to the Company's sales revenue, intellectual property, and clinical and regulatory events (Note 3).

On April 11, 2016, the Company entered into an agreement with BioSentinel, Inc. to in-license their technology and expertise for research and development and manufacturing purposes. In addition to minimum quarterly use fees, the Company is obligated to make a one-time future milestone payment of $0.3 million payable to BioSentinel, Inc. upon the achievement of regulatory approval. The Company accrues for contingencies when it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. The Company expects that contingencies related to regulatory approval milestones will only become probable once such regulatory outcome is achieved.

Purchase Commitments

The Company has certain commitments from outstanding purchase orders primarily related to clinical trial development and other costs related to the Company's manufacturing facility. These agreements total $19.7 million and are cancellable at any time with the Company required to pay all costs incurred through the cancellation date.

Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of business. As of May 2015, the Company became subject to a securities class action complaint, captioned City of Warren Police

and Fire Retirement System v. Revance Therapeutics Inc., et al, CIV 533635, which was filed on behalf of City of Warren Police and Fire Retirement System in the Superior Court for San Mateo County, California against the Company and certain of its directors and executive officers at the time of the June 2014 follow-on public offering, and the investment banking firms that acted as the

underwriters in the follow-on public offering. In general, the complaint alleges that the defendants misrepresented the then-present status of the RT001 topical clinical program and made false and misleading statements regarding the formulation, manufacturing and efficacy of its drug candidate, RT001 topical, for the treatment of crow's feet at the time of the follow-on public offering. The complaint has been brought as a purported class action on behalf of those who purchased common stock in the follow-on public offering and seeks unspecified monetary damages and other relief. On October 5, 2015, the Company made a motion for transfer of the action to the Superior Court for the County of Santa Clara on the basis that venue was improper in San Mateo County. Plaintiff’s counsel did not oppose the transfer motion, and the action was received by Santa Clara Superior Court on November 6, 2015 and assigned the following case number, 15-CV-287794. On November 23, 2015, the Court issued an Order deeming the case complex and staying all discovery and motions pending further order. Before proceeding with further Court action, including the filing of its motions to dismiss under California rules, the Company agreed with Plaintiff to conduct a mediation.

The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. At this time, neither the outcome of this matter, nor an estimate of the maximum potential exposure or the range of possible loss can be determined. The Company believes that the class action lawsuit is without merit and intends to vigorously defend the action. Nevertheless, this litigation, as any other litigation, is subject to uncertainty and there can be no assurance that this litigation will not have a material adverse effect on the Company's business, results of operations, financial position or cash flows.

Indemnification

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to these arrangements, the Company indemnifies, holds harmless, and agrees to reimburse the indemnified parties for losses suffered or incurred by the indemnified party, in connection with any trade secret, copyright, patent or other intellectual property infringement claim by any third party with respect to its technology. The term of these indemnification agreements is generally perpetual after the execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable because it involves claims that may be made against the Company in the future, but have not yet been made. The Company has not incurred costs to defend lawsuits or settle claims related to these indemnification agreements.
The Company has entered into indemnification agreements with its directors and officers that may require the Company to indemnify them against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct of the individual.
No amounts associated with such indemnifications have been recorded to date.

11. Warrants

As of June 30, 2016 and December 31, 2015, the Company had warrants to purchase 61,595 shares of common stock.

12. Stock Option Plan

2014 Equity Incentive Plan and 2014 Inducement Plan

On January 1, 2016, the number of shares of common stock reserved for issuance under the Company’s 2014 Equity Incentive Plan, or 2014 EIP, automatically increased by 4% of the total number of shares of the Company’s common stock outstanding on December 31, 2015, or 1,131,538 shares. During the six months ended June 30, 2016, the Company granted stock options for 620,000 shares of common stock and 149,550 restricted stock awards under the 2014 EIP. As of June 30, 2016, there were 840,555 shares available for issuance under the 2014 EIP.

During the six months ended June 30, 2016, the Company granted stock options for 110,000 shares of common stock and 15,000 restricted stock awards under the 2014 Inducement Plan, or 2014 IN. As of June 30, 2016, there were 413,483 shares available for issuance under the 2014 IN.

The grant-date fair value of the employee stock options under the 2014 EIP and 2014 IN was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

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REVANCE THERAPEUTICS, INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Expected term (in years)	5.7	5.7	6.0	6.2
Expected volatility	61.9%	59.3%	61.2%	64.8%
Risk-free interest rate	1.4 %	1.8 %	1.4 %	1.5 %
Expected dividend rate	— %	— %	— %	— %

Fair Value of Common Stock. The fair value of the shares of common stock is based on the Company's stock price as quoted by the NASDAQ.

