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Ligand Pharmaceuticals, Inc. (LGND: NASDAQ)

LGND: XOMA Buy Adds 100+ Assets

Research Note

In an April 27th press release, Ligand Pharmaceuticals, Inc. (NASDAQ: LGND) announced that it will acquire XOMA Royalty Corporation (NASDAQ: XOMA) for $39 per share in an all-cash transaction. XOMA shareholders will receive a Contingent Value Right (CVR) entitling the holder to receive a 75% of any net proceeds that may result from pending Tremfya litigation with Janssen. The merger requires cash redemption of XOMA's preferred stock, repayment of loans, cash settlements of in-the-money options and certain warrants. The total value of the purchase is estimated to be $739 million. It will be funded through cash on Ligand's balance sheet and borrowings under an existing credit facility. Management issued a press release, Form 8-K and slide deck accompanied by a conference call on the morning of April 27th, 2026 to provide the relevant details.

The transaction is expected to close in the third quarter of 2026 and to be immediately accretive to Ligand's earnings. 2026 revenue estimates increase by $25 million to a range of $270 to $310 million and earnings per share (EPS) increase by $0.50 per share to a range of $8.50 to $9.50. Incremental operating profit from XOMA in 2026 is expected to be $20 million offset by a $6 million hit to other income related to reduced capital deployment and acquisition related capital costs. The entire revenue increase will accrue to the Royalties segment. In 2027, earnings per share are expected to be incrementally higher by $1.50.

The acquisition brings more than 100 additional assets into Ligand's portfolio. This includes seven commercial programs, 14 Phase III or registrational programs and more than 100 earlier stage assets.

Exhibit I – Key XOMA Commercial Partnered Programs

Marketer(s)	Program	Indication(s)	Royalty Rate
Roche	VABYSMO	Wet AMD, DME, RVO	0.5%
SERVIER / Day One BIOPHARMACEUTICALS / IPSEN	ojemda™	r/rpLGG	Mid-single digit
ZEVRA THERAPEUTICS	MIPLYFFA	Niemann-Pick Disease Type C	Mid-single digit
MEDEXUS PHARMA	IXINITY®	Hemophilia B	Mid-single digit
ORGANON	XACIATO®	Bacterial Vaginosis	Low to high-single digit
ALORA pharmaceuticals	DSUVIA®	Acute Pain	37–75% on DoW sales
DARÉ BIOSCIENCE	DARE to PLAY[1] Sildenafil Cream	Female Sexual Arousal Disorder	Low-single digit

Source: Ligand Corporate Presentation, Acquisition of XOMA Royalty Corporation, April 2026

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Exhibit II – Key XOMA Pipeline Partnered Programs

