

# TARS Earnings Call Transcript

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**Quarter: 3**

Operator: Good afternoon, and welcome to Tarsus' Third Quarter 2025 Financial Results Conference Call. As a reminder this call is being recorded. [Operator Instructions] At this time, I would like to turn the call over to David Nakasone, Head of Investor Relations, to lead off the call. David, you may begin.

David Nakasone: Thank you. Before we begin, I encourage everyone to visit the Investors section of the Tarsus' website to view the earnings release and related materials we will be discussing today. Joining me on the call this afternoon are, Bobby Azamian, our Chief Executive Officer and Chairman; Aziz Mottiwala, our Chief Commercial Officer; and Jeff Farrow, our Chief Financial Officer and Chief Strategy Officer. I'd like to draw your attention to Slide 3, which contains our forward-looking statements. During this call, we will be making forward-looking statements that are based on our current expectations and beliefs. These statements are subject to certain risks and uncertainties, and our actual results may differ materially. I encourage you to consult the risk factors contained in our SEC filings for additional detail. With that, I will turn the call over to Bobby.

Bobak Azamian: Good afternoon. And thank you for joining us. This quarter, Tarsus delivered exceptional results that continue to raise the bar for what a successful product launch looks like. XDEMZY is now one of the best-selling prescription eye drops in the market, setting a new benchmark for launch performance across the pharmaceutical industry. We delivered more than 103,000 bottles of XDEMZY to patients and recognized approximately \$119 million in net revenue. These results reflect the strength of our category-creating blueprint, the increasing physician engagement and the profound impact we are having on patients. What's more, we strongly believe we are just scratching the surface on the full potential of this launch. More than 20,000 doctors have already prescribed XDEMZY. And once they see successful patient outcomes, they start proactively looking for more patients that can help, broadening utilization across multiple patient segments and bringing us closer to our goal of serving millions of patients. Not only are we seeing this in the numbers, we hear it directly from eye care professionals or ECPs. Recently, I was at 2 of the most impactful medical meetings in eye care: the American Academy of Optometry; and the American Academy of Ophthalmology. Three key themes stood up: first, ECPs consistently described XDEMZY as one of the most meaningful therapeutic advances in eye care in decades; second, even our top prescribers say they haven't come close to reaching their full potential; and third, doctors are changing their practice patterns and broadening their use of XDEMZY across a wider range of patients, particularly in light of our recent meibomian gland disease data in Demodex blepharitis patients. That data has been a catalyst for them to look more proactively for Demodex blepharitis, or DB, across patients coming in for complementary conditions like dry eye, cataracts and contact lens intolerance. "That third point hits very close to home as both of my parents were prescribed XDEMZY after recent visits for 2 different conditions. My dad came in for a cataract surgery and my mom with a stye." During their visits, they were both diagnosed with DB. This expanding clinical recognition is being further amplified by our direct-to-consumer or DTC efforts, which are bringing new patients into offices, many of whom are asking for XDEMZY by name. With patients proactively asking to be screened for DB, broad access and a best-in-class platform and sales force, these strong tailwinds are propelling the next frontier of growth, and we are just getting started. Aziz and Jeff will share more proof points later in the call, but suffice it to say, we are very pleased with the ongoing depth of adoption across multiple DB patient segments. Turning to our

pipeline, the progress we've built with XDEMZY gives us tremendous confidence in the trajectory of our next potential category-creating opportunity, ocular rosacea. This is yet another area of uncharted territory that ECPs emphatically told us was a significant area of unmet need. Listening and working closely with ECPs to fully understand the needs of the patients has been foundational to our success at Tarsus, and that partnership is guiding the design of our Phase II trial, which we plan to initiate by year's end. Additionally, we see ample opportunity to expand globally, including in Europe and Japan and to advance our Lyme disease prevention program, which represents yet another opportunity for category creation. We have built remarkable momentum and as you will hear from Jeff, we continue to outperform the eye care market, and we believe Tarsus is positioned to become the next leader in eye care. I am so proud of our team for setting a new standard in treating Demodex blepharitis, and we're applying that same innovation mindset to conditions that have been underserved for far too long. We know what it takes to create a market, shift behavior and deliver long-term value, and this is just the beginning. As we look ahead into 2026 and beyond, we expect this powerful momentum to carry forward as we continue to expand our pipeline and increase our impact, setting us up for years of potential tremendous growth. With that, I'll now turn the call over to Aziz.

