Disclaimer

Tarsus Pharmaceuticals (TARS): XDEMVY's Charitable Foundation Scheme, Specialty Pharmacy Gimmicks, and Make-Believe TAM

Source: The Drew Barrymore Show

We are short Tarsus Pharmaceuticals ("TARS", "Tarsus", "the Company"), whose sole commercial product is XDEMVY, an eyedrop used to treat demodex blepharitis ("DB"). We believe that XDEMVY's growth to date has relied on a Company-funded charitable foundation Medicare copay scheme that raises serious Anti-Kickback Statute ("AKS") concerns, and that XDEMVY's addressable market in DB is a fraction (~20%) of the Company's claims. We expect Tarsus to unravel as its practices put the Company directly in Department of Justice ("DoJ") crosshairs, XDEMVY revenues peak below $800 million at best as a one-time course with little recurring revenue exhausts a patient pool that is a fraction of the Company's claims, and 2026 results will once disappoint as the Company's "patient assistance" costs buried within SG&A prove far larger than modeled by the Street.

XDEMVY is prescribed as a one-time, six-week treatment course and is meant to eliminate or otherwise control DB. Tarsus launched XDEMVY in August 2023, and in the LTM, has grown to a reported $519 million in revenues. We believe Tarsus has driven XDEMVY uptake by buying down Medicare patient copays via donations to a nominally independent blepharitis fund run by the Healthwell Foundation. Manufacturer copay support is standard practice for *commercially* insured patients, but ***illegal for Medicare patients*** under the AKS. The DoJ has repeatedly prosecuted these manufacturer-funded schemes, and we believe Tarsus bears the same hallmarks of these schemes.

- Healthwell launched its blepharitis fund in September 2023 – a single month after Tarsus launched XDEMVY – despite no other meaningful changes in the Blepharitis landscape on or around that time.

- Tarsus appears to be the fund's overwhelming, if not sole, donor. Our analysis of the Company's own financial statements suggests Tarsus made charitable donations of $5.7 million in 2023, $31.2 million in 2024, and $78.5 million in 2025 – figures that are nearly identical to the blepharitis fund's total disclosed donations received – $5.1 million in 2023 and $30.0 million in 2024 – according to IRS filings.[1]

[1] We also estimate Tarsus made charitable donations of $78.5 million in 2025, but Healthwell's 2025 financial statements are not yet available for comparison. We expect, however, that the alignment will hold when they are released in Fall 2026.

- Tarsus's "charitable giving" has also exploded in lockstep with XDEMVY revenues – a signpost that the Office of Inspector General of the Department of Health and Human Services ("OIG-HHS") has explicitly flagged as evidence of manufacturers' intent to funnel copay support to their own drug.

- The vast majority if not entirety of the blepharitis fund's grants appear to flow to XDEMVY patients. OIG-HHS often prohibits funds that provide coverage only to a single drug, and to that end, Healthwell claims to cover over a dozen low-cost blepharitis treatments. The alternatives are purely window dressing. Healthwell itself touts that its blepharitis grants average $680 to $750 per patient, per year – a figure that is *only mathematically possible* if XDEMVY represents the vast majority of disbursements.[2]

- Corroborating our view, a representative from Carepoint – one of Tarsus' top two specialty pharmacies – estimated that 50% of XDEMVY Medicare patients obtain Healthwell grants, in turn implying that 91% of the fund's grants are disbursed to XDEMVY patients. On a dollar basis, the percentage is even higher, given XDEMVY is priced at many multiples of the alternatives.[3]

- Finally, Tarsus already inadvertently told on itself. In the Company's 2024 Form 10-K, Tarsus explicitly named *"patient assistance donations"* as a component of SG&A expenses, even as the Company already records revenues on a net basis – i.e., discounts are a contra-revenue item, not an SG&A expense. In its 2025 Form 10-K, Tarsus scrubbed the donation language in favor of *"patient support functions"* – a telling change, in our view – which the Company then buried within IT, legal, professional, and other expenses. Nevertheless, from 2023 to 2025, this line grew by $84 million – once again in line with both Healthwell donations and Tarsus's apparent "charitable giving."

In sum, we believe Healthwell's blepharitis fund appears to be effectively supported by a single manufacturer, Tarsus, and support a single drug, XDEMVY – hallmarks of structures that the DoJ has repeatedly prosecuted – e.g., Actelion (settled for $360 million in December 2018); Jazz et al. (settled for $123 million in April 2019); Teva (settled for $425 million in October 2024), and several others.

We consulted a nearly 30-year healthcare attorney who frequently advises on such cases, who told us that Tarsus *"harbors many of the attributes of the arrangements that have been prosecuted."* Under the AKS, manufacturers may be held liable for treble damages and barred from participating in government programs altogether. For Tarsus – a single drug company – such an outcome would be devastating.

Tarsus's ballooning "patient support" spending not only raises regulatory concerns, but also indicts the Company's cost structure – far more variable than analysts model – and sets up another miss against 2026 profit estimates. The Street has repeatedly modeled Tarsus to generate ramping profits, and the Company has repeatedly whiffed. At year-end 2024, analysts called for 2026 EBIT of $84 million on $503 million in revenues. Today, however, analysts call for EBIT of *negative* $30 million even as the Company has guided to $685 million in revenues, at the midpoint.[4] We think 2026 estimates remain far too high, as analysts fundamentally misunderstand that Tarsus's ballooning patient support expenses are a variable cost buried within SG&A.

In Q1 2026, SG&A expenses grew sequentially from $131 to $136 million, or from 86% to 94% of revenues. The Street, however, continues to model SG&A effectively flat on a dollar basis vs. Q1 through the rest of the year, implying that SG&A falls to just ~70% of revenues by year-end. We think this is incredibly implausible given Tarsus's "patient support" expenses scale with XDEMVY volumes and more than doubled YoY in Q1 2026, by our

[2] Healthwell also provides support for Natacyn, the only other high-priced drug under coverage. Natacyn, however, has extremely minimal revenues and patient counts with less than $1M in total Medicare spending in 2024; it cannot possibly explain the difference.
[3] This $680 to $750 range is corroborated by Healthwell's IRS Form 990 statements, which disclose an average of $684 per Blepharitis fund recipient in 2023 and $680 in 2024. The $750 figure may represent 2025 results, which are yet to be released.
[4] Analysts nonetheless *still* model EBIT ramping even higher to $163 million in 2027 and $325 million in 2028.

estimates. Even assuming that SG&A simply holds steady at 94% of revenues, Tarsus would generate 2026 EBIT of negative $130 million.

Tarsus's pharmacy relationships also raise alarm bells. XDEMVY is ostensibly sold via six specialty pharmacies, but a single one, BlinkRx, has grown from just 13% to at least 63% of revenues. There seem to be two reasons why.

- First, Tarsus appears to steer physicians to BlinkRx, which in turn steers patients to the Healthwell Foundation, according to multiple physicians and patients who say, e.g., "it's what the Company wants" and "the rep told me" to send scripts to BlinkRx. One BlinkRx employee even publicly touts their role as specializing in *"Tarsus Financial Assistance Outreach & PAP through the Healthwell Foundation for patients covered under Medicare."* The AKS prohibits manufacturers from exerting direct or indirect influence – *including via pharmacy relationships* – over both independent subsidy programs and Medicare patients' selection of a particular provider.

- Moreover, we believe BlinkRx pushes XDEMVY refills to patients who neither need nor request them – a practice which has not only pulled forward Tarsus's reported growth, but – when those refills are billed to Medicare – raises False Claims Act ("FCA") medical necessity concerns. One high-prescribing physician, for example, told us that despite XDEMVY being meant as a one-time course, 30% to 40% of their patients receive extra refills just because they're offered by the pharmacy. The physician encourages patients to *"just stick it in the medicine cabinet."* Numerous patient reviews of BlinkRx allege similar patterns. We also confirmed firsthand: we obtained an XDEMVY prescription via Tarsus's telehealth partner, which sent the prescription to BlinkRx, and BlinkRx included a refill.[5]

Tarsus now promotes XDEMVY as holding *"a clear path"* to over $2 billion in revenues based on a supposed TAM of 25 million U.S. demodex blepharitis patients. We believe these figures are total nonsense, and the Company's *own data* proves it.

- Tarsus's 25 million patient claim derives from the Company's own "Titan" study, which found that 58% of eye care patients presented with *any number of* collarettes. Tarsus then equated this figure with DB itself. However, clinical research – *including the Company's own* – has repeatedly found that collarettes are prevalent even in *completely healthy* patients. In other words, while all DB patients have collarettes, not all patients with collarettes have DB. The Company's entire TAM rests on a freshman level logic error.[6]

- In our own survey of 30 current XDEMVY prescribers – i.e., physicians *already incentivized* to diagnose and treat DB – respondents reported that just 18% (2,110 of 11,980) of their patients suffer from DB, and only 12% suffer from moderate to severe DB – a fraction of the Company's 58% claim that underpins its 25 million patient TAM.