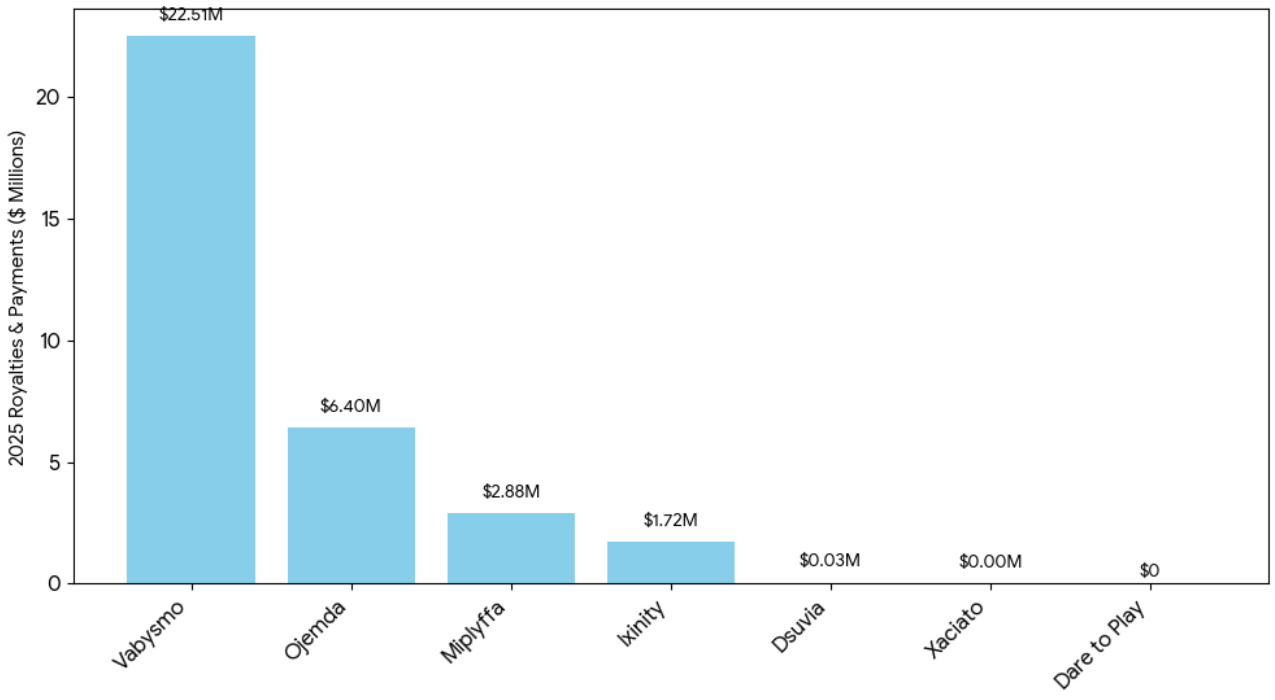
Developer(s)	Program	Indication(s)	Phase	Royalty Rate
SERVIER Day One BIOPHARMACEUTICALS IPSEN	ojemda™	Frontline Pediatric Low-Grade Glioma	Phase 3	Mid-single digit
Takeda	Mezagitamab	IgA Nephropathy Immune Thrombocytopenia	Phase 3	Low to mid-single digit
	Osavampator[1]	Major Depressive Disorder	Phase 3	Low to mid-single digit
	Volixibat[2]	Primary Sclerosing Cholangitis Primary Biliary Cholangitis	Phase 2b (Registrational)	Low to mid-single digit
AstraZeneca	Rilvegostomig	Oncology (Multiple Tumor Types)	Phase 3	Undisclosed
OHB Oak Hill Bio Chiesi	OHB-607	Prevention of Bronchopulmonary Dysplasia	Phase 2b	Low to mid-single digit
Undisclosed	Anti-TL1A	Ulcerative Colitis Crohn's Disease	Phase 3	Undisclosed

Source: Ligand Corporate Presentation, Acquisition of XOMA Royalty Corporation, April 2026

XOMA Revenues

XOMA generated $52.1 million in revenues for 2025, representing an 83% increase over prior year revenues of $28.5 million. Cash receipts were $50.5 million. This was divided into royalties of $33.6 million, with Vabysmo comprising about two-thirds of that amount and milestones and fees of $16.9 million. Analyst estimates,[1] call for strong double digit growth for Vabysmo, Ojemda, Miplyffa and Xaciato over the next two years.

Exhibit III – XOMA 2025 Revenues by Asset



Source: XOMA 2025 Form 10-K, Analyst Work

[1] Sourced from Evaluate, Ltd.

Exhibit IV – Summary of 2025 Revenue Generating Programs

Commercial Program	Description	Arrangement
Vabysmo / faricimab-svoa (Roche)	FDA & EMA approved for treatment of wet or neovascular, age-related macular degeneration & diabetic macular edema as well as FDA & EMA approval for treatment of retinal vein occlusion	0.5% of sales for 10 years
Ojemda / tovorafenib (Day One/Servier/Ipsen)	FDA approved for treatment of pediatric low-grade glioma, a type of brain tumor, in children 6 months of age and older	MSD royalty on sales
Miplyffa / arimoclomol (Zevra)	FDA approved to treat to treat neurological symptoms of Niemann-Pick disease type C (NPC) in patients aged 2 years and older.	MSD royalty on sales
Ixinity / coagulation factor IX (Medexus)	Control & prevention of bleeding episodes and postoperative management in people with Hemophilia B.	MSD royalty on sales
Xaciato / clindamycin phosphate 2% (Organon)	Prescription antibiotic vaginal gel for bacterial vaginosis in females 12 and older	LSD to HSD on sales
Dsuvia / sufentanil sublingual tablet (Alora)	Sublingual opioid analgesic used to treat acute, severe pain in adults within certified medical settings	Tiered royalties up to 100%