Expected Term. The expected term for employees and directors is based on the simplified method, as the Company’s stock options have the following characteristics: (i) granted at-the-money; (ii) exercisability is conditioned upon service through the vesting date; (iii) termination of service prior to vesting results in forfeiture; (iv) limited exercise period following termination of service; and (v) options are non-transferable and non-hedgeable, or “plain vanilla” options, and the Company has a limited history of exercise data. The expected term for non-employees is based on the remaining contractual term.

Expected Volatility. Since the Company was a private entity until February 2014 with no historical data regarding the volatility of its common stock, the expected volatility is based on volatility of a group of similar entities. In evaluating similarity, the Company considered factors such as industry, stage of life cycle, capital structure, and size. The Company will continue to analyze the historical stock price volatility and expected term assumptions as more historical data for the Company’s common stock becomes available.

Risk-Free Interest Rate. The risk-free interest rate is based on U.S. Treasury constant maturity rates with remaining terms similar to the expected term of the options.

Expected Dividend Rate. The Company has never paid dividends and does not plan to pay dividends in the foreseeable future, and therefore used an expected dividend rate of zero percent in the valuation model.

Forfeitures. The Company is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. To the extent actual forfeitures differ from the estimates, the difference will be recorded as a cumulative adjustment in the period that the estimates are revised.

The fair value of the stock options granted to non-employees is calculated at each reporting date using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Expected term (in years)	7.5	8.8	7.6	8.9
Expected volatility	69.2%	71.2%	71.3%	69.4%
Risk-free interest rate	1.5 %	2.1 %	1.6 %	2.0 %
Expected dividend rate	— %	— %	— %	— %

2014 Employee Stock Purchase Plan

On January 1, 2016, the number of shares of common stock reserved for issuance under the Company's 2014 Employee Stock Purchase Plan, or 2014 ESPP, automatically increased by 1% of the total number of shares of the Company's capital stock outstanding on December 31, 2015, or 282,884 shares. As of June 30, 2016, there were 668,815 shares available for issuance under the 2014 ESPP.

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Notes to Condensed Consolidated Financial Statements — (Continued)
(Unaudited)

The fair value of the option component of the shares purchased under the 2014 ESPP was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Three and Six Months Ended June 30,	
	2016	2015
Expected term (in years)	0.5	0.5
Expected volatility	50.9%	49.9%
Risk-free interest rate	0.5 %	0.1 %
Expected dividend rate	— %	— %

Fair Value of Common Stock. The fair value of the shares of common stock is based on the Company's stock price as quoted by the NASDAQ.

Expected Term. The expected term is based on the term of the purchase period under the 2014 ESPP.

Expected Volatility. Since the Company was a private entity until February 2014 with no historical data regarding the volatility of its common stock, the expected volatility is based on volatility of a group of similar entities. In evaluating similarity, the Company considered factors such as industry, stage of life cycle, capital structure, and size. The Company will continue to analyze the historical stock price volatility and expected term assumptions as more historical data for the Company's common stock becomes available.

Risk-Free Interest Rate. The risk-free interest rate is based on U.S. Treasury constant maturity treasury rates with remaining terms similar to the expected term.

Expected Dividend Rate. The Company has never paid dividends and does not plan to pay dividends in the foreseeable future, and therefore used an expected dividend rate of zero percent in the valuation model.

Total Stock-Based Compensation

Total stock-based compensation expense related to options and restricted stock awards granted to employees and nonemployees and the employee stock purchase plan was allocated as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Research and development	$1,797	$869	$3,201	$1,697
General and administrative	1,455	1,538	3,028	3,027
Total stock based compensation expense	$3,252	$2,407	$6,229	$4,724

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REVANCE THERAPEUTICS, INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(Unaudited)

13. Net Loss per Share Attributable to Common Stockholders

The following table sets forth the computation of the Company's basic and diluted net loss per share attributable to common stockholders for the three and six months ended June 30, 2016 and 2015 (in thousands, except for share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net loss attributable to common stockholders, basic	$(24,602)	$(16,805)	$(44,490)	$(32,207)
Net loss attributable to common stockholders, diluted	$(24,602)	$(16,805)	$(44,490)	$(32,207)
Net loss per share attributable to common stockholders				
Basic	$(0.88)	$(0.71)	$(1.59)	$(1.37)
Diluted	$(0.88)	$(0.71)	$(1.59)	$(1.37)
Weighted-average shares used in computing net loss per share attributable to common stockholders:				
Basic	28,089,731	23,584,910	28,047,671	23,560,133
Diluted	28,089,731	23,584,910	28,047,671	23,560,133

