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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2026
or

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

For the transition period from _____ to _____
Commission File Number: 001-34186

VANDA PHARMACEUTICALS INC.
(Exact name of registrant as specified in its charter)

Delaware	**03-0491827**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2200 Pennsylvania Avenue NW, Suite 300E
Washington, DC 20037
(202) 734-3400
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
Common Stock, par value $0.001 per share	**VNDA**	**The Nasdaq Global Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 22, 2026, there were 60,469,687 shares of the registrant's common stock issued and outstanding.

Vanda Pharmaceuticals Inc.

Quarterly Report on Form 10-Q
For the Quarter Ended September 30, 2026

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q (Quarterly Report) contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). Words such as, but not limited to, "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," "target," "goal," "likely," "will," "would," and "could," or the negative of these terms and similar expressions or words, identify forward-looking statements. Forward-looking statements are based upon current expectations and assumptions that involve risks, changes in circumstances and uncertainties. If the risks, changes in circumstances or uncertainties materialize or the assumptions prove incorrect, the results of Vanda Pharmaceuticals Inc. (we, our, the Company or Vanda) may differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements in this Quarterly Report may include, but are not limited to, statements about:

- our ability to continue to generate United States (U.S.) sales of Fanapt® (iloperidone) oral tablets for the acute treatment of manic or mixed episodes associated with bipolar I disorder and the treatment of schizophrenia;
- our ability to commercialize BYSANTI™ (milsaperidone) for the acute treatment of manic or mixed episodes associated with bipolar I disorder and the treatment of schizophrenia;
- our ability to obtain approval from the U.S. Food and Drug Administration (FDA) for BYSANTI™ for major depressive disorder (MDD);
- our ability to continue to generate sales of HETLIOZ® (tasimelteon) capsules for the treatment of Non-24-Hour Sleep-Wake Disorder (Non-24) in the U.S., in light of existing and potential generic competition, and Europe and HETLIOZ® capsules and oral suspension (HETLIOZ LQ®) for the treatment of nighttime sleep disturbances in Smith-Magenis syndrome (SMS) in the U.S.;
- our ability to obtain approval from the FDA for HETLIOZ® beyond the currently approved indications;
- our ability to increase market awareness of Non-24 and SMS and market acceptance of HETLIOZ®;
- our ability to continue to generate sales of PONVORY® (ponesimod) tablets for the treatment of adults with relapsing forms of multiple sclerosis, including clinically isolated syndrome, relapsing-remitting disease and active secondary progressive disease in the U.S.;
- our ability to obtain approval from the FDA for PONVORY® beyond the currently approved indications;
- our ability to generate sales of NEREUS™ (tradipitant) capsules for the prevention of vomiting induced by motion in the U.S., including through direct-to-consumer sales with the nereus.us website;
- our ability to obtain approval from the FDA for NEREUS™ for the prevention of vomiting induced by GLP-1 receptor agonists and the treatment of gastroparesis;
- our ability to obtain approval from the FDA for Quimilza™ (imsidolimab) for the treatment of generalized pustular psoriasis;
- our level of success in commercializing our products in new markets;
- our ability to overcome the continued reimbursement and patient access challenges we face as a result of third-party payor coverage;
- our dependence on third-party manufacturers to manufacture our commercial products in sufficient quantities and quality;
- our ability to prepare, file, prosecute, defend and enforce any patent claims and other intellectual property rights;
- our ability to maintain rights to develop and commercialize our products under our license agreements;
- our ability to obtain and maintain regulatory approval of our products and the labeling for any approved products;
- our expectations regarding the timing and success of preclinical studies and clinical trials;
- the safety and efficacy of our products;
- regulatory developments in the U.S., Europe and other jurisdictions;
- limitations on our ability to utilize some or all of our prior net operating losses and orphan drug and research and development credits;

- our expectations regarding the size and growth of the current and potential markets for our products and our ability to serve those markets;
- our expectations regarding trends with respect to our revenues, costs, liabilities and cash, cash equivalents and marketable securities;
- our ability to identify or obtain rights to new products;
- our ability to attract and retain key scientific or management personnel;
- our expectations regarding the cost, time frame, outcome, insurance coverage and effects of any litigation or other dispute;
- our ability to obtain the capital necessary to fund our research and development or commercial activities;
- potential losses incurred from product liability claims made against us; and
- the use of our existing cash, cash equivalents and marketable securities.

All forward-looking statements in this report are expressly qualified in their entirety by the cautionary statements contained throughout this report. We caution you not to rely too heavily on such forward-looking statements. Each forward-looking statement speaks only as of the date of this Quarterly Report, and we undertake no obligation, and specifically decline any obligation, to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

We encourage you to read Part I, Item 2, *Management's Discussion and Analysis of Financial Condition and Results of Operations,* and our unaudited condensed consolidated financial statements contained in this Quarterly Report. In addition to the risks described in Part I, Item 1A, *Risk Factors*, of our annual report on Form 10-K (Annual Report) for the fiscal year ended December 31, 2025 and in Part II, Item 1A, *Risk Factors*, of any Quarterly Report filed subsequent to our Annual Report, other unknown or unpredictable factors could also affect our results. Therefore, the information in this report should be read together with other reports and documents that we file with the Securities and Exchange Commission from time to time, including on Form 10-Q and Form 8-K, which may supplement, modify, supersede or update those risk factors. As a result of these factors, we cannot assure you that the forward-looking statements in this report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all.

Part I — FINANCIAL INFORMATION

ITEM 1 Financial Statements (Unaudited)

VANDA PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(in thousands, except for share and per share amounts)	September 30, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 61,933	$ 84,851
Marketable securities	78,561	178,996
Accounts receivable, net	60,316	54,578
Inventory	1,528	1,852
Prepaid expenses and other current assets	36,129	26,985
Total current assets	238,467	347,262
Property and equipment, net	3,029	2,248
Operating lease right-of-use assets	14,225	3,923
Finance lease right-of-use assets	5,949	7,343
Intangible assets, net	111,128	117,089
Non-current inventory and other	9,529	11,083
Total assets	$ 382,327	$ 488,948
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 60,588	$ 68,297
Product revenue allowances	94,392	76,865
Total current liabilities	154,980	145,162
Operating lease non-current liabilities	14,949	2,991
Finance lease non-current liabilities	2,345	4,076
Other non-current liabilities	10,195	9,533
Total liabilities	182,469	161,762
Commitments and contingencies (Notes 8 and 14)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 20,000,000 shares authorized, and no shares issued or outstanding at September 30, 2026 and December 31, 2025	—	—
Common stock, $0.001 par value; 150,000,000 shares authorized; 60,469,187 and 59,101,630 shares issued and outstanding at September 30, 2026 and December 31, 2025, respectively	60	59
Additional paid-in capital	728,272	721,264
Accumulated other comprehensive income (loss)	(66)	629
Accumulated deficit	(528,408)	(394,766)
Total stockholders' equity	199,858	327,186
Total liabilities and stockholders' equity	$ 382,327	$ 488,948

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VANDA PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(in thousands, except for share and per share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Revenues:				
Net product sales	$ 69,815	$ 56,258	$ 172,062	$ 158,889
Total revenues	69,815	56,258	172,062	158,889
Operating expenses:				
Cost of goods sold excluding amortization	4,152	2,954	10,871	9,211
Research and development	27,622	22,563	93,010	80,265
Selling, general and administrative	59,575	60,273	199,774	174,973
Intangible asset amortization	1,987	1,752	5,961	5,255
Total operating expenses	93,336	87,542	309,616	269,704
Loss from operations	(23,521)	(31,284)	(137,554)	(110,815)
Other income, net	1,133	2,894	4,358	10,170
Loss before income taxes	(22,388)	(28,390)	(133,196)	(100,645)
Provision (benefit) for income taxes	174	(5,804)	446	(21,358)
Net loss	$ (22,562)	$ (22,586)	$ (133,642)	$ (79,287)
Net loss per share:				
Basic	$ (0.37)	$ (0.38)	$ (2.23)	$ (1.35)
Diluted	$ (0.37)	$ (0.38)	$ (2.23)	$ (1.35)
Weighted average shares outstanding:				
Basic	60,465,170	59,091,478	60,054,252	58,873,268
Diluted	60,465,170	59,091,478	60,054,252	58,873,268

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VANDA PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)

(in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Net loss	$ (22,562)	$ (22,586)	$ (133,642)	$ (79,287)
Other comprehensive income (loss):				
Net foreign currency translation gain (loss)	(5)	(3)	(26)	82
Change in net unrealized gain (loss) on marketable securities	(99)	190	(669)	496
Tax provision on other comprehensive income (loss)	—	(43)	—	(112)
Other comprehensive income (loss), net of tax	(104)	144	(695)	466
Comprehensive loss	$ (22,666)	$ (22,442)	$ (134,337)	$ (78,821)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VANDA PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

(in thousands, except for share amounts)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Par Value				
Balances at December 31, 2025	59,101,630	$ 59	$ 721,264	$ 629	$ (394,766)	$ 327,186
Issuance of common stock from the exercise of stock options and settlement of equity awards	1,033,432	1	(1)	—	—	—
Stock-based compensation expense	—	—	2,563	—	—	2,563
Net loss	—	—	—	—	(48,567)	(48,567)
Other comprehensive loss, net of tax	—	—	—	(417)	—	(417)
Balances at March 31, 2026	60,135,062	$ 60	$ 723,826	$ 212	$ (443,333)	$ 280,765
Issuance of common stock from the exercise of stock options and settlement of equity awards	319,625	—	—	—	—	—
Stock-based compensation expense	—	—	2,107	—	—	2,107
Net loss	—	—	—	—	(62,513)	(62,513)
Other comprehensive loss, net of tax	—	—	—	(174)	—	(174)
Balances at June 30, 2026	60,454,687	$ 60	$ 725,933	$ 38	$ (505,846)	$ 220,185
Issuance of common stock from the exercise of stock options and settlement of equity awards	14,500	—	—	—	—	—
Stock-based compensation expense	—	—	2,339	—	—	2,339
Net loss	—	—	—	—	(22,562)	(22,562)
Other comprehensive loss, net of tax	—	—	—	(104)	—	(104)
Balances at September 30, 2026	60,469,187	$ 60	$ 728,272	$ (66)	$ (528,408)	$ 199,858

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VANDA PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited) (Continued)

(in thousands, except for share amounts)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares	Par Value				
Balances at December 31, 2024	58,310,644	$ 58	$ 712,706	$ 74	$ (174,292)	$ 538,546
Issuance of common stock from the exercise of stock options and settlement of equity awards, net of shares withheld for taxes	623,338	1	(916)	—	—	(915)
Stock-based compensation expense	—	—	2,971	—	—	2,971
Net loss	—	—	—	—	(29,494)	(29,494)
Other comprehensive income, net of tax	—	—	—	309	—	309
Balances at March 31, 2025	58,933,982	$ 59	$ 714,761	$ 383	$ (203,786)	$ 511,417
Issuance of common stock from the exercise of stock options and settlement of equity awards	146,648	—	—	—	—	—
Stock-based compensation expense	—	—	2,106	—	—	2,106
Net loss	—	—	—	—	(27,207)	(27,207)
Other comprehensive income, net of tax	—	—	—	13	—	13
Balances at June 30, 2025	59,080,630	$ 59	$ 716,867	$ 396	$ (230,993)	$ 486,329
Issuance of common stock from the exercise of stock options and settlement of equity awards	15,000	—	—	—	—	—
Stock-based compensation expense	—	—	2,112	—	—	2,112
Net loss	—	—	—	—	(22,586)	(22,586)
Other comprehensive income, net of tax	—	—	—	144	—	144
Balances at September 30, 2025	59,095,630	$ 59	$ 718,979	$ 540	$ (253,579)	$ 465,999

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VANDA PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Cash flows from operating activities		
Net loss	$ (133,642)	$ (79,287)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	783	799
Stock-based compensation	7,009	7,189
Amortization of premiums and accretion of discounts on marketable securities	(208)	(1,797)
Intangible asset amortization	5,961	5,255
Right-of-use asset amortization	4,050	2,694
Deferred income taxes	—	(21,743)
Other non-cash adjustments, net	1,094	1,583
Changes in operating assets and liabilities:		
Accounts receivable	(5,789)	(3,388)
Prepaid expenses and other assets	(8,741)	(6,123)
Inventory	330	(2,186)
Accounts payable and other liabilities	1,685	6,743
Product revenue allowances	17,745	10,236
Net cash used in operating activities	(109,723)	(80,025)
Cash flows from investing activities		
Acquisition of intangible asset	(10,000)	—
Purchases of property and equipment	(722)	(896)
Purchases of marketable securities	—	(110,347)
Sales and maturities of marketable securities	99,974	161,237
Net cash provided by investing activities	89,252	49,994
Cash flows from financing activities		
Principal payments on finance leases	(2,509)	(1,351)
Tax obligations paid in connection with settlement of restricted stock units	—	(915)
Net cash used in financing activities	(2,509)	(2,266)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(42)	3
Net change in cash, cash equivalents and restricted cash	(23,022)	(32,294)
Cash, cash equivalents and restricted cash		
Beginning of period	85,320	102,785
End of period	$ 62,298	$ 70,491

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VANDA PHARMACEUTICALS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Business Organization and Presentation

Business Organization

Vanda Pharmaceuticals Inc. (the Company or Vanda) is a global biopharmaceutical company focused on the development and commercialization of innovative therapies to address high unmet medical needs and improve the lives of patients. The Company commenced its operations in 2003.

The Company's commercial portfolio is currently comprised of five products: Fanapt® (iloperidone) and BYSANTI™ (milsaperidone) for the acute treatment of manic or mixed episodes associated with bipolar I disorder and the treatment of schizophrenia, HETLIOZ® (tasimelteon) for the treatment of Non-24-Hour Sleep-Wake Disorder (Non-24) and for the treatment of nighttime sleep disturbances in Smith-Magenis syndrome (SMS), PONVORY® (ponesimod) for the treatment of relapsing forms of multiple sclerosis (RMS) including clinically isolated syndrome, relapsing-remitting disease and active secondary progressive disease and NEREUS™ (tradipitant) for the prevention of vomiting induced by motion (collectively, the Company's commercial products). In addition, the Company has a number of drugs and/or additional indications for current products in development, including:

- Fanapt® long acting injectable (LAI) formulation for the treatment of schizophrenia and hypertension;
- BYSANTI™ for major depressive disorder (MDD);
- HETLIOZ® for the treatment of jet lag disorder, insomnia, pediatric insomnia, delayed sleep-wake phase disorder (DSWPD) and pediatric Non-24;
- PONVORY® for the treatment of ulcerative colitis and psoriasis;
- Quimilza™ (imsidolimab), an IL-36R antagonist, for the treatment of generalized pustular psoriasis (GPP);
- NEREUS™ for the prevention of vomiting induced by GLP-1 receptor agonists and the treatment of gastroparesis;
- VQW-765, a small molecule alpha-7 nicotinic acetylcholine receptor partial agonist, for the treatment of social/performance anxiety and psychiatric disorders;
- Portfolio of Cystic Fibrosis Transmembrane Conductance Regulator (CFTR) activators and inhibitors, including VSJ-110 for the treatment of dry eye and ocular inflammation and VPO-227 for the treatment of secretory diarrhea disorders, including cholera;
- VTR-297, a small molecule histone deacetylase (HDAC) inhibitor, for the treatment of hematologic malignancies and onychomycosis and with potential use as a treatment for several oncology indications; and
- Antisense oligonucleotide (ASO) molecules, including VGA-157A for Parkinson's disease, VCA-894A for the treatment of Charcot-Marie-Tooth Disease, Type 2S (CMT2S), caused by cryptic slice site variants within the IGHMBP2 gene and VGT-1849A for the treatment of polycythemia vera (PV), a form of a rare hematologic malignancy.

Based on the Company's current operating plans, which include continued investment in support of its commercial products, including the ongoing commercial launch of NEREUS™ for the prevention of vomiting induced by motion, which became commercially available in the United States (U.S.) in May 2026, and the upcoming commercial launch of BYSANTI™ for the acute treatment of manic or mixed episodes associated with bipolar I disorder and for the treatment of schizophrenia, continued clinical development of its commercial and other products, pursuit of regulatory approval of Quimilza™, pursuit of further regulatory approvals for its currently approved products and payments due upon achievement of milestones under its license agreements, the Company believes that its cash, cash equivalents and marketable securities and cash received from product sales will be sufficient for at least the next 12 months as of the date the financial statements were issued. The Company's activities will necessitate significant working capital through 2026 and beyond, and future cash requirements and the adequacy of its available funds will depend on many factors, primarily including the Company's ability to generate revenue, the scope and costs of its commercial, manufacturing and process development activities, including the commercial launches of NEREUS™ and BYSANTI™, a potential regulatory approval of Quimilza™, the magnitude of its discovery, preclinical and clinical development programs and potential costs to acquire or license the rights to additional products. The Company may need or desire to obtain additional capital to finance its operations through debt, equity or alternative financing arrangements. The Company may also seek capital through collaborations or partnerships with other companies. If the Company is unable to obtain additional financing, it may be required to reduce the scope of its future activities.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Vanda Pharmaceuticals Inc. and its wholly-owned subsidiaries and have been prepared in accordance with United States generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the Company's consolidated financial statements and accompanying notes included in the Company's annual report on Form 10-K (Annual Report) for the fiscal year ended December 31, 2025. The financial information as of September 30, 2026 and for the three and nine months ended September 30, 2026 and 2025 is unaudited, but in the opinion of management, all adjustments considered necessary for a fair statement of the results for these interim periods have been included. All intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated balance sheet data as of December 31, 2025 was derived from audited financial statements but does not include all disclosures required by GAAP. The results of the Company's operations for any interim period are not necessarily indicative of the results that may be expected for any other interim period or any future year or period.

2. Summary of Significant Accounting Policies

There have been no material changes to the significant accounting policies previously disclosed in the Annual Report.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reported periods. Management continually re-evaluates its estimates, judgments and assumptions, and management's evaluation could change. Actual results could differ from those estimates under different assumptions or conditions.

Cash, Cash Equivalents and Restricted Cash

For purposes of the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Cash Flows, cash equivalents represent highly-liquid investments with a maturity date of three months or less at the date of purchase. Cash and cash equivalents include investments in money market funds with commercial banks and financial institutions and commercial paper of high-quality corporate issuers. Restricted cash relates primarily to amounts held as collateral for letters of credit for office space leases at the Company's Washington, D.C. headquarters.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheets to the total end of period cash, cash equivalents and restricted cash reported within the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2026 and 2025:

(in thousands)	September 30, 2026	September 30, 2025
Cash and cash equivalents	$ 61,933	$ 70,022
Restricted cash included in:		
Prepaid expenses and other current assets	—	103
Non-current inventory and other	365	366
Total cash, cash equivalents and restricted cash	$ 62,298	$ 70,491

Revenue from Net Product Sales

Net sales by product for the three and nine months ended September 30, 2026 and 2025 were as follows:

	Three Months Ended		Nine Months Ended	
(in thousands)	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Fanapt® net product sales	$ 38,765	$ 31,245	$ 104,314	$ 84,084
HETLIOZ® net product sales	21,689	17,978	43,212	55,042
PONVORY® net product sales	7,749	7,035	21,895	19,763
NEREUS™ net product sales	1,612	—	2,641	—
Total net product sales	$ 69,815	$ 56,258	$ 172,062	$ 158,889

Since the entrance of generic competition in the first quarter of 2023, HETLIOZ® dispenses have decreased. Additionally, inventory levels at the Company's specialty pharmacy customers have been elevated relative to inventory levels prior to the entrance of generic competition. HETLIOZ® net product sales have been and may continue to fluctuate from quarter to quarter depending on when specialty pharmacy customers purchase again. HETLIOZ® net product sales may decline in future periods, potentially significantly, related to continued generic competition in the U.S. The volume in the third quarter of 2026 includes the recognition of revenue totaling approximately $7.0 million for orders that were shipped on June 29, 2026 and arrived on July 1, 2026, which is the point at which control is transferred to the customer.

