Arcutis

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Vikram Purohit: Good afternoon, everyone. Let's go ahead and get started. This is a fireside chat with Arcutis Therapeutics. Happy to have with me on the stage the team from Arcutis. Frank and Todd, thank you for joining us. Really appreciate it.

Before we get started, let me just read a brief disclosure statement. For important disclosures, please see the Morgan Stanley research disclosure website at www.morganstanley.com/researchdisclosures. And if you have any questions, please reach out to your Morgan Stanley sales representative.

My name is Vikram Purohit. I'm one of the biotech analysts with Morgan Stanley Research. And let's dive into it. Frank, maybe we'll start with you. Before we get into any sort of specifics on reimbursement, pipeline, et cetera, just start off by discussing how ZORYVE's been trending in psoriasis and now with the foam in seb derm versus your initial expectations for these categories, call it, two years ago.

Frank Watanabe: Sure. So I think psoriasis got off to a little bit of a slower start, quite frankly. I think there were some growing pains and some learning experiences for us for our first launch. We had a very experienced team, but I think every product, every new product has its own learning curve. I think one of the strengths at Arcutis is that we're pretty nimble learning organization. We learned from that launch. And I think we applied all those lessons learned for the seb derm launch, and I think you saw a very different response with the seb derm launch. And it's still early days for atopic dermatitis, but it's going very well as well. And I think very clearly we've been able to incorporate those lessons in the atopic dermatitis launch as well.

So each launch, we're getting the system down better and better and better. And in particular with Todd and the new commercial team in place, I feel like we've got the right people behind us. So all three products I think are performing very well. We've got good underlying growth of demand. We continue to make improvements on our gross to net, so I feel very good about where we're at from a coverage standpoint. We're starting to make headway now with the government payers. And in the meantime, we continue to progress the pipeline, as you mentioned before. So, I'm happy with how things are going.

Vikram Purohit: Great. The topical derm segment was a bit of an unknown. The branded topical derm segment was a bit of an unknown to a lot of investors and analysts about two or so years ago. What do you think from your perspective has been some of the biggest lessons learned in the category now again with two presentations of ZORYVE on the market? And what have been some of the I guess surprises to the upside?

Frank Watanabe: Lessons learned, you mean for us as an organization?

Vikram Purohit: Yes, correct.

Frank Watanabe: So I think all the complexities around fulfilment and pull-through with topical products is different than it is for the systemic agents. And I think that was an important adjustment that we've made. And one of the things that really has helped us to get our coverage where it is is figuring out all of that. And having Todd and his team and their background and experience in the space I think has helped us a lot.

I think the other probably big takeaway has been it's just the force of habit. Anyone who's ever tried to quit smoking or stop swearing or lose weight or anything knows how hard it is to change habits. Dermatologists are in the habit of writing topical steroids, and they don't really think about it that much. They've been doing it every day since they started their residency. They do it 30 times a day. It's just sort of like automatic. And getting them to change that habit, that behavior is taking time.

I'm encouraged because if you look at -- I used to work on Prozac. And it took a while to switch psychiatrists from TCAs to SSRIs. And it took a while to get them to switch from neuroleptics to atypical antipsychotics. It took a while to get people to switch from warfarin to factor Xas. And you can go through a whole series of drugs. It takes a while for those habits to change, but once they change, it's a profound shift.

And I think that we are starting to see that in dermatology, a move away from topical steroids. We're also starting to see the specialty acknowledge that they need to start moving away from topical steroids. Topical steroids are great acute drugs, and these are chronic diseases. And they're perfectly fine for a couple weeks, but if you're on them for months, you're going to run into problems. And dermatologists I think are starting to realize that now that they've got really good nonsteroidal options, it's time for them to start rethinking about their treatment paradigms in the topical space.

Vikram Purohit: Do you think there's going to be kind of a tipping point where we see a sudden change in behaviors over time for the category broadly, or something you chip at away at slowly?

