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PRESENTATION

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

So welcome back, delighted to introduce our next session with the management of Royalty Pharma. Introducing a former colleague, Chris Hite, now Vice Chairman of Royalty; and Terrance Coyne, Chief Financial Officer of Royalty Pharma, which we participated in the IPO earlier last year actually.

So on that note, before we get into Q&A and because it is a relatively unique business model, which not all the investor base is familiar with, we're going to spend a little bit of time summarizing the structure, the strategy and the outlook for the company before we go to the Q&A. So handing it over to Terrance and Chris to take you on [aboard] that you like. Thank you for joining us again.

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

Thank you, Andrew, and good afternoon, everyone. It is a pleasure to be here to discuss Royalty Pharma and share why we are so excited about the future of our business. On this slide, you can see our usual disclaimer on forward-looking statements. For those of you not familiar with Royalty Pharma, we have been a pioneer and leader in the royalty market for over 20 years, collaborating with innovators from academic institutions, not for profits through small- and mid-cap biopharma companies to leading global pharmaceutical companies.

We have deployed over $20 billion in capital since our founding, and the royalty market is growing exceptionally strong as it becomes more widely accepted as a funding option, creating a sustainable tailwind for our business as the pace of innovation increases and industry capital needs grow. Furthermore, we believe our business model is unique, offering many of the best attributes of the biopharma without exposure to common industry challenges, like early-stage development risk, therapeutic area constraints, high R&D costs and high fixed manufacturing and marketing costs.

We are agnostic to therapeutic area and can invest where the most exciting medical breakthroughs are happening. We provide investors with target exposure to a number of blockbuster therapies such as the CF franchise or Imbruvica, that are transforming the lives of thousands of patients. Our portfolio is long duration with an average weighted duration of approximately 14 years with very good diversification across our top and bottom line. And at the same time, we also have an incredibly capital-efficient business model as we convert a significant amount of our top line to cash, which we continually reinvest through acquisitions to replenish our portfolio.

We also have an extremely talented and tenured management and investment team, which has built and sustained our long-standing leadership position in the royalty market over multiple decades. Through this experience and our ability to provide tailored funding solutions to our partners, we aim to drive mutually beneficial outcomes, which we believe is critical for the ongoing success of our business and for the maintenance of our leadership position.

Next slide. If we take a look at our portfolio today, we own royalties on over 45 approved and development stage products of which about half are blockbusters. On the right-hand side, you can see the main brands underlying our royalties, which are some of the most transformative medicines in the industry today. Turning to the financials, in 2020, the Adjusted Cash Receipts from these royalty streams, which is our top line, was $1.8 billion. Our Adjusted Cash Flow, which we consider to be our bottom line, was $1.5 billion, illustrating the efficiency of our business model. And from 2012 to 2020, we have deployed an average of $1.8 billion in capital per year.

Next slide. Slide 6 highlights another differentiating aspect of our business. We are very well diversified by products, therapeutic areas and marketers. And whereas the bottom line of pharma can be skewed to reliance on one product due to profitability differences, all of our products have essentially the same profitability, so the bottom line is also diversified along the same proportions as our top line.

Next slide. The next slide highlights several of our key accomplishments since our June 2020 IPO, which we are very proud of. In just a little over a year, we have announced $4.7 billion in royalty acquisitions across nine transactions, spanning four therapeutic categories and 17 therapies. And as I just mentioned, our cash conversion is incredibly strong with an 85% Adjusted Cash Flow margin, and we have grown our bottom line by 25%. On our second quarter earnings call last month, we increased 2021 Adjusted Cash Receipt guidance to $2.08 billion to $2.12 billion, which is a 16% to 18% growth for the year. By all of our metrics, we are very pleased with how our business is performing.

Next slide. Slide 8 summarizes our strategy. We have a clear plan for growth and development, which is based on pursuing three main business streams. First, we will continue to seek to capture a leading share of available royalty acquisitions for approved products. This is our traditional area of expertise, and through our IPO, we have increased scale and resources to help us win new business opportunities. Second, we will target select late-stage development opportunities both in terms of royalty deals and in direct R&D funding. We will remain extremely diligent in assessing such opportunities so that we can continue to deliver exceptional rates of return.

