

**ROYALTY PHARMA**

**Royalty Pharma plc**

# **Q4 and Full Year 2021 Financial Results**

**February 15, 2022**

# 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 27 and in the Company’s earnings release furnished with its current report on Form 8-K dated February 15, 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.

# Agenda

<b>Key Highlights</b>	Pablo Legorreta	Founder & Chief Executive Officer
<b>Portfolio Update</b>	Jim Reddoch	EVP, Co-Head of Research and Investments & Chief Scientific Officer
<b>Royalty Acquisitions</b>	Marshall Urist	EVP, Co-Head of Research and Investments
<b>Financial Results</b>	Terrance Coyne	EVP, Chief Financial Officer
<b>Conclusion</b>	Pablo Legorreta	Founder & Chief Executive Officer
<b>Q&amp;A</b>	Pablo Legorreta Terrance Coyne Chris Hite Jim Reddoch Marshall Urist	Founder & Chief Executive Officer EVP, Chief Financial Officer EVP, Vice Chairman EVP, Co-Head of Research and Investments & Chief Scientific Officer EVP, Co-Head of Research and Investments

## Key Highlights

### **Pablo Legorreta**

Founder & Chief Executive Officer

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# Key 2021 accomplishments reflect strong business momentum

## Financial

- FY 2021 Adjusted Cash Receipts (top-line)<sup>(1)</sup> growth of 18%
- FY 2021 Adjusted Cash Flow (bottom-line)<sup>(1)</sup> growth of 19%
- Further strengthened balance sheet, including inaugural social bond issuance

## Capital Deployment

- Announced \$3.0 billion (\$2.3 billion upfront) in transactions across five deals
- 2020 and 2021 transactions expected to add >\$750 million to ACR<sup>(1,2)</sup> in 2025
- Maintained leading share of biopharma royalty funding market<sup>(3)</sup>

## Portfolio

- More than doubled development-stage therapies in our portfolio
- Positive clinical updates (zavegepant in migraine, PT027 in asthma, BCX9930 in PNH)

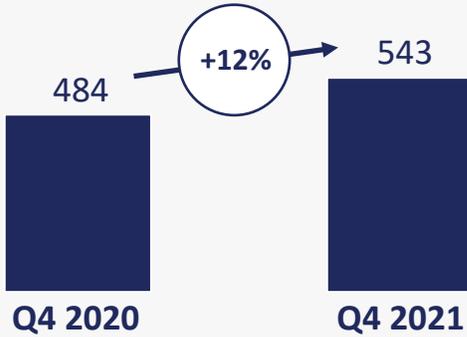
ACR: Adjusted Cash Receipts; PNH: Paroxysmal nocturnal hemoglobinuria

1. Top- and bottom-line refer to Royalty Pharma's Adjusted Cash Receipts and Adjusted Cash Flow, respectively. See slide 27 for definition and additional information.
2. Based on Visible Alpha consensus sales forecasts; primarily includes contribution from approved therapies and other fixed payments.
3. Royalty Pharma market share of 56% based on internal estimates and the value of all announced royalty transactions in 2021.

# Delivering double-digit growth in Q4 and FY 2021

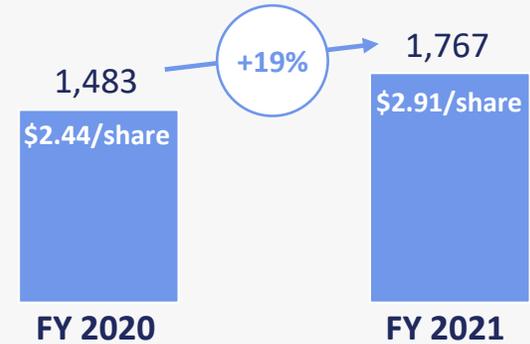
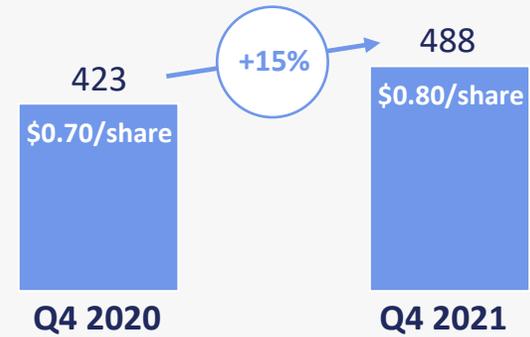
Adjusted Cash Receipts<sup>(1)</sup>  
(\$ in millions)

quarter/quarter



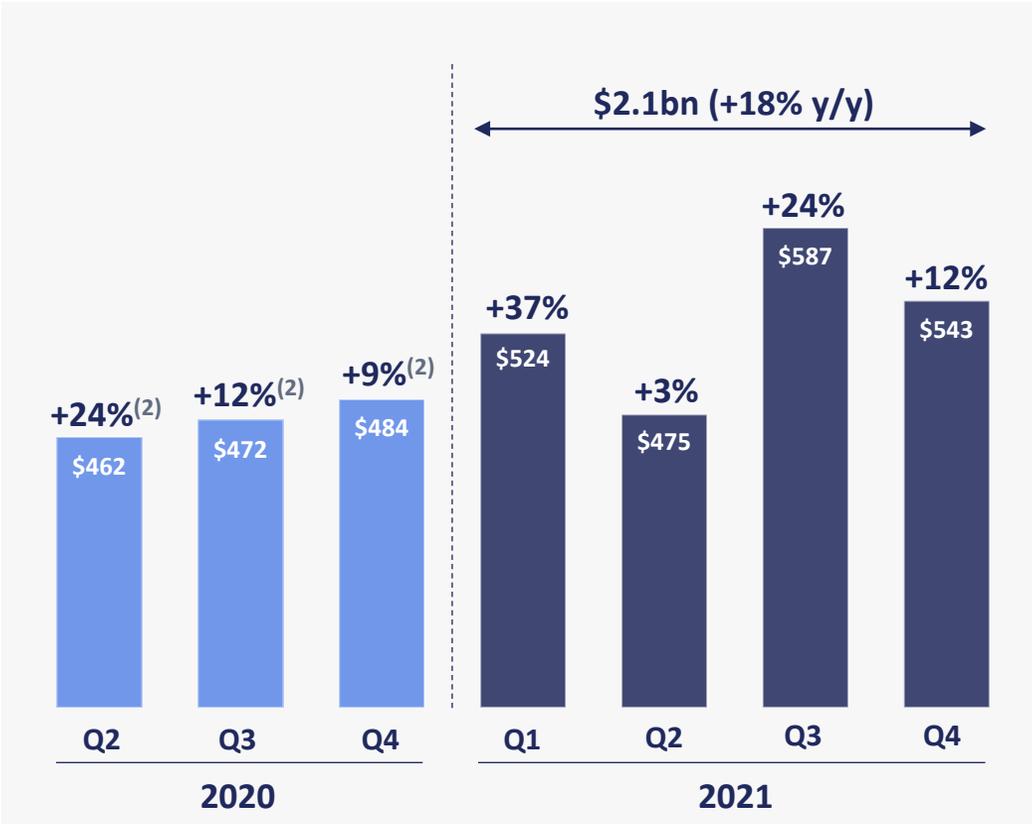
Adjusted Cash Flow<sup>(1,2)</sup>  
(\$ in millions, except per share amount)

