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## Royalty Pharma plc

# Q3 2020 Financial Results

## November 11, 2020

# Forward Looking Statements & Non-GAAP Financial Information

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Also, the discussions during this conference call will include certain financial measures that were not prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Additional information regarding non-GAAP financial measures can be found on slide 20 and in Royalty Pharma's current report on Form 8-K dated November 10, 2020, which are available on the Company's website. Any non-U.S. GAAP financial measures presented are not, and should not be viewed as, substitutes for financial measures required by GAAP, have no standardized meaning prescribed by GAAP and may not be comparable to the calculation of similar measures of other companies.

# Agenda

| | | |
|---|---|---|
| **Key Highlights** | Pablo Legorreta | Founder & Chief Executive Officer |
| **Royalty Acquisitions** | Jim Reddoch | EVP, Head of Research and Investments |
| **Financial Results** | Terrance Coyne | EVP, Chief Financial Officer |
| **Conclusion** | Pablo Legorreta | Founder & Chief Executive Officer |
| **Q&A** | Pablo Legorreta<br>Terrance Coyne<br>Chris Hite<br>Jim Reddoch<br>Marshall Urist | Founder & Chief Executive Officer<br>EVP, Chief Financial Officer<br>EVP, Vice Chairman<br>EVP, Head of Research and Investments<br>SVP, Research and Investments |

## Key Highlights

# Pablo Legorreta

Founder & Chief Executive Officer

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# Business momentum continued in Q3 2020

**Strong financial results** delivering double-digit top and bottom-line growth[(1)]

**Inaugural bond offering** locking in low cost of debt and 12.5 year weighted-average maturity

**Further expanded portfolio** with total year-to-date announced transactions of $2.3bn

**Successful secondary offering** improved shareholder liquidity ahead of IPO lockup expiration



1. Adjusted Cash Receipts and Adjusted Cash Flow, respectively. See definitions on slide 20.

# Strong Q3 2020 financial results

**Adjusted Cash Receipts[1]**
($ in millions)


**Adjusted Cash Flow[1]**
($ in millions)




1. See slide 20 for definitions. Refer to Royalty Pharma's Current Report on Form 8-K dated November 10, 2020 for a GAAP to non-GAAP reconciliation
2. On pro forma basis. See slide 20 for additional information

## Royalty Acquisitions

# Jim Reddoch, PhD

Executive Vice President
Head of Research and Investments

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# Recent portfolio progress reinforces growth outlook

| | |
|---|---|
| **Clinical** | ✓ Trikafta/Kaftrio: positive phase 3 data in children ages 6-11 with cystic fibrosis<br>✓ Trodelvy: positive pivotal phase 2 TROPHY U-01 results in metastatic urothelial cancer presented at ESMO<br>✓ Trodelvy: confirmatory Phase 3 ASCENT study in mTNBC demonstrated significantly extended survival<br>✗ Ibrance: PENELOPE-B trial in adjuvant breast cancer did not meet primary endpoint<br>**TBD** Omecamtiv mecarbil: GALACTIC pivotal phase 3 top-line study results announced(1) |
| **Regulatory** | ✓ Tysabri: subcutaneous formulation filed<br>✓ Evrysdi: FDA approved for the treatment of SMA in adults and children 2 months of age and older<br>✓ Kaftrio: granted marketing approval by European Commission to treat people with CF ages 12 years and older(2)<br>✓ Nurtec ODT: sNDA accepted by FDA for the preventative treatment of migraine |
| **New royalties** | ✓ Evrysdi royalty acquired from PTC Therapeutics for $650 million<br>✓ Biohaven partnership expanded, incremental funding totaling up to $450 million<br>✓ Additional CF royalty interest acquired from the CF Foundation for $575 million and potential $75 million milestone |
| **Corporate** | ✓ Gilead acquired Immunomedics for $21 billion |

ESMO: European Society for Medical Oncology; mTNBC: metastatif triple negative breast cancer; SMA: Spinal muscular atrophy; CF: cystic fibrosis

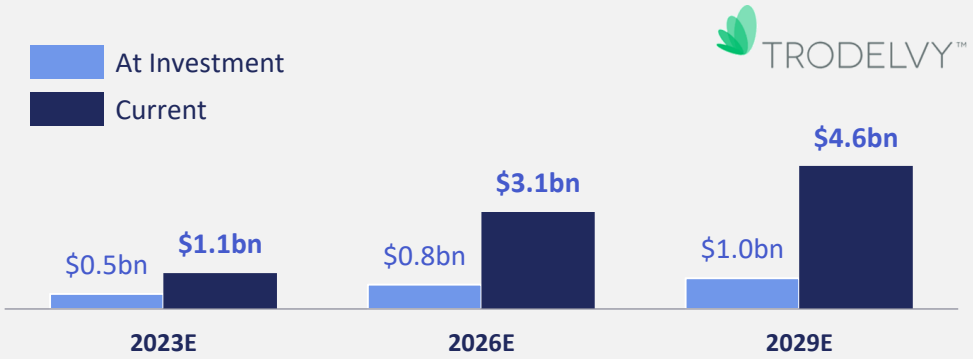
1. GALACTIC study results expected to be presented at the American Heart Association Medical meeting on November 13, 2020
2. Marketing authorization for Kaftrio (ivacaftor/tezacaftor/elexacaftor) in a combination regimen with ivacaftor to treat people with cystic fibrosis (CF) ages 12 years and older with one F508del mutation and one minimal function mutation (F/MF), or two F508del mutations (F/F) in the cystic fibrosis transmembrane conductance regulator (CFTR) gene

