

Arrowhead Pharmaceuticals, Inc.

(ARWR-NASDAQ)

ARWR: Multiple Important Clinical Readouts in 2H26

Based on our probability adjusted DCF model that takes into account potential future revenues from the company's development products, ARWR is valued at \$85/share. This model is highly dependent upon the continued clinical success of those programs and will be adjusted accordingly based upon future clinical outcomes.

Current Price (05/12/26) **\$77.74**
Valuation **\$85.00**

OUTLOOK

On May 7, 2026, Arrowhead Pharmaceuticals, Inc. (ARWR) announced financial results for the second quarter of fiscal year 2026 that ended March 31, 2026 and provided a business update. The launch of REDEMPLO (plozasiran) continues to show strength with total prescriptions to date since launch over 400, which includes >40% growth over just the past four weeks. The company also secured positive regulatory action in four additional regions. Important clinical readouts in the second half of 2026 include SHASTA-3, SHASTA-4, and MUIR-3 in 3Q26; ARO-DIMER-PA in 3Q26; ARO-MAPT in late 3Q26 or early 4Q26; and ARO-INHBE and ARO-ALK7 in 2H26. On the business development front, Arrowhead recently signed a worldwide license agreement with Madrigal Pharmaceuticals for ARO-PNPLA3 that included a \$25 million upfront payment from Madrigal with the potential for \$975 million in development, regulatory, and sales milestones.

SUMMARY DATA

52-Week High **\$79.14**
52-Week Low **\$13.03**
One-Year Return (%) **456.48**
Beta **1.28**
Average Daily Volume (sh) **1,916,374**

Shares Outstanding (mil) **141**
Market Capitalization (\$mil) **\$10,950**
Short Interest Ratio (days) **N/A**
Institutional Ownership (%) **63**
Insider Ownership (%) **4**

Annual Cash Dividend **\$0.00**
Dividend Yield (%) **0.00**

5-Yr. Historical Growth Rates
Sales (%) **N/A**
Earnings Per Share (%) **N/A**
Dividend (%) **N/A**

P/E using TTM EPS **N/A**
P/E using 2026 Estimate **-25.9**
P/E using 2027 Estimate **-21.5**

Risk Level
Type of Stock
Industry
Average
Large-Growth
Med-Drugs

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1	Q2	Q3	Q4	Year
	(Dec)	(Mar)	(Jun)	(Sep)	(Sep)
2025	2.5 A	542.7 A	27.8 A	256.5 A	829.4 A
2026	264.0 A	73.7 A	26.2 E	26.4 E	366.9 E
2027					300.0 E
2028					320.0 E

Earnings per Share

	Q1	Q2	Q3	Q4	Year
	(Dec)	(Mar)	(Jun)	(Sep)	(Sep)
2025	-\$1.39 A	\$2.78 A	-\$1.26 A	-\$0.17 A	-\$0.01 A
2026	\$0.22 A	-\$0.93 A	-\$1.49 E	-\$1.51 E	-\$3.75 E
2027					-\$4.33 E
2028					-\$4.33 E

WHAT'S NEW

Business Update

Update on REDEMPLO® Launch

Arrowhead Pharmaceuticals, Inc. (ARWR) launched REDEMPLO (plozasiran) as a treatment for adults suffering from familial chylomicronemia syndrome (FCS) following its approval by the U.S. FDA in November 2025. FCS is an orphan indication with approximately 6,500 individuals affected in the U.S. Following an initial strong start to the launch, the momentum has continued through the first quarter of 2026 with approximately 30 new prescriptions being written each week. Interestingly, of the approximately 400 prescriptions having been written thus far since launch, approximately 10-15% of those have been for patients switching from Ionis Pharmaceuticals Tryngolza® (olezarsen).

Arrowhead has lowered the wholesale acquisition cost (WAC) of REDEMPLO to \$45,000 per year, which was done in response to Ionis lowering the WAC of Tryngolza to \$40,000 per year ahead of a possible approval for the treatment of severe hypertriglyceridemia (SHTG), for which there is a PDUFA date of June 30, 2026. We believe that Arrowhead is justified in keeping the premium in place for REDEMPLO compared to Tryngolza for the following reasons: the depth of TG reduction (~80% reduction from baseline in the Phase 3 PALISADE trial); the numerical decrease in pancreatitis in PALISADE; no contraindications, warnings, or precautions on the label; and only 4 injections per year. The premium price may be further justified if a decrease in pancreatitis is seen in the SHASTA trials later this year.