Frank Watanabe: If you look at these other markets that have gone through this sort of transformation, it's a fairly linear process over a number of years. But by year 7, year 8, the majority of the market has converted over to the new class of drugs. If half of the steroid market converts over, this is going to be a gigantic category, because there are so many topical steroid scripts out there. And I think Todd and I both feel, and I think Patrick our Chief Medical Officer agrees, our product really has the kind of profile where we actually could replace topical steroids in a meaningful way.

Vikram Purohit: Got it. Got it. Okay. Another big area of focus for the category has been reimbursement. So on gross to net, I guess start off with just kind of recapping your progress from the psoriasis launch to now for the cream. And then also for the foam, how that gross to net is trending. And your guidance on the best way to think about kind of implying and calculating gross to net as you report on quarters.

Frank Watanabe: Sure. Todd, do you want to take that?

Todd Edwards: Yes. On the gross to net, as reported during the Q2 earnings call, our blended gross to net was in the high 50s. When you break that out by product indication, we think of the ZORYVE at 0.3%, the psoriasis indication, gross to net to be at a steady state which is in the mid-50s.

Thinking about, we've been fortunate to have ZORYVE foam treated as a line extension with the payers, which means we get wrapped from coverage, which quickly transitions to covered scripts. If you think about it, we launched in January. 75% or slightly more of all the ZORYVE foam scripts are now covered. Positive impact on gross to net. It's getting close to that of the psoriasis gross to net. We think by end of the year, we'll be at a steady state with the ZORYVE foam.

Atopic dermatitis, you can think of that, it'll take a similar ramp up and slope in gross to net as it did with ZORYVE foam because it will be treated as a line extension likewise. So we believe that mid next year, we'll be at a steady state with atopic dermatitis.

Vikram Purohit: Do you think the steady state in atopic dermatitis versus psoriasis versus seb derm, do you think the level of competition in each respective category, or the lack therefore maybe, impacts the steady state that each indication specific gross to net kind of gets?

Todd Edwards: I don't necessarily think the competition will have an impact on the steady state of the gross to net. I think it's more how quickly can we garner covered scripts. So how quickly can we get the formulary coverage, how quickly can we translate that to a covered script is what's going to really help accelerate these gross to nets. We've seen that with ZORYVE foam in seborrheic dermatitis how quickly it ramped up and how quickly over time the gross to net has improved, and I think we'll see a similar trajectory with atopic dermatitis.

Frank Watanabe: And I think one of the real advantages we have with the various indications and formulations of ZORYVE is that the process for getting reimbursement is exactly the same. So the offices have already figured this out. They've already got the systems in place. They know how to get it done. And I think that's one of the contributors to the rapid ramp up in the foam and what we expect to see with the cream.

I think the other -- it's worth pointing out, too. Getting into the 50s in your gross to nets is a pretty significant accomplishment in the current day and age across any therapeutic area, at least on the retail side. And I think historically, one of the things that has undermined a lot of branded topicals was their inability to get down to a reasonable gross to net, down in the 50s. A lot of them were stuck in the 70s, even some of the products in the 80s. You're just not making any money with a gross to net like that. So you're generating volume, but you're not generating revenue. So we've been very focused on

getting our gross to nets down as quickly as we could so that shareholders actually benefit from the volume that we're generating at the patient level.

Vikram Purohit: Got it. Got it. Okay. That's helpful. So on volumes then, psoriasis has picked up recently. What do you think is driving that script growth? Are there specific patient subtypes, prescriber subtypes, geographies that are disproportionately driving some of the script growth we're seeing on a weekly basis?

Todd Edwards: Yes. With the recent growth that we've seen in psoriasis, I think it's two-fold. I think that first is broad based relative to the patient type. I think one catalyst of that has been the halo effect of the seb derm launch, meaning that the more dermatologists that are prescribing ZORYVE foam that may not prescribe psoriasis are getting a positive experience with the foam and more willing to prescribe ZORYVE foam -- excuse me, ZORYVE cream for psoriasis now.

The other is we expanded our field sales organization July 1. I think that's having a positive impact. I think what's important about that is we expanded it meaningfully by about 40 reps. The representatives that we hired all have dermatology experience, but more importantly, established relationships with those offices where they can have an immediate impact.