# Immunomedics transaction validates hybrid funding strategy

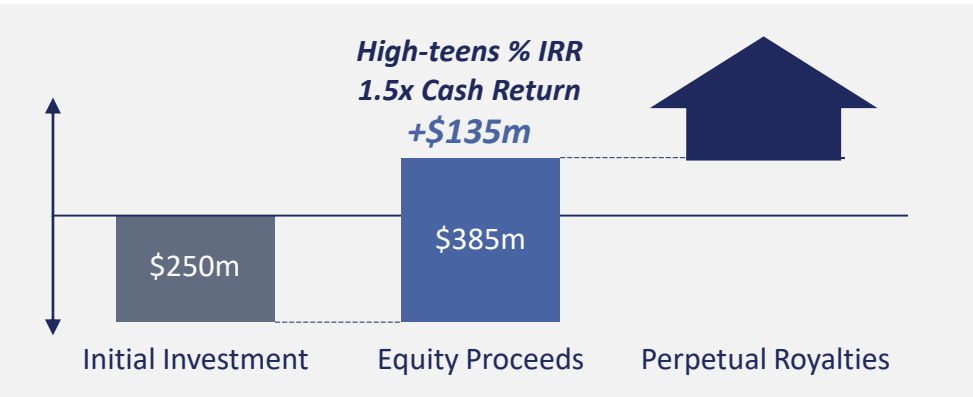
- **January 2018:** Royalty Pharma provided capital to Immunomedics to fund clinical, commercial and manufacturing activities for Trodelvy (sacituzumab govitecan) in mTNBC and other indications[2]
  - $250 million in total funding ($175 million royalty, $75 million equity)[2]
  - Extensive due diligence provided conviction for investment
- **April 2020:** Trodelvy approved by FDA for adults with mTNBC
- **September 2020:** Gilead announced $21bn[3] acquisition of Immunomedics
  - Enhances Trodelvy's potential under a large global marketer
  - Proceeds to enable further funding of biopharma innovation

GILEAD Immunomedics

## Trodelvy consensus sales [1]




## Hybrid accelerated returns [2]



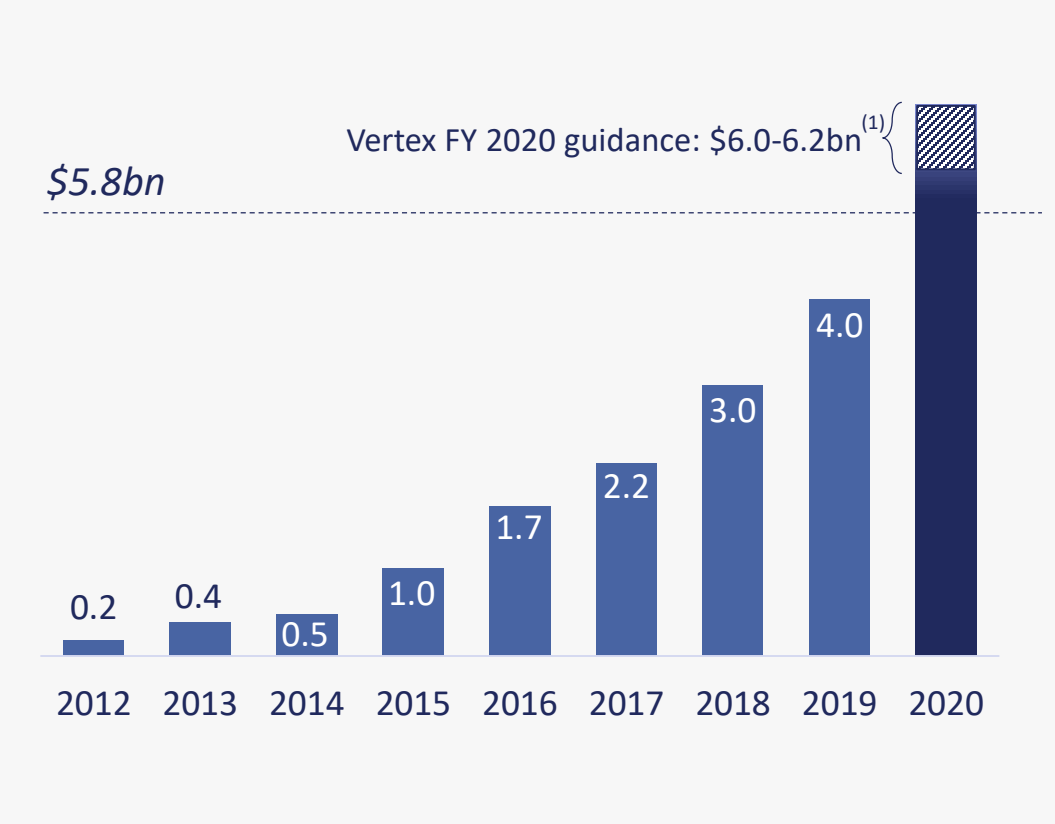

mTNBC: metastatic triple-negative breast cancer; IRR: Internal Rate of Return

1. Data from Wall Street Research and Visible Alpha
2. Royalty rights on Trodelvy (sacituzumab govitecan) across all indications; tiered sales-based royalty rates ranging from 1.75% to 4.15%; purchased 4,373,178 IMMU shares at $17.15 per share for $75 million
3. Announced September 13, 2020 at $88.00 per share, representing a 108% premium to last closing price

