

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For transition period from to
Commission File Number: 001-39186

ARCUTIS BIOTHERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)
3027 Townsgate Road Suite 300
Westlake Village, California
(Address of Principal Executive Offices)

81-2974255
(I.R.S. Employer Identification Number)
91361
(Zip Code)

(805) 418-5006
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.0001	ARQT	The Nasdaq Global Select Market

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 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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 October 22, 2025 was 122,492,192.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q may be forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “estimates,” “forecasts,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to statements regarding our future results of operations and financial position, industry and business trends, stock compensation, business strategy, plans, market growth, commercialization of approved products, and our objectives for future operations.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition, and results of operations. Forward-looking statements involve known and unknown risks, uncertainties, and other important factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements, including, but not limited to, the important factors discussed in Part II, Item 1A, “Risk Factors” in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2025. The forward-looking statements in this Quarterly Report on Form 10-Q are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance, and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events, or otherwise.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ARCUTIS BIOTHERAPEUTICS, INC. Condensed Consolidated Balance Sheets (In thousands, except share and par value) (unaudited)

	September 30, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 47,120	\$ 71,335
Restricted cash	308	617
Marketable securities	143,948	156,620
Trade receivables, net	115,116	73,066
Inventories	22,419	14,526
Prepaid expenses and other current assets	20,313	19,656
Total current assets	349,224	335,820
Property, plant, and equipment, net	1,215	1,041
Intangible assets, net	15,375	9,479
Operating lease right-of-use asset	4,567	1,953
Other assets	596	596
Total assets	<u>\$ 370,977</u>	<u>\$ 348,889</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,795	\$ 14,220
Current portion of long-term debt, net	1,000	—
Accrued and other current liabilities	92,975	66,793
Total current liabilities	99,770	81,013
Operating lease liability, long-term	5,276	2,562
Long-term debt, net	107,498	107,203
Other long-term liabilities	360	570
Total liabilities	212,904	191,348
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 10,000,000 shares authorized at September 30, 2025 and December 31, 2024; no shares issued and outstanding at September 30, 2025 and December 31, 2024	—	—
Common stock, \$0.0001 par value; 300,000,000 shares authorized at September 30, 2025 and December 31, 2024; 120,288,146 and 117,848,033 shares issued and outstanding at September 30, 2025 and December 31, 2024, respectively	12	12
Additional paid-in capital	1,313,602	1,279,479
Accumulated other comprehensive loss	(62)	(7)
Accumulated deficit	(1,155,479)	(1,121,943)
Total stockholders' equity	158,073	157,541
Total liabilities and stockholders' equity	<u>\$ 370,977</u>	<u>\$ 348,889</u>

See accompanying notes to the condensed consolidated financial statements.

ARCUTIS BIOTHERAPEUTICS, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenues:				
Product revenue, net	\$ 99,219	\$ 44,755	\$ 244,569	\$ 97,182
Other revenue	—	—	2,000	28,000
Total revenues	99,219	44,755	246,569	125,182
Operating expenses:				
Cost of sales	8,685	5,503	25,007	12,223
Research and development	19,604	19,501	56,600	61,940
Selling, general and administrative	62,404	58,817	195,576	171,784
Total operating expenses	90,693	83,821	277,183	245,947
Income (loss) from operations	8,526	(39,066)	(30,614)	(120,765)
Other income (expense):				
Other income, net	2,035	4,182	6,861	13,455
Interest expense	(3,071)	(6,653)	(9,082)	(21,617)
Income (loss) before income taxes	7,490	(41,537)	(32,835)	(128,927)
Provision for income taxes	80	—	701	324
Net income (loss)	<u>\$ 7,410</u>	<u>\$ (41,537)</u>	<u>\$ (33,536)</u>	<u>\$ (129,251)</u>
Other comprehensive income (loss):				
Unrealized gain (loss) on marketable securities	68	771	(164)	528
Foreign currency translation adjustment	(95)	56	109	1
Total other comprehensive income (loss)	(27)	827	(55)	529
Comprehensive income (loss)	<u>\$ 7,383</u>	<u>\$ (40,710)</u>	<u>\$ (33,591)</u>	<u>\$ (128,722)</u>
Earnings (loss) per share:				
Basic	\$ 0.06	\$ (0.33)	\$ (0.26)	\$ (1.08)
Diluted	\$ 0.06	\$ (0.33)	\$ (0.26)	\$ (1.08)
Weighted-average shares used in computing earnings (loss) per share:				
Basic	127,623	124,302	126,891	119,628
Diluted	132,885	124,302	126,891	119,628

See accompanying notes to the condensed consolidated financial statements.

ARCUTIS BIOTHERAPEUTICS, INC.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(In thousands)
(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance—December 31, 2024	117,848	\$ 12	\$ 1,279,479	\$ (7)	\$ (1,121,943)	\$ 157,541
Issuance of common stock upon the exercise of stock options	110	—	395	—	—	395
Issuance of common stock upon the vesting of restricted stock units	1,180	—	—	—	—	—
Stock-based compensation expense	—	—	9,915	—	—	9,915
Unrealized loss on marketable securities	—	—	—	(137)	—	(137)
Foreign currency translation adjustment	—	—	—	4	—	4
Net loss	—	—	—	—	(25,060)	(25,060)
Balance—March 31, 2025	119,138	12	1,289,789	(140)	(1,147,003)	142,658
Issuance of common stock upon the exercise of stock options	19	—	61	—	—	61
Issuance of common stock upon the vesting of restricted stock units	522	—	—	—	—	—
Shares issued pursuant to the employee stock purchase plan	119	—	1,319	—	—	1,319
Stock-based compensation expense	—	—	10,717	—	—	10,717
Unrealized loss on marketable securities	—	—	—	(95)	—	(95)
Foreign currency translation adjustment	—	—	—	200	—	200
Net loss	—	—	—	—	(15,886)	(15,886)
Balance—June 30, 2025	119,798	12	1,301,886	(35)	(1,162,889)	138,974
Issuance of common stock upon the exercise of stock options	197	—	1,476	—	—	1,476
Issuance of common stock upon the vesting of restricted stock units	293	—	—	—	—	—
Stock-based compensation expense	—	—	10,240	—	—	10,240
Unrealized gain on marketable securities	—	—	—	68	—	68
Foreign currency translation adjustment	—	—	—	(95)	—	(95)
Net income	—	—	—	—	7,410	7,410
Balance—September 30, 2025	120,288	\$ 12	\$ 1,313,602	\$ (62)	\$ (1,155,479)	\$ 158,073

See accompanying notes to the condensed consolidated financial statements.

ARCUTIS BIOTHERAPEUTICS, INC.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(In thousands)
(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance—December 31, 2023	96,787	\$ 9	\$ 1,070,558	\$ 4	\$ (981,904)	\$ 88,667
Issuance of shares of common stock net of discount and issuance costs of \$10,820	18,158	3	161,679	—	—	161,682
Issuance of common stock upon the exercise of stock options	22	—	82	—	—	82
Issuance of common stock upon the vesting of restricted stock units	538	—	—	—	—	—
Stock-based compensation expense	—	—	10,030	—	—	10,030
Unrealized loss on marketable securities	—	—	—	(116)	—	(116)
Foreign currency translation adjustment	—	—	—	(21)	—	(21)
Net loss	—	—	—	—	(35,382)	(35,382)
Balance—March 31, 2024	115,505	12	1,242,349	(133)	(1,017,286)	224,942
Issuance of common stock upon the exercise of stock options	147	—	806	—	—	806
Issuance of common stock upon the vesting of restricted stock units	443	—	—	—	—	—
Shares issued pursuant to the employee stock purchase plan	384	—	649	—	—	649
Stock-based compensation expense	—	—	12,523	—	—	12,523
Unrealized loss on marketable securities	—	—	—	(127)	—	(127)
Foreign currency translation adjustment	—	—	—	(34)	—	(34)
Net loss	—	—	—	—	(52,332)	(52,332)
Balance—June 30, 2024	116,479	12	1,256,327	(294)	(1,069,618)	186,427
Issuance of common stock upon the exercise of stock options	139	—	394	—	—	394
Issuance of common stock upon the vesting of restricted stock units	380	—	—	—	—	—
Stock-based compensation expense	—	—	10,530	—	—	10,530
Unrealized gain on marketable securities	—	—	—	771	—	771
Foreign currency translation adjustment	—	—	—	56	—	56
Net loss	—	—	—	—	(41,537)	(41,537)
Balance—September 30, 2024	116,998	\$ 12	\$ 1,267,251	\$ 533	\$ (1,111,155)	\$ 156,641

See accompanying notes to the condensed consolidated financial statements.

ARCUTIS BIOTHERAPEUTICS, INC.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Nine Months Ended September 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (33,536)	\$ (129,251)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	30,304	32,337
Amortization of intangible assets	4,104	1,646
Non-cash interest expense	1,295	2,809
Net accretion on marketable securities	(2,105)	(5,805)
Other non-cash items, net	631	367
Changes in operating assets and liabilities:		
Accounts receivable, net	(42,050)	(33,133)
Inventories	(7,324)	(135)
Prepaid expenses and other current assets	(742)	(882)
Accounts payable	(8,425)	2,334
Accrued liabilities	26,592	18,850
Operating lease liabilities	(554)	(547)
Net cash used in operating activities	(31,810)	(111,410)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(157,806)	(237,421)
Proceeds from maturities of marketable securities	172,418	231,507
Milestone payment for intangible asset	(10,000)	—
Purchases of property and equipment	(686)	(143)
Net cash provided by (used in) investing activities	3,926	(6,057)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock upon exercise of stock options	1,932	1,282
Proceeds from issuance of common stock pursuant to employee stock purchase plan	1,319	649
Proceeds from issuance of common stock, net of issuance costs	—	161,682
Net cash provided by financing activities	3,251	163,613
Effect of exchange rate changes on cash	109	(1)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(24,524)	46,145
Cash, cash equivalents, and restricted cash at beginning of period	71,952	89,323
Cash, cash equivalents, and restricted cash at end of period	\$ 47,428	\$ 135,468
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING INFORMATION:		
Milestone for intangible asset not yet paid in cash	\$ —	\$ 5,000
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 2,858	\$ —
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest expense paid in cash	\$ 7,787	\$ 19,253

See accompanying notes to the condensed consolidated financial statements.

ARCUTIS BIOTHERAPEUTICS, INC.**Notes to Condensed Consolidated Financial Statements****(unaudited)****1. Organization and Description of Business**

Arcutis Biotherapeutics, Inc. (the Company) is a commercial-stage biopharmaceutical company focused on developing and commercializing treatments for dermatological diseases with high unmet medical needs. The Company's strategy is to focus on validated biological targets and to use its drug development platform and deep dermatology expertise to develop differentiated products that have the potential to address the major shortcomings of existing therapies in its targeted indications.

The Company received U.S. Food and Drug Administration (FDA) approval of its first product, ZORYVE® (roflumilast) cream 0.3% (ZORYVE cream 0.3%), in July 2022, for the treatment of plaque psoriasis, including intertriginous psoriasis, in individuals 12 years of age and older (subsequently approved down to 6 years old), and began U.S. commercialization in August 2022. The Company also received Health Canada approval of ZORYVE cream 0.3% in plaque psoriasis in April 2023 and began Canadian commercialization in June 2023. The Company received FDA approval of ZORYVE® (roflumilast) topical foam 0.3% (ZORYVE foam), in December 2023, for the treatment of seborrheic dermatitis in individuals 9 years of age and older, and began U.S. commercialization in January 2024. The Company received FDA approval of ZORYVE® (roflumilast) cream 0.15% (ZORYVE cream 0.15%) and began U.S. commercialization, in July 2024, for the treatment of mild to moderate atopic dermatitis in adult and pediatric patients 6 years of age and older. The Company received Health Canada approval of ZORYVE foam for seborrheic dermatitis in October 2024, and began Canadian commercialization in December 2024. The Company received Health Canada approval for ZORYVE cream 0.15% for atopic dermatitis in March 2025, and began Canadian commercialization in April 2025. The Company also received FDA approval of ZORYVE foam 0.3% for the treatment of plaque psoriasis of the scalp and body in adult and adolescents 12 years of age and older in May 2025, and began U.S. commercialization in June 2025. The Company received FDA approval of ZORYVE® (roflumilast) cream 0.05% (ZORYVE cream 0.05%) in October 2025 for the treatment of mild to moderate atopic dermatitis in children ages 2 to 5 years of age.

