

**ROYALTY PHARMA**

# **UBS Global Healthcare Conference**

**May 24, 2022**

# Forward Looking Statements & Non-GAAP Financial Information

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Also, the discussions during this presentation 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 24 and in the Company’s earnings release furnished with its current report on Form 8-K dated May 5, 2022, 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.

# Royalty Pharma at a glance<sup>(1)</sup>

## Company

**1996<sup>(2)</sup>**

Founded

**66**

Employees

## Portfolio

**~45**

Approved and development-stage products

**12**

\$1bn+ blockbuster therapies in portfolio

## Financial

**\$2.1bn**

Adjusted Cash Receipts<sup>(3)</sup> (FY 2021) “top-line”

**\$1.9bn**

Adjusted EBITDA<sup>(3)</sup> (FY 2021)

**\$1.6bn**

Adjusted Cash Flow<sup>(3)</sup> (FY 2021) “bottom-line”

## Rare Disease (32%)

Evrysdi  
Trikafta  
Kalydeco  
Orkambi  
Symdeko  
Oxlumo  
Orladeyo  
Crysvita  
BCX9930

## Immunology (4%)

Tremfya otilimab  
Entyvio

## Cancer (24%)

Trodelvy  
Xtandi  
Imbruvica  
Cabometyx  
Erleada  
CPI-0209  
pelabresib

## Hematology (7%)

Promacta

## Neurology (18%)

Nurtec ODT  
Tysabri  
gantenerumab  
zavegepant  
seltorexant

## Cardio- Metabolic (13%)

Farxiga Soliqua  
omecamtiv aficamten<sup>(4)</sup>

## Other (2%)

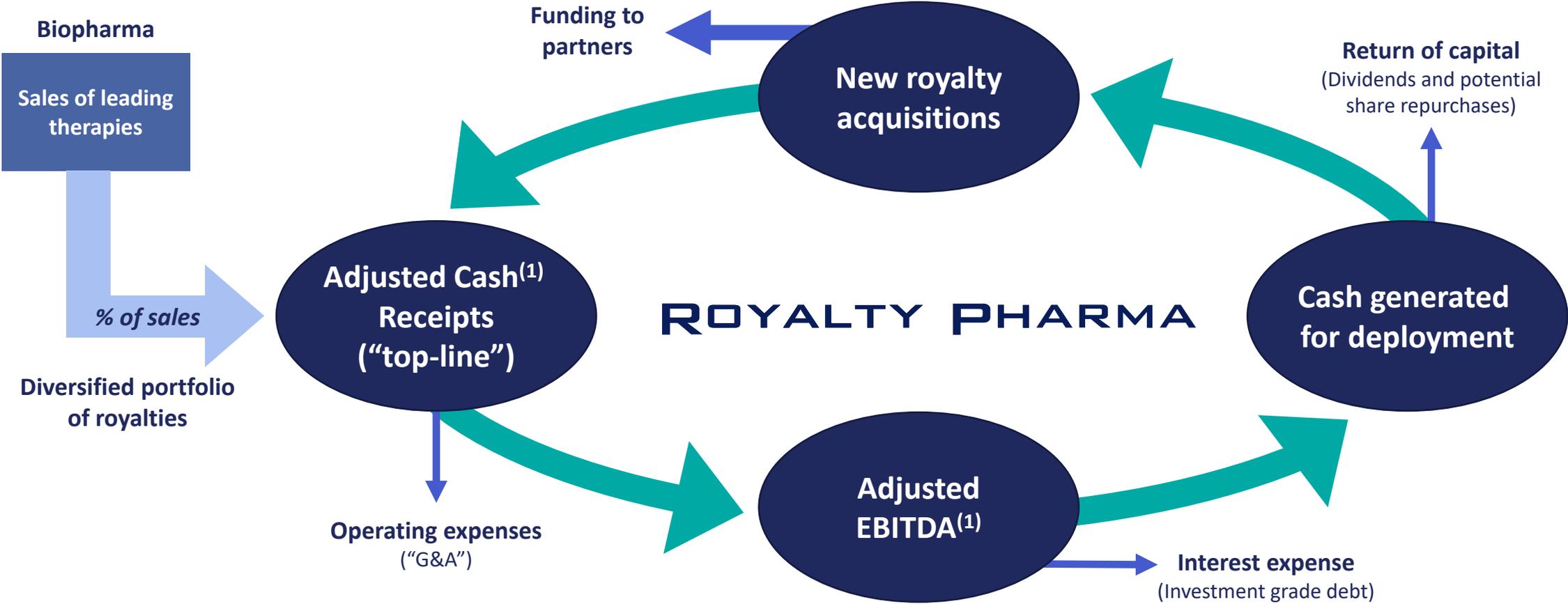
1. As of December 31, 2021, unless otherwise indicated; therapeutic area percentages based on Adjusted Cash Receipts in FY 2021.

2. Our predecessor was founded in 1996 and we were incorporated under the laws of England and Wales on February 6, 2020. We are externally managed by RP Management, LLC (the “Manager”) and references to “employees” refer to such persons’ role at the Manager.

3. See slide 24 for definitions. Refer to Royalty Pharma’s Current Report on Form 8-K dated May 5, 2022 for a GAAP to non-GAAP reconciliation.

4. Royalty added January 2022

# Simple and efficient business model focused on cash flow



Large diversified royalty portfolio generates significant cash to redeploy in new royalties

# Clear strategic plan to drive robust and value-enhancing growth

1

## Existing royalties

Acquire existing royalties on market-leading or late-stage development therapies with high commercial potential

2

## Synthetic royalties / R&D funding

Acquire newly-created royalties on approved or late-stage development therapies with strong proof of concept and high commercial potential