# CF royalty acquisition expands exposure to premier franchise

- Acquired CF Foundation's residual royalty interest sharing in Vertex's CF franchise on sales above $5.8bn
  - $575 million upfront payment
  - $75 million potential milestone payment
- CF franchise growth expected to be driven by expansion to additional geographies and younger age groups
- Perpetual royalty, not tied to patent expirations
- Enhances long-term Adjusted Cash Flow CAGR

**Vertex CF franchise: sales evolution**
($ in billions)






CF: cystic fibrosis
1. Vertex reported 2020 year-to-date cystic fibrosis product revenues of $4,576 million, an increase of 67% year/year; Vertex's full year 2020 guidance is for product revenues of $6.0 to $6.2 billion

## Financial Results

# Terrance Coyne

Executive Vice President
Chief Financial Officer

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# Total Royalty Receipts growth of 7%[1] in Q3 2020


CF Franchise

imbruvica

TYSABRI


HIV Franchise

PROMACTA

Xtandi


DPP-IV Franchise

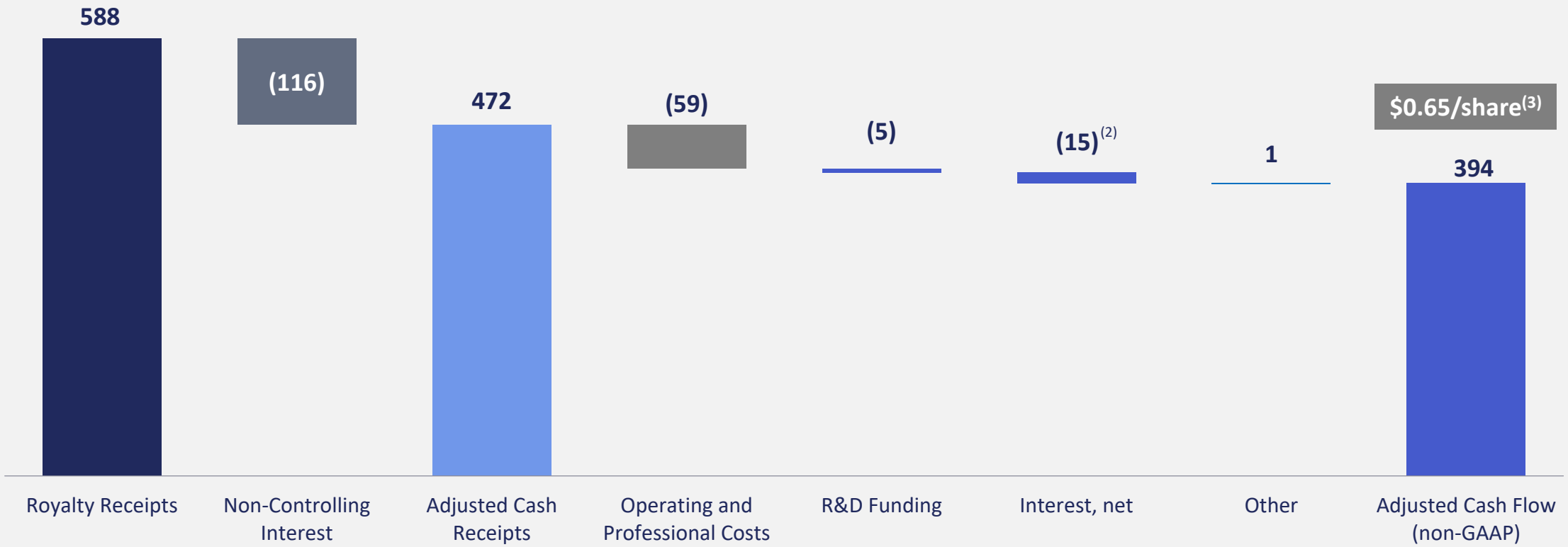
Other

| Selected Products | Royalty Receipts[2] $ in millions | Q3 2020 Growth % year/year |
|---|---|---|
| CF Franchise | 157 | 36 |
| imbruvica | 78 | 16 |
| TYSABRI | 77 | -8 |
| HIV Franchise | 67 | 6 |
| PROMACTA | 40 | 28 |
| Xtandi | 38 | 21 |
| DPP-IV Franchise | 34 | 2 |
| Other | 97 | -21 |