year/year

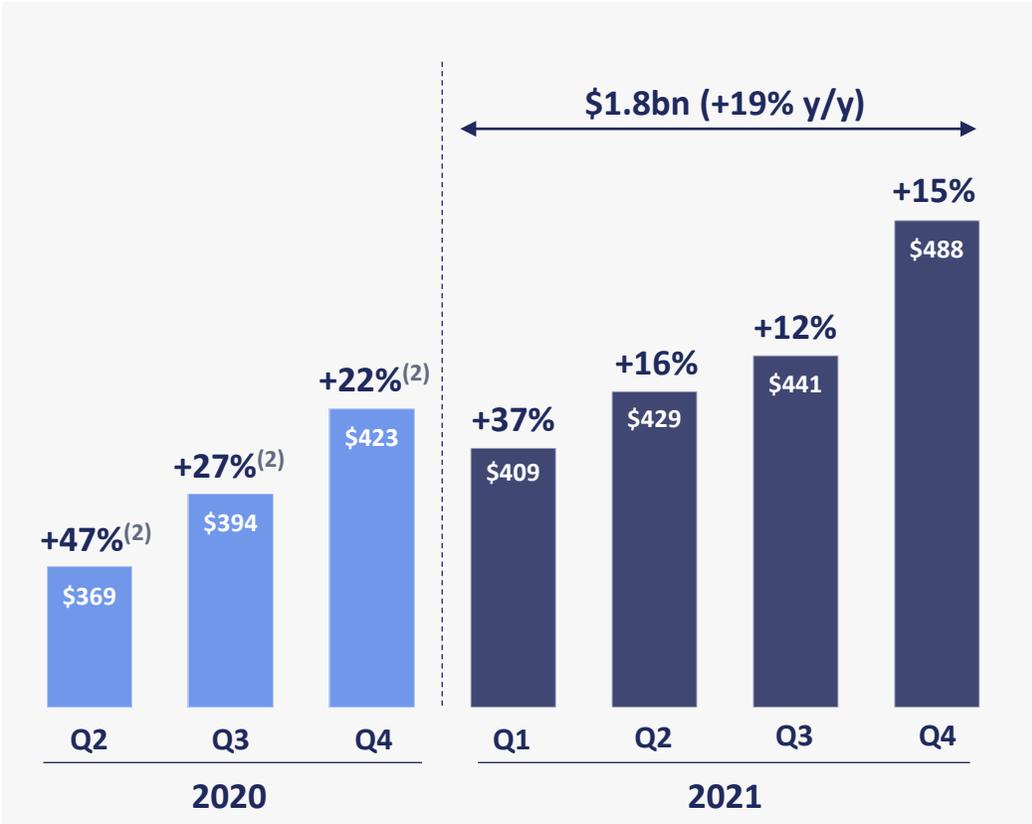


# Track record of impressive growth since June 2020 IPO

**Adjusted Cash Receipts<sup>(1)</sup>**  
(\$ in millions, year/year growth)



**Adjusted Cash Flow<sup>(1)</sup>**  
(\$ in millions, year/year growth)

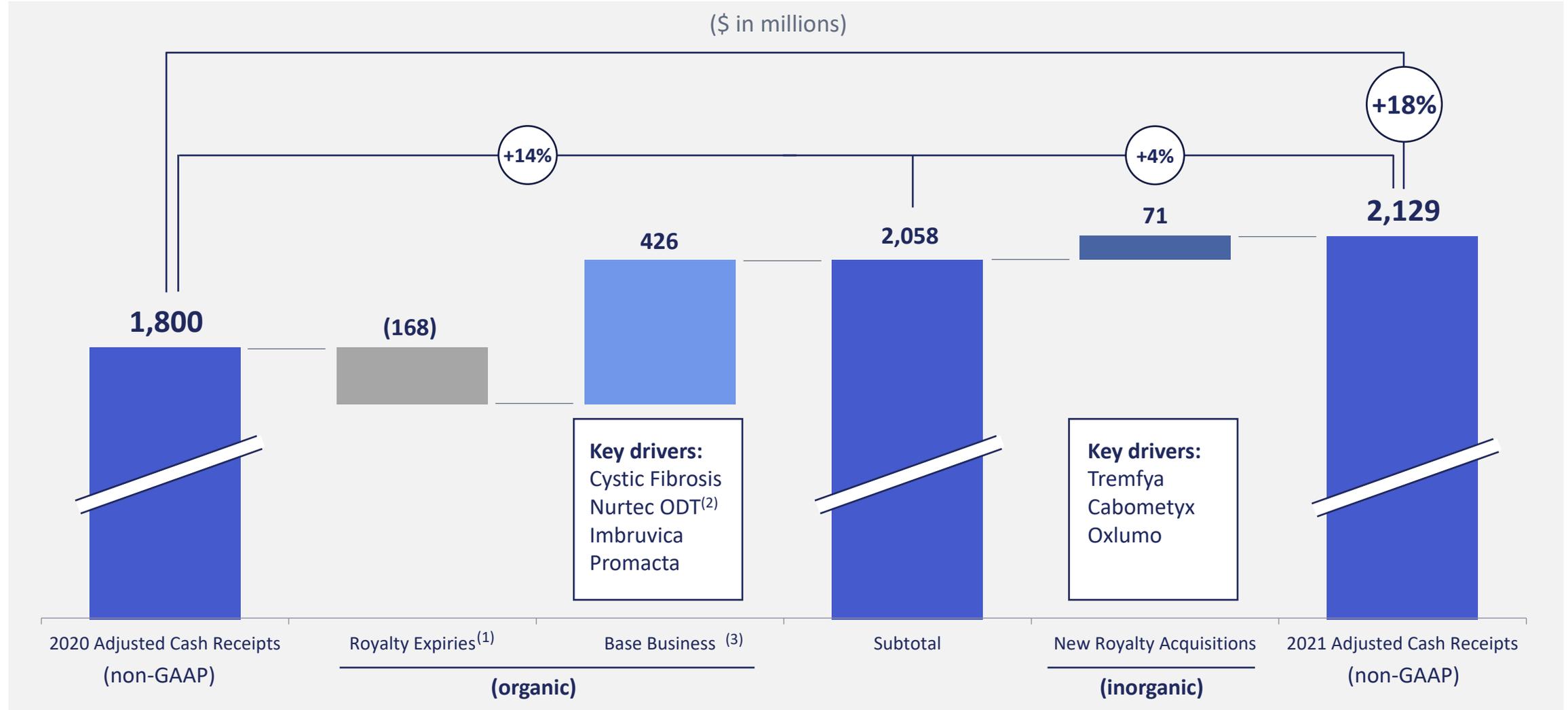


1. See slide 27 for definitions. Refer to Royalty Pharma’s Current Report on Form 8-K dated February 15, 2022 for a GAAP to non-GAAP reconciliation.  
2. On pro forma basis. See slide 27 for definition and additional information.

# Existing portfolio powered 18% growth in 2021 despite LOEs

## 2021 Adjusted Cash Receipts (non-GAAP)<sup>(1)</sup>

(\$ in millions)