Initial Public Offering and Follow-On Financings

On February 4, 2020, the Company closed an initial public offering (IPO) issuing and selling shares of common stock receiving aggregate net proceeds of approximately \$167.2 million. The Company completed subsequent public sales of its common stock in October 2020, February 2021, August 2022, and October 2023, receiving aggregate net proceeds of \$93.4 million, \$207.5 million, \$161.6 million, and \$95.8 million, respectively.

In addition to the sale of common stock, the offering completed in October 2023 consisted of prefunded warrants to purchase 7,500,000 shares of the Company's common stock at \$2.4999 per underlying share of common stock. The exercise price of the warrants is \$0.0001 per underlying share of common stock. The prefunded warrants are exercisable at any time on or after their original issuance, and all such warrants were outstanding as of September 30, 2025. Subsequent to September 30, 2025, certain prefunded warrants were exercised at \$0.0001 per share, resulting in the issuance of 2,050,000 shares of the Company's common stock. Following such exercise, prefunded warrants to purchase 5,450,000 shares of the Company's common stock remained outstanding.

On February 28, 2024, the Company completed an offering relating to the sale of 15,789,474 shares of the Company's common stock at \$9.50 per share. The Company also granted the underwriters an option to purchase up to an additional 2,368,421 shares at \$9.50 per share, which the underwriters exercised in full on February 29, 2024. The aggregate net proceeds to the Company was \$161.7 million after deducting underwriting discounts, commissions, and estimated offering expenses payable by the Company.

At-the-Market (ATM) Offerings

On May 6, 2021, the Company entered into a sales agreement (Sales Agreement) with Cowen and Company, LLC (Cowen), under which the Company may from time to time issue and sell shares of its common stock through ATM offerings for an aggregate offering price of up to \$100.0 million. Cowen will act as the Company's sales agent for the ATM program and is entitled to compensation for its services equal to 3% of the gross proceeds of any shares of common stock sold under the Sales Agreement. In March 2022, the Company sold 882,353 shares under the ATM for \$17.00 per share and received \$14.5 million in net proceeds. In December 2023, the Company sold 1,250,000 shares under the ATM for \$2.60 per share and received \$3.1 million in net proceeds.

ARCUTIS BIOTHERAPEUTICS, INC.
Notes to Condensed Consolidated Financial Statements
(unaudited)

In January 2024, the Company amended and restated its Sales Agreement with Cowen to reset the ATM program and provide for the offer and sale of shares of common stock having an aggregate gross offering price of up to \$100.0 million. All other terms of the amended and restated Sales Agreement are substantially the same as the original Sales Agreement. The Company has not yet issued or sold any common stock under the amended and restated Sales Agreement.

Liquidity

The Company has incurred significant annual losses and negative cash flows from operations since its inception and had an accumulated deficit of \$1,155.5 million and \$1,121.9 million as of September 30, 2025 and December 31, 2024, respectively. While the Company generated net income for the quarter ended September 30, 2025, the extent of any net income or losses for future periods is uncertain and the Company may continue to incur losses. The Company had cash, cash equivalents, restricted cash, and marketable securities of \$191.4 million and \$228.6 million as of September 30, 2025 and December 31, 2024, respectively. The Company had \$100.0 million outstanding under the Loan Agreement as of September 30, 2025. See Note 8.

The Company believes that its existing capital resources will be sufficient to meet the projected operating requirements for at least 12 months from the date of issuance of its financial statements. If the Company's available cash, cash equivalents and marketable securities and anticipated future cash flows from operations are insufficient to satisfy its liquidity requirements, the Company may need to raise additional capital to fund its operations. No assurance can be given as to whether additional financing will be available on terms acceptable to the Company or at all. If sufficient funds on acceptable terms are not available when needed, the Company may be required to curtail certain planned activities. Failure to manage discretionary spending or raise additional funds, as needed, may adversely impact the Company's ability to achieve its intended business objectives and have an adverse effect on its results of operations and future prospects.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (U.S. GAAP), on the same basis as the Company's audited annual financial statements and, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair statement of the Company's financial information. Results of operations for any interim period are not necessarily indicative of future or annual results. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Therefore, these unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2024.

These condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and all intercompany balances and transactions have been eliminated.

Certain prior year amounts, which are not material, have been reclassified to conform to current year presentation in the condensed consolidated balance sheets, condensed consolidated statement of cash flows and the notes to the condensed consolidated financial statements.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Restricted Cash

As of September 30, 2025 and December 31, 2024, the Company held \$0.3 million and \$0.6 million, respectively, of restricted cash as collateral for a letter of credit related to the Company's lease of office space.

ARCUTIS BIOTHERAPEUTICS, INC.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents, marketable securities, and accounts receivable. The Company maintains deposits in federally insured financial institutions in excess of federally insured limits. The Company is exposed to credit risk in the event of a default by either the financial institutions holding its cash or by its customers owing trade receivables to the extent recorded on the condensed consolidated balance sheets. To manage accounts receivable credit risk, the Company continuously evaluates the creditworthiness of its customers and the need for an allowance for credit losses.

Fair Value Measurement

The Company's financial instruments, in addition to those presented in Note 4, include cash equivalents, accounts receivable, accounts payable, accrued liabilities, and long-term debt. The carrying amount of cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate their fair values due to their short maturities. As the long-term debt is subject to variable interest rates that are based on market rates which regularly reset, the Company believes that the carrying value of the long-term debt approximates its fair value.

Assets and liabilities recorded at fair value on a recurring basis on the condensed consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

Level 1—Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2—Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active;

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Recently Issued Accounting Pronouncements

The Company considers the applicability and impact of any recent Accounting Standards Update (ASU) issued by the Financial Accounting Standards Board (FASB). Other than the ASUs listed below, all other ASUs were assessed and determined to be either not applicable to the Company or are expected to have minimal impact on the Company's condensed consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires qualitative and quantitative updates to the rate reconciliation and income taxes paid disclosures, among others, in order to enhance the transparency of income tax disclosures, including consistent categories and greater disaggregation of information in the rate reconciliation and disaggregation by jurisdiction of income taxes paid. The Company will adopt ASU 2023-09 for its Annual Report on Form 10-K for the year ended December 31, 2025 and does not expect the standard to have a material impact on its disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which requires disclosure about the types of costs and expenses included in certain expense captions presented on the income statement. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and for interim periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2024-03.

ARCUTIS BIOTHERAPEUTICS, INC.
Notes to Condensed Consolidated Financial Statements
(unaudited)

3. Revenues

Revenues are recognized under guidance within ASC 606, Revenue from Contracts with Customers. The following table presents the Company's disaggregated revenue for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
ZORYVE cream 0.3%	\$ 30,491	\$ 22,041	\$ 81,553	\$ 54,325
ZORYVE foam	49,781	20,262	119,233	40,405
ZORYVE cream 0.15%	18,947	2,452	43,783	2,452
Total product revenue, net	99,219	44,755	244,569	97,182
Other revenue	—	—	2,000	28,000
Total revenues	<u>\$ 99,219</u>	<u>\$ 44,755</u>	<u>\$ 246,569</u>	<u>\$ 125,182</u>

Other revenue relates primarily to the Sato and Huadong licensing agreements. See Note 6.

4. Fair Value Measurements

The following table sets forth the Company's financial instruments that were measured at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

	September 30, 2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds ⁽¹⁾	\$ 47,120	\$ —	\$ —	\$ 47,120
Commercial paper	—	9,813	—	9,813
Certificates of deposit	—	2,633	—	2,633
Corporate debt securities	—	76,335	—	76,335
U.S. Treasury and agency securities	53,469	1,698	—	55,167
Total assets	<u>\$ 100,589</u>	<u>\$ 90,479</u>	<u>\$ —</u>	<u>\$ 191,068</u>

(1) This balance includes cash requirements settled on a nightly basis.

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds ⁽¹⁾	\$ 71,335	\$ —	\$ —	\$ 71,335
Certificates of deposit	—	5,042	—	5,042
Corporate debt securities	—	83,955	—	83,955
U.S. Treasury securities	67,623	—	—	67,623
Total assets	<u>\$ 138,958</u>	<u>\$ 88,997</u>	<u>\$ —</u>	<u>\$ 227,955</u>

(1) This balance includes cash requirements settled on a nightly basis.

Money market funds and U.S. Treasury and agency securities are valued based on quoted market prices in active markets, with no valuation adjustment.

Commercial paper, certificates of deposit and corporate debt securities are valued taking into consideration valuations obtained from third-party pricing services. The pricing services utilize industry standard valuation models, including both income and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include reported trades of and broker/dealer quotes on the same or

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similar securities; issuer credit spreads; benchmark securities; prepayment/default projections based on historical data; and other observable inputs.

The following table summarizes the estimated value of the Company's cash, cash equivalents and marketable securities, and the gross unrealized holding gains and losses (in thousands):

	September 30, 2025			
	Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
Cash and cash equivalents:				
Money market funds ⁽¹⁾	\$ 47,120	\$ —	\$ —	\$ 47,120
Total cash and cash equivalents	\$ 47,120	\$ —	\$ —	\$ 47,120
Marketable securities:				
Commercial paper	\$ 9,805	\$ 8	\$ —	\$ 9,813
Certificates of deposit	2,633	—	—	2,633
Corporate debt securities	76,219	117	(1)	76,335
U.S. Treasury and agency securities	55,137	31	(1)	55,167
Total marketable securities	\$ 143,794	\$ 156	\$ (2)	\$ 143,948

(1) This balance includes cash requirements settled on a nightly basis.

	December 31, 2024			
	Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
Cash and cash equivalents:				
Money market funds ⁽¹⁾	\$ 71,335	\$ —	\$ —	\$ 71,335
Total cash and cash equivalents	\$ 71,335	\$ —	\$ —	\$ 71,335
Marketable securities:				
Certificates of deposit	\$ 5,042	\$ —	\$ —	\$ 5,042
Corporate debt securities	83,855	100	—	83,955
U.S. Treasury securities	67,404	219	—	67,623
Total marketable securities	\$ 156,301	\$ 319	\$ —	\$ 156,620

(1) This balance includes cash requirements settled on a nightly basis.

As of September 30, 2025 and December 31, 2024, all securities have a maturity of 18 months or less and there were no individual securities that were in a significant unrealized loss position. The Company generally holds its marketable securities until maturity and does not intend to sell, and is not required to sell, the investments that are in an unrealized loss position before the recovery of their amortized cost basis.

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The following table summarizes the change in the fair value of the embedded derivative instrument for the nine months ended September 30, 2025 and 2024 (in thousands).

	September 30,	
	2025	2024
Beginning balance	\$ 570	\$ 849
Gain from changes in fair value	(210)	(429)
Ending balance	\$ 360	\$ 420

The fair value of the Company's embedded derivative instrument is based on significant inputs not observed in the market, and thus represents a Level 3 measurement. See Note 8 for further discussion on the embedded derivative instrument.

5. Balance Sheet Components

Inventories

The components of inventory are summarized as follows (in thousands):

	September 30, 2025	December 31, 2024
Raw materials	\$ 6,118	\$ 4,300
Work in progress	4,725	584
Finished goods	11,576	9,642
Total inventories	\$ 22,419	\$ 14,526

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	September 30, 2025	December 31, 2024
Prepaid co-pay assistance program and rebates	\$ 9,262	\$ 7,369
Prepaid insurance	1,258	844
Prepaid clinical trial costs	396	3,244
Other prepaid expenses and current assets	9,397	8,199
Total prepaid expenses and other current assets	\$ 20,313	\$ 19,656

Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	September 30, 2025	December 31, 2024
Accrued sales deductions	\$ 61,313	\$ 38,430
Accrued compensation	18,303	20,747
Clinical trial accruals	228	—
Accrued expenses and other current liabilities	13,131	7,616
Total accrued liabilities	\$ 92,975	\$ 66,793

6. License Agreements & Acquisition

Sato License Agreement

On February 27, 2024, the Company entered into a license agreement with Sato Pharmaceutical Co., Ltd. (Sato). Pursuant to the terms of the license agreement with Sato (the Sato Agreement), the Company grants to Sato an exclusive, sublicensable (under certain circumstances) license under certain patent rights and know-how

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controlled by the Company for Sato to develop, conduct medical affairs activities for, manufacture, commercialize and otherwise exploit roflumilast formulations (the Sato Licensed Products) for all therapeutic uses for certain dermatological indications in humans (the Field) in Japan.

