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PRESENTATION

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

(technical difficulty) pharma and biotech here at UBS. Thank you for joining us today this afternoon. Our next presentation is from Royalty Pharma whom I cover. I'm happy to have with us Terry Coyne, Chief Financial Officer; Marshall Urist, EVP and Co-Head of Research and Investments; and George Grofik, SVP, Head of Investor Relations and Communications.

So we're going to have about 15 to 20 minutes of slides and presentation. Just for folks who aren't as familiar with Royalty, it's a great way to learn it. And then after that, about 30 minutes of Q&A from myself moderating that.

And from you all, if you want to pose questions, please feel free to do so online on this program, and they will be anonymous and I will read them out.

And without further ado, let me turn it over to Royalty, and Terry or Marshall, please go ahead.

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

Great. Thanks, Navin, and thanks to the UBS team for hosting us today.

Slide 3 has our usual forward-looking statements.

So turning to Slide 4. We just reported our first quarter earnings results, and I'll run through a couple of the highlights from the quarter. First off, we reported strong double-digit top- and bottom-line growth of 37% versus the first quarter of 2020. We saw a robust deal flow with year-to-date transactions of nearly $800 million, including nearly $600 million of upfront.

We also announced an exciting new collaboration with MSCI to develop thematic indexes, which we think could be an attractive and growing source of royalties over time to Royalty Pharma.

And then finally, we raised our full-year guidance for Adjusted Cash Receipts to a range of $1.94 billion to $1.98 billion, representing growth of 8% to 10% over the $1.8 billion of Adjusted Cash Receipts we announced -- or we reported in 2020, and this number excludes any new investments.

If you turn to Slide 5, this is a snapshot of Royalty Pharma. So we have -- our portfolio consists of over 45 approved and development-stage products, including 21 blockbusters, so these are products with over $1 billion in sales. We find that this is an important metric to track as these are products that tend to get more significant resources from a clinical and commercial perspective at the marketers.

We -- our portfolio has a weighted average royalty duration of 15 years. Again, we're seeking longer duration assets because we find that, that is the optimal type of royalty stream to add to our portfolio.

From a financial perspective, in 2018, we reported $1.8 billion Adjusted Cash Receipts, that's our top line, and we've reported $1.5 billion of Adjusted Cash Flow, which is our bottom line.

Over -- since 2012, we've deployed, on average, $1.7 billion of capital per year for new investments, and we've shown that this has been fairly consistent over time. The business -- the capital deployment does tend to be somewhat uneven. But over multiyear periods, we have been able to deploy significant amounts of capital in bringing exciting new products into the portfolio, and that sort of gets to the top box on the right here.

You can see some of the products in the portfolio. These are many of the top products in our industry, including Vertex's CF franchise, Gilead's HIV franchise, Imbruvica, Tysabri, Xtandi. And then also a number of products that are earlier in their launches like Evrysdi, Trodelvy, Nurtec, Oxlumo and Orladeyo. So we're really excited about the portfolio that we have.

We also have a few -- at the very bottom, you can see we have a few development-stage products in the portfolio. The 2 that I would highlight would be Biohaven's zavegepant, which is going to have a Phase III readout this year; as well as PT027, an AstraZeneca product that's going to have a Phase III readout later this year as well.

Turning to Slide 6. This is something that we really focus on, it's just diversification of the cash flow streams. This is an important metric for us in terms of the predictability of our royalties and also the stability of our royalties. It's also obviously an important metric from a credit perspective.

So in 2020, the largest single royalty was Tysabri, and we're diversified really across products and also therapeutic areas and marketers. And we think that this is a really important metric and something that we're always going to be looking to -- every time we add new products to our portfolio, we're going to be diversifying even further.

If you move to Slide 7, this shows the efficiency of our business, and this is the first quarter of 2021. We reported Adjusted Cash Receipts of $524 million, operating and professional costs of $42 million or 8%, so around a 92% EBITDA margin.

We had interest expense. We -- since -- this is all cash based, we pay interest on a semiannual basis. We had interest expense of $63 million, some small other expenses that brought us down to Adjusted Cash Flow of $409 million or $0.67 per share, representing a 78% margin on our Adjusted Cash Receipts. It's really highlighting the strong operating efficiency of our business model.