NEREUS™ became commercially available in the U.S. in May 2026. During the second quarter of 2026, there was an initial stocking of NEREUS™ by wholesalers. The Company constrained NEREUS™ net product sales to these wholesaler customers for the three and nine months ended September 30, 2026 to an amount not probable of significant revenue reversal due to the uncertainties of patient demand and product returns related to the elevated levels of inventory on hand at wholesalers.

The Company recognized an increase to net product sales of $3.8 million and $5.8 million during the nine months ended September 30, 2026 and 2025, respectively, for changes in estimates on variable consideration for performance obligations satisfied in previous periods across the Company's commercial products. The elevated levels of HETLIOZ® inventory have resulted in longer periods to resolve uncertainties related to variable consideration. Furthermore, an amount of variable consideration related to Fanapt® net product sales is subject to dispute, of which approximately $3.0 million was recognized for the three months ended December 31, 2025. An amount of variable consideration related to PONVORY® net product sales is also subject to dispute, of which approximately $3.0 million was recognized for the three months ended December 31, 2024. The Company's balance of rebates and chargebacks was $69.8 million and $63.4 million as of September 30, 2026 and December 31, 2025, respectively. The Company's balance of discounts, returns and other product allowances was $25.7 million and $14.7 million as of September 30, 2026 and December 31, 2025, respectively.

Major Customers

Fanapt® and NEREUS™ are available in the U.S. for distribution through a limited number of wholesalers and are also available in retail pharmacies. In addition, NEREUS™ is available by prescription directly through the nereus.us website. HETLIOZ® is available in the U.S. for distribution through a limited number of specialty pharmacies and is not available in retail pharmacies. PONVORY® is available in the U.S. for distribution primarily through a limited number of specialty distributors and specialty pharmacies. The Company invoices and records revenue when its customers, wholesalers, specialty pharmacies and specialty distributors, receive product from the third-party logistics warehouse, which is the point at which control is transferred to the customer. Revenues and accounts receivable are concentrated with these customers. Outside the U.S., the Company has a distribution agreement for the commercialization of Fanapt® in Israel and sells HETLIOZ® in Germany. There were four major customers that each accounted for more than 10% of total revenues and, as a group, represented 77% of total revenues for the nine months ended September 30, 2026. There were four major customers that each accounted for more than 10% of accounts receivable and, as a group, represented 78% of total accounts receivable at September 30, 2026. Receivables are carried at the transaction price paid by wholesalers, specialty pharmacies and specialty distributors, net of estimated prompt-pay discounts and allowance for credit losses. Payment terms differ by customer but are based on customary commercial terms and typically range between thirty and sixty days. Allowance for credit losses is measured using historical loss rates based on the aging of receivables and incorporating current conditions and forward-looking estimates.

Recent Accounting Pronouncements

In November 2024, the Financial Accounting Standards Board (FASB) issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Topic 220-40), which addresses the disaggregation of income statement expenses. This standard is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. The Company is evaluating this standard to determine if adoption will have a material impact on the Company's consolidated financial statements.

3. Marketable Securities

The following is a summary of the Company's available-for-sale marketable securities as of September 30, 2026, which all have contractual maturities of less than two years:

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
U.S. Treasury and government agencies	$ 64,788	$ 5	$ (65)	$ 64,728
Corporate debt	13,868	—	(35)	13,833
Total marketable securities	$ 78,656	$ 5	$ (100)	$ 78,561

The following is a summary of the Company's available-for-sale marketable securities as of December 31, 2025, which all have contractual maturities of less than two years:

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
U.S. Treasury and government agencies	$ 153,212	$ 523	$ —	$ 153,735
Corporate debt	25,210	51	—	25,261
Total marketable securities	$ 178,422	$ 574	$ —	$ 178,996

4. Fair Value Measurements

Authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1 — defined as observable inputs such as quoted prices in active markets
- Level 2 — defined as inputs other than quoted prices in active markets that are either directly or indirectly observable
- Level 3 — defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions

The Company's assets classified in Level 1 and Level 2 as of September 30, 2026 and December 31, 2025 consist of cash equivalents and available-for-sale marketable securities. The valuation of Level 1 instruments is determined using a market approach and is based upon unadjusted quoted prices for identical assets in active markets. The valuation of Level 2 instruments is also determined using a market approach based upon quoted prices for similar assets in active markets, or other inputs that are observable for substantially the full term of the financial instrument. Level 2 securities include certificates of deposit, commercial paper and corporate notes that use as their basis readily observable market parameters.

The Company held certain assets that are required to be measured at fair value on a recurring basis as of September 30, 2026, as follows:

		Fair Value Measurement as of September 30, 2026 Using		
(in thousands)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury and government agencies	$ 64,728	$ 64,728	$ —	$ —
Corporate debt	13,833	—	13,833	—
Total assets measured at fair value	$ 78,561	$ 64,728	$ 13,833	$ —

The Company held certain assets that are required to be measured at fair value on a recurring basis as of December 31, 2025, as follows:

		Fair Value Measurement as of December 31, 2025 Using		
(in thousands)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury and government agencies	$ 153,735	$ 153,735	$ —	$ —
Corporate debt	25,261	—	25,261	—
Total assets measured at fair value	$ 178,996	$ 153,735	$ 25,261	$ —

Total assets measured at fair value as of September 30, 2026 and December 31, 2025 include no cash equivalents.

The Company also has financial assets and liabilities not required to be measured at fair value on a recurring basis, which primarily consist of cash, accounts receivable, restricted cash, accounts payable and accrued liabilities and product revenue allowances, the carrying values of which materially approximate their fair values.

5. Inventory

Inventory consisted of the following as of September 30, 2026 and December 31, 2025:

(in thousands)	September 30, 2026	December 31, 2025
Current assets		
Work-in-process	$ 33	$ —
Finished goods	1,495	1,852
Total inventory, current	$ 1,528	$ 1,852
Non-Current assets		
Raw materials	$ 934	$ 934
Work-in-process	5,550	5,996
Finished goods	1,640	2,238
Total inventory, non-current	8,124	9,168
Total inventory	$ 9,652	$ 11,020

Inventory, which is recorded at the lower of cost or net realizable value, includes the cost of third-party manufacturing and other direct and indirect costs and is valued using the first-in, first-out method. The Company evaluates the risk of excess inventory and product expiry by evaluating current and future product demand relative to product shelf life, taking into account all possible alternative uses for the inventory available in the ordinary course of business. The Company builds demand forecasts by considering factors such as, but not limited to, overall market potential, market share, market acceptance, patient usage and generic competition. The Company's inventory balance consisted of $6.6 million of HETLIOZ® product and $3.1 million of other products as of September 30, 2026. The Company's inventory balance consisted of $7.8 million of HETLIOZ® product and $3.2 million of other products as of December 31, 2025.

6. Intangible Assets

HETLIOZ®. In January 2014, the United States Food and Drug Administration (FDA) approved the New Drug Application (NDA) for HETLIOZ®. As a result of this approval, the Company met a milestone under its license agreement with Bristol-Myers Squibb (BMS) that required the Company to make a license payment of $8.0 million to BMS. In April 2018, the Company met its final milestone under its license agreement with BMS when cumulative worldwide sales of HETLIOZ® reached $250.0 million. As a result of the achievement of this milestone, the Company made a payment to BMS of $25.0 million in 2018. These milestone payments were determined to be additional consideration for the acquisition of HETLIOZ® and capitalized as an intangible asset and are being amortized on a straight-line basis over the estimated economic useful life of the related product patents.

PONVORY®. In December 2023, the Company acquired the U.S. and Canadian rights to PONVORY® from Actelion Pharmaceuticals Ltd. (Janssen), a Johnson & Johnson Company. The total purchase price of $104.9 million, $100.7 million of which was paid in 2023 and the remaining $4.2 million in 2024, was allocated to the acquired intangible asset for the U.S. and

Canadian rights to PONVORY®. The PONVORY® intangible asset is being amortized on a straight-line basis over the estimated economic useful life of the related product rights.

NEREUS™. In December 2025, the FDA approved the NDA for NEREUS™. As a result of this approval, the Company met a milestone under its license agreement with Eli Lilly and Company (Lilly) that required the Company to make a license payment of $10.0 million to Lilly, which was accrued in the Company's Consolidated Balance Sheets as of December 31, 2025 and represented a non-cash investing activity for the year ended December 31, 2025, and was paid in the first quarter of 2026. This milestone obligation was determined to be additional consideration for the acquisition of NEREUS™ and capitalized as an intangible asset and is being amortized on a straight-line basis over the estimated economic useful life of the related product patents.

The following is a summary of the Company's amortizing intangible assets as of September 30, 2026:

		September 30, 2026		
(in thousands)	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
HETLIOZ®	2035	$ 33,000	$ 19,960	$ 13,040
PONVORY®	2042	104,894	16,100	88,794
NEREUS™	2036	10,000	706	9,294
Total amortizing intangible assets		$ 147,894	$ 36,766	$ 111,128

The following is a summary of the Company's amortizing intangible assets as of December 31, 2025:

		December 31, 2025		
(in thousands)	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
HETLIOZ®	2035	$ 33,000	$ 18,863	$ 14,137
PONVORY®	2042	104,894	11,942	92,952
NEREUS™	2036	10,000	—	10,000
Total amortizing intangible assets		$ 147,894	$ 30,805	$ 117,089

As of September 30, 2026 and December 31, 2025, the Company also had $27.9 million of fully amortized intangible assets related to Fanapt®.

Intangible assets are amortized over their estimated useful economic life using the straight-line method. Amortization expense was $2.0 million and $1.8 million for the three months ended September 30, 2026 and 2025, respectively. Amortization expense was $6.0 million and $5.3 million for the nine months ended September 30, 2026 and 2025, respectively.

The following is a summary of the future intangible asset amortization schedule as of September 30, 2026:

(in thousands)	Total	2026	2027	2028	2029	2030	Thereafter
HETLIOZ®	$ 13,040	$ 365	$ 1,463	$ 1,463	$ 1,463	$ 1,463	$ 6,823
PONVORY®	88,794	1,386	5,544	5,544	5,544	5,544	65,232
NEREUS™	9,294	235	941	941	941	941	5,295
Total amortization expense	$ 111,128	$ 1,986	$ 7,948	$ 7,948	$ 7,948	$ 7,948	$ 77,350

7. Accounts Payable and Accrued Liabilities

The following is a summary of the Company's accounts payable and accrued liabilities as of September 30, 2026 and December 31, 2025:

(in thousands)	September 30, 2026	December 31, 2025
Research and development expenses	$ 23,905	$ 18,917
Professional fees	11,702	16,506
Compensation and employee benefits	9,766	10,322
Finance lease liabilities	4,022	3,403
Royalties payable	2,556	2,057
Operating lease liabilities	655	2,152
Milestone obligations under license agreements	—	10,000
Accounts payable and other accrued liabilities	7,982	4,940
Total accounts payable and accrued liabilities	$ 60,588	$ 68,297

8. Commitments and Contingencies

Guarantees and Indemnifications

The Company has entered into a number of standard intellectual property indemnification agreements in the ordinary course of its business. Pursuant to these agreements, the Company indemnifies, holds harmless and agrees to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally the Company's business partners or customers, in connection with any U.S. patent or any copyright or other intellectual property infringement claim by any third party with respect to the Company's products. The term of these indemnification agreements is generally perpetual from the date of execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. Since inception, the Company has not incurred costs to defend lawsuits or settle claims related to these indemnification agreements. The Company also indemnifies its officers and directors for certain events or occurrences, subject to certain conditions.

License Agreements

The Company's rights to develop and commercialize its products are subject to the terms and conditions of licenses granted to the Company by other pharmaceutical companies.

Fanapt®. Pursuant to the terms of a settlement agreement with Novartis Pharma AG (Novartis), Novartis transferred all U.S. and Canadian rights in the Fanapt® franchise to the Company on December 31, 2014. The Company paid directly to Sanofi S.A. (Sanofi) a fixed royalty of 3% of net sales through December 2019 related to manufacturing know-how. The Company is also obligated to pay Sanofi a fixed royalty on Fanapt® net sales equal to 6% on Sanofi know-how not related to manufacturing under certain conditions for a period of up to 10 years in markets where the new chemical entity patent has expired or was not issued. The Company is obligated to pay this 6% royalty on net sales in the U.S. through November 2026.

HETLIOZ®. In February 2004, the Company entered into a license agreement with BMS under which it received an exclusive worldwide license under certain patents and patent applications, and other licenses to intellectual property, to develop and commercialize HETLIOZ®. As of September 30, 2026, the Company has paid BMS $37.5 million in upfront fees and milestone obligations, including $33.0 million of regulatory approval and commercial milestones capitalized as intangible assets (see Note 6, *Intangible Assets*). The Company has no remaining milestone obligations to BMS. Additionally, the Company is obligated to make royalty payments on HETLIOZ® net sales to BMS in each territory where the Company commercializes HETLIOZ® for a period of 10 years following the first commercial sale in the territory. The royalty is 5% on net sales in territories outside the U.S. The Company's obligation to pay royalties in the U.S. ended in April 2024. The Company is also obligated under the license agreement to pay BMS a percentage of any sublicense fees, upfront payments and milestone and other payments (excluding royalties) that it receives from a third party in connection with any sublicensing arrangement, at a rate which is in the mid-twenties. The Company is obligated to use commercially reasonable efforts to develop and commercialize HETLIOZ®.

NEREUS™. In April 2012, the Company entered into a license agreement with Lilly under which it acquired an exclusive worldwide license under certain patents and patent applications, and other licenses to intellectual property, to develop and commercialize NEREUS™ for all human indications. Lilly is eligible to receive future payments based upon achievement of specified development, regulatory approval and commercialization milestones as well as tiered royalties on net sales at

percentage rates up to the low double digits. As of September 30, 2026, the Company has paid Lilly $15.0 million in upfront fees and development milestones, including a $10.0 million milestone paid to Lilly during the first quarter of 2026 for the FDA's approval of the Company's NDA for the prevention of vomiting induced by motion in the fourth quarter of 2025, which was accrued as a current liability on the Consolidated Balance Sheets as of December 31, 2025. As of September 30, 2026, remaining milestone obligations include a $5.0 million milestone for the first approval of an application for marketing authorization for NEREUS™ in the E.U. and up to $80.0 million for sales milestones. The Company is obligated to use commercially reasonable efforts to develop and commercialize NEREUS™.

Quimilza™. In January 2025, the Company entered into an exclusive global license agreement with AnaptysBio, Inc. (Anaptys) under which it acquired the worldwide rights to develop, manufacture and commercialize Quimilza™. Under the terms of the agreement, which was accounted for as an asset acquisition, the Company made an upfront payment of $10.0 million to Anaptys and an additional $5.0 million payment for drug supply, $14.4 million of which was included in research and development expense on the Consolidated Statements of Operations for the year ended December 31, 2025. Anaptys is eligible to receive future payments based upon achievement of specified regulatory approval and commercialization milestones, as well as a 10% royalty on global net sales. As of September 30, 2026, remaining milestone obligations include up to $35.0 million for future regulatory approval and sales milestones, including $5.0 million each for the first approval of an application for marketing authorization for Quimilza™ in the U.S. and E.U. and $25.0 million for a sales milestone. The Company is obligated to use commercially reasonable efforts to develop and commercialize Quimilza™.

Portfolio of CFTR activators and inhibitors. In March 2017, the Company entered into a license agreement with the University of California San Francisco (UCSF), under which it acquired an exclusive worldwide license to develop and commercialize a portfolio of CFTR activators and inhibitors. Pursuant to the license agreement, the Company will develop and commercialize the CFTR activators and inhibitors and is responsible for all development costs, including current pre-investigational new drug development work. UCSF is eligible to receive future payments based upon achievement of specified development and commercialization milestones as well as single-digit royalties on net sales. As of September 30, 2026, the Company has paid UCSF $1.8 million in upfront fees and development milestones. As of September 30, 2026, remaining milestone obligations include $11.9 million for development milestones and $33.0 million for future regulatory approval and sales milestones. Included in the $11.9 million of development milestones are $1.1 million of milestone obligations due upon the conclusion of clinical studies for each licensed product, not to exceed $3.2 million in total for the CFTR portfolio.

VQW-765. In connection with a settlement agreement with Novartis relating to Fanapt®, the Company received an exclusive worldwide license under certain patents and patent applications, and other licenses to intellectual property, to develop and commercialize VQW-765. Pursuant to the license agreement, the Company is obligated to use its commercially reasonable efforts to develop and commercialize VQW-765 and is responsible for all development costs. The Company has no milestone obligations, but Novartis is eligible to receive tiered-royalties on net sales at percentage rates up to the mid-teens.

Other Agreements

Clinical Trial Agreement. In December 2024, the Company entered into an agreement with a third party to jointly design and complete a pediatric study for PONVORY® required by the FDA and the European Medicines Agency. Pursuant to the agreement, the Company will bear the primary responsibility for completing the clinical trial, and the third party will bear primary responsibility for manufacturing the clinical study product. All costs associated with the pediatric study will be shared equally by the Company and the third party. As the Company and the third party are both active participants in the research activities and both parties are exposed to significant risks and rewards, the agreement is being accounted for under Accounting Standards Codification (ASC) 808. Furthermore, no parts of the agreement are within the scope of ASC 606, because the Company determined that performing research and development activities on behalf of other parties is not part of the ordinary activities of its business. Therefore, reimbursements from the third party for research and development costs are recorded as reductions to research and development expense as incurred. Expenses recognized by the Company related to activities under the collaborative arrangement, which commenced during the first quarter of 2025, were $0.7 million and $2.7 million for the nine months ended September 30, 2026 and 2025, respectively, which were reduced by amounts reimbursable from the third party of $0.1 million and $1.0 million, respectively.

Lease Agreements. In May 2026, the Company entered into an amendment to the operating lease for its headquarters at 2200 Pennsylvania Avenue, N.W. in Washington, D.C. The amendment extended the term of the lease from July 2028 to July 2038, among other terms. The Company has the right to renew the lease for five years following its amended expiration date in July 2038. As of September 30, 2026, the renewal period has not been included in the lease term. As a result of this amendment, the Company reassessed the classification of the lease, determining it remains an operating lease, and remeasured the operating lease right-of-use asset and liability balances using an updated discount rate, resulting in the capitalization of $10.0 million in its Condensed Consolidated Balance Sheets during the nine months ended September 30, 2026.

In August 2024, the Company entered into a master lease agreement for vehicles to be utilized by the Company's sales force. The individual car leases commence upon delivery of the vehicles. Delivery of these vehicles began in the fourth quarter of 2024, and they were determined to be finance leases upon lease commencement. The contractual period of each lease is three years. The Company continues to lease additional cars under the master lease agreement. The Company capitalized $1.2 million and $1.6 million for car leases that commenced during the nine months ended September 30, 2026 and 2025, respectively, all of which were determined to be finance leases. Total fixed payments for the vehicle leases that had not yet commenced as of September 30, 2026 are estimated to be $1.4 million, payable over initial terms of three years, and subject to change upon finalization of each vehicle lease contract.

For further information regarding the Company's lease agreements, see Note 8, *Leases*, to the consolidated financial statements included in the Company's Annual Report for the fiscal year ended December 31, 2025.

Purchase Commitments

In the normal course of its business, the Company regularly enters into agreements with third-party vendors under fee service arrangements, which generally may be terminated on 90 days' notice without incurring additional charges, other than charges for work completed or materials procured but not paid for through the effective date of termination and other costs incurred by the Company's contractors in closing out work in progress as of the effective date of termination. Occasionally, the Company enters into short- and long-term agreements with third-party vendors that are non-cancellable. The Company's short-term non-cancellable purchase commitments primarily relate to inventory and clinical manufacturing purchase commitments, for which the production is expected to be completed within a one-year period, and certain marketing activities. The Company's unrecognized non-cancellable purchase commitments for agreements with a remaining non-cancellable term longer than one year from September 30, 2026 primarily relate to commitments for marketing activities, inventory purchase commitments for certain of the Company's commercial products and data services, of which $3.0 million, $12.9 million, $7.4 million and $2.6 million are expected to be paid in 2026, 2027, 2028 and 2029, respectively. Various other long-term agreements entered into for services with other third-party vendors are cancellable in nature or contain variable commitment terms within the agreement that are within the Company's control.