I think the other is seasonality. We're coming out of what I'll call the seasonality timeframe, given the year where the weather's changing, dermatologists are seeing more patients, and dermatologists aren't on vacation. So I think that's likewise having a positive impact on this trend.

Frank Watanabe: And I think beyond the vacation piece, too, these diseases do wax and wane during the year. And as it gets warmer and wetter, all three diseases tend to get better in general. And as it gets colder and drier, they tend to get worse. And so we probably had some effect of that as we went in the spring and into the summer, and now as we head into the fall, we should see a ramp back up in, frankly, patients flaring.

Vikram Purohit: Got it. Got it. Okay. Helpful context. In terms of refill rates and annual utilization, where does psoriasis currently stand? And where do you think seb derm is going to get to once that launch is a bit more mature?

Todd Edwards: Yes. So refill rates, we currently stand today on psoriasis, the total volume there, about 40% of it is refills for psoriasis. On seb derm where we stand today, the total volume, 33% of that is refills. We're very pleased to see where we are both on refill rates for both products. If you think about this, take psoriasis for instance. You look at our clinical trials. Within 8 weeks, 40 patients -- 43% of patients were clear or almost clear, meaning they're using less product. And so when you think about these topicals on average, it's 2 to 3 units per patient per year. So we're on track with our refill rates and where we should be for psoriasis. And we see early signals on seb derm that will likely exceed what we projected before as far as an average of 2 cans per patient per year will likely be 3.

Vikram Purohit: Okay. So it sounds like 2 to 3 tubes or cans per patient per year is kind of where both indications are trending. Do you anticipate something similar for atopic derm? I know it's early days for the launch.

Todd Edwards: Yes. Yes. Very similar for atopic derm.

Vikram Purohit: Got it. Got it. Okay. And any feedback from the field on how both the cream and the foam for psoriasis and seb derm are being used? Are patients using it kind of in conjunction with topical steroids on certain parts of the body? Or are patients adopting it heavily kind of using it as their mainstay treatment?

Frank Watanabe: Really, it varies from doctor to doctor, patient to patient. I think there are some doctors who are still comfortable, particularly if a patient is flaring, with maybe starting them with a high potency steroid. I know there are some doctors who are starting at the high potency steroid and ZORYVE at the exact same time, and then 2 to 4 weeks in, they're withdrawing the steroid and then just keeping the patient on ZORYVE. Other doctors are doing sequentially steroid to ZORYVE. A lot of these patients are just being managed chronically as well, and ZORYVE is a better maintenance option than the other options out there today. And so there are some patients who are switching over to that as well.

But really, I think it varies from clinician to clinician sort of how they employ ZORYVE. But across the board, we're getting very positive feedback on the clinical experience. The two comments that we hear consistently -- well, three comments, I would say, it's a very reliable drug. If they give it to the patient, they know the patient's going to get better. And our data bears that out with response rates in excess of 90%. They get no feedback in terms of side effects with the drug. And that it's relatively easy to get coverage for it. So those are the three dynamics I think that are contributing to the steady growth of the product over time.

Vikram Purohit: Got it. Got it. Okay. You have a branded competitor in psoriasis currently through Roivant's VTAMA. What are you hearing from the field in terms of how doctors are choosing one option versus the other?

Frank Watanabe: I would say if you look at the data, too, a lot of doctors have tried both. It's not an unusual thing to give both products a try. And I don't spend a lot of my time and energy focusing on what's going on with the Roivant product. We continue to see our primary competition as being topical steroids because that's where all the patients are. Their drug works. I think it's associated with some tolerability issues, which I think has been a bit of a headwind for them. Based on what we've heard them report, I think they're having little challenges with their gross to nets, which again, I think a lot of topicals have had problems with that.

But look, I think this is a big market. There's room for multiple branded competitors. We have a branded competitor in the atopic dermatitis space as well, which is a very good drug. I think there's room for both of us. Again, the name of the game really is the conversion of that steroid business over to the newer non-steroidal agents.

Vikram Purohit: Right. Okay. Fair enough. Similar question for seb derm as well. Obviously much earlier stages of launch there than psoriasis, but what are you hearing in terms of the patient benefits that are being reported, the level of disease control patients are reporting, how they're using the product versus antifungals, for example.