Turning to Slide 8. This is a really important slide that I think we find very interesting because it sort of speaks to the momentum of our business of acquiring pharmaceutical royalties.

So 2020 was a record year for biopharma royalty funding in terms of both the number of transactions and the dollar value of transactions. We think that the market, as you can see, can be a little uneven, but we think that it really speaks to the depth of the market and being able to capitalize on the real great tailwinds of remarkable innovation that's happening in the biopharma industry and also the increased awareness of royalties as a way to fund that innovation.

Slide 9 really talks about Royalty Pharma's role within that market. And so since 2012, we've had a 60% overall market share. And you can see that as the transaction size has increased, our market share increases as well. So for transactions between $100 million and $250 million, we had around 1/3 share. For transactions between $250 million and $500 million, we had around a 60% share. And then for transactions over $500 million, we had an over 80% market share. And this is -- there's multiple factors here. It's our scale, our history in the industry, our cost of capital and our ability, given the size of our portfolio, to make larger investments that other competitors might have a more difficult time doing.

Moving to Slide 10. We have very distinct competitive advantages. The first is just our scale and diversification. We have a portfolio of over 45 products. Nothing like our portfolio exists out there, and it would take a very long time to build something similar to our portfolio. And we obviously would be competing the entire time with anyone that's trying to do that.

From a structure perspective, we're a publicly traded business with consistent cash flows, and we have the ability to leverage our entire portfolio. And this really leads to what is a major competitive advantage, which is our cost of capital.

So from a debt perspective, our weighted average interest cost is 2.125% on $6 billion of investment-grade debt. And we have a mid-single-digit weighted average cost of capital, and this is much lower than any other company that's competing in this space, and that ultimately relates to also much larger acquisition capacity. Given that we have access to the unsecured bond market and also the public equity markets, we have much greater ability to access capital when we need it to make important new investments for our portfolio.

Focus is another very important thing. We -- this is all we do. We have a team that's been doing this for a very long time. Pablo has been at this for 25 years, and most of us have been at it for over 10. And all we do all day long is think about exciting new biopharmaceutical royalties to add to our portfolio.

And then finally, and this is something that we think sometimes gets a little overlooked, it's just we have really deep relationships. And we think that that's -- that creates an important competitive advantage for us in the industry as well.

So with that, I'm going to pass it over to Marshall to talk a little bit about the -- our -- the products, some of the recent deals and our approach and how we plan to grow.

Marshall Urist - *Royalty Pharma plc - Executive VP and Co-Head of Research & Investments*

Thanks, Terry, and hi, everybody. So like Terry mentioned, I'm going to start off by taking a few moments to talk about some of the new investments we've made in 2021 and really to drive home how excited we are about these and really showing our ability to add new high-growth therapies to our portfolio.

So the first of these I'll talk about is a recent transaction on Slide 11, which is for the cabozantinib family of products, Cabometyx and Cometriq, that we bought a 3% royalty on worldwide net sales from GlaxoSmithKline for $342 million upfront. And then there's an additional $50 million of potential milestone payments related to label expansion.

Now I'm sure this drug is likely familiar to many of you, but cabozantinib is the leading TKI that's approved for patients with advanced kidney cancer and advanced liver cancer. And most recently, it was approved in combination with Bristol Myers PD-1 inhibitor Opdivo for newly diagnosed patients with kidney cancer. And as we've heard, the early signs from that label expansion launch are certainly positive.

So in the U.S., cabo is marketed by Exelixis, by Ipsen in regions outside of the U.S. and Japan and then by Takeda in Japan, so a really strong lineup of global marketers behind this product.

In terms of the numbers, last year, the franchise did a little over $1 billion around the world, and consensus has that growing to a little over $3 billion by 2025. So we think this is an exciting product, exactly the kind of product that we look for.

So what drives that growth? I think there's a few things. The biggest one is, of course, the recent approval, but then there's also some exciting label expansion trials, including first-line liver cancer and then entirely new indications in lung and prostate cancer that are being explored as well. So this is a really exciting new addition to the portfolio.