Since its approval in the U.S., the company has gotten positive regulatory actions in four additional jurisdictions: approvals from The Australian Therapeutic Goods Administration, The Chinese National Medical Products Administration, and Health Canada. In addition, the European Medicines Agency's Committee for Medicinal Products for Human Use adopted a positive opinion and recommending the approval of REDEMPLO. Arrowhead will be launching REDEMPLO independently later this year in Canada and, if approved, in select EU countries along with the UK. In Greater China, REDEMPLO will be marketed by Sanofi.

Multiple Data Readouts in 2H26

Looking at the company's pipeline, we anticipate four important clinical readouts occurring during the rest of 2026:

- The SHASTA-3 and SHASTA-4 trials of plozasiran in SHTG patients are expected to readout in the third quarter of 2026. Positive results from the trials will support the supplemental NDA (sNDA) for the treatment of SHTG and increase the number of treatable patients with plozasiran.
- Early data from the ongoing Phase 1/2 clinical trial of ARO-DIMER-PA in patients with mixed hyperlipidemia are expected in the third quarter of 2026. This will be the first look at clinical data for an RNAi molecule that is designed to simultaneously silence the expression of two proteins. Positive results, signified by a reduction in levels of PCSK9 and APOC3 (and subsequent reductions in LDL-cholesterol and TGs), would both support the advancement of ARO-DIMER-PA along with providing proof-of-concept for the company's dimer platform and pipeline. Arrowhead has indicated that additional dual-functional dimers will be entering the clinic in 2027.
- Early data from the ongoing Phase 1/2 trial of ARO-MAPT are expected late in the third quarter or early in the fourth quarter of 2026. This is the first candidate from the company's CNS platform that is designed to deliver RNAi molecules to the brain via subcutaneous administration. ARO-MAPT targets the tau protein, which is a potential therapeutic target for Alzheimer's and other Tauopathies. If these data are positive, the company intends to rapidly expand its CNS pipeline toward the end of 2026.
- Clinical updates are anticipated for ARO-INHBE and ARO-ALK7 throughout the second half of 2026. For ARO-INHBE, the company intends to present additional data at various conferences and initiate a Phase 2 study. For ARO-ALK7, we anticipate additional data from the ongoing Phase 1/2 clinical trial. Investor enthusiasm for INHBE appears to have waned following the release of 6-month data for WVE-007 by Wave Life Sciences Ltd., however Arrowhead has stated from the beginning that they believe modalities that

target the INHBE/ALK7 axis would need to be part of a combination therapy with a GLP-1, particularly in type 2 diabetes patients. Thus, we are cautiously optimistic about the company's path forward with ARO-INHBE and ARO-ALK7 given that they are being studied in combination with tirzepatide.

Licensing Agreement with Madrigal for ARO-PNPLA3

On May 5, 2026, Arrowhead announced an exclusive worldwide licensing agreement with Madrigal Pharmaceuticals (MDGL) for ARO-PNPLA3, which is designed to reduce liver expression of patatin-like phospholipase domain containing 3 (PNPLA3) as a potential treatment for patients with metabolic dysfunction-associated steatohepatitis (MASH). PNPLA3 is strong genetic and preclinical validation in patients who carry the I148M mutation, which is a known risk factor for hepatic steatosis, steatohepatitis, elevated plasma liver enzyme levels, hepatic fibrosis, and cirrhosis. Results from a Phase 1 study of ARO-PNPLA3 in 55 patients with metabolic dysfunction-associated fatty liver disease (MAFLD) who were either homozygous or heterozygous carriers of the PNPLA3 I148M variant showed reductions in liver fat of up to 46% at 12 weeks following a single dose of the highest dose level tested of ARO-PNPLA3.

At closing, Madrigal will pay Arrowhead an upfront payment of \$25 million. Arrowhead will also be eligible to receive development, regulatory, and sales milestone payments of up to \$975 million along with tiered royalties on commercial sales ranging from high-single digits to mid-teens.

Financial Update

On May 7, 2026, Arrowhead announced financial results for the second quarter of fiscal year 2026 that ended March 31, 2026. The company reported revenue of approximately \$74 million for the second quarter of fiscal year 2026 compared to approximately \$543 million for the second quarter of fiscal year 2025. The revenue for the current quarter was driven primarily by the license and collaboration agreements with Sarepta and Novartis, which includes 28 million from the ongoing recognition of the initial Sarepta consideration, 10 million related to reimbursement of incurred preclinical collaboration program costs, and 4 million for clinical supply provided to them under a clinical supply agreement. In addition, the company recognized \$20 million of the \$200 million upfront payment received from Novartis in October. Arrowhead also recorded \$11 million related to the Asset Purchase Agreement between Sanofi and Visirna, the company's majority owned subsidiary in China, to develop and commercialize plozasiran in Greater China. While not broken down specifically, revenues from the sale of REDEMPLO totaled approximately \$1 million in the second quarter of fiscal year 2026.