- Tarsus *itself* admits that just 1.5 million patients in the U.S. have *ever been diagnosed* with DB. The Company then blames the supposed 23.5 million patient gap to "under-diagnosis." We find this argument ridiculous. Symptoms of DB are immediately obvious and easily diagnosed in minutes.

[5] We note that Tarsus's telehealth partner seemed to have an especially lenient diagnosis process. We were required to submit photos of our eyes. We submitted photos of perfectly clean, healthy eyelids, and were still prescribed XDEMVY via an audio-only conference call in which the physician claimed we "definitely" had "classic signs" of demodex blepharitis, as marked by collarettes. (We also asked Claude if the photos showed any signs of demodex blepharitis. Claude said no). In a follow-up call with BlinkRx, we confirmed that the refill was available without a follow-up doctor's appointment.

[6] As explained in full herein, the Company's *own clinical data* rebuts the 25 million patent claim. Namely, Titan found age was *non-predictive* of collarette presence, even as it is well-established – and conceded by Tarsus – that DB prevalence rises with age. Moreover, Tarsus's own pivotal trials used a *"ten or more"* collarette threshold, rather than the mere presence of *any* collarettes.

As of June 2026, Tarsus has treated over 600,000 patients, or 40% of the 1.5 million patients who have *actually* been diagnosed with DB in the U.S. We believe that the easy growth is over. Moreover, as XDEMVY is a one-time, six-week course with just a 20% re-treatment rate, Tarsus must replace 80% of its patients each year, and the patient pool is draining. Even if we generously assume that Tarsus treats 3 million patients – *twice* the entire diagnosed U.S. population – revenues peak below $800 million in 2028. By contrast, $2 billion in revenues implies Tarsus sells 1.7 million bottles *per year*.

Blackstone appears to share our skepticism. Tarsus originally obtained the rights to XDEMVY from Elanco, which retained a royalty stream on any future XDEMVY sales. In May 2025, Elanco sold these royalty rights to Blackstone for just $295 million. Given this price tag, we estimate Blackstone underwrote peak XDEMVY revenues of just $712 million to $1.3 billion – half of the Company's claims.

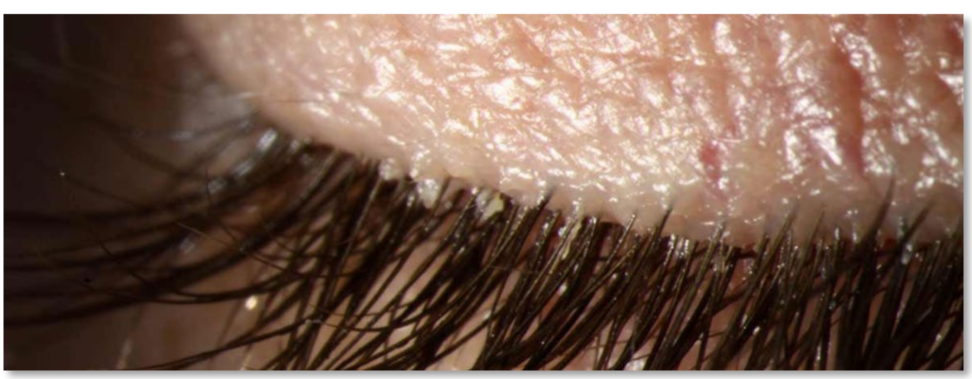
One former employee we spoke with was even more skeptical, suggesting to us that XDEMVY revenues should peak in late 2026 against the backdrop of payor pushback on its high cost, and a shallow patient pool. Indeed, in Q1 2026, XDEMVY revenues declined sequentially for the first time since the drug's launch, which management blamed on *"deductible resets"* and *"temporarily reduced new patient visits."*

We expect that XDEMVY revenues peak below $800 million in 2028 at best – assuming the Company's copay arrangements haven't drawn regulatory scrutiny by then. The profitability that the Street models will never materialize, and Tarsus will be left exhausting a shrinking patient base with very little re-treatment revenue beneath it. Tellingly, insiders have sold $17 million in stock in the past year. We are short and think shares are headed lower.

Introduction to Tarsus, XDEMVY, and Demodex Blepharitis ("DB")

Tarsus Pharmaceuticals is a biopharmaceutical company *"dedicated to creating new categories in eye care and beyond."* The Company's sole commercialized product is XDEMVY, an eyedrop used twice daily for six weeks to treat demodex blepharitis ("DB").

Demodex folliculorum ("demodex") are microscopic mites that live on nearly everyone's skin, including on the face, eyelids, and lash follicles. According to one widely cited paper, by age 60, roughly 84% of people carry them. They are about as remarkable as the bacteria on your hands. Blepharitis, on the other hand, is the group of conditions marked by swelling, itching, irritation, and/or "crustiness" of the eyelids. It has several causes, including bacterial overgrowth, meibomian gland dysfunction (the main cause of dry eye), and seborrheic dermatitis. Demodex blepharitis, in particular, occurs when an excessive number of demodex mites contributes to blepharitis. It is marked not only by these symptoms, but by collarettes on the base of the eyelash, as shown below.



Source: Fort Lauderdale Eye Institute

In July 2023, the FDA approved XDEMVY for the treatment of demodex blepharitis ("DB") on the basis of two pivotal trials – Saturn-1 and Saturn-2. In August 2023, Tarsus launched XDEMVY at an initial wholesale acquisition cost ("WAC") of $1,850. The Company has since treated over 600,000 patients, and XDEMVY has grown to $519 million in LTM reported revenues.

Tarsus Appears to be Buying Down Medicare Copays via an "Independent" Blepharitis Fund, Raising Anti-Kickback Concerns

We believe Tarsus has run a program to buy down Medicare patient copays through donations to a nominally "independent" Blepharitis fund operated by the Healthwell Foundation. We think this program has been structural to XDEMVY's growth and raises anti-kickback concerns that place the Company squarely in DoJ crosshairs.

Manufacturer copay discount card programs is standard and legal for commercially insured patients – Tarsus provides one – but prohibited for Medicare patients under the AKS, on the theory that copays restrain utilization of high-cost drugs like XDEMVY.[7] Manufacturers may instead donate to *independent* copay assistance charities, provided the charity operates independent of the manufacturer. The DoJ has repeatedly prosecuted manufacturers where the relationship proved otherwise – as we detail later herein. Per our review of OIG guidance and prior DoJ cases, regulators raise concerns when multiple indications of non-independence are present.

Tarsus's relationship with Healthwell's dedicated blepharitis fund shows several such indications, in our view: the timing of the fund's launch, Tarsus's apparent role as its dominant, if not sole backer, the fund's grants appear to flow almost entirely to XDEMVY patients, and Tarsus appears to steer Medicare patients into the fund. Taken together, we believe these factors expose Tarsus to risk of DoJ action.

Healthwell's Blepharitis Fund Was Set Up Just One Month After the XDEMVY Launch

The Healthwell Foundation is an independent non-profit *"dedicated to improving access to health care for America's underinsured."* The foundation claims to *"fill the gap by assisting with copays, premiums, deductibles and out-of-pocket expenses."*[8] Healthwell's 2024 financials describe 59 different disease-specific funds, spanning various forms of cancer, to multiple sclerosis.

Tarsus launched XDEMVY in August 2023. Healthwell announced the blepharitis fund launch just a month later. According to Healthwell, the fund *"will provide up to $3,500 in medication copayment or insurance premium assistance to eligible patients with annual household incomes up to 500 percent of the federal poverty level…"* The very timing of the launch naturally raises the question of whether the fund was established simply to launder Tarsus charitable donations into Medicare copay buydowns. To that end, our research suggests that the vast majority, if not the entirety of the fund's disbursements flow to XDEMVY patients.

Healthwell Data Suggests Grants Flow Overwhelmingly, If Not Entirely, to XDEMVY

As a non-profit, Healthwell files annual IRS Form 990 statements that disclose, among other things, the foundation's total donations received, expenses, and disbursements. Our review of these filings, alongside Healthwell's own disclosures, suggests that Healthwell's supposedly broad-based blepharitis fund grants flow overwhelmingly, if not entirely, to XDEMVY.

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[7] The Anti-Kickback Statute makes it a felony to *"knowingly and willfully offer or pay any remuneration (including any kickback, bribe, or rebate) directly or indirectly… to induce such person… to purchase… any good, facility, service, or item for which payment may be made in whole or in part under a Federal health care program."*

[8] From 2015 to 2025, the Healthwell Foundation has ballooned from $89 million to $876 million in net assets and $68 million to $911 million in annual revenues. To our knowledge, Healthwell has never been publicly named or charged as a defendant or found liable in connection with any Medicare AKS or FCA charges.

