ROYALTY PHARMA

PRE-QUARTERLY RESULTS COMMUNICATION

NEW YORK, NY, January 13, 2023 - Royalty Pharma plc (Nasdaq: RPRX) intends to announce its financial results for the fourth quarter and full year of 2022 on February 15, 2023. An invitation for the results webcast will follow shortly. To assist in the financial modeling of its fourth quarter and full year 2022 results, the company has compiled the following items.

Non-GAAP Financial Measures

Royalty Pharma focuses on certain non-GAAP financial measures to manage its business. These measures, which are presented as supplemental measures to GAAP financial performance, include Adjusted Cash Receipts, Adjusted EBITDA and Adjusted Cash Flow.

Royalty Pharma believes these non-GAAP financial measures provide meaningful information on the company's ability to generate cash from operations and on its liquidity. In addition, they can help to identify underlying trends in the business and permit investors to more fully understand how management assesses the performance of the company, including planning and forecasting for future periods (see section 'Use of Non-GAAP Financial Measures').

Strong 2022 Financial Performance

Royalty Pharma announced on January 9, 2023, ahead of the 41st Annual J.P. Morgan Healthcare Conference that, based on preliminary unaudited fourth quarter 2022 results, it expects Net cash provided by operating activities (GAAP) to be in the range of approximately $2,140 million to $2,150 million for full year 2022. Additionally, Royalty Pharma indicated that it expects Adjusted Cash Receipts (non-GAAP) for full year 2022 to be in the range of approximately $2,785 million to $2,790 million, which represents growth of approximately 31% year-over-year.

Table 1 provides the GAAP to non-GAAP reconciliation between Net cash provided by operating activities and Adjusted Cash Receipts for full year 2022, based on the preliminary unaudited fourth quarter 2022 results.

Royalty Pharma's preliminary unaudited fourth quarter 2022 results provided in this communication are subject to change in connection with the completion of the company's final closing procedures, final adjustments and other developments that may arise in the course of the preparation or audit of its financial statements.

Table 1 – GAAP to Non-GAAP Reconciliation (unaudited)

(*$ in millions*)	Full-year 2022
Net cash provided by operating activities (GAAP)	**$2,140 - 2,150**
Adjustments:	
Proceeds from available for sale debt securities[5][6]	540 - 545
Interest paid, net[6]	144 – 145
Development-stage funding payments – ongoing	2 – 3
Development-stage funding payments – upfront and milestone	170 - 175
Payments for operating and professional costs	220 - 225
Distributions to non-controlling interests[6]	(435 - 445)
Adjusted Cash Receipts[1] (non-GAAP)	**$2,785 - 2,790**

Amounts may not add due to ranges presented by line item.

For footnote references, see 'Notes' on page 11

2023 Guidance

Royalty Pharma intends to introduce full year 2023 guidance, including guidance for Adjusted Cash Receipts (non-GAAP), at the time of the announcement of its fourth quarter 2022 results. Consistent with the company's practice, full year guidance will exclude the contribution from any transactions announced subsequent to the date of its earnings release.

Royalty Pharma previously announced that it expects to receive an accelerated milestone payment of $475 million if Pfizer's zavegepant is approved. The FDA action date for zavegepant is expected to be in the first quarter of 2023. Royalty Pharma disclosed during its third quarter 2022 earnings conference call that it does not plan to include this milestone in full year 2023 guidance before approval.

Additionally, as discussed during Royalty Pharma's third quarter 2022 earnings conference call, Royalty Pharma expected foreign exchange to adversely impact growth by approximately -3% to -4%[(9)] for full year 2023 compared to full year 2022, which assumed current foreign exchange rates prevail through 2023.

Fourth Quarter 2021 Non-GAAP Financial Data

Table 2 provides our historical non-GAAP financial data for the fourth quarter of 2021, which will form the basis for comparison of the fourth quarter 2022 non-GAAP financial results. For reference, the historical non-GAAP financial data for the third quarter of 2022 is also included.

Additional historical non-GAAP financial measures and the respective GAAP to non-GAAP reconciliations for the fourth quarter of 2021 and third quarter of 2022 can be found under the section 'Historical Non-GAAP Financials.'