3

## Launch & development capital<sup>(1)</sup>

Additional funding in exchange for long-term payment streams

4

## M&A related

Acquire royalties by facilitating M&A transactions

5

## Adjacencies

Leverage team's capabilities in business adjacencies

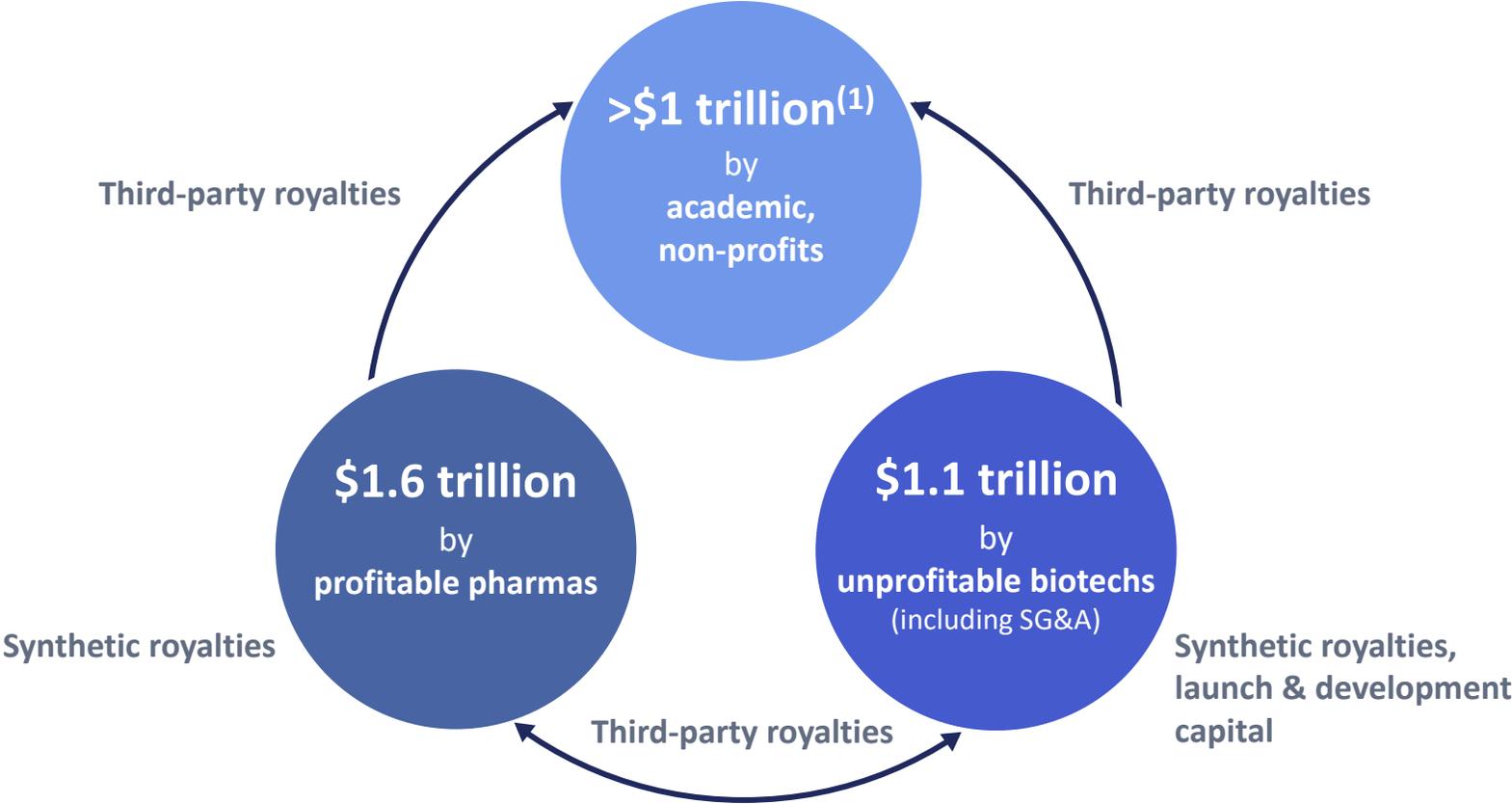
# Advancing our partners' core mission with win-win solutions

Structure	Potential benefits to partner
Existing royalties	<ul style="list-style-type: none"> <li>Diversification of asset portfolio</li> <li>Non-dilutive funding for business growth and investment</li> <li>Upfront capital today in exchange for a long-dated stream of payments</li> </ul>
Synthetic royalties	<ul style="list-style-type: none"> <li>Funding for completion of development and commercialization of portfolio</li> <li>Retain operational control of development programs</li> <li>Lower cost of capital than issuing equity</li> </ul>
Launch & development capital	<ul style="list-style-type: none"> <li>Launch funding offers flexible, patient, long-term alternative financing</li> <li>Lower cost of capital than selling equity and less restrictive than debt</li> </ul>
M&A	<ul style="list-style-type: none"> <li>Monetize non-strategic passive royalties to reduce net M&amp;A price</li> <li>Capital provided through purchase of royalties and supplemental funding</li> </ul>

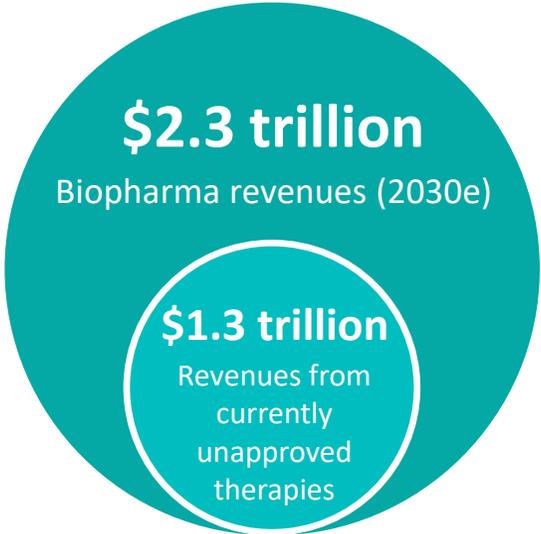


# Significant opportunity to fund biopharma innovation

## Biopharma ecosystem cumulative R&D spend over next decade



## Global pharma market<sup>(2)</sup>



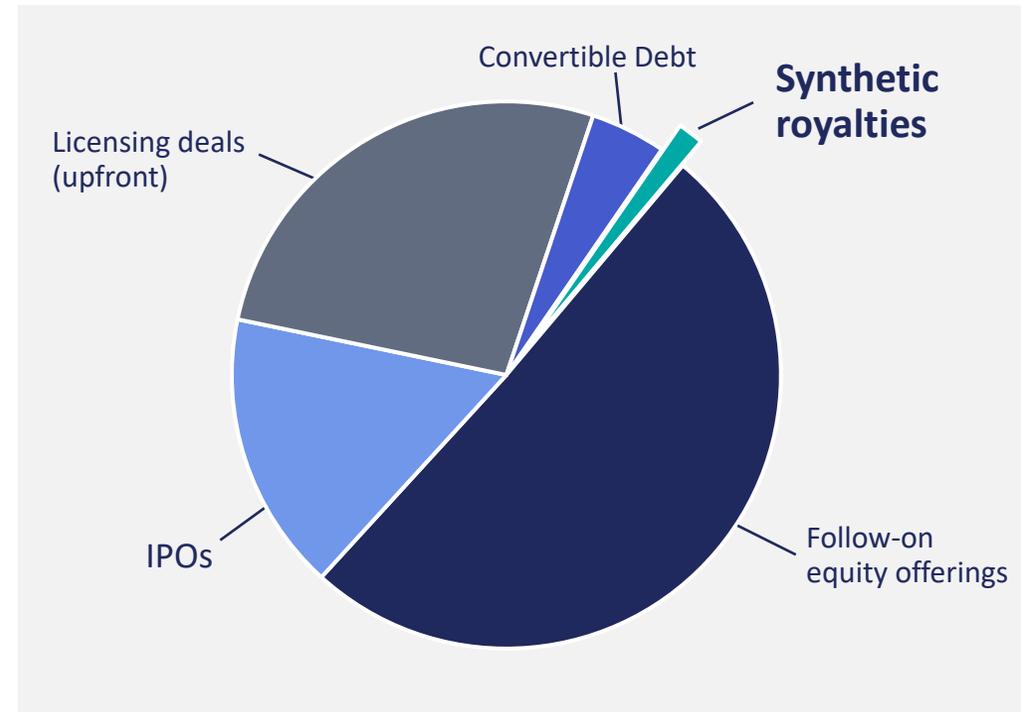
Entire biopharma ecosystem drives our pipeline

Source: Bloomberg, Visible Alpha and CapIQ  
 1. Based on estimates from Research America and internal Royalty Pharma analysis.  
 2. Based on Evaluate Pharma as of May 2022.