The Sato Agreement sets forth each party's respective obligations with respect to the development, medical affairs activities, manufacture, supply and commercialization of the Sato Licensed Products. Pursuant to the terms of the Sato Agreement, Sato will, at its expense, develop, obtain regulatory approval for, commercialize and conduct medical affairs activities related to the Sato Licensed Products in the Field in Japan, subject to certain of the Company's approval and oversight rights.

Pursuant to the terms of the Sato Agreement, the Company received an upfront payment of \$25.0 million and will potentially receive additional payments (i) up to an aggregate amount of \$10.0 million upon the achievement of certain regulatory milestones and (ii) up to an aggregate amount of \$30.0 million upon the achievement of certain sales milestones. In addition, on a Sato Licensed Product-by-Sato Licensed Product basis, commencing from the first commercial sale of such Sato Licensed Product in Japan until the latest of (i) the expiration of the last valid claim in the intellectual property rights licensed by the Company to Sato under the Sato Agreement covering such Sato Licensed Product in Japan, (ii) the expiration of regulatory exclusivity for such Sato Licensed Product in Japan, or (iii) ten years after the first commercial sale of such Sato Licensed Product in Japan, the Company will receive low double-digit to mid-teen double-digit percentage royalties on Sato's, its affiliates' and sublicensees' total annual net sales of all Sato Licensed Products, subject to certain royalty reductions.

The term of the Sato Agreement continues until, on a Sato Licensed Product-by-Sato Licensed Product basis, the expiration of the Royalty Term, which is the (i) the expiration of the last valid claim in the licensed technology covering such Sato Licensed Product in Japan, (ii) the expiration of regulatory exclusivity for such Licensed Product in Japan, or (iii) ten years after the first commercial sale of such Licensed Product in Japan. The Sato Agreement may be terminated by either party in its entirety if the other party commits a material breach, subject to a cure period, or if the other party becomes insolvent. Sato may terminate the Sato Agreement at-will in its entirety upon 90 days' written notice. Unless unenforceable under applicable law, the Company may terminate the Sato Agreement in its entirety if Sato, its affiliate or sublicensee contests or assists a third party in contesting the scope, validity or enforceability of any patent or patent application licensed by the Company to Sato. The Company may also terminate the Sato Agreement if Sato or any director, officers, employee, agent, affiliate, sublicensee or subcontractor is charged by a governmental authority for a violation of any anti-corruption, anti-money laundering, sanctions or export or import control laws or regulations, or, subject to the terms of the Sato Agreement, if Sato, its affiliates and sublicensees do not conduct any material development or commercialization activities of a Sato Licensed Product in Japan for a certain period of time.

Other revenue under the Sato Agreement was zero for the three and nine months ended September 30, 2025, respectively, and zero and \$25.0 million for the three and nine months ended September 30, 2024, respectively.

Huadong License Agreement

In August 2023, the Company entered into a license agreement with Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd (Huadong), a wholly owned subsidiary of Huadong Medicine Co., Ltd. Pursuant to the terms of the agreement, the Company granted to Huadong an exclusive, sublicensable (under certain circumstances) license under certain patent rights and know-how controlled by the Company for Huadong to develop, conduct medical affairs activities for, manufacture, commercialize, and otherwise exploit both cream and foam topical roflumilast for all therapeutic uses for certain dermatological indications (Huadong Licensed Products) in Greater China (mainland China, Hong Kong, Macau, and Taiwan) and Southeast Asia (Indonesia, Singapore, The Philippines, Thailand, Myanmar, Brunei, Cambodia, Laos, Malaysia, and Vietnam) (Huadong Territories).

Huadong will, at its expense, develop, obtain regulatory approval for, commercialize and conduct medical affairs activities for the Huadong Licensed Products, subject to certain of the Company's approval and oversight rights. The Company will retain exclusive rights for the development, manufacture and commercialization of topical roflumilast outside the Huadong Territories.

As consideration for the rights granted under the license agreement with Huadong (the Huadong Agreement), Huadong paid the Company a non-refundable upfront fee pursuant to the terms of the agreement, upon closing in September 2023. The Company received a net payment of \$27.0 million, which consisted of a

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\$30.0 million upfront payment less the applicable tax withholding obligation in China of \$3.0 million. In addition, the Company received a net payment of \$2.7 million in March 2024 related to the achievement of a development and regulatory milestone less the applicable tax withholding. The Company received a net payment of \$1.8 million in each of December 2024 and March 2025, related to the achievement of development and regulatory milestones less the applicable tax withholding. The Company may also potentially receive additional payments: (i) up to an aggregate amount of \$17.0 million upon the achievement of certain development and regulatory milestones, (ii) up to an aggregate amount of \$40.3 million upon the achievement of certain sales milestones, and (iii) low double-digit to high-teen double-digit tiered percentage royalties on net sales of the Huadong Licensed Products, all of which would be subject to applicable tax withholding obligations.

The term of the Huadong Agreement continues on a Huadong Licensed Product-by-Huadong Licensed Product and country or region-by-country or region basis, until the expiration of the Royalty Term, which is: (i) the date of expiration of the last valid patent claim related to the Huadong Licensed Products, (ii) ten years after the first commercial sale of a Huadong Licensed Product and (iii) the expiration of any regulatory exclusivity as to a Huadong Licensed Product. The Huadong Agreement may be terminated by both parties under certain circumstances.

For the three and nine months ended September 30, 2025, the Company recognized zero and \$2.0 million, respectively, of Other revenue, and zero and \$0.2 million, respectively, of income tax expense, in each case related to the achievement of a development and regulatory milestone. For the three and nine months ended September 30, 2024, the Company recognized zero and \$3.0 million, respectively, of Other revenue, and zero and \$0.3 million, respectively, of income tax expense, in each case related to the achievement of a development and regulatory milestone.

AstraZeneca License Agreement

In July 2018, the Company entered into an exclusive license agreement with AstraZeneca AB (AstraZeneca), granting the Company a worldwide exclusive license, with the right to sublicense through multiple tiers, under certain AstraZeneca-controlled patent rights, know-how and regulatory documentation, to research, develop, manufacture, commercialize and otherwise exploit products containing roflumilast in topical forms, as well as delivery systems sold with or for the administration of roflumilast (collectively, the AZ-Licensed Products), for all diagnostic, prophylactic and therapeutic uses for human dermatological indications (the Dermatology Field). Under the license agreement with AstraZeneca (the AstraZeneca Agreement), the Company has sole responsibility for development, regulatory and commercialization activities for the AZ-Licensed Products in the Dermatology Field, at its expense, and it shall use commercially reasonable efforts to develop, obtain and maintain regulatory approvals for, and commercialize the AZ-Licensed Products in the Dermatology Field in each of the United States, Italy, Spain, Germany, the United Kingdom, France, China and Japan.

The Company paid AstraZeneca an upfront non-refundable cash payment of \$1.0 million and issued 484,388 shares of Series B convertible preferred stock, valued at \$3.0 million on the date of the AstraZeneca Agreement, which were both recorded in research and development expense. The Company subsequently paid AstraZeneca the first milestone cash payment of \$2.0 million upon the completion of a Phase 2b study of ZORYVE cream 0.3% in plaque psoriasis in August 2019 for the achievement of positive Phase 2 data for an AZ-Licensed Product, which was recorded in research and development expense. In the third quarter of 2022, the Company paid \$7.5 million to AstraZeneca as a result of the approval of ZORYVE cream 0.3%, which was recorded as an intangible asset. In the second half of 2024, the Company paid \$5.0 million to AstraZeneca upon achievement of \$100.0 million in worldwide net sales, which was recorded as a cumulative catch-up adjustment to the carrying value of the intangible asset. In the first half of 2025, the Company paid \$10.0 million to AstraZeneca upon achievement of \$250.0 million in worldwide net sales and was recorded as a cumulative catch-up adjustment to the carrying value of the intangible asset. The Company is amortizing the intangible asset to cost of sales over its useful life of 10 years from the date of first commercial sale as this is the minimum amount of time that the related AstraZeneca Agreement will be in effect. Amortization expense was \$0.6 million and \$4.1 million during the three and nine months ended September 30, 2025, respectively. Amortization expense was \$1.2 million and \$1.6 million during the three and nine months ended September 30, 2024, respectively.

The Company has agreed to make additional cash payments to AstraZeneca of up to an aggregate of \$5.0 million upon the achievement of specified regulatory approval milestones with respect to the AZ-Licensed Products. With respect to any AZ-Licensed Products the Company commercializes under the AstraZeneca

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Agreement, it will pay AstraZeneca a low to high single-digit percentage royalty rate on the Company's, its affiliates' and its sublicensees' net sales of such AZ-Licensed Products, subject to specified reductions, until, as determined on an AZ-Licensed Product-by-AZ-Licensed Product and country-by-country basis, the later of the date of the expiration of the last-to-expire AstraZeneca-licensed patent right containing a valid claim in such country and ten years from the first commercial sale of such AZ-Licensed Product in such country. As a result of the commercialization of ZORYVE cream 0.3% in August 2022, the Company began accruing royalties payable to AstraZeneca, which are recorded in cost of sales and accrued liabilities. Royalty expense was \$2.9 million and \$7.3 million during the three and nine months ended September 30, 2025, respectively. Royalty expense was \$1.4 million and \$3.0 million during the three and nine months ended September 30, 2024, respectively.

Ducentis Biotherapeutics LTD Acquisition

On September 7, 2022, the Company entered into a Share Purchase Agreement with Ducentis Biotherapeutics LTD (Ducentis) and certain stockholders of Ducentis, pursuant to which the Company acquired all of the outstanding equity interests in Ducentis for (i) 610,258 shares of the Company's common stock, valued at approximately \$12.5 million, and \$15.9 million in cash, inclusive of liabilities acquired, and (ii) contingent payments of up to an aggregate of \$400 million, which may become payable upon the achievement of certain development, regulatory, and commercial milestones (the Acquisition). Such contingent payments include a \$10.0 million payment due within one year from the first dosing of the first human subject enrolled in the first Phase 1 clinical trial of a therapeutic drug containing Ducentis' DS-234 product candidate, now ARQ-234. The Company anticipates commencing such Phase 1 study in the first quarter of 2026. In addition, if applicable, the Company will make payments amounting to a mid-single-digit percentage of any annual net sales of certain products exceeding \$1.5 billion.

The Company accounted for this purchase of equity interests in Ducentis as an in-process research and development (IPR&D) asset acquisition, as it has no alternative future use, and recorded a \$29.6 million charge to research and development expense on the acquisition date. Any contingent payments made under the Share Purchase Agreement will be recorded when it is probable that they will occur and they can be reasonably estimated, at which point the Company will determine whether the payment should be expensed or capitalized depending on whether the IPR&D has achieved market acceptance. There were no payments made or due for the three and nine months ended September 30, 2025 and 2024, respectively.

Under the terms of the Share Purchase Agreement, the Company will develop and seek FDA approval of a therapeutic product containing ARQ-234 for an atopic dermatitis indication, and if FDA approval of ARQ-234 is obtained by the Company, to commercially launch it in the United States.

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7. Commitments and Contingencies

Operating Lease

The Company's lease for its corporate headquarters (22,643 square feet of office space) commenced in February 2019 and was amended in April 2020 in order to relocate to a new expanded space. In August 2025, the Company entered into a second amendment to extend the term of the lease by five years, extending the lease expiration from August 2028 to July 2033. This second amendment had a net effect of increasing the Company's future lease payments by approximately \$5.4 million, primarily due to the five additional years of rent payments. In accordance with ASC 842, the Company remeasured the present value of the aggregate lease payments over the amended lease term and recorded an increase to the Company's operating lease liabilities and existing right-of-use lease asset of approximately \$2.9 million in the third quarter 2025 as a result of this remeasurement.

Indemnification

In the ordinary course of business, the Company enters into agreements that may include indemnification provisions. Pursuant to such agreements, the Company may indemnify, hold harmless, and defend an indemnified party for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has never incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. The Company has also entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted by the provisions of the Company's Bylaws and the Delaware General Corporation Law. The Company currently has directors' and officers' insurance coverage that reduces its exposure and enables the Company to recover a portion of any future amounts paid. The Company believes any potential loss exposure under these indemnification agreements in excess of applicable insurance coverage is minimal.

Contingencies

From time to time, the Company may be involved in legal proceedings, as well as demands, claims, and threatened litigation, which arise in the normal course of business or otherwise. The ultimate outcome of any litigation is uncertain, and unfavorable outcomes could have a negative impact on the Company's results of operations and financial condition. Regardless of outcome, litigation can have an adverse impact on the Company because of the defense costs, the diversion of management resources, and other factors.