Table 2 – Non-GAAP Financial Measures - Fourth Quarter 2021 and Third Quarter 2022 (Unaudited)

($ in millions)	Fourth Quarter 2021	Third Quarter 2022
Net cash provided by operating activities (GAAP)	**490**	**539**
Royalties:		
Cystic fibrosis franchise	196	208
Tysabri	94	91
Imbruvica	89	74
Promacta	49	50
Xtandi	41	46
Trelegy	—	43
Tremfya	19	21
Nurtec ODT/Biohaven payment*	19	20
Cabometyx/Cometriq	12	15
Farxiga/Onglyza	9	12
Prevymis	10	11
Evrysdi	6	10
Trodelvy	5	6
Orladeyo	3	6
Erleada	4	6
Crysvita	5	5
Emgality	4	5
Januvia, Janumet, Other DPP-IVs	38	1
Oxlumo	1	1
Other products[3]	55	73
Total royalty receipts	**659**	**704**
Distributions to non-controlling interests	(116)	(107)
Adjusted Cash Receipts (non-GAAP)[1]	**543**	**597**
Payments for operating and professional costs	(49)	(49)
Adjusted EBITDA (non-GAAP)[4]	**494**	**548**
Development-stage funding payments – ongoing	(1)	(1)
Development-stage funding payments – upfront and milestone	(103)	(25)
Interest paid, net	(1)	(75)
Investments in equity method investees	(7)	(7)
Contributions from non-controlling interests – R&D	1	0
Adjusted Cash Flow (non-GAAP)[2]	**384**	**441**

Amounts shown in the table may not add due to rounding.

For footnote references, see 'Notes' on page 11.

* Quarterly redemption payments of $16 million commenced in the first quarter of 2021 related to the Series A Biohaven Preferred Shares[5]. The remaining amounts are related to royalty receipts from Nurtec ODT.

Net Cash Provided by Operating Activities (GAAP)

Net cash provided by operating activities (GAAP) is a subtotal directly from our statements of cash flows. Table 5 under 'Historical Non-GAAP Financials' provides reconciliations of our non-GAAP financial measures to their most comparable GAAP financial measures for the fourth quarter of 2021 and the third quarter of 2022, in each case being Net cash provided by operating activities. Based on the preliminary unaudited fourth quarter 2022 results, Net cash provided by operating activities for full year 2022 is expected to be approximately $2,140 million to 2,150 million.

Adjusted Cash Receipts (Non-GAAP)[(1)]

Adjusted Cash Receipts comprise the cash royalties received from the marketers of therapies in which the company holds royalty rights, less distributions to non-controlling interests:

- Royalty receipts lag product performance by one quarter and can be estimated by applying the company's publicly disclosed royalty rate to the preceding quarter's marketer-announced net revenues on a product-by-product basis. For example, the royalty receipts received by Royalty Pharma on Imbruvica in the fourth quarter of 2022 reflected worldwide net sales of the product in the third quarter of 2022 ($1,408 million based on reported results from AbbVie and Johnson & Johnson) and the tiered mid-single digit royalty rate on annual worldwide net sales. Tables 3 and 4 set out the reported performance of key products in the third quarter of 2022 and the royalty rates, where disclosed.
- In instances where royalty rates are tiered, they typically reset at the beginning of the year and lower rates may apply in the earlier quarters of the year until pre-specified sales thresholds have been reached. As a result, royalty rates for certain products or franchises (such as Promacta and the cystic fibrosis franchise) have the potential to increase during the calendar year, with second quarter royalty receipts (reflecting first quarter sales) often including royalties on sales at the lowest royalty tier and first quarter royalty receipts (reflecting fourth quarter sales) often including royalties on sales at a higher royalty tier.
- Non-controlling interests represent the share of royalties from substantially all pre-IPO investments which will be paid out to legacy investors. Further detail is provided under the section 'Non-Controlling Interests.' In the third quarter of 2022, distributions to non-controlling interests amounted to $107 million. Based on the preliminary unaudited fourth quarter 2022 results, distributions to non-controlling interests for full year 2022 are expected to be approximately $435 million to $445 million.
- Additionally, whereas the majority of our royalties are paid quarterly, royalties on certain products are paid annually or semi-annually, which may affect the sequential growth of quarterly Adjusted Cash Receipts. For example, the Entyvio and Soliqua royalties, which are recorded in Other products, are generally paid in the first and third quarter of the year.

In the third quarter of 2022, royalty receipts of $1 million from Januvia, Janumet and other DPP-IVs decreased 97% compared to the third quarter of 2021. Royalty receipts from Januvia, Janumet and other DPP-IVs substantially ended in the second quarter of 2022.