CF: Cystic fibrosis

1. Includes HIV franchise, Lyrica and Letairis royalties.

2. Nurtec ODT includes fixed payments from Biohaven

3. Includes receipt of one-time \$37 million Soliqua payment.

## Portfolio Update

### **Jim Reddoch, PhD**

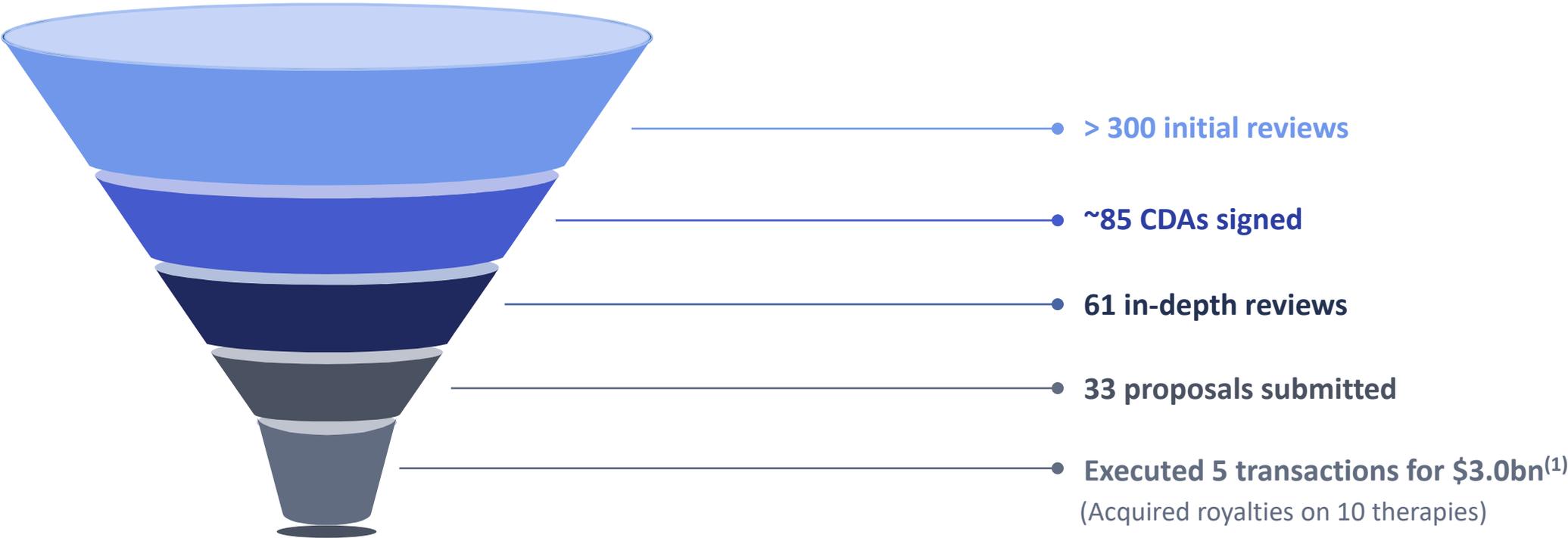
Executive Vice President  
Co-Head of Research and Investments,  
Chief Scientific Officer

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# Announced \$3.0 billion of royalty transactions in 2021

2021 Royalty Pharma investment activity

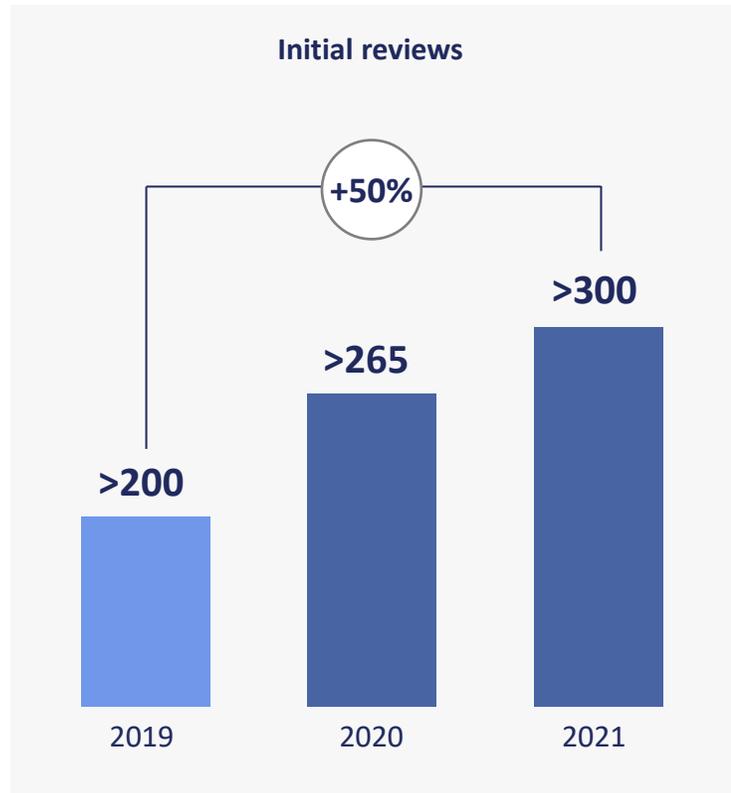


**Maintained strong financial discipline: ~4% of initial reviews resulted in an acquired royalty**

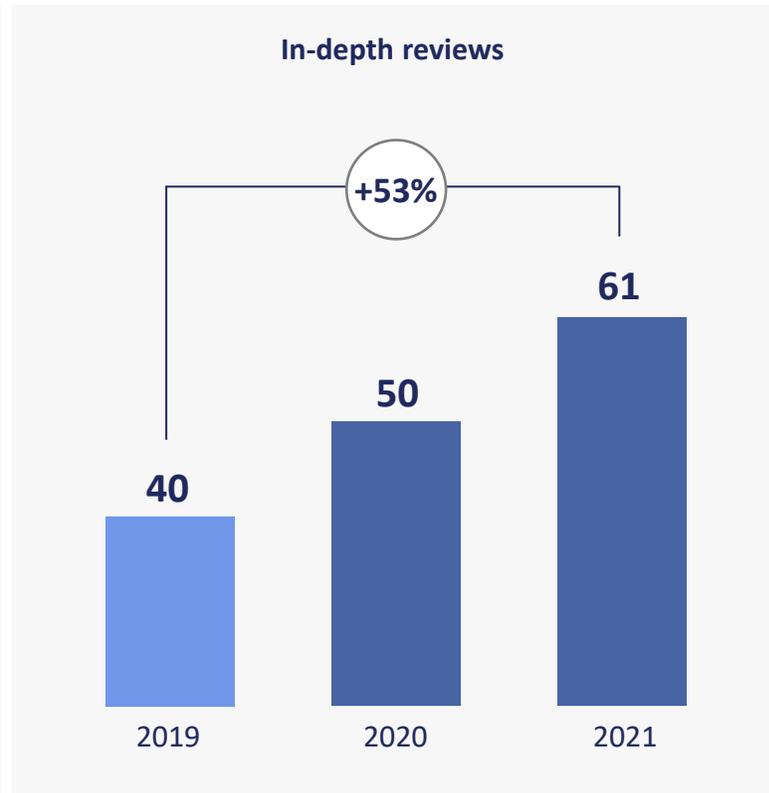
1. Data reflects total announced transaction value in 2021 (\$2.3bn of total are upfront payments).