Source: XOMA 2025 Form 10-K, Analyst Work

Beyond XOMA's revenue contribution, Ligand anticipates that it will be able to reduce costs. It has developed an investment team and infrastructure that can accommodate the layering on of additional assets. Management expects that most standalone operating costs associated with XOMA can be eliminated. This is expected to contribute to the anticipated $0.50 in incremental earnings expected in 2026 and the $1.50 of incremental earnings in 2027. Based on the ~21 million shares outstanding at Ligand and applying management guidance, this should equate to about $11 million in 2026 incremental earnings and $32 million in 2027 earnings. Additional details are provided on slide 12 of the presentation.

XOMA also offers tax benefits to the combination. In its 2025 10-K filing, it reported almost $200 million of federal and $23.5 million of state net operating loss (NOL) carryforwards. The use of these tax assets may be severely limited due to anticipated expirations in the 2030s and limitations on use due to change in control. There are also federal research and development (R&D) tax credits of $2.0 million and state (California) R&D credits of about $20 million. While we do not have the data or expertise to estimate the value of these assets, Ligand management believes they are material.

Filspari

Travere's Filspari was approved in February 2023 to slow kidney function decline in adults with primary immunoglobulin A nephropathy (IgAN) who are at risk for disease progression. Ligand's partner, Travere, subsequently submitted its supplemental New Drug Application (sNDA) for Focal Segmental Glomerulosclerosis (FSGS) in March 2025. The application was initially given a Target Action Date of January 13th, 2026. However, just prior to this milestone, the FDA extended the review period.

In the weeks prior to the anticipated approval, the FDA made a series of information requests to clarify the benefit of Filspari in FSGS. While the responses were submitted prior to the agency's decision, there was insufficient time for the agency to properly review the data. As a result, the FDA delayed the Target Action Date by three months classifying the additional data submission as a Major Amendment. Travere management clarified that the data requested did not include anything related to safety or manufacturing of the drug.

On April 13th, 2026 Travere announced that the FDA had granted full approval for Filspari in adults and children aged 8 years and older with FSGS who do not have nephrotic syndrome. We do not explicitly forecast FSGS revenues in our model but Ligand does include a component for FSGS revenues in their Pharm Team segment. In its Analyst Day presentation last December, Ligand estimates that the contribution from Filspari for FSGS will be an estimated $4 million in 2026 rising to $40-$45 million in 2030.