Additionally, as discussed during Royalty Pharma's third quarter 2022 earnings conference call, movements in foreign exchange are expected to represent an unfavorable impact on Adjusted Cash Receipts in 2022. Royalty Pharma described foreign exchange as negatively impacting growth in 2022 by

approximately -3% to -4%, or between approximately -$65 million to -$85 million[9], which assumed current foreign exchange rates prevail for the remainder of the year.

Further, Royalty Pharma's 2022 guidance provided during its third quarter 2022 earnings conference call includes an incremental $458 million in Adjusted Cash Receipts related to Pfizer's redemption of the Series A and Series B Biohaven Preferred Shares due to its acquisition of Biohaven ($480 million contribution to royalty receipts less $22 million distribution to non-controlling interests), which occurred in the fourth quarter of 2022. Based on the preliminary unaudited fourth quarter 2022 results, Adjusted Cash Receipts for full year 2022 are expected to be approximately $2,785 million to $2,790 million.

Also, on January 4, 2023, Astellas announced that the Court of Appeals for the Federal Circuit affirmed the earlier decision by the U.S. District Court for the District of Delaware that all asserted claims of the patents for Lexiscan are not infringed by Hospira. Royalty Receipts from Lexiscan are included in Other products. Adjusted Cash Receipts from Lexiscan amounted to approximately $45 million in 2022.

Table 3 – Net Sales Performance of Key Products - Third Quarter 2022 (Unaudited)

($ in millions)	Marketer(s)	Revenues Third Quarter 2022	% Change Year/Year
Approved Products			
Cystic fibrosis franchise	Vertex	2,334	18
Tysabri	Biogen	506	(3)
Imbruvica	AbbVie, Johnson & Johnson	1,408[1]	(20)
Promacta	Novartis	523	0
Xtandi	Pfizer, Astellas	1,227[2]	26
Trelegy	GSK	552[3]	43
Tremfya	Johnson & Johnson	729	36
Nurtec ODT	Pfizer	n/a[4]	n/a
Cabometyx/Cometriq	Exelixis, Ipsen, Takeda	483[5]	30
Farxiga/Onglyza	AstraZeneca	1,167	33
Prevymis	Merck & Co.	114	19
Evrysdi	Roche	302[6]	93
Trodelvy	Gilead	180	78
Orladeyo	BioCryst	66	78
Erleada	Johnson & Johnson	490	42
Crysvita	Ultragenyx, Kyowa Kirin	56[7]	53
Emgality	Lilly	169	20
Oxlumo	Alnylam	16	10

Notes: (1) AbbVie reported U.S. revenues of $849 million (-23.5% year/year); Johnson & Johnson reported international revenues of $559 million (-14.6% year/year). (2) Xtandi revenues represent Astellas' reported sales of 169.6 billion Japanese yen translated at an average U.S. dollar exchange rate of 138.23; Xtandi growth rate represents year-over-year growth as reported by Astellas in Japanese yen. Xtandi revenues in U.S. dollars in the third quarter of 2022 are consistent with revenues in the third quarter of 2021 using the average U.S. dollar to Japanese yen exchange rate of 110.07 in the third quarter of 2021 and 138.23 in the third quarter of 2022. (3) Trelegy revenues represent sales in U.S. dollars as reported by GSK. Trelegy growth rate represents year-over-year growth as reported by GSK in British pounds. Trelegy growth rate in U.S. dollars in third quarter of 2022 is 23% using U.S. dollar sales as provided by GSK. (4) Pfizer, which completed the acquisition of Biohaven on October 3, 2022, did not disclose Nurtec ODT revenues for the third quarter of 2022. Pfizer described Nurtec ODT third quarter of 2022 volume growth as 45% year-over-year and 16% sequentially. (5) Cabometyx/Cometriq revenues represent Ipsen's and Exelixis' reported sales; Takeda revenues are not included as they are not disclosed. Ipsen's reported revenues of €115.5 million in the third quarter of 2022 are translated at an average U.S. dollar exchange rate of 0.99. Cabometyx/Cometriq growth rate represents year-over-year growth calculated in U.S. dollars using the average U.S. dollar to Euro exchange rate of 0.85 in the third quarter of 2021 and 0.99 in the third quarter of 2022. (6) Roche global revenues of 293 million Swiss francs translated from Swiss francs at an average U.S. dollar exchange rate of 0.97. Evrysdi growth rate represents year-over-year growth on a constant currency basis as reported by Roche. Evrysdi growth rate in U.S. dollars in third quarter of 2022 is 82% using the average U.S. dollar to Swiss franc exchange rate of 0.92 in the third quarter of 2021 and 0.97 in the third quarter of 2022. (7) Crysvita revenues represent Kyowa Kirin's reported EMEA revenues of 7.8 billion Japanese yen translated at an average U.S. dollar exchange rate of 138.23; Crysvita growth rate represents year-over-year growth calculated in Japanese yen based on Kyowa Kirin third quarter of 2021 reported sales. Crysvita growth rate in U.S. dollars in third quarter of 2022 is 22% using the average U.S. dollar to Japanese yen exchange rate of 110.07 in the third quarter of 2021 and 138.23 in the third quarter of 2022.