9. Accumulated Other Comprehensive Income (Loss)

The accumulated balances related to each component of other comprehensive income, net of taxes, were as follows as of September 30, 2026 and December 31, 2025:

(in thousands)	September 30, 2026	December 31, 2025
Foreign currency translation	$ 42	$ 68
Unrealized gain (loss) on marketable securities	(108)	561
Accumulated other comprehensive income (loss)	$ (66)	$ 629

10. Stock-Based Compensation

As of September 30, 2026, there were 8,097,472 shares subject to outstanding options, restricted stock units (RSUs) and performance restricted stock units (PSUs) under the Amended and Restated 2016 Equity Incentive Plan (2016 Plan). No awards remain in effect under the 2006 Equity Incentive Plan (2006 Plan, and together with the 2016 Plan, Plans), which expired by its terms in April 2016. In June 2016, the Company's stockholders approved the 2016 Plan. The 2016 Plan has been amended a number of times since to increase the number of shares reserved for issuance, among other administrative changes, including, but not limited to, an amendment to eliminate its term. Each of the amendments to the 2016 Plan was approved by the Company's stockholders. There is a total of 20,690,000 shares of common stock authorized for issuance under the 2016 Plan, 6,135,078 shares of which remained available for future grant as of September 30, 2026.

Stock Options

The Company has granted option awards under the Plans with service conditions (service option awards) that are subject to terms and conditions established by the compensation committee of the board of directors. Service option awards have 10-year contractual terms. Service option awards granted to employees and new directors, upon their election, vest and become exercisable over four years, with the first 25% of the shares subject to service option awards vesting on the first anniversary of the grant date and the remaining 75% of the shares subject to the service option awards in 36 equal monthly installments thereafter. Subsequent annual service option awards granted to directors vest and become exercisable in full on the first anniversary of the grant date. Service option awards granted to executive officers and certain other employees provide for

partial acceleration of vesting if the executive officer or employee is subject to an involuntary termination, and full acceleration of vesting if the executive officer or employee is subject to an involuntary termination within 24 months after a change in control of the Company. Service option awards granted to directors provide for accelerated vesting if there is a change in control of the Company or if the director's service terminates as a result of the director's death or total and permanent disability.

As of September 30, 2026, $0.2 million of unrecognized compensation costs related to unvested service option awards are expected to be recognized over a weighted average period of 0.2 years. No option awards are classified as a liability as of September 30, 2026.

A summary of option activity under the Plans for the nine months ended September 30, 2026 follows:

(in thousands, except for share and per share amounts)	Number of Shares	Weighted Average Exercise Price at Grant Date	Weighted Average Remaining Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2025	4,490,324	$ 12.75	4.74	$ 2,698
Forfeited	(17,762)	7.05		
Expired	(742,068)	12.73		
Outstanding at September 30, 2026	3,730,494	12.78	4.36	—
Exercisable at September 30, 2026	3,656,762	12.90	4.32	—
Vested and expected to vest at September 30, 2026	3,730,300	12.78	4.36	—

There were no options granted during the nine months ended September 30, 2026 and 2025. There were no options exercised for the nine months ended September 30, 2026 and 2025.

Restricted Stock Units

An RSU is a stock award that entitles the holder to receive shares of the Company's common stock as the award vests. The fair value of each RSU is based on the closing price of the Company's stock on the date of grant. The Company has granted RSUs under the Plans with service conditions (service RSUs) that are subject to terms and conditions established by the compensation committee of the board of directors. Service RSUs granted to employees and new directors, upon their election, vest in four equal annual installments. Subsequent annual service RSUs granted to directors vest on the first anniversary of the date of grant. Service RSUs granted to executive officers and certain other employees provide for accelerated vesting if the executive officer or employee is subject to an involuntary termination within 24 months after a change in control. Service RSUs granted to directors provide for accelerated vesting if there is a change in control of the Company.

As of September 30, 2026, $17.6 million of unrecognized compensation costs related to unvested service RSUs are expected to be recognized over a weighted average period of 1.8 years. No RSUs are classified as a liability as of September 30, 2026.

A summary of RSU activity for the 2016 Plan for the nine months ended September 30, 2026 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2025	3,476,509	$ 4.99
Granted	2,207,701	6.10
Forfeited	(314,175)	5.18
Vested	(1,368,057)	5.51
Unvested at September 30, 2026	4,001,978	5.41

The total fair value of the 1,368,057 RSUs that vested during the nine months ended September 30, 2026 was $7.5 million.

Performance Restricted Stock Units

In the first quarter of 2026, the compensation committee of the board of directors granted PSUs under the 2016 Plan to the Company's executive officers. The PSUs entitle each executive officer to earn a number of shares of the Company's common stock ranging from 0% to 150% of the target number of PSUs granted, based on the Company's Total Shareholder Return (TSR) relative to the TSR of the companies comprising the Nasdaq Biotechnology Index (Relative TSR), over the three-year performance period beginning on December 31, 2025 and ending on December 31, 2028 (the Performance Period), subject to the executive's continued employment through the compensation committee of the board of director's certification of performance following the end of the Performance Period. Following the end of the Performance Period, the compensation

committee of the board of directors will determine the extent to which the applicable performance goals have been achieved and will determine the number of PSUs, if any, that have been earned, and any such earned PSUs will vest on March 1, 2029. The PSUs provide for accelerated vesting in certain scenarios, including in the event that the executive is subject to an involuntary termination within 24 months after a change in control.

As of September 30, 2026, $2.5 million of unrecognized compensation costs related to unvested PSUs are expected to be recognized over a weighted average period of 2.4 years. No PSUs are classified as a liability as of September 30, 2026.

A summary of PSU activity for the 2016 Plan for the nine months ended September 30, 2026, based on award at target, is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2025	—	$ —
Granted	405,000	8.03
Forfeited	(40,000)	8.03
Unvested at September 30, 2026	365,000	8.03

No PSUs vested during the nine months ended September 30, 2026.

Stock-Based Compensation Expense

Stock-based compensation expense recognized for the three and nine months ended September 30, 2026 and 2025 was comprised of the following:

	Three Months Ended		Nine Months Ended	
(in thousands)	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Research and development	$ 613	$ 458	$ 1,797	$ 1,819
Selling, general and administrative	1,726	1,654	5,212	5,370
Total stock-based compensation expense	$ 2,339	$ 2,112	$ 7,009	$ 7,189

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing model. Expected volatility rates are based on the historical volatility of the Company's publicly traded common stock and other factors. The expected terms are determined based on a combination of historical exercise data and hypothetical exercise data for unexercised stock options. The risk-free interest rates are based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. The Company has never paid cash dividends to its stockholders and does not plan to pay dividends in the foreseeable future. There were no options granted during the nine months ended September 30, 2026 and 2025.

The fair value of each PSU is estimated on the date of grant using a Monte Carlo model because the performance target is based on a market condition. Expense related to these PSUs is recognized ratably over the three-year measurement period. The expected volatility rate is based on the historical volatility of the Company's publicly traded common stock and other factors. The expected term is determined based on the remaining performance period of the award. The risk-free interest rate is based on the U.S. Treasury yield for a period consistent with the expected term of the PSUs in effect at the time of the grant. The Company has never paid cash dividends to its stockholders and does not plan to pay dividends in the foreseeable future. Assumptions used in the Monte Carlo model for PSUs granted during the nine months ended September 30, 2026 were as follows:

	Nine Months Ended
	September 30, 2026
Expected dividend yield	— %
Expected volatility of the Company	61 %
Remaining performance period (years)	2.87
Risk-free rate	3.44 %

11. Income Taxes

The Company assesses the need for a valuation allowance against its deferred tax assets each quarter through the review of all available positive and negative evidence. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After considering all available positive and negative evidence, including but not limited to historical, current and future projected results and significant risks and uncertainties related to forecasts, the Company has concluded that it is not more likely than not that substantially all of its deferred tax assets are realizable in future periods and maintained a valuation allowance against all net deferred tax assets as of September 30, 2026 and December 31, 2025. The valuation allowance was recorded in the fourth quarter of 2025, resulting in a non-cash income tax expense of $113.7 million for the year ended December 31, 2025.

As a result of the valuation allowance against the Company's deferred tax assets, the Company recognized an income tax provision of $0.2 million and $0.4 million for the three and nine months ended September 30, 2026, respectively, related to discrete income tax expense. The income tax benefit of $5.8 million and $21.4 million for the three and nine months ended September 30, 2025 was primarily driven by the estimated effective tax rate for the year, as well as discrete income tax expense of $0.1 million and $0.9 million, respectively.

12. Earnings per Share

Basic earnings per share (EPS) is calculated by dividing the net loss by the weighted average number of shares of common stock outstanding. Diluted EPS is computed by dividing the net loss by the weighted average number of shares of common stock outstanding, plus potential outstanding common stock for the period. Potential outstanding common stock includes stock options and shares underlying RSUs and PSUs, but only to the extent that their inclusion is dilutive, as calculated using the treasury stock method.

The following table presents the calculation of basic and diluted net loss per share of common stock for the three and nine months ended September 30, 2026 and 2025:

	Three Months Ended		Nine Months Ended	
(in thousands, except for share and per share amounts)	**September 30, 2026**	**September 30, 2025**	**September 30, 2026**	**September 30, 2025**
Numerator:				
Net loss	$ (22,562)	$ (22,586)	$ (133,642)	$ (79,287)
Denominator:				
Weighted average shares outstanding, basic and diluted	60,465,170	59,091,478	60,054,252	58,873,268
Net loss per share, basic and diluted	$ (0.37)	$ (0.38)	$ (2.23)	$ (1.35)
Antidilutive securities excluded from calculations of diluted net loss per share	6,117,524	5,445,436	6,012,950	6,180,855

The Company incurred a net loss for the three and nine months ended September 30, 2026 and 2025, causing inclusion of any potentially dilutive securities to have an anti-dilutive effect, resulting in dilutive loss per share and basic loss per share attributable to common stockholders being equivalent.

13. Segments

The Company operates in one reportable segment, which includes all activities related to the development and commercialization of innovative therapies to address high unmet medical needs and improve the lives of patients. The determination of a single reportable segment is consistent with the consolidated financial information regularly provided to the Company's chief operating decision maker (CODM), which is its president, chief executive officer and chairman of the board, who reviews and evaluates consolidated net income (loss) for purposes of assessing performance, making operating decisions, allocating resources and planning and forecasting for future periods. The measure of segment assets is reported on the balance sheet as total assets.

The following table presents the segment revenue and significant expense categories included within the product segment's measure of profit or loss for the three and nine months ended September 30, 2026 and 2025:

	Three Months Ended		Nine Months Ended	
(in thousands)	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Revenue	$ 69,815	$ 56,258	$ 172,062	$ 158,889
Less:				
Cost of goods sold excluding amortization	4,152	2,954	10,871	9,211
Research and development	27,622	22,563	93,010	80,265
Selling, general and administrative	59,575	60,273	199,774	174,973
Intangible asset amortization	1,987	1,752	5,961	5,255
Other income, net	(1,133)	(2,894)	(4,358)	(10,170)
Provision (benefit) for income taxes	174	(5,804)	446	(21,358)
Net loss	$ (22,562)	$ (22,586)	$ (133,642)	$ (79,287)

14. Legal Matters

The Company is, from time to time, a party to various legal proceedings and claims that arise in the ordinary, routine course of business and that have not been fully resolved. The outcome of such legal proceedings and claims is inherently uncertain. Accruals are recognized for such legal proceedings and claims to the extent that a loss is both probable and reasonably estimable. The best estimate of a loss within a range is accrued. However, if no estimate in the range is better than any other, then the minimum amount in the range is accrued. If it is determined that a material loss is reasonably possible and the loss or range of loss can be estimated, the possible loss is disclosed. In other instances, because of the uncertainties related to either the probable outcome or the amount or range of loss, the Company is unable to make a reasonable estimate of a liability.

HETLIOZ®. In December 2022, the Company filed patent infringement lawsuits, including Hatch-Waxman Act claims, against each of Teva Pharmaceuticals USA, Inc. (Teva) and Apotex Inc. and Apotex Corp. (Apotex) in the U.S. District Court for the District of New Jersey (NJ District Court) asserting that U.S. Patent No. 11,285,129 ('129 Patent), will be infringed by Teva's and Apotex' generic versions of HETLIOZ®, each of which was approved by the FDA. The Company asked the NJ District Court to, among other things, order that the effective date of the FDA's approval of Teva's and Apotex' generic versions of HETLIOZ® be a date that is no earlier than the expiration of the '129 Patent, or such later date that the NJ District Court may determine, and enjoin each of Teva and Apotex from the commercial manufacture, use, import, offer for sale and/or sale of their generic versions of HETLIOZ® until the expiration of the '129 Patent, or such later date that the NJ District Court may determine. In February 2023, the case was transferred to the U.S. District Court for the District of Delaware (Delaware District Court). In April 2023, Teva and Apotex moved for judgment on the pleadings. In June 2024, the Delaware District Court denied those motions, allowing the Company's lawsuit to proceed. In March 2025, the Delaware District Court held a claim construction hearing, which resolved two claim term disputes in the Company's favor and deferred ruling on a third dispute between the parties. In May 2025, the Delaware District Court consolidated this action with the Company's action relating to the '556 Patent (as defined below). In March 2026, the Delaware District Court held a hearing on the Company's and Teva's and Apotex's summary judgment and *Daubert* motion. In September 2026, the Delaware District Court granted summary judgment of non-infringement in favor of Teva and Apotex with respect to the '129 and '556 Patents, relying in part on the U.S. Supreme Court's June 2026 decision in *Hikma Pharmaceuticals USA Inc. v. Amarin Pharma, Inc.* in its analysis of the Company's induced infringement claims. The Company is currently evaluating future options with respect to this litigation.

In January 2023, the Company filed a lawsuit in the U.S. District Court for the District of Columbia (DC District Court) against the FDA challenging the FDA's approval of Teva's Abbreviated New Drug Application (ANDA) for its generic version of HETLIOZ® capsules under the Administrative Procedure Act (APA), the Food, Drug, and Cosmetic Act (FDCA), and FDA regulations. Under the FDCA, every ANDA must contain information to show that the labeling proposed for the generic drug is the same as the labeling approved for the listed drug. The labeling and packaging for HETLIOZ® includes Braille, but Teva's generic version does not. On this basis, the Company believes that Teva's approved labeling does not comply with applicable requirements. The Company has asked the DC District Court to, among other things, vacate the FDA's approval of Teva's ANDA, declare that the approval of the ANDA was unlawful, arbitrary, and capricious and compel the FDA to order Teva to recall its generic HETLIOZ® product. In February 2023, Teva intervened in the lawsuit as a defendant. In September 2023, the Company amended its lawsuit to request that the DC District Court set aside the FDA's July 2023 denial of the Company's citizen petition, originally filed with the FDA in January 2023. In April 2024, the Company filed a motion for summary

judgment. In February 2025, the DC District Court denied the Company's motion and granted the FDA and Teva's cross motions for summary judgment. In February 2025, the Company appealed to the U.S. Court of Appeals for the District of Columbia Circuit (DC Circuit). In October 2025, the DC Circuit granted the FDA's motion for a stay of the briefing schedule that it filed in October 2025 due to the government shutdown, and the stay was lifted in November 2025. An oral argument was held on March 12, 2026. In August 2026, the DC Circuit affirmed in part and vacated in part the DC District Court's ruling, holding that the FDA improperly relied on the Hatch-Waxman Act's different manufacturer exception to approve the labeling differences in Teva's ANDA for its generic version of HETLIOZ® capsules and remanded the matter to the FDA for further proceedings.

In September 2023, the Company filed a lawsuit in the DC District Court against the FDA challenging the FDA's approval of an ANDA filed by MSN Pharmaceuticals Inc. and MSN Laboratories Private Limited (MSN) for its generic version of HETLIOZ® capsules under the APA, the FDCA, FDA regulations and the Appointments Clause of the U.S. Constitution. The Company believes that MSN's underlying approval data, particularly its bioequivalence studies, are faulty. On this basis, the Company asked the DC District Court to, among other things, vacate the FDA's approval of MSN's ANDA, declare that the approval of the ANDA was unlawful, arbitrary, and capricious, is unconstitutional under the Appointments Clause, and compel the FDA to order MSN to recall its generic HETLIOZ® product. In December 2023, the Company filed a motion for summary judgment. In January 2024, the FDA opposed the Company's motion and moved to waive the administrative record, following which the court held an oral argument on the cross-motions. The DC District Court issued an order compelling the FDA to serve the administrative record and set deadlines for further proceedings. In April 2024, the Company filed a motion for summary judgment. In July 2024, the DC District Court held an oral argument on the motion to dismiss that the FDA filed in January 2024, which the Company opposed in February 2024. In September 2024, the DC District Court granted in part the FDA's motion to dismiss as to the Company's APA claims and denied the FDA's motion to dismiss as to the Company's claims under the Appointments Clause. In August 2025, the Company filed a motion for summary judgment based on its Appointments Clause claims, to which the FDA filed an opposition and cross-motion for summary judgment in September 2025. In January 2026, the DC District Court denied the cross-motions for summary judgment without prejudice and stayed the case pending resolution of an agency appeal. In February 2026, the agency denied further review. The Company filed an amended and supplemental complaint in April 2026 continuing to challenge the FDA's approval of the MSN ANDA, challenging the FDA's approval of the ANDA filed by Teva for its generic version of HETLIOZ® capsules under the APA, the FDCA, FDA regulations and the Appointments Clause of the U.S. Constitution, challenging the FDA's denial of the Company's citizen petitions requesting revocation of these ANDAs due to their bioequivalence showings and challenging the FDA's denials of further requests for review within the agency. In May 2026, Teva intervened in the lawsuit as a defendant. In June 2026, the Company filed a motion for summary judgment. The Company's lawsuit remains pending.

In April 2024, the Company filed a lawsuit in the Delaware District Court against MSN and its commercial partner Amneal Pharmaceuticals, Inc. (Amneal), and Impax Laboratories LLC (Impax) alleging claims for false advertising in violation of the Lanham Act and unfair competition under several state laws as well as claims for breach of express representation and fraudulent inducement of a license agreement. In July 2024, the defendants filed a motion to dismiss and in September 2024, the Company opposed the motion, to which the defendants replied in October 2024. In July 2025, the Delaware District Court issued its report and recommendation to deny the defendants' motion to dismiss as to standing but granted their motion to dismiss the Lanham Act claims, to which the Company objected in August 2025. In September 2025, the Delaware District Court overruled the Company's objections. In October 2025, the Company appealed the Delaware District Court's decision to the Court of Appeals for the Third Circuit (Third Circuit Court). On September 8, 2026, the Third Circuit Court ordered that the case be decided on the briefs and canceled the oral argument previously scheduled for September 29, 2026. The Company's lawsuit remains pending.

In December 2024, the Company filed a lawsuit in the Delaware District Court against each of Teva and Apotex asserting U.S. Patent No. 11,918,556 ('556 Patent), a method of administration patent that was not litigated in the prior Delaware District Court cases, will be infringed by Teva's and Apotex's generic versions of HETLIOZ®, each of which was approved by the FDA. The Company has asked the Delaware District Court to, among other things, order that the effective date of the FDA's approval of Teva's and Apotex' generic versions of HETLIOZ® be a date that is no earlier than the expiration of the '556 Patent, or such later date that the Delaware District Court may determine, and enjoin each of Teva and Apotex from the commercial manufacture, use, import, offer for sale and/or sale of their generic versions of HETLIOZ® until the expiration of the '556 Patent, or such later date that the Delaware District Court may determine. In March 2025, Teva filed its answer and asserted counterclaims against the Company, including, among other things, for alleged violation of the antitrust laws and inequitable conduct, which the Company opposed in May 2025. The Delaware District Court declined to consolidate this action with the Company's case alleging Lanham Act violations against Teva but consolidated this action with the Company's action relating to the '129 Patent. In March 2026, the Delaware District Court held a hearing on the parties' summary judgment and *Daubert* motion. In September 2026, the Delaware District Court granted summary judgment of non-infringement in favor of Teva and Apotex with respect to the '129 and '556 Patents, relying in part on the U.S. Supreme Court's June 2026 decision in

Hikma Pharmaceuticals USA Inc. v. Amarin Pharma, Inc. in its analysis of the Company's induced infringement claims. The Company is currently evaluating future options with respect to this litigation.