Aziz Mottiwala: Thanks, Bobby. Echoing Bobby's comments, it's incredible to see our evolution and truly inspiring to know we've helped nearly 400,000 patients with XDEMZY, and we're just getting started. With an estimated 25 million Americans living with Demodex blepharitis, we believe we've only just begun to unlock the full potential of XDEMZY. As more physicians move from monthly to weekly and from weekly to daily prescribing, we're seeing a true waterfall of utilization that demonstrates increasing confidence and expanding reach across patients. I'll share more specific metrics in a moment, but the traction we're seeing gives us great confidence in the durability and scale of this launch and the blockbuster plus potential of XDEMZY. In the third quarter, we recognized approximately \$119 million in net sales and delivered more than 103,000 bottles to patients, both up double digits from the second quarter. That kind of growth really stands out in a quarter when most eye care products experienced softer volumes as evidenced by the sequential declines in new prescriptions seen across several other branded interior segment medicines. Our results this quarter reflect not only strong execution, but continued validation from the field, a sign that XDEMZY is becoming a trusted part of daily eye care practice. So let's get into the details. Last quarter, we shared that more than 20,000 eye care professionals have now prescribed XDEMZY and that approximately 5,000 were prescribing weekly. This quarter, I'm thrilled to say that the number of weekly writers has increased by approximately 20% and the number of ECPs prescribing more than once a week has increased by approximately 30%. This significant prescribing depth highlights how effectively XDEMZY is being integrated into changing practice patterns. Underpinning this increased utilization is an easy-to-diagnose disease, a best-in-class therapy, exceptional patient access and affordability, and educational efforts, that are empowering patients to ask for XDEMZY and ECPs to screen every patient. ECPs continue to tell us the same thing. XDEMZY is one of the biggest eye care breakthroughs in the past 2 decades. That comes down to 2 key factors: first, XDEMZY delivers outstanding clinical results; and second, our high-quality access is making it easier for them to prescribe and streamlining access for patients with many paying less than \$30. We're equally as excited about our DTC campaign. It's delivering a positive return on investment that continues to grow. Furthermore, we've seen a 90% increase xdemzy.com website visits and a 42% relative growth in unaided awareness since last quarter. This engagement and awareness are correlating to more office visits, more physician diagnosis and more patients receiving XDEMZY. We're also seeing a positive trend in retreatment behavior, which is steadily building. More than 10% of weekly prescriptions are now refills, and that number climbs into the mid- to high-teens amongst our earliest patient cohorts. While ECPs report the consistent efficacy they see with XDEMZY, we know that might can return over time and as many ECPs are now beginning to set clear expectations that XDEMZY is part of long-term patient management, we continue to expect retreatments will stabilize around 20% over time, providing another important contributor to our sustainable and strong growth. This kind of momentum gives us real conviction that we're building one of the best launches in history. When you zoom out, our progress is striking. Demodex blepharitis is now recognized as a mainstream condition. Physicians are screening for DB more broadly and treating more confidently across the various patient segments. Retreatments is

growing as XDEMZY becomes part of ongoing care and Tarsus has established a new standard in eye health. Our commercial engine is firing on all cylinders with awareness driving diagnosis, diagnosis driving treatment and positive treatment outcomes reinforcing confidence. It's a virtuous cycle fueling XDEMZY's path to our expectation of blockbuster plus success. In closing, I want to thank our incredible sales team. Their focus and execution is constantly setting a new bar and has been a key driver of our success. It's one of the largest and most experienced teams in eye care. And as Bobby mentioned earlier, it's just the beginning. With that, I'll turn it over to Jeff to walk through our financials and pipeline updates. Jeff?

