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PRESENTATION

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

Okay. Welcome to the second day of the BofA Virtual Napa Conference. We really do wish this was actual Napa. This is our second annual virtual Napa, which is -- which I'd rather be there, but that's okay.

My name is Geoff Meacham. I'm the senior biopharma analyst. We have Bill Maughan from my team as well. And we're thrilled to have Royalty Pharma with us today and we have 3 executives from left to right, Terrance Coyne, Chief Financial Officer. We have Chris Hite, Executive VP and Vice Chairman; and Jim Reddoch, Executive VP, Co-Head of Research and Chief Scientific Officer. Guys, welcome.

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

Geoff, great to be here. Thanks for having us.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

Yes, of course. So Terry, maybe just kick it over to you to give kind of a high-level background to Royalty Pharma. We have a lot of questions here for you guys and for the team.

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

Yes. Sure. Great. Well, and again, thanks to you and the team for hosting us today. We agree, we wish we were in Napa, but glad we're able to be here.

So before we get started, I just want to remind everyone that information discussed today contains forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially. I refer you to our 10-K on file with the SEC for a description of these risks.

So for those of you that don't know Royalty Pharma, we're the largest acquirer of pharmaceutical royalties and a leading funder of innovation in life sciences. We have a unique business that benefits from many of the tailwinds in life sciences like the remarkable innovation that's leading to more companies and more breakthrough therapies but also larger capital requirements. A lot of that innovation is occurring at academia or smaller biotech companies, which means there's going to be likely much more -- a much greater number of royalties. And then there's also demographic trends like an aging population and a growing middle class.

Over the years, we've assembled a portfolio of over 45 products, including over 20 blockbuster products. The weighted-average life of the royalties in our portfolio is approaching 15 years, so we really focus on long-duration assets that have nice growth ahead of them.

From a financial perspective, in 2020, we had $1.8 billion of Adjusted Cash Receipts, that's what we view as our top line; and $1.5 billion of Adjusted Cash Flow, that's what we view as our bottom line. And since 2012, on average, we've deployed around $1.7 billion per year on new royalty investments.

The products in our portfolio include many of the marquee products in our industry like Vertex's CF franchise, Biogen's Tysabri, J&J and AbbVie's Imbruvica and Pfizer and Astellas' Xtandi. We also have a number of really exciting launching products in our portfolio like Gilead's Trodelvy, Biohaven's Nurtec and Roche's Evrysdi.

And then finally, we have a number of development-stage products. Two that I would highlight are Biohaven's zavegepant for migraine and AstraZeneca's PT027 for asthma. Those are both going to have pivotal data this year.

And then in our most recent transaction with MorphoSys, we added 4 additional development-stage products. And the 2 that I would sort of highlight there as having more near-term data are Roche's gantenerumab for Alzheimer's disease and Glaxo's otilimab for RA. Those will both have pivotal readouts expected in 2022.

Our product -- our portfolio is diverse across products, therapeutic areas and marketers. And sort of taking a step back, royalties are a fundamental and growing part of biopharma innovation. And this is really shown in 2020, which was a record year in terms of both the number of royalty transactions and the dollar value of royalty transactions.

And since 2012, Royalty Pharma has had a 60% overall share of the market. Our share is particularly strong when you look at the bigger deals. So in transactions valued at over $500 million, we have over 80% market share.

A great example of that was the MorphoSys deal that we just announced. That was for 2.0 -- up to $2.025 billion. That deal was anchored by J&J's Tremfya, which is approved for psoriasis and psoriatic arthritis and in development for UC and Crohn's disease. In 2020, it sold $1.3 billion, and consensus has it getting to around $5.5 billion by 2030.

As I mentioned before, that deal also included 4 development-stage products. So Roche's gantenerumab, Glaxo's otilimab and then Constellation's pelabresib and CPI-0209, which were the key assets in MorphoSys' acquisition of Constellation.

And then finally, there was an equity component and then development funding bonds, which rounded out the transaction and we expect to provide an attractive return to Royalty Pharma.