Table 4 – Public Disclosures of Royalty Rates on Approved Products

Product	Estimated Royalty Duration[1]	Royalty Rate[2]
Cystic fibrosis franchise	2037[3]	For combination therapies, sales are allocated equally to each of the active pharmaceutical ingredients; tiered royalties ranging from single digit to subteen percentages on annual worldwide net sales of ivacaftor, lumacaftor and tezacaftor, and mid-single digit percentages on annual worldwide net sales of elexacaftor
Tysabri	Perpetual	Contingent payments of 18% on annual worldwide net sales up to $2.0 billion and 25% on annual worldwide net sales above $2.0 billion
Imbruvica	2027-2032	Tiered royalties in the mid-single digits on annual worldwide net sales
Promacta	2025-2028	Tiered royalty ranging from 4.7% to 9.4% on annual worldwide net sales
Xtandi	2027-2028	Royalties slightly less than 4% on annual worldwide net sales
Nurtec ODT	2034-2036	2.1% royalty on annual combined worldwide net sales of Nurtec ODT and zavegepant up to $1.5 billion and 1.5% on annual combined worldwide net sales above $1.5 billion. 0.4% incremental royalty on all Nurtec ODT worldwide net sales
Prevymis	2029	Low-double digit royalty on annual worldwide net sales up to $300 million
Farxiga/Onglyza	2025	Payments to Royalty Pharma equivalent to low-single digit downward tiered royalty on annual worldwide net sales
Tremfya	2031-2032	Mid-single digit, tiered royalty on annual worldwide net sales
Cabometyx/Cometriq	2026-2029[4]	3% royalty on annual worldwide net sales
Crysvita	2033-2038[5]	10% royalty on EU, UK and Switzerland annual net sales
Evrysdi	2030-2035[6]	Total royalties are tiered at 8% on worldwide net sales up to $500 million, 11% on net sales between $500 million and $1 billion, 14% on net sales between $1 billion and $2 billion, 16% on net sales over $2 billion; Royalty Pharma is entitled to approximately 43% of total royalties
Emgality	2033	Low-single digit royalties on annual worldwide net sales
Erleada	2032	Low-single digit royalties on annual worldwide net sales
Trodelvy	Perpetual	4.15% royalty on annual worldwide net sales up to $2 billion, declining stepwise based on sales tiers to 1.75% on net sales above $6 billion
Orladeyo	2036-2039[7]	9.50% on direct annual net sales of up to $350 million, 4.50% on sales between $350 million and $550 million, no royalty on sales over $550 million; tiered percentage of sublicense revenue in certain territories
Oxlumo	2034-2035	Royalties in the mid- to high-single digits based on annual worldwide net sales
Trelegy	2029-2030[8]	Royalties are tiered based on annual net sales at 6.5% up to $750 million, 8.0% on sales between $750 million and $1.25 billion, 9.0% on sales between $1.25 billion and $2.25 billion, 10.0% over $2.25 billion
AirSupra	2030[9]	Tiered royalties in the low-single digits on annual worldwide net sales[10]

Notes: (1) Durations shown represent our estimates of when a royalty will substantially end, which may depend on clinical trial results, regulatory approvals, contractual terms, commercial developments, estimates of patent expiration dates (which may include estimated patent term extensions) or other factors and may vary by geography. There can be no assurances that our royalties will expire when expected. (2) The royalties in our portfolio are subject to the underlying contractual agreements from which they arise and may be subject to reductions or other adjustments in accordance with the terms of such agreements. (3) Royalty is perpetual; year shown represents Trikafta expected patent expiration and potential sales decline based on potential generic entry. (4) Royalties on net sales of cabozantinib products in the United States through September 2026 and non-U.S. markets through the full term of the royalty. (5) Royalties expire when we receive aggregate royalties equal to $608 million if that happens prior to December 31, 2030, and otherwise when we receive aggregate royalties of $800 million. (6) Key patents on Evrysdi in the United States expire in 2035, but our royalty will cease when aggregate royalties paid to us equal $1.3 billion. (7) Royalty is perpetual; years shown represent estimated United States patent expiration for Orladeyo and potential sales decline based on generic entry. (8) Royalty Pharma will pay Theravance 85% of the royalties in respect of ex-U.S. net sales after June 30, 2029 and 85% of the royalties in respect of U.S. net sales after December 31, 2030. (9) Astrazeneca is entitled to certain buyout rights which, if exercised, would result in earlier expiration. (10) Represents the portion of the royalties owed to Avillion II attributable to our minority ownership stake in Avillion II.