R&D expenses for the second quarter of fiscal year 2026 were \$173.3 million compared to \$133.0 million for the second quarter of fiscal year 2025. The increase was primarily driven by the ongoing progression of the Phase 3 registrational studies for plozasiran in SHTG along with the early-stage pipeline programs including ARO-DIMER-PA and ARO-MAPT. G&A expenses for the second quarter of 2026 were \$41.7 million compared to \$28.4 million for the second quarter of fiscal year 2025. The increase was primarily due to ongoing investments to support the commercialization of REDEMPLO.

Arrowhead exited the second quarter of fiscal year 2026 with over one billion in cash, cash equivalents, and investments. Notable inflows in the quarter included the \$200 million that the company earned for the DM1 second milestone from Sarepta, which was received in January 2026, along with the \$50 million anniversary payment received from Sarepta. In addition, it includes the financing transaction that the company undertook in January 2026 consisting of a concurrent offering of convertible senior notes (\$625 million of 0.00% convertible senior notes due 2032) and common stock (3,100,776 shares at a price of \$64.50) along with associated capped call transactions.

Conclusion

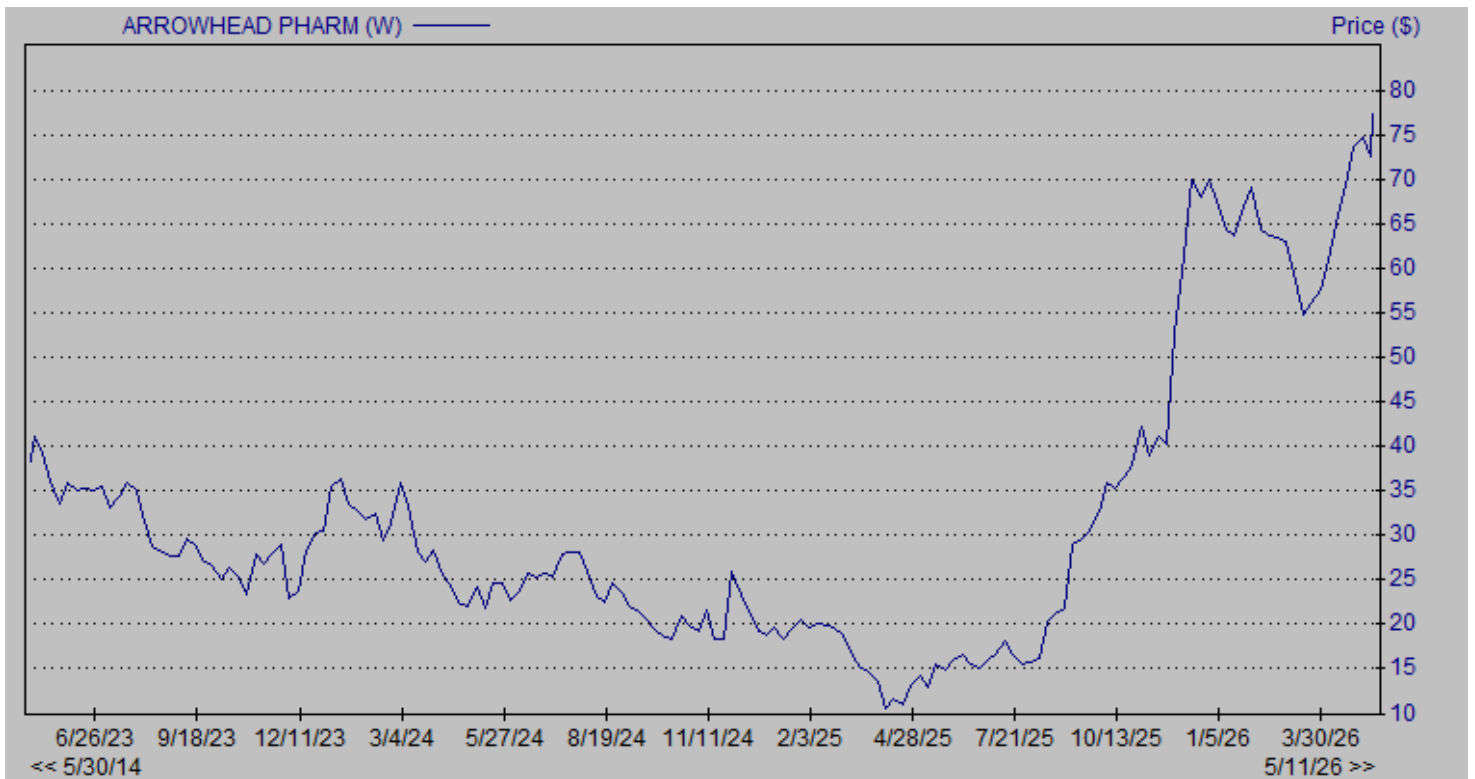
Arrowhead's stock has had a tremendous run over the past year, going from a low near \$13 to currently over \$70. So what will continue to drive it forward through 2026 and beyond? We believe it will be the SHTG results, which we are confident will show both best-in-class TG lowering along with a strong signal for decreasing the risk of pancreatitis that will help to differentiate REDEMPLO from Tryngolza. The ARO-MAPT data could also be a game changer, with positive results providing both proof-of-concept for targeting tau protein and for the company's CNS platform. Lastly, the DIMER data could lead to a unique therapy for the approximately 20 million individuals in the U.S. living with mixed hyperlipidemia along with ushering in the next wave of dual targeting RNAi therapies. Arrowhead continues to perform at a high level and we would be buyers of the stock on any pullback. Our valuation is now \$85.