In 2023, the fund disbursed $614,942 in grants to 899 recipients, for average assistance of $684 per recipient. In 2024, the fund disbursed $21.5 million in grants to 31,668 recipients, for average assistance of $680 per recipient.

IGA NEPHROPATHY	131.	615,336.	0.
BLEPHARITIS	899.	614,942.	0.
LAMBERT EATON MYASTHENIC SYNDROME	120.	612,390.	0.

Source: 2023 Form 990

Schedule I (Form 990) (2024) HEALTHWELL FOUNDATION 20-0413676

Part III **Grants and Other Assistance to Domestic Individuals.** Complete if the organization answered "Yes" on For
Part III can be duplicated if additional space is needed.

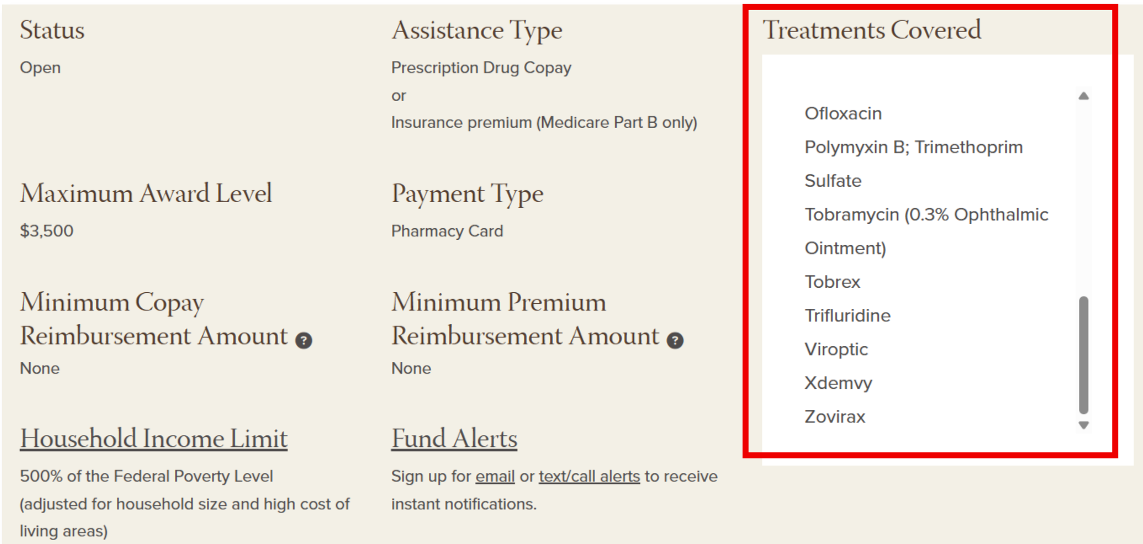
(a) Type of grant or assistance	**(b)** Number of recipients	**(c)** Amount of cash grant	**(d)** Amount of non-cash assistance	**(e)** Method of valuation (book, FMV, appraisal, other)
1 MYELODYSPLASTIC SYNDROMES - MEDICARE ACCESS	7,890	21,730,137.		
2 BLEPHARITIS	31,668	21,546,225.		
3 HEPATITIS C	4,049	19,506,100.		

Source: 2024 Form 990

Healthwell's website also states that blepharitis fund grantees use an average of $750 during a 12-month grant period, modestly above the $680 to $684 implied by the foundation's Form 990 disclosures.

We note that from 2023 to 2024, the blepharitis fund grew from zero to Healthwell's third-largest indication by patient count, and ninth-largest indication by dollars disbursed. Blepharitis – a non-life-threatening eyelid condition – drew more copay assistance than leukemia, pulmonary fibrosis, and prostate cancer.

HHS-OIG guidance states that patient assistance foundations ought to cover *"a broad spectrum of products"* and that *"disease funds should not be defined for the purpose of limiting the drugs for which the Independent Charity PAP provides assistance."* HHS-OIG adds that, *"a disease fund that covers only a single product, or the products made or marketed by only a single manufacturer that is a major donor to the fund, will be subject to scrutiny…"* To that end, Healthwell's blepharitis fund ostensibly provides coverage for over a dozen treatments, as shown below.



Status
Open

Assistance Type
Prescription Drug Copay
or
Insurance premium (Medicare Part B only)

Treatments Covered
Ofloxacin
Polymyxin B; Trimethoprim
Sulfate
Tobramycin (0.3% Ophthalmic
Ointment)
Tobrex
Trifluridine
Viroptic
Xdemvy
Zovirax

Maximum Award Level
$3,500

Payment Type
Pharmacy Card

Minimum Copay Reimbursement Amount
None

Minimum Premium Reimbursement Amount
None

Household Income Limit
500% of the Federal Poverty Level (adjusted for household size and high cost of living areas)

Fund Alerts
Sign up for email or text/call alerts to receive instant notifications.

Source: Healthwell Foundation

Drug	Form	Cash Price	GoodRx
Acyclovir (oral, generic Zovirax)	30 × 400 mg tablets	$26	$8
Acyclovir ophthalmic ointment (Zovirax)	4.5 g tube	N/A	N/A
Bacitracin/neomycin/polymyxin B	3.5 g tube	$56	$11
Neo-Polycin (brand, same ingredients)	3.5 g tube	$56	$11
Neomycin (Neosporin generic)	10 mL bottle	$55	$15
Gentamicin sulfate (generic)	5 mL 0.3% solution	$44	$18
Gentamicin (3.5 g 0.3% ointment)	3.5 g tube	$84	$26
Gentak (brand gentamicin, 3.5 g 0.3% ointment)	3.5 g tube	$38	$14
Lotilaner / XDEMVY	**10 mL (one 6-week course)**	**$1,850**	**NA**
Natacyn (natamycin 5% suspension, brand only)	15 mL bottle	$1,185	$985
Ofloxacin (generic Ocuflox)	5 mL 0.3% solution	$46	$5
Ocuflox (brand)	5 mL 0.3% solution	$168	$8
Polymyxin B/trimethoprim (generic Polytrim)	10 mL bottle	$14	$5
Tobramycin (generic, ophthalmic solution)	5 mL 0.3% solution	$24	$7
Tobrex (brand tobramycin, 3.5 g ointment)	3.5 g 0.3% ointment	$308	N/A
Trifluridine (generic Viroptic)	7.5 mL 1% solution	$286	$62
Viroptic (brand)	7.5 mL 1% solution	$398	$62
Zovirax (oral acyclovir, brand)	30 × 400 mg tablets	$26	$8

Source: Culper Analysis via GoodRx, Drugs.com, and third-party data

As shown, however, only two of these treatments – XDEMVY and Natacyn – bear costs consistent with the fund's disclosed $680 to $750 in average annual grants. The variety of remaining listed treatments are all low-cost generics and OTC options that, mathematically, cannot explain grants of that size.[9]

That leaves us with XDEMVY and Natacyn. According to CMS Medicare Part D spending data, however, *total* Natacyn expenditures were just $969,715 across 788 beneficiaries in 2024. Thus, even if every single Natacyn beneficiary drew a grant, the drug cannot come close to accounting for the fund's $21.5 million in 2024

[9] Though not central to our argument, we note that several listed drugs – such as Viroptic and Zovirax – are not even standard blepharitis treatments, per AAO preferred practice patterns.

disbursements. **By elimination, the vast majority – if not the entirety – of Healthwell's Blepharitis fund grants must necessarily flow to XDEMVY**.[10]

As further corroboration, we also spoke with a representative from one of Tarsus's two largest specialty pharmacies, Carepoint, who independently estimated that half of XDEMVY's Medicare patients rely on Healthwell grants.

> *"There is a foundation support out there which works for the indication which has been very helpful for Medicare patients. Healthwell provides support for Medicare patients, probably about 50% [of XDEMVY Medicare patients] utilize that..."*

CMS Medicare Part D data discloses 57,626 XDEMVY beneficiaries in 2024. At the representative's 50% estimate, 28,813 XDEMVY patients received Healthwell grants in 2024 – or 91% of the fund's 31,668 total recipients. XDEMVY's share of dollars would be even higher still, as the most expensive drug on the list by a wide margin.

XDEMVY CMS Data vs. Healthwell Data	2024
XDEMVY Medicare Part D Beneficiaries	57,626
% Receiving Healthwell Assistance?	50%
XDEMVY Patients receiving Healthwell grants	28,813
Healthwell Blepharitis grant recipients	31,668
XDEMVY as % of Healthwell Fund Recipients	**91%**

Tarsus's Charitable Donations Align Conspicuously with Healthwell's Blepharitis Fund Total Donations, Suggesting Tarsus is the Key if Not Only Major Donor to the Fund

Our research – including analysis of the Company's own financial statements and Healthwell disclosures – leads us to believe that Tarsus is the single largest donor to Healthwell's blepharitis fund, again raising questions of independence and AKS compliance.