Adjusted EBITDA (non-GAAP)[4]

Adjusted EBITDA is a non-GAAP measure used by Royalty Pharma which comprises Adjusted Cash Receipts less payments for operating and professional costs. In the third quarter of 2022, payments for operating and professional costs were $49 million (representing 8.2% of Adjusted Cash Receipts). Based on the preliminary unaudited fourth quarter 2022 results, payments for operating and professional costs for full year 2022 are expected to be approximately $220 million to $225 million.

Adjusted Cash Flow (non-GAAP)[2]

Adjusted Cash Flow is comprised of Adjusted EBITDA less Development-stage funding payments – ongoing, Development-stage funding payments – upfront and milestone, net interest paid and miscellaneous other items. As noted during our third quarter 2022 earnings release:

- Royalty Pharma expects to record a $50 million upfront development-stage funding payment related to the MK-8189 funding collaboration with Merck in its non-GAAP financial measures for the fourth quarter of 2022. In the fourth quarter of 2021, Royalty Pharma recorded a $103 million upfront development-stage funding payment. Based on the preliminary unaudited fourth quarter 2022 results, upfront and milestone development-stage funding payments for full year 2022 are expected to be approximately $170 million to $175 million.
- Net interest paid reflects the weighted average cost of borrowing on the company's senior unsecured notes, partially offset by interest earned on cash. Based on the semi-annual interest payment schedule of Royalty Pharma's outstanding notes, interest paid is anticipated to be a *de minimis* amount in the fourth quarter of 2022, resulting in full year 2022 interest paid, net of approximately $144 million to $145 million. In the first nine months of 2022, Royalty Pharma received interest of $11 million on its cash, cash equivalents and marketable securities, which partially offset interest paid.

Liquidity and Capital Resources

As of September 30, 2022, Royalty Pharma had cash, cash equivalents and marketable securities in the amount of $1.1 billion and had total debt with principal value of $7.3 billion.

In October 2022, Pfizer closed its $11.6 billion acquisition of Biohaven at $148.50 per share in cash. This resulted in the redemption of Royalty Pharma's Series A and Series B Biohaven Preferred Shares, as well as a gain on Royalty Pharma's Biohaven common shares. This transaction resulted in incremental net cash inflows of $508 million in the fourth quarter of 2022 which was comprised of (i) the use of $86 million to purchase the remaining unissued Series B Preferred Shares, (ii) $458 million in proceeds from the redemption of Series A and B Preferred Shares, net of distributions to non-controlling interests and (iii) $136 million of proceeds from common shares of Biohaven, net of distributions to non-controlling interests.

On October 12, 2022, Royalty Pharma announced an R&D funding collaboration with Merck on MK-8189. This transaction resulted in a cash outflow of $50 million in the fourth quarter of 2022.

On November 9, 2022, Royalty Pharma announced the acquisition of a royalty interest in olpasiran from Arrowhead Pharmaceuticals. This transaction resulted in a cash outflow of $250 million in the fourth quarter of 2022.

On January 9, 2023, Royalty Pharma announced the acquisition of royalty interests in Spinraza and pelacarsen from Ionis Pharmaceuticals. This transaction resulted in a cash outflow of $500 million in the first quarter of 2023.

