

## TARS iQ Cheat Sheet


by [Biotech iQ](#)

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## TARS iQ Quick Summary (PROBATION)

View the full Biotech iQ Cheat Sheet for TARS at [www.biotechiq.net](http://www.biotechiq.net).

| Company Profile  |                        |                          |  |   | Updated 02/28/2025 |           |                   |                    |               |          |  |
|--|------------------------|--------------------------|--|---|--------------------|-----------|-------------------|--------------------|---------------|----------|--|
| All amounts (except Price) in millions unless otherwise specified. All small and mid-cap biotech companies should be considered speculative. Clinical-stage companies should be considered very speculative.   |                        |                          |  |   |                    |           |                   |                    |               |          |  |
| Company Info   | Tarsus Pharmaceuticals | Commercial               | <a href="http://www.tarsusrx.com">www.tarsusrx.com</a> | <a href="#">November 2024</a>   | Price              | \$44.48   |                   |                    |               |          |  |
| Tarsus develops lotilaner-based formulations for treating various Demodex-related conditions, including Blepharitis, Rosacea, and Lyme Disease. Revenue growth and commercial execution have been excellent since the launch of the first indication for DB. The company has a long growth runway with little or no direct competition as it expands its TAM across related indications. However, with only five more years of composition-of-matter patent protection (through 2030), after which the company must rely on method-of-use patents, I have become cautious about potential patent challenges and the company's longer-term prospects. |                        |                          |  |   | MCap               | 1,708.0   |                   |                    |               |          |  |
|  |                        |                          |  |   | EV                 | 1,489.1   |                   |                    |               |          |  |
|  |                        |                          |  |   | Cash               | 291.4     |                   |                    |               |          |  |
|  |                        |                          |  |   | Debt               | 72.5      |                   |                    |               |          |  |
|  |                        |                          |  |   | Runway             | To Profit |                   |                    |               |          |  |
| Color Guide  |                        | Very Positive            | Positive   | Slightly Positive   | Neutral or TBD     | Cautious  | Slightly Negative | Negative           | Very Negative |          |  |
| iQ Report Card   |                        | 01/13/2025               |  | iQ Outlook  |                    |           |                   | Updated 02/28/2025 |               |          |  |
| Click hyperlinks for details.  |                        | Prev                     | Cur  | N/MT Outlook  |                    | Neutral   |                   | LT Outlook         |               | Cautious |  |
| <a href="#">FV</a> (Fundamentals & Valuation)  |                        | B-                       | B+   | <div><div>Tarsus Pharmaceuticals, Inc. · 1D · NASDAQ</div><div>O43.29 H44.81 L43.03 C44.48 +0.93 (+2.14%)</div><div><div>4</div></div></div> |                    |           |                   |                    |               |          |  |
| <a href="#">Share Ownership</a>  |                        |                          | A  |   |                    |           |                   |                    |               |          |  |
| <a href="#">Catalysts</a>  |                        |                          | B-   |   |                    |           |                   |                    |               |          |  |
| <a href="#">Products &amp; Pipeline</a>  |                        |                          | C  |   |                    |           |                   |                    |               |          |  |
| <a href="#">Partnerships</a>   |                        |                          | TBD  |   |                    |           |                   |                    |               |          |  |
| <a href="#">Management</a>   |                        |                          | A  |   |                    |           |                   |                    |               |          |  |
| <a href="#">B/O Potential</a>  |                        |                          | TBD  |   |                    |           |                   |                    |               |          |  |
| Potential ROI  |                        |                          | B+   |   |                    |           |                   |                    |               |          |  |
| <a href="#">Safety &amp; Derisking</a>   |                        |                          | B-   |   |                    |           |                   |                    |               |          |  |
| <a href="#">iQ RAR</a>   |                        |                          | B-   |   |                    |           |                   |                    |               |          |  |
| <b>DISCLOSURES:</b> All information provided in this report represents the author's opinions and is for information purposes only. The author is not an investment professional, and nothing contained herein should be considered investment advice, nor does the author guarantee the accuracy or completeness of the information presented. This report is not a substitute for your own due diligence process. Consult with a licensed investment professional as necessary. I have no position in TARS.   |                        |                          |  | © Biotech iQ. All rights reserved.  |                    |           |                   |                    |               |          |  |
| <a href="#">Highlights</a>   |                        | <a href="#">Earnings</a> |  | <a href="#">Notes</a>   |                    |           |                   |                    |               |          |  |