As of year-end 2025, Tarsus held $112.7 million in gross deferred tax assets ("DTAs"), or $4.7 million net of valuation allowances. Notes to the financial statements enumerate the sources of the Company's DTAs, including those arising from charitable contributions. In 2022, Tarsus did not disclose any DTAs from charitable contributions. Yet DTAs arising from charitable contributions grew from $1.36 million at year-end 2023 to $8.8 million at year-end 2024 and $27.7 million at year-end 2025, as shown below.

[10] The drugs on Healthwell's coverage list are prescribed on an acute / one-time basis rather than on a recurring monthly schedule. As such, per patient assistance ought to track the cost of a single course, in contrast to a drug prescribed on an ongoing basis (i.e., monthly), which would have produced lower per-patient averages in 2023 versus 2024, given the September 2023 fund launch date. Healthwell's per-patient assistance, however, was effectively flat at $684 in 2023 and $680 in 2024 – consistent with XDEMVY's fixed per-course cost rather than a mix of variably-dosed drugs.

	Year Ended December 31, 2025	2024
Deferred tax assets:		
Net operating loss carryforwards	$ 41,461	$ 33,677
Research and development credit carryforwards	6,986	8,642
Capitalized research and development	7,959	21,734
Charitable contributions	27,692	8,842
Intangible assets	3,575	3,658
Stock-based compensation	6,877	4,760
Accruals	13,638	6,764
Operating lease liability	4,361	151
Other, net	124	169
Total deferred tax assets before valuation allowance	112,673	88,397
(Less): Valuation allowance	(107,935)	(88,043)
Total deferred tax assets	$ 4,738	$ 354
Deferred tax liabilities, net:		
Operating lease right-of-use assets	(4,224)	(137)
Fixed assets	(186)	(217)
Prepaid expenses	(328)	—
Net deferred tax asset	$ —	$ —

Source: Tarsus Form 10-K filed February 23, 2026

Applying a 24% corporate tax rate to the year-over-year changes in these DTAs, we estimate that Tarsus made charitable contributions of $5.7 million in 2023, $31.2 million in 2024, and $78.5 million in 2025.

Tarsus Pharmaceuticals	2023	2024	2025
Deferred tax assets - charitable contributions	1.4	8.8	27.7
Change in DTA	1.4	7.5	18.9
Effective tax rate	24%	24%	24%
Implied charitable contributions	**5.7**	**31.2**	**78.5**

Source: Tarsus Annual Reports

For its part, Healthwell's 2023 and 2024 financial statements disclose not only annual program-by-program expenses, as discussed earlier, but also *"releases and assets with donor restrictions."* That is, the assets in each fund that had been donated but not yet disbursed at year-end.[11]

- At year-end 2023, Healthwell's blepharitis fund held $4.5 million in remaining assets. Against the $0.6 million in grants disbursed, the financials imply total donations of $5.1 million in 2023.

- At year-end 2024, the fund held $13.0 million in remaining assets, an increase of $8.5 million, year-over-year. Against $21.5 million in grants disbursed, this implies total donations of $30.0 million in 2024.

Healthwell Blepharitis fund ($ millions)	2022	2023	2024	2025
Grant assistance provided	0.0	0.6	21.5	undiscl.
Net remaining assets available	0.0	4.5	13.0	undiscl.
YoY Change in net remaining assets		4.5	8.5	undiscl.
Implied Blepharitis Fund donations	**0.0**	**5.1**	**30.0**	undiscl.

Source: Healthwell Annual Reports

[11] Healthwell has not yet released 2025 financial statements or its Form 990, but we believe, given the apparent growth in Tarsus's own charitable donations in 2025, that when released, we will find that our argument holds into 2025 and beyond.

Notice anything? Our estimates of Tarsus's total charitable are not only conspicuously consistent with Healthwell's total blepharitis fund donations, but with XDEMVY's total growth – another indication of potentially problematic activity, according to OIG guidance.[12]

> *"Actions by donors to correlate their funding of PAPs with support for their own products... may be indicative of a donor's intent to channel its financial support to copayments of its own products, which would implicate the anti-kickback statute."*

We anticipate that Tarsus will suggest that the Company determines annual "charitable giving" levels based on a variety of factors other than the obvious. Sadly for Tarsus, they've already told on themselves…

Tarsus Has Already Told On Itself: in 2024, Tarsus Disclosed "Patient Assistance Donations" as a Component of SG&A Expenses; Conspicuously Removed in 2025

In the Company's 2024 Form 10-K, Tarsus named growth in *"patient assistance donations"* as a material component of SG&A expenses.

> ***Selling, General and Administrative Expenses***
>
> Selling, general and administrative expenses consist of personnel-related costs including salaries, benefits, stock-based compensation and other personnel-related expenses for our executive, finance, sales and marketing, and other administrative functions. Selling, general and administrative expenses also include sales and marketing costs to support our commercial launch starting in August 2023, consulting fees, legal services, rent and other facilities costs, patient assistance donations, the U.S. healthcare reform federal excise fee on Branded Pharmaceutical Manufacturers and Importers, and other general operating expenses, not otherwise classified as research and development expenses.

Source: Form 10-K filed February 25, 2025

However, Tarsus records product revenues (i.e., XDEMVY sales) *"net of rebates, chargebacks, discounts, and other adjustments."* In other words, the Company's commercial discount card program is recorded as a contra-revenue item rather than a component of SG&A expenses.[13] Tellingly, in the Company's 2025 Form 10-K, Tarsus removed this *"patient assistance donations"* language in favor of the exceedingly vague *"patient support functions"* – scrubbing the word that gave the game away.

> ***Selling, General and Administrative***
>
> Selling, general and administrative costs consist of salaries, benefits, stock-based compensation and other personnel-related costs for the Company's executive, finance, sales and marketing, and other administrative functions. Selling, general and administrative expenses also include sales and marketing costs, including direct-to-consumer ("DTC") advertising costs, to support the Company's commercial launch that started in August 2023, consulting fees, legal services, rent and other facilities costs, patient support functions, the U.S. healthcare reform federal excise fee on Branded Prescription Pharmaceutical Manufacturers and Importers, and other general operating expenses not otherwise classified as research and development expenses. Advertising costs are expensed as incurred and were $121.2 million, $29.8 million, and $9.4 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Source: Form 10-K filed February 23, 2026

Tarsus does not disclose its total "patient support function" expenses on an annual basis. Instead, the Company includes such spending in a bucket which also includes "IT, legal, professional, and other" expenses, and discloses

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[12] Illustratively, to reach Tarsus charitable contributions of $5.1 million in 2023 and $30.0 million in 2024 – matching the blepharitis fund's total donations – one need only assume tax rates of 26.5% and 25.0%, respectively – figures that are entirely within the realm of possibility.

[13] See Tarsus's disclosures that, *"The Company records contra-revenue for co-payment assistance…"* as well as its disclosures of gross product sales (gross of charges against product sales, chargebacks/rebates, and other deductions) of $328.7 million in 2024 and $819.0 million in 2025, against net sales of $180.1 million and $451.4 million, respectively, which aligns with the Company's stated ~45% GTN.

the *year-over-year changes* in these expenses. As an aside, the Company's decision to group "patient support" expenses with IT, legal, professional, and other expenses makes no obvious logical sense to us – that is, unless the intention is to effectively obscure just how rampant its "patient support" spending has become.

Tarsus Disclosures	2023	2024	2025
SG&A expenses (prior year)	45	109	237
Δ Commercial and marketing costs	22	52	113
Δ Payroll and personnel-related costs	29	40	31
Δ Patient support, IT, legal, professional, & other	**6**	**37**	**47**
Δ Facilities and office and administrative	7	0	0
SG&A expenses (full year)	109	237	427

Most recently in Q1 2026, Tarsus's SG&A expenses grew from $85.0 million to $136.4 million, a $51.4 million (61%) increase year-over-year. Tarsus attributed $21.2 million of the increase to *"increased patient support functions, information technology, legal, and professional expenses."*

We earlier estimated Tarsus's charitable giving at $5.7 million in 2023 (+$5.7 million YoY), $31.2 million in 2024 (+$25.5 million YoY), and $78.5 million in 2025 (+$47.4 million YoY), figures that tracked Healthwell's blepharitis fund donations. Similarly, the Company's disclosed changes in patient support and other expenses tracks with our estimates of the changes in Tarsus's own charitable giving.