The following common stock equivalents were excluded from the computation of diluted net loss per share for the periods presented as their inclusion would have been antidilutive:

	As of June 30,	
	2016	2015
Stock options	2,815,913	2,347,195
Common stock warrants	61,595	198,662
Unvested restricted stock awards	336,684	316,763

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Condensed Consolidated Financial Statements and the accompanying notes appearing elsewhere in this Quarterly Report on this Form 10-Q and in our other Securities and Exchange Commission, or SEC, filings, including our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 4, 2016. The words "believe," "will," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "predict," "potentially," and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements. The following discussion and analysis contains forward-looking statements within meaning of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements include, but are not limited to, statements concerning the following:

- our expectations regarding the results and the timing and completion of our clinical trials and regulatory submissions needed for the approval of RT002 injectable for the treatment of glabellar lines, muscle movement disorders, including cervical dystonia, or other indications in the United States, Europe and other countries;
- our expectations regarding our future development of RT002 injectable for other indications and of RT001 topical for other indications;
- our expectations regarding the development of future product candidates;
- the potential for commercialization of RT002 injectable and RT001 topical, if approved, by us;
- our expectations regarding the potential market size, opportunity and growth potential for RT002 injectable and RT001 topical, if approved for commercial use;
- our belief that RT002 injectable and RT001 topical can expand the overall botulinum toxin market;
- our ability to build our own sales and marketing capabilities, or seek collaborative partners including distributors, to commercialize our product candidates, if approved;
- our ability to transfer manufacturing from third parties to our facility and to scale up our manufacturing capabilities if our product candidates are approved;
- estimates of our expenses, future revenue, capital requirements and our needs for additional financing;
- the timing or likelihood of regulatory filings and approvals;
- our ability to advance product candidates into, and successfully complete, clinical trials;
- the implementation of our business model, strategic plans for our business, product candidates and technology;
- the initiation, timing, progress and results of future preclinical studies and clinical trials and our research and development programs;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and technology;
- our ability to establish collaborations or obtain additional funding;
- our expectations regarding the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act;
- our financial performance; and
- developments and projections relating to our competitors and our industry.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in "Risk Factors" included in Part II, Item 1A and elsewhere in this report. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is neither possible for management to predict all risks nor 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 forward-looking events and circumstances discussed in this report may not occur, and actual results could differ materially and adversely from

those anticipated or implied in the forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

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Overview

Revance Therapeutics, Inc. is a clinical-stage biotechnology company focused on the developing, manufacturing, and commercialization of novel botulinum toxin products for multiple aesthetic and therapeutic indications. We are leveraging our proprietary portfolio of botulinum toxin type A compound, DaxibotulinumtoxinA, combined with our patented TransMTS® peptide technology, to address unmet needs in large and growing neurotoxin markets. Our proprietary TransMTS® technology is used in two investigational drug product candidates, DaxibotulinumtoxinA for Injection (RT002), or RT002 injectable, and DaxibotulinumtoxinA Topical Gel (RT001), or RT001 topical. Neither RT002 injectable nor RT001 topical contain albumin or any other animal or human-derived materials. We believe this reduces the risk of the transmission of certain viral diseases. We hold worldwide rights for all indications of RT002 injectable, RT001 topical, and the pharmaceutical rights to our TransMTS® technology platform.

RT002 injectable is a novel, injectable formulation of botulinum toxin type A designed to be a long-lasting injectable botulinum toxin treatment. We are pursuing clinical development for RT002 injectable for aesthetic indications, such as glabellar (frown) lines and therapeutic indications, such as cervical dystonia. RT001 topical is in pre-clinical development for potential future therapeutic and aesthetic indications. We believe RT002 injectable has the potential to expand into additional aesthetic and therapeutic indications in the future.