HETLIOZ LQ®. In July 2024, the Company filed a Hatch-Waxman lawsuit against MSN in the Delaware District Court asserting that U.S. Patent Nos. 10,179,119, 11,266,622, 11,285,129, 11,850,229, 10,610,510, 10,980,770, and 11,759,446 will be infringed by MSN's generic version of HETLIOZ LQ® for which MSN is seeking FDA approval. In June 2025, the Company filed an amended complaint against MSN, further alleging that U.S. Patent Nos. 10,071,977, 11,566,011 and 11,918,556 (all asserted HETLIOZ LQ® patents together, the Asserted Patents) will also be infringed by MSN's generic version of HETLIOZ LQ®. The Company has asked the Delaware District Court to, among other things, enter judgment that MSN has infringed at least one claim of each of the Asserted Patents by submitting or causing to be submitted its ANDA to obtain FDA approval for the commercial manufacture, use, import, offer for sale and/or sale in the U.S. of its generic version of HETLIOZ LQ® before the expiration of each of the Asserted Patents, enter judgment that the use of MSN's generic version of HETLIOZ LQ® in the U.S. before the expiration of each of the Asserted Patents will directly infringe at least one claim of each of the Asserted Patents, order that the effective date of any approval by the FDA of MSN's generic version of HETLIOZ LQ® be a date that is no earlier than the expiration of the last expiring Asserted Patent(s), or such later date as the court may determine, enjoin MSN from the commercial manufacture, use, import, offer for sale and/or sale of its generic version of HETLIOZ LQ® until the expiration of each of the Asserted Patents or such later date as the court may determine, and award monetary damages, to the extent applicable. The Company's lawsuit remains pending, and a trial is scheduled to begin on June 1, 2027.

Other Matters. From April 2022 to July 2024, the Company filed eighteen lawsuits in the DC District Court against the FDA to compel the FDA to produce records under the Freedom of Information Act (FOIA) regarding, among other matters: the FDA's denial of the Company's supplemental New Drug Application (sNDA) for HETLIOZ® in the treatment of jet lag disorder; cases in which the FDA waived its putative requirement of a 9-month non-rodent toxicity study before drugs can be tested on human patients for extended durations; communications external to and within the FDA relating to NEREUS™, HETLIOZ® and Fanapt®; a warning letter that the FDA sent to the Company concerning its webpages for HETLIOZ® and Fanapt®; the FDA's removal of a clinical trials design presentation from its website; discipline reviews relating to the FDA's evaluations of the Company's sNDA for HETLIOZ® and a third-party sNDA for jet lag; internal standard operating procedures or guidance relating to the FDA's processing of incoming FOIA requests; and bioequivalence and other study reports submitted relating to the FDA's consideration of tasimelteon ANDAs. Nine of these lawsuits have since been resolved in the Company's favor and the other nine remain outstanding. The FDA has failed to respond and provide the requested documents within the statutory timeframe with respect to each of these nine outstanding cases. The Company has asked the DC District Court to, among other things, compel the FDA to comply with its obligations and declare that its lack of compliance violates FOIA.

In September 2022, the Company filed a lawsuit in the DC District Court against the FDA to compel the FDA to comply with two separate non-discretionary obligations under the FDCA and its implementing regulations: an obligation to publish a notice of an opportunity for a hearing on the Company's sNDA for HETLIOZ® in the treatment of jet lag disorder in the Federal Register within 180 days of the filing of the sNDA, and a separate obligation to publish the same notice within 60 days of the request for a hearing. The FDA published the notice of an opportunity for a hearing on October 11, 2022. The Company has asked the DC District Court to, among other things, compel the FDA to comply with its obligations and declare that its lack of compliance violates the FDCA and the FDA regulations. In January 2024, the DC District Court held an oral argument on dispositive cross-motions, following which the DC District Court granted in part the Company's motion for summary judgment. The DC District Court ruled that the FDA violated the statute and ordered the FDA to either finally resolve the Company's application or commence a hearing on or before March 5, 2024. In March 2024, the Company and the FDA filed a consent motion for entry of final judgment in the Company's favor on its APA claim for the FDA's unreasonable delay in resolving the hearing request, following which the FDA refused to hold a hearing or approve the Company's sNDA for HETLIOZ® in the treatment of jet lag disorder. The Company subsequently filed a petition for review in the DC Circuit. Under the FDCA, the FDA has an obligation to either approve an sNDA or to hold a hearing on the application's approvability. The Company's petition asks the DC Circuit to set aside the FDA's order refusing to hold a hearing and refusing approval. In January 2025, the DC Circuit held an oral argument. In August 2025, the DC Circuit issued a decision in favor of the Company against the FDA, setting aside the FDA's refusal to hold a hearing on the Company's sNDA for HETLIOZ® in the treatment of jet lag disorder and remanding the case back to the FDA. In October 2025, the Company announced that it had entered into a collaborative framework with the FDA for the resolution of certain of its disputes regarding HETLIOZ® and NEREUS™ (the FDA Agreement), pursuant to which, the FDA agreed to conduct an expedited re-review of the sNDA and the Company sought a temporary abeyance in these proceedings. In January 2026, the FDA notified the Company that, following its re-review of the sNDA, it has determined that the sNDA cannot be approved in its current form. In January 2026, the Company requested that the FDA Commissioner resume hearing proceedings. In March 2026, the Office of the Commissioner granted the Company's hearing request. In July 2026, the presiding judge scheduled a hearing to begin on December 14, 2026.

In May 2023, the Company filed a lawsuit in the U.S. Court of Federal Claims (Federal Claims Court) against the federal government for the uncompensated taking and misuse of the Company's trade secrets and confidential information. The Company believes that the FDA violated the Fifth Amendment's due process clause by improperly providing confidential details from the Company's drug master files for HETLIOZ® and Fanapt® to generic drug manufacturers during the FDA's review of the manufacturers' ANDAs. The Company has asked the Federal Claims Court to, among other things, declare that the FDA's disclosure of the Company's confidential commercial information constitutes a taking for purposes of the Fifth Amendment and award just compensation. The federal government filed a motion to dismiss the complaint, which the Company opposed. In January 2024, the Federal Claims Court held an oral argument on the motion to dismiss, following which the Federal Claims Court issued a decision denying in part the government's motion, allowing the Company's takings claim to proceed. In April 2024, the government filed a motion for judgment on the pleadings, to which the Company opposed in July 2024 and the government replied in August 2024. In December 2024, the Federal Claims Court held an oral argument on the motion for judgment on the pleadings and in January 2025, the Federal Claims Court ruled against the Company. In February 2025, the Company appealed the ruling to the U.S. Court of Appeals for the Federal Circuit. The Company's appeal remains pending, and an oral argument is scheduled for December 7, 2026.

In February 2024, the Company filed a lawsuit in the DC District Court against the FDA to compel the FDA to comply with its statutory obligations under the FDCA and its implementing regulations, and to challenge the FDA's complete response letter and 60-day filing regulations, which the Company believes do not absolve the FDA of its statutory responsibilities. Under the FDCA, the FDA has an obligation to either approve the Company's sNDA for HETLIOZ® in the treatment of insomnia characterized by difficulties with sleep initiation within 180 days of the filing of the sNDA or give the Company a notice of an opportunity for a hearing. The Company submitted the sNDA on May 4, 2023. The Company has asked the DC District Court to, among other things, compel the FDA to comply with its obligations, declare that its lack of compliance violates the FDCA and the FDA regulations and declare the FDA's complete response letter and 60-day filing regulations unlawful. In June 2024, the Company filed a motion for summary judgment and the FDA published a notice of opportunity for a hearing. In July 2024, the FDA opposed the Company's motion for summary judgment. In September 2024, the DC District Court held an oral argument on the dispositive cross motions. In March and April 2025, the parties provided supplemental briefing. In May 2025, the DC District Court held a further hearing on the supplemental briefings. In September 2025, the Company filed a motion to stay proceedings in the case until January 2026 pursuant to the FDA Agreement. In January 2026, the Company and the FDA asked the DC District Court to lift the abeyance. In April 2026, the DC District Court consolidated this action with the Company's action challenging the FDA's compliance with its statutory obligations under the FDCA with respect to the Company's NDA for NEREUS™ to prevent vomiting induced by motion and its NDA for NEREUS™ to treat gastroparesis. The Company's lawsuit remains pending.

In February 2025, the Company filed a lawsuit in the DC District Court against the FDA to compel the FDA to comply with its statutory obligations under the FDCA and its implementing regulations and to challenge the FDA's reliance on PDUFA deadlines and its complete response letter and 60-day filing regulations, which the Company believes do not absolve the FDA of its statutory responsibilities. Under the FDCA, the FDA has an obligation to either approve the Company's NDA for NEREUS™ to prevent vomiting induced by motion within 180 days of the filing of the NDA or give the Company a notice of an opportunity for a hearing. The Company submitted the NDA on December 30, 2024. The Company has asked the DC District Court to, among other things, compel the FDA to comply with its obligations, declare that its lack of compliance violates the FDCA and the FDA regulations and declare the FDA's complete response letter and 60-day filing regulations and adherence to PDUFA deadlines unlawful. Separately, under the FDCA, the FDA has an obligation to commence a hearing on the Company's NDA for NEREUS™ in gastroparesis within 120 days of a timely accepted notice of opportunity for a hearing, which the FDA issued on January 7, 2025. In April 2025, the Company filed a motion for summary judgment regarding its motion sickness NDA and requested to file summary judgment regarding its gastroparesis NDA. In May 2025, the DC District Court held a hearing on the motion regarding the motion sickness NDA, and the FDA approved the motion sickness NDA in December 2025. The Center for Drug Evaluation and Research issued a proposed order denying a hearing on the gastroparesis NDA in July 2025. In September 2025, the Company filed a motion to stay proceedings in the DC District Court regarding the gastroparesis NDA until January 2026 pursuant to the FDA Agreement. In January 2026, the Company and the FDA asked the DC District Court to lift the abeyance. In April 2026, the DC District Court consolidated this action with the Company's action challenging the FDA's compliance with its statutory obligations under the FDCA with respect to the Company's HETLIOZ® sNDA in the treatment of insomnia characterized by difficulties with sleep initiation. The Company's lawsuit remains pending.

In April 2025, the Company filed a petition for review in the U.S. Court of Appeals for the DC Circuit seeking review of the FDA's final order refusing to hold a hearing or to approve the Company's sNDA for HETLIOZ® in the treatment of insomnia characterized by difficulties with sleep initiation. Under the FDCA, the FDA has an obligation to either approve an sNDA or to hold a hearing on the application's approvability. The Company's petition asks the DC Circuit to set aside the FDA's order refusing to hold a hearing and refusing approval. The Company's petition for review remains pending, and an oral argument was held on September 23, 2026.

In March 2026, the Company filed a petition for review in the U.S. Court of Appeals for the DC Circuit seeking review of the FDA's final order refusing to hold a hearing or to approve the Company's NDA for NEREUS™ in gastroparesis. Under the FDCA, the FDA has an obligation to either approve an sNDA or to hold a hearing on the application's approvability. The Company's petition asks the DC Circuit to set aside the FDA's order refusing to hold a hearing and refusing approval. The Company's petition for review remains pending.

In April 2026, the Company filed a lawsuit in the DC District Court against the FDA challenging the FDA's partial clinical hold preventing the Company from studying the safety of NEREUS™ in gastroparesis patients through a 52-week open-label safety study. The FDA based its partial clinical hold on the Company's refusal to perform a repeat-dose toxicity study in a non-rodent species of at least 9 months and on the FDA's refusal to issue marketing approval for NEREUS™ to treat gastroparesis symptoms. However, under the FDA Modernization Act 2.0, nonclinical studies may include non-animal alternatives, and a decision regarding marketing approval does not determine whether to allow a clinical investigation. The Company has also challenged the FDA's decision regarding marketing approval. The Company believes that the FDA's basis for the partial clinical hold is contrary to law and exceeds the FDA's statutory authority. The Company has asked the DC District Court to, among other things, set aside the FDA's partial clinical hold and declare the FDA's partial clinical hold as unlawful. The Company's lawsuit remains pending.

In April 2026, the Company received a Paragraph IV certification notice from Aurobindo Pharma Limited advising that it had submitted an ANDA to the FDA seeking approval to market a generic version of HETLIOZ® prior to expiration of certain patents listed in the FDA's Orange Book for HETLIOZ®. In response, in May 2026, the Company filed a patent infringement action against Aurobindo Pharma Limited and affiliates, seeking remedies available under the Hatch-Waxman Act. The Company's lawsuit remains pending.

In June 2026, the Company received a Paragraph IV certification notice from Alembic Pharmaceuticals Limited advising that it had submitted an ANDA to the FDA seeking approval to market a generic version of Fanapt® prior to expiration of U.S. Patent No. 8,586,610 (the '610 patent). In response, in July 2026, the Company filed a patent infringement action against Alembic Pharmaceuticals Limited and Alembic Pharmaceuticals, Inc. (collectively, Alembic) in the Delaware District Court. In October 2026, the Company and Alembic entered into a settlement agreement, pursuant to which the Company agreed to grant Alembic a non-exclusive license to manufacture and commercialize a generic version of Fanapt® in the U.S. beginning on November 2, 2027, the expiration date of the '610 patent. The Delaware District Court subsequently entered the parties' consent judgment and permanent injunction as to Alembic.

In October 2024, the Company received a Civil Investigative Demand (CID) from the U.S. Department of Justice (DOJ) as part of an investigation of possible violations of the False Claims Act of 1863. The CID sought documents concerning the Company's historical practices relating to HETLIOZ®. The Company complied fully with the CID and a subsequent request for testimony regarding the same general topics. In October 2026, the DOJ notified the Company that it is considering filing a civil complaint. No complaint has yet been filed against the Company. If a complaint is filed, the Company intends to take all appropriate action to contest any allegation. The Company cannot predict the timing of any proceeding relating to any such claim.

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Vanda Pharmaceuticals Inc. (we, our, us or Vanda) is a leading global biopharmaceutical company focused on the development and commercialization of innovative therapies to address high unmet medical needs and improve the lives of patients.

We strive to advance novel approaches to bring important new medicines to market through responsible innovation. We are committed to the use of technologies that support sound science, including genetics and genomics, in drug discovery, clinical trials and the commercial positioning of our products.

Our commercial portfolio is currently comprised of five products: Fanapt® (iloperidone) and BYSANTI™ (milsaperidone) for the acute treatment of manic or mixed episodes associated with bipolar I disorder and the treatment of schizophrenia, HETLIOZ® (tasimelteon) for the treatment of Non-24-Hour Sleep-Wake Disorder (Non-24) and for the treatment of nighttime sleep disturbances in Smith-Magenis syndrome (SMS), PONVORY® (ponesimod) for the treatment of relapsing forms of multiple sclerosis (RMS) including clinically isolated syndrome, relapsing-remitting disease and active secondary progressive disease and NEREUS™ (tradipitant) for the prevention of vomiting induced by motion (collectively, our commercial products). In addition, we have a number of drugs and/or additional indications for current products in development, including:

- Fanapt® long acting injectable (LAI) formulation for the treatment of schizophrenia and hypertension;
- BYSANTI™ for major depressive disorder (MDD);
- HETLIOZ® for the treatment of jet lag disorder, insomnia, pediatric insomnia, delayed sleep-wake phase disorder (DSWPD) and pediatric Non-24;
- PONVORY® for the treatment of ulcerative colitis and psoriasis;
- Quimilza™ (imsidolimab), an IL-36R antagonist, for the treatment of generalized pustular psoriasis (GPP);
- NEREUS™ for the prevention of vomiting induced by GLP-1 receptor agonists and the treatment of gastroparesis;
- VQW-765, a small molecule alpha-7 nicotinic acetylcholine receptor partial agonist, for the treatment of social/performance anxiety and psychiatric disorders;
- Portfolio of Cystic Fibrosis Transmembrane Conductance Regulator (CFTR) activators and inhibitors, including VSJ-110 for the treatment of dry eye and ocular inflammation and VPO-227 for the treatment of secretory diarrhea disorders, including cholera;
- VTR-297, a small molecule histone deacetylase (HDAC) inhibitor, for the treatment of hematologic malignancies and onychomycosis and with potential use as a treatment for several oncology indications; and
- Antisense oligonucleotide (ASO) molecules, including VGA-157A for Parkinson's disease, VCA-894A for the treatment of Charcot-Marie-Tooth Disease, Type 2S (CMT2S), caused by cryptic slice site variants within the IGHMBP2 gene and VGT-1849A for the treatment of polycythemia vera (PV), a form of a rare hematologic malignancy.

Operational Highlights

Key Commercial Highlights

- Fanapt® saw continued strong momentum in Q3 2026, with total prescriptions (TRx) up 25% and new-to-brand prescriptions (NBRx) up 18% versus Q3 2025. Since commercial expansion following the approval of bipolar disorder, Fanapt® has seen significant growth, with TRx up 72% and NBRx up 306% versus Q2 2024.
- BYSANTI™ received U.S. Food and Drug Administration (FDA) approval for the treatment of bipolar I disorder and schizophrenia in Q1 2026 and is expected to launch in Q4 2026. BYSANTI™ is protected by data exclusivity through February 20, 2031 and multiple patents, the latest of which expires on May 31, 2044.
- We launched NEREUS™ commercially in the U.S. in Q2 2026, with the direct-to-consumer offering via the web portal nereus.us, and began sales force promotion in Q3 2026. During Q3 2026, the NEREUS™ launch showed strong growth in both total prescriptions and unique prescribers as compared to Q2 2026.

Key Regulatory & Clinical Development Highlights

Recent & Upcoming Milestones

- In October 2026, we announced positive results from the Phase III clinical study, VP-VLY-686-3601, of NEREUS™ for the prevention of vomiting associated with GLP-1 receptor agonist therapy. We intend to discuss the results with the FDA and plan to submit a supplemental New Drug Application (sNDA) seeking approval of NEREUS™ for the prevention of vomiting associated with GLP-1 receptor agonist therapy.
- In September 2026, we announced positive topline results from the pivotal Phase III study of HETLIOZ® in adults with Delayed Sleep-Wake Phase Disorder (DSWPD). We intend to discuss these data with the FDA and to submit an sNDA seeking approval of HETLIOZ® for DSWPD. If approved, HETLIOZ® would be the first FDA-approved medicine indicated for this condition.
- The Biologics License Application (BLA) for Quimilza™ in Generalized Pustular Psoriasis (GPP) is under review by the FDA with a Prescription Drug User Fee Act (PDUFA) target action date of December 12, 2026. The results of the pivotal clinical study were published in the April 28, 2026 issue of the New England Journal of Medicine (NEJM) Evidence.
- The Phase III study of BYSANTI™ as a once-daily adjunctive treatment for major depressive disorder (MDD) is ongoing, with results expected in the first half of 2027. The study is enrolling patients in 54 sites in the U.S. and Europe and has enrolled 55% of the 500 patient enrollment target. The primary endpoint of the study is the change from baseline to week 6 of the Montgomery-Asberg Depression Rating Scale (MADRS) comparing milsaperidone and placebo. Secondary endpoints include Clinical Global Impression – Severity (CGI-S) and Clinical Global Impression – Change (CGI-C).
- In October 2026, we announced that our Phase III study of VQW-765 in adults with social anxiety disorder did not meet its primary endpoint or a key secondary endpoint. Consistent with prior studies, VQW-765 was safe and well tolerated, and the program is on hold pending further analysis of the full dataset.