This deal really demonstrates our flexible, creative approach to helping our partners achieve their strategic goals. And we expect it to enhance our long-term growth.

It also really hits 3 pillars of our strategy. So there was an approved product in Tremfya. There were the 4 development-stage products. And then there was also the M&A component, which was enabled by our capital.

So that's sort of one example of some of the exciting things we're doing at Royalty Pharma. And we're very excited about the position that we're in to continue to grow the business going forward.

So with that, why don't I -- we can sort of go to the Q&A, Geoff.

QUESTIONS AND ANSWERS

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

Perfect. Yes, one of the things more topical from -- just from last week was the surprise aducanumab approval. And I know in the math at Royalty Pharma, you look at risk profiles from approvability to market susceptibility or market adoption, but approvability is a big input in that.

So is it your view -- given the breadth of Royalty Pharma and your long history in this industry, how do you view this, the Alzheimer's approval? Would you be inclined to look at assets now that you otherwise wouldn't have just given the -- what seems to be a regulatory bar that's different today than a year or 2 or 20 years ago?

Jim, I think you're on mute. There you go.

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

Sorry. I'm happy to start on that one. It's a great question. And it was great to see that product to be approved last week. It's great for Alzheimer's patients to have a new option. And I should say that our investment in gantenerumab wasn't predicated at all on the -- what was going to happen with aducanumab, and it's -- what the FDA was going to do there. We did a totally independent analysis of the asset that we were looking at, which has some similarities to aducanumab. And we believe a lot of differences -- and many of those differences, we believe, are going to lead it to be the best-in-class product down the road.

So we looked at Roche's development plan and really saw that they were improving on some of the issues that Alzheimer's trials have had in the past. It was in the right patients, which is earlier patients. It was for a longer period of time. It was at higher doses, much higher doses than gantenerumab had been tested at in the past. And at the higher doses that gantenerumab had been tested in the past, it really did show good amyloid-lowering abilities, which, I guess, it's -- the FDA seems to be connecting to an important surrogate to outcomes, at least at this point or with the aducanumab improvement. So that is a good backdrop.

But it's going to come down to what their Phase III data looks like when we -- when those trials read out in 2022, as Terry mentioned. And we would expect the bar to be fairly high. And it's hard to read too much into what the FDA does on a single product because there are just a lot of dynamics rolled up in every approval politically and just the backdrop.

So we just believe that it has a package that will lead it to be successful in a more lenient FDA and an FDA that's not as lenient. And it's actually hard for us, with that being said, to really conclude a whole lot more about where we would place Phase III bets if there would be any changes to that because I think we -- one never knows where the FDA is going to be at any given time. I mean, a month ago, people thought the FDA was tightening up, right?

So we're just going to continue to make investments in products that look like they're going to have successful traditional readouts and to also, more importantly, be differentiated versus what else is available and to really kind of push the frontier of patient benefit.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

That's helpful, Jim. Yes. I mean when I think about from the top-down some of the bigger therapeutic markets, we just did an analysis last week on what we thought could be the next $10 billion drugs. And a couple of the Alzheimer's drugs made that list. And it wasn't that they had great safety and efficacy profile so far. It's just that: the sheer size of the population.

So in a market like that, like Alzheimer's, would you take more bets along the risk curve? Or does that change your process at all? Or do you think it's more of a let's stick with Phase III, and that's sort of the standard?

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

It would probably be hard for us to go earlier than Phase III. I mean the way that we look at -- the way that we get conviction on products that are not approved or on royalties that are not approved is that they have to meet a fairly strict criteria of preapproval metrics in addition to our traditional metrics for commercial products.

So the traditional metrics for commercial products are it needs to be differentiated. It needs to have potential to be a blockbuster. It needs to have growth. It needs to have the potential to grow into new indications.

And then on top of those traditional metrics, we would add we need to see strong proof of clinical concept and safety and some precedenting from somewhere. It could either be the existing clinical data for that molecule or something else from the class.