### iQ Outlook

Updated 02/28/2025

#### Near/Mid Term Outlook

Neutral

Shares have pulled back since I exited my position and while the valuation is more reasonable, I would prefer to see a better valuation, especially in light of the patent challenges. Although clinical updates for TP-04 and TP-05 are anticipated in Q1 2025, I'm not sure how much they will impact the share price, as the market may already anticipate positive data. The company demonstrated strong revenue growth in Q4, but OpEx also increased by ~50%. I continue to watch from the sidelines.

#### Long Term Outlook

Cautious

Over the long term, expansion of XDEMVY to adjacent indications and international expansion could expand the TAM severalfold. Also, the company is developing new lotilaner-based drugs for Rosacea, Ocular Rosacea, and Lyme Disease—potentially opening up significant new addressable markets. My main concern, however, is that TARS's pipeline depends wholly on Lotilaner, a readily available chemical entity with composition-of-matter patent protection only through 2030. I am concerned that the method-of-use patents protecting XDEMVY through 2038 may not be sufficient to prevent patent challenges once the CoM patents expire in 2030.

| Highlights & Discussion |  | Updated 01/14/2025 |
|-------------------------|--|--------------------|
|                         | Strong balance sheet and revenue growth with a long runway for future revenue growth.  |                    |
|                         | Expanding into new indications and ex-US markets could eventually expand Peak Revenue potential severalfold.                     |                    |
|                         | Expansion into Ocular Rosacea could open a new opportunity in a significant market.  |                    |
|                         | The company plans to seek partners for Rosacea and Lyme Disease indications and continue to focus on XDEMZY expansion.           |                    |
|                         | The company's pipeline is dependent on a single drug.  |                    |
|                         | I am concerned about XDEMZY's long-term patent protection as it relies on method-of-use patents once CoM patents expire in 2030. |                    |
| General Discussion      |  |                    |
|                         |  |                    |