1. Growth on Q3 2019 pro forma basis
2. Amounts may not add due to rounding

# Strong Adjusted Cash Flow in Q3 2020

## Q3 2020 Adjusted Cash Flow (Non-GAAP)[1]

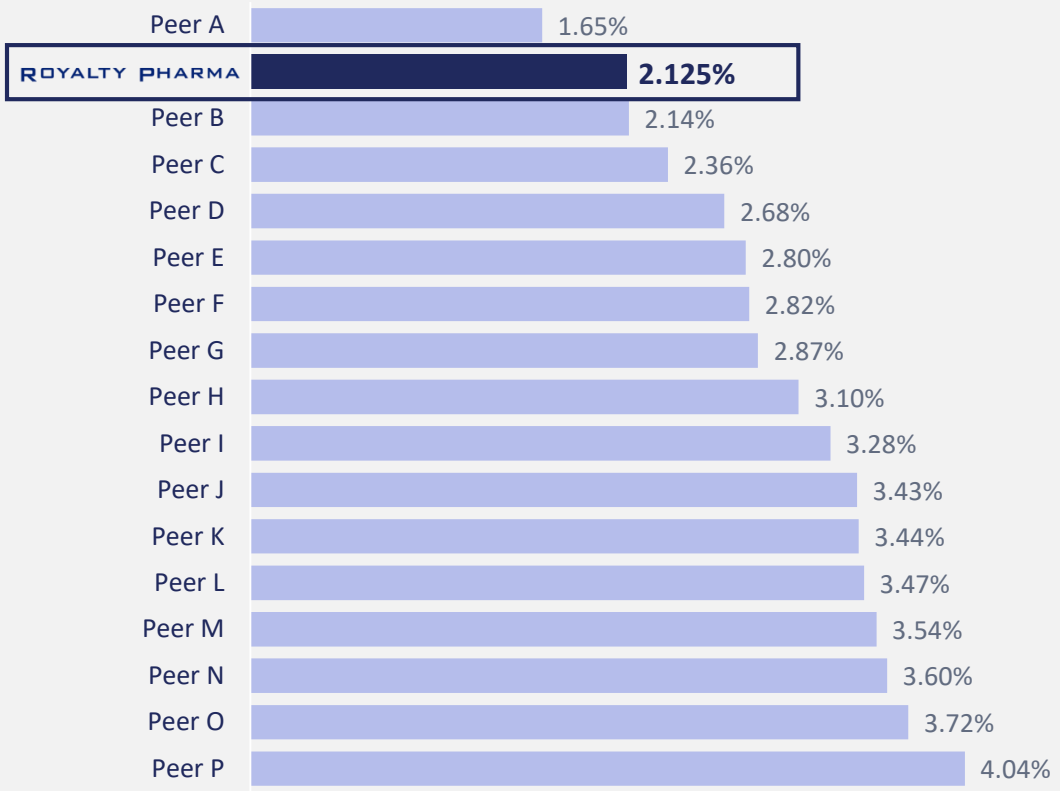



| % Adjusted Cash Receipts | 12.6% | 3.2% | 83.4% |
|---|---|---|---|

1. Refer to slide 20 for definitions. Refer to Royalty Pharma's Current Report on Form 8-K dated November 10, 2020 for a GAAP to non-GAAP reconciliation
2. Interest expense would have been $33 million if the bonds and unfunded revolving credit facility had been in place on July 1 and interest expense was paid quarterly
3. Illustrative figure; based on fully diluted share count of 607.1 million as of September 30, 2020

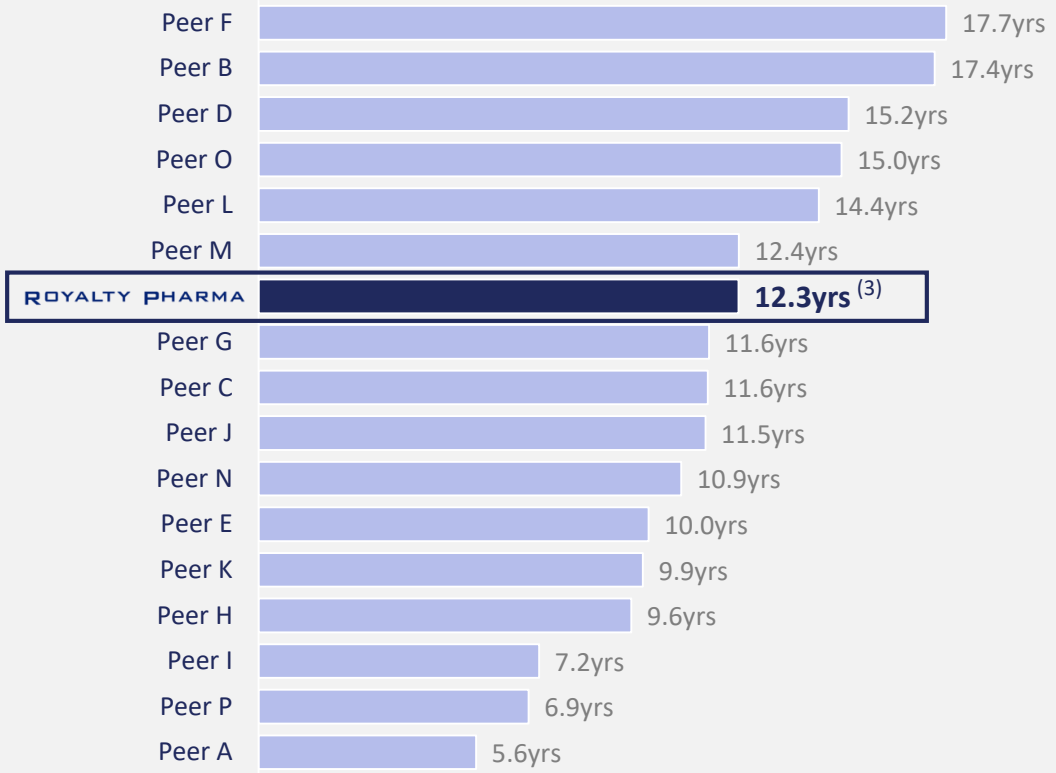
# Successfully issued $6 billion unsecured bonds at attractive rates