So then moving to Slide 12 is another recent transaction, and this is for a product called Oxlumo. And so here, we paid $180 million upfront and then 50 -- excuse me, $60 million in potential sales-based milestone payments for a mid- to high single-digit royalty on Oxlumo.

So to tell you a little bit about Oxlumo, Oxlumo is approved for an ultra-rare orphan disease called primary hyperoxaluria type 1, or PH1. It was approved at the end of last year in the U.S. and Europe, so the launch is off to at its very early stages.

And PH is, like I said, very rare disorder that causes high blood levels of something called oxalate, which, over the long term, can cause kidney damage, even leading to kidney failure and the need of a transplant. So Oxlumo is going to be marketed by Alnylam, who we all know is a real pioneer in the RNAi -- in the field of RNAi. And more than technology, they're really distinguishing themselves and building out a leading global infrastructure for the marketing of orphan diseases around the world.

We bought this royalty from another leader in RNAi, the company called Dicerna. And interestingly enough, it's actually the first RNAi-based therapy in the Royalty Pharma portfolio.

So in terms of the numbers, consensus has Oxlumo growing to $333 million by 2025, and Alnylam has talked about this being an over $500 million opportunity in -- over time. So another high-quality royalty on an important product that we're excited to have as part of the portfolio.

So on Slide 13, why don't we take a step back and kind of talk about our overall strategy. And so here, we lay out kind of the 3 core pillars of our growth strategy. And the first thing I'd like to point out is these have been the core of our growth strategy now for years. We see a lot of opportunity in each of these 3 verticals. So I think -- so the first message is just no change in the core strategy, and we're excited to continue to develop along all 3 of these verticals.

So the first of these is approved -- is royalties on approved therapies. We continue to expect to have a significant share of those, as Terry talked about. That's been the core of Royalty Pharma for over 20 years now, and we expect it to remain that way.

The second is select opportunities in late-stage development -- in development-stage assets or things that are unapproved. So here, we will acquire royalties that have kind of passed the proof-of-concept stage, that have shown very strong early clinical data where we can generate very high levels of conviction.

The bar here is high, but you can see some examples like Imbruvica, Trikafta from Vertex or Trodelvy of really important products that we've added to our portfolio when they were still unapproved and in clinical development.

And the third is M&A., and here, we play -- we typically play a really distinct role where we work with strategic acquirers who are looking at a target that's composed of a passive financial royalty and then a strategic asset, a new drug or a new program. It is really the target that's the target of that acquisition.

So here, we can work with the strategic acquirer before or after a transaction to buy the passive royalty that was inside of that company, really increasing the capital efficiency of that transaction and allowing the strategic buyer to get exactly the assets that they're really interested in and that they can add value to. And you can see we've done this over the years many times with some -- that has generated some really marquee additions to our portfolio like Humira and Tysabri are 2 great examples.

So moving to Slide 14 is another really distinguishing part of our business, and that is that we're agnostic to therapeutic area, modality or drug class. And I think there are 2 big points to make here.

The first is that as -- in distinction to traditional pharma companies, we don't have constraints because of our legacy, either R&D expertise in a certain therapeutic area or a sales infrastructure that really limits where we can go. We can really follow the innovation, follow the medicine into any therapeutic area that we think makes sense for Royalty Pharma. So we really have extreme flexibility.

The other interesting part of that is that it allows us to participate in multiple products within the same class. So here, once we identify a class that we like, we can have multiple royalties in that class, really giving us the flexibility and the benefit of the growth of an entire class rather than one specific product, which is usually the case with a traditional biopharma company.

A great historical example of this is, of course, the TNF class where we owned royalties in Humira and Remicade and Cimzia. And then if you look at the portfolio currently, there's other good examples of that. The first is the exciting CGRP class in migraine, where we have a royalty on one of the injectable anti-CGRP antibodies, Emgality from Eli Lilly for the prevention of frequent migraines. but then also an oral CGRP inhibitor for acute migraine this time, Nurtec ODT from Biohaven, which is having a really great launch.

And as Terry mentioned, if you look at our development-stage portfolio, we have a second CGRP inhibitor in zavegepant in development as well. So it really gives us a unique ability to really work across a class.