| Upcoming Catalysts & Key Events |          |  | Updated 01/13/2025   |
|---------------------------------|----------|--|--|
| Date                            | Source   | Description  |  |
| 2025 Q1                         | CP       | TP-05 P2 update.   |  |
| 2025 Q1                         | BPC      | TP-04 P2 update.   |  |
| 2025                            | CP       | Complete prevalence study for BD in Japan.                     |  |
| 2027                            | CP       | Potential approval of preservative-free formulation in the EU. |  |
| Past Catalysts & Key Events     |          |  |  |
|                                 | Date     | Price  | Description  |
|                                 | 02/25/25 | \$41.29  | <a href="#">Tarsus Reports Strong Fourth Quarter and Full-Year 2024 Financial Results and Recent Business Achievements   Tarsus Pharmaceuticals</a>  |
|                                 | 01/13/24 | \$47.02  | <a href="#">Tarsus Provides 2025 Update: Accelerating the Launch of XDEMVMY® and Establishing Ocular Rosacea as the Next Category-Creating Opportunity in Eye Care   Tarsus Pharmaceuticals</a>  |
|                                 | 11/13/24 | \$46.51  | <a href="#">Tarsus Reports Third Quarter and Year-to-Date 2024 Financial Results and Recent Business Achievements   Tarsus Pharmaceuticals</a>   |
|                                 | 10/17/24 | \$37.07  | <a href="#">Tarsus Launches “Your Mitey Problem,” the First Direct-to-Consumer TV Campaign for XDEMVMY® (lotilaner ophthalmic solution) 0.25%   Tarsus Pharmaceuticals</a>   |
|                                 | 04/23/24 | \$33.71  | <a href="#">Tarsus Strengthens Financial Position and Refinances Existing Debt with \$200 Million Non-dilutive Financing Commitment from Pharmakon   Tarsus Pharmaceuticals</a>  |
|                                 | 03/01/24 | \$36.95  | <a href="#">Tarsus Announces Pricing of \$100.0 Million Public Offering   Tarsus Pharmaceuticals</a> <ul style="list-style-type: none"><li>\$32/sh</li></ul>   |
|                                 | 02/22/24 | \$31.54  | <a href="#">Tarsus Announces Positive Topline Results from Carpo, a Phase 2a Proof-of-Concept “Tick-Kill” Trial Evaluating TP-05 (lotilaner) for the Prevention of Lyme Disease   Tarsus Pharmaceuticals</a> <ul style="list-style-type: none"><li>“Both the high and low doses of TP-05 demonstrated a statistically significant benefit in killing ticks compared to placebo. Specifically, after the Day 1 tick challenge, mean tick mortality was 97.0% (± 1.4 standard error, SE) and 92.0% (± 6.3 SE) for the high and low doses of TP-05, respectively, compared to only 5.0% (± 2.5 SE) for placebo (p &lt; 0.0001).</li></ul> <p>Similarly, at the 30-day challenge, mean tick mortality at 24 hours after placement was 89.0% (± 11.1 SE) and 91.0% (± 6.1 SE) for the high and low doses of TP-05, respectively, compared to only 9.0% (± 8.0 SE) for placebo (p&lt;0.001). No statistically significant differences in tick mortality were observed between the two TP-05 treatment arms, and TP-05 was generally well tolerated.”</p> |
|                                 | 12/11/23 | \$17.79  | <a href="#">Tarsus Announces Positive Topline Results from the Ersa Phase 2a Clinical Trial Evaluating TP-03 for the Treatment of Meibomian Gland Disease in Patients with Demodex Mites   Tarsus Pharmaceuticals</a>  |
|                                 | 08/24/23 | \$17.40  | <a href="#">Now Available – XDEMVMY™ (lotilaner ophthalmic solution) 0.25%, the First and Only FDA Approved Treatment for Demodex Blepharitis   Tarsus Pharmaceuticals</a>   |
|                                 | 08/01/23 | \$18.27  | <a href="#">Tarsus Announces Pricing of \$100.0 Million Underwritten Public Offering of Common Stock   Tarsus Pharmaceuticals</a> <ul style="list-style-type: none"><li>\$17.50/sh</li></ul>   |
|                                 | 07/25/23 | \$18.04  | <a href="#">FDA Approves XDEMVMY™ (lotilaner ophthalmic solution) 0.25% for the treatment of Demodex blepharitis   Tarsus Pharmaceuticals</a>  |
|                                 |          |  |  |