## Among lowest weighted-average coupon rates across biopharma (1)(2)




**Biopharma Median: 3.19% (4)**

## Weighted-average maturity slightly longer than biopharma peer group (1)(2)




**Biopharma Median: 11.5 years (4)**

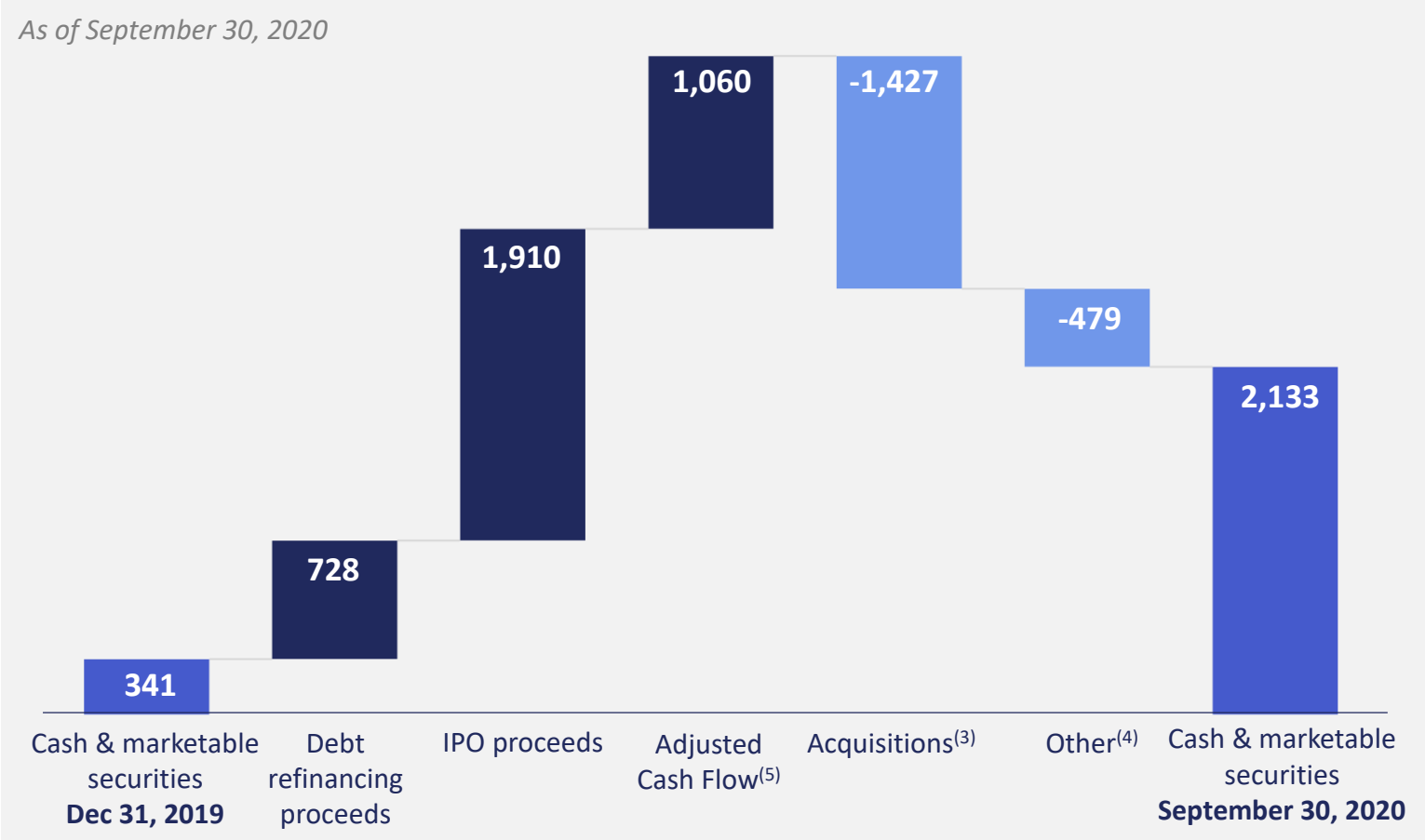
1. Data per Bloomberg DDIS screen as of 10/28/20; includes all currency bonds converted at spot rate as of 10/28/20. Weighted average coupon includes fixed rate bonds only and does not include floating rate notes and zero-coupon notes
2. Biopharma credit peers include AbbVie, Amgen, AstraZeneca, Biogen, Bristol-Myers, Gilead, GlaxoSmithKline, Johnson & Johnson, Lilly, Merck, Perrigo, Pfizer, Regeneron, Sanofi, Takeda, Viatris
3. The weighted-average maturity for Royalty Pharma's bonds was 12.5yrs at the time of the offering
4. Medians exclude Royalty Pharma