Third, our M&A strategy is multifaceted. We can partner with buyers when nonstrategic royalties are disposed of after the close of the deal. We can partner to acquire companies that own significant royalties. We can also acquire companies that have significant royalties, where we can create royalties in subsequent transactions. The recent MorphoSys transaction, which we announced this June and agreed to provide up to $2 billion in funding for their acquisition of Constellation is a great example of this third point. We think the opportunity in mid-cap M&A is very significant, which I will discuss in more detail in just a moment.

Next slide. Now let's turn to review some of the attractive fundamentals of the royalty market. Slide 9 demonstrates the strong trends in both the number of transactions and the aggregate dollar value of royalty transactions. In 2020, based on our market intelligence, we believe there are 23 major transactions with a combined value of $5.4 billion. For perspective, the 2020 transaction count and value figures are more than double the average over the preceding 5 years, and each year represents record highs. Importantly, these trends have continued in the first half of 2021, with both volume and value up 30% year-over-year. Looking ahead, we expect the powerful fundamental tailwinds supporting this growth to continue based on the rapid pace of scientific advancement across the biopharma ecosystem, the need to fund that innovation in highly supportive secular trends.

Next slide. On Slide 10, this analysis shows our market share by value since 2012. Our share of royalty transactions has averaged around 60% over the period. And in the larger deals of $500 million or more we have an even higher market share of 84%. Again, this speaks to our agility and flexibility in structuring more complex deals, the advantage of our size, diversification and cost of capital as well as significant capital needs across the industry. So despite increased competition, we remain the clear market leader. And importantly, our target return profile has remained incredibly consistent, both pre- and post-IPO.

Next slide. As shown on Slide 11, a particularly exciting opportunity is the creation of synthetic royalties on development-stage assets. This innovative tailored approach allows the company developing the product, usually a biotech company, to obtain program-specific funding in exchange for a royalty on the unapproved product or products. This non-dilutive approach is gaining a good deal of traction as it brings multiple benefits to our partners. It can also include concurrent equity investments and what we describe as hybrid funding.

As you can see on this graphic, the synthetic royalty opportunity is largely untapped with only about 1% penetration into the total addressable market. We've had great success to date with this financing solution. In particular, the $21 billion acquisition of Immunomedics by Gilead, provided a strong validation of our hybrid funding strategy. At the start of 2018, we provided $200 million -- $250 million in capital to Immunomedics to fund the development and launch Trodelvy and metastatic triple-negative breast cancer and other indications in exchange for royalties and a direct equity investment in Immunomedics. Given the compelling clinical data, the FDA approved Trodelvy in April 2020. And in September 2020, Gilead announced the acquisition of Immunomedics.

On a purely financial basis, we have already generated a high teens unlevered IRR as a result of the Gilead acquisition. And beyond this, we will continue to receive royalties on Trodelvy. So taken together, we believe this is a win-win deal for multiple stakeholders, including the cancer patients that need Trodelvy as well as for the companies involved. Similarly, we created synthetic royalties on two oncology agents in CPI-0206 as part of the MorphoSys transaction, again, showing our ability to creatively structure deals as well as what we believe is a sizable opportunity ahead of us.

Next slide. Now turning back to M&A. We see potential -- major potential to enhance our core royalty business through M&A linked transactions as I discussed earlier. If we take a step back and think about the position of many mid-cap biopharma companies, there has historically been real funding challenges when considering M&A opportunities. Banks and other lenders are just not in a position to lend or provide bridge financing to mid-cap biopharma companies that do not have a track record of earnings.

This has resulted in mid-cap biopharma acquirers attempting to acquire other companies using just their equity as consideration. And without tangible predictable cash flows, there has been a natural hesitancy for these companies to use stock, given different perceptions of value and the dilution concerns. The board to most targets prefer all are mostly cash as consideration, which is why over 90% of the deals are all cash transactions. For these reasons, M&A has never been a viable option for many mid-cap biotech companies. In addition, the universe of mid-cap biopharma companies has grown fourfold in the past five years to around 200 companies, creating multiple new opportunities for consolidation and growth.