# Positive market backdrop supports strong pipeline trends

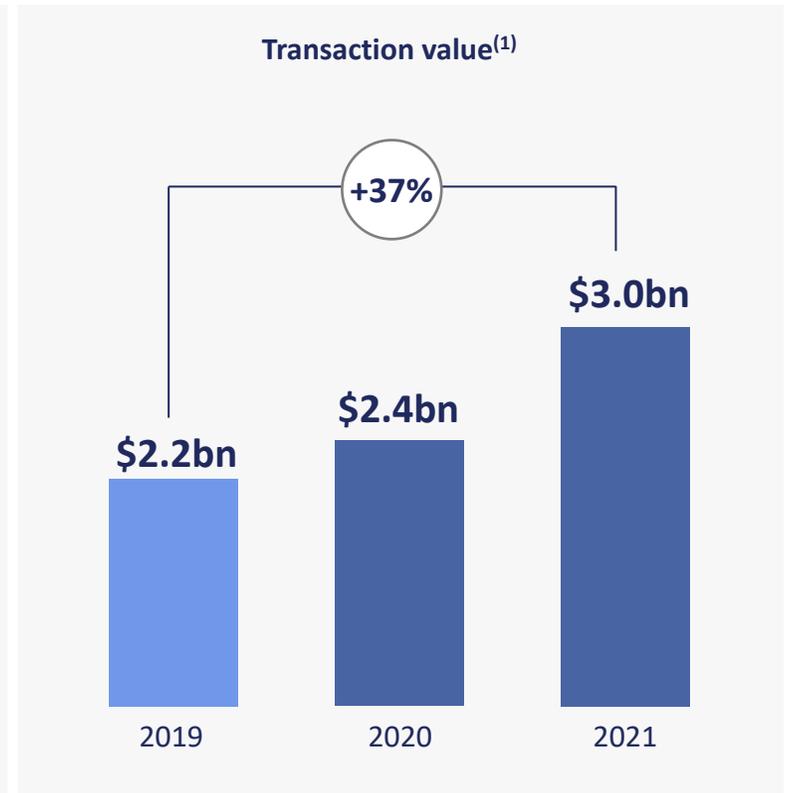
## Strong growth in initial reviews



## Opportunity set increasing



## Robust royalty acquisition activity



Pre-IPO Post-IPO

# Enhancing long-term growth with transformative therapies

Transactions announced in 2020 and 2021

**\$5.5bn**

Total announced value

**20**

Unique therapies

**8**

Development-stage therapies at acquisition

**5**

Areas of therapeutic focus

**9**

Current and potential future blockbusters<sup>(1)</sup>

**>\$750m**

Contribution to 2025e Adjusted Cash Receipts<sup>(2)</sup>

## Approved therapies



## Development-stage therapies



## Royalty Acquisitions

### **Marshall Urist, MD, PhD**

Executive Vice President  
Co-Head of Research and Investments

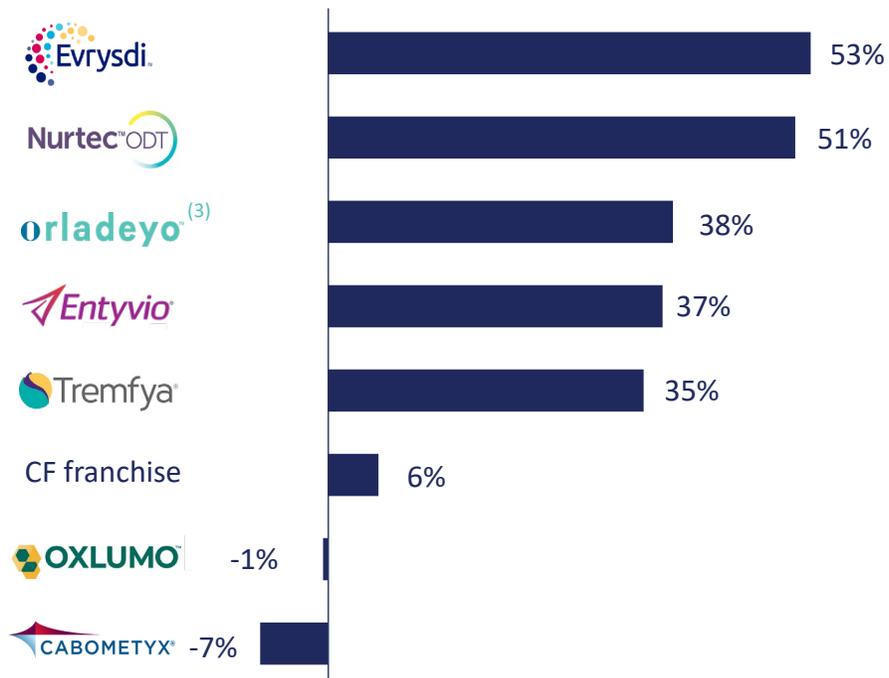
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# Impressive early performance of recent transactions<sup>(1)</sup>

## Current approved therapies

Percent change in 2025 consensus sales<sup>(2)</sup> since acquisition



## Development-stage therapies

Therapy	Marketer	Key upcoming events
zavegepant	Biohaven	Oral Phase 3 results in Q4 2022 <sup>(4)</sup>
BCX9930	BioCryst	Pivotal studies ongoing
seltorexant	Johnson & Johnson	Phase 3 results in H2 2022 <sup>(4)</sup>
gantenerumab	Roche	Phase 3 results in Q4 2022 <sup>(5)</sup>
otilimab	GlaxoSmithKline	Phase 3 results in H2 2022 <sup>(6)</sup>
CPI-0209	MorphoSys	Phase 1 / 2 PoC data in H1 2022 <sup>(7)</sup>
pelabresib	MorphoSys	Phase 3 primary analysis in H1 2024 <sup>(7)</sup>

PoC: Proof of Concept

(1) Recent transactions includes 2020 and 2021 transactions.

(2) Consensus sales sourced from Visible Alpha as of February 11, 2022 and includes therapies with consensus available at the time of the deal and now.

(3) Change in Orladeyo consensus sales is from date of initial BioCryst transaction (December 7, 2020).

(4) www.clinicaltrials.gov. (5) Roche Full-Year 2021 Results, February 3, 2022. (6) GlaxoSmithKline Q4 2021 financial results, February 9, 2022. (7) MorphoSys Q3 presentation, November 11, 2021.

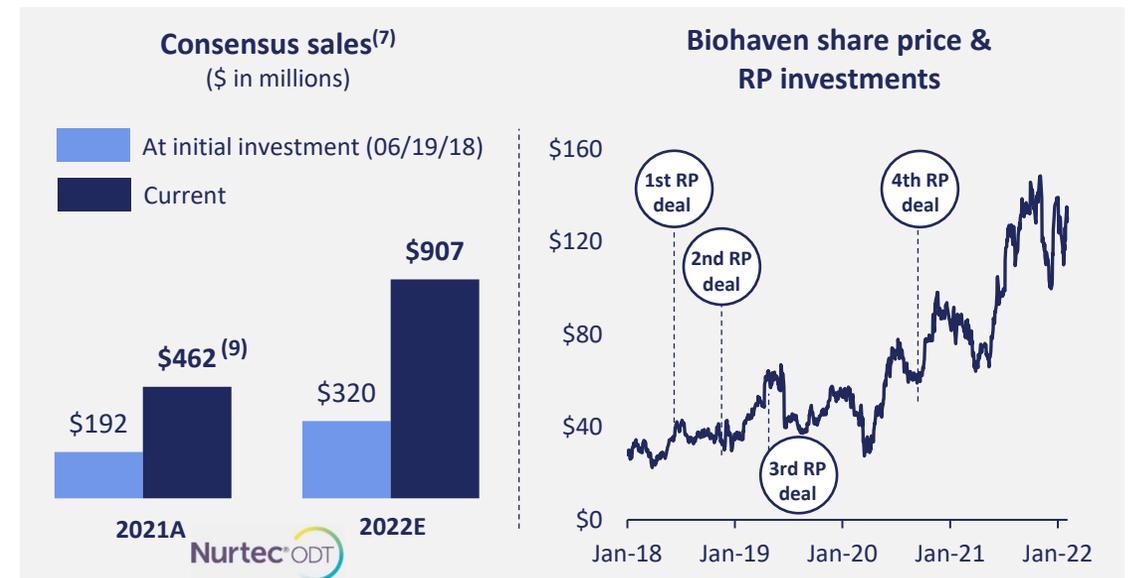
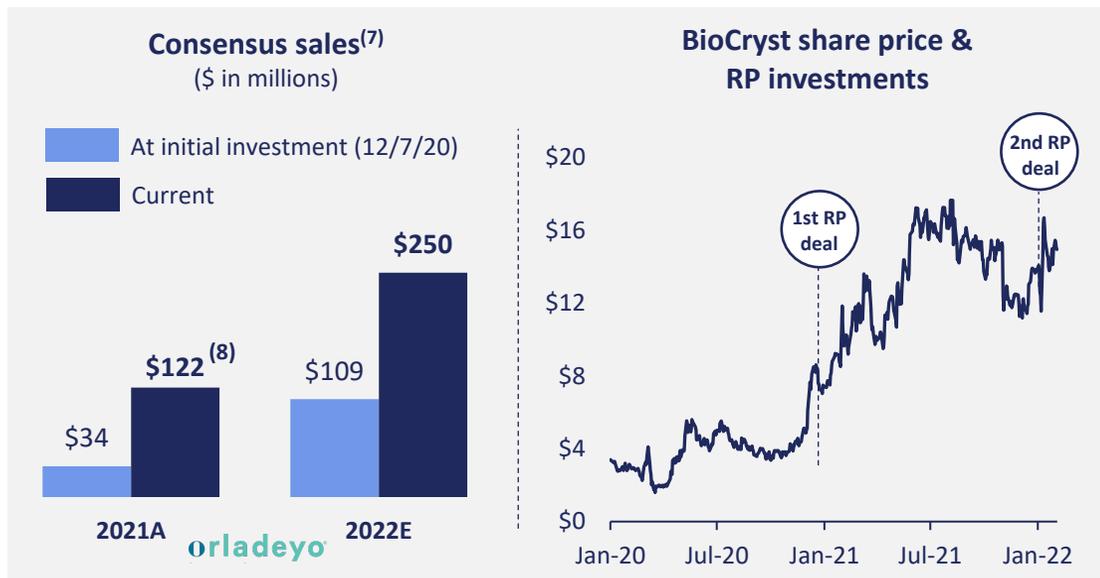
# Tailored funding solutions throughout partner's growth journey