# Synthetic royalty opportunity is underpenetrated

- Synthetic royalties – a recent innovation with significant growth potential
- Multiple potential benefits
  - Innovator retains operational control
  - Capital at scale
  - Program and product specific
  - Lower cost of capital vs. equity
  - Non-dilutive to equity and preserves equity upside
  - Flexible and creative structuring
  - Independent validation of opportunity
  - Preserves attractiveness to strategic acquirer

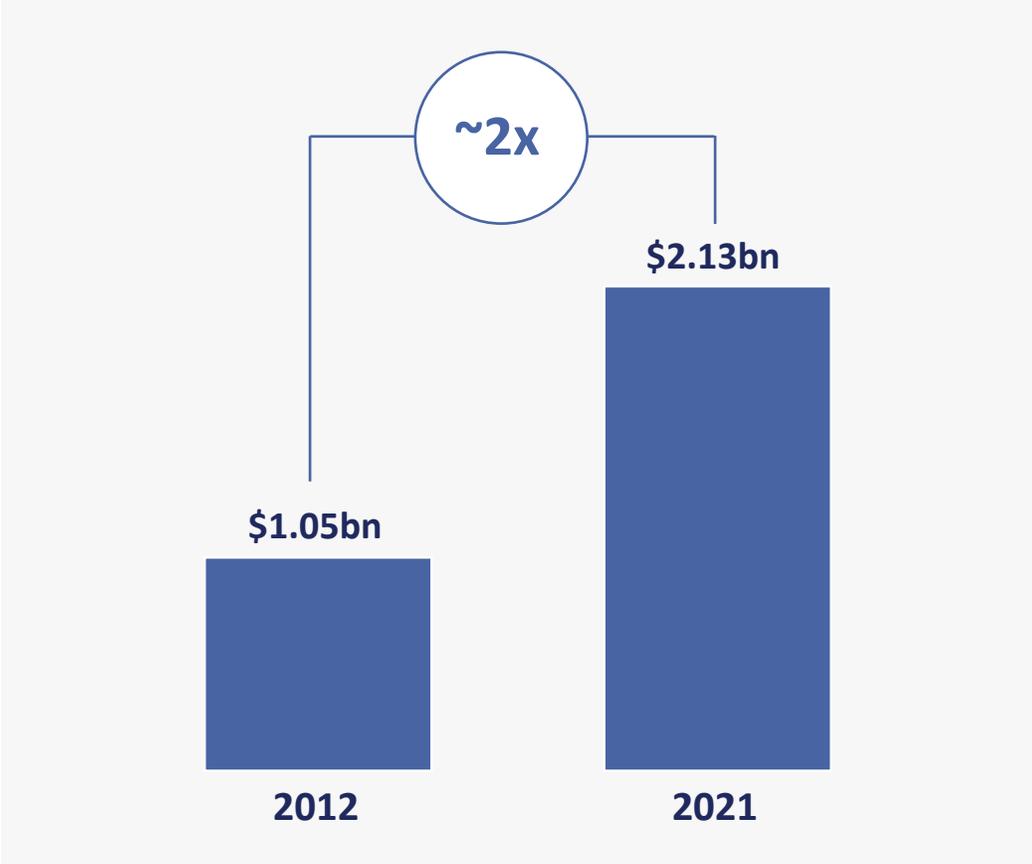
Biopharma industry funding, 2017-2021<sup>(1,2)</sup>



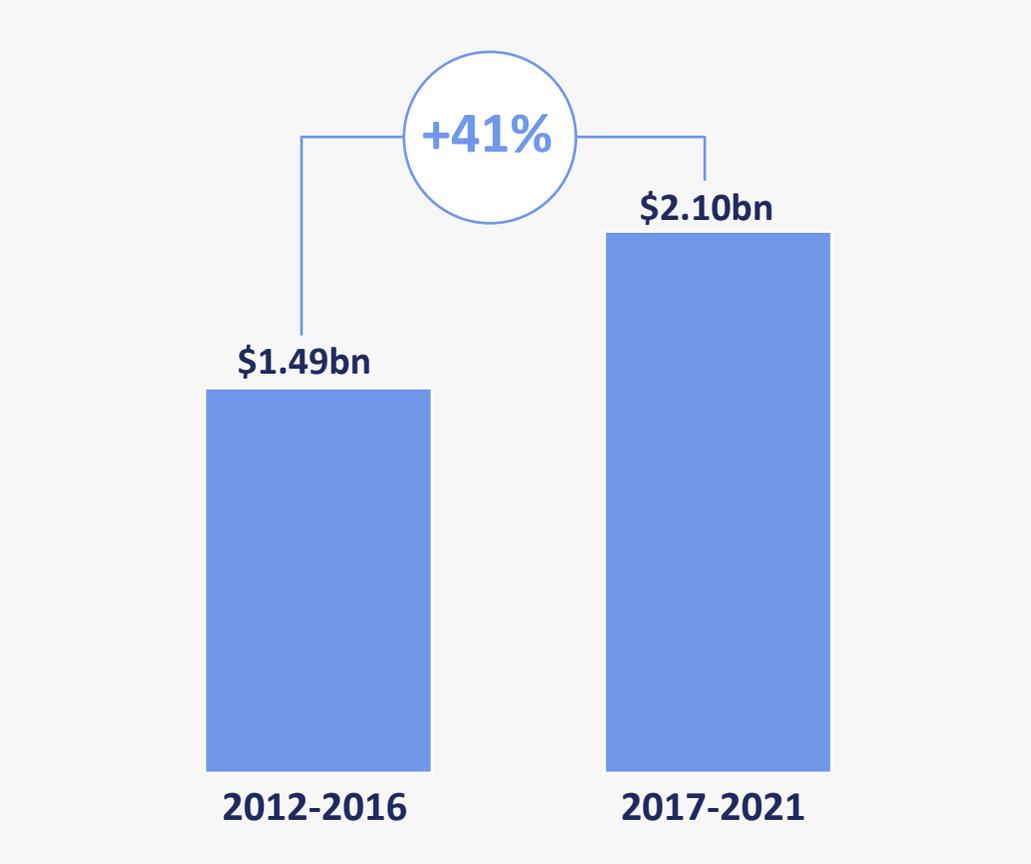
Synthetic royalties represented only ~2% of biopharma funding over past 5 years

# Track record of delivering exceptional growth

Adjusted Cash Receipts<sup>(1)</sup>



Capital deployed  
(annual average)



1. Adjusted Cash Receipts for periods 2020 and earlier are pro forma for current non-controlling interests. See slide 24 for additional information. Refer to Royalty Pharma’s Current Report on Form 8-K dated May 5, 2022 for a GAAP to non-GAAP reconciliation.