"Patient Support" vs. Charitable Donations	2023	2024	2025
Δ Patient support SG&A expenses (disclosed)	6.2	36.8	46.8
Δ Charitable donations (Culper est.)	5.7	25.5	47.4

Given Tarsus-disclosed changes in the components of SG&A expenses and a given starting point, we come to an estimate of the Company's actual expenses at each point in time. As shown below, the "patient support" line has been growing far faster – and taking an increasing share – of the Company's total SG&A expenses.[14]

Patient Support, IT, legal, prof, & other	2023	2024	2025	Q1 26
Prior year expenses (starting Culper est)	6	12	49	19
YoY increase in expenses (disclosed)	6	37	47	21
Patient Support, IT, legal, prof & other	12	49	96	40
Total SG&A expenses	109	237	427	136
as % of total SG&A expenses	**11%**	**21%**	**22%**	**29%**
as % of XDEMVY revenues	**81%**	**27%**	**21%**	**27%**

2026 Profit Estimates Set to Disappoint as Tarsus's "Patient Support" Spending Balloons

Notwithstanding our regulatory concerns, Tarsus's rampant "patient support" spending also portends problems for the Company's 2026 guidance. Tarsus has consistently disappointed on profitability despite better than expected top line growth. At year-end 2024, analysts called for 2026 revenues of $503 million and EBIT of $84 million. Today, however, analysts call for 2026 revenues of $696 million, but consensus EBIT has plummeted to negative

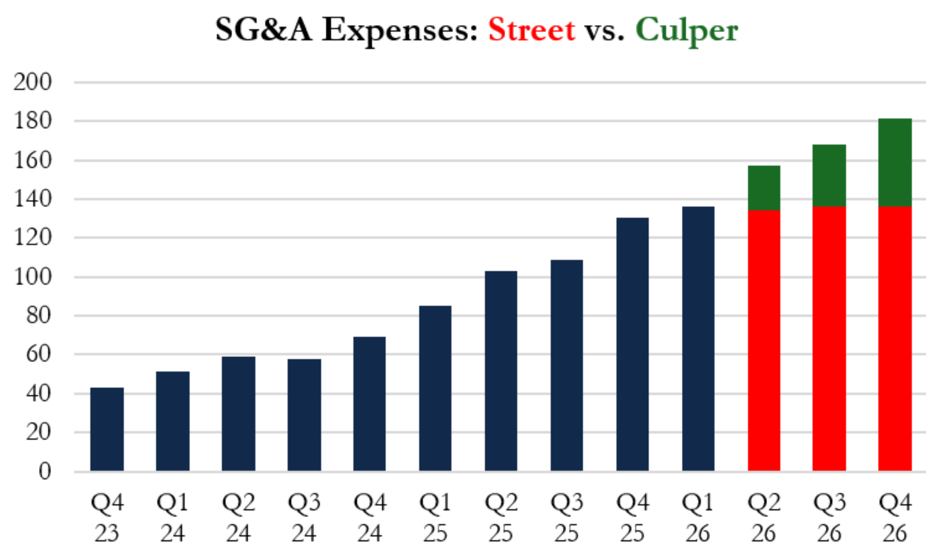
[14] Tarsus – which, to remind our readers, is a pharmaceutical manufacturer – has not disclosed anything that we believe would merit IT, legal, or professional expenses to skyrocket as they have. Indeed, the Company's audit expenses, for example, declined year-over-year. Note that IT expenses aren't explained by staff, which are a component of payroll expenses. Legal expenses similarly reflect outside counsel, and IP, while Tarsus claims it is not a party to material litigation, suggesting that Legal cannot explain the change, either. Professional services would seem to include consultants and auditors, which again would not explain the changes. Finally, R&D expenses are disclosed as a separate line item entirely.

$30 million.[15] **<u>Even setting aside everything else in this report, we believe 2026 estimates remain wildly inflated as analysts improperly treat SG&A as a largely fixed expense.</u>**

- In Q1 2026, SG&A expenses were $136 million, a sequential *increase* of $5 million, even as XDEMVY sales *fell* sequentially from $152 to $145 million. As a percentage of product revenues, SG&A grew from 86% to 94% quarter-over-quarter.

- Tarsus has now guided to full-year net product sales of $670 to $700 million and SG&A of $545 to $565 million. Analysts have modeled SG&A to remain flat against the Q1 2026 dollar level throughout the rest of the year, which is not only unprecedented on a dollar basis, but implies that SG&A falls from 94% of product revenues to roughly 70% of revenues by year-end. We find this highly implausible.

- In Q1 2026, Tarsus's "patient support" expenses more than doubled year-over-year. What we are seeing, we believe, is the effect of the Company no longer being able to keep a lid on this spending, which has grown from 11% to 29% of SG&A expenses, per our estimates. Even if we assume that SG&A remains at 94% of revenues, all else equal, **<u>Tarsus generates EBIT of negative $130 million for the year.</u>**



<u>The DoJ Has Repeatedly Prosecuted Manufacturer-Funded Medicare Copay Programs</u>

We believe Tarsus exhibits many similarities to the manufacturer-funded charitable foundation Medicare copay schemes that the DoJ has repeatedly prosecuted in recent years.[16] For example,

- In May 2021, Incyte paid $12.6 million to resolve DoJ allegations that it, *"used an independent foundation as a conduit to pay the copays of certain federal beneficiaries taking Incyte's drug Jakafi"* and in particular that Incyte *"was the sole donor"* to the fund.

- In December 2018, Actelion Pharmaceuticals paid $360 million to resolve DoJ allegations *"that Actelion used a foundation as a conduit to pay the co-pay obligations… to induce patients to purchase its drugs when the prices Actelion had set for those drugs otherwise could have posed a barrier to purchases."*

[15] Estimates per Bloomberg. Per CFO Farrow on the Q4 2025 conference call in February 2026, *"For 2026, we expect gross margins to remain strong at approximately 93%, SG&A expenses to be in the range of $545 million to $565 million... R&D expenses to be in the range of $115 million to $135 million..."*
[16] Also see e.g., United Therapeutics, Pfizer, Astellas and Amgen, Novartis, Gilead, etc.

- In April 2019, Jazz, Lundbeck, and Alexion paid a combined $123 million to resolve DoJ allegations *"that they each violated the False Claims Act by illegally paying the Medicare or Civilian Health and Medical Program (ChampVA) copays for their own products, through purportedly independent foundations that the companies used as mere conduits."*

- In October 2024, Teva Pharmaceuticals paid $425 million to resolve DoJ allegations that, "*Teva manipulated the co-pay foundation assistance system by conspiring with multiple third parties, including a specialty pharmacy and two allegedly independent co-pay assistance foundations, to direct its supposed charitable payments specifically to patients taking its own multiple sclerosis drug, Copaxone."*

In its discussion of risk factors, Tarsus itself recognizes that under the Anti-Kickback Statute, *"there are no safe harbors for many common practices, such as educational and research grants, **charitable donations**, product support and patient assistance programs."*

The Company further recognizes that the False Claims Act provides for *"treble damages and significant mandatory penalties… as well as **exclusion from participation** in federal healthcare programs…"*

In short, any potential DoJ action might not only subject Tarsus to massive monetary penalties, but exclude the Company from the Medicare Part D program altogether – either of which would be crippling.

BlinkRx and Carepoint Pharmacy: Steering Medicare Patients to Healthwell and Auto-Enrolling / Refills

Tarsus's relationship with BlinkRx – a single specialty pharmacy that now drives over 60% of the business – also raises concerns. Tarsus launched XDEMVY through a limited distribution network of six specialty pharmacies, but the Company's own filings now betray that just two pharmacies drive 79% of revenues. We believe – based on multiple conversations with former Tarsus employees and XDEMVY-prescribing physicians – that these two pharmacies are BlinkRx and Carepoint.

% of Revenues from Major Customers	2023	2024	2025	Q1 26
Customer A (BlinkRx)	13%	47%	63%	undiscl.
Customer B (Carepoint)	*	*	11%	undiscl.
Customers A and B	**13-23%**	**47-57%**	**74%**	**79%**
All other customers	77-87%	43-53%	26%	21%

** represents less than 10% of respective activity*

Source: Culper Analysis via Tarsus Form 10-K and 10-Q filings

We believe that there are two distinct reasons that Tarsus's business has become so concentrated with BlinkRx, and neither reason is reassuring.

- First, Tarsus appears to steer physicians to BlinkRx, which then steers patients to the Healthwell Foundation. This structure effectively ties treatment access to the use of a particular pharmacy, again raising AKS and FCA concerns, in our view.

- Second, we believe BlinkRx pushes XDEMVY refills to patients who neither need nor independently request those refills. This practice not only pulls forward Tarsus's reported growth, but – when those refills are billed to Medicare – raises FCA medical necessity concerns.