As of September 30, 2025 and December 31, 2024, the Company determined that no loss contingencies from legal proceedings—including the patent infringement complaint filed against the Company by Teva Pharmaceutical Industries, Ltd.—met the threshold of "reasonably possible", as defined in ASC 450. Accordingly, no material amounts have been accrued related to loss contingencies under ASC 450.

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8. Long-term debt

On December 22, 2021, the Company entered into a loan and security agreement (the Prior Loan Agreement) with SLR Investment Corp. (SLR) and the lenders party thereto. The Prior Loan Agreement was amended and restated on January 10, 2023 (the AR Loan Agreement) to include Arcutis Canada, Inc. as a borrower and party. On November 1, 2023, the Company entered into an amendment to the AR Loan Agreement to, among others, (i) modify the financial covenant relating to minimum net product revenue, and (ii) include an additional minimum financing covenant. On August 9, 2024, the Company entered into a second amendment to the AR Loan Agreement (the AR Loan Agreement, as amended by the first and second amendments, the Loan Agreement), which it determined to be a modification, to, among others, (i) permit, during the period commencing on October 7, 2024 and ending on December 15, 2024, an optional partial prepayment of term loans outstanding, subject to a 1.0% prepayment penalty (the 2024 Partial Prepayment), (ii) add the tranche C-1 and tranche C-2 term loans, and (iii) facilitate certain other changes, including with respect to the applicable interest rate and maturity date in the event of a 2024 Partial Prepayment. As security for the obligations under the Loan Agreement, the Company granted SLR, for the benefit of the lenders, a continuing security interest in substantially all of the Company's assets, including its intellectual property, subject to certain exceptions. The term loan facility is comprised of (i) a tranche A term loan of \$75.0 million, (ii) a tranche B-1 term loan of \$50.0 million, (iii) a tranche B-2 term loan of up to \$75.0 million, (iv) a tranche C-1 term loan of up to \$50.0 million, and (v) a tranche C-2 term loan of up to \$50.0 million (collectively, the Term Loans). The tranche A term loan was funded on December 22, 2021. With the approval of ZORYVE cream 0.3% on July 29, 2022, the tranche B term loans were funded on August 2, 2022. As of September 30, 2025 and December 31, 2024, the aggregate principal amount outstanding under the Loan Agreement was \$100.0 million.

On October 8, 2024, the Company made a 2024 Partial Prepayment of \$100.0 million, which reduced the aggregate principal amount outstanding under the Loan Agreement to \$100.0 million. In connection with the 2024 Partial Prepayment, the Company is obligated to pay a prepayment penalty of \$1.0 million by June 30, 2026 and a final fee of \$6.95 million, representing the final fee applicable to the amount of the 2024 Partial Prepayment, on January 1, 2027.

As a result of such 2024 Partial Prepayment, subject to the Company generating a minimum net product revenue for the trailing six (6) month period ending as of the month prior to the borrowing date equal to 80% of the Company's projected net product revenue as set forth in its annual plan for the respective period, the Company will be able to draw down the tranche C-1 and tranche C-2 term loans. The tranche C-1 term loan availability will expire on March 31, 2026 and the tranche C-2 term loan availability will expire on June 30, 2026. In addition, as a result of the 2024 Partial Prepayment, (i) the maturity date of the Loan Agreement is August 1, 2029, (ii) the applicable per annum interest rate is equal to 5.95% plus the greater of (a) 2.50% per annum and (b) the one-month Secured Overnight Financing Rate (SOFR), (iii) the Company is no longer subject to certain cost and purchase price restrictions regarding acquisitions, and (iv) the Company may prepay principal amounts outstanding under the Term Loans in minimum increments of \$25.0 million, subject to a prepayment premium of (a) 3.0% for any prepayment made prior to the first anniversary of the second amendment, (b) 2.0% for any prepayment made prior after the first anniversary of the second amendment and prior to the second anniversary of the second amendment, or (c) 1.0% for any prepayment made prior after the second anniversary of the second amendment and prior to the maturity date.

Principal amounts outstanding under the Term Loans will accrue interest at a floating rate equal to the applicable rate in effect from time to time, as determined by SLR on the third business day prior to the funding date of the applicable Term Loan and on the first business day of the month prior to each payment date of each Term Loan. Prior to the 2024 Partial Prepayment, the applicable rate was a per annum interest rate equal to 7.45% plus the greater of (a) 0.10% and (b) the one-month SOFR. As a result of such 2024 Partial Prepayment, the applicable interest rate will be a per annum interest rate equal to 5.95% plus the greater of (a) 2.50% and (b) the one-month SOFR. On September 30, 2025, the rate was 10.20%. The benchmark SOFR is subject to change in the event of certain events with respect to the benchmark rate. Interest payments are payable monthly following the funding of any Term Loan.

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If the Term Loans are accelerated due to, among others, the occurrence of a bankruptcy or insolvency event, the Company is required to make mandatory prepayments of (i) all principal amounts outstanding under the Term Loans, plus accrued and unpaid interest thereon through the prepayment date, (ii) any fees applicable by reason of such prepayment, (iii) the prepayment premiums set forth in the paragraph above, plus (iv) all other obligations that are due and payable, including expenses and interest at the Default Rate (as defined below) with respect to any past due amounts.

The Loan Agreement contains customary representations and warranties and customary affirmative and negative covenants, including, among others, requirements as to financial reporting and insurance and restrictions on the Company's ability to dispose of its business or property, to change its line of business, to liquidate or dissolve, to enter into any change in control transaction, to merge or consolidate with any other entity or to acquire all or substantially all the capital stock or property of another entity, to incur additional indebtedness, to incur liens on its property, to pay any dividends or other distributions on capital stock other than dividends payable solely in capital stock or to redeem capital stock. The Company also agreed to a financial covenant whereby the Company must generate a minimum net product revenue equal to 75% of its projected net product revenue as set forth in the Company's annual plan for the respective period, tested on a trailing six-month basis, as of the end of each month. Each annual plan shall be approved by the Company's board of directors and SLR, in its capacity as collateral agent, in its reasonable discretion. Any failure by the Company to deliver such annual plan on or before December 15 of the prior year shall be an immediate event of default. The Company was in compliance with all covenants under the Loan Agreement as of September 30, 2025.

In addition, the Loan Agreement contains customary events of default that entitle the lenders to cause any indebtedness under the Loan Agreement to become immediately due and payable, and to exercise remedies against the Company and the collateral securing the Term Loans. Under the Loan Agreement, an event of default will occur if, among other things, the Company fails to make payments under the Loan Agreement, the Company breaches any of the covenants under the Loan Agreement, subject to specified cure periods with respect to certain breaches, the lenders determine that a material adverse change has occurred, or the Company or the Company's assets become subject to certain legal proceedings, such as bankruptcy proceedings. Upon the occurrence and for the duration of an event of default, an additional default interest rate, or the Default Rate, equal to 4.0% per annum will apply to all obligations owed under the Loan Agreement. The prepayment upon default and other potential additional interest provisions under the Loan Agreement were determined to be a compound embedded derivative instrument to be bifurcated from the loan and accounted for as a separate liability for accounting purposes under the guidance in ASC 815, *Derivatives and Hedging*. At the inception of the Loan Agreement, the fair value of the embedded derivative was determined to be immaterial. The embedded derivative instrument is remeasured at fair value each reporting period with any future changes in fair value reported in Other income, net in the condensed consolidated statement of operations and comprehensive income (loss). The amounts recognized in Other income, net related to the change in fair value of the embedded derivative instrument during the three and nine months ended September 30, 2025 and 2024 were not material. The fair value of the embedded derivative instrument as of September 30, 2025 and December 31, 2024 was a liability of \$0.4 million and \$0.6 million, respectively, and is included in Other long-term liabilities in the accompanying condensed consolidated balance sheets. See Note 4.

In connection with the Loan Agreement, the Company is obligated to pay (i) a final fee equal to 6.95% of the aggregate original principal amount of the Term Loans outstanding as of the date of the second amendment (x) with respect to any 2024 Partial Prepayment, upon the earliest to occur of (a) January 1, 2027, (b) the acceleration of all outstanding Term Loans and (c) the prepayment, or refinancing, substitution or replacement of all outstanding Term Loans, and (y) with respect to the Term Loans outstanding as of the date of the second amendment (other than the 2024 Partial Prepayment), upon the earliest to occur of (a) the maturity date, (b) the acceleration of all outstanding Term Loans and (c) the prepayment, or refinancing, substitution or replacement of all outstanding Term Loans, (ii) a 2.00% fee with respect to tranche C term loans, due and payable on the earliest to occur of (a) the maturity date, (b) the acceleration of all outstanding Term Loans and (c) the prepayment, or refinancing, substitution or replacement of all outstanding Term Loans, (iii) a 2.00% extension fee with respect to tranche C term loans which remain unfunded after December 31, 2025, which shall accrue during the period commencing January 1, 2026, and ending on the earliest to occur of (a) the expiration of the tranche C term loan availability, and (b) the date on which tranche C term loan is fully drawn, and (iv) a certain amount of lenders' expenses incurred in connection with the execution of the Loan Agreement. Additionally, in connection with the original Prior Loan Agreement, the Company previously had entered into an Exit Fee Agreement, whereby the Company agreed to pay an exit fee in the amount of 3.0% of each Term Loan funded upon (i) any change of control transaction or (ii) a revenue milestone, calculated on a

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trailing six-month basis. Notwithstanding the prepayment or termination of the Term Loan, the exit fee will expire 10 years from the date of the Loan Agreement.

The debt issuance costs have been recorded as a debt discount which are being accreted to interest expense through the maturity date of the term loan. Interest expense is calculated using the effective interest method, and is inclusive of non-cash amortization of debt issuance costs. The final maturity payment of \$13.9 million is recognized over the life of the term loan through interest expense. At September 30, 2025 and December 31, 2024, the effective interest rate was 11.31% and 11.57%, respectively. Interest expense relating to the term loan was \$3.1 million and \$9.1 million for the three and nine months ended September 30, 2025, respectively, and \$6.6 million and \$21.6 million for the three and nine months ended September 30, 2024, respectively.

The following summarizes additional information related to the Company's long-term debt (in thousands):

	September 30, 2025	December 31, 2024
Long-term debt, gross	\$ 100,000	\$ 100,000
Accrued final fee	8,430	7,324
Accrued prepayment penalty	1,000	1,000
Unamortized debt issuance costs	(932)	(1,121)
Total carrying value of debt	108,498	107,203
Less current portion	(1,000)	—
Total long-term debt, net	\$ 107,498	\$ 107,203

Upon the contractual maturity of the Company's long-term debt, a payment of principal and final fees of \$107.0 million is due on August 1, 2029.

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9. Stock-Based Compensation

Stock Option Exchange Program

On January 16, 2024, the Company commenced an offer to certain eligible employees and consultants to exchange certain outstanding eligible options to purchase shares of the Company's common stock for a lesser number of restricted stock unit (RSU) awards pursuant to an option exchange program (the Option Exchange). The Option Exchange expired on February 12, 2024. Pursuant to the Option Exchange, eligible option holders elected to exchange, and the Company accepted for cancellation, eligible options to purchase an aggregate of 5,059,129 shares of the Company's common stock, representing approximately 98% of the total shares of common stock underlying the eligible options. On February 13, 2024, immediately following the expiration of the Option Exchange, the Company granted 2,129,594 shares of Replacement RSU Awards, pursuant to the terms of the Option Exchange. The Replacement RSU Awards will vest based on continued service with the Company over a period of either 1, 2 or 3 years, depending on the grant date of the exchanged options.

The exchange of stock options was treated as a modification for accounting purposes, which requires an incremental expense of \$8.6 million to be recognized for the Replacement RSU Awards over their new service periods (1 - 3 years). In addition, any unamortized expense remaining on the exchanged options as of the modification will be recognized over their original remaining service period.

Stock Option Activity

The following summarizes option activity:

	Number of Options	Weighted- Average Exercise Price	Remaining Contractual Term (Years)	Aggregate Intrinsic Value (\$, in thousands)
Balance—December 31, 2024	5,342,909	\$ 6.69	8.01	\$ 43,120
Granted	2,245,719	13.69		
Exercised	(326,202)	5.92		
Forfeited	(534,345)	9.55		
Expired	(2,865)	26.87		
Balance—September 30, 2025	6,725,216	\$ 8.83	7.87	\$ 69,596
Exercisable—September 30, 2025	2,941,734	\$ 8.33	6.62	\$ 33,111

The aggregate intrinsic value is calculated as the difference between the exercise price of the options and the fair value of the Company's common stock as of September 30, 2025. The intrinsic value of options exercised for the nine months ended September 30, 2025 and 2024 was \$2.9 million and \$1.7 million, respectively.