- December 2020:** \$125m to support Orladeyo launch for royalties on Orladeyo and BCX9930<sup>(1)</sup>
- November 2021:** \$200m to support Orladeyo launch and the development of BCX9930 for additional royalties on Orladeyo and BCX9930<sup>(2)</sup>



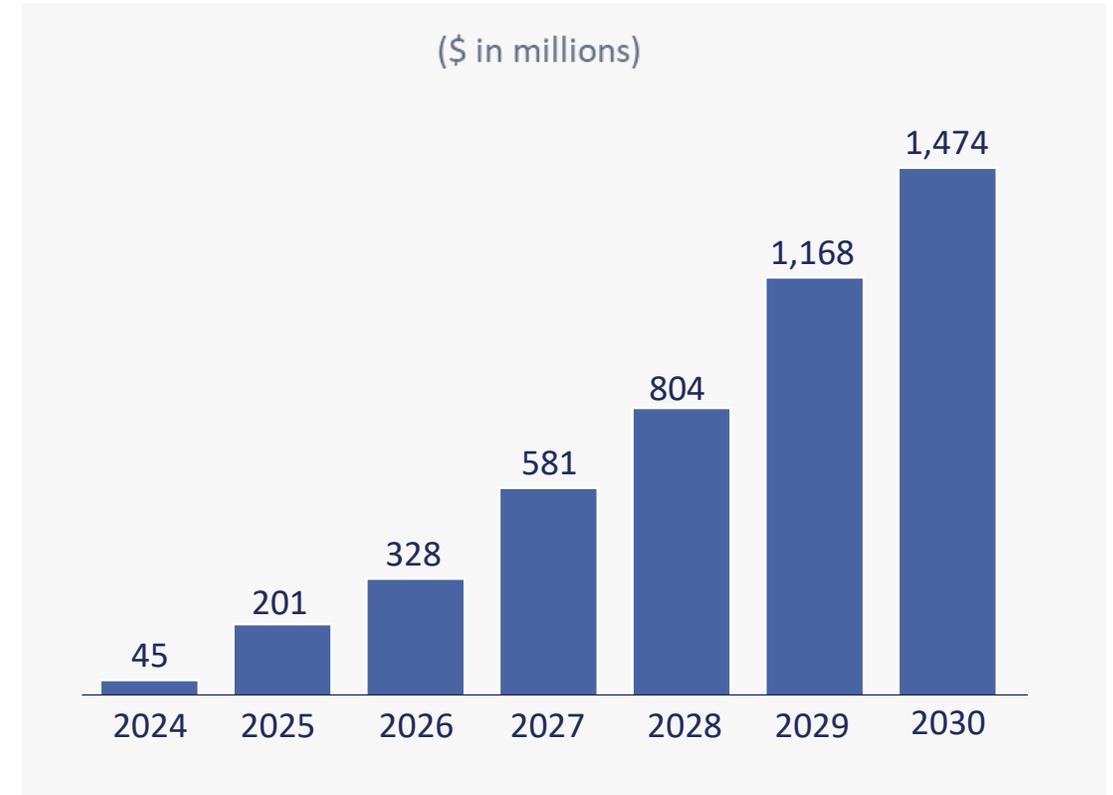
- June 2018:** \$150m to support pipeline development in exchange for Nurtec ODT royalties and Biohaven equity<sup>(3)</sup>
- December 2018:** \$37m investment in common equity<sup>(4)</sup>
- March 2019:** \$200m preferred equity investment to support PRV purchase<sup>(5)</sup>
- August 2020:** Up to \$450m to support zavegepant development and Nurtec launch for royalties, milestones and preferred equity<sup>(6)</sup>



# Expanding partnership with Cytokinetics

- Funding in total of up to \$450m with \$100m in upfront payments
  - Up to \$150m for aficamten synthetic royalty – 4.5% up to \$1.0bn in sales and 3.5% for >\$1.0bn in sales<sup>(1)</sup>
  - Up to \$300m commercial launch capital with \$50m upfront; includes 4 additional tranches based on milestones<sup>(2)</sup>
- Aficamten – oral cardiac myosin inhibitor for hypertrophic cardiomyopathy (HCM) with compelling Phase 2 data<sup>(3)</sup>
  - Attractive market of 80,000 to 100,000 patients in the US<sup>(4)</sup>
  - FDA Breakthrough Designation; oHCM pivotals initiating Q1 2022<sup>(5)</sup>
- BMS ~\$13bn MyoKardia acquisition<sup>(6)</sup> validates market potential

Aficamten consensus sales<sup>(7)</sup>



**Attractive combination of base return from commercial launch facility and significant upside from aficamten synthetic royalty**

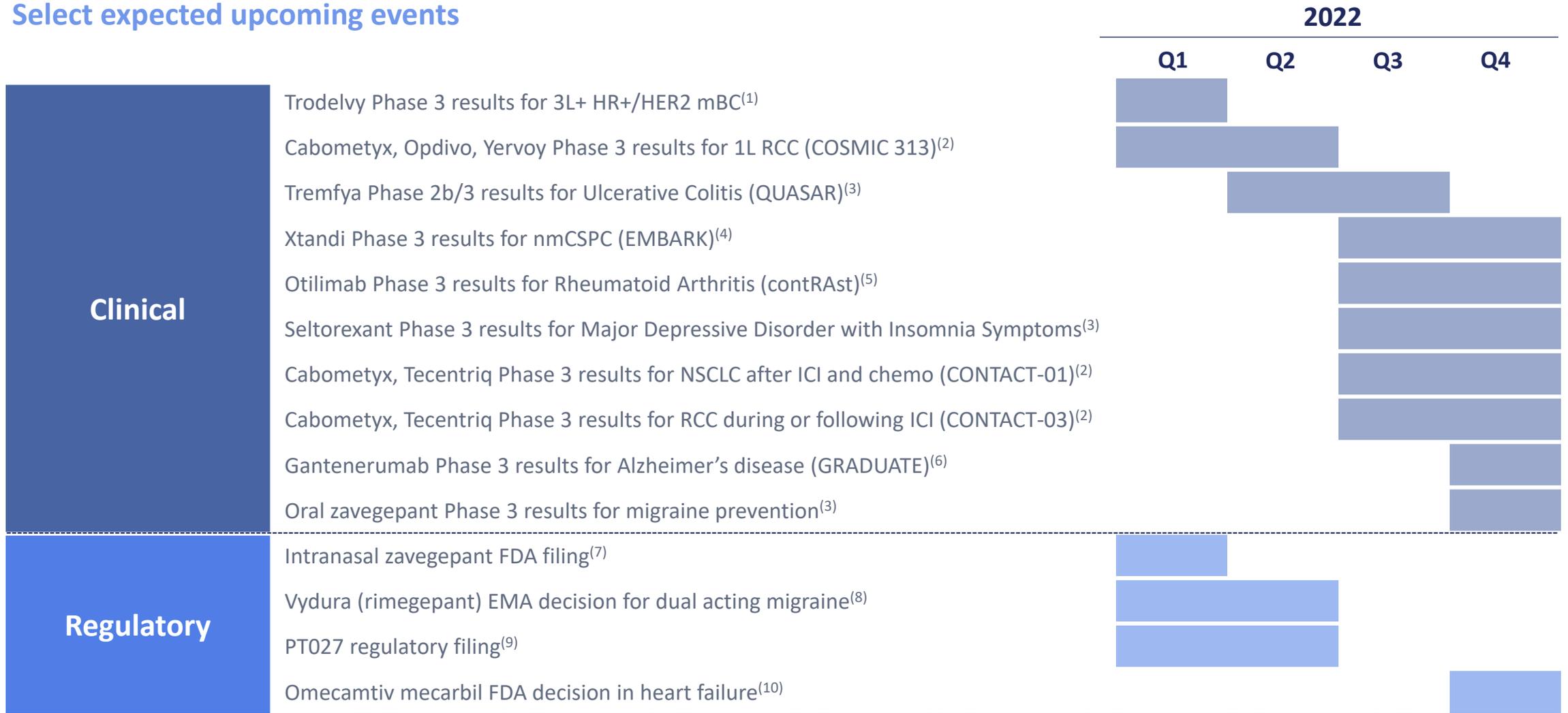
BTD: Breakthrough Therapy Designation; oHCM: obstructive hypertrophic cardiomyopathy