Prostate cancer, another great example in the current portfolio where we own royalties in J&J's Erleada and then Pfizer and Astellas' Xtandi. So I think something really unique about our business that few other companies can do.

So on Slide 15 is looking at our business in another way, and so taking a step back and seeing the role that royalties that were acquired after they were approved and then ones that were in the development stage had -- have contributed to our portfolio. And so here, this is another way of looking at our business. So if you look at cumulatively at all of the investments we've made since 2012 through the first quarter of 2021, that's $15.8 billion of total investments.

And the first thing to point out, which surprises people sometimes, is that if you look at how that was divided between value for approved products at the time of the acquisition versus development-stage products, it actually splits out pretty evenly, so 55% approved and 45% development-stage. And so that's the first big point here is that we, at Royalty Pharma, have been investing across approved and development-stage products for many years now. This isn't something new that we're doing. This has been a core part of our strategy for years, and we will expect it to be going forward as well.

Now if you take that 45% or $7.1 billion of investments that was development-stage at the time of the acquisition and roll forward to today, 88% of that is now approved, and that really shows you the high bar that we have for these development-stage assets and how we really have a rigorous process for looking at those before we bring them into the portfolio.

And then if you look at the portfolio today, you can see that 95% of all of our prior investments are now actually approved products, really highlighting that track record and how important unapproved products have been in building the portfolio that you see in Royalty Pharma today.

And some great examples of those are seen in the box on the right, things like Imbruvica, Trikafta, Trodelvy. And more recently, a great example is a royalty we bought last summer on Evrysdi, which -- from Roche, which is the first oral product for SMA as well. So this is showing you how important development-stage acquisitions have been to building the Royalty Pharma portfolio.

Now on Slide 16 is something we're really excited about looking forward into the future, and that is the opportunity for synthetic royalties. So what do we mean when we call something a synthetic royalty? Well, what that really refers to is where we work directly with the developer or a marketer of a product to create a royalty as a funding vehicle, either to [complete a] clinical development or to fund the launch.

And this is -- this -- we see this as a whole new modality of funding biotech and biopharma companies, and this has multiple benefits to our partners. The first is it is non-dilutive to the equity as a whole because what it really is, is surgical funding against a single program or product, which allows companies to drive forward. What is very often their most important program allows companies to maintain greater control for longer and retain the most economics that they can for the longest into development or commercialization.

We have combined this with equity investments in the past, but that's certainly not a requirement, but it does show you how flexible we can be in finding win-win solutions for our partners.

So like I mentioned, this is a really exciting new opportunity for us, and I think the chart on the right really drives home just how much headroom here there is for growth. If you look, synthetic royalties had something like a 1% market share. If you look at relative to equity-linked securities, which are raised by biotech companies, so even modest increases in the use of synthetic royalties would have -- would imply a pretty dramatic expansion in our addressable market.

So as we look at synthetic royalties, we're seeing more and more that companies are seeing this as a new -- as an entirely new way, an increasingly common way of funding development or commercialization, and we think something that's going to be an important growth driver for us going forward.

So then finally, just to wrap up on Slide 17. I think this brings together several of the themes that Terry and I have talked about today. And at a high level, at Royalty Pharma, we see ourselves as really sitting on top of what is the -- I think an unparalleled time of innovation in medicine, and we have -- we are agnostic to therapeutic categories or modalities. We can go anywhere where we see exciting new opportunities.

Now if you look at the current portfolio today, we offer direct exposure to many of the most exciting drugs that are out there, the biggest drugs that are out there, those blockbuster therapies. And when you look at those, the royalties that we have today, we really have a long duration portfolio. So the patent that are linked to many of the royalties we have today are long. We're highly diversified across products, therapeutic areas and marketers.

And then as we look at new business, we really do see ourselves as the partner of choice, and pride ourselves on being agile and flexible and really looking to create win-win opportunities because we think that's how we're going to maximize the opportunity for us as well as grow our markets.

And then finally, as Terry talked about, we have a very efficient business model, low fixed cost, highly cash generative. So when you put all that together, we're really excited about the opportunity that lies ahead of us.

So I will wrap it up there and happy to go on to some questions.