# Strong competitive moat in biopharma royalty funding



## Business model



## Scale



## Platform



- Publicly traded company
- Long royalty durations
- Mid-single digit cost of capital
- 2.24% cost of debt<sup>(1)</sup>

- Portfolio ~45 products
- Large investment capacity
- Deep capital markets access
- Ability to leverage portfolio

- Long-tenured team
- Singular biopharma focus
- Long collaboration history
- Deep industry relationships
- Partner of choice

### Other Royalty Buyers

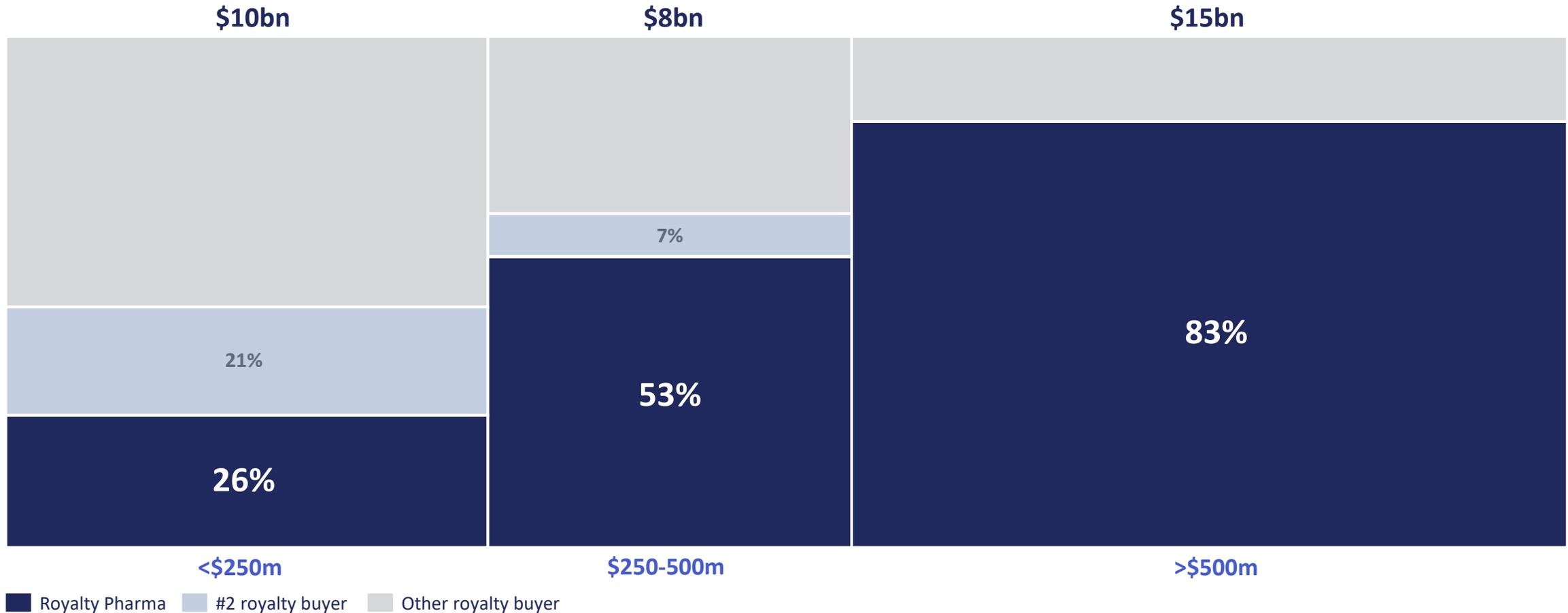
- Serial fund structures
- Often shorter royalty durations
- High-single to double-digit cost of capital

- Smaller, concentrated portfolios
- Funded with significantly more expensive private debt and equity

- Multi-strategy
- New to industry

# Royalty Pharma is the leader in royalty transactions

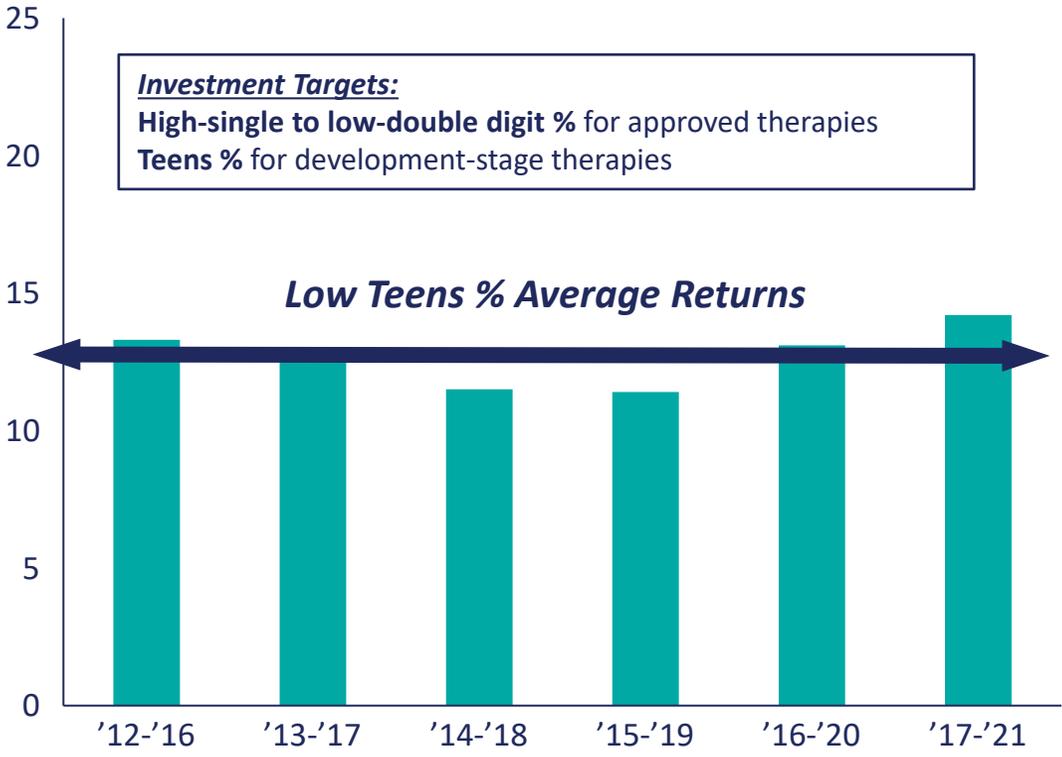
Biopharma royalty market size and share by transaction value, 2012-2022 YTD<sup>(1)</sup>



