

ARROWHEAD PHARMACEUTICALS, INC.
Form 10-Q
May 10, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 000-21898

ARROWHEAD PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware 46-0408024
(State of incorporation) (I.R.S. Employer Identification No.)
225 S. Lake Avenue, Suite 1050
Pasadena, California 91101

(626) 304-3400

(Address and telephone number of 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

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 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 Accelerated filer

Non-accelerated filer (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

The number of shares of the registrant's common stock outstanding as of May 9, 2016 was 59,960,711.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Arrowhead Pharmaceuticals, Inc.

Consolidated Balance Sheets

	(unaudited)	
	March 31, 2016	September 30, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$50,300,847	\$81,214,354
Prepaid expenses	3,772,643	3,293,285
Other current assets	909,561	823,620
Short term investments	11,160,442	17,539,902
TOTAL CURRENT ASSETS	66,143,493	102,871,161
Property and equipment, net	4,381,628	4,526,848
Intangible assets, net	23,960,017	24,824,116
Other assets	122,333	45,789
TOTAL ASSETS	\$94,607,471	\$132,267,914
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$7,542,498	\$5,031,706
Accrued expenses	3,834,269	5,376,119
Accrued payroll and benefits	1,395,004	3,824,062
Deferred revenue	65,625	103,125
Derivative liabilities	955,193	1,301,604
Capital lease obligation	219,349	217,548
Other current liabilities	46,407	46,407
TOTAL CURRENT LIABILITIES	14,058,345	15,900,571
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	430,665	540,792
Contingent consideration obligations	5,862,464	5,862,464
Other non-current liabilities	329,760	342,453
TOTAL LONG-TERM LIABILITIES	6,622,889	6,745,709
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Arrowhead Pharmaceuticals, Inc. stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; 15,652 shares issued and		
outstanding as of March 31, 2016 and September 30, 2015	16	16
Common stock, \$0.001 par value; 145,000,000 shares authorized; 59,960,711 and 59,544,677 shares		
issued and outstanding as of March 31, 2016 and September 30, 2015, respectively	152,330	151,914
Additional paid-in capital	431,061,481	426,873,358
Accumulated other comprehensive income (loss)	59,913	(136,425)

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Accumulated deficit	(356,792,315)	(316,712,041)
Total Arrowhead Pharmaceuticals, Inc. stockholders' equity	74,481,425	110,176,822
Noncontrolling interest	(555,188)	(555,188)
TOTAL STOCKHOLDERS' EQUITY	73,926,237	109,621,634
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$94,607,471	\$132,267,914

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Arrowhead Pharmaceuticals, Inc.

Consolidated Statements of Operations

(unaudited)

	Three Months ended March 31, 2016	Three Months ended March 31, 2015	Six Months ended March 31, 2016	Six Months ended March 31, 2015
REVENUE	\$43,750	\$43,750	\$87,500	\$214,500
OPERATING EXPENSES				
Research and development	10,020,826	11,640,794	20,359,659	29,387,524
Acquired in-process research and development	-	10,142,786	-	10,142,786
Salaries and payroll-related costs	4,248,693	3,541,652	8,168,579	6,692,268
General and administrative expenses	3,818,335	1,696,623	5,769,944	3,782,826
Stock-based compensation	2,416,839	2,205,079	4,797,182	4,219,935
Depreciation and amortization	803,912	449,559	1,598,261	739,598
TOTAL OPERATING EXPENSES	21,308,605	29,676,493	40,693,625	54,964,937
OPERATING LOSS	(21,264,855)	(29,632,743)	(40,606,125)	(54,750,437)
OTHER INCOME (EXPENSE)				
Gain (loss) on sale of fixed assets, net	-	45,576	-	19,195
Interest income (expense), net	79,060			