| Share Ownership   |               |                    |              |                |            |                      |               | Updated 02/28/2025 |      |  |
|---|---------------|--------------------|--------------|----------------|------------|----------------------|---------------|--------------------|------|--|
| Insiders  | 7.25%         | Institutional Inv. | 92.6%        | Private Corps. | .2%        | Public               | 0.0%          |                    |      |  |
| Selected Trades   |               |                    |              |                |            |                      |               |                    |      |  |
| OMP = Open Market Purchase, OMS = Open Market Sale, PO = Public Offering, PP = Private Placement, OP = Opened Position, CP = Closed Position, O = Other. Not a comprehensive list of trades.  |               |                    |              |                |            |                      |               |                    |      |  |
|   | Date          | By                 | Type         | Price          | Qty        | Amount               | Owned         | Notes              |      |  |
|   |               |                    |              |                |            |                      |               |                    |      |  |
|   |               |                    |              |                |            |                      |               |                    |      |  |
|   |               |                    |              |                |            |                      |               |                    |      |  |
| Fundamentals & Valuation  |               |                    |              |                |            |                      |               |                    |      |  |
| Updated 02/28/2025  |               |                    |              |                |            |                      |               |                    |      |  |
| FD = Fully Diluted, MRQ = Most Recent Quarter, CFO = Cash Flow from Operations, OpRev = Operating Revenue, OpInc = Operating Income, ECO = Earnings from Continuing Operations, TTM = Trailing Twelve Months, CFY = Current Full Year, NFY = Next Full Year, YoY = Year on Year, Seq = Sequential, MRO = Most Recent Offering, NPPW = Non-Prepaid Warrants. Cells with 0 values may indicate insufficient data. All amounts (except share prices) in millions unless otherwise specified. |               |                    |              |                |            |                      |               |                    |      |  |
| Share Price   | \$44.48       | Wall St. P/T       | \$69.00      | Market Cap     | 1,708.0    |                      | FD Market Cap | 0.0                |      |  |
| Cash  | 291.4         | Debt               | 72.5         | Ent. Value     | 1,489.1    |                      | FD Ent. Value | 0.0                |      |  |
| Outstanding Sh.   | 38.4          | Fully Diluted Sh.  | TBD          | Short Interest | 7.3        | 19.0%                | Avg. Volume   | 0.6                | 1.6% |  |
| MRQ Core Rev.   | 66.4          | TTM Core Rev.      | 180.0        | MRQ CFO        | ( 22.2)    |                      | Est. Runway   | To Profit          |      |  |
| MRO Date  | 03/01/24      | MRO Price          | \$32.00      | MRO Amount     | \$100      |                      | MRO NPPW      | No                 |      |  |
| EV Multiples  |               |                    |              |                |            |                      |               |                    |      |  |
|   | MRQ Exit Rate | TTM Core Rev.      | CFY E. OpRev | NFY E. OpRev   | TTM OpInc  | CFY E. OpInc         | NFY E. OpInc  | E. Peak Rev.       |      |  |
| Amount  | 265.6         | 180.0              | 174.2        | 310.9          | ( 120.6)   | TBD                  | TBD           | 1,000              |      |  |
| EV / Amount   | 5.6           | 8.3                | 8.5          | 4.8            | 0.0        | 0.0                  | 0.0           | 1.5                |      |  |
| Quarterly Earnings  |               |                    |              |                |            |                      |               |                    |      |  |
|   | MRQ           | MRQ-1              | MRQ-2        | MRQ-3          | MRQ-4      | MRQ-5                | MRQ-6         | MRQ-7              |      |  |
|   | 2024 Q4       | 2024 Q3            | 2024 Q2      | 2024 Q1        | 2023 Q4    | 2023 Q3              |               |                    |      |  |
| Gross Margin  | 92.6%         | 93.3%              | 92.6%        | 94.2%          | 90.8%      | 78.9%                | 0.0%          | 0.0%               |      |  |
| ECO Margin  | (34.8%)       | (48.6%)            | (81.6%)      | (129.3%)       | (319.8%)   | (2057.9%)            | 0.0%          | 0.0%               |      |  |
| CFO Margin  | (33.4%)       | (18.1%)            | (35.3%)      | (137.0%)       | (300.0%)   | (1705.3%)            | 0.0%          | 0.0%               |      |  |
| OpRev   | \$ 66.4       | \$ 48.1            | \$ 40.8      | \$ 27.6        | \$ 13.1    | \$ 1.9               | \$ 0.0        | \$ 0.0             |      |  |
| Core Rev  | \$ 66.4       | \$ 48.1            | \$ 40.8      | \$ 24.7        | \$ 13.1    | \$ 1.7               | \$ 0.0        | \$ 0.0             |      |  |
| OpEx  | \$ 85.9       | \$ 70.0            | \$ 71.1      | \$ 63.6        | \$ 56.3    | \$ 42.4              | \$ 0.0        | \$ 0.0             |      |  |
| OpInc   | (\$ 24.4)     | (\$ 25.2)          | (\$ 33.3)    | (\$ 37.7)      | (\$ 44.5)  | (\$ 40.9)            | \$ 0.0        | \$ 0.0             |      |  |
| ECO   | (\$ 23.1)     | (\$ 23.4)          | (\$ 33.3)    | (\$ 35.7)      | (\$ 41.9)  | (\$ 39.1)            | \$ 0.0        | \$ 0.0             |      |  |
| CFO   | (\$ 22.2)     | (\$ 8.7)           | (\$ 14.4)    | (\$ 37.8)      | (\$ 39.3)  | (\$ 32.4)            | \$ 0.0        | \$ 0.0             |      |  |
| TTM OpRev   | \$ 183.0      | \$ 129.6           | \$ 83.4      | \$ 42.6        | \$ 17.4    | \$ 14.4              | \$ 0.0        | \$ 0.0             |      |  |
| TTM CFO   | (\$ 115.6)    | (\$ 100.2)         | (\$ 123.9)   | (\$ 133.3)     | (\$ 117.5) | (\$ 89.0)            | \$ 0.0        | \$ 0.0             |      |  |
| Growth Rates  | Quarterly YoY |                    |              |                |            | Quarterly Sequential |               |                    |      |  |
|   | MRQ YoY       | MRQ-1 YoY          | MRQ-2 YoY    | MRQ-3 YoY      | MRQ Seq    | MRQ-1 Seq            | MRQ-2 Seq     | MRQ-3 Seq          |      |  |
| Qtrly Core Rev  | 406.9%        | 2729.4%            | 0.0%         | 0.0%           | 38.0%      | 17.9%                | 65.2%         | 88.5%              |      |  |
| Qtrly CFO   | 43.5%         | 73.1%              | 0.0%         | 0.0%           | (155.2%)   | 39.6%                | 61.9%         | 3.8%               |      |  |
| TTM OpRev   | 951.7%        | 800.0%             | 0.0%         | 0.0%           | 41.2%      | 55.4%                | 95.8%         | 144.8%             |      |  |
| TTM CFO   | 1.6%          | (12.6%)            | 0.0%         | 0.0%           | (15.4%)    | 19.1%                | 7.1%          | (13.4%)            |      |  |
| Other Metrics   |               |                    |              |                |            |                      |               |                    |      |  |
|   | MRQ           | MRQ-1              | MRQ-2        | MRQ-3          | MRQ-4      | MRQ-5                | MRQ-6         | MRQ-7              |      |  |
|   |               |                    |              |                |            |                      |               |                    |      |  |
|   |               |                    |              |                |            |                      |               |                    |      |  |
|   |               |                    |              |                |            |                      |               |                    |      |  |

