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RPRX.OQ - Royalty Pharma PLC To Host Inaugural Investor Day

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CORPORATE PARTICIPANTS

Pablo Legorreta *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

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

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

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

George Grofik *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Sara Klymkowsky *Royalty Pharma plc - VP, Research & Investments*

Brienne Kugler *Royalty Pharma plc - VP, Research & Investments*

CONFERENCE CALL PARTICIPANTS

Stephen Michael Scala *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Terence C. Flynn *Morgan Stanley, Research Division - Equity Analyst*

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

Chris Shibutani *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Gregory Daniel Fraser *Truist Securities, Inc., Research Division - Research Analyst*

Michael Bunyaner *TLF Capital*

Michael DiFiore

PRESENTATION

George Grofik *- Royalty Pharma plc - Senior VP and Head of IR & Communications*

Good morning. My name is George Grofik, and I head Investor Relations and Communications at Royalty Pharma. It's my privilege to extend a warm welcome to our inaugural Investor Day, and thank you all for attending. It's great to see everyone in person. It's been quite some time.

We have a full agenda, which I'll discuss in just a minute. However, before I do that, I'd like to mention a few housekeeping details. First, just a comment on COVID safety. While masks are not required, we have placed some at the entrance for anyone who would like to wear them, along with hand sanitizer for your convenience. Second, for those who are viewing our live webcast, a copy of our presentation can be found on the Investors page of our website at royaltypharma.com. You'll also find a copy of the press release for this event on our website. Third, there will be two question-and-answer sessions during the event. If you do ask a question, please identify yourself and use a microphone. And lastly, after the final Q&A session, there will be an opportunity to join Royalty Pharma's management team for lunch and to ask questions in a more informal setting.

I would like to remind you that information presented at today's event contains forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from these statements. I refer you to our 10-K on file with the SEC for a description of these risks. And all forward-looking statements are based on information currently available at or to Royalty Pharma, and we assume no obligation to update any such forward-looking statements. Non-GAAP financial measures will be used to help you understand our financial performance. GAAP to non-GAAP reconciliations are provided in each of the quarterly earnings press releases available on our website.

And with that, our speakers today are Pablo Legorreta, Founder and Chief Executive Officer; Chris Hite, EVP and Vice Chairman; Marshall Urist, EVP, Head of Research & Investments; Terry Coyne, EVP, Chief Financial Officer; and Brienne Kugler, VP, Research & Investments; and Sara Klymkowsky, VP, Research and Investments. Pablo will start off by discussing our unique business model, strategy and track record; after which Chris will detail the enormous opportunity for the biopharma royalty market. Marshall will then outline the unique capabilities of our Research & Investments team, and we will then move to the first Q&A session, followed by a short break.

In the second session, Brienne and Sara will discuss case studies of how we support biotech companies on their growth journeys to provide win-win solutions. As part of this discussion, we'll feature a video from Vlad Coric, CEO of Biohaven, in which Vlad underscores how Royalty Pharma has been an important partner to his company. Terry will then discuss our outlook for compounding growth over this decade. And after some brief final remarks from Pablo, we will close the formal part of the event with a second Q&A session. As I mentioned earlier, there will be a lunch with management afterwards, and we would be delighted if you could join us.

Now for those less familiar with Royalty Pharma, this slide provides a brief overview of our business. Since Pablo founded the business in 1996, Royalty Pharma has become the largest buyer of biopharma royalties and a leading funder of innovation across the industry. We have a portfolio of royalties on about 45 approved and development-stage products, which includes 12 blockbusters and some of the most transformative therapies in the industry. The right-hand side shows a selection of some of these important medicines. And based on this broad portfolio, we reported top line Adjusted Cash Receipts of over $2 billion in 2021, and our efficient business model converted the vast majority to adjusted EBITDA.

We would now like to play a short video, which provides more insight into the culture and people of Royalty Pharma.

(presentation)

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

And with that, I'd like to turn the podium over to Pablo.

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

Thank you, George. I'm super, super excited to be here today with all of you and to address our existing shareholders and the potentially new shareholders. And as a result, I'd like to extend a warm welcome to Royalty Pharma's inaugural Investor Day. I'm delighted that so many of you have been able to join us in person and online.