Jeffrey S. Farrow: Thanks, Aziz. Q3 was another tremendous quarter with XDEMZY generating \$118.7 million in net product sales. To put a finer point on our results, we delivered double-digit growth in both prescription volumes and revenues in what, as Aziz mentioned, is typically a softer quarter across eye care due to holidays, vacations and fewer office visits. In the third quarter, we shipped more than 107,000 bottles to distributors and dispensed more than 103,000 bottles of XDEMZY to patients, above the top end of our guidance. Distributor inventory levels remained steady at around 2.5 weeks. As a reminder, we recognize revenue when XDEMZY is shipped from our warehouse to the distributors, not when bottles are dispensed to patients. Our gross-to-net discount was 44.7%, in line with the top end of our guidance and essentially flat to Q2, driven by 2 main factors: one, an adjustment to our accrual estimate for the Medicare Manufacturers Discount Program, or MDP, which was implemented earlier this year and added approximately 0.7% to the discount; and two, we saw an increase in Medicare patients entering the catastrophic category of coverage, where manufacturers bear a greater share of costs, a dynamic we expect to continue through year-end. Importantly, this gross-to-net performance reflects broad coverage and rising demand across a broader set of patients, especially Medicare patients, a key indicator of healthy, sustainable growth. It's clear our growth drivers are working in harmony, resulting in steady, weekly prescription gains, driven largely by new patient starts. For the fourth quarter, we expect XDEMZY net product sales to be in the range of \$140 million to \$145 million. While we continue to expect increases in weekly dispenses as compared to Q3, it is important to remember that fourth quarter demand is affected by several major conferences and holidays. Our Q4 guidance represents annual revenue of \$440 million to \$445 million, an amazing accomplishment at this stage in the launch. We also expect inventory levels to be consistent with Q3 at about 2.5 weeks; gross-to-net discounts to be in the range of 43% to 45%, driven by ongoing Medicare mix dynamics. Looking beyond 2025, we expect the gross-to-net discount to stabilize in a similar range. We are also expecting Q4 operating expenses to be higher than Q3, reflecting variable costs, tied to increased volumes and demand and an increase in our quarterly DTC investment, bringing our full year DTC investment to the top end of our provided range of \$70 million to \$80 million. Now, turning to our pipeline. Progress continues across all programs. We remain on track to initiate the Phase II study for TP-04 for ocular rosacea this year, with top-line data anticipated in 2026. We are excited about the potential to bring another category-creating medicine to millions of underserved patients. We anticipate beginning a Phase 2b study for TP-05, our oral, on-demand prophylactic for the potential prevention of Lyme disease in 2026. And we're continuing to evaluate strategic options, including partnerships that will enable us to advance the program efficiently and maximize long-term value. Likewise, we remain on track with international progress. Discussions with regulators in Japan are ongoing, and our preservative-free formulation in Europe remains on track for expected submission in 2026 with potential approval in 2027. Both represent sizable markets with significant unmet need and we're considering flexible commercial strategies from direct sales by Tarsus to partner models, leveraging third-party distribution. In summary, Q3 was another momentum-building quarter with strong execution, deeper adoption and meaningful impact across both commercial and clinical fronts. We anticipate this to continue into 2026 and beyond with a clear line of sight to blockbuster plus potential. Tarsus remains well-positioned to advance commercial growth, deliver key clinical milestones and pursue strategic opportunities that reinforce our leadership in eye care. We're proud of what we're building and even more excited about what's ahead. I will now turn the call back to Bobby for final remarks.

Bobak Azamian: Thank you, Jeff. This quarter was a standout in every way, operationally, financially and most importantly, in the impact we had on patients. Doctors are changing how they practice. Patients are finding real relief and XDEMZY is now part of everyday care for Demodex blepharitis. As

we look ahead, our priorities are clear, execute with excellence, broaden our pipeline, further our impact and continue building a company that defines what's possible in eye health. Operator, please open the line for questions.

Operator: [Operator Instructions] While we are waiting for the Q&A; roster, I will pass the call to Bobby.

Bobak Azamian: Thank you. I'd just like to highlight a couple of things before we get into the Q&A.; First, I am so proud of our progress to date, 8 quarters of growth, 147% year-over-year growth in Q3 is just phenomenal, and we see no end in sight to this growth. And that speaks to the power of category creation, which is what Tarsus is all about. We've talked about 2 pipeline programs already that have the potential to do that in ocular rosacea and Lyme. Looking forward to your questions.

Operator: And our first question coming from the line of Andreas Argyrides with Oppenheimer.

Andreas Argyrides: Congrats on the impressive progress in the quarter. You mentioned in the prepared remarks that doctors are changing their practice patterns and broadening their use of XDEM VY across a wider range of patients and partly due to the meibomian gland disease data. Can you just elaborate on what changes you're seeing and how broader use translates to the lift you are seeing in prescriptions?