So despite the dominance of large-cap biopharma companies in M&A in the past, we believe that there is a clear opportunity for mid-cap M&A, where Royalty Pharma can provide the capital needed using the types of flexible, tailored funding solutions we have executed on in the past. In addition, the potential for heightened scrutiny on M&A deals where large-cap pharma is the acquirer could also make mid-cap to mid-cap M&A more viable.

We believe Royalty Pharma has truly differentiated capabilities that can meet the funding needs for the mid-cap M&A. Not only do we have the track record and experience of providing tailored win-win solutions, but we can do so at scale due to our access to capital, our ability to create unique ways of monetizing nonstrategic assets, our ability to create synthetic royalties where no royalties exist and the long-term focus of our business.

Next slide, please. On Slide 13, I want to take a step back and put our deal activity over the last couple of years in perspective. Over our history, we have maintained a consistent and strong pace of capital deployment. Up to the year prior to going public, we've deployed a total of around $18 billion in capital from $5 billion in 2012 or $13 billion over eight years.

Since the start of 2020, we have continued a strong trend with $5.3 billion in announced transactions. This puts us well above the run rate we had previously indicated for $7 billion of capital deployed to 2025. This pace of capital deployment positions us well to deliver strong long-term growth and importantly, to deliver value to our shareholders. It also really speaks to the increased awareness and acceptance of royalty funding in biopharma and the significant opportunities for growth ahead of us, which we touched on earlier.

Next slide. On this next slide, when we look back at our deals over the past five years, we deployed around $1.8 billion per year, which demonstrates our ability to consistently identify attractive royalty funding opportunities. The second graphic shows that based on actual results and current consensus sales estimates, the level of capital deployment is expected to result in significant cash receipts five years later, about $315 million on average. In other words, every $1 billion of capital we deploy is estimated to translate to approximately $170 million in royalty receipts five years later.

This shows how our scale and expertise enables us to grow and diversify our portfolio and drive value-enhancing long-term growth. Furthermore, we believe the compounding effect of our business is very powerful as we are adding new royalties each year on top of an attractive portfolio of leading products and franchises. We remain as excited as ever about our pipeline and expect to continue to layer new cash flow streams on our existing business.

Next slide. Finally, I want to mention -- finish mentioning some key upcoming clinical and regulatory events that are expected over the next 12 to 18 months for our portfolio. To start, we received some great news this morning from AstraZeneca, which announced positive results from two

Phase III studies on PT027 in asthma. PT027 is the fixed-dose combination of albuterol and budesonide and is a potential first-in-class short-acting beta agonist, inhaled corticosteroid rescue treatment for asthma in the U.S.

As a reminder, we funded a portion of the Phase III clinical studies and are entitled to a low single-digit royalty on worldwide sales. Looking to the balance of 2021, we expect several other important data readouts, including the Biohaven Phase II, III results for intranasal zavegepant and migraine and Gilead's pivotal results for Trodelvy in HR-positive breast cancer.

When we look into 2022, we have potentially very meaningful clinical trial readouts, particularly the Phase III results for gantenerumab in Alzheimer's as well as Tremfya and ulcerative colitis in Crohn's, and otilimab in RA. And on the regulatory front, Biohaven's Vydura can receive EC approval early next year.

So in summary, we are approaching a significant number of clinical and regulatory milestones over the next 12 to 18 months to support the continued development of our portfolio. We remain incredibly excited about the momentum we are experiencing in our business, our deal pipeline, which remains robust and our upcoming event path with several assets that could add significantly to our long-term outlook for adjusted cash receipts on positive data.

With that, I'll turn it back to you, Andrew.

QUESTIONS AND ANSWERS

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

So many thanks for setting the stage, Chris. Now maybe before we kick off, I'll make an observation. You can tell me whether I'm close to mark or not, but I'm guessing internally there must be some frustration over the equity market's valuation of Royalty Pharma, particularly given there's obviously some debate about the cystic fibrosis royalties. But with the exception of that, you haven't got a foot wrong in terms of capital allocation. You've got earnings upgraded, and yet the stock has materially underperformed since you went to IPO and more the point is trading at a substantial significant, let's say, discount at least to our DCF.

So the rest of the conversation, I'm going to take you through some of those reasons that we think may be contributing with that. But I know that you spend a lot of time with investors. So before we go into my breakdown of the individual contributors to that, perhaps you could point to what you think are the key misconceptions or where the market has issues or concerns, which are adversely affecting the equity price that you have a different view on. So over to you.