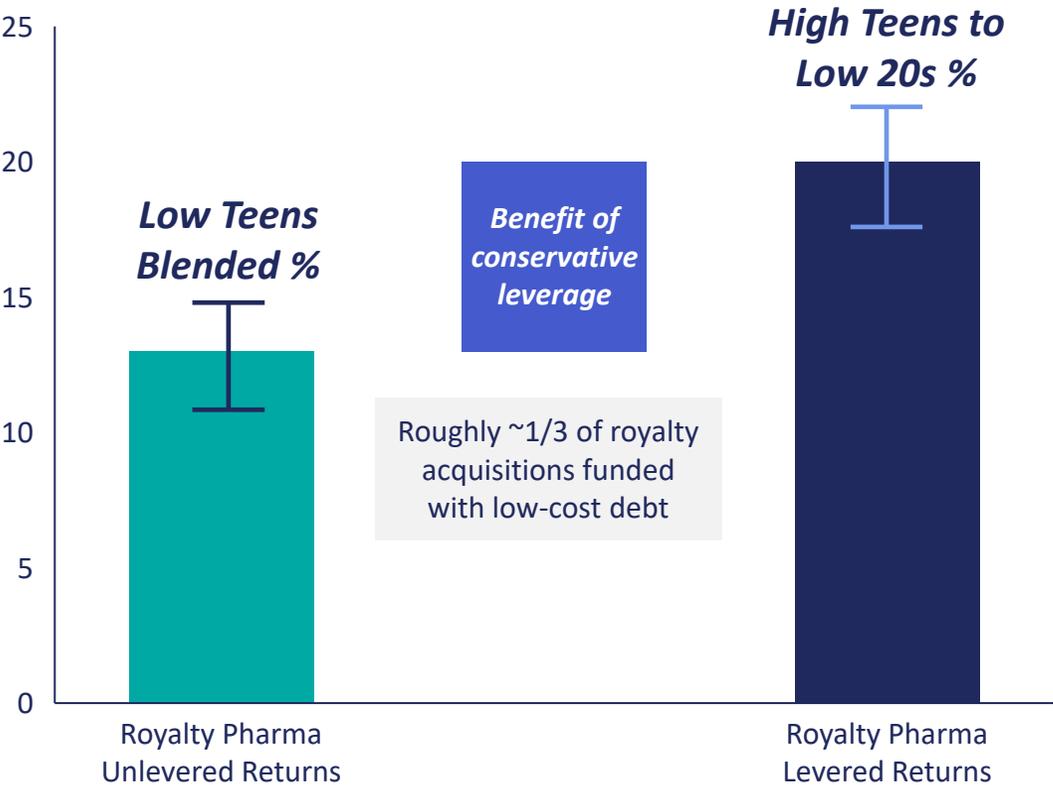
Royalty Pharma has maintained ~60% overall share since 2012 and is the go-to partner for larger transactions

# Consistent attractive returns amplified with conservative leverage

**Estimated unlevered returns**  
Rolling 5-year investment periods (%)<sup>(1)</sup>



**Leverage benefit to return profile**  
Based on investment periods since 2012 (%)<sup>(1)</sup>



**Proven track record of consistent returns, amplified with conservative leverage, creating value in excess of cost of capital**

# Unique Research & Investments team and process



Pioneering the royalty market for 25+ years

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Innovating new funding solutions, including synthetic royalties



One Royalty Pharma team at the center of every transaction

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Long-tenured expert team with deep scientific experience



Open business model: tailored solutions and true partnerships

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Proud of partnerships that grow over multiple transactions



Platform built to scale with the royalty market

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Team and process growing to address the large opportunity ahead



Exhaustive diligence process sharpened over decades

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Able to integrate and interpret a broad and expanding information set



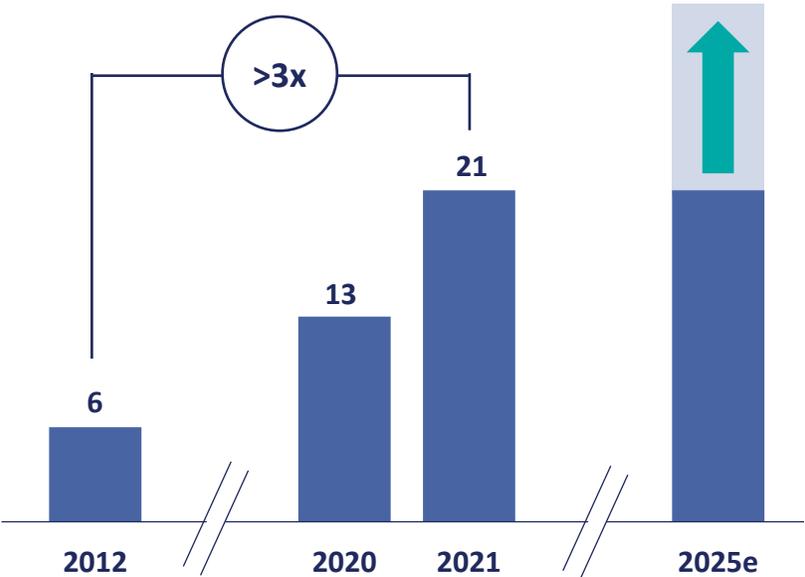
Leveraging big data through Strategy & Analytics

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Unique platform for clinical trial analysis and market evaluation

# Growing our team for the significant opportunity ahead

## Research & Investments team<sup>(1)</sup>



## Deep experience in Research & Investments<sup>(1)</sup>

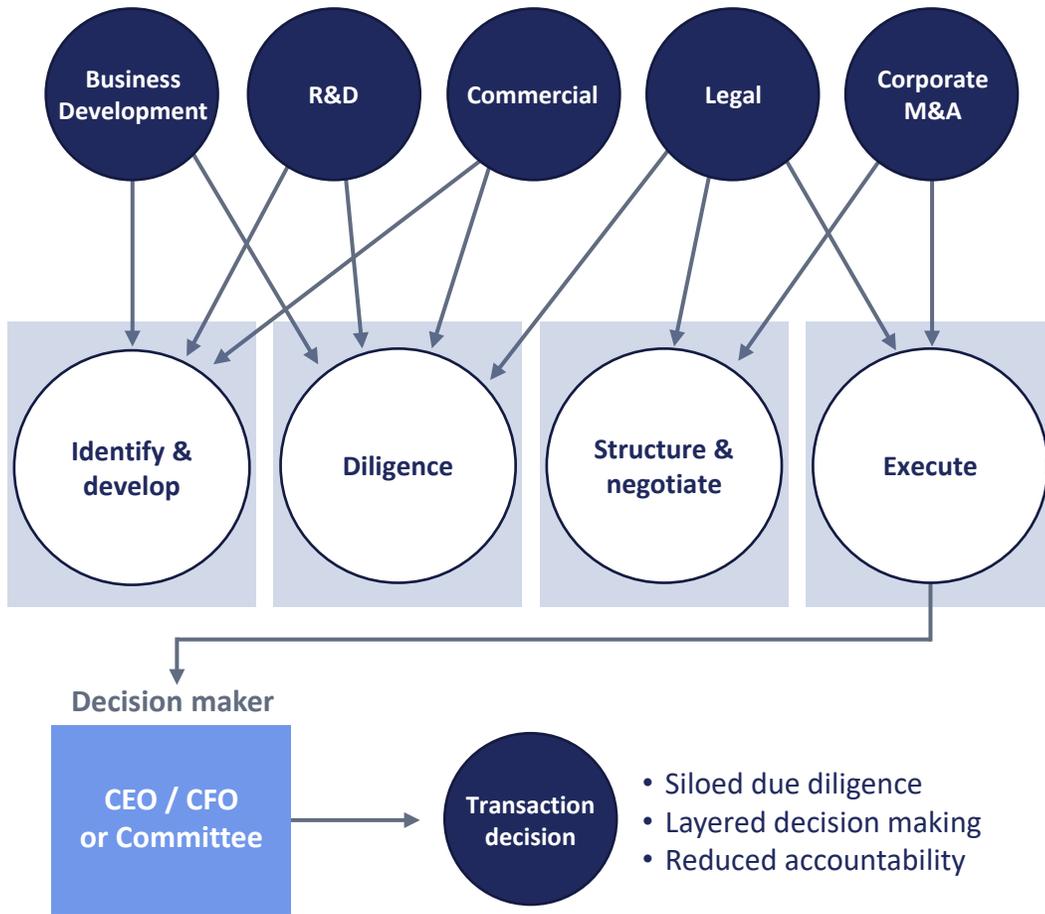
- 21** professionals
- ~5** year average tenure at Royalty Pharma<sup>(2)</sup>
- ~14** year average biopharma and/or investment experience<sup>(2)</sup>
- >60%** advanced degrees
- ~50%** scientific and/or medical degrees<sup>(3)</sup>