Frank Watanabe: Yes. In seb derm, the foam is really a paradigm-changing drug. I can't I don't think overstate that. The existing therapies were both not terribly effective and not very convenient for the patients, and it required a fairly complicated regimen. So having a single drug that can be used anywhere for any amount of time and really fits into a patient's lifestyle is a game changer for doctors and patients.

I got an email a couple weeks ago from a gentleman who had been suffering from seb derm his whole life and had tried everything. Nothing could control his disease. He read about ZORYVE foam on the internet, asked his doctor. His doctor put it on him. He said within a week, he had cleared. And he emailed me and he said, "Your drug has literally changed my life." It was a very inspiring email. I just got a photograph the other day from a doctor of a before and after of a patient with seb derm on the face, and profound improvement in a very short period of time. So I think this is really revolutionizing the treatment of this disease.

And what we're starting to hear as well from some doctors is that it's so easy for them to treat seb derm with ZORYVE foam that they're willing to treat patients that they might not have treated in the past because it was going to be a very complicated regimen, and they're like, is it really worth the trouble? Now they're like, hey, you've got seb derm. I've got a solution for you. I think it's still too early to say, but we potentially could see some growth in the market even which we didn't expect with the launch of ZORYVE because it's performing so well.

Vikram Purohit: Got it. Okay. Obviously a pretty sharp uptake curve for seb derm in the first couple of weeks and months. Where do you think it kind of stables out -- stabilizes out, excuse me.

Frank Watanabe: I suspect we're probably in the kind of steady state growth trend.

Todd Edwards: Yes, we are.

Vikram Purohit: So the weekly growth that we're seeing now, you think that's sustainable for the near to midterm?

Todd Edwards: Yes, I think so. I think with the seb derm, it's a big market. There's no competition within the market. So I think you can see the trajectory we're on, we'll continue on that trajectory.

Vikram Purohit: Got it. Okay. So like we discussed earlier, you launched in AD recently with the cream as well, the 0.15%. How's that tracking versus what you expected? And what do you think is the best way for all of us to interpret that launch curve when we compare it to your branded competitor through Incyte? And then also through ZORYVE in psoriasis, ZORYVE in seb derm, how should we frame what that launch curve could or should look like?

Frank Watanabe: So I think I said at the last quarterly call that I thought it was going to fall somewhere in between the psoriasis launch and the seb derm launch. It's tracking a lot closer to seb derm than it is psoriasis, which I'm very happy to see. I've been pleasantly surprised at the early uptake. It's still early days. We're about 6 weeks into the launch. But the uptake I think has been very good, and clinician feedback has been very positive. We're also

making rapid progress on the payer front. I don't think we had that sort of warehousing phenomenon we saw with seb derm. There were no options in seb derm. There are other options in the atopic dermatitis space.

The flip side of that is AD is a very, very large market. And this is an ideal product for atopic dermatitis. I think it's really important. It's the very first topical that's once a day, which especially if you're treating a little kid, that's a big difference for a parent not having to strip your kid naked twice a day and slathering them in an ointment. So I think we will be very competitive in a very large market. I think we can see really nice growth in atopic dermatitis going forward from the starting point. The most important thing is that the drug performs, and that's the feedback we've been getting from doctors.

Vikram Purohit: Do you think you're competing for a different subset of patients versus OPZELURA? Or do you think it's the -- could be head-to-head.

Frank Watanabe: Yes. Probably a slightly different patient demographic. Look, OPZELURA's a very good drug. There's no question about that. The label's a little scary, and there are a fair number of hoops to jump through in terms of access and reimbursement. ZORYVE's a very clean label. No boxed warning. No limitations on age -- well, down to age 6. No duration on -- limitation duration of treatment, on body surface area. So it's I think well suited to compete against steroids and topical calcineurin inhibitors as a first-line agent. Some patients are probably going to progress to Dupixent or OPZELURA, and that's okay. It's a big market, and that's just kind of normal course of clinical treatment.

Vikram Purohit: Got it. Got it. How much kind of cross-indication use are you seeing with the different presentations of the product? So for example, the foam being used for psoriasis, the cream being used for seb derm, the 0.15% being used in place of the 0.3%. Are you seeing a significant amount of that?