PROJECTED FINANCIALS

Arrowhead Pharmaceuticals, Inc.	FY2025 A	Q1FY26 A	Q2FY26 A	Q3FY26 E	Q4FY26 E	FY2026 E	FY2027 E	FY2028 E
Revenue	\$829.4	\$264.0	\$73.7	\$26.2	\$26.4	\$390.4	\$300.0	\$320.0
<i>YOY Growth</i>	391.4%	-51.3%	165.6%	-89.8%	-96.8%	343.6%	918.5%	1260.0%
Total Revenues	\$829.4	\$264.0	\$73.7	\$26.2	\$26.4	\$390.4	\$300.0	\$320.0
<i>YOY Growth</i>	391.4%	-51.3%	165.6%	-89.8%	-96.8%	343.6%	918.5%	1260.0%
<i>Cost of Revenue</i>	\$0.0	\$0.0	\$0.0	\$0.1	\$0.2	\$0.3	\$2.5	\$5.3
Gross Income	\$829.4	\$264.0	\$73.7	\$26.1	\$26.3	\$390.1	\$297.5	\$314.7
<i>Gross Margin</i>	100.0%	100.0%	100.0%	99.5%	99.4%	99.9%	99.2%	98.3%
R&D	\$607.2	\$177.2	\$173.3	\$177.0	\$180.0	\$707.5	\$720.0	\$740.0
<i>% R&D</i>	73.2%	67.1%	235.0%	675.6%	681.8%	181.2%	240.0%	231.3%
Salary and G&A	\$123.9	\$46.0	\$41.7	\$47.0	\$48.0	\$182.8	\$190.0	\$200.0
<i>% SG&A</i>	14.9%	17.4%	56.6%	179.4%	181.8%	46.8%	63.3%	62.5%
Other expenses	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>% Other</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Income	\$98.3	\$40.8	(\$141.3)	(\$197.9)	(\$201.8)	(\$500.1)	(\$612.5)	(\$625.3)
<i>Operating Margin</i>	11.9%	-	-	-	-	-128.1%	-204.2%	-195.4%
Other Income (Net)	(\$46.8)	(\$12.5)	\$3.7	(\$14.0)	(\$15.0)	(\$37.8)	(\$15.0)	(\$15.0)
Pre-Tax Income	\$51.5	\$28.3	(\$137.6)	(\$211.9)	(\$216.8)	(\$538.0)	(\$627.5)	(\$640.3)
Net Taxes (benefit)	\$21.4	\$0.0	\$0.0	\$1.5	\$1.8	\$3.3	\$0.0	\$0.0
Net Loss Attributable to Noncontrolling Interest	\$31.7	\$2.6	\$4.8	\$3.4	\$3.5	\$14.3	\$0.0	\$0.0
Reported Net Income	(\$1.6)	\$30.8	(\$132.7)	(\$210.0)	(\$215.1)	(\$527.0)	(\$627.5)	(\$640.3)
<i>Net Margin</i>	-0.2%	-	-	-	-	-135.0%	-209.2%	-200.1%
Reported EPS	(\$0.01)	\$0.22	(\$0.93)	(\$1.49)	(\$1.51)	(\$3.75)	(\$4.33)	(\$4.33)
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Basic Shares Outstanding	133.8	137.0	142.4	141.0	142.0	140.6	145.0	148.0

Source: Zacks Investment Research, Inc. David Bautz, PhD

HISTORICAL STOCK PRICE



Source: Zacks SCR

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