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

Sure. Maybe I'll start and Terry obviously chime in here. Look, I think -- and I covered this in the prepared remarks, I think we feel like we've executed really well since the IPO. Obviously, the IPO price was $28 and the stock's higher since then. It obviously went higher than where it currently trades since the IPO and has settled back to your point. But I think we -- all we can really do is do what we've been doing, which I think is really strong execution.

As the slides talked about, we talked about deploying just over $7 billion over the next five years since the time of the IPO, and we've already deployed since 2020, just over $5 billion. And we like -- we're very excited around those investments. And so we feel like the more we get out, explain our story, as you mentioned at the beginning of this conference, maybe not that many folks are really aware of our business model and the incredibly large addressable market that is out there.

We feel like the royalty market is really just in its infancy of really growing, whether that's synthetic royalties, whether that's helping on M&A. And we feel like we are in a very good position to take advantage of that really large total addressable market. And all we can really do, and you've been doing this a long time, is keep executing. And I think over time, we feel like the market will appreciate that strong execution.

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

Yes. I think that's totally right, Chris. We can only control what we do every day, which is focusing on identifying and create new products to add to the portfolio. We feel like we've had a really great start as a public company, regardless of what the stock has done. I feel like we've delivered and done at least what we said we were going to do, if not better. And I'm sure we'll get into some of the areas that investors are focused on: products within our portfolio, et cetera. But I think one of the unique things about our business is the really large opportunity that we have and the sort of constant evolving nature of our portfolio and that we're always adding great new products, blockbusters every year. And we're really uniquely positioned to do that and continue to do that and do it in value-enhancing ways to our shareholders. And hopefully, over time, investors will recognize that and that will be reflected in the stock price.

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

So maybe on that note, we can go through some of the potential drivers of the discount to the DCF. And I'd say some because I think a big part of it is probably the lack of familiarity with the business model, as Chris alluded to. But starting off with drug price reform and the risk from there, so Royalty Pharma, by nature of its portfolio, it's 100% dedicated to biopharmaceuticals. It doesn't have an old portfolio of drugs. It's typically high-priced premium products with the SKU towards the U.S. How do you think about the potential risks associated with whatever Congress may subsequently pass. And I'm sure you're going to talk about the diversity of your portfolio in terms of payer mechanisms. But let's go there first.

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

Sure. Maybe I'll start and then obviously, Terry should chime in. Look, it's a good question. Our focus has always been on medicines that are truly innovative and target unmet patient needs. And while the drug pricing landscape may change, we think that these are the products that will fare the best and where we want to support innovation. Second, whenever we analyze potential royalty acquisitions, we've been very disciplined for years about focusing on volume growth, to be the underlying driver of our investment. Third, I'd say that we have a very flexible business model. So we are uniquely positioned to be able to react to changes in the environment and incorporate that in our approach to acquiring royalties. Obviously -- you obviously noticed, we don't have a therapeutic area of constraints or constraints that are tied to legacy businesses. And I think that's an important piece going forward for us.

And then lastly, I'd say that our business will adapt to changes in pricing and the new pricing dynamics, should there be them, would be reflected in the asset values of anything that we're buying. And since we're constantly adding to and refreshing our portfolio, the returns on our overall portfolio will reflect a blend of new royalty acquisitions and the preexisting investments. So we've all talked about pricing reform, and you've been very good on this for years. Your notes really -- and there was news today about the Biden administration. So it's always evolving. No one really knows where it's going, but I think we're really well positioned should there be change.

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

So going from the general to the specific, the one area where there is some debate in terms of acquisitions has been cystic fibrosis portfolio in light of Vertex's novel triple and the significantly low royalty stream that's associated with that. And I know that you have previously communicated your rationale as to why even in the worst case the impact is manageable. But just for those investors who may not heard that, I'm going to give you the forum now just to remind them of your logic because it is an area which has got lots of attention because it is obviously a sizable individual investment.