Aziz Mottiwala: Yes. Thanks for that question. Really insightful when we talk about how the evolution of prescribing has progressed over the last several months. I think there is a few things to look into here. One is the broad base of prescribing that we highlighted last quarter that continues to grow modestly. I think the real opportunity here is the depth of prescribing we're seeing, which we highlighted in the prepared comments, where you're seeing the increase of 20% in our weekly prescribers, 30% of those who are writing multiple times a week and I think that's great evidence that they are changing their patterns. And we do see the MGD data as one of those drivers. I think it underpins almost every single patient that comes through the door, because what the doctors think about now is who should I be screening for Demodex blepharitis. And as they start their journey, they typically think about the obvious patient. But when they get more experience, they start thinking about other patients, their dry eye patient, their cataract surgery patient, their MGD patient, their contact lens patient. And MGD is such a prevalent disease that it helps the doctor think about the value of treatment beyond just MGD, but also in patients that have DB and other comorbidities. So for example, one of the data points there is fluctuating vision. So, if a doctor says, "Wow, DB can impact fluctuating vision, I might want to think about screening my cataract patients where post surgically, I want to avoid those visual fluctuations." So that's an example where doctors will have that progression. And then what will happen is they'll start to screen, say, their premium cataract patients, and then they'll expand to all of their cataract patients. And that's an example of how you see a doctor progressing from trial to weekly prescribing to being in that 30% growth bucket of writing multiple times a week. And as Bobby mentioned, we're at the conferences lately, and that's something you hear pretty, clearly from the doctors that that's the progression. I try it here, I see great success and then as I get that experience, I look for other opportunities as well.

Bobak Azamian: Yes. And I would just add to what Aziz said, I mean, what I heard from both optometrists and ophthalmologists is just that doctors are finding that XDEM VY works great, they find more and more reasons to treat patients with DB based on the data and the different comorbidities and I'm just really astounded by the 20,000-doctor figure. We've really broadened the audience for this, and I hear new doctors saying, "Wow, this is one of the best medicines I've seen." And so it's wind in our sails, and it's reasons why we think the growth is going to continue for a long time.

Operator: Our next question coming from the line of Eddie Hickman with Guggenheim.

Eddie Hickman: Congrats on the performance this quarter. Just a few questions for me. With regard to the refill rates, do you have any sense of the average time between initial filling and first refill? Is this within your expectations that these patients are coming back the next year, or are they coming back sooner? And what are you doing to keep those early adopters coming back at a minimum year after year? And then in light of the growth trajectory that you're seeing and guiding for, are you updating your internal peak sales estimate for XDEM VY?

Aziz Mottiwala: Yes, Eddie, thanks for that question. I'll take the first part, and I'll let Jeff handle the second. When it comes to refills, I think, we're seeing a real positive trend here. We highlighted this last quarter and we provide a little bit more color this quarter, right? So when you look on a weekly basis,

we're seeing just over 10% on a weekly basis in terms of what's a retreatment or refill versus the total volumes. And when you look on a cohort basis, meaning if you look at patients that were treated, say, a year ago, what they're getting, it's about in the mid-teens in terms of the retreatment rate. Both of those numbers are progressing positively and in line with our expectation that we could get to a 20% annualized retreatment rate. So, right where we think it should be and progressing nicely towards our expectations. What are we doing to maintain that and to continue that trend? There is a couple of things. I'd say, first and foremost, is education with the physicians and the patients that this is a chronic disease, XDEMZY works exceptionally well at getting rid of the disease acutely, but these might they do come back, and we do share with them the data of recurrence from our pivotal trials. And that encourages the doctors to put together a protocol where they're bringing the patients back. What that behavior looks like for each patient is a little different, some doctors are a little bit more proactive and they may say, I'm going to bring you back every 6 months. Some doctors will say, I'll wait until your annual exam. So I don't know if we can give you a precise average time, we look at different metrics, but that metric is moving as more doctors establish their protocols. I think the takeaway there is that it's moving in the right direction and in line with expectations. The other thing that we are doing is ensuring that our pharmacy distribution network is really helping those patients stay on therapy. So there is reminders that go out that second script is typically easier for the patient because they already have a report established at the pharmacy, they've already got all their information in the database, et cetera. So we've really streamlined the process, not just for patients to get the initial treatment, but also for those follow-up retreatments that are inevitable. So physician education, streamlined patient experience is going to continue a positive and in line trend that we expect.