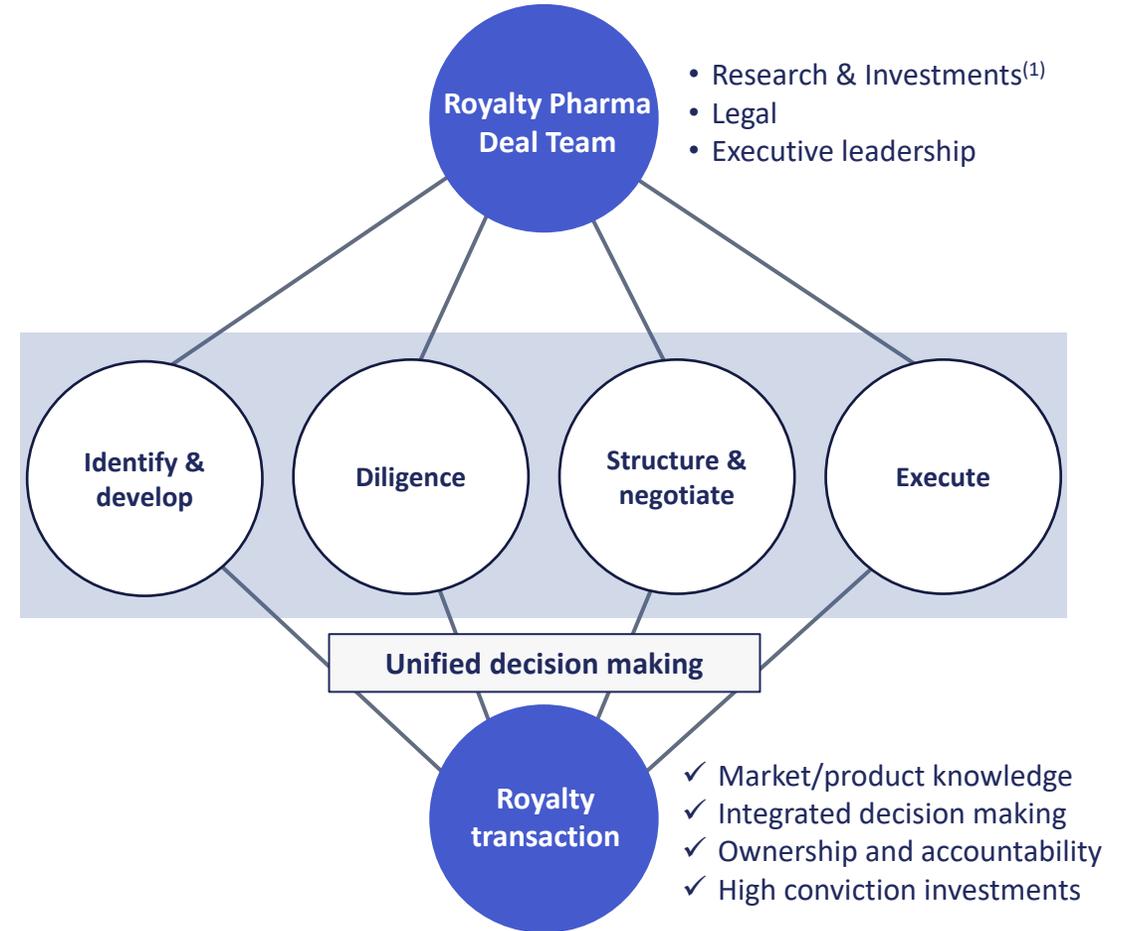
1. Includes Research & Investments, Investments & Capital Strategies and Strategy & Analytics.  
 2. Average tenure and average biopharma and/or investment experience is among senior leadership (VPs and above) at Royalty Pharma.  
 3. Includes Doctor of Philosophy (PhD) in scientific fields and/or Doctor of Medicine (MD).