QUESTIONS AND ANSWERS

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

Great. Thanks, Marshall. Thanks, Terry. So a few questions that folks on the line or listening in or on the presentation online. You can send questions to me via this website, and they will be anonymous, and they will pop up below for me, and I will read them out to the management team here.

But maybe I will start with a few here. Your cystic fibrosis franchise, obviously, a very important franchise. It had been a highly successful deal for you. The -- there have been some questions on the IP and the duration of the CF franchise royalty stream, whether it's time to patent expiration or just sales.

So for context, some have asked whether the Trikafta royalty is tied to the expiry of the patent associated with tezacaftor -- the tezacaftor component, which expires in 2027. Or is it tied to sales? Our view of the available documents suggests that it's not tied to the patent, that it is, as you said, tied to the sales. But how do investors get comfortable around this?

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

Yes. So Charles, I'll take that. It's very clear that it's not tied to patents. So as long as there's sales of collaboration compounds, we get paid in royalties. Obviously, we -- when we made the additional investment in the fall of 2020, we went and looked at this one more time to make sure we're absolutely correct, which we knew we were and confirmed it.

So we feel very good about that. There's just not even really a mention of patents with regard to duration. So as long as our sales, even if there are generics and the products that we acquire the royalties on are still have sales by Vertex, then we'd get paid our royalty rate on those products.

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

Yes. That was our assessment as well. Certainly, you're doubling down on the investment, I think, was a vote of confidence on that. The other question, I think, is a little bit more difficult for me to assess, I suppose, is around VX-561, that's the deuterated ivacaftor that Vertex is working on. Wondering how its entrance might affect CF franchise sales and your royalty is therefore associated with them.

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

Yes. So our position is that deuterated -- that product, VX-561 is deuterated Kalydeco, and our position is that, that is simply Kalydeco. And Kalydeco is a collaboration compound, that is royalty-bearing. We understand that Vertex has a different view, and so I think we'll see how that product evolves through the clinic. But obviously, we would always enforce our rights under our contract.

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

Fair enough. And then on the recent deals that you announced, I'll start with cabozantinib, the GSK deal. Curious about that one. Obviously, a significant potential over the next few years to dramatically increase sales based on the indications that you highlighted -- or the expansion of indications.

But that one does have a shorter royalty stream in the U.S., September 26. Ex-U.S., presumably a lot longer. But how are you thinking about the length of the ex-U.S. royalty stream, that's number one? And then I have a follow-up.

Marshall Urist - *Royalty Pharma plc - Executive VP and Co-Head of Research & Investments*

Sure. Yes. So thanks for the question. So ex-U.S., George can correct me, but our expectation, and I think what's been publicly disclosed, is that the ex-U.S. royalty goes into 2029.

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

And for the U.S., so when you're assessing the value of that deal, was most of that value ascribed to ex-U.S. or U.S. just given the -- any pricing dynamic differential between the U.S. and ex-U.S. offset perhaps by differences in patent lengths. Just wondering how you were ascribing value.

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

I think, like always, we looked at that as a package, and there is a difference in how long we'll receive royalties in the U.S. versus ex-U.S. But I think what we really like is what I touched on, Navin, which is that, as you mentioned, there's a lot of great growth ahead of cabo from even what's approved, further optionality to that from label expansion.

So we really like the look of that. Those are the kind of things that sort of growth, and label expansion is what we look for in royalties. So we were excited to do that one.

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

So it's a situation, even though it's a shorter duration in the U.S., you can make an NPV positive just given your favorable structure as a company. Is that fair to say? I mean, just given that historically, you've done your weighted average, as you said, patent life is 15 years. But given that this one was 7 years, you just saw a unique opportunity there. Is that the correct way of thinking about it?

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

Yes. We -- I guess, the right answer to that is we looked at it, and we really liked the value that we saw there. Duration is obviously a big part of that, like with anything we look at. But I think given all the positives that we talked about, it really made sense for the RP portfolio.

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

Got It.

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

Yes. I mean, we look at the entire sort of royalty stream on a global basis, and we were able to -- the value that we paid obviously reflects different durations in different geographies, but it's consistent with our stated goals in terms of what we're targeting for approved products. So high-single digits to sort of low-double digits. That's the range we're targeting.