Bobak Azamian: And I'll just add to that. I mean what I heard at the conferences was there's all sorts of different reasons people are getting refills, some patients, the doctor deems that they need a refill when they follow-up after the first treatment, of course, course of treatment. Others like my mom, they come back a year later and they have a new stye and they're seem to have DB again. So that is one thing that I think we can elucidate further through evidence among other areas, we're going to continue to study to fully describe what XDEMZY can do.

Jeffrey S. Farrow: Eddie, it's Jeff. Just to address your question on the peak. Look, we are thrilled with how we performed this third quarter, particularly when we look at some of our peers who were flat to down in terms of growth. We saw very robust growth in the third quarter, and we continue to expect to see fourth quarter growth. We're constantly evaluating our peak potential here, and I think, we still believe that this is a blockbuster plus potential. We're not ready to quantify that at this point, but we're continuing to see the sort of continued growth of this opportunity, and we expect next year to be a nice robust growth as well.

Operator: Our next question coming from the line of Bhavin Patel with Bank of America. Your line is now open.

Jason Gerberry: This is Jason on for Bhavin. With respect to TP-04 in the Phase II ocular rosacea, do you still need an FDA meeting before you start that trial? Just wondering where you stand with FDA alignment before starting that. And then just thinking to 2026 and just the general operational spending needs of the business, I wonder if you can give a little bit of insight there, that would be helpful.

Seshadri Neervannan: Jason, this is Sessa. Thank you for that question. With regards to the TP-04 study, no, we don't need another FDA conversation. We had a very robust and productive conversation with the FDA on the program sometime back as we had reported. And we are progressing towards starting a trial later this year. More details to come on the study itself.

Jeffrey S. Farrow: And Jason, with regards to your OpEx for 2026, we more or less think about it being in line with what we had spent here in 2025 in terms of the SG&A; spend. We expect OpEx to reflect the \$70 million to \$80 million DTC spend. The only thing I would highlight is there is a variable component, the more we sell, there's a certain aspect that will drop to the SG&A; line there. The second aspect is the ocular rosacea program that you talked about, we previously guided to \$7 million to \$10 million between 2025 and 2026. We still believe that's the right amount. And then the other area that could potentially add some OpEx spend that we're still evaluating whether we're going to move forward whether or not is the Lyme disease program Phase IIb study. So stay tuned on that one. But right now, I would think about those as the key components for OpEx for 2026.

Operator: And our next question coming from the line of Andrea Newkirk with Goldman Sachs.

Andrea Tan: Sesha, maybe another question for you, just following up on the last one regarding the TP-04 study in ocular rosacea. Can you just provide an update where things stand with developing the assays? And then do those need to be validated with the regulatory agencies before you're able to initiate the Phase II study?

Seshadri Neervannan: So the study preparations are ongoing as we expected. We are developing the scales in collaboration with our strong partnership with the ECPs. At this point, the FDA doesn't require validation per se, but we are obviously in conversation with the FDA and FDA gave us input earlier, as we had reported in our previous conversations. And so, we are progressing as planned.

Operator: And our next question coming from the line of Lachlan Hanbury-Brown with William Blair.

Lachlan Hanbury-Brown: First one, maybe, Jeff, just curious on the change from guiding to revenue from bottles. What was the thinking of the rationale behind that? And then second, maybe for Aziz, you've talked about wanting to see multiples of ROI on DTC, and it sounds like over the past few quarters, you've been seeing that, you've been seeing a pretty good impact. So kind of curious to think or to hear how you think about where you are in sort of reaching the peak effect of DTC and how much more impact is left there?

Jeffrey S. Farrow: Lachlan, it's Jeff. We evaluate, and I think we've mentioned this in the past on a quarter-by-quarter basis whether and what we're going to provide for guidance. And I think one of the reasons we held back on providing revenue guidance in the sort of past has been there has been some data points that we wanted to see evolve. And I think we've seen those data points evolve and in particular, the DTC impact. And so, I think we've got that behind us now. So our decision was to provide revenue guidance granted in the fourth quarter here understandably makes it a little bit easier, but we did feel it was the right time to do it.