## Earnings History

Updated 02/28/2025

OpRev = Operating Revenue, Core Rev = Core Revenue, YoY = Year on Year, GM = Gross Margin, OpEx = Operating Expenses, R&D = Research & Development, OpInc = Operating Income, ECO = Earnings from Continuing Ops, CFO = Cash Flow from Ops, TTM = Trailing Twelve Months. All amounts (except share price) in millions unless otherwise specified.

|  | Period              | OpRev   | Core Rev | Gr. Profit | OpEx | OpInc  | ECO    | CFO    | TTM Rev | TTM CFO | End Cash |
|--|---------------------|---|----------|------------|------|--------|--------|--------|---------|---------|----------|
|  | 2024 Q4<br>02/25/25 | 66.4  | 66.4     | 61.5       | 85.9 | (24.4) | (23.1) | (22.2) | 183.0   | (115.6) | 291.4    |
|  |                     | <ul style="list-style-type: none"> <li>More than 15K prescribing ECPs.</li> <li>Expanded sales force by 50%</li> <li>Medicare and Medicaid reimbursement in place for 90% of covered lives.</li> <li>GtN discount of approximately 45%.</li> <li>Activated DTC campaign.</li> </ul>   |          |            |      |        |        |        |         |         |          |
|  | 2024 Q3<br>11/13/24 | 48.1  | 48.1     | 44.9       | 70.0 | (25.2) | (23.4) | (8.7)  | 129.6   | (100.2) | 317.0    |
|  |                     | <ul style="list-style-type: none"> <li>Secured the two remaining Medicare providers. Medicare coverage for 80% of covered lives.</li> <li>GtN discount of ~40% in Q3 vs. 44% in Q2.</li> <li>Delivered 41.4K bottles of XDEM VY vs. 37K in Q2.</li> <li>More than 13K prescribing EDPs as of 11/13/24.</li> <li>Recruited 50 new sales reps/leaders (50% expansion of sales force). Impact was not felt in Q3; however, expect it to be felt in Q4.</li> <li>No additional P3 study required for Europe. Evaluating stability of preservative-free formulation with potential approval anticipated in 2027 H2.</li> <li>Expect 50-55K bottles of XDEM VY to be delivered in Q4.</li> <li>Prevalence of BD in EU markets similar to US.</li> </ul> |          |            |      |        |        |        |         |         |          |
|  | 2024 Q2<br>08/09/24 | 40.8  | 40.8     | 37.8       | 71.1 | (33.3) | (33.3) | (14.4) | 83.4    | (123.9) | 323.6    |
|  | 2024 Q1<br>05/08/24 | 27.6  | 24.7     | 26.0       | 63.6 | (37.7) | (35.7) | (37.8) | 42.6    | (133.3) | 298.5    |
|  | 2023 Q4<br>02/27/24 | 13.1  | 13.1     | 11.9       | 56.3 | (44.5) | (41.9) | (39.3) | 17.4    | (117.5) | 227.4    |
|  | 2023 Q3<br>11/09/23 | 1.9   | 1.7      | 1.5        | 42.4 | (40.9) | (39.1) | (32.4) | 14.4    | (89.0)  | 246.9    |