# One Royalty Pharma team at the center of every transaction

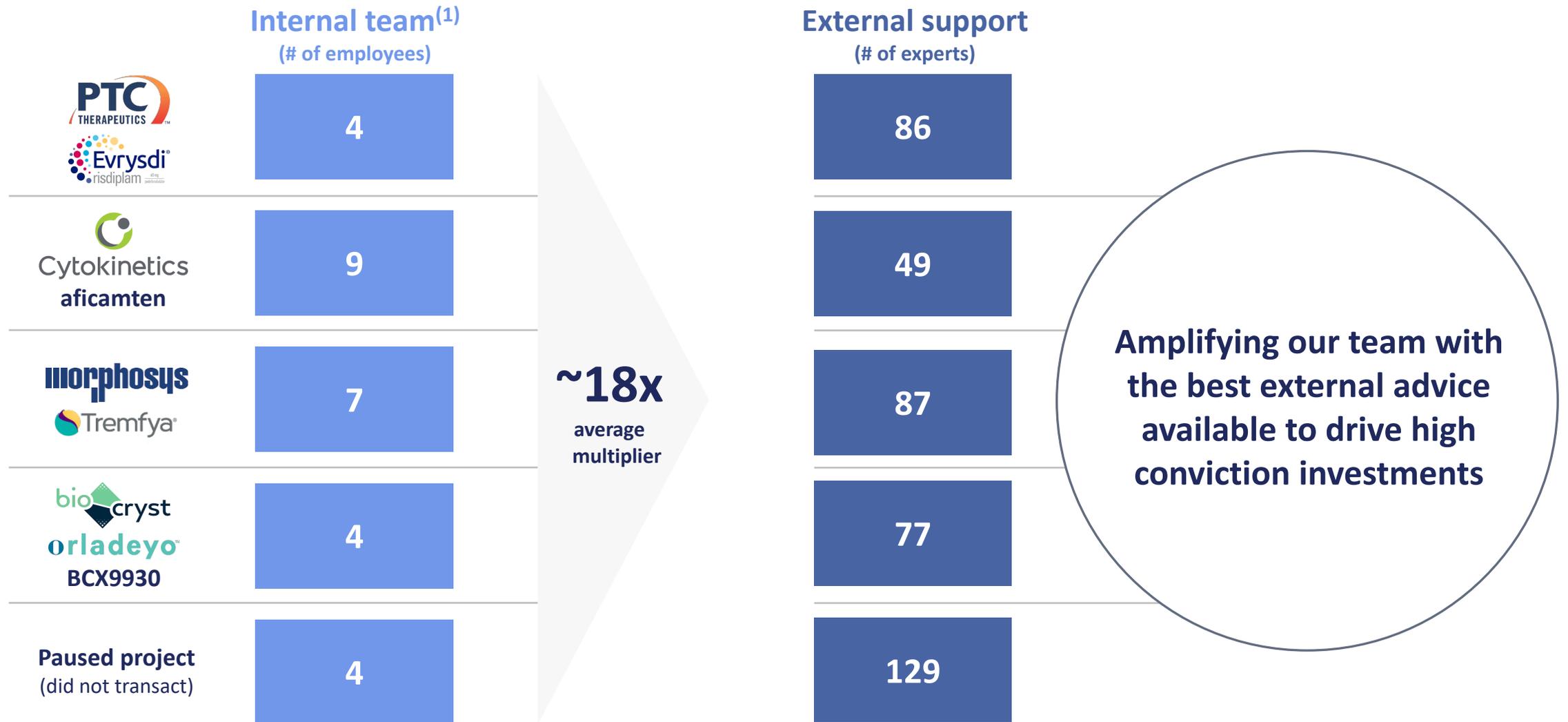
## Traditional business development



## Royalty Pharma process



# Leveraging the best internal and external expertise available



# Our ambitious vision for Strategy & Analytics

## Strategic search and evaluation



Development  
landscape scanning



Therapeutic area  
mapping



Monitoring  
emerging science



Clinical trial meta-  
analysis and design

- Horizon scanning to position Royalty Pharma for the future
  - Identify emerging target companies and products
  - Enhance knowledge of pipelines and mechanisms in development
  - Perform clinical trial analysis and competitive intelligence
  - Stay ahead of faster biopharma innovation cycles
- Earlier partner engagement benefits business development

## Data and analytics



Medical claims  
analysis



Real world  
evidence



Sales & marketing  
benchmarking



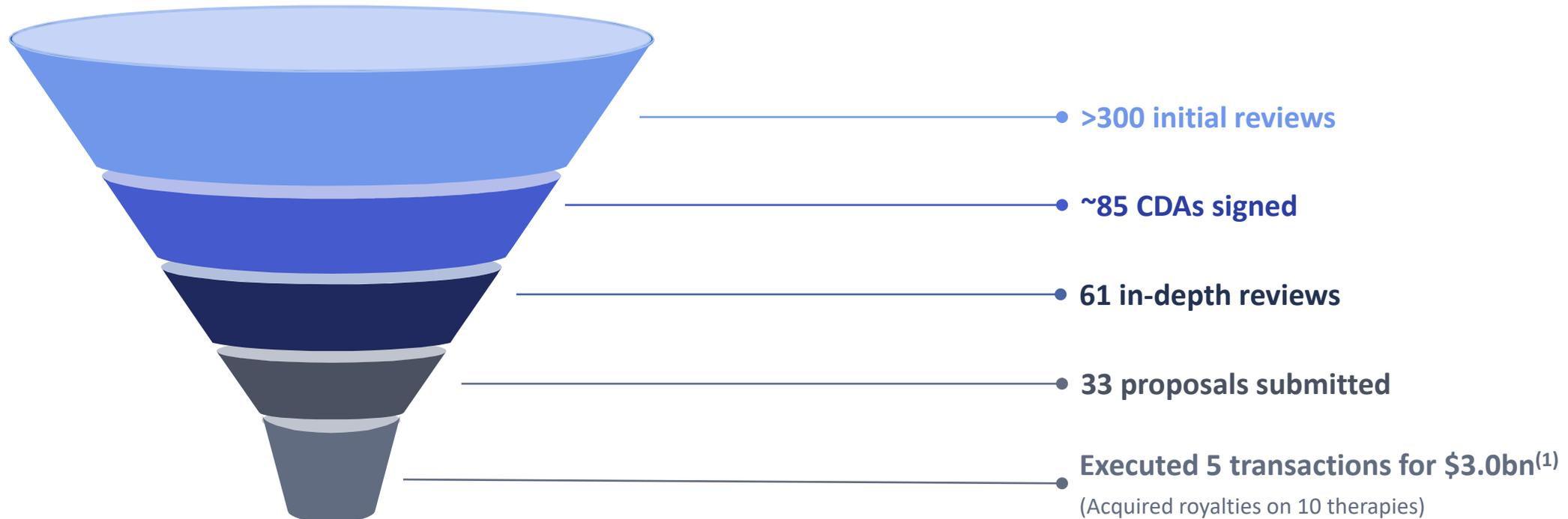
Payor & formulary  
landscape

- Unique insight from proprietary integration of data sources
  - Automation to ensure full coverage at scale
- Best-in-class platform for market evaluation and forecasting
  - Patient mapping – diagnosis, procedures and treatment
  - Long-term ambition to develop for global markets

Strategy & Analytics improves Royalty Pharma's investment process and adds value to our partners

# 2021 investment funnel highlights disciplined approach

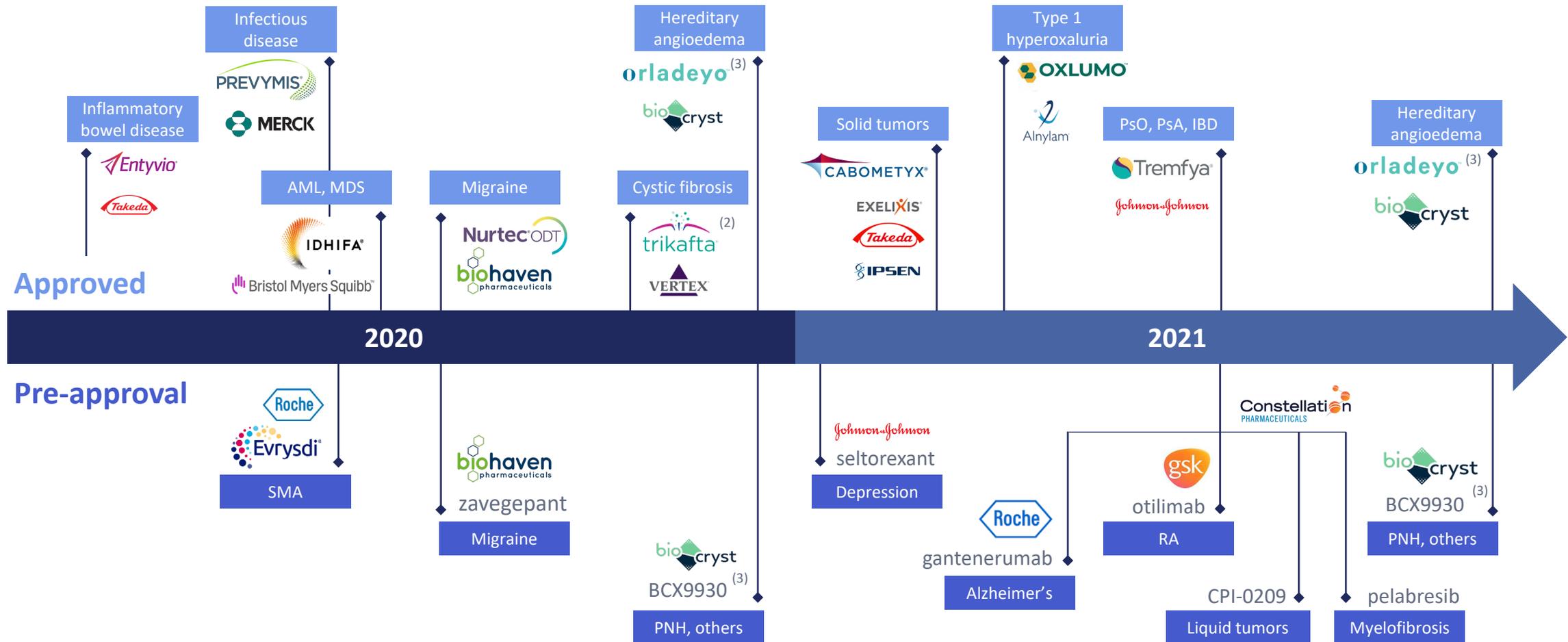
## 2021 Royalty Pharma investment activity