DaxibotulinumtoxinA for Injection (RT002)

We are developing RT002 injectable and plan to commercialize RT002 injectable for indications where deep delivery of the botulinum toxin is required and a long-lasting effect is desired. Based upon the results to date, we are further developing RT002 injectable for the treatment of glabellar lines. In December 2014, we initiated our BELMONT trial, a Phase 2, active comparator, placebo-controlled clinical trial for the treatment of glabellar lines against the market leader BOTOX® Cosmetic. The topline interim data from the trial, which we reported in October 2015, showed that RT002 injectable achieved its primary efficacy measurement at four weeks for all doses of RT002 injectable and that such efficacy was highly statistically significant as compared to placebo. In addition, the 40 Unit dose of RT002 injectable demonstrated a 23.6-week median duration versus BOTOX® Cosmetic with an 18.8-week median duration. Across all cohorts, RT002 injectable appeared to be generally safe and well-tolerated. We completed a Pre-Phase 3 meeting with the U.S. Food and Drug Administration (FDA) in the second quarter of 2016. Based on discussion with the FDA and the minutes received following the meeting, we will be moving forward with an Investigational New Drug (IND) submission for the Phase 3 clinical program for RT002 injectable in glabellar lines and other supportive studies required for a Biologics License Application (BLA) filing. We expect to begin Phase 3 clinical studies of RT002 injectable for the treatment of glabellar lines in 2016. If approved, we believe RT002 injectable has the potential to satisfy significant unmet needs in this market.

We also initiated a Phase 2 dose-escalating, open-label clinical study of RT002 injectable in the therapeutic indication of cervical dystonia, a muscle movement disorder. The Phase 2 study is evaluating safety, preliminary efficacy, and duration of effect of RT002 injectable in subjects with moderate-to-severe isolated cervical dystonia symptoms of the neck. We completed a planned safety analysis of the first cohort of 12 patients and based upon the results, initiated the second cohort of 12 patients. In the first cohort, RT002 injectable appeared to be safe and well-tolerated. The majority of adverse events were noted to be mild or moderate with no serious adverse events or evidence of any systemic exposure observed. All treatment related adverse events were noted to be either resolved or resolving at the time of the planned safety analysis. These adverse events included injection site redness, cervical muscle weakness, neck pain, dysphagia, and bruising at the base of the neck. The Company continues to enroll patients in the second cohort and plans to share initial data in 2016.

DaxibotulinumtoxinA Topical Gel (RT001)

We discontinued clinical development of RT001 topical in June 2016 and are studying RT001 topical in a preclinical setting for therapeutic and aesthetic applications where botulinum toxin has shown efficacy and are particularly well suited for needle-free treatments. RT001 topical is designed to have several such advantages, including painless topical administration, no bruising, ease of use and limited dependence on administration technique by physicians and medical staff. We believe these potential advantages may improve the experience of patients undergoing botulinum

toxin procedures and make RT001 topical suitable for multiple indications in the future.

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We completed RT001 topical Phase 3 clinical trials for the treatment of crow’s feet and initial Phase 2 clinical trials for the treatment of primary axillary hyperhidrosis and for the prevention of chronic migraine headache. We discontinued clinical development of RT001 topical for the treatment of crow’s feet in June 2016 following the results from our REALISE 1 Phase 3 clinical trial, which was designed to evaluate the safety and efficacy of RT001 topical compared to placebo in subjects with moderate to severe crow's feet. Based on the REALISE 1 results, we also decided not to pursue clinical development of RT001 topical for the treatment primary axillary hyperhidrosis.

Since commencing operations in 2002, we have devoted substantially all our efforts to identifying and developing our product candidates for the aesthetic and therapeutic markets, recruiting personnel, raising capital, and preclinical and clinical development of, and manufacturing capabilities for, RT002 injectable and RT001 topical. We have retained all worldwide rights to develop and commercialize RT002 injectable and RT001 topical. We have not filed for approval with the FDA for the commercialization of RT002 injectable or RT001 topical to treat any indication and we have not generated any revenue from product sales for RT002 injectable or RT001 topical.

Results of Operations

Revenue

The following table presents our revenue for the periods indicated and related changes from the prior period.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	Change	2016	2015	Change
	(In thousands, except percentages)					
Relastin Royalty	$75	$ 75	—%	$150	$150	—%
Total revenue	$75	$ 75	—%	$150	$150	—%

Our total revenue for the three and six months ended June 30, 2016 remained unchanged, compared to the same period in 2015, due to minimum royalty payment obligations pursuant to the Relastin royalty agreement.