Historical Non-GAAP Financials

Table 5 – GAAP to Non-GAAP Reconciliations - Fourth Quarter 2021 and Third Quarter 2022

(*$ in millions*)	Fourth Quarter 2021	Third Quarter 2022
Net cash provided by operating activities (GAAP)	**490**	**539**
Adjustments:		
Proceeds from available for sale debt securities[5][6]	16	16
Interest paid, net[6]	1	75
Development-stage funding payments – ongoing[7]	1	1
Development-stage funding payments – upfront and milestone[7]	103	25
Payments for operating and professional costs	49	49
Distributions to non-controlling interests[6]	(116)	(107)
Adjusted Cash Receipts (non-GAAP)[1]	**543**	**597**
Net cash provided by operating activities (GAAP)	490	539
Adjustments:		
Proceeds from available for sale debt securities[5][6]	16	16
Interest paid, net[6]	1	75
Development-stage funding payments – ongoing[7]	1	1
Development-stage funding payments – upfront and milestone[7]	103	25
Distributions to non-controlling interests[6]	(116)	(107)
Adjusted EBITDA (non-GAAP)[4]	**494**	**548**
Net cash provided by operating activities (GAAP)	490	539
Adjustments:		
Proceeds from available for sale debt securities[5][6]	16	16
Contributions from non-controlling interests – R&D[6]	1	0
Distributions to non-controlling interests[6]	(116)	(107)
Investments in equity method investees[6][8]	(7)	(7)
Adjusted Cash Flow (non-GAAP)[2]	**384**	**441**

Amounts may not add due to rounding.

For footnote references, see 'Notes' on page 11.

Non-Controlling Interests

Royalty Pharma includes a number of non-controlling interests (NCI) in its financial statements.

The largest of these impacting the non-GAAP financial measures is an approximately 17.6% interest in substantially all pre-IPO investments held by some legacy investors. These legacy investors no longer participate in acquisitions of royalties as of our June 2020 IPO. The interests of these legacy investors in our royalties will exist through the life of our pre-IPO investments but will decline over time as a percentage of our royalty receipts as products expire and Royalty Pharma acquires new royalties.

The NCI as a percent of our royalty receipts for the third quarter of 2022 is indicated below.

Table 6 – Percentage of Royalty Receipts Attributed to Non-Controlling Interests - Third Quarter 2022

Products	Third Quarter 2022 NCI as a % of Royalty Receipts
Cystic fibrosis franchise[(1)]	17.6%
Tysabri	17.6%
Imbruvica	17.6%
Promacta	17.6%
Xtandi	17.6%
Trelegy	0.0%
Tremfya	0.0%
Nurtec ODT/Biohaven payment[(1)]	16.9%
Cabometyx/Cometriq	0.0%
Farxiga/Onglyza	17.6%
Prevymis	0.0%
Evrysdi	0.0%
Trodelvy	17.6%
Orladeyo	0.0%
Erleada	17.6%
Crysvita	17.6%
Emgality	17.6%
Januvia, Janumet, Other DPP-IVs	34.1%
Oxlumo	0.0%
Other products (blended)	20.4%
Total products (blended)	**15.2%**

(1) Cystic fibrosis franchise and Nurtec ODT NCI % figures represent a blend across multiple royalty interests.

Use of Non-GAAP Financial Measures

Adjusted Cash Receipts, Adjusted EBITDA and Adjusted Cash Flow are non-GAAP measures presented as supplemental measures to Royalty Pharma's GAAP financial performance. These non-GAAP financial measures exclude the impact of certain items and therefore have not been calculated in accordance with GAAP. In each case, because operating performance is a function of liquidity, the non-GAAP measures used by management are presented and defined as supplemental liquidity measures. Royalty Pharma cautions readers that amounts presented in accordance with the definitions of Adjusted Cash Receipts, Adjusted EBITDA and Adjusted Cash Flow may not be the same as similar measures used by other companies. Not all companies and analysts calculate the non-GAAP measures Royalty Pharma uses in the same manner. Royalty Pharma compensates for these limitations by using non-GAAP financial measures as supplements to GAAP financial measures and by presenting the reconciliations of the non-GAAP financial measures to their most comparable GAAP financial measures, in each case being net cash provided by operating activities.

Royalty Pharma believes that Adjusted Cash Receipts and Adjusted Cash Flow provide meaningful information about its operating performance because the business is heavily reliant on its ability to generate consistent cash flows and these measures reflect the core cash collections and cash charges comprising its operating results. Management strongly believes that Royalty Pharma's significant operating cash flow is one of the attributes that attracts potential investors to its business.

In addition, Royalty Pharma believes that Adjusted Cash Receipts and Adjusted Cash Flow help identify underlying trends in the business and permit investors to more fully understand how management assesses the performance of the company, including planning and forecasting for future periods. Adjusted Cash Receipts and Adjusted Cash Flow are used by management as key liquidity measures in the evaluation of the company's ability to generate cash from operations. Both measures are an indication of the strength of the company and the performance of the business. Management uses Adjusted Cash Receipts and Adjusted Cash Flow when considering available cash, including for decision-making purposes related to funding of acquisitions, voluntary debt repayments, dividends and other discretionary investments. Further, these non-GAAP financial measures help management, the audit committee, and investors evaluate the company's ability to generate liquidity from operating activities.