Prescribing Physicians, Patients, and Pharmacies Tell us Tarsus Steers Medicare Patients to Healthwell via BlinkRx – Another AKS "No-No"

Tarsus's relationship with BlinkRx appears inconsistent with the OIG's guidance on independent charity assistance programs. First, according to the OIG, neither the pharmaceutical manufacturer, nor any affiliate, including distributors, may *"exert any direct or indirect influence over the charity or the subsidy program."* Second, the OIG's 2014 supplemental bulletin states that a subsidy may be illegal, "*if the subsidy is likely to influence a Medicare or State health care program beneficiary's selection of a particular provider, practitioner, or supplier…"* Nevertheless, it seems to us that Tarsus – by directing scripts to BlinkRx, which directs patients to Healthwell – indirectly exerts influence over the program.

One BlinkRx employee explicitly touts herself as specializing in Tarsus's financial assistance outreach through the Healthwell Foundation, a role that apparently includes *"outbound phone calls to qualified Medicare patients…"*

Experience

BlinkRx
Full-time · 2 yrs 4 mos

Sr. Patient Support Specialist I
Apr 2025 - Present · 1 yr 3 mos
On-site

Interim Senior Patient Support Specialist
Jan 2025 - Apr 2025 · 4 mos

Patient Support Specialist II - Case Manager
Oct 2024 - Jan 2025 · 4 mos
Robinson, Pennsylvania, United States · On-site

Patient Support Specialist - Case Manager
Mar 2024 - Oct 2024 · 8 mos
Robinson, Pennsylvania, United States · On-site

Specialization in Tarsus Financial Assistance Outreach & PAP through the Healthwell Foundation for patients covered under Medicare.
Facilitate outbound phone calls to qualified Medicare patients for financial assistance available through the Healthwell Foundation, assist with enrollment, document all necessary information, relay information to support team to run claims through partnering pharmacies.
- Receive inbound phone calls to resolve routine and new issues with patients, doctors and insurers; Provide patient care to accurately support pharma programs and triage to appropriate teams when required; Strive to meet and exceed structured performance targets; Document all call information and data discovery according to operating procedures; Utilize Knowledge Base materials as a foundation for resolving inquiries; Maintain confidentiality of patient and proprietary information; Develop a working knowledge of company related security and privacy practices; Participate in continued education on product changes, new features and product launches; Help improve the patient experience by sharing feedback with management to further develop the product, materials and processes

Source: LinkedIn

Multiple XDEMVY-prescribing physicians told us that Tarsus representatives guide them to submit XDEMVY prescriptions to BlinkRx.

- *"That's what the rep told me."* – Optometrist with ~20 XDEMVY patients

- *"Send to Blink as the Company wants."* – Ophthalmologist with ~150 XDEMVY patients

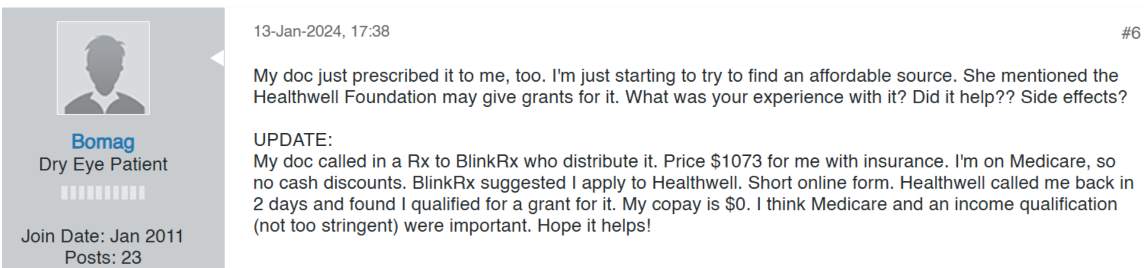
- *"Per the rep, Blink is a preferred pharmacy…"* – Optometrist with ~50 XDEMVY patients

- *"We consolidate to Blink Rx per rep recommendation…"* – Ophthalmologist with ~120 XDEMVY patients

One physician we spoke with explained that XDEMVY is cost prohibitive for Medicare patients unless called into *"the proper pharmacy"* – i.e., BlinkRx or Carepoint – where the patient then gets the drug for free via Healthwell.

> *"The majority population that has these [Demodex Blepharitis] is older patients, and they're on Medicare. So it can be expensive if it's not called into the proper pharmacy to process it. But **if you have the pharmacy you get it free**."*

One patient writing on the Dry Eye Zone forums explained shared their own corroborating perspective. Their doctor prescribed XDEMVY, but the price – absent Healthwell support – came back at $1,073. BlinkRx told them to apply for Healthwell, the grant was approved, and the copay came to $0.


Bomag
Dry Eye Patient
Join Date: Jan 2011
Posts: 23

13-Jan-2024, 17:38 #6

My doc just prescribed it to me, too. I'm just starting to try to find an affordable source. She mentioned the Healthwell Foundation may give grants for it. What was your experience with it? Did it help?? Side effects?

UPDATE:
My doc called in a Rx to BlinkRx who distribute it. Price $1073 for me with insurance. I'm on Medicare, so no cash discounts. BlinkRx suggested I apply to Healthwell. Short online form. Healthwell called me back in 2 days and found I qualified for a grant for it. My copay is $0. I think Medicare and an income qualification (not too stringent) were important. Hope it helps!

Source: Dry Eye Zone Forums

Refill Practices Raise Revenue Pull-Forward and FCA Medical Necessity Concerns

We have found that BlinkRx appears to engage in incredibly aggressive prescription refill practices – shipping refills to patients who neither want nor need them – which we believe has both inflated reported Rx counts and raises medical necessity concerns under the FCA.

In contrast to many eye drop treatments – which typically treat chronic diseases and are thus prescribed on a recurring basis (i.e., monthly) – XDEMVY is a six-week course meant to leave the vast majority of patients well-controlled. Tarsus itself has stated that retreatment rates are in the *"mid- to high teens."* As described by one current XDEMVY prescriber we spoke with,

> *"When we prescribe a lot of these eye drugs, they're on a monthly refill basis, because patients need to take them chronically. But with the XDEMVY, you're trying to eliminate something, and it's safe and it works, so it's one of those things that's unique where people aren't sure that they need the refill."*
>
> *"**Most people don't necessarily need a refill that soon**, but I know it's going to come back in these patients. The drops don't expire for 18 or 24 months, so **I tell them stick it in the medicine cabinet** and that way you won't have to deal with it all over again. **It's very unique to Tarsus and this product**. We get them that extra prescription without going through that [insurance PA process]. **30-40% of the patients get the refills, and it's the CarePoint pharmacy that offers it.**"*

A claim is potentially false under the FCA if billed to Medicare and not *"reasonable and necessary."*[17] It seems to us that a $2,000 eye drop sitting unused in a medicine cabinet is the epitome of a medically unnecessary treatment. **Numerous patient complaints of BlinkRx have made various allegations along the same lines.**

Date	Review
May 2026	"I stop taking a med over a year ago. I called then to break ties/refills as I suffered side effects. I did not sign up for a refill. Just this month I got billed and sent another bottle."
Mar 2026	"I got a script sent out to me that I don't even use and I was unenrolled in July and they sent it out and now they're not giving me my money back. Please help with this."
Jan 2026	"My doctor sent a prescription for eye drops on 1/9. Blink sent a text asking for my payment info. Blink charged my account the same day. On 1/15, without notifying me at all, Blink charged my account again. I called and was told a refund request would take 3 to 5 business days. 4 days later the person I talked to this time could find no information about a refund."
Oct 2024	"I ordered a prescription of [med] from Blink Health on May 27th of this year, thinking I will just be charged $10 for my script. But what they failed to notify me was that it is a recurring purchase and that I have to pay $105 per month for the same prescriptions."
Aug 2024	"I purposely did not set up auto-refills as I am on a very, very tight budget. Blink RX autofilled the prescription without my authorization (in June) causing an overdraft fee in my bank account. When I called, they insisted I checked auto-refill (which I know I did not), and refused to reimburse the overdraft charges…"
Apr 2024	"Blink deceitfully charged my credit card and set me up on an auto fill for my 13 year old daughter's medication. We did not put this medicine on auto refill nor did we authorize the refill. The website specifically states to call in when a refill is needed. We did not call! When I called to tell them and cancel this prescription because they already charged my card, they said the order has been processed and there is nothing they can do…"
Jan 2024	"The problem is that you auto refilled my prescription prematurely and charged my credit card without my authorization. You should be aware that the algorithm in your system is producing multiple auto refills prematurely causing multiple refills and charging customers without authorization."
Dec 2023	"If you can avoid ordering from Blink, do it at all costs. I ordered every few weeks for almost a year and there was an issue with my order EVERY. SINGLE. TIME. Also was unenrolled/enrolled in auto-refill at random? And would get emails saying my order was being processed, and then days later was told there was a problem with my order."
Dec 2023	"Blink Health Pharmacy tried to double order my medication prescription before it was time for a refill. First of all I had NEVER signed up for auto refills. I called them and asked them about this and after requesting to undo the auto refill I asked them why did they put in an order when it was not time to refill my medication? The representative on the phone dropped my call..."