Regulatory Proceedings

- We continue to progress the FDA formal hearing regarding HETLIOZ® for the treatment of jet lag disorder. The proceeding, a rare administrative hearing process granted after the D.C. Circuit set aside the FDA's prior refusal to approve the application, is advancing according to schedule and is expected to culminate in a five-day hearing before the Administrative Law Judge from December 14, 2026 to December 18, 2026.
- We continue to pursue our legal challenge to FDA's final order refusing to hold a hearing or to approve our sNDA for HETLIOZ® in the treatment of insomnia. Following oral argument before the U.S. Court of Appeals for the D.C. Circuit in September 2026, the matter is awaiting decision.
- We continue to pursue our legal challenge to FDA's final order refusing to hold a hearing or to approve our NDA for NEREUS™ in gastroparesis. Briefing is currently underway before the DC Circuit, and is due to be completed in mid-November.

Since we began operations, we have devoted substantially all of our resources to the in-licensing, clinical development and commercialization of our products. Our ability to generate meaningful product sales and achieve profitability largely depends on our ability, alone or with others, to complete the development of, obtain regulatory approvals for and manufacture, market and sell our products. The results of our operations will vary significantly from year-to-year and quarter-to-quarter and depend on a number of factors, including risks related to our business, risks related to our industry and other risks that are detailed in Part I, Item 1A, *Risk Factors*, of our annual report on Form 10-K (Annual Report) for the year ended December 31, 2025 and Item 1A, *Risk Factors*, of any Quarterly Report filed subsequent to our Annual Report.

Critical Accounting Policies and Estimates

The preparation of our condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of our financial statements, as well as the reported revenues and expenses during the reported periods. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes in our critical accounting policies, including estimates, assumptions and judgments, from those described in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, included in the Annual Report. A summary of our significant accounting policies appears in the notes to our audited consolidated financial statements included in the Annual Report. However, we believe that the following accounting policies are important to understanding and evaluating our reported financial results as they involve the most significant judgments and estimates used in the preparation of our condensed consolidated financial statements, and we have accordingly included them in this discussion.

Revenue from net product sales. We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. We recognize revenue when control of the product is transferred to the customer in an amount that reflects the consideration we expect to be entitled to in exchange for those product sales, which is typically once the product physically arrives at the customer. Sales taxes, value-added taxes and usage-based taxes are excluded from revenues.

Fanapt® and NEREUS™ are available in the U.S. for distribution through a limited number of wholesalers and are also available in retail pharmacies. In addition, NEREUS™ is available by prescription directly through the nereus.us website. HETLIOZ® is available in the U.S. for distribution through a limited number of specialty pharmacies and is not available in retail pharmacies. PONVORY® is available in the U.S. for distribution primarily through a limited number of specialty distributors and specialty pharmacies. We invoice and record revenue when our customers, wholesalers, specialty pharmacies and specialty distributors, receive product from the third-party logistics warehouse, which is the point at which control is transferred to the customer. Revenues and accounts receivable are concentrated with these customers. Outside the U.S., we have a distribution agreement for the commercialization of Fanapt® in Israel and sell HETLIOZ® in Germany. Receivables are carried at transaction price paid by the wholesalers, specialty pharmacies and specialty distributors, net of estimated prompt-pay discounts and allowance for credit losses. Payment terms differ by customer, but are based on customary commercial terms and typically range between thirty and sixty days. Allowance for credit losses is measured using historical loss rates based on the aging of receivables and incorporating current conditions and forward-looking estimates.

The transaction price is determined based upon the consideration to which we will be entitled in exchange for transferring product to the customer. Our product sales are recorded net of applicable product revenue allowances for which reserves are established and include discounts, rebates, chargebacks, service fees, co-pay assistance and product returns that are applicable for various government and commercial payors. Where appropriate, our estimates of variable consideration included in the transaction price consider a range of possible outcomes. Allowances for rebates, chargebacks and co-pay assistance are based upon the insurance benefits of the end customer, if any, which are estimated using historical activity and, where available, actual and pending prescriptions for which we have validated the insurance benefits. Variable consideration may be constrained and is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Overall, these reserves reflect our best estimates of the amount of consideration to which we are entitled based on the terms of the respective underlying contracts. If actual results in the future vary from our estimates, we adjust our estimate in the period identified, which would affect net product sales in the period such variances become known. During the nine months ended September 30, 2026, we constrained NEREUS™ net product sales. The constrained revenue relates to the uncertainties of patient demand and product returns related to the elevated levels of inventory on hand at wholesalers.

Net product sales of NEREUS™ made directly to patients through the nereus.us website are cash-pay transactions that are not subject to commercial or government payor insurance benefits and, accordingly, are not subject to the rebate, chargeback, Medicare Part D and co-pay assistance allowances described above.

Reserves for variable consideration are classified as product revenue allowances on the Condensed Consolidated Balance Sheets, with the exception of prompt-pay discounts, which are classified as reductions of accounts receivable. The reserve for product returns for which the product may not be returned for a period of greater than one year from the balance sheet date is included as a component of other non-current liabilities in the Condensed Consolidated Balance Sheets. Uncertainties related to variable consideration are generally resolved in the quarter subsequent to period end, with the exception of Medicaid rebates, which are dependent upon the timing of when states submit reimbursement claims, Medicare inflationary rebates, which are billed on an annual basis beginning in 2025, and product returns that are resolved during the product expiry period specified in the customer contract. Furthermore, inventory stocking of HETLIOZ® at specialty pharmacy customers since the entrance of generic competition in early 2023 has resulted in longer periods to resolve these uncertainties related to variable consideration. We currently record sales allowances for the following:

- *Prompt-pay:* Wholesalers, specialty pharmacies and specialty distributors, our direct customers, are generally offered discounts for prompt payment. We expect that these direct customers will earn prompt payment discounts and, therefore, we deduct the full amount of these discounts from total product sales when revenues are recognized.
- *Rebates:* Allowances for rebates include mandated discounts under the Medicaid Drug Rebate Program as well as contracted rebate programs with other payors, including the Medicare Part D inflationary rebate. Rebate amounts owed after the final dispensing of the product to a benefit plan participant are based upon contractual agreements or legal requirements with public sector benefit providers, such as Medicaid and Medicare. The allowances for rebates are based on statutory or contracted discount rates and estimated patient utilization.
- *Chargebacks:* Chargebacks are discounts that occur when contracted indirect customers purchase directly from wholesalers, specialty pharmacies and specialty distributors. Contracted indirect customers, which currently consist primarily of Public Health Service institutions and federal government entities purchasing via the Federal Supply Schedule, generally purchase the product at a discounted price. The wholesaler, specialty pharmacy or specialty distributor, in turn, charges back the difference between the price initially paid by the wholesaler, specialty pharmacy or specialty distributor and the discounted price paid to the wholesaler, specialty pharmacy or specialty distributor by the contracted customer.
- *Medicare Part D rebates:* Prior to January 1, 2025, the Medicare Part D prescription drug benefit required manufacturers to fund approximately 70% of the Medicare Part D insurance coverage gap for prescription drugs sold to eligible patients for applicable drugs. We accounted for the Medicare Part D coverage gap using a point of sale model. Beginning January 1, 2025, the Medicare Part D coverage gap discount program was replaced with a new discounting program under the Inflation Reduction Act of 2022. The Medicare Part D benefit redesign has resulted in overall higher discounts for our Medicare payor segment relative to the previous Medicare Part D prescription drug coverage gap discount program. Under the redesigned Medicare Part D program, applicable drugs dispensed to applicable beneficiaries are subject to manufacturer discounts of 10% during the initial coverage phase and 20% during the catastrophic coverage phase. Under the Medicare Part D benefit redesign, we are a specified manufacturer whose applicable drugs for applicable beneficiaries who are Low Income Subsidy eligible under section 1860D-14(a) of the Social Security Act are subject to lower applicable discounts during the phase-in period. Estimates for expected Medicare Part D rebates are based, in part, on historical activity and, where available, actual and pending prescriptions when we have validated the insurance benefits.
- *Service fees:* We receive sales order management, data and distribution services from certain customers, for which we are assessed fees. These fees are based on contracted terms and are known amounts. We accrue service fees at the time of revenue recognition, resulting in a reduction of product sales and the recognition of an accrued liability, unless it is a payment for a distinct good or service from the customer in which case the fair value of those distinct goods or services are recorded as selling, general and administrative expense.
- *Co-pay assistance:* Patients who have commercial insurance and meet certain eligibility requirements may receive co-pay assistance. Co-pay assistance utilization is based on information provided by our third-party administrator.
- *Product returns:* We generally offer direct customers a limited right to return, as contractually defined with our customers. We consider several factors in the estimation process, including expiration dates of product shipped to customers, inventory levels within the distribution channel, product shelf life, historical return activity, including activity for product sold for which the return period has passed, prescription trends and other relevant factors. We do not expect returned products to be resalable. There was no right of return asset as of September 30, 2026 or December 31, 2025.

The following table summarizes sales discounts and allowance activity as of and for the nine months ended September 30, 2026:

(in thousands)	Rebates & Chargebacks	Discounts, Returns and Other	Total
Balances at December 31, 2025	$ 63,356	$ 14,709	$ 78,065
Provision related to current period sales	97,049	47,181	144,230
Adjustments for prior period sales	(3,646)	(182)	(3,828)
Credits/payments made	(86,943)	(35,978)	(122,921)
Balances at September 30, 2026	$ 69,816	$ 25,730	$ 95,546

The provision of $97.0 million for rebates and chargebacks for the nine months ended September 30, 2026 and its ending balance at September 30, 2026 primarily represent Medicaid rebates. The provision of $47.2 million for discounts, returns and other for the nine months ended September 30, 2026 and its ending balance at September 30, 2026 primarily represents service

fees, estimated product returns, co-pay assistance costs and prompt-pay discounts. NEREUS™ became commercially available in the U.S. in May 2026. The increase in the balance of discounts, returns and other as of September 30, 2026 relative to December 31, 2025 was primarily due to provisions for constrained revenue for the initial stocking of NEREUS™ by wholesalers.

Stock-based compensation. Compensation costs for all stock-based awards to employees and directors are measured based on the grant date fair value of those awards and recognized over the period during which the employee or director is required to perform service in exchange for the award. We use the Black-Scholes-Merton option pricing model to determine the fair value of stock options. We use the Monte Carlo model to determine the fair value of performance restricted share units (PSUs). The determination of the fair value of stock options and PSUs on the date of grant using a valuation model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the expected stock price volatility over the expected term (stock options) or remaining performance period (PSUs) of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends. Expected volatility rates are based on the historical volatility of our publicly traded common stock and other factors. The risk-free interest rates are based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. We have never paid cash dividends to our stockholders and do not plan to pay dividends in the foreseeable future. As stock-based compensation expense recognized in the Condensed Consolidated Statements of Operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Research and development expenses. Research and development expenses consist primarily of fees for services provided by third parties in connection with the clinical trials, costs of contract manufacturing services for clinical trial use, milestone payments made under licensing agreements prior to regulatory approval, costs of materials used in clinical trials and research and development, costs for regulatory consultants and filings, depreciation of capital resources used to develop products, related facilities costs and salaries, other employee-related costs and stock-based compensation for research and development personnel. We generally expense research and development costs as they are incurred for products in the development stage, including manufacturing costs and milestone payments made under license agreements prior to FDA approval. Upon and subsequent to FDA approval, manufacturing and milestone payments made under license agreements are capitalized. Milestone payments are accrued when it is deemed probable that the milestone event will be achieved. Costs related to the acquisition of intellectual property are expensed as incurred if the underlying technology is developed in connection with our research and development efforts and has no alternative future use.

Clinical trials are inherently complex, often involve multiple service providers and can include payments made to investigator physicians at study sites. Because billing for services often lags delivery of service by a substantial amount of time, we are often required to estimate a significant portion of our accrued clinical expenses. Our assessments include, but are not limited to: (i) an evaluation by the project manager of the work that has been completed during the period, (ii) measurement of progress prepared internally and/or provided by the third-party service provider, (iii) analyses of data that justify the progress, and (iv) management's judgment. In the event that we do not identify certain costs that have begun to be incurred or we under- or over-estimate the level of services performed or the costs of such services, our reported expenses for such period would be too low or too high.

Intangible assets and impairment of long-lived assets. Our intangible assets consist of capitalized license costs for products approved by the FDA or costs to acquire already commercialized products. We amortize our intangible assets on a straight-line basis over the estimated useful economic life of the related product patents. We assess the impairment of intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important that could trigger an impairment review include significant underperformance relative to expected, historical or projected future operating results, a significant adverse change in legal or regulatory factors that could affect the value or patent life, including our ability to defend and enforce patent claims and other intellectual property rights, and significant negative industry or economic trends. When we determine that the carrying value of our intangible assets may not be recoverable based upon the existence of one or more of the indicators of impairment, we measure any impairment based on the amount that carrying value exceeds fair value.

Income taxes. We assess the need for a valuation allowance against our deferred tax assets each quarter through the review of all available positive and negative evidence. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. The analysis is highly dependent upon historical and projected pretax income. Projected pretax income includes significant assumptions related to revenue, which could be affected by the success of the commercial launches of Fanapt® for the acute treatment of manic or mixed episodes associated with bipolar I disorder, PONVORY® in RMS, NEREUS™ in the prevention of vomiting induced by motion, which became commercially available in the U.S. in May 2026, and BYSANTI™ for the acute treatment of manic or

mixed episodes associated with bipolar I disorder and for the treatment of schizophrenia, which was approved in February 2026, and HETLIOZ® generic competition, as well as commercial and research and development activities, including spend on our commercial launches and late-stage clinical activities and our ability to obtain regulatory approval from the FDA for products or new indications in development, among other factors. After considering all available positive and negative evidence, including but not limited to historical, current and future projected results and significant risks and uncertainties related to forecasts, we have concluded that it is not more likely than not that substantially all of our deferred tax assets are realizable in future periods and maintained a valuation allowance against all net deferred tax assets as of September 30, 2026 and December 31, 2025. The valuation allowance was recorded in the fourth quarter of 2025, resulting in a non-cash income tax expense of $113.7 million for the year ended December 31, 2025. If we have cumulative pretax income in future periods and if our projections indicate pretax income in future periods or if there are meaningful changes to our business operations, the conclusion about the appropriateness of the valuation allowance could change in a future period. A future reduction of the valuation allowance, in whole or in part, would result in a non-cash income tax benefit during the period of reduction. The potential timing and amount of any future valuation allowance release has yet to be determined and requires an analysis that is highly dependent upon historical and future projected earnings, among other factors. Any such adjustment could have a material impact on our financial position and results of operations.

Tax benefits are recognized from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position. The tax benefit recognized in the financial statements for a particular tax position is based on the largest benefit that is more likely than not to be realized upon settlement.

Recent Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies,* to the condensed consolidated financial statements included in Part I of this Quarterly Report for information on recent accounting pronouncements.

Results of Operations

We anticipate that our results of operations will fluctuate for the foreseeable future due to several factors, including our and our partners' ability to continue to successfully commercialize our products, including our newest products, NEREUS™ for the prevention of vomiting induced by motion, which was approved in December 2025 and became commercially available in the U.S. in May 2026, and BYSANTI™ for the acute treatment of manic or mixed episodes associated with bipolar I disorder and for the treatment of schizophrenia, which was approved in February 2026, the impact of regulatory changes to the pharmaceutical industry such as the Medicare Part D provisions of the Inflation Reduction Act of 2022, any possible payments made or received pursuant to license agreements, progress of our research and development efforts, the timing and outcome of clinical trials and related possible regulatory approvals and the status of existing and future potential litigation involving our products and intellectual property. See Note 14, *Legal Matters*, to the condensed consolidated financial statements included in Part I of this Quarterly Report for information on material legal matters.

Three months ended September 30, 2026 compared to three months ended September 30, 2025

Revenues. Total revenues increased by $13.6 million, or 24%, to $69.8 million for the three months ended September 30, 2026 compared to $56.3 million for the three months ended September 30, 2025. Revenue from net product sales was as follows:

	Three Months Ended			
(in thousands)	September 30, 2026	September 30, 2025	Net Change	Percent
Fanapt® net product sales	$ 38,765	$ 31,245	$ 7,520	24 %
HETLIOZ® net product sales	21,689	17,978	3,711	21 %
PONVORY® net product sales	7,749	7,035	714	10 %
NEREUS™ net product sales	1,612	—	1,612	N/A
Total net product sales	$ 69,815	$ 56,258	$ 13,557	24 %

Fanapt® net product sales increased by $7.5 million, or 24%, to $38.8 million for the three months ended September 30, 2026 compared to $31.2 million for the three months ended September 30, 2025. The increase to net product sales was primarily attributable to an increase in volume and an increase in price net of deductions. An amount of variable consideration related to Fanapt® net product sales is subject to dispute, of which approximately $3.0 million was recognized for the three months ended December 31, 2025.

HETLIOZ® net product sales increased by $3.7 million, or 21%, to $21.7 million for the three months ended September 30, 2026 compared to $18.0 million for the three months ended September 30, 2025. The increase to net product sales was attributable to an increase in volume. The volume in the third quarter of 2026 includes the recognition of revenue totaling approximately $7.0 million for orders that were shipped on June 29, 2026 and arrived on July 1, 2026, which is the point at which control is transferred to the customer. Since the entrance of generic competition in the first quarter of 2023, HETLIOZ® dispenses have decreased. Additionally, inventory levels at our specialty pharmacy customers have been elevated relative to inventory levels prior to the entrance of generic competition. The elevated levels of inventory have resulted in longer periods to resolve uncertainties related to variable consideration. HETLIOZ® net product sales have been and may continue to fluctuate from quarter to quarter depending on when specialty pharmacy customers purchase again. HETLIOZ® net product sales may decline in future periods, potentially significantly, related to continued generic competition in the U.S.

PONVORY® net product sales increased by $0.7 million, or 10%, to $7.7 million for the three months ended September 30, 2026 compared to $7.0 million for the three months ended September 30, 2025. An amount of variable consideration related to PONVORY® net product sales is subject to dispute, of which approximately $3.0 million was recognized for the three months ended December 31, 2024.

NEREUS™ became commercially available in the U.S. in May 2026. NEREUS™ net product sales were $1.6 million for the three months ended September 30, 2026. During the three months ended June 30, 2026, there was an initial stocking of NEREUS™ by wholesalers and we constrained NEREUS™ net product sales. We continued to constrain revenue during the three months ended September 30, 2026. The constrained revenue relates to the uncertainties of patient demand and product returns related to the elevated levels of inventory on hand at wholesalers.

Cost of goods sold. Cost of goods sold increased by $1.2 million, or 41%, to $4.2 million for the three months ended September 30, 2026 compared to $3.0 million for the three months ended September 30, 2025. Cost of goods sold includes third-party manufacturing costs of product sold, third-party royalty costs and distribution and other costs.

Third-party royalty costs were 6% of Fanapt® net product sales and 5% of HETLIOZ® net product sales in Germany. Third-party royalty costs on HETLIOZ® net product sales in Germany will end in October 2026 and third-party royalty costs on Fanapt® net product sales in the U.S. will end in November 2026. There are no third-party royalty costs on net sales of PONVORY®. Third-party royalty costs on NEREUS™ net product sales in the U.S. are tiered, up to the low double digits, and began with the U.S. commercial launch of NEREUS™ in May 2026.

We evaluate the risk of excess inventory and product expiry by evaluating current and future product demand relative to product shelf life and build demand forecasts by considering factors such as, but not limited to, overall market potential, market share, market acceptance, patient usage and generic competition. Our inventory balance consisted of $6.6 million of HETLIOZ® product and $3.1 million of other products as of September 30, 2026. Our inventory balance consisted of $7.8 million of HETLIOZ® product and $3.2 million of other products as of December 31, 2025. Net product sales during the three months ended September 30, 2026 was derived from zero-cost inventory related to inventory manufactured prior to when FDA approval of NEREUS™ was determined to be probable, which was previously expensed as research and development expense. For the three months ended September 30, 2026, the increase to cost of goods sold would not have been material if we included zero-cost inventory. As of September 30, 2026, the remaining zero-cost inventory that was previously expensed was $5.0 million, which consisted of work-in-process.