The total grant-date fair value of the options vested during the nine months ended September 30, 2025 and 2024 was \$6.6 million and \$3.1 million, respectively. The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2025 and 2024 was \$9.69 and \$3.64, respectively.

Restricted Stock Unit Activity

The following table summarizes information regarding the Company's RSUs:

	Number of Units	Weighted-Average Grant Date Fair Value
Balance—December 31, 2024	6,055,087	\$ 8.04
Granted	2,876,897	13.73
Vested	(1,999,065)	8.57
Forfeited	(743,035)	9.99
Unvested Balance—September 30, 2025	6,189,884	\$ 10.28

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The grant date fair value of an RSU equals the closing price of the Company's common stock on the grant date. RSUs generally vest equally over four years, except for those issued in connection with the Option Exchange as previously described.

Stock-Based Compensation Expense

Stock-based compensation expense included in the condensed consolidated statements of operations and comprehensive income (loss) was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Research and development	\$ 3,059	\$ 3,342	\$ 9,287	\$ 10,341
Selling, general and administrative	6,976	6,899	21,017	21,996
Total stock-based compensation expense	\$ 10,035	\$ 10,241	\$ 30,304	\$ 32,337

As of September 30, 2025, there was \$28.1 million of total unrecognized compensation cost related to unvested options that are expected to vest, which is expected to be recognized over a weighted-average period of 2.7 years. As of September 30, 2025, there was \$50.5 million of total unrecognized compensation cost related to RSUs that are expected to vest, which is expected to be recognized over a weighted-average period of 2.8 years.

10. Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted-average common shares outstanding. Diluted net earnings per share is computed by dividing the net loss by the weighted-average number of common share equivalents outstanding for the period determined using the treasury-stock method. Pre-funded warrants to purchase 7,500,000 shares of the Company's stock were included in the weighted-average common shares outstanding used in calculating basic and diluted net income (loss) per share for the three and nine months ended September 30, 2025 and 2024.

The following table is a reconciliation of the share amounts used in calculating basic and diluted earnings (loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Weighted-average common shares outstanding - Basic	127,622,860	124,302,317	126,891,285	119,627,687
Effect of dilutive securities	5,261,707	—	—	—
Weighted-average common shares outstanding - Diluted	132,884,567	124,302,317	126,891,285	119,627,687

Potential dilutive securities, which include unvested RSUs and unvested performance-based RSUs for which established performance criteria have been achieved as of the end of the respective periods, vested and unvested options to purchase common stock and shares to be issued under the Company's employee stock purchase plan (ESPP), have been excluded from the calculation of diluted net income (loss) per common share in each period in which the Company recorded a net loss, as the effect is antidilutive.

The following outstanding potentially dilutive shares have been excluded from the calculation of diluted net income (loss) per share for the periods presented due to their anti-dilutive effect:

	As of September 30,	
	2025	2024
Stock options to purchase common stock	2,672,832	5,634,494
RSUs subject to future vesting	27,837	6,487,840
ESPP shares subject to future issuance	82,600	115,926
Total	2,783,269	12,238,260

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11. Segment Reporting

The Company has one reportable segment relating to the development and commercialization of treatments for dermatological diseases. The Company's Chief Operating Decision Maker (the CODM) is its Chief Executive Officer. The CODM evaluates financial information on a consolidated basis for the purposes of allocating resources and assessing performance.

The table below is a summary of the segment profit or loss, including significant segment expenses (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Total revenues	\$ 99,219	\$ 44,755	\$ 246,569	\$ 125,182
Less:				
Cost of sales	8,123	4,231	20,903	10,577
Topical roflumilast program costs	3,340	1,320	7,613	7,839
Topical JAK inhibitor program costs	61	1,089	780	2,351
Other early-stage programs costs	1,379	2,910	5,069	8,878
Research and development compensation and personnel-related expenses	10,553	9,834	29,970	29,574
Selling, general and administrative expenses	62,269	58,692	195,186	171,412
Other segment expenses ⁽¹⁾	4,968	5,745	17,662	15,316
Total operating expenses	90,693	83,821	277,183	245,947
Operating income (loss)	8,526	(39,066)	(30,614)	(120,765)
Other income, net	2,035	4,182	6,861	13,455
Interest expense	(3,071)	(6,653)	(9,082)	(21,617)
Provision for income taxes	80	—	701	324
Segment and consolidated net income (loss)	\$ 7,410	\$ (41,537)	\$ (33,536)	\$ (129,251)

(1) Other segment expenses include professional services related to research and development, medical affairs, depreciation and amortization expenses.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q, and the audited financial statements and notes thereto as of and for the year ended December 31, 2024 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2024, which has been filed with the Securities and Exchange Commission (SEC). Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans, objectives, expectations, projections, and strategy for our business, includes forward-looking statements that involve risks and uncertainties. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "should," "estimate," or "continue," and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. As a result of many factors, including those factors identified below and those set forth in the "Risk Factors" section of our Annual Report on Form 10-K, our actual results and the timing of selected events could differ materially from the forward-looking statements contained in the following discussion and analysis.

Overview

We are a commercial-stage biopharmaceutical company focused on developing and commercializing treatments for dermatological diseases with high unmet medical needs. Our current portfolio is comprised of highly differentiated topical and systemic treatments with significant potential to treat immune-mediated dermatological diseases and conditions. We believe we have built a leading platform for dermatologic product development and commercialization. Our strategy is to focus on validated biological targets, and to use our drug development platform and deep dermatology expertise to develop and commercialize differentiated products that have the potential to address the major shortcomings of existing therapies in our targeted indications. We believe this strategy uniquely positions us to rapidly advance our goal of bridging the treatment innovation gap in dermatology, while maximizing our probability of technical success and financial resources.

We launched our lead product, ZORYVE® (roflumilast) cream 0.3% (ZORYVE cream 0.3%), in August 2022 after obtaining our initial U.S. Food and Drug Administration (FDA) approval for the treatment of plaque psoriasis, including psoriasis in the intertriginous areas (e.g. groin or axillae), in individuals 12 years of age or older. ZORYVE cream 0.3% is a once-daily topical formulation of roflumilast, a highly potent and selective phosphodiesterase-4 (PDE4) inhibitor. ZORYVE cream 0.3% is approved for once-daily treatment of mild, moderate, and severe plaque psoriasis with no limitations on location or duration of use. In October 2023, we received FDA approval for an expanded indication in plaque psoriasis down to 6 years of age. In September 2025, we submitted a supplemental New Drug Application (sNDA) to FDA to expand the indication of ZORYVE cream 0.3% for the treatment of plaque psoriasis in children down to the age of 2. In June 2023, we had our first commercial launch outside of the United States following Health Canada approval of ZORYVE cream 0.3% for the treatment of plaque psoriasis in individuals 12 years of age or older.

In December 2023, we received FDA approval for ZORYVE® (roflumilast) topical foam 0.3% (ZORYVE foam) for the treatment of seborrheic dermatitis in individuals aged 9 years and older, with no limitation on severity, location, or duration of use. ZORYVE foam is a once-daily steroid-free foam and, as a PDE4 inhibitor, is the first drug approved for the treatment of seborrheic dermatitis with a new mechanism of action in over two decades. ZORYVE foam became commercially available in the United States in January 2024, and was approved by Health Canada in October 2024 and became commercially available in Canada in December 2024. We also received FDA approval for ZORYVE foam for the treatment of plaque psoriasis of the scalp and body in adults and adolescents ages 12 and older in May 2025, followed by commercial launch in June 2025.

In addition to the approval of ZORYVE cream 0.3% for plaque psoriasis and ZORYVE foam for seborrheic dermatitis and plaque psoriasis of the scalp and body, we also received FDA approval for and commercially launched ZORYVE (roflumilast) cream 0.15% (ZORYVE cream 0.15%) in July 2024 for the treatment of mild to moderate atopic dermatitis in adults and pediatric patients 6 years of age and older, with no limitation on location, body surface area treated, concomitant use, or duration of use specified in the approved labelling. ZORYVE cream 0.15% was also approved by Health Canada in March 2025 and commercially launched in April 2025. We also received FDA approval for ZORYVE cream 0.05% for treatment of mild to moderate atopic dermatitis in children 2 to 5 years of age and plan to commercially launch in October 2025. ZORYVE cream 0.15% and 0.05% are once-daily,

steroid-free creams that provide rapid disease clearance and significant reduction in itch and have been specifically developed to be treatment options for long-term disease control. In June 2025, we initiated INTEGUMENT-INFANT, a Phase 2 study to evaluate the safety and efficacy of investigational ZORYVE cream 0.05% in infants as young as 3 months to less than 2 years with atopic dermatitis, which potentially could serve as the basis for a further expansion of the indication for ZORYVE cream 0.05% to this group of patients.

In July 2024, we entered into a co-promotion agreement with Kowa Pharmaceuticals, Inc. (Kowa) to leverage Kowa's primary care sales force to exclusively market and promote ZORYVE in the United States to primary care practitioners and pediatricians for all FDA-approved indications until at least July 2029. Under the terms of the agreement, Kowa will receive a commission from net sales attributed to Kowa. Promotion of ZORYVE in primary care and pediatrics under the Kowa agreement began in late September 2024.

In addition to ZORYVE, we had developed ARQ-255, a deep penetrating topical formulation of ivarmacitinib, a potent and highly selective topical Janus kinase type 1 (JAK 1) inhibitor, for the treatment of alopecia areata. Following the completion of a Phase 1b study in the middle of 2025, we elected to halt further development of the program.

In September 2022, we acquired Ducentis BioTherapeutics LTD (Ducentis) and its lead asset, DS-234 (now ARQ-234), a fusion protein that is a potent and highly selective checkpoint agonist of the CD200 Receptor (CD200R). Currently in the preclinical stage, we plan to develop ARQ-234 in atopic dermatitis, where we believe it could be a potentially highly complementary biologic treatment option to ZORYVE cream 0.15% in that indication, if approved. ARQ-234 could potentially be used to treat other inflammatory conditions as well. The Company submitted an Investigational New Drug (IND) application to the FDA in July 2025, and anticipates commencing a Phase 1 study of ARQ-234 in the first quarter of 2026.

We have incurred annual net losses in each year since inception, including net losses of \$33.5 million and \$129.3 million for the nine months ended September 30, 2025 and 2024, respectively. As of September 30, 2025, we had an accumulated deficit of \$1,155.5 million and cash, cash equivalents, restricted cash, and marketable securities of \$191.4 million. As of September 30, 2025, we had \$100.0 million outstanding under the Loan Agreement. We paid down \$100.0 million of principal related to the Loan Agreement using available cash in October 2024, with the right to re-draw that principal for a defined period.

While we generated net income for the quarter ended September 30, 2025, the extent of any net income or losses for future periods is uncertain and we may continue to incur net losses in future periods. We expect to continue to incur significant expenses as we commercialize ZORYVE, and as we advance our product candidates and label extensions through clinical trials, regulatory submissions and commercialization. We expect to incur commercialization expenses related to the sales, marketing, manufacturing, and distribution of ZORYVE, while we focus our clinical development spend on ARQ-234 and ZORYVE label expansions. While we do not anticipate the need to obtain funds through financings or other sources to support our current planned operations, if our available cash and marketable securities balances, amounts available under the Loan Agreement, and anticipated future cash flows from operations are insufficient to cover these expenses, we may need to fund our operations through equity or debt financings or other sources, such as future potential collaboration agreements. Adequate funding may not be available to us on acceptable terms, or at all. Any failure to obtain sufficient funds on acceptable terms if or when needed could have a material adverse effect on our business, results of operations, and financial condition.

We rely on third parties to conduct our nonclinical studies and clinical trials and for manufacturing and supply of our product candidates. We have no internal manufacturing capabilities and we rely on third parties, many of whom are single source suppliers, for our nonclinical and clinical trial materials, as well as the commercial supply of our products.