# Balance sheet well positioned to drive new royalty acquisitions

- $2.1 billion of cash, cash equivalents and marketable securities as of September 30, 2020
- $1.5 billion revolver enhances liquidity
- Capital deployed of $1.4 billion
- Inaugural $0.15 per Class A ordinary share quarterly dividend paid in September
- $6.0 billion of investment grade debt
  - Total leverage of 3.5x(1)
  - Net leverage of 2.3x(2)

## Cash, cash equivalents & marketable securities

($ in millions)




1. Total leverage is calculated as Total debt divided by EBITDA (as defined in credit agreement); Refer to Exhibit 10-2 of the RPRX IPO S-1 for compliance EBITDA calculation
2. Net leverage is calculated as Total debt less cash and marketable securities divided by EBITDA (as defined in credit agreement); Refer to Exhibit 10-2 of the RPRX S-1 for compliance EBITDA calculation
3. Acquisitions primarily relates to acquisitions of Entyvio and additional Epizyme equity in Q1 2020; Prevymis, IDHIFA acquisitions in Q2 2020; Evrysdi and Biohaven acquisitions in Q3 2020
4. Other represents distributions to shareholders, debt amortization and other items
5. Refer to slide 20 for definitions; Refer to Royalty Pharma's Current Report on Form 8-K dated November 10, 2020 for a GAAP to non-GAAP reconciliation

# Full-Year 2020 guidance[1,2]

**Adjusted Cash Receipts:**
**$1,780 to $1,800 million**
excluding new transactions[2,3]

**Operating & professional costs:**
**approximately 10%**
of Adjusted Cash Receipts

1. See Slide 20 for definitions and for additional information regarding Royalty Pharma's 2020 full-year financial guidance
2. This guidance is as of November 10, 2020 and assumes no major unforeseen adverse events and excludes the contributions from transactions announced subsequent to that date. Furthermore, Royalty Pharma reserves the right to amend its guidance in the event it engages in new royalty transactions which have a material near-term financial impact on the Company. See the information on page 3, "Forward Looking Statements & Non-GAAP Financial Information," for factors that may impact the achievement of this guidance
3. Previous guidance issued on August 12, 2020 was for FY 2020 Adjusted Cash Receipts of $1,720 to $1,760 million excluding new transactions announced after the date of the second quarter earnings release

## Conclusion

# Pablo Legorreta

Founder & Chief Executive Officer

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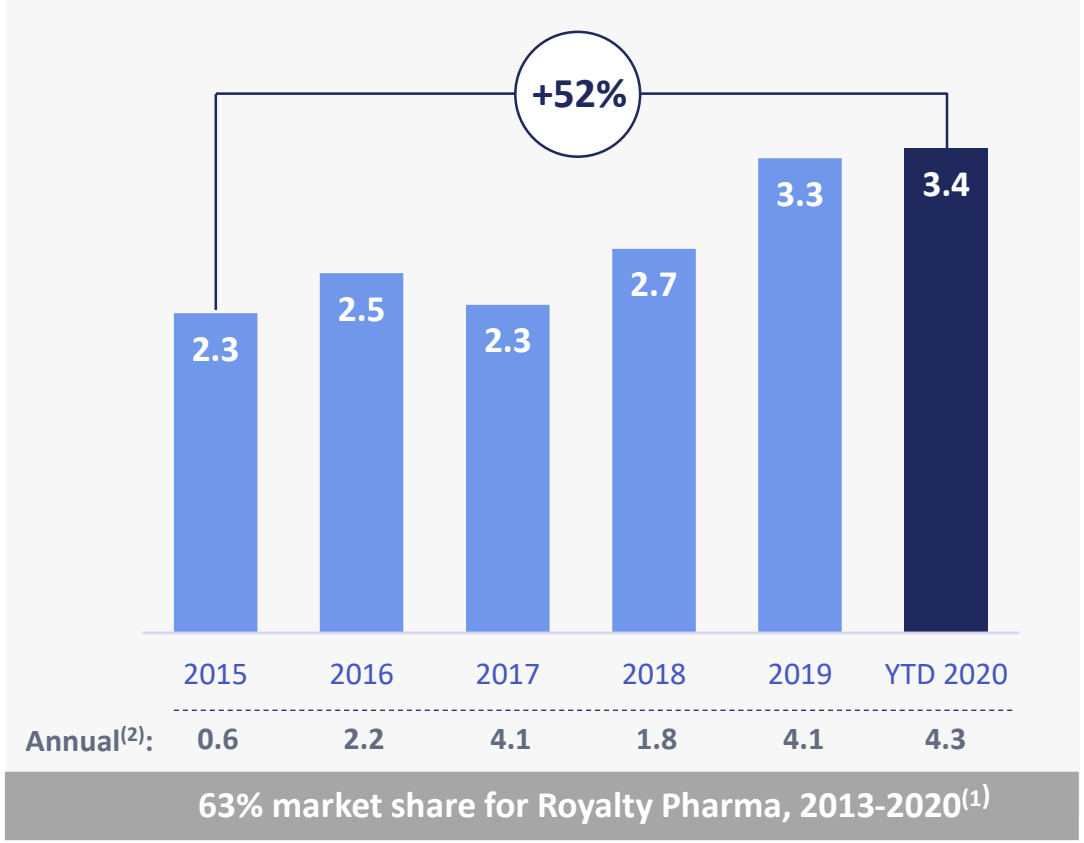
# Royalty Pharma - Positioned for long-term, sustainable growth