(1) \$50 million upfront and up to \$100 million based on achievement of certain milestones. (2) \$50 million upfront and up to \$250 million based on regulatory and Phase 3 trial milestones for omecamtiv mecarbil and aficamten. Aggregate amount payable in respect of each tranche equal to 190% of the principal amount of such tranche (3) Cytokinetics press release, July 19, 2021. (4) BMS Investor Presentation, October 2020 (5) Cytokinetics Q3 earnings release, November 3, 2021.

(6) BMS press release, October 5, 2020. (7) Royalty Pharma compiled consensus as of December 2021.

# Multiple important milestones expected in 2022

## Select expected upcoming events



mBC: metastatic breast cancer; RCC: Renal cell carcinoma; nmCSPC: non-metastatic castration sensitive prostate cancer; NSCLC: Non-small cell lung cancer; ICI: immune checkpoint inhibitor; FDA: Food & Drug Administration; EMA: European Medicines Agency

## Financial Results

### **Terrance Coyne**

Executive Vice President  
Chief Financial Officer

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# Total Royalty Receipts grew 5% in Q4 and 11% in FY 2021

## Selected key products

### Q4 2021

### FY 2021



CF Franchise



DPP-IV Franchise



Other

Total

	Q4 2021		FY 2021	
	Royalty Receipts <sup>(1)</sup> (\$ in millions)	Growth (% year/year)	Royalty Receipts <sup>(1)</sup> (\$ in millions)	Growth (% year/year)
CF Franchise	196	24	702	27
TYSABRI	94	2	369	7
imbruvica	89	4	353	10
PROMACTA	49	18	174	21
Xtandi	41	5	158	8
DPP-IV Franchise	38	-4	151	5
Other DPP-IVs	19	nm	70	nm
Nurtec ODT <sup>(2)</sup>	19	n/a	36	n/a
Tremfya	19	n/a	36	n/a
Other	114	-32	596	-13
Total	659	5	2,609	11

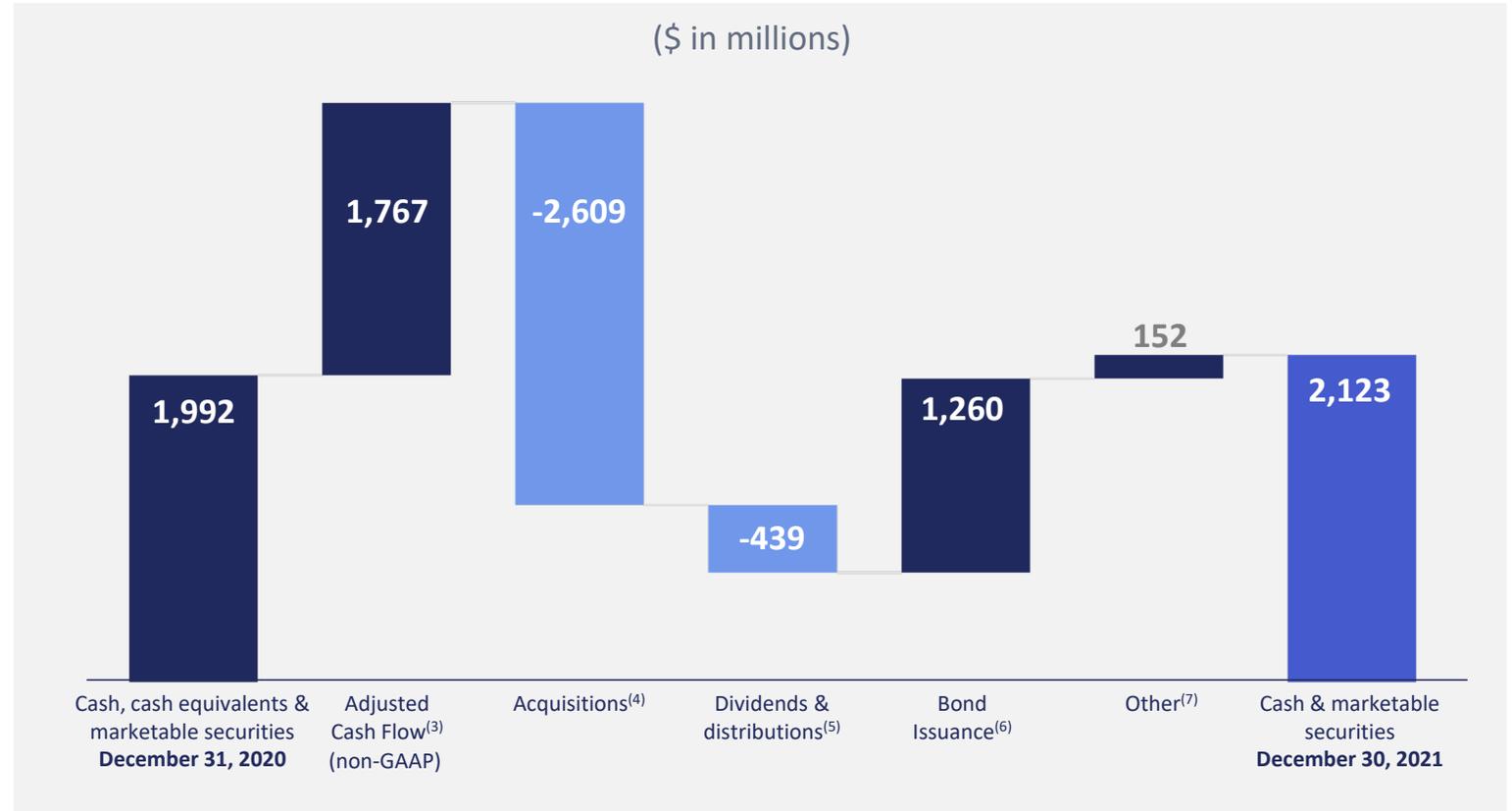
# Strong Adjusted Cash Flow conversion in Q4 and 2021

\$ in millions (except per share amount)	Q4 2021	% change	% ACR	FY 2021	% change	% ACR
Royalty Receipts	659	5%		2,609	11%	
Distributions to non-controlling interests	-116	-19%		-480	-12%	
<b>Adjusted Cash Receipts (non-GAAP)<sup>(1)</sup></b>	<b>543</b>	<b>12%</b>		<b>2,129</b>	<b>18%</b>	
Operating and professional costs	-49	-2%	9.1%	-185	3%	8.7%
Ongoing R&D funding payments	-1			-7		
Interest paid, net	-1			-127		
Other	-5			-44		
<b>Adjusted Cash Flow (non-GAAP)<sup>(1)</sup></b>	<b>488</b>	<b>15%</b>	<b>89.8%</b>	<b>1,767</b>	<b>19%</b>	<b>83.0%</b>
	<b>\$0.80/share<sup>(2)</sup></b>			<b>\$2.91/share<sup>(2)</sup></b>		