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

Yes. So sort of taking it piece by piece, thinking about just the sort of -- there's no question on that potential new triple that we would have at least a 4% royalty. And that's due to the tezacaftor portion where there's no debate. We've been pretty clear that we believe deuterated Kalydeco is

simply Kalydeco, and that would bring the royalty on the new triple to 8%. But that's something that's going to play out over time. And clearly, there Vertex has a different view. And then that -- the final component which is VX-121.

We just don't know at this point whether that's royalty bearing. But that sort of 8% is not all that different than what the royalty -- the blended royalty rate looks like on Trikafta. So -- but sort of taking another step back, when we look at the data for the new triple that Vertex is developing, at this point, there's nothing that we can see to say that this is clearly differentiated. Trikafta sets a really high bar, and it's been an incredible breakthrough for CF patients. And we think that Trikafta's going to play a very important role over the long term in CF. And we're really excited to have that as a product within our portfolio. We'll see what happens with this new triple in terms of the data, in terms of how long these trials will take to enroll, in terms of any potential uptake, and then what the royalty rate ultimately is on that new triple.

But in the meantime, as we discussed before, it's a part of our business, but our business is constantly evolving and the portfolio is going to look very different in five years and even more different in 10 years when you're deploying the types of capital that we've been deploying, over $2 billion a year from 2019 through 2021, we feel great about the pipeline ahead of us. And Pablo mentioned this on our second quarter earnings call, but I think it's an important point that I mean we understand why people want to focus on particular products, but it sort of misses the bigger picture of the opportunity set that we have to really fund innovation in this industry and to -- we're so uniquely positioned to grow the business to add the highest quality products to the portfolio. We have the team to do it. We have the capital structure to do it. We have the balance sheet to do it, and we feel really good about the opportunity ahead of us.

You are on mute, Andrew.

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

You are on mute, Andrew.

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

Sorry, it's fine. I was just trying to locate the right screen. So going to another product where tilt is more positive than negative, Imbruvica following the issuance of [fees] IP. Could you talk to now your modeling expectation into the durability of royalties from that product as well as think through the impact of competition, which we clearly see has caused some downgrades, and we've been below consensus with Imbruvica because of our concerns of competition and COVID has made that a little bit worse. But those two dynamics increased duration versus diminish share loss.

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

Yes. yes. It's a great question. So we previously expected our Imbruvica royalty to expire between 2027 and 2029. But following the recent court decision and AbbVie's public disclosure that generics aren't expected in the U.S. prior to March 30, 2032. Our position is that we're entitled to royalties on Imbruvica in the U.S. until 2032. The question on competition, yes, I mean that also comes up a lot. And we would always defer to the marketers because they obviously have the best information.

But Imbruvica is a great asset. It's been one of our best investments that we've ever made. And just the significant patient experience, the power of J&J and AbbVie as marketing partners for this product all of the sort of level of data that they have. We think it's still going to be a very important product, and we're still very excited about the future growth potential there. Clearly, AbbVie has highlighted pretty consistently that COVID has been a headwind, but they are seeing -- they are obviously - competition is something that for product that's this successful, we would always have expected it, but we're still very excited about the future growth potential there.

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

And how do you model the potential impact of finite treatment therapy through the combination with venetoclax? How does that become incorporated in your forecast?

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

So we typically -- when we're thinking about long-term guidance and things like that, we're typically going to be using consensus estimates just because it's a bit more objective, but we do obviously continue to track the market, and we have models going on for various, all of our products in all the different markets that they compete in. And like I said, I think we still remain really excited about the long-term growth potential there. But we do typically look at consensus as the sort of barometer and run sensitivities off of that.

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

And we spoke about competition for individual drugs, but you are not without competition within the Royalty Pharma business, and you have for many, many years, [come] in the march among some of the established private equity firms who, for various reasons, have struggled to build a successful royalty model, that's changing. Blackstone obviously is starting to invest increasingly heavily. You've now got HealthCare Royalty. There are general signs that others want in. Are you seeing any result, an increase in asset price inflation as a function of that?

Obviously, as you alluded to, you have the compounding effect and the cash flow, which does give you a competitive advantage. But I think it's interesting whether you're noting any change in your business model. And you've also got a new entrant with Patient Square coming in, which may encroach in that area. So if you could talk to the competitive landscape in which you operate and whether that's resulting in any adverse or potentially even increasing opportunities because there's more components of royalty-based solutions.