Aziz Mottiwala: And in regards to DTC, I think, this has been a really exciting part of the launch, it had a really profound effect. I think before getting into the mechanics here, I think, a couple of things to highlight are the impact it's having, right? You're seeing the growth in awareness, the growth in website visits. Those are directly translating into prescriptions. Patients are getting more easily identified. You're hearing from doctors at all the meetings that patients are coming in proactively asking to be screened. When doctors make the diagnosis, that discussion with the patient is more streamlined. So there's a lot of color that's happening there that's really enabling us to have such an impact. And what we stated in the prepared comments is we're now experiencing a positive ROI. And I'll remind you, in the past, we've said that it takes a handful of quarters to get to that ROI point. So we're progressing really nicely. I go so far as to say that we're even ahead of schedule from what we expected early on. In terms of reaching the peak potential, I think, there is still a lot of room to see increased ROI from the DTC, right? We have a very high threshold. We want to see multiples, and we're seeing a positive ROI, we're trending slightly ahead of what we'd expect in terms of that impact, and that's reflected in the results here. And I'd expect that impact to continue to scale into next year as we get more and more time with these patients getting exposed to the ad multiple times, the doctors enhancing their experience and I think when you stack that on with the physician experience being so positive, the access being great, our sales force being continuously in these offices, I think, there is a lot of room to grow our impact with DTC. And I'm really excited to see how that takes hold into next year. And I think as Jeff mentioned, we expect it to be a good growth driver for us into the next year as well.

Operator: [Operator Instructions] Our next question is coming from the line of Cory Jubinville with LifeSci Capital.

Cory Jubinville: Congrats on the update. I guess just sticking with the DTC ROI math, you said it was positive and growing ROI with a plus 90% site traffic, plus 42% unaided awareness quarter-over-quarter. Can you just translate that at all to what an estimated customer acquisition cost or payback period might be? And then sticking with that as well, you mentioned that you're likely going to approach the top end of the range for DTC spend in 2025. How should we be thinking about that in 2026 and beyond? Is there a point at which you dial back DTC spend? And if so, what goes into that decision? And how should we be modeling out that time line?

Aziz Mottiwala: Thanks for the question, Cory. Yes, when it comes to DTC ROI, you can imagine we

look at a lot of different metrics, and we're really thoughtful about what we share. I think the metrics that you're highlighting are really important ones. But as you can imagine, the ROI here is scaling and things are moving pretty quickly, right? So we're not giving a point estimate on those right now, because they'd evolve in the coming weeks, and we've seen the DTC ROI impact scale. When we say it's growing, it's scaling on a week-to-week basis as we make our investments. I think our focus right now is to continue to sharpen those investments. So you learn, right, which programs are the best, where do you get the best placements, where do you see the best response to these patients. So we're continuing to do certain things to drive and catapult that ROI and scale it even further. And I think as we get more to a steady state, we can provide some of those detailed metrics over time. But right now, I think, the emphasis is on really making sure that that investment is driving direct diagnosis and treatment, which we're seeing, which is fantastic. And I think the plan is to continue to invest in that space. I would expect for 2026, a similar level of spend to this year. And I think beyond that, we're going to evaluate it. I think as you get to a certain level of education where patients become aware to a certain extent, doctors are really establishing their protocols, you can think about maybe pulsing this seasonally or having a different schedule where you might be able to do this even more efficiently. But right now, I think it's still a great opportunity to invest in this to find that education and get those patients into the office, because we're still relatively early in the journey. We've only treated about 400,000 patients out of 25 million Americans that are out there. So still some good work to do, and I'm excited that the ROI is as positive as it is now, and I think we have a clear path to continue to drive that growth.

Bobak Azamian: And I would just add, coming off the conferences, there were 2 themes of ROI at the clinic level that I heard. One was some patients are coming in asking for XDEM VY by name or asking, do I have mites? And the second, I think that's a real ease for the doctor as well as the conversation around mites has become more straightforward. Patients have heard of this disease. They say, okay, I saw that commercial. I know what you're talking about. So on the ground, tangible impact, and I think, the ECPs are pleased with the progress of that as well.

Operator: Our next question coming from the line of Dennis Ding with Jefferies.

Yuchen Ding: I'm going to ask a bit of a longer-term question, and that's on ocular rosacea. So what's the clinical, meaningful benefit on erythema, et cetera., in Phase II? And what are the various pushes and pulls on the magnitude of benefit either through disease severity or how refractory patients are to standard of care? And then number two, remind us what you saw in Phase II for papulopustular rosacea, if that could in some way help derisk ocular rosacea specifically, how similar are the underlying drivers of the inflammation seen in both that you feel like can be addressed with TP-04?