Components of Our Results of Operations

Revenue

Product Revenue, Net

In August 2022, in conjunction with the launch of our first FDA-approved product, ZORYVE cream 0.3%, we began to recognize revenue from product sales, net of rebates, chargebacks, discounts and other adjustments. We also began recognizing revenue net of deductions for ZORYVE cream 0.3% in Canada in June 2023, ZORYVE foam for seborrheic dermatitis in the United States in January 2024, ZORYVE cream 0.15% for atopic dermatitis in July 2024, ZORYVE foam for seborrheic dermatitis in Canada in December 2024, ZORYVE cream 0.15% in Canada in April 2025, and ZORYVE foam for scalp and body psoriasis in the United States in June 2025. Additionally, if our development efforts for our other product candidates and ZORYVE label expansions are successful and result in regulatory approval, we may generate additional revenue in the future from sales of such other products and label expansions.

Other Revenue

Other revenue relates to our license agreements, primarily the Sato Agreement and the Huadong Agreement. See Note 6 to the condensed consolidated financial statements for additional information.

Operating Expenses

Cost of Sales

Cost of sales includes direct and indirect costs related to the manufacturing and distribution of ZORYVE, including raw materials, third-party manufacturing costs, packaging services, and freight-in, as well as third-party royalties payable on our net product sales and amortization of intangible assets associated with ZORYVE.

Prior to the date on which the initial regulatory approval was received for each product, costs of inventory production were recorded as research and development expense. Subsequent to initial regulatory approval, costs of production are capitalized into inventory, and as that inventory is sold and revenue is recognized, the cost of the inventory is recognized in cost of sales. During the second half of 2025, the Company expects to have sold its remaining finished goods inventory produced prior to regulatory approval for which the cost was previously recognized as research & development expense. As of September 30, 2025 and December 31, 2024, the value of this inventory, mostly at the raw materials stage, was approximately \$0.2 million and \$5.5 million, respectively.

Research and Development Expenses

Since our inception, we have focused significant resources on our research and development activities, including conducting nonclinical studies and clinical trials, manufacturing development efforts, activities related to regulatory filings for our product candidates, and medical affairs activities related to ZORYVE. Research and development costs are expensed as incurred. These costs include direct program expenses, which are payments made to third parties that specifically relate to our research and development, such as payments to clinical research organizations, clinical investigators, manufacturing of clinical material, nonclinical testing and consultants. In addition, employee costs, including salaries, payroll taxes, benefits, stock-based compensation and travel for employees contributing to research and development activities are classified as research and development costs. We allocate direct external costs on a program specific basis (topical roflumilast program and CD200R program). Our internal costs are primarily related to personnel or professional services and apply across programs, and thus are not allocable on a program specific basis.

We expect to continue to incur research and development expenses in the future as we develop our product candidates. In particular, we expect to incur research and development expenses for the development of ARQ-234 for atopic dermatitis and for ZORYVE label expansions and life cycle management.

We have entered, and may continue to enter, into license agreements to access and utilize certain molecules for the treatment of dermatological diseases and disorders. We evaluate if the license agreement is an acquisition of an asset or a business. To date, none of our license agreements have been considered to be an acquisition of a business. For asset acquisitions, the upfront payments, as well as any future milestone payments made before product approval, are immediately recognized as research and development expense when due, provided there is no alternative future use of the rights in other research and development projects.

The successful development of our product candidates is highly uncertain. At this time, we cannot reasonably estimate the nature, timing, or costs required to complete the remaining development of ZORYVE cream and ZORYVE foam, and ARQ-234 or any other product candidates. This is due to the numerous risks and uncertainties associated with the development of product candidates. See “Risk Factors” for a discussion of the risks and uncertainties associated with the development of our product candidates.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist primarily of salaries and related costs, including payroll taxes, benefits, stock-based compensation, and travel, and costs related to sales and marketing of ZORYVE. Other selling, general and administrative expenses include legal costs of pursuing patent protection of our intellectual property, insurance and professional services fees for auditing, tax, and general legal services. The commission paid to Kowa under our co-promotion agreement is recorded as a selling expense. We expect our selling, general and administrative expenses to continue to increase in the future as we continue to commercialize ZORYVE and potentially other product candidates and support our operations, including increased expenses related to legal, accounting, insurance, regulatory, and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, directors and officers liability insurance premiums, and investor relations activities.

Other Income, Net

Other income, net primarily consists of interest income earned on our cash, cash equivalents, and marketable securities, as well as changes in the fair value of the derivative related to our debt. See Note 8 to the condensed consolidated financial statements for additional information.

Interest Expense

Interest expense is related to interest incurred on our long-term debt.

Provision for Income Taxes

Provision for income taxes is primarily related to foreign income tax expense and foreign withholding taxes incurred in relation to a license agreement.

Results of Operations

Comparison of the Three Months Ended September 30, 2025 and 2024

Product Revenue, Net

We began recording U.S. product revenue in the third quarter of 2022 following the FDA approval and subsequent commercial launch of ZORYVE cream 0.3% in August 2022, and Canada product revenue in the second quarter of 2023 following the Health Canada approval and subsequent commercial launch of ZORYVE cream 0.3% in June 2023. In the first quarter of 2024, we began recording U.S. product revenue following the FDA approval and subsequent commercial launch of ZORYVE foam for seborrheic dermatitis in January 2024. In the third quarter of 2024, we began recording U.S. product revenue following the FDA approval and subsequent commercial launch of ZORYVE cream 0.15% in July 2024. In the fourth quarter of 2024, we began recording Canada product revenue following the Health Canada approval and subsequent commercial launch of ZORYVE foam for seborrheic dermatitis in December 2024. In the second quarter of 2025, we began recording Canada product revenue following the Health Canada approval and subsequent launch of ZORYVE cream 0.15% in April 2025, as well as U.S. product revenue following the FDA approval and subsequent commercial launch of ZORYVE foam for scalp and body psoriasis in June 2025.

	Three Months Ended September 30,		Change	
	2025	2024	\$	%
	(in thousands)			
Product revenue, net				
ZORYVE cream 0.3%	\$ 30,491	\$ 22,041	\$ 8,450	38 %
ZORYVE foam	49,781	20,262	29,519	146 %
ZORYVE cream 0.15%	18,947	2,452	16,495	673 %
Total product revenue, net	<u>\$ 99,219</u>	<u>\$ 44,755</u>	<u>\$ 54,464</u>	<u>122 %</u>

*Not applicable

Product revenue, net, for ZORYVE cream 0.3% increased by \$8.5 million for the three months ended September 30, 2025 compared to the three months ended September 30, 2024, primarily driven by higher end customer demand in the United States and Canada.

Product revenue, net, for ZORYVE foam increased by \$29.5 million for the three months ended September 30, 2025 compared to the three months ended September 30, 2024, primarily driven by higher end customer demand related to seborrheic dermatitis in the United States, the commercial launch of ZORYVE foam for the treatment of plaque psoriasis of the scalp and body in the United States in June 2025, as well as the commercial launch of ZORYVE foam for seborrheic dermatitis in Canada in December 2024.

Product revenue, net, for ZORYVE cream 0.15% increased by \$16.5 million for the three months ended September 30, 2025 compared to the three months ended September 30, 2024, primarily driven by higher end customer demand and, to a lesser extent, net price improvement in the United States.

Cost of Sales

Cost of sales increased by \$3.2 million for the three months ended September 30, 2025 compared to the three months ended September 30, 2024. The increase was due to the increase in royalty expense and cost of products sold, consistent with the growth in ZORYVE cream and foam product revenue.

Research and Development Expenses

	Three Months Ended September 30,		Change	
	2025	2024	\$	%
	(in thousands)			
Direct external costs:				
Topical roflumilast program	\$ 3,340	\$ 1,320	\$ 2,020	153 %
Topical JAK inhibitor program	61	1,089	(1,028)	(94)%
Other early stage programs	1,379	2,910	(1,531)	(53)%
Indirect costs:				
Compensation and personnel-related	10,553	9,834	719	7 %
Other	4,271	4,348	(77)	(2)%
Total research and development expense	<u>\$ 19,604</u>	<u>\$ 19,501</u>	<u>\$ 103</u>	<u>1 %</u>

Research and development expenses increased slightly by \$0.1 million, or 1%, for the three months ended September 30, 2025 compared to the three months ended September 30, 2024. Direct external costs decreased due to lower ARQ-234 preclinical costs and the completion of a Phase 1b study in our topical JAK inhibitor program for the treatment of alopecia areata, which we elected to halt. These decreases were partially offset by an increase in expenses related to a Phase 2 study of ZORYVE cream 0.05% for the treatment of atopic dermatitis in infants.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by \$3.6 million, or 6%, for the three months ended September 30, 2025 compared to the three months ended September 30, 2024. The increase was primarily due to continued commercialization efforts and growing revenue for ZORYVE and consisted of \$2.2 million in compensation and personnel-related expenses and \$2.0 million in sales and marketing expenses, partially offset by decreases in costs related to professional services.

Other Income, Net

Other income, net decreased by \$2.1 million for the three months ended September 30, 2025 compared to the three months ended September 30, 2024, primarily due to less interest income resulting from lower cash, cash equivalents, and marketable securities balances, coupled with the impact of lower investment yields.

Interest Expense

Interest expense decreased by \$3.6 million for the three months ended September 30, 2025 compared to the three months ended September 30, 2024, due to a lower outstanding principal balance on our long-term debt driven by our \$100.0 million principal paydown in October 2024, coupled with the impact of lower interest rates. See Note 8 to the condensed consolidated financial statements for additional information.

Comparison of the Nine Months Ended September 30, 2025 and 2024

Product Revenue, Net

We began recording U.S. product revenue in the third quarter of 2022 following the FDA approval and subsequent commercial launch of ZORYVE cream 0.3% in August 2022, Canada product revenue in the second quarter of 2023 following the Health Canada approval and subsequent commercial launch of ZORYVE cream 0.3% in June 2023, and additional U.S. revenue in the first quarter of 2024 following the FDA approval and subsequent commercial launch of ZORYVE foam for seborrheic dermatitis in January 2024. In the third quarter of 2024, we began recording U.S. product revenue following the FDA approval and subsequent commercial launch of ZORYVE cream 0.15% in July 2024. In the fourth quarter of 2024, we began recording Canada product revenue following the Health Canada approval and subsequent commercial launch of ZORYVE foam for seborrheic dermatitis in December 2024. In the second quarter of 2025, we began recording Canada product revenue following the Health Canada approval and subsequent launch of ZORYVE cream 0.15% in April 2025, as well as U.S. product revenue following the FDA approval and subsequent commercial launch of ZORYVE foam for scalp and body psoriasis in June 2025.

	Nine Months Ended September 30,		Change	
	2025	2024	\$	%
	(in thousands)			
Product revenue, net				
ZORYVE cream 0.3%	\$ 81,553	\$ 54,325	\$ 27,228	50 %
ZORYVE foam	119,233	40,405	78,828	195 %
ZORYVE cream 0.15%	43,783	2,452	41,331	1686 %
Total product revenue, net	<u>\$ 244,569</u>	<u>\$ 97,182</u>	<u>\$ 147,387</u>	152 %

*Not applicable

Product revenue, net, for ZORYVE cream 0.3% increased by \$27.2 million for the nine months ended September 30, 2025 compared to the nine months ended September 30, 2024, primarily driven by higher end customer demand in the United States and Canada.

Product revenue, net, for ZORYVE foam increased by \$78.8 million for the nine months ended September 30, 2025 compared to the nine months ended September 30, 2024, primarily driven by higher end customer demand for seborrheic dermatitis in the United States, the commercial launch of ZORYVE foam for plaque psoriasis of the scalp and body in the United States in June 2025, as well as the commercial launch of ZORYVE foam for seborrheic dermatitis in Canada in December 2024.

Product revenue, net, for ZORYVE cream 0.15% increased by \$41.3 million for the nine months ended September 30, 2025, primarily driven by its commercial launch in the United States in July 2024.

Other Revenue

Other revenue of \$2.0 million for the nine months ended September 30, 2025 relates to license revenues received in connection with the Huadong Agreement. Other revenue for the nine months ended September 30, 2024 includes \$25.0 million received as an upfront payment in connection with the Sato Agreement and a \$3.0 million milestone payment received in connection with the Huadong Agreement. See Note 6 to the condensed consolidated financial statements for additional information.

Cost of Sales

Cost of sales increased by \$12.8 million for the nine months ended September 30, 2025, compared to the nine months ended September 30, 2024, and was due to a \$2.5 million increase in amortization expense recorded in connection with the AstraZeneca milestones achieved in the first quarter of 2025, with the remainder due to the increase in royalty expense and cost of products sold consistent with the growth in ZORYVE cream and foam product revenue.