So that still leaves us with a lot to do in the preapproval world, we would call it. It becomes a little harder to do pre-Phase III, but there are so many opportunities that are in Phase III that we're looking at right now. And there are so many companies that have been minted in recent years that are pushing their molecules through closer to Phase III that are on our radar that we view as potentially investable in the future once they kind of pass this proof-of-clinical concept milestone that we've just got a lot to work on as it is in the Phase III world and also in the approved world.

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

I think one of the things, just to sort of just jump in on the MorphoSys deal, Geoff, is we really look at it as a package deal. And so we certainly recognize the significant upside potential of a product like gantenerumab in Alzheimer's disease.

But the deal, if you sort of look at the different components, we have this really solid foundation of a return or expected return from Tremfya and the development funding bonds. And then you layer in sort of certainly gantenerumab. It's higher risk, higher reward. We recognize that but look at it sort of as part of the total package. We thought it was really attractive for Royalty Pharma.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

Yes. And Terry, just to follow up on that. When you look at Tremfya and your analysis to look at some of Jim's metrics, right, what was it about that asset that sort of anchor their MorphoSys deal that allows you to take risks in some of the earlier-stage stuff?

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

Well, I mean I could start, but we expect it to generate an attractive return, consistent with what we've described for approved products, so high single-digit, low double-digit, unlevered IRR. And it's, by far, the biggest component of the total cash outlay for the deal with Tremfya.

So that's -- and then I think Jim can touch on the profile of the drug. But we think it's a world-class marketer, great indication and we think has a lot of really nice growth ahead of it.

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

I mean I kind of said some of the things before, but I would add to that. I think it and Skyrizi, both being pushed by 2 highly, highly successful companies, J&J and AbbVie, who've really done a lot to grow this market in the first place or grow the immunology biologics market in the first place. I think both pushing the IL-23 mechanism and the importance of IL-23 in these derm indications but down the road in the inflammatory bowel disease indications is really just going to make it a really big opportunity and provide continuing growth.

I mean the product grew at 30-plus percent last year on a sales basis. The volume growth really looks impressive still. And that's even with Skyrizi growing in this patient population at the same time. So it's a good profile.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

Yes, Jim or Terry, when you look at the criteria for some of your assets, I imagine it hasn't really changed too much over time. You can look at the differentiation of one asset in a large category or go from the top-down and look at an undifferentiated asset but in a mega category like I&I.

How do you balance those 2? Do you want a portfolio that has a range of those options? Or do you really strive to have big market and differentiated asset that's clinically de-risked?

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

Short answer, both. We'll take both. No, I mean if you look at some of the successful products that we've had in the past, they really are -- could be in either of those. I mean we have 3 T&S in our portfolio or did have before a couple expired. So we can place multiple bets in a large market. And I&I looks like a place where it would be good to have multiple bets placed.

So that is a goal. I mean sometimes we're asked the question of what disease are you underweight in or what therapeutic area are you underweight in? And we don't really look at it that way, but we do appreciate that there are a few just huge markets out there that we need to have really good exposure to. And that's one of them.

And neuro is one of them. And broader neuro and MS, we have 2 plays in now or have had 2 plays in. And sorry, if you count migraine in there, we have 2 plays in that as well, so in Nurtec and Emgality. And then in MS, it was Tysabri and Tecfidera.

So those are all in sort of the bigger side. Cystic fibrosis was not a huge market until Vertex came along. And so it was really good for us to kind of catch that one on the upswing and has now become a super big contributor to our portfolio, as you know. So that's an example of catching a rare disease in kind of the right point. And we have a few other ones that we think will fit in that category in time.

In fact, I would actually point to BioCryst drug, Orladeyo, which we just did a synthetic royalty on a couple of months ago. And that one, we have really high hopes for and had a really nice rollout so far. I guess HAE is a fairly known market, but this will be the first oral in HAE and I think really meets an unmet need and has the ability to grow that market.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

That's helpful. Yes, on the cadence of deals, I wanted to ask you guys that there's a deal the size of MorphoSys, does that change kind of the attitude or the interest level in doing another subsequent deal of that same magnitude? Or is that how you guys think about it?