Maintained strong financial discipline: ~3-4% of initial reviews resulted in an acquired royalty

# Adding unmatched portfolio breadth over the last two years

21 products – 25 diseases<sup>(1)</sup>



AML: acute myeloid leukemia; MDS: myelodysplastic syndromes; PsO: plaque psoriasis; PsA: psoriatic arthritis; IBD: inflammatory bowel disease; SMA: spinal muscular atrophy; PNH:

paroxysmal nocturnal hemoglobinuria; RA: rheumatoid arthritis

1. Includes January 2022 aficamten royalty acquisition, which is not shown here. 2. Other products included in cystic fibrosis deal not shown include Symdeko, Orkambi and Kalydeco. 3.

Purchase of incremental royalties on Orladeyo and BCX9930 in November 2021 is not included in product/disease total.

# Our framework focuses on key product success factors



Strong scientific rationale



Significant impact on patients and/or caregivers



Conviction in probability of clinical and regulatory success for pre-approval programs



Mission and execution-oriented management team



Strong marketer and global commercial opportunity



Clear commercial positioning



Potential for multiple indications or label expansion



First-in-class or best-in-class



Long duration of patent protection or exclusivity



Compelling value proposition for government and commercial payors

# We are well positioned for the emerging macro environment

## 1 Inflation and recessionary risks

- Significant magnitude, duration and diversity of non-cyclical growth
- Strong historical financial performance in prior periods of dislocation
- Benefit of efficient cost base without significant fixed expenses

## 3 Biotech market pressure

- Expands universe of potential counterparties and royalty opportunities
- Increases attractiveness of royalties versus financing alternatives
- Potential consolidation could result in new M&A royalty opportunities

## 2 Impact of higher rates on cost of funding

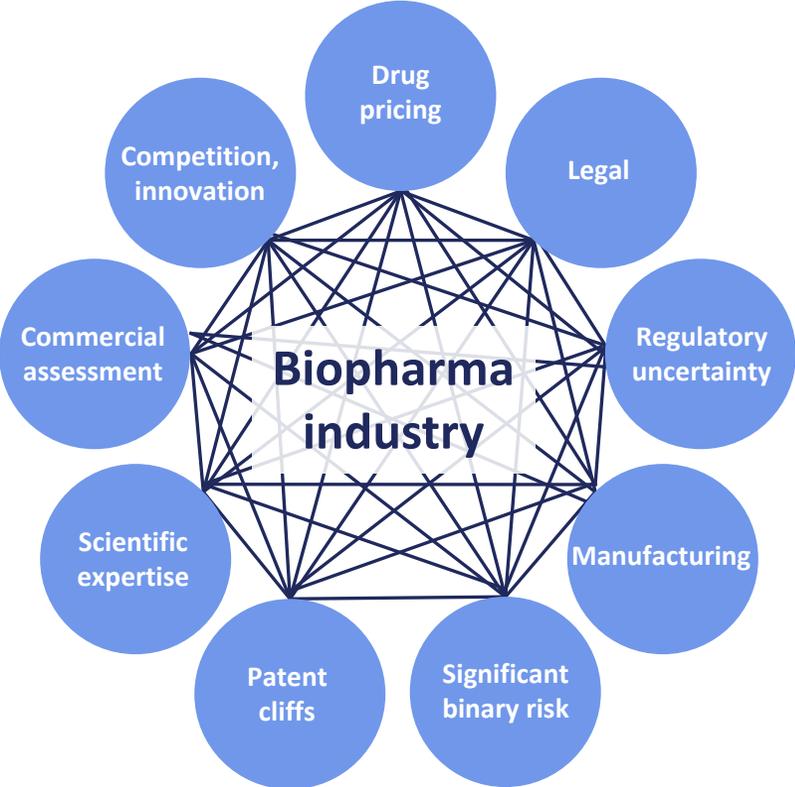
- 2.24% fixed-rate WAC; <1% increase expected through 2025
- Limited near-term refinancing needs with ~60% of debt due 2030+
- Commit to investment grade ratings enables depth of access & low cost

## 4 Ability to maintain attractive returns

- Flexible investment process enables us to react quickly
- Asset prices adjust in rising rate environment, providing a natural hedge
- Aim to deliver consistent unlevered returns, enhanced with leverage

# A simple investment proposition in a highly complex industry

Successful biopharma investing is extremely complex



**ROYALTY PHARMA** offers a simple solution

- ✓ Efficient business of collecting share of top-line revenues on leading products
- ✓ Strong track record of product selection
- ✓ Rigorous diligence processes
- ✓ Highly diversified portfolio
- ✓ Minimal binary clinical risk
- ✓ Proven ability to replenish portfolio

# Footnotes

- (1) To aid in comparability, growth in 2020 is calculated based on pro forma 2019 results, 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 interests that resulted from the Reorganization Transactions. The new contractual non-controlling interests 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 Royalty receipts for other 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 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*, less (1) *Distributions to non-controlling interests*, which represents contractual distributions of royalty receipts and proceeds from available for sale debt securities to our historical non-controlling interests related to the Legacy Investors Partnerships and Royalty Pharma Select Finance Trust (RPSFT). See the Company's Annual Report on Form 10-K filed with the SEC on February 15, 2022 and refer to Royalty Pharma's Current Reports on Form 8-K filed with the SEC on February 15, 2022 and May 5, 2022 for additional discussion and GAAP to Non-GAAP reconciliation.
- (3) 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 are comprised of *Payments for operating and professional costs* from the statements of cash flows. See GAAP to Non-GAAP reconciliation in the Company's current report on Form 8-K dated May 5, 2022.
- (4) Adjusted Cash Flow is defined as Adjusted EBITDA less (1) *Development-stage funding payments - ongoing*, (2) *Development-stage funding payments - upfront and milestones*, (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 in the Company's current report on Form 8-K dated May 5, 2022.

## Financial Guidance footnote

- (5) Royalty Pharma has not reconciled its non-GAAP 2022 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 equity method investees, 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.