Research and Development Expenses

	Nine Months Ended September 30,		Change	
	2025	2024	\$	%
	(in thousands)			
Direct external costs:				
Topical roflumilast program	\$ 7,613	\$ 7,839	\$ (226)	(3)%
Topical JAK inhibitor program	780	2,351	(1,571)	(67)%
Other early stage programs	5,069	8,878	(3,809)	(43)%
Indirect costs:				
Compensation and personnel-related	29,970	29,574	396	1 %
Other	13,168	13,298	(130)	(1)%
Total research and development expense	<u>\$ 56,600</u>	<u>\$ 61,940</u>	<u>\$ (5,340)</u>	(9)%

Research and development expenses decreased by \$5.3 million, or 9%, for the nine months ended September 30, 2025 compared to the nine months ended September 30, 2024. The decrease was primarily

due to lower ARQ-234 preclinical costs and the completion of a Phase 1b study in our topical JAK inhibitor program for the treatment of alopecia areata, which we elected to halt.

We expect research and development expenses in future periods to increase primarily due to the development and clinical study associated with ARQ-234 and ZORYVE life cycle management.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by \$23.8 million, or 14%, for the nine months ended September 30, 2025 compared to the nine months ended September 30, 2024. The increase was primarily due to continued commercialization efforts and growing revenue for ZORYVE, and consisted of \$13.4 million higher sales and marketing expenses and \$12.1 million higher compensation and personnel-related expenses. These increases were partially offset by a decrease in professional services costs.

Other Income, Net

Other income, net decreased by \$6.6 million for the nine months ended September 30, 2025 compared to the nine months ended September 30, 2024, primarily due to less interest income resulting from lower cash, cash equivalents, and marketable securities balances, coupled with the impact of lower investment yields.

Interest Expense

Interest expense decreased by \$12.5 million for the nine months ended September 30, 2025 compared to the nine months ended September 30, 2024, due to a lower outstanding principal balance on our long-term debt driven by our \$100.0 million principal paydown in October 2024, coupled with the impact of lower interest rates. See Note 8 to the condensed consolidated financial statements for additional information.

Liquidity, Capital Resources, and Requirements

Sources of Liquidity

Our primary sources of capital to date have been private placements of preferred stock, our IPO completed in January 2020, our follow-on financings in October 2020, February 2021, August 2022, October 2023, and March 2024, our Loan Agreement, our ATM program, and revenue from the sale of ZORYVE cream 0.3%, ZORYVE cream 0.15%, and ZORYVE foam. We have incurred annual operating losses since our inception and have an accumulated deficit as a result of ongoing efforts to develop and commercialize our products and product candidates, including conducting nonclinical and clinical trials and providing selling, general and administrative support for these operations. As of September 30, 2025, we had cash, cash equivalents, restricted cash, and marketable securities of \$191.4 million, and an accumulated deficit of \$1,155.5 million. As of September 30, 2025, we had \$100.0 million outstanding under the Loan Agreement. We paid down \$100.0 million of principal related to the Loan Agreement using available cash on October 8, 2024, with the right to re-draw that principal for a defined period. See Note 8 to the condensed consolidated financial statements for additional information.

We believe that our existing capital resources will be sufficient to meet the projected operating requirements for at least 12 months from the date of issuance of our financial statements.

If our capital resources are insufficient to satisfy our requirements, we may need to fund our operations through the sale of our equity securities, accessing or incurring additional debt, entering into licensing or collaboration agreements with partners, grants, or other sources of financing. There can be no assurance that sufficient funds will be available to us at all or on attractive terms when needed from these sources. If we are unable to obtain additional funding from these or other sources if or when needed it may be necessary to significantly reduce our current rate of spending through, among other things, reductions in staff and delaying, scaling back, or stopping certain research and development programs, nonclinical studies, clinical trials or other development activities, and commercialization efforts. In addition, market conditions impacting financial institutions could impact our ability to access some or all of our cash, cash equivalents and marketable securities, and we may be unable to obtain alternative funding when and as needed on acceptable terms, if at all.

We have based our projected operating requirements on assumptions that may prove to be incorrect and we may use all our available capital resources sooner than we expect. Because of the numerous risks and uncertainties associated with research, development, and commercialization of pharmaceutical products, we are unable to estimate the exact amount of our operating capital requirements. Any future funding requirements will depend on many factors, including, but not limited to:

- the timing, receipt, and amount of sales of any current and future products;
- the scope, progress, results, and costs of researching and developing our product candidates or any future product candidates, and conducting nonclinical studies and clinical trials, in particular our planned or ongoing development activities and our formulation and nonclinical efforts;
- suspensions or delays in the enrollment or changes to the number of subjects we decide to enroll in our ongoing clinical trials;
- the number and scope of clinical programs we decide to pursue, and the number and characteristics of any product candidates we develop or acquire;
- the timing of, and the costs involved in, obtaining regulatory approvals for any future product candidates;
- the number and characteristics of any additional product candidates we develop or acquire;
- the cost of manufacturing ZORYVE or any future product candidates and any products we successfully commercialize, including costs associated with building out our supply chain;
- the cost of commercialization activities for ZORYVE or any future product candidates that are approved for sale, including marketing, sales and distribution costs, and any discounts or rebates to obtain access;
- our ability to acquire attractive assets or businesses or to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of any such agreements that we may enter into;
- the costs related to milestone payments to AstraZeneca or any future collaborator or licensing partner, upon the achievement of predetermined milestones;

- any product liability or other lawsuits related to our products;
- the expenses needed to attract and retain skilled personnel;
- any disputes, lawsuits, or other legal proceedings related to contracts or employment matters;
- the costs involved in preparing, filing, prosecuting, maintaining, defending, and enforcing our intellectual property portfolio; and
- costs associated with any adverse market conditions or other macroeconomic factors.

Indebtedness

On December 22, 2021, we entered into a loan and security agreement (the Prior Loan Agreement) with SLR Investment Corp (SLR) and the lenders party thereto. The Prior Loan Agreement was amended and restated on January 10, 2023 (the AR Loan Agreement) to include Arcutis Canada, Inc., a corporation incorporated under the laws of the Province of Ontario, as a borrower and party. On November 1, 2023, we entered into an amendment to the AR Loan Agreement to, among others, (i) modify the financial covenant relating to minimum net product revenue, and (ii) include an additional minimum financing covenant. On August 9, 2024, we entered into a second amendment to the AR Loan Agreement (the AR Loan Agreement, as amended by the first and second amendments, the Loan Agreement) to, among others, (i) permit, during the period commencing on October 7, 2024 and ending on December 15, 2024, an optional partial prepayment of term loans outstanding, subject to a 1.0% prepayment penalty (the 2024 Partial Prepayment), (ii) add the tranche C-1 and tranche C-2 term loans, and (iii) facilitate certain other changes, including with respect to the applicable interest rate and maturity date in the event of a 2024 Partial Prepayment. The term loan facility is comprised of (i) a tranche A term loan of \$75.0 million, (ii) a tranche B-1 term loan of \$50.0 million, (iii) a tranche B-2 term loan of up to \$75.0 million, (iv) a tranche C-1 term loan of up to \$50.0 million, and (v) a tranche C-2 term loan of up to \$50.0 million (collectively, the Term Loans). The tranche A term loan was funded in December 2021. With the approval of ZORYVE cream 0.3% on July 29, 2022, the tranche B term loans were funded in August 2022. As of September 30, 2025 and December 31, 2024, the aggregate principal amount outstanding under the Loan Agreement was \$100.0 million.

In October 2024, we made a 2024 Partial Prepayment of \$100.0 million, which reduced the aggregate principal amount outstanding under the Loan Agreement to \$100.0 million. In connection with the 2024 Partial Prepayment, we are obligated to pay a prepayment penalty of \$1.0 million by June 30, 2026 and a final fee of \$6.95 million, representing the final fee applicable to the amount of the 2024 Partial Prepayment, on January 1, 2027. As a result of such 2024 Partial Prepayment, subject to us generating a minimum net product revenue for the trailing six (6) month period ending as of the month prior to the borrowing date equal to 80% of our projected net product revenue as set forth in its annual plan for the respective period, we will be able to draw down the tranche C-1 and tranche C-2 term loans. The tranche C-1 term loan availability will expire on March 31, 2026 and the tranche C-2 term loan availability will expire on June 30, 2026. In addition, as a result of the 2024 Partial Prepayment, (i) the maturity date of the Loan Agreement is August 1, 2029 (such date, the Maturity Date), (ii) the applicable per annum interest rate is equal to 5.95% plus the greater of (a) 2.50% per annum and (b) the one-month Secured Overnight Financing Rate (SOFR), (iii) we are no longer subject to certain cost and purchase price restrictions regarding acquisitions, and (iv) we may prepay principal amounts outstanding under the Term Loans in minimum increments of \$25.0 million, subject to a prepayment premium of (a) 3.0% for any prepayment made prior to the first anniversary of the second amendment, (b) 2.0% for any prepayment made prior after the first anniversary of the second amendment and prior to the second anniversary of the second amendment, or (c) 1.0% for any prepayment made prior after the second anniversary of the second amendment and prior to the Maturity Date.

Principal amounts outstanding under the Term Loans will generally accrue interest at a floating rate equal to the applicable rate in effect from time to time, as determined by SLR on the third business day prior to the funding date of the applicable Term Loan and on the first business day of the month prior to each payment date of each Term Loan. Prior to the 2024 Partial Prepayment, the applicable rate was a per annum interest rate equal to 7.45% plus the greater of (a) 0.10% and (b) the one-month SOFR. As a result of such 2024 Partial Prepayment, the applicable interest rate will be a per annum interest rate equal to 5.95% plus the greater of (a) 2.50% and (b) the one-month SOFR. On September 30, 2025, the rate was 10.20%. The benchmark SOFR is subject to change in the event of certain events with respect to the benchmark rate. Interest payments are payable monthly following the funding of any Term Loan. Any principal amounts outstanding under the Term Loans, if not repaid or prepaid, are due and payable on August 1, 2029.

As security for the obligations under the Loan Agreement, we granted SLR, for the benefit of the lenders, a continuing security interest in substantially all of our assets, including our intellectual property, subject to certain exceptions.

If the Term Loans are accelerated due to, among others, the occurrence of a bankruptcy or insolvency event, we are required to make certain mandatory prepayments of (i) all principal amounts outstanding under the Term Loans, plus accrued and unpaid interest thereon through the prepayment date, (ii) any fees applicable by reason of such prepayment, (iii) the prepayment premiums set forth in the paragraph above, plus (iv) all other obligations that are due and payable, including expenses and interest at the Default Rate (as defined below) with respect to any past due amounts.

The Loan Agreement contains customary representations and warranties and customary affirmative and negative covenants, including, among others, requirements as to financial reporting and insurance and restrictions on our ability to dispose of our business or property, to change our line of business, to liquidate or dissolve, to enter into any change in control transaction, to merge or consolidate with any other entity or to acquire all or substantially all the capital stock or property of another entity, to incur additional indebtedness, to incur liens on our property, to pay any dividends or other distributions on capital stock other than dividends payable solely in capital stock or to redeem capital stock. We also agreed to a financial covenant whereby we must generate a minimum net product revenue equal to 75% of our projected net product revenue as set forth in our annual plan for the respective period, tested on a trailing six-month basis as of the end of each month. Each annual plan shall be approved by our board of directors and SLR, in its capacity as collateral agent, in its reasonable discretion. Any failure by us to deliver such annual plan on or before December 15 of the prior year shall be an immediate event of default.

In addition, the Loan Agreement contains customary events of default that entitle the lenders to cause any indebtedness under the Loan Agreement to become immediately due and payable, and to exercise remedies against us and the collateral securing the Term Loans. Upon the occurrence and for the duration of an event of default, an additional default interest rate (the Default Rate) equal to 4.0% per annum will apply to all obligations owed under the Loan Agreement.