Frank Watanabe: We don't see any of it, no, because the insurance companies want to see an AD diagnosis for this, a psoriasis diagnosis for that, a seb derm diagnosis for this. If the dermatologist decides, well, I think that's seb derm, that's what we see is that it's seb derm -- foam for seb derm. Anecdotally, do we hear about doctors doing that? Yes. It's difficult to quantify because it doesn't show up in the data. We obviously don't ever promote our drugs off-label, but dermatologists know it's the same drug, and they can pick and choose.

Vikram Purohit: Got it. Got it. Okay. Now that you're out there in three dermatological indications, do you have the motivation to try to study ZORYVE in more conditions like vitiligo, others?

Frank Watanabe: We have a fourth that we filed already, scalp and body psoriasis, and we expect probably approval middle of next year. I think whether we pursue an indication, additional indications or not is still to be determined. There are probably other applications for ZORYVE. I think you're already seeing a large number of case reports of ZORYVE working in other disease states. And there had been any number of them published, including some rare and very difficult diseases. There was a poster at the EADV last year on the use of ZORYVE in a very rare genetic skin disorder. So dermatologists are experimenting with it. Whether we go down the long road of getting FDA approval or not, I think we'll have to see. We haven't made any decisions about that. And if we do make a decision, we'll let the investment community know.

We have other pipeline programs, obviously, and so we're constantly evaluating what's the best way for us to deploy the shareholder capital that we have in the company. And we don't want to pursue indications where we don't think that we can create shareholder value.

Vikram Purohit: Got it. Got it. Okay. Makes sense. If maybe we can switch over now to your recently announced partnership with Kowa. The first question. How did you come upon Kowa as kind of the best fit for broadening out the reach for ZORYVE to the primary care segment?

Frank Watanabe: Yes. So we've been looking at the primary care space for quite some time now and thinking about who might be the best partner. And we really were looking for three characteristics. One, we wanted someone with an existing primary care sales force. Two, we wanted someone who was willing to put ZORYVE in a high priority position, first or second position detail. And three, we ideally wanted someone who had done copromotes before and had experience with what made those work.

And as we went through and looking at the various opportunities, potential partners, Kowa was one of the very few companies that met all three of those criteria. There are plenty of other companies that have primary care sales forces. Many of them would not give us first or second position detail. You could probably guess at some of those names. And then there are a number of companies that didn't have primary care experience -- or sorry, copromote experience, excuse me. And so Kowa really just fit all the key parameters, and we were able to negotiate I think a mutually beneficial deal between the two companies.

Vikram Purohit: Got it. And remind us of time lines there. When could they be out in the field? And when could you start seeing kind of a script uplift and sales benefit from that?

Todd Edwards: Yes. Kowa will launch into the market the end of this month. So they'll be actively promoting in primary care and in peds. But we don't expect a meaningful impact until 2025 from their promotional efforts. It's a long selling cycle within primary care. Give them time to orient the physicians to ZORYVE relative to the fulfillment process will take a bit of time. So 2025 we expect an impact.

Vikram Purohit: Any initial thoughts on kind of what the scale of that impact could be, just when you consider the opportunity in primary care versus where you are currently?

Frank Watanabe: I think as you look across the various diseases, about half of atopic dermatitis patients are treated by non-dermatologists, mostly primary care patients and pediatricians. About half of seb derm patients are treated outside of dermatology and about a third of psoriasis patients are treated outside dermatology. So these are really large opportunities. And they're not obviously all in primary care and pediatrics, but a lot of them are.

So there's a ton of patients sitting out in the space. And we think that this product is very well suited to use by primary care doctors. It's not complicated. There aren't any major safety issues. There's nothing scary in the label. So I think eventually, it could be a very significant contributor to revenue. As Todd said, I think it'll take a little while. This is a

brand new drug for them. And they -- this is not bread and butter for them treating AD and seb derm the way it is for psoriasis -- or for dermatologists. Probably half the patients that a doctor or dermatologist sees has one of the three diseases that we treat. So I think it'll take a little bit more time, but eventually I think it will be a very major contributor.