Research and development expenses. Research and development expenses increased by $5.1 million, or 22%, to $27.6 million for the three months ended September 30, 2026 compared to $22.6 million for the three months ended September 30, 2025. The increase was primarily due to higher expenses on our various development programs.

The following table summarizes the costs of our product development initiatives for the three months ended September 30, 2026 and 2025:

(in thousands)	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025
Direct project costs (1)		
Fanapt®	$ 3,763	$ 3,767
BYSANTI™	4,642	2,977
HETLIOZ®	4,519	2,751
PONVORY®	1,230	2,514
NEREUS™	5,259	3,119
Quimilza™	1,343	966
VQW-765	2,548	1,112
CFTR	540	2,165
VTR-297	1,287	978
Other	642	569
Total direct project costs	25,773	20,918
Indirect project costs (1)		
Stock-based compensation	613	458
Other indirect overhead	1,236	1,187
Total indirect project costs	1,849	1,645
Total research and development expense	$ 27,622	$ 22,563

(1) We record direct costs, including personnel costs and related benefits, on a project-by-project basis. Many of our research and development costs are not attributable to any individual project because we share resources across several development projects. We record indirect costs that support a number of our research and development activities in the aggregate, including stock-based compensation.

We expect to incur significant research and development expenses as we continue to develop our products and continue our efforts to expand our product pipeline.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased by $0.7 million, or 1%, to $59.6 million for the three months ended September 30, 2026 compared to $60.3 million for the three months ended September 30, 2025. The decrease in selling, general and administrative expenses was primarily the result of a decrease in legal and other corporate activities, partially offset by an increase in spending on our continued commercialization efforts for our products, including the U.S. commercial launch of NEREUS™ initiated in May 2026.

Intangible asset amortization. Intangible asset amortization was $2.0 million for the three months ended September 30, 2026 compared to $1.8 million for the three months ended September 30, 2025. Intangible asset amortization increased in 2026 due to the amortization of the NEREUS™ intangible asset, which was capitalized in December 2025.

Other income, net. Other income, net was $1.1 million for the three months ended September 30, 2026 compared to $2.9 million for the three months ended September 30, 2025. Other income primarily consists of investment income on our marketable securities.

Provision (benefit) for income taxes. We recorded an income tax provision of $0.2 million and a benefit for income taxes of $5.8 million for the three months ended September 30, 2026 and 2025, respectively. The income tax provision for the three months ended September 30, 2026 was driven by discrete income tax expense of $0.1 million. The income tax benefit for the three months ended September 30, 2025 was primarily driven by the estimated effective tax rate for the year as well as discrete income tax expense of $0.1 million.

Nine months ended September 30, 2026 compared to nine months ended September 30, 2025

Revenues. Total revenues increased by $13.2 million, or 8%, to $172.1 million for the nine months ended September 30, 2026 compared to $158.9 million for the nine months ended September 30, 2025. Revenues were as follows:

	Nine Months Ended			
(in thousands)	September 30, 2026	September 30, 2025	Net Change	Percent
Fanapt® net product sales	$ 104,314	$ 84,084	$ 20,230	24 %
HETLIOZ® net product sales	43,212	55,042	(11,830)	(21)%
PONVORY® net product sales	21,895	19,763	2,132	11 %
NEREUS™ net product sales	2,641	—	2,641	N/A
Total net product sales	$ 172,062	$ 158,889	$ 13,173	8 %

Fanapt® net product sales increased by $20.2 million, or 24%, to $104.3 million for the nine months ended September 30, 2026 compared to $84.1 million for the nine months ended September 30, 2025. The increase to net product sales was primarily attributable to an increase in volume. An amount of variable consideration related to Fanapt® net product sales is subject to dispute, of which approximately $3.0 million was recognized for the three months ended December 31, 2025.

HETLIOZ® net product sales decreased by $11.8 million, or 21%, to $43.2 million for the nine months ended September 30, 2026 compared to $55.0 million for the nine months ended September 30, 2025. The decrease to net product sales was attributable to a decrease in volume. Since the entrance of generic competition in the first quarter of 2023, HETLIOZ® dispenses have decreased. Additionally, inventory levels at our specialty pharmacy customers have been elevated relative to inventory levels prior to the entrance of generic competition. The elevated levels of inventory have resulted in longer periods to resolve uncertainties related to variable consideration. HETLIOZ® net product sales have been and may continue to fluctuate from quarter to quarter depending on when specialty pharmacy customers purchase again. HETLIOZ® net product sales may decline in future periods, potentially significantly, related to continued generic competition in the U.S.

PONVORY® net product sales increased by $2.1 million, or 11%, to $21.9 million for the nine months ended September 30, 2026 compared to $19.8 million for the nine months ended September 30, 2025. The increase to net product sales was attributable to an increase in price net of deductions. An amount of variable consideration related to PONVORY® net product sales is subject to dispute, of which approximately $3.0 million was recognized for the three months ended December 31, 2024.

NEREUS™ became commercially available in the U.S. in May 2026. NEREUS™ net product sales were $2.6 million for the nine months ended September 30, 2026. During the nine months ended September 30, 2026, there was an initial stocking of NEREUS™ by wholesalers and we constrained NEREUS™ net product sales. The constrained revenue relates to the uncertainties of patient demand and product returns related to the elevated levels of inventory on hand at wholesalers.

Cost of goods sold. Cost of goods sold increased by $1.7 million, or 18%, to $10.9 million for the nine months ended September 30, 2026 compared to $9.2 million for the nine months ended September 30, 2025. Cost of goods sold includes third-party manufacturing costs of product sold, third-party royalty costs and distribution and other costs.

Third-party royalty costs were 6% of Fanapt® net product sales and 5% of HETLIOZ® net product sales in Germany. Third-party royalty costs on HETLIOZ® net product sales in Germany will end in October 2026 and third-party royalty costs on Fanapt® net product sales in the U.S. will end in November 2026. There are no third-party royalty costs on net sales of PONVORY®. Third-party royalty costs on NEREUS™ net product sales in the U.S. are tiered up to the low double digits, and began with the U.S. commercial launch of NEREUS™ in May 2026.

We evaluate the risk of excess inventory and product expiry by evaluating current and future product demand relative to product shelf life and build demand forecasts by considering factors such as, but not limited to, overall market potential, market share, market acceptance, patient usage, and generic competition. Our inventory balance consisted of $6.6 million of HETLIOZ® product and $3.1 million of other products as of September 30, 2026. Our inventory balance consisted of $7.8 million of HETLIOZ® product and $3.2 million of other products as of December 31, 2025. Net product sales during the nine months ended September 30, 2026 was derived from zero-cost inventory related to inventory manufactured prior to when FDA approval of NEREUS™ was determined to be probable, which was previously expensed as research and development expense. For the nine months ended September 30, 2026, the increase to cost of goods sold would not have been material if we included zero-cost inventory. As of September 30, 2026, the remaining zero-cost inventory that was previously expensed was $5.0 million, which consisted of work-in-process.

Research and development expenses. Research and development expenses increased by $12.7 million, or 16%, to $93.0 million for the nine months ended September 30, 2026 compared to $80.3 million for the nine months ended September 30, 2025. The increase was primarily due to an increase in expenses for our VQW-765, BYSANTI™, and various other development programs, partially offset by lower expenses on our Quimilza™ program. Research and development expenses for the nine months ended September 30, 2025 included an upfront payment to AnaptysBio, Inc. for the exclusive, global license to develop, manufacture, and commercialize Quimilza™ and drug supply.

The following table summarizes the costs of our product development initiatives for the nine months ended September 30, 2026 and 2025:

	Nine Months Ended	
(in thousands)	**September 30, 2026**	**September 30, 2025**
Direct project costs (1)		
Fanapt®	$ 14,622	$ 11,002
BYSANTI™	13,960	9,376
HETLIOZ®	12,580	9,665
PONVORY®	6,515	6,404
NEREUS™	15,064	11,134
Quimilza™	4,317	15,336
VQW-765	10,757	1,762
CFTR	3,406	5,552
VTR-297	4,050	2,561
Other	1,873	1,419
Total direct project costs	87,144	74,211
Indirect project costs (1)		
Stock-based compensation	1,797	1,819
Other indirect overhead	4,069	4,235
Total indirect project costs	5,866	6,054
Total research and development expense	$ 93,010	$ 80,265

(1) We record direct costs, including personnel costs and related benefits, on a project-by-project basis. Many of our research and development costs are not attributable to any individual project because we share resources across several development projects. We record indirect costs that support a number of our research and development activities in the aggregate, including stock-based compensation.

We expect to incur significant research and development expenses as we continue to develop our products and continue our efforts to expand our product pipeline.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by $24.8 million, or 14%, to $199.8 million for the nine months ended September 30, 2026 compared to $175.0 million for the nine months ended September 30, 2025. The increase in selling, general and administrative expenses was primarily the result of an increase in spending on our continued commercialization efforts for our commercial launches of our products, including the U.S. commercial launch of NEREUS™ initiated in May 2026 and the expansion of our sales force during 2025.

Intangible asset amortization. Intangible asset amortization was $6.0 million and $5.3 million for the nine months ended September 30, 2026 and 2025, respectively. Intangible asset amortization increased in 2026 due to the amortization of the NEREUS™ intangible asset, which was capitalized in December 2025.

Other income, net. Other income, net was $4.4 million for the nine months ended September 30, 2026 compared to $10.2 million for the nine months ended September 30, 2025. Other income primarily consists of investment income on our marketable securities.

Provision (benefit) for income taxes. We recorded an income tax provision of $0.4 million and a benefit for income taxes of $21.4 million for the nine months ended September 30, 2026 and 2025, respectively. The income tax provision for the nine months ended September 30, 2026 was driven by discrete income tax expense of $0.4 million. The income tax benefit for the

nine months ended September 30, 2025 was primarily driven by the estimated effective tax rate for the year as well as discrete income tax expense of $0.9 million.

Liquidity and Capital Resources

As of September 30, 2026, our total cash and cash equivalents and marketable securities were $140.5 million compared to $263.8 million at December 31, 2025. Our cash and cash equivalents are deposits in operating accounts and highly liquid investments with an original maturity of 90 days or less at date of purchase and consist of investments in money market funds with commercial banks and financial institutions and commercial paper of high-quality corporate issuers. Our marketable securities consist of investments in government-sponsored and corporate enterprises and commercial paper.

Our liquidity resources as of September 30, 2026 and December 31, 2025 are summarized as follows:

(in thousands)	September 30, 2026	December 31, 2025
Cash and cash equivalents	$ 61,933	$ 84,851
Marketable securities:		
U.S. Treasury and government agencies	64,728	153,735
Corporate debt	13,833	25,261
Total marketable securities	78,561	178,996
Total cash, cash equivalents and marketable securities	$ 140,494	$ 263,847

As of September 30, 2026, we maintained all of our cash, cash equivalents and marketable securities in two financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits, but we do not anticipate any losses with respect to such deposits.

In the normal course of our business, we regularly enter into agreements with third-party vendors under fee service arrangements which generally may be terminated on 90 days' notice without incurring additional charges, other than charges for work completed or materials procured but not paid for through the effective date of termination and other costs incurred by our contractors in closing out work in progress as of the effective date of termination. Occasionally, we enter into short- and long-term agreements with third-party vendors that are non-cancellable. Our short-term non-cancellable purchase commitments primarily relate to inventory and clinical manufacturing purchase commitments, for which the production is expected to be completed within a one-year period, and certain marketing activities. Our non-cancellable purchase commitments for agreements with a remaining non-cancellable term longer than one year from September 30, 2026 primarily relate to commitments for marketing activities, inventory purchase commitments for certain of our commercial products and data services. Various other long-term agreements entered into for services with other third-party vendors are cancellable in nature or contain variable commitment terms within the agreement that are within our control. We also have long-term contractual obligations related to our leases and license agreements. See Note 8, *Commitments and Contingencies,* to the condensed consolidated financial statements included in Part I of this Quarterly Report for more information about these commitments.

Other than as disclosed in Note 8, *Commitments and Contingencies*, to the condensed consolidated financial statements included in Part I of this Quarterly Report, there have been no material changes to our long-term contractual obligations as disclosed in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of our Annual Report. For further information regarding our long-term non-cancellable purchase commitments, leases and license agreements, see Note 8, *Commitments and Contingencies*.

We do not have any off-balance sheet arrangements.

Based on our current operating plans, which include continued investment in support of our commercial products, including the ongoing commercial launch of NEREUS™ for the prevention of vomiting induced by motion, which became commercially available in the U.S. in May 2026, and the upcoming commercial launch of BYSANTI™ for the acute treatment of manic or mixed episodes associated with bipolar I disorder and for the treatment of schizophrenia, continued clinical development of our commercial and other products, pursuit of regulatory approval of Quimilza™, pursuit of further regulatory approvals for our currently approved products and payments due upon achievement of milestones under our license agreements, we believe that our cash, cash equivalents and marketable securities and cash received from product sales will be sufficient for at least the next 12 months as of the date the financial statements were issued. Our activities will necessitate significant working capital through 2026 and beyond, and future cash requirements and the adequacy of our available funds will depend on many factors, primarily including our ability to generate revenue, the scope and costs of our commercial, manufacturing and process development activities, including the commercial launches of NEREUS™ and BYSANTI™, a potential regulatory approval of Quimilza™,

the magnitude of our discovery, preclinical and clinical development programs and potential costs to acquire or license the rights to additional products.

We may need or desire to obtain additional capital to finance our operations through debt, equity or alternative financing arrangements. We may also seek capital through collaborations or partnerships with other companies. The issuance of debt could require us to grant liens on certain of our assets that may limit our flexibility and debt securities may be convertible into common stock. If we raise additional capital by issuing equity securities, the terms and prices for these financings may be much more favorable to the new investors than the terms obtained by our existing stockholders. These financings may also significantly dilute the ownership of our existing stockholders. If we are unable to obtain additional financing, we may be required to reduce the scope of our future activities, which could harm our business, financial condition and operating results. There can be no assurance that any additional financing required in the future will be available on acceptable terms, if at all.

Cash Flow

The following table summarizes our net cash flows from operating, investing and financing activities for the nine months ended September 30, 2026 and 2025:

	Nine Months Ended		
(in thousands)	September 30, 2026	September 30, 2025	Net Change
Net cash provided by (used in):			
Operating activities:			
Net loss	$ (133,642)	$ (79,287)	$ (54,355)
Non-cash charges	18,689	(6,020)	24,709
Net change in operating assets and liabilities	5,230	5,282	(52)
Operating activities	(109,723)	(80,025)	(29,698)
Investing activities:			
Acquisition of intangible asset	(10,000)	—	(10,000)
Purchases of property and equipment	(722)	(896)	174
Net purchases, sales and maturities of marketable securities	99,974	50,890	49,084
Investing activities	89,252	49,994	39,258
Financing activities:			
Principal payments on finance leases	(2,509)	(1,351)	(1,158)
Tax obligations paid in connection with settlement of restricted stock units	—	(915)	915
Financing activities	(2,509)	(2,266)	(243)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(42)	3	(45)
Net change in cash, cash equivalents and restricted cash	$ (23,022)	$ (32,294)	$ 9,272

Operating Activities. Cash flows used in operating activities during the nine months ended September 30, 2026 were $109.7 million, an increase of $29.7 million compared to $80.0 million during the nine months ended September 30, 2025. The increase reflects an increase in net loss of $54.4 million, partially offset by a $24.7 million increase in non-cash charges, primarily due to the absence in 2026 of the deferred income tax benefit recognized in the prior-year period, and a $0.1 million unfavorable change in operating assets and liabilities. The increase from net change in operating assets and liabilities was due to the increase in product revenue allowances, including the impact of constraining NEREUS™ revenue during the nine months ended September 30, 2026, offset by timing of payments for our accounts payable and accrued liabilities and receipt of cash for accounts receivable. We generally pay approved invoices when due, with vendor terms typically ranging from 30 to 45 days.

Investing Activities. Cash flows provided by investing activities during the nine months ended September 30, 2026 were $89.3 million, an increase of $39.3 million compared to $50.0 million during the nine months ended September 30, 2025. The change in investing activities primarily reflects the net use of cash and cash equivalents and maturities of the investments in our portfolio of marketable securities. The $10.0 million milestone payment owed to Eli Lilly and Company for the FDA's approval of NEREUS™ for the prevention of vomiting induced by motion was accrued as of December 31, 2025 and paid in 2026.

Financing Activities. Cash flows used in financing activities during the nine months ended September 30, 2026 were $2.5 million, an increase of $0.2 million compared to $2.3 million during the nine months ended September 30, 2025. Financing activities include principal payments for our finance lease liabilities and tax obligations paid in connection with settlement of restricted stock units.

ITEM 3 Quantitative and Qualitative Disclosures about Market Risk

Our exposure to market risk is currently confined to our cash and cash equivalents, marketable securities and restricted cash. We currently do not hedge interest rate exposure. We have not used derivative financial instruments for speculation or trading purposes.

We deposit our cash with financial institutions that we consider to be of high credit quality and purchase marketable securities that are generally investment grade, liquid, short-term fixed income securities and money-market instruments denominated in U.S. dollars. Our marketable securities consist of commercial paper, corporate notes and U.S. government agency notes and have maturities of less than two years. We do not believe that an increase in market rates would have any significant impact on the realized value of our cash equivalents and marketable securities.

We are also exposed to risks related to changes in foreign currency exchange rates relating to our foreign operations. The functional currency of our international subsidiaries is the local currency. We are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our subsidiaries' respective functional currencies. We are also exposed to unfavorable fluctuations of the U.S. dollar, which is our reporting currency, against the currencies of our operating subsidiaries when their respective financial statements are translated into U.S. dollars for inclusion in our condensed consolidated financial statements. We do not currently hedge our foreign currency exchange rate risk. Foreign currency has not had, nor do we believe that a decrease or increase in any foreign currency exchange rates would have, a material impact on our results of operations.

ITEM 4 Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of September 30, 2026. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of September 30, 2026, the end of the period covered by this quarterly report on Form 10-Q, to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the third quarter of 2026 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 Legal Proceedings

Information with respect to this item may be found in Note 14, *Legal Matters,* to the condensed consolidated financial statements in Part I of this quarterly report on Form 10-Q, which is incorporated herein by reference.

ITEM 1A Risk Factors

We previously disclosed in Part I, Item 1A of our annual report on Form 10-K (Annual Report) for the year ended December 31, 2025, filed with the Securities and Exchange Commission on February 12, 2026, important factors which could affect our business, financial condition, results of operations and future operations under the heading Risk Factors. Our business, financial condition and operating results can be affected by a number of factors, whether currently known or unknown, including but not limited to those described as risk factors, any one or more of which could, directly or indirectly, cause our actual operating results and financial condition to vary materially from past, or anticipated future, operating results and financial condition. Any of these factors, in whole or in part, could materially and adversely affect our business, financial condition, operating results and the price of our common stock. There have been no material changes to the risk factors disclosed in (i) our Annual Report for the fiscal year ended December 31, 2025 or (ii) any Quarterly Report on Form 10-Q filed subsequent to our Annual Report.

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 3 Defaults Upon Senior Securities

None.

ITEM 4 Mine Safety Disclosures

Not applicable.

ITEM 5 Other Information

During the fiscal quarter ended September 30, 2026, none of our directors or officers informed us of the adoption, modification or termination of a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as those terms are defined in Regulation S-K, Item 408. Furthermore, during the fiscal quarter ended September 30, 2026, we did not adopt or terminate a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as those terms are defined in Regulation S-K, Item 408.