I know, Terry, when you guys first IPO'-ed, you gave deal guidance, and it was sort of a general framework. And I think you've obviously done more than that size and number of transactions. And so I guess the question is how has your deal evaluation and your deal capacity kind of evolved over time since you've been a public company in really over the past, say, 5 years or so? A lot to unpack, sorry.

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

Yes. Complicated question, and maybe Chris could jump in, too. But I think we don't look at it like we're out there. We want to spend our time on big deals or small or midsized deals. I think we're really trying to be opportunistic.

I think the reality is the bigger deals are a little bit less predictable. But what we've seen over the last couple of years is that the market certainly feels deeper to us and that we've seen sort of an increase in the number of sort of midsized deals. And we've been happy with our share of the transactions that we've done and the product that we sort of -- that we've added to the portfolio through those deals. And I think that that's a good trend going forward for the industry.

The big deals, if we had another big deal that came along, absolutely. Like we feel very confident in our ability to continue to do the bigger deals as they come along and feel good about our dry powder to continue to deploy capital.

So it's really -- it's sort of opportunistic. We're just trying to find the best assets and they could fit in various categories. I don't know if Chris has -- wants to chime in.

Christopher Hite - *Royalty Pharma plc - Vice Chairman & Executive VP*

Yes. The only thing else I would add is we have our pipeline meetings every Monday morning that Jim and Marshall go through our existing pipeline. And I know you're familiar with the funnel that Jim talks about in the sense of the number of opportunities we look at every year and the number of NDAs we signed. I'd say right now, it's as busy as it's ever been since I've been there, which isn't that long.

But if -- when we think about -- and the types of deals that we're looking at in the pipeline, it crosses everything, existing royalty, synthetic royalties to R&D funding and large pharma M&A deals. It's everything that we've talked about, and we're super excited about the opportunity.

I think the MorphoSys deal, if anything, shows that mid-cap M&A can happen. I was with some former colleagues, bankers over the weekend. And they were saying that deal sort of is eye-opening just to a lot of mid-cap CEOs because I think we all acknowledge that there should be more mid-cap M&A, right, to realize the synergies of one commercialization force with maybe a new pipeline of another like MorphoSys did there. I think it was super exciting.

And when you think about it, there's 154 public companies today and with a market cap of greater than $1 billion. That's compared to 64 in 2015. So the universe has grown so dramatically. And we think that there's -- that's a real opportunity going forward in addition to synthetics and all the other things we've talked about.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

Great. I think Bill had a question. Yes, go ahead.

William Patrick Maughan - *BofA Securities, Research Division - Associate*

Yes. Okay. So you guys have mentioned, for example, what you like in Tremfya is J&J's a proven commercial behemoth. But you've also done some deals with companies that are earlier in their commercial lives. So how do you get comfortable with, say, a management team or a younger commercial company that they're going to be able to really propel the asset that you have an economic interest in?

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

I'm happy to start on that one, and Terry and Chris might want to add if I leave anything out. But I guess the answer is just time spent with management and studying what products have done well in the past and kind of why.

I mean we all come out of biotech backgrounds. And biotech is traditionally for the more severe disease side of the industry, and it's a data-driven field. So we kind of start with data. And we kind of listen to management on how they're going to message that data and message the differentiation versus what else is out there and message the unmet need.

We look at teams who have done it before. So even though many of the companies that we're speaking to are, I guess, on the smaller side or growing or might not have literally launched the product themselves, they usually stock their sales and marketing kind of management teams with people who have done it before. So usually, we can find somebody leading that -- those programs that came from a successful launch somewhere else and can kind of listen to how they did it before.