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

I think it's exactly that point you just made at the end of that question. In the prepared remarks, we talked a little bit about our market share. We've maintained over 6% market share of the overall market since 2012 and in particular, deals over $0.5 billion, we've got 84% market share. But I think it's that it's -- look, it's a great what Pablo and Terry and the team created a long time ago, it's a great business model and people naturally maybe want to enter that marketplace because of the business model. And -- But as we talked about, the total addressable market, we think, is only growing.

The number of companies that went public over the last few years the capital needs of those companies, the innovation in the marketplace, whether that's at academia or hospital systems or in the small-cap biotech. It's astonishing. And all of that - these are huge capital requirements to move things through the clinic. So we think that people coming into the sector raises the profile of doing these royalty transactions. We haven't seen any impact, at least since I've been there about 18 months, any impact in the sense of return expectations on deals that we've done.

We -- even before I joined, Andrew, in March of 2020. We absolutely, as a banker saw the boards of these public companies begin to challenge the CFOs and management teams to entertain alternative forms of capital rather than just going to the equity market. And we think that doing a synthetic royalty deal with us is far more efficient from a capital -- cost of capital perspective than raising equity capital, especially when these companies are doing it. So we haven't seen any impact from a competition perspective on our return expectations or our ability to really get deals done.

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

Terry, anything to add?

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

No. I think that he captured it pretty well. I mean competition, it's always been here actually, different players, but there's always been competition. And we've seen people come and go. We're -- we've been doing this and only this for 25 years. We think we have a pretty -- a real moat around our business. And we haven't seen returns decline over the last couple of years even as other big players have come into the market. We've been able to maintain the returns. We think it's a testament to the opportunity, also the team and the process that we have in place.

And we've been really clear with investors. And any counterparty would know it as well is that we have certain expectations of what the returns are that we need to justify investment. And we haven't really changed that over the years. And I think if you look at what we've done just over -- since 2020, the products that we've invested in. A number of them are significantly outperforming and then really only one's a little bit underperforming and the rest are performing at or a little bit ahead of expectations. So we really feel very good about the process and our ability to continue to maintain the attractive returns on our investments that we've made in the past.

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

And Andrew, maybe one last point to add there. and you actually did a great job of piloting this in your initiating report on us post the IPO. But for folks that maybe aren't aware of our story or -- we are an investment-grade rated company. So our debt is -- we're investment grade. So when you look at -- and our cost of debt is in the low 2% with an average duration approximately around, what, 13 or 14 years, Terry?

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

13 years.

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

Yes. And so when you think about our weighted average cost of capital as an organization, we have lower cost of capital, at least calculated by our financial advisers than most of every large-cap pharma company, which I think just is shocking to people. And so we can compete really with the lowest form of capital. But once again, what Terry said, is critically important is we're not going to sacrifice returns just to do a deal. We can be patient and make sure that we're going to get the returns that we expect.

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

And on the likely mix of deals going forward, I mean, obviously, MorphoSys was the mother load of royalties in terms of this Royalty portfolio was well there and identified, I'm sure Royalty had been paying attention for many years. And it was a question is when it's going to be monetized.

To what extent are those opportunities still left either being public companies or in private foundations like cystic fibrosis? Or should we expect the mix to increasingly skew towards the synthetic royalties as a function of both companies willing to participate, but also because the existing royalties within academic centers than public companies have been diminished or depleted or is that the wrong way to look at it.

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

I would -- I can start and Chris can chime in. I've been doing this for a while, and it's sort of remarkable how these things pop up. And you might not know something's there and then all of a sudden, you realize that there's a $1 billion, $2 billion opportunity out there that you weren't -- that you might not have been necessarily aware of. So I don't think we feel like there's going to be any shortage of opportunities from the traditional places that we've acquired royalties from. But we also think that the opportunity set is just expanding as a result of increased recognition of royalties as a funding mechanism, increased recognition of Royalty Pharma as like a go-to partner in the industry.

So we feel -- I think we feel really good about it. The pipeline is constantly evolving, and we could have a deal that falls out one day and then the next day, you get a phone call about whatever, some new opportunity that you weren't focused on. So that's really -- that's a great part of our business. It's very dynamic, and we're very flexible. And we can move quick. We can bring real scale to the table. And we think that, that's going to create great opportunities for us in the future.