ITEM 6 Exhibits

Exhibit Number	Description
3.1	Form of Amended and Restated Certificate of Incorporation of the registrant (filed as Exhibit 3.8 to Amendment No. 2 to the registrant's registration statement on Form S-1 (File No. 333-130759) on March 17, 2006 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the registrant, as amended and restated on October 2, 2024 (filed as Exhibit 3.1 to the registrant's current report on Form 8-K (File No. 001-34186) on October 3, 2024 and incorporated herein by reference).
3.3	Amended and Restated Certificate of Designation of Rights, Preferences and Privileges of Series A Junior Participating Preferred Stock of Vanda Pharmaceuticals Inc. (filed as Exhibit 3.1 to the registrant's current report on Form 8-K (File No. 001-34186) on April 17, 2024 and incorporated herein by reference).
31.1*	Certification of the Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer), as required by Section 906 of the Sarbanes-Oxley Act of 2002.
10.1*†	Employment Agreement, dated August 20, 2026, by and between Daniel McGuire and the registrant.
10.2*†	Employment Agreement, dated August 20, 2026, by and between Christos Polymeropoulos and the registrant.
10.3*†	Employment Agreement, dated August 20, 2026, by and between Scott Howell and the registrant.
101	The following financial information from this quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2026 formatted in Inline Extensible Business Reporting Language (iXBRL) and filed electronically herewith: (i) Condensed Consolidated Balance Sheets as of September 30, 2026 and December 31, 2025; (ii) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2026 and 2025; (iii) Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2026 and 2025; (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity for the three and nine months ended September 30, 2026 and 2025; (v) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2026 and 2025; and (vi) Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* Filed herewith.

** Furnished herewith.

† Indicates management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Vanda Pharmaceuticals Inc.

October 29, 2026 /s/ Mihael H. Polymeropoulos, M.D.

Mihael H. Polymeropoulos, M.D.

President, Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

October 29, 2026 /s/ Kevin Moran

Kevin Moran

Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

VANDA PHARMACEUTICALS INC. EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into as of August 20, 2026 by and between **DANIEL MCGUIRE** (the "Executive") and **VANDA PHARMACEUTICALS INC.**, a Delaware corporation (the "Company").

1. Duties and Scope of Employment.

(a) **Position**. During his employment under this Agreement ("Employment"), the Company agrees to employ the Executive in the position of Senior Vice President, General Counsel and Secretary. The Executive shall be subject to the supervision of, and shall have such authority as is delegated to him by, the Company's Chief Executive Officer. The Executive hereby accepts such employment and agrees to undertake the duties and responsibilities normally inherent in such position and such other duties and responsibilities as the Company's Chief Executive Officer shall from time to time reasonably assign to him.

(b) **Obligations to the Company**. During his Employment, the Executive shall devote his full business efforts and time to the Company. In addition, during his Employment, without the prior written approval of the Company's Board of Directors (the "Board"), the Executive shall not render services in any capacity to any other person or entity and shall not act as a sole proprietor or partner of any other person or entity or as a shareholder owning more than five percent of the voting power of any other entity. The Executive shall comply with the Company's policies and rules, as they may be in effect from time to time during his Employment.

(c) **No Conflicting Obligations**. The Executive represents and warrants to the Company that he is under no obligations or commitments, whether contractual or otherwise, that are inconsistent with his obligations under this Agreement. The Executive represents and warrants that he will not use or disclose, in connection with his Employment, any trade secrets or other proprietary information or intellectual property in which the Executive or any other person has any right, title or interest and that his Employment as contemplated by this Agreement will not infringe or violate the rights of any other person or entity. The Executive represents and warrants to the Company that he has returned all property and confidential information belonging to any prior employers.

2. Cash and Incentive Compensation.

(a) **Salary**. The Company shall pay the Executive as compensation for his services a base salary at a gross annual rate of not less than $470,000. Such salary shall be payable in accordance with the Company's standard payroll procedures. The annual compensation specified in this Subsection (a), together with any increases in such compensation that the Company may grant from time to time, is referred to in this Agreement as "Base Compensation."

(b) **Incentive Bonuses**. The Executive shall be eligible for an annual incentive bonus with a target amount equal to 45% of his Base Compensation (the "Annual Target Bonus"). Such Annual Target Bonus (if any) shall be awarded based on objective or subjective criteria established in advance by the Board or the Compensation Committee of the Board (the "Compensation Committee"). Any Annual Target Bonus for a fiscal year shall in no event be paid later than 2½ months after the close of such fiscal year. Except as provided in Section 6, such Annual Target Bonus shall be paid only if the Executive is employed by the Company at the time of payment. The determinations of the Board or the Compensation Committee with respect to such Annual Target Bonus shall be final and binding.

(c) **Equity Awards**. The Executive has previously been granted restricted stock units. In addition, the Executive will be eligible to receive annual equity awards, if any, subject to the approval of the Board or the Compensation Committee in their sole discretion. The timing and size of the annual equity awards, if any, shall be determined in the sole discretion of the Board or the Compensation Committee based on the Executive's and/or the Company's performance.

3. Vacation and Employee Benefits.

(a) The Company has adopted an unlimited paid time off policy, as such, during his Employment, the Executive shall be eligible for an unlimited number of paid vacation days each year, subject to the unlimited paid time off policy as in effect from time to time. In accordance with such policy, the Executive shall not be entitled to any accrued vacation upon termination of employment for any reason.

(b) During his Employment, the Executive shall be eligible to participate in any employee benefit plans maintained by the Company for similarly situated employees, subject in each case to the generally applicable terms and conditions of the plan in question and to the determinations of any person or committee administering such plan.

4. **Business Expenses.** During his Employment, the Executive shall be authorized to incur necessary and reasonable travel, entertainment and other business expenses in connection with his duties hereunder. The Company shall reimburse the Executive for such expenses upon presentation of an itemized account and appropriate supporting documentation, all in accordance with the Company's generally applicable policies. Any reimbursement shall
(a) be paid promptly but not later than the last day of the calendar year following the year in which the expense was incurred, (b) not be affected by any other expenses that are eligible for reimbursement in any calendar year and (c) not be subject to liquidation or exchange for another benefit.

5. Term of Employment.

(a) **Employment at Will.** The Executive's Employment with the Company shall be "at will," meaning that either the Executive or the Company may terminate the

Executive's Employment at any time and for any reason, with or without Cause. Any contrary representations which may have been made to the Executive shall be superseded by this Agreement. This Agreement shall constitute the full and complete agreement between the Executive and the Company on the "at will" nature of the Executive's Employment, which may only be changed in an express written agreement signed by the Executive and a duly authorized officer of the Company (other than the Executive). The termination of Executive's Employment shall not limit or otherwise affect his obligations under Section 7 below.

(b) **Termination**. The Company may terminate the Executive's Employment at any time and for any reason (or no reason), and with or without Cause, by giving the Executive notice in writing. The Executive may terminate his Employment by giving the Company 14 days' advance notice in writing. The Executive's Employment shall terminate automatically in the event of his death.

(c) **Rights Upon Termination**. Except as expressly provided in Section 6, upon the termination of the Executive's Employment pursuant to this Section 5, the Executive shall only be entitled to accrued and unpaid compensation, benefits and expense reimbursements described in Sections 2, 3 and 4 for the period preceding the effective date of the termination. The payments under this Agreement shall fully discharge all responsibilities of the Company to the Executive.

6. Termination Benefits.

(a) **Preconditions**. Any other provision of this Agreement notwithstanding, the remaining Subsections of this Section 6 shall not apply unless each of the following requirements is satisfied:

(i) The Executive has executed a general release of all known and unknown claims that the Executive may then have against the Company or persons affiliated with the Company in a form prescribed by the Company, without alterations. The Executive shall execute and return the release on or before the date specified by the Company in the prescribed form (the "Release Deadline"). The Release Deadline shall in no event be later than 50 days after the Executive's Separation. If the Executive fails to return the release on or before the Release Deadline, or if the Executive revokes the release, then the Executive shall not be entitled to the benefits described in this Section 6.

(ii) The Executive has returned all property of the Company in the Executive's possession.

(b) **Severance Pay**. If, during the term of this Agreement, the Executive is subject to an Involuntary Termination, then the Company shall pay the Executive both of the following:

(i) **Base Compensation**. The Company shall continue to pay Executive his Base Compensation for a period of 12 months following the Separation (the "Continuation Period"). Such severance payments shall be paid at the Base Compensation rate in effect at the time of the Separation and in accordance with the Company's standard payroll procedures. The severance payments shall commence within 60 days after the Executive's Separation and, once they commence (the "Payment Commencement"), shall include any unpaid amounts accrued from the date of the Employee's Separation. However, if the 60-day period described in the preceding sentence spans two calendar years, then the Payment Commencement shall in any event begin on the first payroll period following expiration of any applicable revocation period in the second calendar year.

(ii) **Target Bonus**. An amount equal to his Annual Target Bonus at the rate in effect at the time of the Separation. Such amount shall be payable in a lump sum on the Company's next regularly scheduled payroll that occurs following the Payment Commencement.

(c) **Options**. If, during the term of this Agreement, Executive is subject to an Involuntary Termination, then (i) the vested portion of the shares of the Company's Common Stock subject to all options held by the Executive at the time of his Separation shall be determined by adding three months to the actual period of service that he has completed with the Company and (ii) such options shall be exercisable for up to six months after the Executive's Separation (provided, however, that the Option shall remain subject to the terms of the Plan in the event the Company is subject to a Change in Control, and further provided that the Option in any event shall expire no later than the Expiration Date set forth in the Notice of Stock Option Grant evidencing the Option).

7. **Non-Solicitation, Non-Disclosure and Non-Competition.** The Executive has entered into a Proprietary Information and Inventions Agreement with the Company, which agreement is incorporated herein by reference.

8. Successors.

(a) **Company's Successors**. This Agreement shall be binding upon any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which becomes bound by this Agreement.

(b) **Executive's Successors**. This Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

9. **Definitions.** For all purposes under this Agreement: "**Cause**" shall mean:

(a) An unauthorized use or disclosure by the Executive of the Company's confidential information or trade secrets, which use or disclosure causes material harm to the Company;

(b) A material breach by the Executive of any agreement between the Executive and the Company;

(c) A material failure by the Executive to comply with the Company's written policies or rules;

(d) The Executive's conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any State thereof;

(e) The Executive's gross negligence or willful misconduct;

(f) A continuing failure by the Executive to perform assigned duties after receiving written notification of such failure from the Board; or

(g) A failure by the Executive to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested the Executive's cooperation.

"**Change in Control**" shall mean:

(a) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (i) the continuing or surviving entity and (ii) any direct or indirect parent corporation of such continuing or surviving entity;

(b) The sale, transfer or other disposition of all or substantially all of the Company's assets;

(c) A change in the composition of the Board, as a result of which fewer than 50% of the incumbent directors are directors who either:

(i) Had been directors of the Company on the date 24 months prior to the date of such change in the composition of the Board (the "Original Directors"); or

(ii) Were appointed to the Board, or nominated for election to the Board, with the affirmative votes of at least a majority of the aggregate of (A) the Original Directors who were in office at the time of their appointment or nomination and (B) the directors whose appointment or nomination was previously approved in a manner consistent with this Subsection (c)(ii); or

(d) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), directly or indirectly, of securities of the Company representing at least 50% of the total voting power represented by the Company's then outstanding voting securities. For purposes of this Subsection (d), the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act but shall exclude (i) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or of a parent or subsidiary of the Company and (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the Common Stock of the Company.

A transaction shall not constitute a Change in Control if its sole purpose is to change the State of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended.

"**Good Reason**" shall mean Executive's resignation within 6 months after one of the following conditions has come into existence without Executive's consent: (i) a change in the Executive's position with the Company that materially reduces his level of authority or responsibility, (ii) a material reduction in his Base Compensation or (iii) receipt of notice that his principal workplace will be relocated by more than 30 miles. A condition shall not be considered "Good Reason" unless the Executive gives the Company written notice of such condition within 90 days after the initial existence of such condition and the Company fails to remedy such condition within 30 days after receiving the Executive's written notice.

"**Involuntary Termination**" shall mean a Separation resulting from either (i) the Executive's involuntary discharge by the Company for reasons other than Cause, Executive's death or Permanent Disability or (ii) the Executive's voluntary resignation for Good Reason.

"**Permanent Disability**" shall mean the Executive's inability to perform the essential functions of the Executive's position, with or without reasonable accommodation, for a period of at least 120 consecutive days because of a physical or mental impairment.

"**Separation**" shall mean a "separation from service," as defined in the regulations under Section 409A of the Code.

10. Miscellaneous Provisions.

(a) **Notice**. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by overnight courier, U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to him at the home address that he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) **Modifications and Waivers**. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) **Whole Agreement**. No other agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement and the Proprietary Information and Inventions Agreement contain the entire understanding of the parties with respect to the subject matter hereof.

(d) **Tax Matters**. All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law. For purposes of Section 409A of the Code, each payment under Section 6(b) is hereby designated as a separate payment. If the Company determines that the Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder at the time of his Separation, then:

(i) Any salary continuation payments under Section 6(b)(i), to the extent not exempt from Section 409A of the Code, shall commence with the Company's first regularly scheduled payroll that occurs following the earlier of (x) expiration of the six-month period measured from Executive's Separation or (y) the date of Executive's death and, once such payments commence, any amounts accrued from the Separation date shall be paid in a lump sum on the first payment date; and

(ii) Any lump-sum payment under Section 6(b)(ii), to the extent not exempt from Section 409A of the Code, shall be made with the

Company's first regularly scheduled payroll that occurs following the earlier of (x) expiration of the six-month period measured from Executive's Separation or (y) the date of Executive's death.

The Company shall not have a duty to design its compensation policies in a manner that minimizes the Executive's tax liabilities, and the Executive shall not make any claim against the Company or the Board related to tax liabilities arising from the Executive's compensation.

(e) **Choice of Law**. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the District of Columbia (except its provisions governing the choice of law).

(f) **Severability**. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) **No Assignment**. This Agreement and all rights and obligations of the Executive hereunder are personal to the Executive and may not be transferred or assigned by the Executive at any time. The Company may assign its rights under this Agreement to any entity that assumes the Company's obligations hereunder in connection with any sale or transfer of all or a substantial portion of the Company's assets to such entity.

(h) **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the date first written above.

/s/ Daniel McGuire
Daniel McGuire

VANDA PHARMACEUTICALS INC.

By: /s/ Mihael H. Polymeropoulos

Title: President and Chief Executive Officer

VANDA PHARMACEUTICALS INC. EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into as of August 20, 2026 by and between **CHRISTOS POLYMEROPOULOS** (the "Executive") and **VANDA PHARMACEUTICALS INC.**, a Delaware corporation (the "Company").

1. Duties and Scope of Employment.

(a) **Position**. During his employment under this Agreement ("Employment"), the Company agrees to employ the Executive in the position of Senior Vice President, Medical Director. The Executive shall be subject to the supervision of, and shall have such authority as is delegated to him by, the Company's Chief Executive Officer. The Executive hereby accepts such employment and agrees to undertake the duties and responsibilities normally inherent in such position and such other duties and responsibilities as the Company's Chief Executive Officer shall from time to time reasonably assign to him.

(b) **Obligations to the Company**. During his Employment, the Executive shall devote his full business efforts and time to the Company. In addition, during his Employment, without the prior written approval of the Company's Board of Directors (the "Board"), the Executive shall not render services in any capacity to any other person or entity and shall not act as a sole proprietor or partner of any other person or entity or as a shareholder owning more than five percent of the voting power of any other entity. The Executive shall comply with the Company's policies and rules, as they may be in effect from time to time during his Employment.

(c) **No Conflicting Obligations**. The Executive represents and warrants to the Company that he is under no obligations or commitments, whether contractual or otherwise, that are inconsistent with his obligations under this Agreement. The Executive represents and warrants that he will not use or disclose, in connection with his Employment, any trade secrets or other proprietary information or intellectual property in which the Executive or any other person has any right, title or interest and that his Employment as contemplated by this Agreement will not infringe or violate the rights of any other person or entity. The Executive represents and warrants to the Company that he has returned all property and confidential information belonging to any prior employers.

2. Cash and Incentive Compensation.

(a) **Salary**. The Company shall pay the Executive as compensation for his services a base salary at a gross annual rate of not less than $510,000. Such salary shall be payable in accordance with the Company's standard payroll procedures. The annual compensation specified in this Subsection (a), together with any increases in such compensation that the Company may grant from time to time, is referred to in this Agreement as "Base Compensation."

(b) **Incentive Bonuses**. The Executive shall be eligible for an annual incentive bonus with a target amount equal to 45% of his Base Compensation (the "Annual Target Bonus"). Such Annual Target Bonus (if any) shall be awarded based on objective or subjective criteria established in advance by the Board or the Compensation Committee of the Board (the "Compensation Committee"). Any Annual Target Bonus for a fiscal year shall in no event be paid later than 2½ months after the close of such fiscal year. Except as provided in Section 6, such Annual Target Bonus shall be paid only if the Executive is employed by the Company at the time of payment. The determinations of the Board or the Compensation Committee with respect to such Annual Target Bonus shall be final and binding.

(c) **Equity Awards**. The Executive has previously been granted options to purchase shares of the Company's common stock and restricted stock units. In addition, the Executive will be eligible to receive annual equity awards, if any, subject to the approval of the Board or the Compensation Committee in their sole discretion. The timing and size of the annual equity awards, if any, shall be determined in the sole discretion of the Board or the Compensation Committee based on the Executive's and/or the Company's performance.

3. Vacation and Employee Benefits.

(a) The Company has adopted an unlimited paid time off policy, as such, during his Employment, the Executive shall be eligible for an unlimited number of paid vacation days each year, subject to the unlimited paid time off policy as in effect from time to time. In accordance with such policy, the Executive shall not be entitled to any accrued vacation upon termination of employment for any reason.

(b) During his Employment, the Executive shall be eligible to participate in any employee benefit plans maintained by the Company for similarly situated employees, subject in each case to the generally applicable terms and conditions of the plan in question and to the determinations of any person or committee administering such plan.

4. **Business Expenses.** During his Employment, the Executive shall be authorized to incur necessary and reasonable travel, entertainment and other business expenses in connection with his duties hereunder. The Company shall reimburse the Executive for such expenses upon presentation of an itemized account and appropriate supporting documentation, all in accordance with the Company's generally applicable policies. Any reimbursement shall
(a) be paid promptly but not later than the last day of the calendar year following the year in which the expense was incurred, (b) not be affected by any other expenses that are eligible for reimbursement in any calendar year and (c) not be subject to liquidation or exchange for another benefit.

5. Term of Employment.

(a) **Employment at Will**. The Executive's Employment with the Company shall be "at will," meaning that either the Executive or the Company may terminate the Executive's Employment at any time and for any reason, with or without Cause. Any contrary representations which may have been made to the Executive shall be superseded by this Agreement. This Agreement shall constitute the full and complete agreement between the Executive and the Company on the "at will" nature of the Executive's Employment, which may only be changed in an express written agreement signed by the Executive and a duly authorized officer of the Company (other than the Executive). The termination of Executive's Employment shall not limit or otherwise affect his obligations under Section 7 below.

(b) **Termination**. The Company may terminate the Executive's Employment at any time and for any reason (or no reason), and with or without Cause, by giving the Executive notice in writing. The Executive may terminate his Employment by giving the Company 14 days' advance notice in writing. The Executive's Employment shall terminate automatically in the event of his death.

(c) **Rights Upon Termination**. Except as expressly provided in Section 6, upon the termination of the Executive's Employment pursuant to this Section 5, the Executive shall only be entitled to accrued and unpaid compensation, benefits and expense reimbursements described in Sections 2, 3 and 4 for the period preceding the effective date of the termination. The payments under this Agreement shall fully discharge all responsibilities of the Company to the Executive.

6. Termination Benefits.

(a) **Preconditions**. Any other provision of this Agreement notwithstanding, the remaining Subsections of this Section 6 shall not apply unless each of the following requirements is satisfied:

(i) The Executive has executed a general release of all known and unknown claims that the Executive may then have against the Company or persons affiliated with the Company in a form prescribed by the Company, without alterations. The Executive shall execute and return the release on or before the date specified by the Company in the prescribed form (the "Release Deadline"). The Release Deadline shall in no event be later than 50 days after the Executive's Separation. If the Executive fails to return the release on or before the Release Deadline, or if the Executive revokes the release, then the Executive shall not be entitled to the benefits described in this Section 6.