For those of you newer to our story, I'm Pablo Legorreta, Founder and CEO of Royalty Pharma. I started my business career in 1987 as an M&A banker before founding Royalty Pharma in 1996. I've always been very intrigued by biotechnology and its potential to transform drug discovery and development and its potential to cure disease. Royalty Pharma started making royalty investments in 1996 by acquiring Neupogen royalties that came out of an R&D partnership. And now from this initial $20 million investment, we have grown to a publicly listed company with a top line in excess of $2 billion, enormous potential to fund important medical breakthroughs and improve human health.

I'm immensely proud of Royalty Pharma and the progress we have made since our IPO in June of 2020. We are the pioneers and leaders in the biopharma royalty market. We have a unique and powerful business model and have tremendous prospects for compounding growth in the coming years. And most importantly, by funding and accelerating the golden age of life sciences innovation, we're helping to transform patients' lives.

Today, my team and I are excited to provide a deeper understanding of the fundamental elements of our business and outlook. And ultimately, why we believe we represent a uniquely attractive and straightforward investment proposition to both health care dedicated investors as well as generalist investors seeking consistent growth.

Let me begin today with our vision and our mission, which guides us. Our vision is straightforward. We aspire to be the leading partner funding innovation in life sciences. Our mission is to accelerate innovation in life sciences and transform patients' lives globally. By successfully living our vision and mission, we are confident we can deliver against our organizational goals.

We have a clear strategic plan to drive robust and value-enhancing growth. This is based on 5 pillars. First, we will continue to seek to capture a leading share of third-party royalty acquisitions for approved products and select late-stage development opportunities. When we look at development-stage opportunities, we more than doubled the number of therapies in our portfolio in 2021 and added some really interesting

medicines like gantenerumab for Alzheimer's, otilimab for rheumatoid arthritis, seltorexant for depression, and aficamten for hypertrophic cardiomyopathy. You will hear later from Marshall how we have generated above-industry success rates in our development-stage investments.

Our second pillar is to acquire newly created royalties, what we term synthetic royalties, on both approved and development-stage products, typically to help biotech partners fund R&D and commercial launches. This is an innovative funding mechanism that we developed in recent years, and you will hear more about this from Chris, including why we believe this approach provides a huge opportunity for us going forward.

Our third pillar is to provide additional funding in the form of launch and development capital. This is a smaller part of our strategy, but it's nevertheless important as it allows us to tailor individualized solutions for partners in return for long-term payment streams.

Cutting across each of these pillars is our fourth pillar, M&A. We have a multifaceted strategy, which enables us to acquire royalties through facilitating M&A transactions. We can partner with buyers when nonstrategic royalties are disposed of after the close of the deal. We can also help fund the acquisitions of companies that have significant royalties and further create synthetic royalties. A great example of this last approach is the MorphoSys transaction which we announced in June of 2021, under which we agreed to provide up to $2 billion of funding for their acquisition of Constellation. In this acquisition, we utilized our full suite of funding tools to enable mid-cap M&A, which has historically been an area of limited M&A activity given funding challenges.

Lastly, since our IPO, we have added a fifth pillar to our strategy, which is to identify opportunities in synthetic adjacencies, which leverages our team's capabilities. An early example is our strategic alliance with MSCI to develop thematic life sciences indices.

So having set out our vision and mission and strategy, I want to dive a little deeper now into our business proposal -- business prospects. Today, I want to leave you with a few key messages, which we will expand on during the course of our presentation. First, we have a tremendous track record of growth. From 2010 to 2020, our pioneering of the biopharma royalty market has enabled Royalty Pharma to deliver a 13% compounded annual growth rate in Adjusted Cash Receipts, our top line.

Second, our unique and flexible business model allows investors to gain access to the best of the biopharma industry without exposure to many of the common industry challenges and risks. Third, we have a large economic moat. We have maintained around a 60% share of the royalty funding market and even greater share for larger transactions. Our model, scale and platform provide durable competitive advantages, which we're confident will sustain our clear industry leadership going forward.

Fourth, while we have been at this for over 25 years, we see enormous opportunity and feel we're just getting started. There are strong fundamental tailwinds supporting growth of the royalty funding market. The wave of life sciences innovation that is underway will create huge demand for capital from the biopharma industry, which we estimate at over $1 trillion. We're uniquely positioned to play a leading role in providing funding solutions to accelerate this wave of innovation. And in doing so, we will help transform patients' lives.

And lastly, by capturing the clear opportunities we see ahead, we expect to deliver attractive compounding growth. We expect to deliver double-digit top-line growth through 2025 and achieve at least a 10% top-line CAGR through 2030. This would position us as one of the fastest-growing biopharma companies over the decade. This is a bold claim, and we will describe in detail how we expect to achieve this growth over the course of today's event. So let's drill down into these five factors that have and will continue to drive our success.