| Products & Pipeline  |   |   |   |                 |                     |             |  | Updated 01/03/2025 |
|--|---|---|---|-----------------|---------------------|-------------|--|--------------------|
| U = Unmet Need, D = Clinical Data, M = Addressable Market, C = Competition.  |   |   |   |                 |                     |             |  |                    |
| U  | D | M | C | Asset           | Indication          | Stage       | Notes  |                    |
|  |   |   |   | XDEMVY (TP-03)  | Demodex Blepharitis | Commercial  | <b>TAM:</b> 1.5-9M patients across multiple segments<br><b>Peak Revenue:</b> \$1B+ in initial segment. <ul style="list-style-type: none"> <li>1.5M patient opportunity in initial DB segment (\$1B).</li> <li>Up to 9M patient opportunity across related market segments.</li> <li>Evaluating preservative-free formulation for EU markets. Potential EU approval expected for 2027 H2.</li> <li>Performing prevalence study in Japan.</li> <li>Partnered for DB and MGD in China.</li> </ul> |                    |
|  |   |   |   | TP-04 (topical) | Rosacea             | P2          | <ul style="list-style-type: none"> <li>~3-5M papulopustular rosacea (PPR) patients in the US.</li> </ul>   |                    |
|  |   |   |   | TP-05 (oral)    | Lyme Disease        | P2          | <ul style="list-style-type: none"> <li>300-400K cases of Lyme disease in the US annually.</li> <li>~27M Americans at high-to-moderate risk of infection</li> <li>\$1.3B impact to US healthcare system</li> <li>TP-05 for prophylactic use.</li> </ul>   |                    |
|  |   |   |   | TP-05 (oral)    | Malaria             | Preclinical | <ul style="list-style-type: none"> <li>TP-05 has the potential to cause the death of mosquitos that transmit malaria.</li> <li>247M cases and 600K deaths from malaria annually worldwide.</li> </ul>  |                    |
| <ul style="list-style-type: none"> <li>I have concerns about the long-term IP protection for XDEMVY. FDA has granted market exclusivity to XDEMVY as a unique chemical entity through 2027 and CoM patents expire in 2030. After that, XDEMVY is covered by method-of-use patents through 2038. However, due to the wide availability of Lotilaner and the lack of composition-of-matter patents, I am concerned about possible patent challenges after 2030.</li> </ul> |   |   |   |                 |                     |             |  |                    |

| Notable Partnerships |                    |       | Updated 01/03/2025 |
|----------------------|--------------------|-------|--------------------|
| Company              | Asset / Indication | Notes |                    |
|                      |                    |       |                    |

