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Zacks Small-Cap Research

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Arrowhead Pharm (ARWR-NASDAQ)

ARWR: ANG3 Ph1 in Dyslipidemia Commences

Relative valuation metrics indicates a fair value at $30/share.

Current Price (01/08/19)	$13.94
Valuation	**$30.00**

OUTLOOK

Yesterday Arrowhead announced commencement of dosing of the initial subjects enrolled in their phase I study evaluating the safety, tolerability, PK and PD effects of ARO-ANG3 in healthy individuals and those with dyslipidemia. As a reminder, ARO-ANG3 is ARWR's RNAi-based candidate developed to target angiopoietin like protein 3 (ANGPTL3), which has shown to be involved in the regulation of lipoprotein levels.
Also yesterday, ARWR announced that they have submitted an application to New Zealand regulatory authorities requesting approval to begin a phase I study of ARO-APOC3, ARWR's RNAi-based candidate being developed for the treatment of hypertriglyceridemia.

SUMMARY DATA

52-Week High	**$20.30**
52-Week Low	**$4.40**
One-Year Return (%)	**210.11**
Beta	**1.96**
Average Daily Volume (sh)	**1,908,278**
Shares Outstanding (mil)	**92**
Market Capitalization ($mil)	**$1,291**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**60**
Insider Ownership (%)	**5**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**253.9**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2019 Estimate	**12.2**
P/E using 2020 Estimate	**27.3**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**Mid-Growth**
Industry	**Med-Drugs**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Dec)	Q2 (Mar)	Q3 (Jun)	Q4 (Sep)	Year (Sep)
2017	4.37 A	8.99 A	9.34 A	8.71 A	31.4 A
2018	3.50 A	0.65 A	0.73 A	11.26 A	16.14 A
2019	55.80 E	65.93 E	78.00 E	0.87 E	200.6 E
2020					143.1 E

Price/Sales Ratio (Industry = 2.5x)

	Q1 (Dec)	Q2 (Mar)	Q3 (Jun)	Q4 (Sep)	Year (Sep)
2017	-$0.21 A	-$0.08 A	-$0.08 A	-$0.14 A	-$0.50 A
2018	-$0.18 A	-$0.18 A	-$0.18 A	-$0.12 A	-$0.65 A
2019	$0.38 E	$0.43 E	$0.53 E	-$0.19 E	$1.14 E
2020					$0.51 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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WHAT'S NEW

ARO-ANG3 Phase 1 Study Commences
Yesterday Arrowhead announced commencement of dosing of the initial subjects enrolled in their phase I study evaluating the safety, tolerability, PK and PD effects of ARO-ANG3 in healthy individuals and those with dyslipidemia. As a reminder, ARO-ANG3 is ARWR's RNAi-based candidate developed to target angiopoietin like protein 3 (ANGPTL3), which has shown to be involved in the regulation of lipoprotein levels.

This phase I study, expected to enroll up to 70 subjects, has single and multiple dose phases. The single-dose portion will include 4 cohorts, each consisting of 10 healthy adults (6 treatment, 4 placebo), with each participant receiving a single dose (ARO-ANG3 or placebo) at 35mg, 100mg, 200mg or 300mg. The multi-dose portion encompasses up to 4 patient cohorts including those with non-alcoholic fatty liver disease (NAFLD), those on statin treatment with high LDL cholesterol and triglycerides, those with familial hypercholesterolemia, and patients with severe hypertriglyceridemia.

Preclinical (mouse and monkey models) results have been promising, showing substantial and durable reductions in serum ANGPTL3 and liver mRNA, as well as reductions in triglycerides and LDL levels. In addition to representing a potential eventual treatment for dyslipidemia, ARO-ANG3 could have utility in certain metabolic diseases as well, including NAFLD and nonalcoholic steatohepatitis (NASH). All of these represent significantly sized markets and with unmet therapeutic needs.

ARO-APOC3: New Zealand regulatory clearance requested to commence phase I study
Also yesterday, ARWR announced that they have submitted an application to New Zealand regulatory authorities requesting approval to begin a phase I study of ARO-APOC3, ARWR's RNAi-based candidate being developed for the treatment of hypertriglyceridemia.