- Full-Year 2020 guidance raised
- Improved capital structure
- Recent portfolio events reinforce outlook
- Active transaction pipeline

**Biopharma royalty market 3-year rolling average[1]**
($ in billions)




**63% market share for Royalty Pharma, 2013-2020[1]**

1. Internal estimates of historical biopharma royalty market size based on announced transactions
2. Annual biopharma royalty market transaction activity

# Footnotes

1) To aid in comparability, % changes have been calculated based on the three months ended September 30, 2019 figures presented on an unaudited pro forma basis, which adjusts certain cash flow line items as if Royalty Pharma's Reorganization Transactions (as described in the Company's final prospectus filed with the SEC on June 17, 2020 ("Prospectus")) and its initial public offering ("IPO") had taken place on January 1, 2019. The most significant difference between the pro forma and reported figures is the new non-controlling interest that resulted from the Reorganization Transactions. A new contractual non-controlling interest arose in the Reorganization Transactions that results in a higher distribution to non-controlling interests on a pro forma basis as compared to prior historical periods. Less material differences also arise in the Royalty Receipts line for "Other Growth Products" as well as Payments for operating and professional costs, interest paid, net, and in the payments associated with our former interest rate swap contracts.

2) Adjusted Cash Receipts is a measure calculated with inputs directly from the Statement of Cash Flows and includes (1) royalty receipts: (i) cash collections from royalty assets (financial assets and intangible assets), (ii) other royalty cash collections, (iii) distributions from non-consolidated affiliates, plus (2) proceeds from available for sale debt securities (Tecfidera milestone payments), and less (3) distributions to non-controlling interest, which represents distributions to our historical non-controlling interest attributable to a de minimis interest in Royalty Pharma Collection Trust held by certain legacy investors and to a new non-controlling interest that was created as a result of the Exchange Offer Transactions in February 2020 related to the Legacy Investors Partnerships' ownership of approximately 18% in Old RPI. See the Company's Prospectus for additional discussion. See GAAP to Non-GAAP reconciliation in the Company's current report on Form 8-K dated November 10, 2020.

3) Adjusted Cash Flow is calculated as Adjusted Cash Receipts less (1) payments for operating and professional costs, (2) development-stage funding payments – ongoing, (3) interest paid, net, (4) swap collateral (posted) or received, net, (5) swap termination payments, and (6) investment in non-consolidated affiliates, and plus (1) contributions from non-controlling interest- R&D, all directly reconcilable to the Statement of Cash Flows.

4) Other Products include royalties on the following products: Bosulif (a product co-developed by our joint venture investee, Avillion, for which receipts are presented as *Distributions received from nonconsolidated affiliates* on the Statement of Cash Flows), Cimzia, Conbriza/Fablyn/Viviant, Entyvio, Lexiscan, Mircera, Myozyme, Nesina, Prezista, Priligy, Rotateq, Soliqua and Thalomid. Other Products also include contributions from the Legacy SLP Interest.

**Financial Guidance footnote**

5) Royalty Pharma has not reconciled its non-GAAP 2020 guidance to the most directly comparable GAAP measure, cash flow from operations, at this time due to the inherent difficulty in accurately forecasting and quantifying certain amounts that are necessary for such reconciliation, including, primarily, payments for operating and professional costs, distributions from non-consolidated affiliates, and interest received. The Company is not able to forecast on a GAAP basis with reasonable certainty all adjustments needed in order to project cash flow from operations on a GAAP basis at this time.

# Appendix

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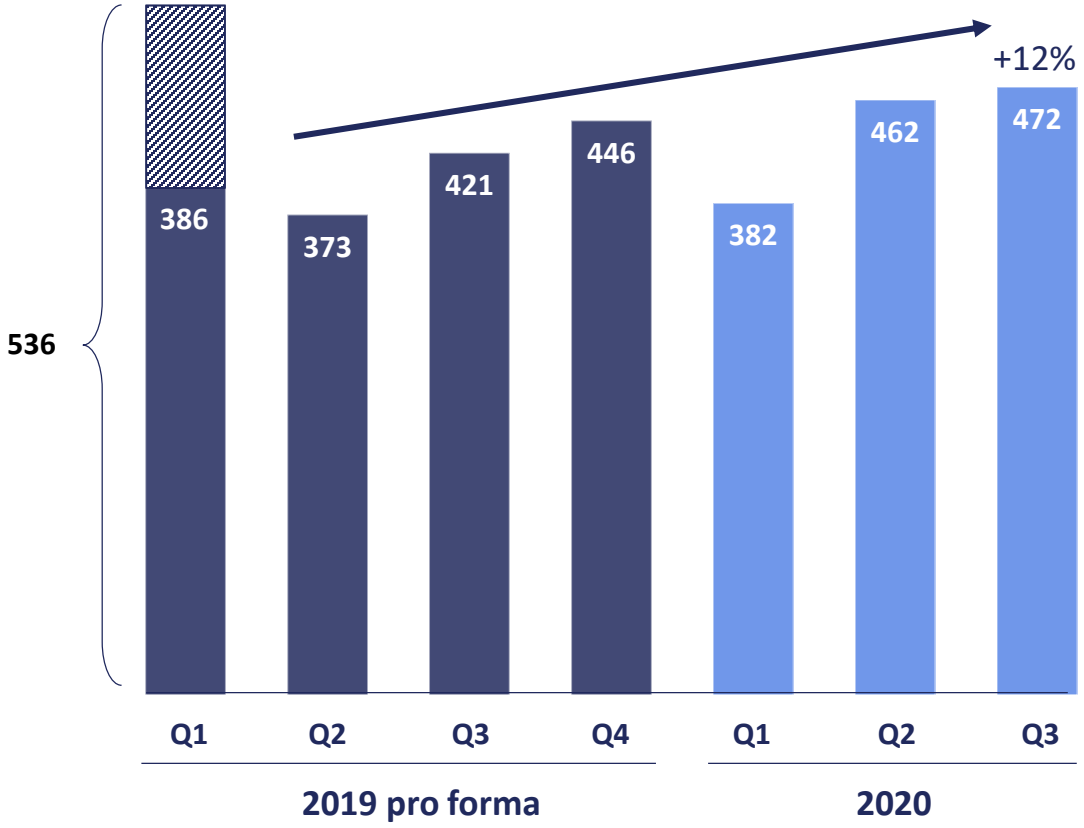
# Delivering continued top and bottom-line growth