| Management Compensation & Performance |                          |             |             |          | Updated 01/03/2025 |
|---------------------------------------|--------------------------|-------------|-------------|----------|--------------------|
| Position                              | Name                     | Cash Comp   | Tot Comp    | LinkedIn | Notes              |
| CEO                                   | Bobak Azamian, MD, PhD   | \$1,069,800 | \$3,130,332 |          |                    |
| CCO                                   | Aziz Mottiwala           |             |             |          |                    |
| CFO, CSO                              | Jeff Farrow              | \$584,951   | \$3,991,830 |          |                    |
| CMO                                   | Elizabeth Yeu, MD        |             |             |          |                    |
| COO                                   | Seshadri Neervannan, PhD | \$988,623   | \$1,741,918 |          |                    |
| Management Performance                |                          |             |             |          |                    |
| Category                              | Score                    | Notes       |             |          |                    |
| Balance Sheet                         | A                        |             |             |          |                    |
| Execution                             | A                        |             |             |          |                    |
| S/H Alignment                         | A                        |             |             |          |                    |
| Experience                            | A                        |             |             |          |                    |
| Communication                         | A                        |             |             |          |                    |
|                                       |                          |             |             |          |                    |

| Buyout Potential  |       | Updated 01/03/2025   |
|---|-------|--|
| <b>IMPORTANT—PLEASE READ:</b> <i>The Buyout Potential analysis presented here should <b>never</b> be used to try to predict a buyout. Buyouts are inherently unpredictable. This analysis aims to determine a company’s attractiveness to a potential buyout partner—which can be a factor when calculating the iQ RAR.</i> |       |  |
| Category  | Score | Notes  |
| Pipeline  | B     | Although the pipeline could have significant commercial value as a bolt-on acquisition, it consists of a single chemical entity with limited CoM patent protection.  |
| Potential TAM   | A     |  |
| Differentiation   | A     |  |
| Unmet Need  | A     |  |
| Platform Tech   | TBD   |  |
| IP  | TBD   | I have concerns about the long-term IP protection for XDEMVY. FDA has granted market exclusivity to XDEMVY as a unique chemical entity through 2027 and CoM patents expire in 2030. After that, XDEMVY is covered by method-of-use patents through 2038. However, due to the wide availability of Lotilaner and the lack of composition-of-matter patents, I am concerned about possible patent challenges after 2030. |
| Growth  | A     |  |
| Additional Considerations   |       |  |
|   |       |  |
|   |       |  |

| Safety & Risk Analysis  |    |   | Updated 01/13/2025 |
|---|----|---|--------------------|
| <b>IMPORTANT—PLEASE READ:</b> <i>Biotechnology companies are subject to elevated levels of risk and volatility. Some common risk factors include clinical trial failure, regulatory delays, commercial failure, and high cash burn. Additional company-specific risk factors are noted below.</i> |    |   |                    |
| Valuation   | B  | The valuation seems reasonable.   |                    |
| Balance Sheet   | A  | The balance sheet is healthy.   |                    |
| Clinical & Reg.   | A  | I don't expect any significant clinical & regulatory risk.  |                    |
| Competition   | A  | XDEMVY is the only treatment for demodex blepharitis.   |                    |
| Growth & Com.   | A  | The company has demonstrated strong growth trends.  |                    |
| IP  | C- | Although TARS has Method of Use patent protection through 2038, I still have concerns about its entire pipeline being based on Lotilaner--a readily available chemical entity with FDA market exclusivity expiring in 2027 and the CoM patent expiring in 2030. |                    |
| Additional Risk Factors   |    |   |                    |
|   |    |   |                    |
|   |    |   |                    |

| Notes |          |         |   | Updated 01/03/2025 |
|-------|----------|---------|---|--------------------|
|       | Date     | Price   | Notes   |                    |
|       | 01/03/24 | \$55.67 | Method of Use Patent #US10835517B2 provides IP protection through 12/14/2038. |                    |

| iQ RAR History |         |        |          |          |   | Updated 01/13/2025 |
|----------------|---------|--------|----------|----------|---|--------------------|
| Date           | Price   | iQ RAR | N/MT     | L/T      | Notes   |                    |
| 01/13/25       | \$47.02 | B-     | Neutral  | Cautious | Valuation pulled back to more reasonable levels; however, I have concerns about long-term IP protection for XDEMVY. |                    |
| 01/03/25       | \$55.67 | B+     | Cautious | Bullish  | Initiated coverage.   |                    |

| Disclosures  |  |
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| Please report any errors or omissions to <a href="mailto:support@biotechiq.net">support@biotechiq.net</a> .  |  |