# Maintaining financial firepower with robust deal activity

- \$2.1 billion of cash, cash equivalents and marketable securities as of December 31, 2021
- Capital deployed of \$2.6 billion in 2021
- \$1.3 billion gross proceeds from bond issuance
- \$7.3 billion of investment grade debt currently outstanding
  - Total leverage of 3.69x<sup>(1)</sup>
  - Net leverage of 2.61x<sup>(2)</sup>
- Quarterly dividend increased by \$0.02 to \$0.19 per share on January 6, 2022
  - Dividend growth of 12%

## Cash, cash equivalents & marketable securities



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. Refer to slide 27 for definitions; refer to Royalty Pharma's Annual Report on Form 10-K dated February 15, 2022 for a GAAP to non-GAAP reconciliation.
4. Acquisitions primarily relates to royalty acquisitions of Cabometyx/Cometriq, seltorexant, Oxlumio, Biohaven transactions, BioCryst transaction, and funding related to the MorphoSys transaction.
5. Reflects dividends of \$285 million on Class A ordinary shares and distributions of \$154 million on Class B ordinary shares.
6. Issued notes on July 26<sup>th</sup>, 2021 with \$1,260 million of proceeds, net of discount and debt issuance costs.
7. Other primarily includes proceeds from the sale of equity securities.

# Full-year 2022 guidance<sup>(1,2)</sup>

	February 15, 2022	Comments
<b>Adjusted Cash Receipts (non-GAAP)</b> excluding new transactions <sup>(1,2)</sup>	<b>\$2,225m - \$2,300m</b> (+~5% to 8% year/year)	<ul style="list-style-type: none"> <li>• Strong underlying portfolio performance</li> <li>• Residual impact from end of HIV royalty term in 2021</li> <li>• End of DPP-IV royalty term in March 2022</li> </ul>
<b>Operating &amp; professional costs</b>	<b>~9%</b> of Adjusted Cash Receipts <sup>(2)</sup>	
<b>Interest paid</b>	<b>~\$170 million</b>	<ul style="list-style-type: none"> <li>• Assumes no issuance of additional debt</li> <li>• <i>De minimis</i> interest paid expected in Q2 and Q4 of 2022</li> </ul>

1. See Slide 27 for definitions and for additional information regarding Royalty Pharma's 2022 full-year financial guidance.

2. This guidance is as of February 15, 2022 and assumes no major unforeseen adverse events and excludes the contributions from transactions announced subsequent to that date. Furthermore, Royalty Pharma may 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.

## Conclusion

### **Pablo Legorreta**

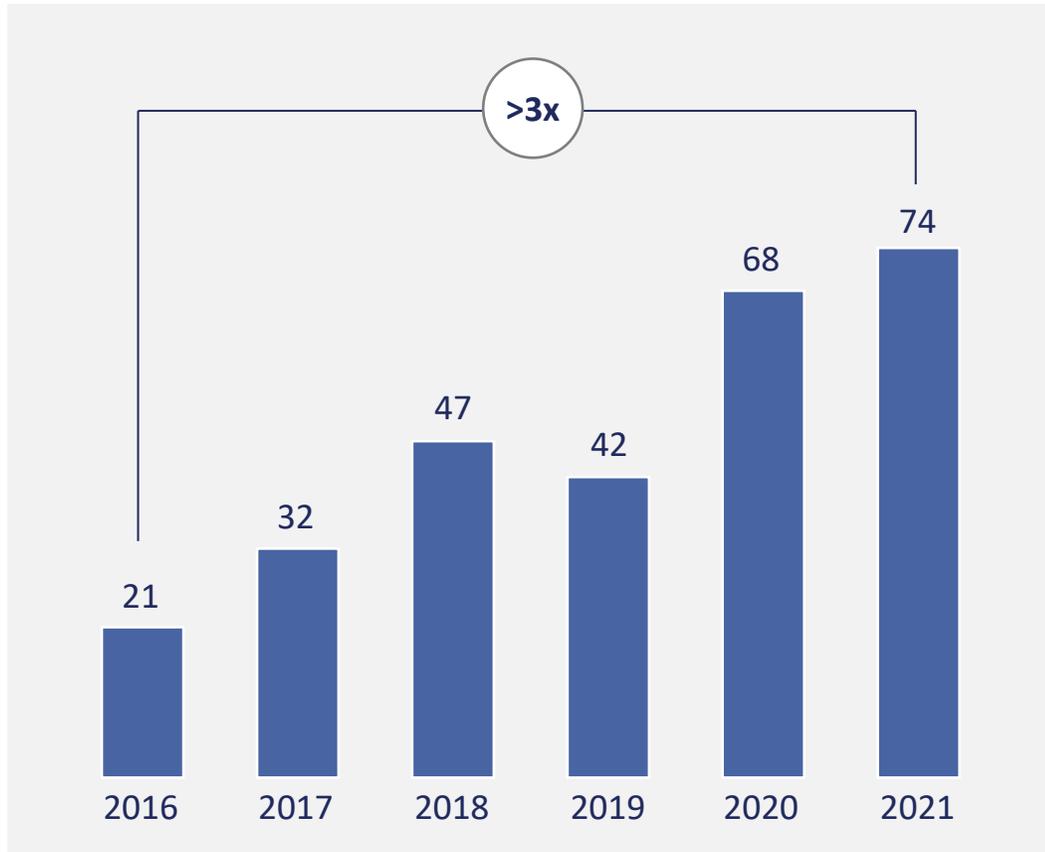
Founder & Chief Executive Officer

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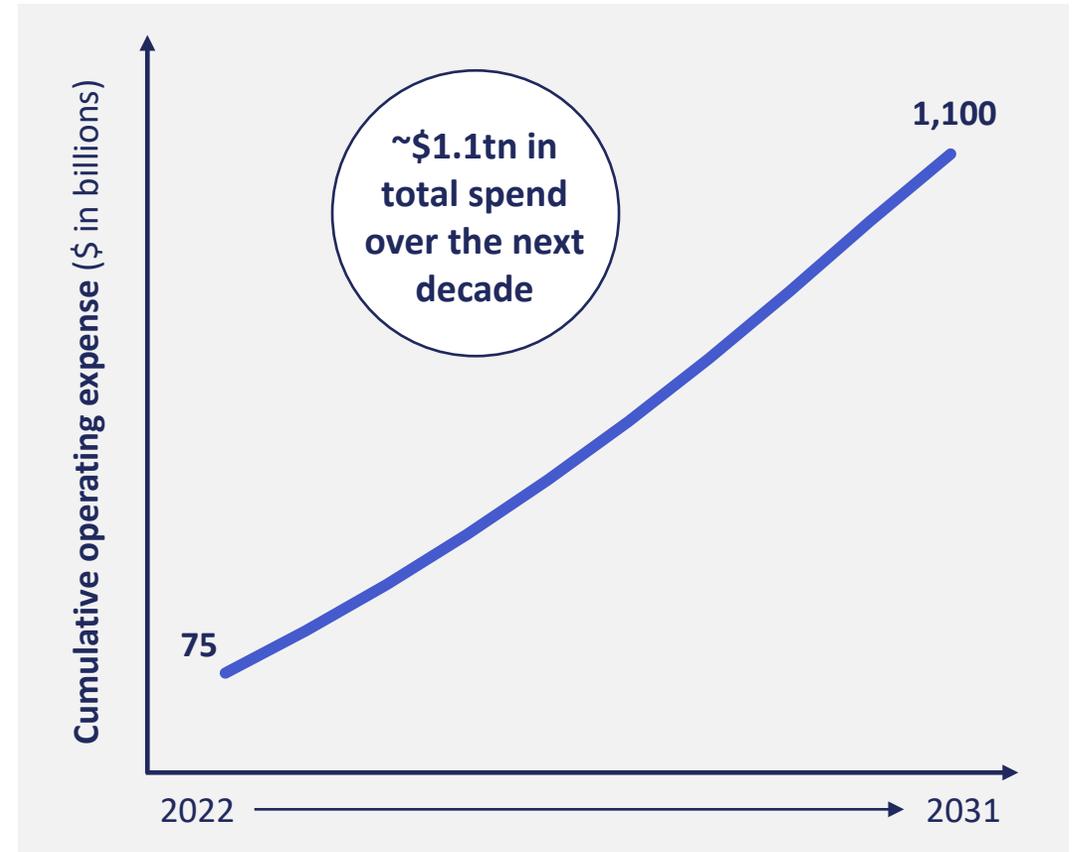