Vikram Purohit: Got it. Got it. Okay. And the timeframe for that partnership, how long does it last?

Frank Watanabe: It's a 5-year deal.

Vikram Purohit: Got it. Okay. I guess taking a step back, we'll put scalp psoriasis to the side right now just because you're not commercialized there. But psoriasis, seb derm and AD, if you had to kind of benchmark what those commercial opportunities could mean or could look like and where they could stack versus one another for ZORYVE, call it 3 to 5 years from now, how would you kind of rank them?

Frank Watanabe: So we haven't given revenue guidance, but we did share I think last year's R&D Day that we think that each one of these products at peak could be somewhere in the $700 million to $1.2 billion range, and all roughly of similar size. I think what will be interesting is that once we get the scalp and body indication, I think that the foam across scalp and body and seb derm is probably going to be bigger than the 0.3% cream, the psoriasis cream, because you've got two indications with one formulation and two formulations that are very well suited to treating their diseases. And then I think AD, the 0.15% will be quite substantial just because of the size of the market. And then of course, we are getting ready to file an sNDA for 2- to 5-year olds as well for atopic dermatitis. And we hope to do that late this year, early next year.

Vikram Purohit: Okay. Give us a sense of what portion of the AD population that represents, the 2 to 5.

Frank Watanabe: 2 to 5 is a pretty sizeable chunk of AD in general. In dermatology, it's only about 10%. The young kids, a lot of them are being treated by primary care doctors.

Vikram Purohit: Okay. Got it.

Frank Watanabe: By pediatricians, excuse me.

Vikram Purohit: Understood. Okay. I guess for scalp psoriasis then, how would you contextualize what that opportunity could mean on top of these three indications? And do you see a risk of potential cannibalization with the 0.3%?

Frank Watanabe: Maybe I'll start with the second one because that's the easier one. Absolutely I think that the foam will cannibalize the cream when we get the scalp psoriasis indication, and I absolutely don't care. The cost basis is -- the price is the same and the cost of goods sold is about the same. So as long as they're wearing ZORYVE, I don't really care.

In terms of the opportunity, almost half of psoriasis patients have scalp involvement. And like seb derm, there really aren't good options for treating scalp psoriasis. You're using shampoo or a solution. You have to use it multiple times a week. You're probably using a different drug to treat your body psoriasis. So to have a drug that is very effective, very safe and well tolerated and a single drug that can be used everywhere on the body, on the

scalp, on the face, on the elbows, on the knees, in the groin, they've never had a drug like that. And it just simplifies the doctor's job, and it simplifies the patient's treatment regimen.

So I think that scalp and body is going to be a really important driver of growth for this product long term. And I think it will look a lot more like seb derm because it's so highly differentiated versus all the other options. And so we expect that to do very well performance wise. And yeah, I do think it will end up replacing the cream for a lot of psoriasis patients.

Vikram Purohit: Got it. Got it. Okay. So quite a few moving parts here, but do you think that there's potential for ZORYVE sales guidance at some point, once you guys have steady state with all your indications?

Frank Watanabe: You're not the first person to ask me this. At some point, yes. I think that the challenge for us has been we've been commercializing now for just about two years, and in those two years, we've had three launches, and we have a fourth one coming. And then we have the primary care partnership on top of that. So there's a lot of catalysts going on that create uncertainty around the top line. We don't want to start issuing guidance until we can issue guidance with some degree of confidence.

I think that given that we're in the midst of another launch right now and we're looking at probably another launch middle of next year, I think it's unlikely that we would issue guidance in 2025. David Topper may have a different view. We'll have to see. But I think until we feel like all the indications are in some kind of steady state where we can accurately project it, we probably won't issue guidance.

Vikram Purohit: Got it. Okay. Fair enough. When scalp psoriasis launches, assuming approval, do you expect another uptick in your sales force expansion?

Todd Edwards: We just mentioned we just expanded the sales organization. I think we're very much right sized for the ZORYVE portfolio to include the psoriasis foam product. The intent of this most recent expansion was to make certain that we could have the appropriate frequency and share of voice on the high-decile, high-prescribing physicians. I think that we're very much right sized for that. We're prepared to add ZORYVE foam for psoriasis into the portfolio.