I do think that it really comes down to good products and good data and good management teams and having a vision and also having a vision for kind of how you're going to sort of outmaneuver the big guys. I just recently saw a Biohaven presentation that talks about social media and how they really embraced social media and got celebrities to join forces with them and sort of get the word out. And their population is younger population, folks with migraines. And maybe that skews more to people who were paying attention to social media, but I think it was kind of the right tactic for their time and their audience.

And that product is -- you can see that it's doing really well right now by virtue -- and even in the hands of a small company. In fact, they're toe to toe, and I think 50-50 market share with Allergan, who I'm sure brings a lot of sales and marketing and experience and resources to it. They actually have Botox and migraine as well. So they actually have an established print with many of the doctors who treat migraine. And yet this little company, Biohaven, is going toe to toe with them.

So just one anecdote. And their team is great over there. And we became more and more familiar with their team and approach over time that gave us that sort of comfort.

But I could say exactly the same thing for BioCryst, another small team. But they've just got a vision -- I mean another smallish company, but they've just got a vision for how they're going to differentiate that product in the market. And so far, it seems to be working.

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

I would also sort of say that working with smaller opportunities -- sorry, smaller biotech companies presents real opportunities for us to sort of bring our scale and our capital and to really help them achieve their goals. And so I think it's a really nice match for us.

William Patrick Maughan - *BofA Securities, Research Division - Associate*

That makes sense. And so when you're looking at -- and I know you touched on, for example, I&I, migraine, where you have multiple products in the same commercial area. Does concentration risk ever factor into the equation at all? Or is it really just every single asset gets looked at on its own?

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

I mean it's something we look at, obviously. There was a time where we had royalties on Remicade, Humira and Cimzia, so a lot of TNF concentration. But at the end of the day, we sort of focus on the data and the sort of overall market opportunity.

And I think for us, given our scale, every time we're adding a new product, we're actually sort of further diversifying our portfolio. Even really big transactions add diversity. So adding Tremfya, for example, it's going to be -- over time, it's going to be a top product for us, but it actually further diversifies our business.

So I don't think we are acutely focused on diversity. It's something that we obviously think about, but we look more at the data and the potential of the product.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

Terry, I wanted to ask something on drug pricing. And I know that this is sort of an indirect risk to you guys. But people would argue that the COVID, the success of the COVID vaccines and then the surprise pricing for aducanumab really put the industry back into a spotlight. And I've been covering this space for a long time, and drug pricing has been a persistent kind of overhang.

How does this inform your decisions on deals? Do you have a layer of what categories may be less susceptible? Or does this change at all your process?

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

I think Jim should chime in, but I -- it's something we obviously think about. But I think we try -- that's -- it really comes down to product selection. And we're trying to invest in products that are really having a dramatic impact on patients' lives and ideally extending their lives. And so I think that in any environment, products that are really enhancing patients' lives will be -- will fare better even in a more challenging pricing environment.

When we're looking at investments, obviously, we think a lot about price and how that could change over time. And it's factored into the different scenarios that we're looking at and, ultimately, what we're willing to pay.

So it is an input. It's been a headwind. I don't -- I think it's -- it's certainly something that people talk a lot about. We haven't seen a lot of change other than the past few years. It's not -- it hasn't been the tailwind that maybe it was in the prior 10 years. But I think it's -- that's sort of -- it's okay for us because we factor it into how we're valuing these investments when we make them.

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

I guess the only thing that I would add to that is that it hasn't been easy for a while, right? I mean private pay even, which is like half the equation, has been very tough and very good at sort of managing utilization, I would say, for the past 5 to 10 years and just very conscious of price and getting market access and controlling utilization through various mechanisms that they have. But it's been a challenge for a while here to sort of maintain price and one that we've been able to kind of follow.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

Got you. Okay. That's helpful. Switching gears to the MSCI collaboration. I guess the question is where can Royalty Pharma add the most value here. How do you think about this deal? It's obviously a pretty unique deal. And it may not be impactful for the next several years but long term. I just wanted to ask maybe what is it that the current indexes aren't capturing that you guys saw some differentiation there.