## Adjusted Cash Receipts[1,2]

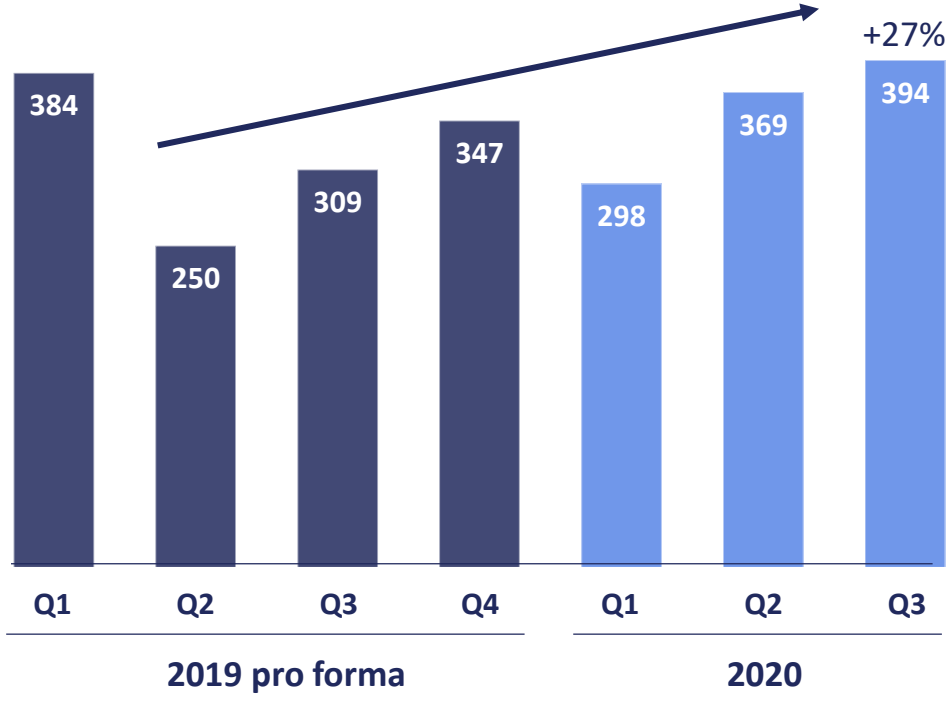
($ in millions, year/year growth)




Tecfidera payment ($150 million)

## Adjusted Cash Flow[1,2]

($ in millions, year/year growth)




1. See slide 20 for definitions. Refer to Royalty Pharma's Current Report on Form 8-K dated November 10, 2020 for a GAAP to non-GAAP reconciliation
2. On pro forma basis. See slide 20 for additional information

# Distributions to non-controlling interest

- Royalty Pharma includes several non-controlling interests in our financial statements.
- The largest of these impacting the non-GAAP financial measures is an ~17.6% interest in substantially all of Royalty Pharma's pre-IPO investments held by some legacy investors. These legacy investors will not participate in acquisitions of royalties going forward.
- The interest of these legacy investors will exist through the life of the pre-IPO investments, but will decline over time as a percentage of assets as products expire and new royalties are acquired.

| Products | Third quarter 2020 NCI as a % of Royalty Receipts |
|---|---|
| Cystic fibrosis franchise | 17.6% |
| Tysabri | 17.6% |
| Imbruvica | 17.6% |
| HIV franchise | 34.1% |
| Januvia, Janumet, Other DPP-Ivs | 34.1% |
| Xtandi | 17.6% |
| Promacta | 17.6% |
| Crysvita | 17.6% |
| Erleada | 17.6% |
| Emgality | 17.6% |
| Prevymis | 0.0% |
| Tazverik | 17.6% |
| Farxiga/Onglyza | 17.6% |
| IDHIFA | 0.0% |
| Nurtec ODT | 17.6% |
| Trodelvy | 17.6% |
| Lyrica & Letairis | 34.1% |
| Other Products (Blended)[1] | 10.0% |



1. Represents a weighted-blend of distributions to non-controlling interest for royalties in Other Products. Excluding a one-time delay in timing for payments in Q3 2020, the weighted-blend would have been 21.0%