Management believes that Adjusted EBITDA is an important non-GAAP measure in analyzing liquidity and is a key component of certain material covenants contained within the company's credit agreement. Noncompliance with the interest coverage ratio and leverage ratio covenants under the credit agreement could result in lenders requiring the company to immediately repay all amounts borrowed. If Royalty Pharma cannot satisfy these financial covenants, it would be prohibited under the credit agreement from engaging in certain activities, such as incurring additional indebtedness, paying dividends, making certain payments, and acquiring and disposing of assets. Consequently, Adjusted EBITDA is critical to the assessment of Royalty Pharma's liquidity.

Management uses Adjusted Cash Flow to evaluate its ability to generate cash from operations, the performance of the business and the company's performance as compared to its peer group. Management also uses Adjusted Cash Flow to compare its performance against non-GAAP adjusted net income measures used by many companies in the biopharmaceutical industry, even though each company may customize its own calculation and therefore one company's metric may not be directly comparable to another's. Royalty Pharma believes that non-GAAP financial measures, including

Adjusted Cash Flow, are frequently used by securities analysts, investors and other interested parties to evaluate companies in Royalty Pharma's industry.

The non-GAAP financial measures used in this release have limitations as analytical tools, and you should not consider them in isolation or as a substitute for the analysis of Royalty Pharma's results as reported under GAAP. The company has provided a reconciliation of each non-GAAP financial measure, except for its non-GAAP outlook to the most directly comparable GAAP financial measure, in each case being Net cash provided by operating activities at Table 5.

Notes

(1) Adjusted Cash Receipts is a measure calculated with inputs directly from the statements of cash flows and includes (1) royalty receipts by product: (i) cash collections from royalty assets (financial assets and intangible assets), (ii) *Other royalty cash collections*, (iii) *Distributions from equity method investees*, plus (2) *Proceeds from available for sale debt securities*, and less (1) *Distributions to non-controlling interests*, which represent contractual distributions of royalty receipts and proceeds from available for sale debt securities to the Company's historical non-controlling interests related to the Legacy Investors Partnerships and Royalty Pharma Select Finance Trust (RPSFT). See Royalty Pharma's Annual Report on Form 10-K filed with the SEC on February 15, 2022 for additional discussion. See GAAP to Non-GAAP reconciliations at Table 1 and Table 5.

(2) Adjusted Cash Flow is defined as Adjusted EBITDA less (1) *Development-stage funding payments – ongoing*, (2) *Development-stage funding payments – upfront and milestone*, (3) *Interest paid, net of Interest received*, (4) *Investments in equity method investees* and (5) Other (including *Derivative collateral posted*, net of *Derivative collateral received* and *Termination payments on derivative instruments*), plus (1) *Contributions from non-controlling interests – R&D*, all directly reconcilable to the statements of cash flows. See GAAP to Non-GAAP reconciliation at Table 5.

(3) Other products primarily include royalty receipts on the following products: Cimzia, Entyvio, Gavreto, HIV franchise, IDHIFA, Letairis, Lexiscan, Mircera, Myozyme, Nesina, Soliqua, Tazverik and contributions from the Legacy SLP Interest.

(4) Adjusted EBITDA is important to lenders and is defined under the credit agreement as Adjusted Cash Receipts less payments for operating and professional costs. Operating and professional costs reflect *Payments for operating and professional costs* from the statements of cash flows. See GAAP to Non-GAAP reconciliation at Table 5.

(5) Receipts from the quarterly redemption of Royalty Pharma's Series A Biohaven Preferred Shares are presented as *Proceeds from available for sale debt securities* on the statements of cash flows.

(6) The table below shows the line item for each adjustment and the direct location for such line item on the statements of cash flows.

Reconciling Adjustment	Statements of Cash Flows Classification
Proceeds from available for sale debt securities	Investing activities
Investments in equity method investees	Investing activities
Distributions to non-controlling interests	Financing activities
Interest paid, net	Operating activities (*Interest paid* less *Interest received*)
Contributions from non-controlling interests – R&D	Financing activities

(7) Royalty Pharma's lenders consider all payments made to support R&D activities for development-stage product candidates similar to asset acquisitions as these funds are expected to generate operational returns in the future. All ongoing development-stage funding payments and upfront and milestone development-stage funding payments are reported in R&D funding expense in net income and are added back in aggregate to Net cash provided by operating activities to arrive at Adjusted EBITDA. As a result, Adjusted EBITDA captures the full add-back for R&D funding payments.

