



Arrowhead Research Attracts Call Buys as Breakout Nears

Ticker/Price: ARWR (\$29)

Analysis:

Arrowhead Pharma (ARWR) tightly coiled in a bull consolidation seeing 1,500 September \$27 calls open up to \$3.25 with IV30 rising 8% today. ARWR has previous seen some mixed activity with flows and been a strong performer, shares up 133% this year. The \$2.7B maker of medicines for intractable diseases is trading 20X sales with revenues set to rise 930% this year. Earlier in August, ARWR dosed the first patient in SEQUOIA (AROAT2001), a potentially pivotal Phase 2/3 clinical study of ARO-AAT, the company's second generation subcutaneously administered RNA interference therapeutic being developed as a treatment for a rare genetic liver disease associated with alpha-1 antitrypsin deficiency. SEQUOIA is designed to enroll 120 patients who will receive at least 9 doses, or approximately two years of treatment, with ARO-AAT or placebo. ARWR uses RNAi and has 5 clinical programs built on its TRiM platform with two additional planned this year. It is partnered with Janssen for a Hepatitis B treatment and with Amgen on Cardiovascular Disease. Analysts have an average target of \$34 and short interest at 24% of the float is near a five year high. Piper raised its target to \$50 last week after Q3 results noting Arrowhead ended the quarter with cash of \$295M and could soon receive a \$25M milestone from Janssen for initiating Phase II REEF-1 study of JNJ-3989. FBR has a \$32 target noting its expanding pipeline. Hedge Fund ownership declined 7% in Q1 filings.

Hawk Vision:



Hawk's Perspective: ARWR has a nice technical set-up and could see a nice short squeeze in an easy to manage trade versus the 50 day MA.

Confidence Ranking: \$\$