Vikram Purohit: Got it. Okay. Great. Then from a pipeline perspective, what's your current focus for the pipeline? What do you want the pipeline to look like, call it, 3 to 5 years from now? The announcement you had recently on the alopecia drug, kind of what are you aspirations for that product? Would just love to get some context there and sort of talk about --

Frank Watanabe: Yes, sure. So as you mentioned, we just announced I think this morning that we have completed enrollment in the Phase 1 study for ARQ-252, which is our topical JAK for alopecia areata. We'd expect to see a readout from that study. It's a 3-month treatment period, so the last patient visit won't be until the end of the year. So sometime first half of '25, we'd see the readout from that. It is a Phase 1, so the most likely readout is, okay, yes, we can progress now to Phase 2. With alopecia drugs, you typically need to treat for 6 months to see hair growth. The hair growth cycle is fairly slow. So I don't think people

should have too many expectations and efficacy signals from this Phase 1 trial, but we're hoping to be able to progress that into Phase 2.

And then the other major focus is ARQ-234, which is our biologic infusion protein against a CD200R, which is one of the newer checkpoint agonists -- or checkpoints in the immune system been discovered. It's a checkpoint agonist. And so by agonizing the checkpoints, unlike a checkpoint inhibitor, you do the opposite. You tamp down the immune system. You reset activated immune cells. And I think there's some very compelling data around the target. We think we have a very good asset. And we announced at the Q2 earnings call that we expect to open the IND for ARQ-234 during 2025. And then we'd be looking to move into the clinic at some point with that program as well.

Vikram Purohit: Got it.

Frank Watanabe: In terms of looking forward, we've got a very strong development organization both on the clinical side and on the manufacturing side. We have our own internal programs. I mentioned the two most advanced ones. We are always looking at other opportunities. Right at the moment, I don't think that this development is an imperative for our company. We've got a lot on our plate. If a really good asset came along, we certainly would look at it seriously. But I don't think that acquiring additional assets is something that we need to do certainly right now in the here and now.

Vikram Purohit: Got it. If the alopecia therapy, if that progresses to Phase 2 and let's say you get an encouraging signal, would you want to keep prosecuting that independently, or do you think there's an opportunity to partner that and basically just kind of be -- it's all part of a bigger company that's --

Frank Watanabe: We certainly -- we can develop it ourselves, no question about that. We've done it now for four different products developed successfully ourselves. And in terms of commercialization, it would slide in very nicely into the dermatology sales organization. Alopecia areata is a drug -- or disease, excuse me, that's predominantly treated by dermatologists. So I don't think that there would be a compelling need to find a partner for that.

ARQ-234 is a little bit different because I think like many other of the immune modulating targets, it probably has application well beyond atopic dermatitis and potentially well beyond dermatology. So I think we'll have to see how the field evolves. But that might be one where it make sense for us to partner with someone maybe if they want to develop in rheumatology or gastroenterology or something like that.

Vikram Purohit: Understood. Okay. We have about less than a minute left. Maybe a good point to close out on is kind of your financial position. Just remind us your current cash balance and how you're thinking about future financing needs for the company.

Frank Watanabe: Sure. So we ended last quarter at -- keep me honest here, but $363 million in cash in the bank. And we feel we're in a very strong position financially. David has said I think publicly on a number of occasions that with our current set of programs, we don't anticipate the need to raise additional capital from equity markets. We're generating

revenue and we continue to grow that revenue. And we think that combination, along with what we have in the bank, should be sufficient for us to continue to operate the company. If we were to do something business development wise, that may change. But again, we don't have any plans to do that at the moment.

So we think we're in a very good position. We also just renegotiated our debt agreement, which will save us quite a bit of money in interest expense. And that of course is contributing to our management of the burn as well.

Vikram Purohit: Got it. Great. With that, we're actually out of time. It's a good place to close out. Thanks so much for joining us, Frank, Todd. Appreciate it. Thank you, everyone.

Frank Watanabe: Great to talk to you.

Vikram Purohit: All right, thanks.