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

Yes. I can start that one, too. So basically, we have this collaboration with MSCI, where we are going to use kind of 2 types of information that we have here at Royalty Pharma to help build a number of thematic indexes over the next several years with the help of MSCI.

One of those pieces of information is just deep industry knowledge and deep disease knowledge that we've been acquiring over the years in our sort of normal course of buying royalties and analyzing products and analyzing companies. The other is the more systematic or programmatic approach to data, which Sandy Balkin's team is growing over here.

And it just makes it a lot easier to kind of process and harness huge amounts of data that we haven't really been able to do before. And we've got a lot of plans for sort of that combination of those 2 worlds, right? The sort of old world that was kind of manual and the new world, which is more programmatic.

We just think there's a lot to do at the intersection of those 2 worlds, processing of medical claims being one of those, right? So I think that's going to be one of the things that Sandy spends a lot of time on. Also, processing the competitive landscape, so we would like to be able to do that programmatically, and also processing new opportunities.

So whether that -- there's just so many companies out there, it's -- even with a bigger team that we have now, it's hard to make sure you're on top of what are the most promising new drugs. And we want to form relationships with the companies behind those drugs as early as possible so that we can be in a good position to partner with them.

But the MSCI collaboration is yet another way to leverage kind of that crossing of those 2 worlds. So we're going to be doing all that stuff anyway. So why not have another outlet for it, which is to package stocks into different groupings. So I don't want to go too far in terms of saying which particular ones we're looking at or which particular groupings or themes because I do think it's a little proprietary, but they are differentiated versus the ones that I've seen out there so far.

William Patrick Maughan - *BofA Securities, Research Division - Associate*

So to switch gears just a little bit. You've mentioned before that you're, A, committed to keeping investment-grade rating on your debt; and B, comfortable up to about 4x leverage. Is that one and the same? Or -- so if you remain under 4, do you believe that, that keeps you at investment grade? Or are there other parameters of the business that you need to keep an eye on to also maintain investment-grade rating?

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

I mean it's not a hard and fast rule. It's sort of -- certainly, the commitment to investment grade is firm, and we've been pretty steadfast there. I think it could be a little above 4x total debt to EBITDA. We did that in 2014, when we did the CF transaction. The key is that you need -- that we need to have a clear path to de-levering in the near term.

And so for us, that means right now, we have around -- sort of pro forma for MorphoSys, around $1.5 billion of additional debt capacity. And then obviously, we have the business -- we have cash -- additional cash on the balance sheet. And then the business is generating cash every quarter.

So those are sort of how we think about how we're going to continue to fund the business going forward. And we feel very good about our access to the investment-grade debt markets. It was an important thing that we were able to do after our IPO last year. And again, a strong commitment to that investment-grade rating.

William Patrick Maughan - *BofA Securities, Research Division - Associate*

And do you see any risks to the business at all, potential rising rates in the near future? Or does that change outlook within -- anything within the realm of feasible rate increases?

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

So we were very -- the timing was really fortuitous that we were able to sort of -- we did our bonds, our initial bond offering, I think, 2 weeks after the all-time low into the U.S. treasury market. So it was a really good time that we were able to lock in all of our debt with a weighted average interest rate of around 2.125%.

If we were able to -- if we had to go and do it again now, it would be a little wider but not really material because as rates have increased, spreads have tightened. And so -- and I think that's -- as people have gotten more experience with Royalty Pharma on the -- the bond investors have gotten more experience with Royalty Pharma and also just sort of general tightening across all investment-grade credit.

So it's something that we'll be monitoring. I think normal -- in normal times, we have never thought of -- when we think about sort of levered versus unlevered returns, if we were to run a levered return model, we would never be thinking about borrowing at 2%. We're lucky that we were able to do that, but I think that's never been sort of the base case going forward. It's been in that sort of 3, 3-ish, 3% to 4% range.