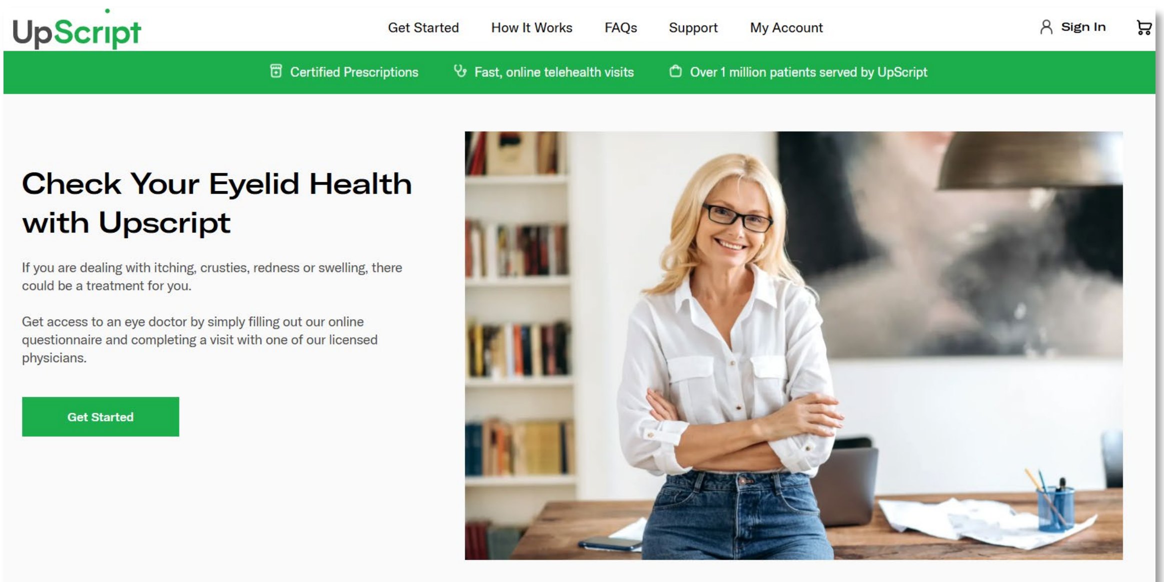
[17] 42 U.S.C. §1395y(a)(1)(A)

Dec 2023	"I cancelled my auto-refill of a prescription I have because they send me one every month and now I have way too many. I cancelled it last month through my account online. I received an email today saying they need further details from my doctor to proceed with my recent order. I did not place an order, and I didnt authorize an order. They should not be permitted to unilaterally decide to place an order on my behalf without my consent and authorization."

We Were Prescribed XDEMVY with a Refill, Despite Zero Signs of Demodex Blepharitis

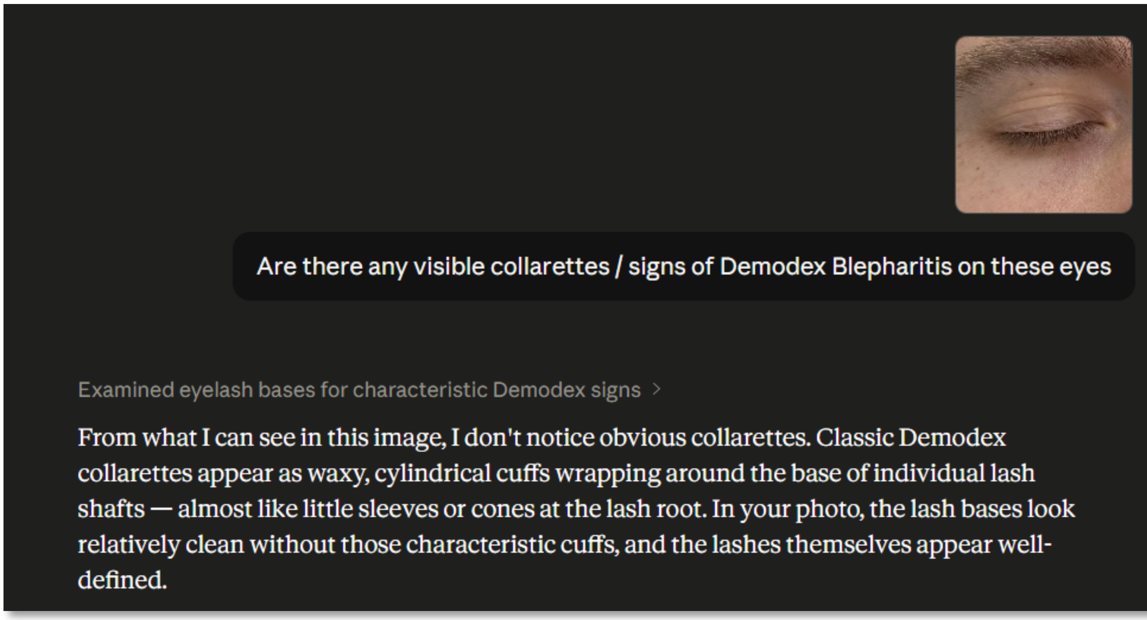
Our firsthand diligence into the XDEMVY diagnosis and prescription process corroborated our findings elsewhere: using the Company's telehealth partner and BlinkRx – and despite zero existing demodex blepharitis diagnosis – we obtained an XDEMVY prescription, with a refill included.

Tarsus's XDEMVY website directs patients to UpScript Health, a telehealth provider across dermatology and beauty, eye care, diabetes, men's health, and other practice areas. UpScript's dedicated "eyelid health" website is called checkmylids.com, which was created in August 2025, per our review of ICANN records.



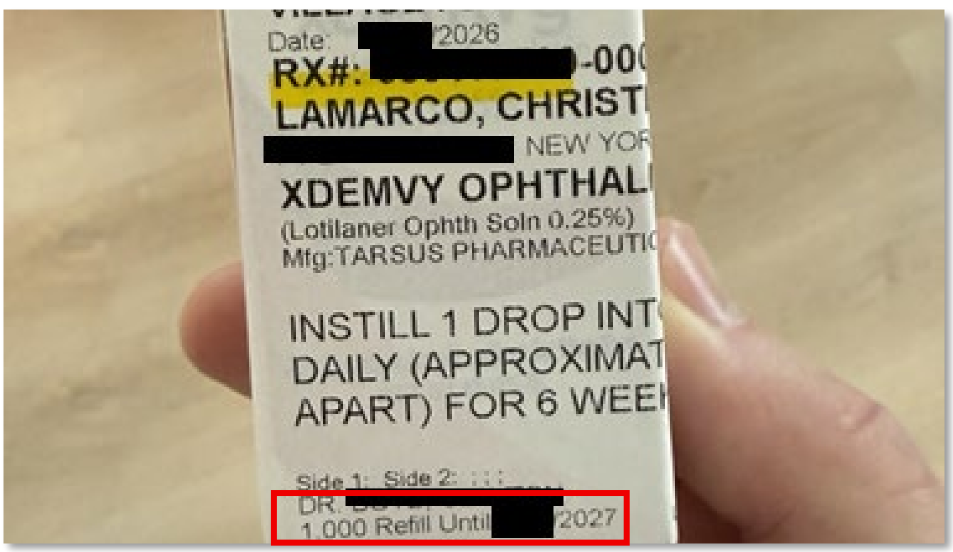
Source: checkmylids.com

UpScript prompted us to upload photos of our eyes, and then a physician would review for demodex blepharitis. We did so, even though we had no DB. We also asked Claude if it found any collarettes or any signs of DB from the same photos we uploaded to checkmylids.com. Claude said it did not.



Source: Culper Research / Claude

Nevertheless, we proceeded to an audio-only conference call with a physician, who promptly told us that our photos revealed collarettes, which the physician called *"a classic sign"* of DB. The entire appointment lasted less than 10 minutes. The physician promptly prescribed XDEMVY, and our prescription included a refill good for one year.



Source: Culper Research

Tarsus's 25 Million Patient TAM is a Mirage Resting on a Logical Fallacy; Peak Revenues Are a Fraction of the Company's $2 Billion Claims

Tarsus claims that XDEMVY holds a *"clear path to $2B+ sales potential"* against a total addressable market of 25 million U.S. demodex blepharitis patients.[18] We think these figures are utter nonsense – both patient TAM and peak revenues are a fraction of the Company's claims.