# Company formation and innovation create large opportunity

### Biotech initial public offerings (IPOs)



### Cumulative spend from today's unprofitable biopharmas



# Royalty Pharma inaugural Investor Day – May 17, 2022



-  Outlook for royalty funding in life sciences
-  Capital deployment opportunities
-  Long-term growth targets

# Footnotes

- 1) To aid in comparability, figures for each fiscal quarter in 2019 are 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 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*, 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 Annual Report on Form 10-K filed with the SEC on February 15, 2022 for additional discussion. See GAAP to Non-GAAP reconciliation in the Company's Current Report on Form 8-K dated February 15, 2022.
- 3) Adjusted Cash Flow is calculated as Adjusted Cash Receipts less (1) *Payments for operating and professional costs*, (2) interest paid, net of interest received, (3) *Investments in non-consolidated affiliates*, (4) *Ongoing development-stage funding payments*, (5) other (including *Derivative collateral posted*, net of *Derivative collateral received* and *Termination payments on derivative instruments*), and plus (1) *Contributions from non-controlling interest- R&D*, all directly reconcilable to the Statement of Cash Flows.

## Financial Guidance footnote

- 4) 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 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.

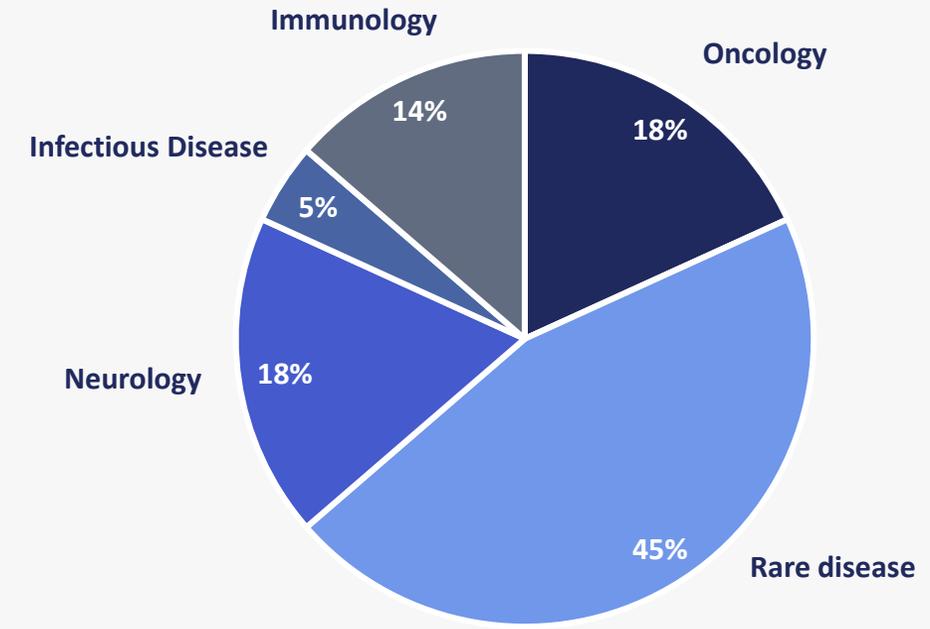
# Appendix

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# Transactions show breadth of TAs and funding capabilities

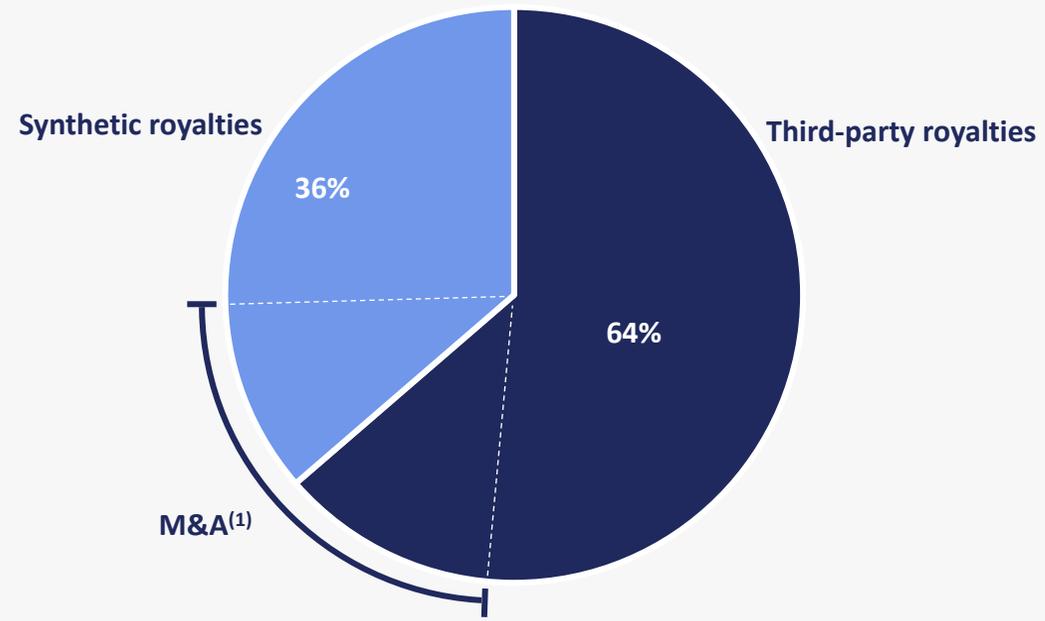
Therapeutic areas (2020 – 2021)

(by number of therapies acquired)



Type of royalty deal (2020 – 2021)

(by number of therapies acquired)



TA: Therapeutic Area  
 Data reflects acquisitions in 2020 and 2021. Includes two royalties acquired on Orladeyo and BCX9930 over the period.  
 1. Five new royalties acquired through M&A including two synthetic royalties (pelabresib, CP-0209) and three third-party royalties (Tremfya, gantenerumab, otilimab).

# Distributions to non-controlling interest (NCI)

- 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 do not participate in acquisitions of royalties since our June 2020 IPO.
- 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 our royalty receipts as products expire and we acquire new royalties.

Products	Fourth quarter 2021 NCI as a % of Royalty Receipts
Cystic fibrosis franchise <sup>(1)</sup>	17.6%
Tysabri	17.6%
Imbruvica	17.6%
Promacta	17.6%
Xtandi	17.6%
Januvia, Janumet, Other DPP-IVs	34.1%
Nurtec ODT/Biohaven payment <sup>(1)</sup>	17.1%
Tremfya	0.0%
Cabometyx/Cometriq	0.0%
Prevymis	0.0%
Farxiga/Onglyza	17.6%
Evrysdi	0.0%
Trodelvy	17.6%
Crysvita	17.6%
Erleada	17.6%
Emgality	17.6%
IDHIFA	0.0%
Orladeyo	0.0%
HIV franchise	34.1%
Tazverik	17.6%
Other products (blended)	23.0%