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

Got it. And then Oxlumo, the Dicerna, Alnylam product for primary hyperoxaluria type 1. You alluded to this, and I'm assuming that you agree with the assessment that Alnylam has made that it's an over $500 million market potential. It -- was that your assessment as well?

And then tied to that, when you were going -- when you're conducting your diligence on this product, given that the market is ultra orphan, those markets are sometimes, the key there is getting comfortable whether it's an accessible market or not. Just wondering what kind of diligence you conducted to get yourself comfortable with this market being a "real market."

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

Yes. Sure. So I think you're right. You bring up these orphan investments. The key question is very often what level of conviction can you get in the number of patients that are out there. And I think just to make 2 points that we really focused on.

The first is your question about diligence. Like we normally do, we talk to a lot of different sort of sources of information here. One I might mention is we spent time with the people who run a lot of the registries in Europe and other places to sort of get a sense of their patient-finding activities, how has that evolved over the years in terms of identifying more and more PH patients, as an example.

And then the other good thing about PH, I don't know if it's a good thing about it, but in terms of a patient identification, a disease we can identify patients, the phenotype, the signs of the disease are not particularly subtle in this case. Children who have multiple kidney stones at a young age, that's not supposed to happen. So those patients are not terribly difficult to identify.

Similarly in adults, those patients who have recurrent kidney stones and other signs, these are patients who can be found. And so we felt like the combination of our current diligence, plus just the reality of this disease kind of helped us get conviction in the patient opportunity.

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

Got it. And then, Terry, the collaboration with MSCI, can you walk us through exactly sort of how that will work and what you're hoping to gain from that? So if the ETFs are created tracking these indices, are you getting a royalty on that ETF? How exactly does this work?

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

Yes. So the way it works is we have this -- we actually built over the years a lot of intellectual capital internally, and now we also have a strategy and analytics team. And so they're going to help to construct the rules and the frameworks around where the exciting new therapeutic areas are and help sort of identify sort of parameters of what types of companies are playing in those areas. And then MSCI will go and construct the indices based on the help that we provide.

In terms of our economics, I can't be specific, but we get a portion of what MSCI gets. And we would expect that it's something that will start small as the indices are built and rolled out. But then it could grow over time and could be a nice recurring cash flow stream for us.

The nice thing is that it's unlike many royalties or just products in the biopharma industry that are tied to patents and then you have generics. This is a perpetuity, and so that's also a nice aspect. And also, it's -- we're able to leverage the infrastructure that we have, so it's not really going to come at any additional cost to investors, minimal additional cost.

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

Got it. You spoke about therapeutic areas that might be -- that your analytics team might be looking at to figure out what's sort of the next hot thing. I know you're therapeutic agnostic, but just curious on your thoughts on a couple of sectors that I care about personally given my coverage of them.

But just wondering about the NASH space. Is that ever a space that you've been -- you've looked at interested in or not interested in for some very specific reason. Obviously, nothing has "worked yet" there. So -- and you tend to prefer things that are a little bit more de-risked. But just wondering whether, I suppose, you think that the NASH space is "real" or is it obesity and diabetes reframed as a different therapeutic area.

Marshall Urist - *Royalty Pharma plc - Executive VP and Co-Head of Research & Investments*

So yes, that's an interesting one. Any market that is that big in terms of potential volume, you can rest assured we've -- it's on our radar and we're looking at it. I think you brought up a couple of the questions we've had. I think it's something we are certainly interested in conceptually. I think, like a lot of times, we're waiting for the combination of the right product, the right partner, et cetera, to really make to really make that -- make sense for Royalty Pharma.

We looked at a lot of things, haven't done anything there. But I would say I would only interpret that as, like I said, we're patient, and we'll sort of wait for what we think is the right product to bring to the portfolio.

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

And then another space that I've been kind of interested in the last 1.5 years is the sort of refractory cardiovascular space. For the last 1.5 decades, cardiovascular is you couldn't touch with a 10-foot pole because there was some many generics across multiple different classes of drugs, statins, whatever, ACEs and ARBs and so on and so forth.