Bobak Azamian: Ding, could I just clarify that before I pass to Sessa. The first question was what aspect of clinical meaningful benefit? Could you clarify, please?

Yuchen Ding: Yes on erythema and whatever other endpoints that you guys decide to include in the Phase II?

Bobak Azamian: The question is what level would be a clinically meaningful level?

Yuchen Ding: That's correct.

Bobak Azamian: Okay. Great. Sessa please.

Seshadri Neervannan: Thank you, Bobby. And thank you for that question. So on the first point of the endpoints, talking to the ECPs and listening to our ECPs, the key hallmark features of the disease are prominent blood vessels that you see that we call telangiectasia in eyelids and eyelid margin. That is one of the key discerning and prominent feature of ocular rosacea as well as redness on the lids and the area around the eye, around the lids and it is called preocular region. So those are the key hallmark features of the disease, and we are really looking to establish the measures around those 2 particular aspects. And so these are features that develop over time, and we are looking to reduce the severity of these 2 measures, and that's our approach at this point. And in terms of the papulopustular rosacea, yes, papulopustular rosacea, we did a study, as you correctly pointed out, some time back. And we had very good results in the key measures for papulopustular rosacea. In fact, the approvable endpoint -- the regulatory endpoints for that indications are lesion improvement, as well as a composite endpoint of investigator-grade assessment. And we actually had very robust, statistically significant improvement in both those measures over vehicle in that particular study, which gives us a lot of confidence, as you mentioned. And we also measured erythema in that study where we also saw a reduction in erythema.

And coupled with that, as you may recall, in our Saturn studies with XDEMVY, we also saw significant and meaningful cures, erythema cures, lid margin erythema cures for XDEMVY. So, we know the drug works in reducing redness. And so that is propelling our confidence in going into the study.

Bobak Azamian: And I'll just add from conversations with the doctors, I think, from their perspective, any level of improvement in ocular rosacea is going to be meaningful. The telangiectasias can easily be seen by the doctors and the redness on the lids is what brings patients in. So as Sessa said, these are new measures, a pioneering study, and we're hopeful to see those type of reductions that will make a difference for doctors in these patients.

Operator: Our next question coming from the line of Matthew Caufield with H.C. Wainwright.

Matthew Caufield: Great to see the XDEMVY and pipeline progress. And thanks for taking our question. I was curious if there's any further granularity on the traction you're getting between optometrists compared to ophthalmologists and if the greatest untapped market and focus is among that optometrist population for potential prescriptions?

Aziz Mottiwala: Yes, it's a great question. We see great traction with both ophthalmology and optometry. Historically, and even currently, we're seeing about 65% or so of the volume coming from optometry and the balance from ophthalmology. So a good mix, and that's been relatively consistent through the launch. In terms of the opportunity, I think, both audiences are really important to us. I think optometrist does a lot of the in-clinic work, there are some practice dynamics that are very favorable to optometrists here that, I think, they're capitalizing on in terms of being able to have patients stay in the practice, switching to medical insurance to treat a medical condition with Demodex blepharitis. So these things are really important factors for the optometrists. We obviously focus a lot of our sales time and educational efforts with those optometrists, but we also spend a lot of time talking to the ophthalmologists. And for ophthalmologists, cataract patients are their bread and butter. And that is a core segment for us where we see a high prevalence of Demodex blepharitis, and we know that, that inflammation and irritation of the disease can impact their surgical outcomes. So they're very motivated to screen these patients, to find these patients and to make sure that they're getting a clean, healthy eyelid around that surgical outcome. So I think great trends on both. When you look at top prescribing, there is a good mix of both ophthalmology and optometry. And our focus going forward will continue to be educating the optometrists directly and also providing that right emphasis on ophthalmology as well. So I think they go hand in hand. And I think the great thing here is that we're seeing great results from both. And as Bobby mentioned, we just came back from back-to-back academy meetings. And I can tell you, while the practice dynamics might be a little different, the one thing that you hear consistently from both ophthalmologists and optometrists is, one, the top users are saying they're still finding incremental opportunities to utilize XDEMVY. And 2, sort of rank-and-file users are having a great experience, and they're very encouraged with the ease of access, which is really opening their aperture to think about a broader set of patients. Both of those types of feedback are really encouraging for the future potential for the brand going forward.

Operator: And there are no further questions in the Q&A; queue at this time. Ladies and gentlemen, this concludes today's conference call. Thank you for participating, and you may now disconnect.