So that's kind of how we have always sort of thought about where rates would be for us in more normal times. And I think we can still generate really attractive returns when we're able to borrow at -- even at slightly higher rates than we are today.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

Terry, another financial question. When you look at how you account for some of these products, you look at sell-side consensus numbers, but you also have your own. So what are the -- how can you reconcile those 2? What's sort of own analysis? Is there anything that you guys do, that sort of secret sauce, that have a higher predictive value than the sell side? I'm just trying to get a sense for the discrepancies if there are any.

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

So when we make investments, we have our own models, and we do our own work. And that is, I think, an important part of the secret sauce of Royalty Pharma is that we create all of our own models and have a view on these markets. And we followed a lot of these markets for a really, really long time.

Consensus is a data point that we have to look at because it's oftentimes something that the seller is going to look at, and it's an independent piece of information. But ultimately, we're going to form our own view on the product.

In terms of our -- how we're guiding the Street, again, consensus is it's -- given the breadth of our portfolio, we're generally going to be looking at consensus for the sort of broader portfolio for our guidance. But we look at other data points, like what companies have guided for the products or there might be certain instances where we have more internal budgets that we can use. So -- and then we run different scenarios, as you can imagine, to sort of stress test the guidance to make sure that we get comfortable with it.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

And just a follow-up to that is are there any products or are there any themes that you've noticed when a certain product out of the gates just completely shreds consensus numbers and shreds -- not as bad as Joel Embiid's knee but just shreds the Wall Street expectation.

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

I will not be addressing this Philadelphia 76ers until that series is over. But I did notice that Joel Embiid was not his usual self last night.

I think we certainly -- we like products that we think have the potential to outperform consensus. It's not really for us a prerequisite to making an investment. And there's some products that we even anticipate could be much slower than consensus thinks, but we might have a long-term view that's much higher than consensus.

So it's a balance. That's why it's great for us to have such a broad portfolio because then you can kind of capture a lot of the more positive tailwinds, we think, of the industry.

So -- I don't know if Jim wants to weigh in. If there's a profile of products that are going to beat consensus, we probably do have a view. I don't think we're going to want to share that necessarily with everyone else because that is part of the formula, but yes.

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

You said it well.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

All right. Makes sense. Bill?

William Patrick Maughan - *BofA Securities, Research Division - Associate*

Right. Sorry about that. Yes. So I know you listed a few before, but can you just give us a little bit of a view into what the big clinical data readouts of the next, say, 12-or-so months within your portfolio are going to be, and what we should be watching out for?

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

So Jim, do you want me to take that? Or do you want to take it?

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

Go ahead. Yes.

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

Yes. So I was -- so we mentioned zavegepant for migraine and PT027 for asthma. Obviously, we're going to be paying close attention to the Trodelvy HR-positive data later this year. One -- next year, clearly, gantenerumab is going to be an important catalyst for us and also the industry.

And others, I think the Xtandi Embark trial is one that we don't have total visibility on when that's going to actually read out. So it could be -- that could be something that fits that time frame. We just don't know, but it's -- that's an important trial for that product as it could allow it to move into much earlier stages of prostate cancer, where there's just a big opportunity in many, many patients.

So those are a couple. I don't know if there's any other, Jim, that I'm missing.

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

Cabo and frontline...

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

Yes, right. Yes.

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

That should be kind of any day now. Yes, we just had the prostate readout with Cabo. We've had a couple of regulatory events recently like Trikafta being approved in the 6-to-11 population and Nurtec's prevention approval, which is really nice to see.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

Yes. Just to tie in an earlier comment on sort of drug pricing together with the therapeutic categories that you guys are most concentrated in, is there -- I guess the question is, in oncology, targeted therapies are definitely becoming more of a norm combinations.

But one of the technologies that's still very early stages are sort of gene therapies and cell therapies. And that's something that could have a long duration. It could be very disruptive to some paradigms.