(ii) The Executive has returned all property of the Company in the Executive's possession.

(b) **Severance Pay**. If, during the term of this Agreement, the Executive is subject to an Involuntary Termination, then the Company shall pay the Executive both of the following:

(i) **Base Compensation**. The Company shall continue to pay Executive his Base Compensation for a period of 12 months following the Separation (the "Continuation Period"). Such severance payments shall be paid at the Base Compensation rate in effect at the time of the Separation and in accordance with the Company's standard payroll procedures. The severance payments shall commence within 60 days after the Executive's Separation and, once they commence (the "Payment Commencement"), shall include any unpaid amounts accrued from the date of the Employee's Separation. However, if the 60-day period described in the preceding sentence spans two calendar years, then the Payment Commencement shall in any event begin on the first payroll period following expiration of any applicable revocation period in the second calendar year.

(ii) **Target Bonus**. An amount equal to his Annual Target Bonus at the rate in effect at the time of the Separation. Such amount shall be payable in a lump sum on the Company's next regularly scheduled payroll that occurs following the Payment Commencement.

(c) **Options**. If, during the term of this Agreement, Executive is subject to an Involuntary Termination, then (i) the vested portion of the shares of the Company's Common Stock subject to all options held by the Executive at the time of his Separation shall be determined by adding three months to the actual period of service that he has completed with the Company and (ii) such options shall be exercisable for up to six months after the Executive's Separation (provided, however, that the Option shall remain subject to the terms of the Plan in the event the Company is subject to a Change in Control, and further provided that the Option in any event shall expire no later than the Expiration Date set forth in the Notice of Stock Option Grant evidencing the Option).

7. **Non-Solicitation, Non-Disclosure and Non-Competition.** The Executive has entered into a Proprietary Information and Inventions Agreement with the Company, which agreement is incorporated herein by reference.

8. Successors.

(a) **Company's Successors**. This Agreement shall be binding upon any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which becomes bound by this Agreement.

(b) **Executive's Successors**. This Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

9. **Definitions.** For all purposes under this Agreement: "**Cause**" shall mean:

(a) An unauthorized use or disclosure by the Executive of the Company's confidential information or trade secrets, which use or disclosure causes material harm to the Company;

(b) A material breach by the Executive of any agreement between the Executive and the Company;

(c) A material failure by the Executive to comply with the Company's written policies or rules;

(d) The Executive's conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any State thereof;

(e) The Executive's gross negligence or willful misconduct;

(f) A continuing failure by the Executive to perform assigned duties after receiving written notification of such failure from the Board; or

(g) A failure by the Executive to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested the Executive's cooperation.

"**Change in Control**" shall mean:

(a) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (i) the continuing or surviving entity and (ii) any direct or indirect parent corporation of such continuing or surviving entity;

(b) The sale, transfer or other disposition of all or substantially all of the Company's assets;

(c) A change in the composition of the Board, as a result of which fewer than 50% of the incumbent directors are directors who either:

(i) Had been directors of the Company on the date 24 months prior to the date of such change in the composition of the Board (the "Original Directors"); or

(ii) Were appointed to the Board, or nominated for election to the Board, with the affirmative votes of at least a majority of the aggregate of (A) the Original Directors who were in office at the time of their appointment or nomination and (B) the directors whose appointment or nomination was previously approved in a manner consistent with this Subsection (c)(ii); or

(d) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), directly or indirectly, of securities of the Company representing at least 50% of the total voting power represented by the Company's then outstanding voting securities. For purposes of this Subsection (d), the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act but shall exclude (i) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or of a parent or subsidiary of the Company and (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the Common Stock of the Company.

A transaction shall not constitute a Change in Control if its sole purpose is to change the State of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended.

"**Good Reason**" shall mean Executive's resignation within 6 months after one of the following conditions has come into existence without Executive's consent: (i) a change in the Executive's position with the Company that materially reduces his level of authority or responsibility, (ii) a material reduction in his Base Compensation or (iii) receipt of notice that his principal workplace will be relocated by more than 30 miles. A condition shall not be considered "Good Reason" unless the Executive gives the Company written notice of such condition within 90 days after the initial existence of such condition and the Company fails to remedy such condition within 30 days after receiving the Executive's written notice.

"**Involuntary Termination**" shall mean a Separation resulting from either (i) the Executive's involuntary discharge by the Company for reasons other than Cause, Executive's death or Permanent Disability or (ii) the Executive's voluntary resignation for Good Reason.

"**Permanent Disability**" shall mean the Executive's inability to perform the essential functions of the Executive's position, with or without reasonable accommodation, for a period of at least 120 consecutive days because of a physical or mental impairment.

"**Separation**" shall mean a "separation from service," as defined in the regulations under Section 409A of the Code.

10. Miscellaneous Provisions.

(a) **Notice**. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by overnight courier, U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to him at the home address that he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) **Modifications and Waivers**. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) **Whole Agreement**. No other agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement and the Proprietary Information and Inventions Agreement contain the entire understanding of the parties with respect to the subject matter hereof.

(d) **Tax Matters**. All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law. For purposes of Section 409A of the Code, each payment under Section 6(b) is hereby designated as a separate payment. If the Company determines that the Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder at the time of his Separation, then:

(i) Any salary continuation payments under Section 6(b)(i), to the extent not exempt from Section 409A of the Code, shall commence with the Company's first regularly scheduled payroll that occurs following the earlier of (x) expiration of the six-month period measured from Executive's Separation or (y) the date of Executive's death and, once such payments commence, any amounts accrued from the Separation date shall be paid in a lump sum on the first payment date; and

(ii) Any lump-sum payment under Section 6(b)(ii), to the extent not exempt from Section 409A of the Code, shall be made with the Company's first regularly scheduled payroll that occurs following the earlier of

(x) expiration of the six-month period measured from Executive's Separation or
(y) the date of Executive's death.

The Company shall not have a duty to design its compensation policies in a manner that minimizes the Executive's tax liabilities, and the Executive shall not make any claim against the Company or the Board related to tax liabilities arising from the Executive's compensation.

(e) **Choice of Law**. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the District of Columbia (except its provisions governing the choice of law).

(f) **Severability**. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) **No Assignment**. This Agreement and all rights and obligations of the Executive hereunder are personal to the Executive and may not be transferred or assigned by the Executive at any time. The Company may assign its rights under this Agreement to any entity that assumes the Company's obligations hereunder in connection with any sale or transfer of all or a substantial portion of the Company's assets to such entity.

(h) **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the date first written above.

/s/ Christos Polymeropoulos

Christos Polymeropoulos

VANDA PHARMACEUTICALS INC.

By: /s/ Mihael H. Polymeropoulos

Title: President and Chief Executive Officer

VANDA PHARMACEUTICALS INC. EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into as of August 20, 2026 by and between **SCOTT HOWELL** (the "Executive") and **VANDA PHARMACEUTICALS INC.**, a Delaware corporation (the "Company").

1. Duties and Scope of Employment.

(a) **Position**. During his employment under this Agreement ("Employment"), the Company agrees to employ the Executive in the position of Vice President, Chief People Officer. The Executive shall be subject to the supervision of, and shall have such authority as is delegated to him by, the Company's Chief Executive Officer. The Executive hereby accepts such employment and agrees to undertake the duties and responsibilities normally inherent in such position and such other duties and responsibilities as the Company's Chief Executive Officer shall from time to time reasonably assign to him.

(b) **Obligations to the Company**. During his Employment, the Executive shall devote his full business efforts and time to the Company. In addition, during his Employment, without the prior written approval of the Company's Board of Directors (the "Board"), the Executive shall not render services in any capacity to any other person or entity and shall not act as a sole proprietor or partner of any other person or entity or as a shareholder owning more than five percent of the voting power of any other entity. The Executive shall comply with the Company's policies and rules, as they may be in effect from time to time during his Employment.

(c) **No Conflicting Obligations**. The Executive represents and warrants to the Company that he is under no obligations or commitments, whether contractual or otherwise, that are inconsistent with his obligations under this Agreement. The Executive represents and warrants that he will not use or disclose, in connection with his Employment, any trade secrets or other proprietary information or intellectual property in which the Executive or any other person has any right, title or interest and that his Employment as contemplated by this Agreement will not infringe or violate the rights of any other person or entity. The Executive represents and warrants to the Company that he has returned all property and confidential information belonging to any prior employers.

2. Cash and Incentive Compensation.

(a) **Salary**. The Company shall pay the Executive as compensation for his services a base salary at a gross annual rate of not less than $456,500. Such salary shall be payable in accordance with the Company's standard payroll procedures. The annual compensation specified in this Subsection (a), together with any increases in such compensation that the Company may grant from time to time, is referred to in this Agreement as "Base Compensation."

(b) **Incentive Bonuses**. The Executive shall be eligible for an annual incentive bonus with a target amount equal to 40% of his Base Compensation (the "Annual Target Bonus"). Such Annual Target Bonus (if any) shall be awarded based on objective or subjective criteria established in advance by the Board or the Compensation Committee of the Board (the "Compensation Committee"). Any Annual Target Bonus for a fiscal year shall in no event be paid later than 2½ months after the close of such fiscal year. Except as provided in Section 6, such Annual Target Bonus shall be paid only if the Executive is employed by the Company at the time of payment. The determinations of the Board or the Compensation Committee with respect to such Annual Target Bonus shall be final and binding.

(c) **Equity Awards**. The Executive has previously been granted options to purchase shares of the Company's common stock and restricted stock units. In addition, the Executive will be eligible to receive annual equity awards, if any, subject to the approval of the Board or the Compensation Committee in their sole discretion. The timing and size of the annual equity awards, if any, shall be determined in the sole discretion of the Board or the Compensation Committee based on the Executive's and/or the Company's performance.

3. Vacation and Employee Benefits.

(a) The Company has adopted an unlimited paid time off policy, as such, during his Employment, the Executive shall be eligible for an unlimited number of paid vacation days each year, subject to the unlimited paid time off policy as in effect from time to time. In accordance with such policy, the Executive shall not be entitled to any accrued vacation upon termination of employment for any reason.

(b) During his Employment, the Executive shall be eligible to participate in any employee benefit plans maintained by the Company for similarly situated employees, subject in each case to the generally applicable terms and conditions of the plan in question and to the determinations of any person or committee administering such plan.

4. **Business Expenses.** During his Employment, the Executive shall be authorized to incur necessary and reasonable travel, entertainment and other business expenses in connection with his duties hereunder. The Company shall reimburse the Executive for such expenses upon presentation of an itemized account and appropriate supporting documentation, all in accordance with the Company's generally applicable policies. Any reimbursement shall
(a) be paid promptly but not later than the last day of the calendar year following the year in which the expense was incurred, (b) not be affected by any other expenses that are eligible for reimbursement in any calendar year and (c) not be subject to liquidation or exchange for another benefit.

5. Term of Employment.

(a) **Employment at Will**. The Executive's Employment with the Company shall be "at will," meaning that either the Executive or the Company may terminate the Executive's Employment at any time and for any reason, with or without Cause. Any contrary representations which may have been made to the Executive shall be superseded by this Agreement. This Agreement shall constitute the full and complete agreement between the Executive and the Company on the "at will" nature of the Executive's Employment, which may only be changed in an express written agreement signed by the Executive and a duly authorized officer of the Company (other than the Executive). The termination of Executive's Employment shall not limit or otherwise affect his obligations under Section 7 below.

(b) **Termination**. The Company may terminate the Executive's Employment at any time and for any reason (or no reason), and with or without Cause, by giving the Executive notice in writing. The Executive may terminate his Employment by giving the Company 14 days' advance notice in writing. The Executive's Employment shall terminate automatically in the event of his death.

(c) **Rights Upon Termination**. Except as expressly provided in Section 6, upon the termination of the Executive's Employment pursuant to this Section 5, the Executive shall only be entitled to accrued and unpaid compensation, benefits and expense reimbursements described in Sections 2, 3 and 4 for the period preceding the effective date of the termination. The payments under this Agreement shall fully discharge all responsibilities of the Company to the Executive.

6. Termination Benefits.

(a) **Preconditions**. Any other provision of this Agreement notwithstanding, the remaining Subsections of this Section 6 shall not apply unless each of the following requirements is satisfied:

(i) The Executive has executed a general release of all known and unknown claims that the Executive may then have against the Company or persons affiliated with the Company in a form prescribed by the Company, without alterations. The Executive shall execute and return the release on or before the date specified by the Company in the prescribed form (the "Release Deadline"). The Release Deadline shall in no event be later than 50 days after the Executive's Separation. If the Executive fails to return the release on or before the Release Deadline, or if the Executive revokes the release, then the Executive shall not be entitled to the benefits described in this Section 6.

(ii) The Executive has returned all property of the Company in the Executive's possession.

(b) **Severance Pay**. If, during the term of this Agreement, the Executive is subject to an Involuntary Termination, then the Company shall pay the Executive both of the following:

(i) **Base Compensation**. The Company shall continue to pay Executive his Base Compensation for a period of 12 months following the Separation (the "Continuation Period"). Such severance payments shall be paid at the Base Compensation rate in effect at the time of the Separation and in accordance with the Company's standard payroll procedures. The severance payments shall commence within 60 days after the Executive's Separation and, once they commence (the "Payment Commencement"), shall include any unpaid amounts accrued from the date of the Employee's Separation. However, if the 60-day period described in the preceding sentence spans two calendar years, then the Payment Commencement shall in any event begin on the first payroll period following expiration of any applicable revocation period in the second calendar year.

(ii) **Target Bonus**. An amount equal to his Annual Target Bonus at the rate in effect at the time of the Separation. Such amount shall be payable in a lump sum on the Company's next regularly scheduled payroll that occurs following the Payment Commencement.

(c) **Options**. If, during the term of this Agreement, Executive is subject to an Involuntary Termination, then (i) the vested portion of the shares of the Company's Common Stock subject to all options held by the Executive at the time of his Separation shall be determined by adding three months to the actual period of service that he has completed with the Company and (ii) such options shall be exercisable for up to six months after the Executive's Separation (provided, however, that the Option shall remain subject to the terms of the Plan in the event the Company is subject to a Change in Control, and further provided that the Option in any event shall expire no later than the Expiration Date set forth in the Notice of Stock Option Grant evidencing the Option).

7. **Non-Solicitation, Non-Disclosure and Non-Competition.** The Executive has entered into a Proprietary Information and Inventions Agreement with the Company, which agreement is incorporated herein by reference.

8. Successors.

(a) **Company's Successors**. This Agreement shall be binding upon any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which becomes bound by this Agreement.

(b) **Executive's Successors**. This Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

9. **Definitions.** For all purposes under this Agreement: "**Cause**" shall mean:

(a) An unauthorized use or disclosure by the Executive of the Company's confidential information or trade secrets, which use or disclosure causes material harm to the Company;

(b) A material breach by the Executive of any agreement between the Executive and the Company;

(c) A material failure by the Executive to comply with the Company's written policies or rules;

(d) The Executive's conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any State thereof;

(e) The Executive's gross negligence or willful misconduct;

(f) A continuing failure by the Executive to perform assigned duties after receiving written notification of such failure from the Board; or

(g) A failure by the Executive to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested the Executive's cooperation.

"**Change in Control**" shall mean:

(a) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (i) the continuing or surviving entity and (ii) any direct or indirect parent corporation of such continuing or surviving entity;

(b) The sale, transfer or other disposition of all or substantially all of the Company's assets;

(c) A change in the composition of the Board, as a result of which fewer than 50% of the incumbent directors are directors who either:

(i) Had been directors of the Company on the date 24 months prior to the date of such change in the composition of the Board (the "Original Directors"); or

(ii) Were appointed to the Board, or nominated for election to the Board, with the affirmative votes of at least a majority of the aggregate of (A) the Original Directors who were in office at the time of their appointment or nomination and (B) the directors whose appointment or nomination was previously approved in a manner consistent with this Subsection (c)(ii); or

(d) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), directly or indirectly, of securities of the Company representing at least 50% of the total voting power represented by the Company's then outstanding voting securities. For purposes of this Subsection (d), the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act but shall exclude (i) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or of a parent or subsidiary of the Company and (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the Common Stock of the Company.

A transaction shall not constitute a Change in Control if its sole purpose is to change the State of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended.

"**Good Reason**" shall mean Executive's resignation within 6 months after one of the following conditions has come into existence without Executive's consent: (i) a change in the Executive's position with the Company that materially reduces his level of authority or responsibility, (ii) a material reduction in his Base Compensation or (iii) receipt of notice that his principal workplace will be relocated by more than 30 miles. A condition shall not be considered "Good Reason" unless the Executive gives the Company written notice of such condition within 90 days after the initial existence of such condition and the Company fails to remedy such condition within 30 days after receiving the Executive's written notice.

"**Involuntary Termination**" shall mean a Separation resulting from either (i) the Executive's involuntary discharge by the Company for reasons other than Cause, Executive's death or Permanent Disability or (ii) the Executive's voluntary resignation for Good Reason.

"**Permanent Disability**" shall mean the Executive's inability to perform the essential functions of the Executive's position, with or without reasonable accommodation, for a period of at least 120 consecutive days because of a physical or mental impairment.

"**Separation**" shall mean a "separation from service," as defined in the regulations under Section 409A of the Code.

10. Miscellaneous Provisions.

(a) **Notice**. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by overnight courier, U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to him at the home address that he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) **Modifications and Waivers**. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) **Whole Agreement**. No other agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement and the Proprietary Information and Inventions Agreement contain the entire understanding of the parties with respect to the subject matter hereof.

(d) **Tax Matters**. All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law. For purposes of Section 409A of the Code, each payment under Section 6(b) is hereby designated as a separate payment. If the Company determines that the Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder at the time of his Separation, then:

(i) Any salary continuation payments under Section 6(b)(i), to the extent not exempt from Section 409A of the Code, shall commence with the Company's first regularly scheduled payroll that occurs following the earlier of (x) expiration of the six-month period measured from Executive's Separation or (y) the date of Executive's death and, once such payments commence, any amounts accrued from the Separation date shall be paid in a lump sum on the first payment date; and

(ii) Any lump-sum payment under Section 6(b)(ii), to the extent not exempt from Section 409A of the Code, shall be made with the Company's first regularly scheduled payroll that occurs following the earlier of

(x) expiration of the six-month period measured from Executive's Separation or

(y) the date of Executive's death.

The Company shall not have a duty to design its compensation policies in a manner that minimizes the Executive's tax liabilities, and the Executive shall not make any claim against the Company or the Board related to tax liabilities arising from the Executive's compensation.

(e) **Choice of Law**. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the District of Columbia (except its provisions governing the choice of law).

(f) **Severability**. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) **No Assignment**. This Agreement and all rights and obligations of the Executive hereunder are personal to the Executive and may not be transferred or assigned by the Executive at any time. The Company may assign its rights under this Agreement to any entity that assumes the Company's obligations hereunder in connection with any sale or transfer of all or a substantial portion of the Company's assets to such entity.

(h) **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the date first written above.

/s/ Scott Howell
Scott Howell

VANDA PHARMACEUTICALS INC.

By: /s/ Mihael H. Polymeropoulos

Title: President and Chief Executive Officer

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mihael H. Polymeropoulos, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vanda Pharmaceuticals Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 29, 2026

/s/ Mihael H. Polymeropoulos, M.D.

Mihael H. Polymeropoulos, M.D.
President, Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin Moran, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vanda Pharmaceuticals Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 29, 2026

/s/ Kevin Moran

Kevin Moran

Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Vanda Pharmaceuticals Inc. (the Company), does hereby certify, to the best of such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2026 (the Form 10-Q) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Form 10-Q fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company.

October 29, 2026

/s/ Mihael H. Polymeropoulos, M.D.

Mihael H. Polymeropoulos, M.D.

President, Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

October 29, 2026

/s/ Kevin Moran

Kevin Moran

Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission (SEC) or its staff upon request. This certification "accompanies" the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.