In August 2011, we entered into an agreement to sell the business related to our Relastin product line, to Precision Dermatology, Inc., or PDI. In accordance with the agreement, we expect to receive royalties equal to at least $0.3 million per year per the minimum royalty requirements included within the agreement or an amount equal to the actual royalty based on sales of Relastin if greater than the minimum royalty requirements for a period up to fifteen years from the date of the agreement; however, the royalty agreement could be terminated with 90 days' notice with the rights to the Relastin line reverting back to us. PDI was subsequently acquired by Valeant Pharmaceuticals International, Inc., or Valeant, in July 2014. On April 23, 2015, we received notice from Valeant terminating the royalty agreement effective as of July 23, 2015; however, as of June 30, 2016, reversion of the Relastin intellectual property rights had not been completed and we are entitled to the minimum royalty payment until such rights are reverted back to us. We recognized the annual minimum royalty payment on a pro rata basis in the amount of $75,000 for each of the three months ended June 30, 2016 and 2015 as set forth in the Relastin royalty agreement.

Operating Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	Change	2016	2015	Change
	(In thousands, except percentages)					
Research and development	$15,192	$10,303	47%	$27,556	$19,557	41%
General and administrative	7,018	6,360	10%	14,473	12,356	17%
Loss on impairment	1,949	—	N/A	1,949	—	N/A

Total operating expenses	$24,159	$16,663	45%	$43,978	$31,913	38%

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Research and Development Expenses

Research and development expenses for the three and six months ended June 30, 2016 increased by 47% and 41%, respectively, compared to the same period in 2015, primarily due to increased costs related to new personnel, stock-based compensation, and clinical trial expenditures in connection with the Phase 3 REALISE 1 study of RT001 topical for the treatment of moderate to severe crow's feet.

Further, during the second quarter of 2016, we acquired a portfolio of patents from Botulinum Toxin Research Associates, Inc., ("BTRX") in which the upfront expenditure of $2.0 million was expensed to research and development.

Our research and development expenses fluctuate as projects transition from one development phase to the next. Depending on the stage of completion and level of effort related to each development phase undertaken, we may reflect variations in our research and development expense. We expense both internal and external research and development expenses as they are incurred. We typically share employees, consultants and infrastructure resources between the RT002 injectable and RT001 topical programs.

Stock-based compensation for research and development was $1.8 million and $3.2 million and $0.9 million and $1.7 million for the three and six months ended June 30, 2016 and 2015, respectively.

General and Administrative Expenses

General and administrative expenses for the three and six months ended June 30, 2016 increased by 10% and 17%, respectively, compared to the same periods in 2015, primarily due to increased costs related to personnel, consulting, legal matters, and stock-based compensation.

Stock-based compensation for general and administration was $1.5 million and $3.0 million and $1.5 million and $3.0 million for the three and six months ended June 30, 2016 and 2015, respectively.

Loss on Impairment

We constructed a large capacity Fill/Finish Line dedicated to the manufacture of RT001 topical and to support our regulatory license applications. We discontinued clinical development of RT001 topical for the treatment of crow's feet and axillary hyperhidrosis in June 2016, following results from our REALISE 1 Phase 3 clinical trial.

Under generally accepted accounting principles in the United States, long-lived assets, such as our RT001 topical Fill/Finish Line, are required to be reviewed for impairment whenever adverse events or changes in circumstances indicate a possible impairment. If business conditions or other factors indicate that the carrying value of the asset may not be recoverable, we may be required to record additional non-cash impairment charges. Additionally, if the carrying value of our capital equipment exceeds current fair value as determined based on the discounted future cash flows of the related product, the capital equipment would be considered impaired and would be reduced to fair value by a non-cash charge to earnings, which could negatively affect our operating results. During the three months ended June 30, 2016, we recorded a loss on impairment of $1.9 million related to certain components of the RT001 topical Fill/Finish Line.

Net Non-Operating Expenses

Interest Income

Interest income consists primarily of interest income earned on our deposit, money market fund, and investment balances. We expect interest income to vary each reporting period depending on our average deposit, money market fund, and investment balances during the period and market interest rates. The increase in interest income for the three and six month periods ended June 30, 2016 compared to the same periods last year reflects an increase in the average daily balance of funds held as investments.

Interest Expense

Interest expense, includes cash and non-cash components with the non-cash components consisting of (i) interest recognized from the amortization of debt issuance costs, which were capitalized on the Condensed Consolidated Balance Sheets, and generally derived from cash payments related to the issuance of convertible notes and notes payable, (ii) interest recognized from the amortization of debt discounts, which were capitalized on the Condensed Consolidated Balance Sheets, and derived from the issuance of warrants in conjunction with notes payable, and

(iii) effective interest recognized on the

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financing obligations. The capitalized amounts related to the debt issuance costs and debt discounts are generally amortized to interest expense over the term of the related debt instruments.

The interest expense by cash and non-cash components is as follows:

Three Months Ended June 30,			Six Months Ended June 30,
2016	2015	Change	2016