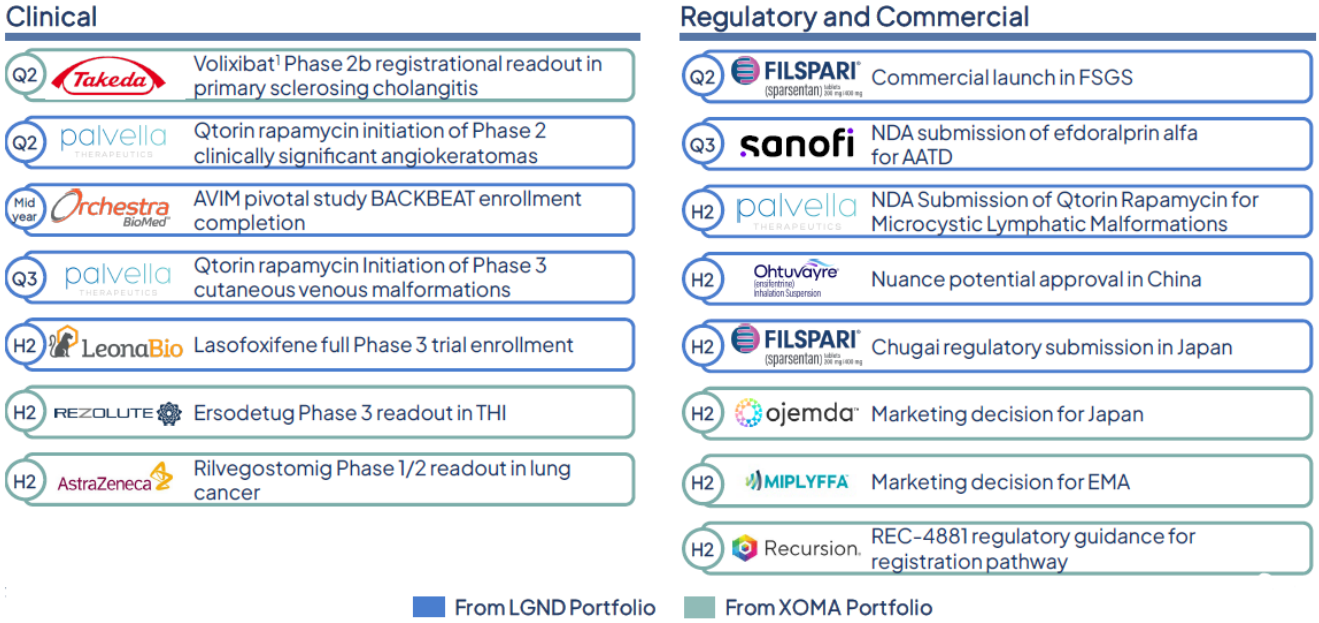
Tzield

Sanofi's Tzield approved in the US to delay the onset of stage 3 type 1 diabetes in young children.

Milestones

- EC approves teplizumab to delay onset of stage 3 type 1 diabetes (T1D) in patients age 8+ - January 2026
- Ohtuvayre NDA acceptance by China NMPA – January 2026
- Data readout for Phase III SELVA trial for QTORIN – February 2026
- Filspari FSGS indication FDA approval – April 13th, 2026
- FDA approved Tzield for delay in onset of stage 3 T1D in stage 2 patients – April 22nd, 2026
- XOMA acquisition announcement – April 2026
- Palvella QTORIN FDA meeting for Phase II study in angiokeratomas – 1H:26
- FDA approval for Tzield in Stage 3 Type 1 diabetes – 1H:26
- Ojemda Phase III full enrollment – 1H:26
- Japan NDA submission for Filspari via Chugai - 2026
- Capvaxive PDUFA date for at risk children & adolescents – June 18th, 2026
- QTORIN NDA submission to FDA for MLM – 2H:26
- QTORIN Phase III trial for cutaneous venous malformations – 2H:26
- QTORIN Phase II trial for clinically significant angiokeratomas – 2H:26
- Ojemda topline data – mid-2027
- Osavampator Phase III topline data readout - 2027

Exhibit V – 2026 Portfolio Milestones



Source: Ligand Corporate Presentation, Acquisition of XOMA Royalty Corporation, April 2026

Summary

Ligand is making a bold move with its proposed acquisition of XOMA, which is expected to close in the third quarter of 2026. We expect the $739 million transaction to significantly expand Ligand's royalty-driven business model, adding a portfolio of more than 100 partnered programs, several of which are already generating revenue, with six assets contributing royalties in 2025. XOMA's pipeline also introduces a steady stream of potential near- and mid-term catalysts, positioning the combined company for broader and more diversified revenue growth. Management has indicated that the deal is immediately accretive and that the acquired portfolio is growing at a faster rate than Ligand's legacy assets.

Beyond top-line expansion, the transaction offers meaningful operating leverage. Ligand Pharmaceuticals already has the infrastructure to manage a larger portfolio of royalty-generating assets, suggesting potential cost synergies and improved scalability. In addition, XOMA brings net operating losses and R&D tax credits that could enhance after-tax earnings. Ligand plans to fund the acquisition using a combination of cash on hand and its existing credit facility, while maintaining confidence in its ability to sustain its typical annual investment pace of $150–$250 million.

The XOMA acquisition is not the only recent positive development. In April 2026, the U.S. Food and Drug Administration approved Filspari for focal segmental glomerulosclerosis (FSGS), expanding the commercial opportunity for this important royalty-bearing asset. It also approved Sanofi's Tzield in the US to delay the onset of stage 3 type 1 diabetes in young children, expanding the utility of the drug. Together, these developments reinforce Ligand's strategy of building a diversified, high-margin royalty portfolio. We expect to find additional clarity on integration plans, capital allocation and updated growth expectations when the company reports its first-quarter 2026 results on May 7th, 2026.

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