The study, expected to enroll up to 63 subjects, also has single and multiple dose phases and will be used to help inform subsequent development. It is expected to enroll both healthy subjects and various populations of patients with elevated triglycerides

PROJECTED INCOME STATEMENT

	2018 (Sept)					2019 (Sept)					2020 (Sept)
$ in millions except per share data	Q1	Q2	Q3	Q4	FYE	Q1	Q2	Q3	Q4	FYE	FYE
Revenue	$3.51	$0.65	$0.73	$11.26	$16.14	$55.80	$65.93	$78.00	$0.87	$200.60	$143.10
YOY Growth	*-19.6%*	*-92.8%*	*-92.2%*	*29.2%*	*-48.6%*	*1489.8%*	*10041.1%*	*10623.5%*	*-92.3%*	*1142.7%*	*156.5%*
Total Revenues	**$3.51**	**$0.65**	**$0.73**	**$11.26**	**$16.14**	**$55.80**	**$65.93**	**$78.00**	**$0.87**	**$200.60**	**$143.10**
YOY Growth	*-19.6%*	*-92.8%*	*-92.2%*	*29.2%*	*-48.6%*	*1489.8%*	*10041.1%*	*10623.5%*	*-92.3%*	*1142.7%*	*156.5%*
Cost of Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Gross Income	**$3.5**	**$0.7**	**$0.7**	**$11.3**	**$16.1**	**$55.8**	**$65.9**	**$78.0**	**$0.9**	**$200.6**	**$143.1**
Gross Margin	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*
R&D	$12.9	$12.0	$12.1	$16.0	$53.0	$17.2	$22.2	$24.1	$12.1	$75.6	$72.2
% R&D	*368.1%*	*1846.2%*	*1657.0%*	*142.1%*	*328.1%*	*30.8%*	*33.7%*	*30.9%*	*1390.8%*	*37.7%*	*50.5%*
Salary and G&A	$4.4	$3.7	$4.6	$6.4	$19.1	$5.5	$5.2	$6.1	$7.0	$23.8	$25.0
% SG&A	*125.5%*	*566.3%*	*631.6%*	*57.1%*	*118.4%*	*9.9%*	*7.9%*	*7.8%*	*804.6%*	*11.9%*	*17.5%*
Other expenses	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
% Other	*0.0%*	*0.0%*	*0.0%*	*0.1%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Operating Income	**($13.8)**	**($15.0)**	**($15.9)**	**($11.2)**	**($55.9)**	**$33.1**	**$38.5**	**$47.8**	**($18.2)**	**$101.2**	**$45.9**
Operating Margin	-	-	-	-	-	-	-	-	-	-	-
Other Income (Net)	$0.6	$0.1	$0.3	$0.4	$1.5	$1.4	$1.1	$0.9	$0.7	$4.1	$2.2
Pre-Tax Income	**($13.2)**	**($14.9)**	**($15.6)**	**($10.8)**	**($54.5)**	**$34.5**	**$39.6**	**$48.7**	**($17.6)**	**$105.3**	**$48.1**
Net Taxes (benefit)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Reported Net Income	**($13.2)**	**($14.9)**	**($15.6)**	**($10.8)**	**($54.5)**	**$34.5**	**$39.6**	**$48.7**	**($17.6)**	**$105.3**	**$48.1**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-
Net Margin	-	-	-	-	-	-	-	-	-	-	-
Weighted avg. Shares Out	*74.8*	*84.1*	*87.6*	*88.1*	*83.6*	*91.0*	*92.2*	*92.5*	*93.0*	*92.2*	*95.0*
Reported EPS	**($0.18)**	**($0.18)**	**($0.18)**	**($0.12)**	**($0.65)**	**$0.38**	**$0.43**	**$0.53**	**($0.19)**	**$1.14**	**$0.51**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-
One-time charge	($0.61)	($0.15)	($0.31)	($0.40)	($1.48)	($1.40)	($1.10)	($0.90)	($0.65)	$0.00	$0.00
Non GAAP Net Income	**($13.8)**	**($15.0)**	**($15.9)**	**($11.2)**	**($55.9)**	**$33.1**	**$38.5**	**$47.8**	**($18.2)**	**$105.3**	**$48.1**
Non GAAP EPS	**($0.18)**	**($0.18)**	**($0.18)**	**($0.13)**	**($0.67)**	**$0.36**	**$0.42**	**$0.52**	**($0.20)**	**$1.14**	**$0.51**

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