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

And the only thing I guess I would add to Terry's comments would be - and you cover these companies. So the pace of licensing and sort of BD deals, so not acquisitions of large pharma, by large pharma of smaller companies, but just their BD deals and license. Most of those deals contain royalty agreements. And there was one announced, I think, yesterday or Two days ago of a company you cover, I'm not going to mention it.

But I mean -- so -- when you think about the explosion of public companies over the last five to 10 years, biotech companies that are going public, and then every one of those is a potential BD or licensing opportunity for large pharma, most of those licensing and BD deals contain some element of royalties. And so even if -- the development of drugs is such a fractured industry, right? So we think that there's going to continue to be royalties existing at foundations and universities, but also just the enormous growth in public companies. And those as BD opportunities for large pharma, we just -- we think it's an enormous opportunity.

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

So I'm going to extend the session for a few more minutes because there's some questions that we haven't had time to come to. So if that -- if you bear with me, we'll be done about 3 minutes or so. And I think that still keeps us within the time lines of your schedule and the following sessions. So on Avillion, just a straightforward factual question, I believe that AstraZeneca has the option to buy you out of the future royalties. Can you talk to the magnitude of the payment? Or is that predetermined, is it to be discussed? Anything you could share on that would be interesting. So that's the first question.

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

Yes. So that's all -- in any buyout, all the economics are predetermined upfront. So we wouldn't be negotiating anything like that going forward.

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

And you can indicate the size of the upfront payment to Royalty?

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

We have not disclosed anything around that.

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

Okay. So then the second question...

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

But obviously, as Chris mentioned, I should say, we're thrilled by the results. We think it again speaks to the process at Royalty Pharma of identifying unique assets that have a high probability of achieving clinical success. We're really, really excited by the results that AZ announced this morning.

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

So are we. We backed the product. So we've also -- that fell well with us, too. Second thing was the -- and Chris alluded to antitrust and a more muscular FTC, but particularly the threat of legislation, which may completely change the landscape in terms of what is considered anti-competitive, not just within a large but even a large midsized type transaction.

So anything in addition, what's the probability. And obviously, in your full role, your current role you spend a lot of time speaking to C-suite. How much time is put on this? (inaudible) really occupying the bulk of the large pharma business? And is this something that could potentially reshape both positive and negative, but actually more positive as you need to go upfront your business model?

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

Well, maybe I'll start and Terry can chime in. I think the FTC issue is a real issue. And I think any company that's looking at that, certainly a larger pharma company, they're very in tune with that, and they're thinking about that. And I think that does open up two avenues of growth. One, the sort of mid-cap M&A: MorphoSys/Constellation. But also secondly, potentially more of these licensing deals where these royalties are created, that rather than acquiring the companies, maybe they do more of the BD and licensing, even though that's always been very -- an important part of all of these large pharma companies, BD efforts. But yes, it's a real -- I think it's a real issue, Andrew.

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

And then the final question I wanted to ask was, in the last minute, is there are obviously a number of smaller royalty players with portfolios of assets. And so these could be consolidated by you or the #2 in the field. Is this something you expect to happen? Do you expect the sort of fragmented nature of the existing royalty market to change? Are we going to see consolidation either directly through you or through Blackstone and what are the other large competitors?

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

I will start and Chris can weigh in. I mean I think one of the things that we feel is unique about our business is we have this really attractive portfolio and given our cost of capital, we feel like we're very uniquely positioned to win any asset that we want to win. And so we really like the portfolio that we have at Royalty Pharma. Very tough to say. I think in the structures of some of the other players in the field, it's just really tough to say. It's not the same. It wouldn't be the same situation as sort of pharma or small and mid-cap biotech M&A. It's very different given the structures.

Andrew Simon Baum - *Citigroup Inc., Research Division - Global Head of Healthcare Research and MD*

So in the interest of time, I think we've reached, in fact, gone over the time allotted but express appreciation. Thank you both for joining us today, and look forward to watching the Royalty Pharma story evolve from here.

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

Thanks a lot.

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

Thank you, Andrew.

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

Thanks to the Citi, too.

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

Yes. Thank You. Bye-bye.