By successfully pursuing our strategy, Royalty Pharma has become the partner of choice and the leading provider for delivering royalty-based solutions across the biopharma ecosystem, from global pharmaceutical companies to small mid-cap biotechs to academic institutions and nonprofit organizations. We have built a deep network and unique relationships through a consistent innovation of tailored funding mechanisms to meet the specific and often very different needs of our partners. Our approach is always to achieve win-win solutions.

We have built a track record of exceptional financial performance that my team and I are very proud of. Since 2012, we have doubled our top line. And in the past five years, we have deployed an average of $2.1 billion of capital in royalty acquisitions, representing around a 40% increase over the average of the prior five years. This reflects the growing demand for royalty funding, our market leadership position and consistent innovation in funding solutions, our best-in-class platform and research process and the ongoing wave of life sciences innovation, further supported by our

public company status as we become even more well-known to the global industry. As Terry will discuss later, we have continued to achieve attractive returns on this capital deployment, which have remained consistent over time.

It's important to understand where we've been to appreciate where we are, and more importantly, where we're going. We have consistently innovated new funding solutions as we have evolved and scaled our business. In the 1990s, we operated as a closed end serial fund focused on third-party royalties and achieved proof-of-concept in our business model. In that period, we deployed around $40 million in capital. In the 2000s, we converted into an ongoing business with an indefinite life and lowered our cost of capital with leverage. Over this period, we deployed around $4 billion in capital, and we expanded into M&A-related royalties. Since 2010, we have substantially expanded the investment scope of our business, grown our team and evolved our model further. The types of funding solutions we provide have expanded to include development-stage funding, synthetic royalties and supplemental funding. In total, we have invested around $20 billion in capital over the period since 2010.

As I will discuss shortly, we took a major step forward with our IPO in June of 2020, which gave us deeper access to the capital markets, increased our transaction capacity and broadened our shareholder base. With our significantly larger balance sheet, we were able to announce $5.9 billion of royalty transactions in the past two years, well ahead of the run rate we indicated at the time of our IPO. Looking forward, I am as excited as ever about the prospects for our business. We have maintained our market leadership position and built a strong track record through consistent innovation and a deep understanding of the needs of our partners. With an addressable market of well over $1 trillion, we plan to significantly scale our business to meet the enormous opportunities we see ahead. Lastly, we plan to continue to innovate with new funding solutions as we believe there is no shortage of opportunities to deploy capital towards attractive value-enhancing transactions.

With that, I want to expand on my point earlier about how our business model offers a unique way to invest in biopharma by maximizing exposure to many of the industry's trends while minimizing exposure to many of its common challenges. In terms of biopharma industry strengths, our portfolio provides broad exposure to some of the most transformative therapies in the industry, including 12 therapies with more than $1 billion in end market sales and many well-known best-in-class brands. We have a top level -- we have a level of diversification of the top line and especially the bottom line, which is unique, given the breadth of our portfolio. This also brings us a high level of therapeutic area diversification, which is not common in the industry. Our portfolio benefits from long product life cycles; our average expected duration is around 13 years, exceeding that of many big pharmas and large biotechs.

Our broad portfolio, which is characterized by waves of growth, also means we're less exposed to losses of exclusivity or so-called patent cliffs. And this, in turn, supports our expectation of delivering more consistent and sustainable growth than the biopharma industry. We have an exceptional level of management continuity, an owner-operator mindset and are aligned with shareholders, with employees and the Board owning 34% of Royalty Pharma shares. Lastly, we're not constrained in our investment choices. Effectively, the entire life sciences R&D ecosystem is our pipeline. When we turn to industry challenges, we do not take on early-stage development risk, which clearly differentiates us from biopharma.

Our pre-approval investments are focused on late-stage products with compelling proof-of-concept, which combined with deep due diligence increases our chances for success. We do not bear the high R&D and SG&A cost basis of big pharma or biotech, and we're able to scale our business at marginal additional cost. We're not constrained in terms of therapy area in which we choose to invest and in the different modalities within any given therapeutic area. We focus solely on the strength of the science and the level of unmet patient need. Finally, our proprietary sourcing provides a competitive advantage: around half of our deals are negotiated on a bilateral basis and are not auction-driven as Chris will highlight later.