In connection with the Loan Agreement, we are obligated to pay (i) a final fee equal to 6.95% of the aggregate original principal amount of the Term Loans outstanding as of the date of the second amendment, (x) with respect to any 2024 Partial Prepayment, upon the earliest to occur of (A) January 1, 2027, (B) the acceleration of all outstanding Term Loans and (C) the prepayment, or refinancing, substitution or replacement of all outstanding Term Loans, and (y) with respect to the Term Loans outstanding as of the date of the second amendment (other than 2024 Partial Prepayment), upon the earliest to occur of (A) the Maturity Date, (B) the acceleration of all outstanding Term Loans and (C) the prepayment, or refinancing, substitution or replacement of all outstanding Term Loans, (ii) a 2.00% fee with respect to tranche C term loans, due and payable on the earliest to occur of (A) the Maturity Date, (B) the acceleration of all outstanding Term Loans and (C) the prepayment, or refinancing, substitution or replacement of all outstanding Term Loans, (iii) a 2.00% extension fee with respect to tranche C term loans which remain unfunded after December 31, 2025, which shall accrue during the period commencing January 1, 2026, and ending on the earliest to occur of (A) the expiration of the tranche C term loan availability, and (B) the date on which tranche C term loan is fully drawn, and (iv) a certain amount of lenders' expenses incurred in connection with the execution of the Loan Agreement. Additionally, in connection with the original Prior Loan Agreement, we previously had entered into an Exit Fee Agreement, whereby we agreed to pay an exit fee in the amount of 3.0% of each Term Loan funded upon (i) any change of control transaction or (ii) a revenue milestone, calculated on a trailing six-month basis. Notwithstanding the prepayment or termination of the Term Loan, the exit fee will expire 10 years from the date of the Loan Agreement.

We were in compliance with all covenants under the Loan Agreement as of September 30, 2025.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	Nine Months Ended September 30,	
	2025	2024
	(in thousands)	
Cash used in operating activities	\$ (31,810)	\$ (111,410)
Cash provided by (used in) investing activities	3,926	(6,057)
Cash provided by financing activities	3,251	163,613
Effect of exchange rate changes on cash	109	(1)
Net (decrease) increase in cash, cash equivalents, and restricted cash	<u>\$ (24,524)</u>	<u>\$ 46,145</u>

Net Cash Used in Operating Activities

During the nine months ended September 30, 2025, net cash used in operating activities was \$31.8 million, which consisted of a net loss of \$33.5 million and a change in net operating assets and liabilities of \$32.5 million, partially offset by net non-cash charges of \$34.2 million. The net non-cash charges were primarily related to stock-based compensation expense of \$30.3 million and amortization of intangible assets of \$4.1 million.

During the nine months ended September 30, 2024, net cash used in operating activities was \$111.4 million, which consisted of a net loss of \$129.3 million and a change in net operating assets and liabilities of \$13.5 million, partially offset by net non-cash charges of \$31.4 million. The net non-cash charges were primarily related to stock-based compensation expense of \$32.3 million.

Net Cash Provided by (Used in) Investing Activities

During the nine months ended September 30, 2025, net cash provided by investing activities was \$3.9 million, which was comprised primarily of proceeds from the maturities of marketable securities of \$172.4 million, offset by purchases of marketable securities of \$157.8 million and a milestone payment made to AstraZeneca of \$10.0 million.

During the nine months ended September 30, 2024, net cash used in investing activities was \$6.1 million, which was comprised primarily of purchases of marketable securities of \$237.4 million, offset by proceeds from the maturities of marketable securities of \$231.5 million.

Net Cash Provided by Financing Activities

During the nine months ended September 30, 2025, net cash provided by financing activities was \$3.3 million, which was comprised primarily of proceeds from the issuance of our common stock upon exercise of employee stock options and purchase of shares pursuant to our employee stock purchase plan.

During the nine months ended September 30, 2024, net cash provided by financing activities was \$163.6 million, which was comprised primarily of \$161.7 million of net proceeds from our March 2024 public stock offering.

Contractual Obligations and Contingent Liabilities

Other than the changes described in Notes 6 and Note 7 to the condensed consolidated financial statements in Item 1, related to our lease amendment and Ducentis, there have been no material changes outside the ordinary course of business to our contractual obligations and commitments as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2024.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate sensitivities. As of September 30, 2025, we had cash and cash equivalents of \$47.1 million, restricted cash of \$0.3 million, and marketable securities of \$143.9 million; which consist of bank deposits, money market funds, commercial paper, government securities, and corporate debt securities. The primary objective of our investment activities is to preserve capital to fund our operations. We also seek to maximize income from our investments without assuming significant risk. Due to the short-term duration and the low risk profile of our investments, an immediate change in interest rates of 100 basis points would not result in a material change to the fair value of our portfolio.

In addition, as of September 30, 2025, we had \$100.0 million outstanding under our Loan Agreement. Amounts outstanding under our Loan Agreement bear interest at a floating rate equal to a per annum interest rate equal to 5.95% plus the greater of (a) 2.50% and (b) the one-month Secured Overnight Financing Rate (SOFR). The benchmark SOFR is subject to change in the event of certain events with respect to the benchmark rate. As a result, we are exposed to risks related to our indebtedness from changes in interest rates. Based on the amount outstanding under our Loan Agreement as of September 30, 2025, for every 100 basis point increase in the interest rates, we would incur approximately \$1.0 million of additional annual interest expense. We do not currently engage in hedging transactions to manage our exposure to interest rate risk, but higher interest expense would be offset in part by higher earnings on our cash and future investment in marketable securities. We may use swaps, caps, collars, structured collars or other common derivative financial instruments to reduce interest rate risk in the future. It is difficult to predict the effect that future hedging activities would have on our operating results.

We are exposed to foreign currency exchange risk as our Canadian subsidiary operates with the Canadian dollar as its functional currency. The majority of our transactions occur in U.S. dollars. The fluctuation in the value of the U.S. dollar against the Canadian dollar affects the reported amounts of expenses, assets, and liabilities. If we expand our international operations our exposure to exchange rate fluctuations will increase. At September 30, 2025 we had cash balances denominated in Canadian dollars of \$6.4 million. We currently do not hedge any foreign currency exposure. A hypothetical 10% change in foreign exchange rates during any of the periods presented would not have a material impact on our condensed consolidated financial statements.

Item 4. CONTROLS AND PROCEDURES***Evaluation of Disclosure Controls and Procedures***

Based on an evaluation under the supervision of and with the participation of our management, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of September 30, 2025, to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such required information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Management Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of September 30, 2025.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the three months ended September 30, 2025, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls and Procedures

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Arcutis Biotherapeutics, Inc. filed a lawsuit against Padagis Israel Pharmaceuticals Ltd., Padagis US LLC, and Padagis LLC (collectively, Padagis) in the U.S. District Court for the District of Delaware on March 27, 2024, based on the submission to the FDA of an Abbreviated New Drug Application (ANDA) seeking approval to market and sell a generic version of Arcutis' ZORYVE® 0.3% cream for the treatment of plaque psoriasis. The Company asserts infringement of the following eleven patents, which are listed in the FDA's Orange Book for Arcutis' ZORYVE® 0.3% cream: 9,884,050; 9,907,788; 10,940,142; 11,129,818; 11,793,796; 11,819,496; 11,992,480; 12,005,051; 12,005,052; 12,011,437; and 12,016,848 (collectively, Asserted Patents). Arcutis seeks a judgment that Padagis has infringed or will infringe one or more claims of each of the Asserted Patents and based on that judgment, a permanent injunction prohibiting the commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of Padagis's proposed generic product before expiration of each of the Asserted Patents found to infringe.

In March 2025, Arcutis agreed to file a joint stipulation to stay the ongoing patent litigation with Padagis at the request of Padagis. On April 3, 2025, the court stayed the case and cancelled all case deadlines, including the trial. The automatic 30-month stay of FDA approval of Padagis's ANDA seeking approval for Arcutis's ZORYVE® 0.3% cream was set to expire on August 14, 2026. The 30-month stay will be extended for each day the stay is in place, starting March 24, 2025 until the stay is lifted.

Teva Pharmaceutical Industries Ltd. filed Oppositions with the European Patent Office against two of our European patents, European Patent Nos. EP 3634380 B1 and EP 3684334 B1, on September 20, 2024 and August 13, 2024, respectively. These patents relate to topical roflumilast compositions. Oral proceedings concerning the oppositions to European Patent Nos. EP 3634380 B1 and EP 3684334 B1 have been scheduled for January 8, 2026, and December 4, 2025, respectively.

We may from time to time be involved in various legal proceedings of a character normally incident to the ordinary course of our business. We are not currently a defendant to any material litigation or other material legal proceedings.

Item 1A. RISK FACTORS

For a discussion of our potential risks and uncertainties, see the information in Part I, "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024. Other than the risk factor set forth below, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2024.

Changes in tax laws or regulations could have a material adverse effect on our business and results of operations.

New income, sales, use or other tax laws, statutes, rules, regulations, or ordinances could be enacted at any time, which could adversely affect our business operations and financial performance. Further, existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us. The Current Administration and Congress may propose various U.S. federal tax law changes, which if enacted could have a material impact on our business, cash flows, financial condition, or results of operations. Furthermore, it is uncertain if and to what extent various states will conform to federal tax laws. Future tax reform legislation could have a material impact on the value of our deferred tax assets, could result in significant one-time charges, and could increase our future U.S. tax expense. For example, on July 4, 2025, the One Big Beautiful Bill Act was signed into law, which makes a number of changes to U.S. federal income tax law. The bill includes an estimated \$1 trillion in cuts to Medicaid spending, implemented through Medicaid work requirements, patient cost-sharing, and a phasedown of Medicaid provider taxes and state-directed payments. Such reductions in Medicaid spending could result in lower revenue for life science companies. We are continuing to analyze the potential impact of the bill on our operations, business and financial performance.

In October 2021, the Organization for Economic Co-operation and Development (the OECD) announced the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (the Framework), which agreed to a two-pillar solution to address tax challenges arising from digitalization of the economy. In December 2021, the OECD released Pillar Two Model Rules defining the global minimum tax rules, which contemplate a minimum tax rate of 15%. To date, various jurisdictions have enacted, or are in the process of enacting, legislation on these rules, and the OECD continues to release additional guidance. While it is uncertain whether the United States will enact legislation to adopt the minimum tax directive, certain countries in which we operate have adopted legislation to

implement the minimum tax directive. Further, the OECD issued administrative guidance providing transition and safe harbor rules that could delay the impact of the minimum tax directive. While we continue to monitor the implementation of the Framework and its potential impact, we currently do not expect the Framework to have a material impact on the Company.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Issuer Purchases of Equity Securities

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

Trading Plans

On August 14, 2025, Neha Krishnamohan, a member of our Board of Directors, entered into a Rule 10b5-1 trading plan, intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The plan provided for the potential sale of up to 1,232 shares of common stock held by Ms. Krishnamohan, as well as the potential exercise and sale of up to 39,272 options between November 12, 2025 and November 2, 2026.

ITEM 6. EXHIBITS

Exhibit Number	Description of Document	Incorporated by Reference Form	Date	Number	Filed/Furnished Herewith
3.1	Restated Certificate of Incorporation.	10-Q	5/12/20	3.1	
3.2	Restated Bylaws.	10-Q	5/12/20	3.2	
4.1	Form of Common Stock Certificate.	S-1/A	1/21/20	4.1	
4.2 [^]	Amended and Restated Investors' Rights Agreement, dated October 8, 2019, by and among the Registrant and certain of its stockholders.	S-1/A	1/21/20	4.2	
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1*	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				X

[^] Portions of this exhibit (indicated by asterisks) have been omitted pursuant to Regulation S-K, Item 601(b)(10) or certain schedules and attachments to this exhibit have been omitted pursuant to Regulation S-K, Item 601(a)(5). Such omitted information is not material and would likely cause competitive harm to the registrant if publicly disclosed. The Registrant agrees to furnish supplementally a copy of the omitted schedules and exhibits to the SEC upon request.

* The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the SEC and are not to be incorporated by reference into any filing of Arcutis Biotherapeutics, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly

authorized.

ARCUTIS BIOTHERAPEUTICS, INC.

Date: October 28, 2025

By: /s/ Todd Franklin Watanabe
Todd Franklin Watanabe
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: October 28, 2025

By: /s/ Latha Vairavan
Latha Vairavan
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Todd Franklin Watanabe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arcutis Biotherapeutics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2025

By: /s/ Todd Franklin Watanabe

Todd Franklin Watanabe
President, Chief Executive Officer and Director
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Latha Vairavan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arcutis Biotherapeutics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2025

By: /s/ Latha Vairavan

Latha Vairavan
Chief Financial Officer
(Principal Accounting and Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Arcutis Biotherapeutics, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Todd Franklin Watanabe, Chief Executive Officer of the Company, and Latha Vairavan, Chief Financial Officer of the Company, respectively, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 28, 2025

By: /s/ Todd Franklin Watanabe
Todd Franklin Watanabe
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: October 28, 2025

By: /s/ Latha Vairavan
Latha Vairavan
Chief Financial Officer
(Principal Accounting and Financial Officer)