(8) Royalty Pharma considers all payments to fund its operating joint ventures that are performing R&D activities for development-stage product candidates similar to asset acquisitions as these funds are expected to generate operational returns in the future. As a result, amounts funded through capital calls by Royalty Pharma's equity method investees, the Avillion Entities, are deducted to arrive at Adjusted Cash Flow, but are not deducted in Adjusted EBITDA.

(9) Foreign exchange impact represents an estimate of the difference in results that are attributable to fluctuations in currency exchange rates based on certain assumptions of prevailing exchange rates, contractual terms, geographies from which royalties are derived, timing of payments and other factors. The marketers paying royalties may not provide or may not be required to provide the breakdown of product sales by geography. Actual foreign exchange impact may be different than estimates.

About Royalty Pharma

Founded in 1996, Royalty Pharma is the largest buyer of biopharmaceutical royalties and a leading funder of innovation across the biopharmaceutical industry, collaborating with innovators from academic institutions, research hospitals and non-profits through small and mid-cap biotechnology companies to leading global pharmaceutical companies. Royalty Pharma has assembled a portfolio of royalties which entitles it to payments based directly on the top-line sales of many of the industry's leading therapies. Royalty Pharma funds innovation in the biopharmaceutical industry both directly and indirectly - directly when it partners with companies to co-fund late-stage clinical trials and new product launches in exchange for future royalties, and indirectly when it acquires existing royalties from the original innovators. Royalty Pharma's current portfolio includes royalties on more than 35 commercial products, including Vertex's Trikafta, Kalydeco, Orkambi and Symdeko, Biogen's Tysabri, AbbVie and Johnson & Johnson's Imbruvica, Astellas and Pfizer's Xtandi, GSK's Trelegy, Novartis' Promacta, Pfizer's Nurtec ODT, Johnson & Johnson's Tremfya, Roche's Evrysdi, Gilead's Trodelvy, and 12 development-stage product candidates.

Forward-Looking Statements

The information set forth herein does not purport to be complete or to contain all of the information you may desire. Statements contained herein are made as of the date of this document unless stated otherwise, and neither the delivery of this document at any time, nor any sale of securities, shall under any circumstances create an implication that the information contained herein is correct as of any time after such date or that information will be updated or revised to reflect information that subsequently becomes available or changes occurring after the date hereof.

This document contains statements that constitute "forward-looking statements" as that term is defined in the United States Private Securities Litigation Reform Act of 1995, including statements that express the company's opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results, in contrast with statements that reflect historical facts. Examples include discussion of Royalty Pharma's strategies, financing plans, growth opportunities and market growth. In some cases, you can identify such forward-looking statements by terminology such as "anticipate," "intend," "believe," "estimate," "plan," "seek," "project," "expect," "may," "will," "would," "could" or "should," the negative of these terms or similar expressions. Forward-looking statements are based on management's current beliefs and assumptions and on information currently available to the company. However, these forward-looking statements are not a guarantee of Royalty Pharma's performance, and you should not place undue reliance on such statements. Forward-looking statements are subject to many risks, uncertainties and other variable circumstances, and other factors. Such risks and uncertainties may cause the statements to be inaccurate and readers are cautioned not to place undue reliance on such statements. Many of these risks are outside of the company's control and could cause its actual results to differ materially from those it thought would occur. The forward-looking statements included in this document are made only as of the date hereof. The company does not undertake, and specifically declines, any obligation to update any such statements or to publicly announce the results of

any revisions to any such statements to reflect future events or developments, except as required by law.

Certain information contained in this document relates to or is based on studies, publications, surveys and other data obtained from third-party sources and the company's own internal estimates and research. While the company believes these third-party sources to be reliable as of the date of this document, it has not independently verified, and makes no representation as to the adequacy, fairness, accuracy or completeness of, any information obtained from third-party sources. In addition, all of the market data included in this document involves a number of assumptions and limitations, and there can be no guarantee as to the accuracy or reliability of such assumptions. Finally, while the company believes its own internal research is reliable, such research has not been verified by any independent source.

For further information, please reference Royalty Pharma's reports and documents filed with the U.S. Securities and Exchange Commission ("SEC"). You may get these documents by visiting EDGAR on the SEC's website at www.sec.gov.

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