But over the last 1.5 years, you've actually kind of seen a small renaissance in CV metabolic, perhaps because that space is -- had -- there's this growing refractory population of individuals that are failing statins or other classes of drugs. Do you see that as a real sort of trend in your overview of the different therapeutic areas? Or is that just much more of a niche area?

Marshall Urist - *Royalty Pharma plc - Executive VP and Co-Head of Research & Investments*

No. I think you're right. That's another one that we're watching. It's on the list of things where pharma, to your point, has kind of looked past it in a way or couldn't see through the sort of sea of first-line generics that there are in a lot of those markets. So that's another one I think we're following.

You're right. There's an opportunity there. It's been under -- I think the way we'd put it maybe it's been under-innovated relative to some other areas over the last few years. And certainly, like I said, it's on our radar and on that list of things that we're watching in places that we could potentially add to the portfolio.

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

What's -- Terry and Marshall, both of you, what's the environment like right now for deal-making? There are several large biopharma companies that have patent cliffs and need to acquire several companies, not just one, but several companies or assets.

I recognize you aren't outright buying companies, but you're buying assets or royalty streams specific to -- specifically tied to an asset. But how does that take away at least time from -- with time away from interaction time with some of the royalty sellers that you may be traditionally dealing with? Have you seen a slowdown of that interaction because they may be distracted with other strategic partners?

Marshall Urist - *Royalty Pharma plc - Executive VP and Co-Head of Research & Investments*

I can start on that. Terry might have thoughts as well. So I think we're -- like I mentioned in the prepared remarks, we are really excited about the opportunity set we see in front of us. I think our pipeline, our conversations are very busy. I think when you think over the last few years, I mentioned a couple of things, it's been a very robust environment over the last few years for equity financing in biotech, and we've still had very successful years in terms of adding to the portfolio.

And I think to your question about very recently, I think there is sort of secular drivers for our growth in terms of the amount of company formation, the growth of synthetic royalties. So I think, certainly, there may be ebbs and flows in the bigger environment out there, but I think we feel really good about kind of the fundamental drivers of our portfolio that I just mentioned that there's a lot of growth there, and we're excited about excited that opportunity.

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

Yes. To sort of add on, I think who we haven't -- we certainly haven't felt like things have slowed down. You mentioned maybe that larger companies are looking to do strategic things as well. I don't -- I think that we have a lot of -- we can have conversations with larger partners and also smaller -- small- and mid-cap biotech companies.

I think that we've shown over time that we can be an attractive source of financing and a strategic partner at scale for these smaller and mid-cap companies, like we were with Immunomedics and also like we have been with Biohaven and, even more recently, with BioCryst. So I don't think we felt like that -- obviously, pharma is always looking at -- to bring in exciting assets, and we're doing the same. But I think that the pool is actually quite large out there.

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

Sure. Fair enough. And just -- I know you've already started off the year and now that we're midway through, have a few under your belt already. But just wondering what the pipeline looks like for deals, how many early-stage assets you're looking at versus how many are in sort of the late stage of your diligence process or how many negotiations you have going on right now. Any kind of color there would be helpful.

Marshall Urist - *Royalty Pharma plc - Executive VP and Co-Head of Research & Investments*

Sure. So I mean, we never on, an ongoing basis, sort of given cross sections of the portfolio. Certainly, we've talked about that historically, and so maybe I'll answer in that context that when we look at the -- where the pipeline is, the variety and different stages of our various conversations, I think we feel good about where our momentum is for all of the reasons that we've talked about.

If you look at our activities historically or you look about some of the growth drivers we've been talking about, I think we feel pretty optimistic about where we are in terms of continuing to find exciting things to add to Royalty Pharma.

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

And well, with that, I think we're just about coming up to time. I don't see any questions in the Q&A session down below. So I want to sincerely thank Marshall Urist as well as Terry Coyne and George Grofik from Royalty Pharma for joining us today. Thank you so much, guys.

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

Thanks a lot.

Marshall Urist - *Royalty Pharma plc - Executive VP and Co-Head of Research & Investments*

Yes. Navin, thanks for having us.

Navin Cyriac Jacob - *UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic*

Thank you. Bye-bye.

Marshall Urist - *Royalty Pharma plc - Executive VP and Co-Head of Research & Investments*

Bye-bye.