Tarsus's 25 million patient claim originates from its self-funded Titan study, which *"revealed that 58% of patients visiting eye care clinics for any reason had Demodex blepharitis,* ***as evidenced by the presence of collarettes****"* (emphasis ours).[19] Tarsus then applied this 58% figure to the 45 million U.S. patients who visit eye care professionals annually, arriving at the conclusion that 25 million Americans have demodex blepharitis.

This methodology is wildly flawed – the presence of collarettes does not by itself constitute disease, and Tarsus's argument affirms the consequent: DB patients have collarettes; this patient has collarettes; therefore, this patient has DB. The Company's *own research* rebuts this line of reasoning. Titan also found that *age was non-predictive* of collarette presence – collarettes were prevalent across age groups – even as the Company will admit that DB becomes more prevalent with age.

The Company's *own pivotal trials* began with patients with 10 or more collarettes per lid – far higher than the "any collarettes" bar that its TAM assumes. Even so, XDEMVY didn't completely clear collarettes in most patients.

- In Saturn-1, 44.0% of treated patients reached a "complete cure" as defined by two or fewer collarettes per lid, while 81.3% reached a "clinically meaningful cure" as defined by ten or fewer collarettes per lid.

- In Saturn-2, 56.0% of patients reached two or fewer, while 89.1% reached 10 or fewer.

Tarsus suggests that anyone with a single collarette has the disease, yet its own "complete cure" left patients with up to two collarettes per lid – and even, XDEMVY only "cured" roughly half of patients.[20] Moreover, researchers have repeatedly found that the mere presence of demodex mites does not imply disease – mites are prevalent among completely healthy individuals.[21]

We conducted our own survey of 30 optometrists and ophthalmologists – each of whom are *current* XDEMVY prescribers – i.e., physicians who are *already primed* to find and treat demodex blepharitis, and thus ought to present a highly Company-favorable view of disease prevalence. However, these physicians collectively reported:

- **Just 18% of patients (2,110 of 11,980) have demodex blepharitis – a fraction of the 58% that undergirds the Company's 25 million patient TAM.**

- The majority of physicians do *not* recommend XDEMVY as a first-line therapy. Instead, 16 of 30 physicians suggested lid hygiene and warm compresses as a standalone first-line treatment, and 7 of these 21 physicians recommend tea tree wipes alongside lid hygiene. Only 14 of 30 physicians prescribe XDEMVY

[18] See according to CEO Azamian on the Company's Q4 2025 conference call, *"We've served only 0.5 million patients with this medicine. There are 25 million Americans with DB. So that represents less than 10% penetration, that $2 billion-plus figure."* Or according to COO Aziz Mottiwala, *"And to be clear, the $2 billion peak is U.S. sales for XDEMVY only."*
[19] Titan's co-authors Paul Karpecki and Walter Whitley remain Tarsus consultants to this day.
[20] As further corroboration, the 2025 Eos study found that collarettes were present in 54% of patients visiting ophthalmology clinics for any reason, but only 32% of patients had more than 10 collarettes per eyelid.
[21] e.g., Kemal (2005) found demodex mites in 26.7% of healthy patients vs. 28.8% of patients with blepharitis; Wesolowska (2014) found demodex mites in 40.2% of patients with *zero* eye complaints vs. 41.6% for those who did report complaints; Biernat (2018) found 24.3% (28 of 115) of healthy volunteers *without* a history of ocular toxicities still carried demodex mites vs. 62.4% (345 of 544) of those with blepharitis – a difference, but one that still found demodex mites prevalent among totally healthy patients.

as a first-line therapy. This suggests to us that even among high-prescribing physicians, the drug is considered a therapy for moderate to severe patients rather than as a broad-based first-line option.

- Meanwhile, just 21% of demodex blepharitis patients have severe symptoms that severely affect their daily lives, as compared to 50% with moderate, but tolerable symptoms, and 28% who show *zero* symptoms.

Even if we were to Company-favorably assume that current XDEMVY prescribers represent the entire market, only 12.3%, or 5.5 million patients, have moderate to severe demodex blepharitis for which XDEMVY might be useful.

Tarsus itself admits that there are only 1.5 million patients nationwide who have *ever been diagnosed* with demodex blepharitis. The Company then blames this massive gap on widespread *"under-diagnosis"*, but this explanation does not hold given the nature of the disease. DB patients experience itching, crusting, and redness – obvious outward symptoms – and a physician can diagnose the condition in minutes with a slit lamp.

This is why Tarsus – faced with an exceedingly small market – has engaged in rampant DTC marketing that frames any instances of *"eyelid itching, crusties, and swelling that won't go away"* as demodex blepharitis. This is why, according to one former director-level Tarsus employee we spoke with, Tarsus's XDEMVY launch was not only the launch of a drug, but of an entire disease state.

> *"We were launching a product and a disease state at once… The mites – and this is in the literature, that these have existed for millions of years, and patients have gone without [treatment], or have utilized different options – and so is there really a need?"*

Yet itchy or crusty eyes have many causes, many of which are entirely unrelated to demodex mites, as discussed in our introduction. Yet Tarsus now works to convince anyone with these symptoms – patients that skew elderly – that the cause is demodex and that XDEMVY is the only solution.

The problem for Tarsus, we believe, is that while XDEMVY kills demodex mites, its effect on these symptoms is far more muted. In Saturn-1, 81% of treated patients reached a *"clinically meaningful reduction"* in collarettes, and yet only 13.4% cleared *both* their collarettes and redness. In Saturn-2, 56% of treated patients reached a *"complete cure"* as defined by 0 to 2 collarettes per lid, but just 19.2% cleared both collarettes and redness.

XDEMVY is a one-time, six-week course, and the Company itself guides to a re-treatment rate of just 20%. The Company must replace nearly its entire treated population with newly diagnosed, newly motivated patients each year. Since XDEMVY's August 2023 launch, Tarsus has already treated over 600,000 patients, representing 40% of the 1.5 million U.S. patients ever diagnosed with DB. We believe that easy demand has already been captured among the patients who actually suffer from DB and are motivated to be treated.

Yet even if we generously assume that Tarsus treats a cumulative 3 million patients – or twice the *entire* 1.5 million diagnosed patient population – by 2030, revenues would have *already* peaked below $800 million in 2028.

XDEMVY Revenue Analysis	Thus far	2026	2027	2028	2029	2030
Cumulative patients	600,000	1,050,000	1,500,000	2,000,000	2,450,000	2,800,000
New patients/bottles		450,000	500,000	450,000	350,000	200,000
Retreatments		90,000	157,500	225,000	300,000	367,500
Total annual bottles		540,000	657,500	675,000	650,000	567,500
Revenues per bottle		1,155	1,155	1,155	1,155	1,155
Total revenues		624	759	780	751	655
Consensus		696	905	1,086	1,263	1,455
Difference		**-10%**	**-16%**	**-28%**	**-41%**	**-55%**

By contrast, Tarsus's $2 billion peak revenue claim implies that the Company sells over 1.7 million bottles *per year* – more than the entire population ever diagnosed with the disease.

Blackstone's XDEMVY Royalty Purchase Implies Peak Revenues of $712M to $1.28B

Recall that Tarsus originally licensed lotilaner (XDEMVY) from Elanco (ELAN) in 2019.[22] In exchange, Elanco received a nominal cash payment, milestone payments, Tarsus equity, and the rights to *"mid-to-high single digit"* royalties on any future XDEMVY sales.[23]

In May 2025, Elanco sold the rights to this XDEMVY royalty stream – representing all U.S. XDEMVY sales made from April 2025 through August 2033 and any remaining milestone payments – to affiliates of Blackstone for $295 million in cash. Given the $295 million purchase price and XDEMVY's mid-to-high single digit royalty rates, we estimate that Blackstone underwrote just $712 to $1,284 million in peak XDEMVY revenues, as shown below.

BX Assumptions	Bear	Base	Bull
Discount rate	9.0%	11.0%	13.0%
Peak royalty rate	8.5%	7.0%	5.5%
Implied peak revenues	**712**	**829**	**1,284**
Management claims	2,000	2,000	2,000
Difference	**-64%**	**-59%**	**-36%**

Note: Jefferies is street-low at $1,175 in 2030 revenues; Oppenheimer high at $2,067 in 2032 revenues; Mizuho models growth thru 2037; base case uses 2033 cons.

[22] Lotilaner was originally an Elanco animal health molecule (a flea/tick compound). Tarsus took the rights to the compound in humans.
[23] According to our review of Elanco filings, the company generated $9 million in royalty revenues in Q1 2026, for an estimated 6.2% royalty rate against $145 million in Tarsus-reported XDEMVY revenues.