I've asked you guys this before, but is there an expressed sort of interest in those? Are they not far enough along in the de-risking process for Royalty to have an interest? How do you think about technologies such as that in some of the categories that may or may not have pricing pressure but definitely are going to add value to a treatment paradigm?

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

Well, I mean they're definitely on our radar and scientifically very interesting. And we're following all the clinical data. Sometimes the trials are kind of small, so we have to be careful interpreting them.

But cell therapy, I think, is really interesting, both with CAR-T's autologous rollouts and also what's happening on the allogeneic side. That would be really interesting to see those more like an off-the-shelf kind of approach to cell therapy. And there's a few others out there like that -- unlike the TIL world.

We did do our first RNA deal recently with Oxlumo. So we are venturing out a little bit out of the antibodies and pills. It's an exciting world that we live in. There are a lot of really interesting things coming down the pike. And to see a few of the gene therapies kind of roll out and see how they're taken up with high prices is not a bad thing to get a view of to just sort of see how that world is going to work. And if it turns out to be sort of like a paper response world or some new kind of payment model ends up emerging since there are a lot of those that are really creative and would be potentially good for all sides, payers, companies and patients. But maybe not a bad idea to have a couple of those go by where we sort of get a view on it.

I mean we are -- unlike the stock world, we do end up owning something for its entire life, right? So because we're so long term, we like to get a pretty good sense of the trajectory of something before getting into it better. Really, a lot of interesting things to look at right now.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

Got you. Okay. That's helpful. And Terry, I want to go back to something you said earlier just on -- or maybe, Jim, that was you on the market share that you guys have on deal size. Blackstone has been one of the competitors that people bring up most often to me. Are you surprised that there aren't more players that have scale? And obviously -- and working with you guys, your management team and the management team of whatever biopharma is really -- the relationships are very important.

And -- but ultimately, though, you could have -- the competitive landscape could continue to increase. And so how do you think about that, not just near term but maybe over the longer term, with maybe some potential competitors with sufficient size and scale to start to be more of a competitor to you guys?

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

Yes. I mean we've been at this a long time. And we've seen some really big competitors come and go, some other huge private equity funds that have wanted to be in the business and then stepped away. I think for us, we've always sort of assumed it's -- we always act like it's a very competitive environment anyway. I think it really helps heighten our awareness and make sure that we're doing everything that we can possibly do.

And also, competition is not necessarily a bad thing. It sort of adds to the depth of the market and, I think, further enhances royalties as a way to fund innovation.

So I think for us, we have clear advantages in sort of our scale, our cost of capital, our ability to access investment-grade, debt. And then the team and the longevity, the relationships, I think all of those things create a formula that we think can allow us to continue to maintain a really strong share of the market.

But we certainly anticipate that there will be competition that will come and go over the years. And we'll just keep focusing on our process and trying to make sure that we maintain the same rigor and only invest in the highest-quality assets. And I think, ultimately, that should lead to pretty good outcomes for our shareholders.

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

Yes. Yes. So we had this amazing statistic in our road show that $170 billion has been raised by biotech companies over the last 5 years, and only $2 billion of that was from royalty financing. So that gives you a sense of the sort of just tip of the iceberg that we're operating in right now from the royalty standpoint.

There's a lot of growth to come from our types of royalty financing, synthetic royalties, assisting M&A, that kind of thing that I think the world is still kind of unaware of to a degree. And if we have bigger folks out there or some peers that are kind of telling the same royalty financing story, then I think that that's going to open that up, open up the rest of the market in a good way.

Geoffrey Christopher Meacham - *BofA Securities, Research Division - Research Analyst*

Sounds good. With that, we're out of time. So Jim, Chris, Terry, thanks so much. Really appreciate it, guys.

Jim Reddoch - *Royalty Pharma plc - Executive VP, Chief Scientific Officer and Co-Head of Research & Investments*

Thank you.

Terrance Coyne - *Royalty Pharma plc - Executive VP & CFO*

Bye.

Christopher Hite - *Royalty Pharma plc - Vice Chairman & Executive VP*

Bye.