Moving on to our competitive advantages. Over more than two decades, pioneering this industry, we have developed significant strengths and built deep capabilities, ultimately creating a strong competitive moat. Today, our business is stronger than ever. As a result, we remain the leader in the royalty funding market with around a 60% share of transactions by value. Our business model differs from other royalty buyers. We're a publicly traded company with a long-duration portfolio, a mid-single-digit cost of capital and a low cost of debt. Our competitors, by contrast, are typically based around serial structures as we were when we first started 25 years ago with shorter portfolio duration, higher cost of capital and asset-specific debt or equity investments.

Our scale also sets us apart. Our royalty portfolio of around 45 approved and development-stage products is uniquely broad and we have a proven ability to execute large and complex deals. We have deep capital markets access, both equity and debt bonds and the ability to leverage our portfolio. By contrast, our competitors typically have smaller, more concentrated portfolios and are limited to more costly, private debt and equity.

Lastly, our platform has a strong competitive and durable advantage. We pioneered the market for life sciences funding, and we have a long-tenured experienced team, which we continue to grow.

We have a singular focus on biopharma, and we have a long history of successful collaboration and deep industry relationships, which continue to make us the partner of choice. Our competitors typically have a multi-strategy approach without a sole focus on biopharma and they lack the history, track record and network that we have painstakingly built over the past 25 years or so. Importantly, our competitive position has strengthened further since our IPO.

Across multiple metrics, our business model, scale and platform have each benefited from our becoming a public company. As well as improved access to capital, we have more than doubled the weighted average maturity on our debt to over 12 years, and we have nearly doubled our capital deployment and cash flow streams compared with pre-IPO levels. We have also increased the number of in-depth reviews we conduct of investment opportunities as well as the size of our team by a factor of nearly 2x.

Over the last decade, we have been the market leader in royalty transactions with an overall share of around 60%. But especially striking is our share of the larger, more complex transactions. For deals valued at between $250 million and $500 million, our share is 53%. While for those valued at more than $500 million, our share is 83%. In short, we're the go-to partner of choice for larger transactions. This reflects our deep access to capital and diversified portfolio, as well as our proven ability and long track record in innovating and executing funding solutions for our biopharma partners.

Royalty Pharma has a diversified collection of growth drivers across our portfolio. First, we have a base royalty portfolio of around 25 approved products, including 12 blockbusters. As we will explain later, this portfolio is performing well and has contributed to increasing in our top line guidance. Second, we expect significant growth in the coming years from the 9 recent product launches across our portfolio. Based on consensus models, six of these products are expected to become blockbusters by 2025. The list includes truly transformative medicines that many of you will be familiar with, such as Erleada for prostate cancer, Evrysdi for spinal muscular atrophy and Nurtec ODT for migraine. Third, we have a pipeline of 10 development-stage candidates. Here, we have a highly competitive track record of picking winners with great success rates.

And lastly, future royalty acquisitions. Terry will detail our new capital deployment target of around $10 billion to $12 billion over the next five years, which we expect to drive further growth and value creation for our shareholders.

An important differentiator of our business, especially when looking at other biopharma companies, is our long-duration portfolio and ability to consistently replenish and add to our growth. Currently, our portfolio has a weighted average duration of around 13 years, which compares very favorably to many large biopharmas. And of course, we will seek to deploy capital in value and growth-enhancing transactions so that our runway is consistently extended. Since our IPO, we have increased the duration of our portfolio that extends beyond 2030 to 80% from 70% through new royalty acquisitions.

This process of consistent portfolio replenishment and diversification allows us to absorb losses of exclusivity in a way that other biopharma companies cannot. As an example, last year, we faced the expiration of royalties on our HIV franchise. This was our fourth largest source of royalties in 2020, accounting for 13% of total royalty receipts. Despite the resulting 900 basis point drag from losses of exclusivity on our top line, we still delivered high teens growth in 2021.

Royalty Pharma offers access to a broad range of market-leading therapies. Around 1/4 of our royalty streams currently come from blockbuster products. In fact, 12 products in our royalty portfolio have end-user sales of more than $1 billion. And of these, four have global sales greater than $3 billion. This degree of exposure to the growth of premier therapies is rarely available in the biopharma industry. This is also important because these are products that marketers will continue to aggressively invest in given their importance to the company.

Another important advantage of Royalty Pharma, which sets us apart from big pharma and biotech, is that we're not constrained in terms of therapy area in which we choose to invest and in the different modalities or drug classes within any given therapy area. We're generally agnostic in this regard and are led purely by the strength of the science and the unmet patient need.

Over our history, we have been able to invest in multiple core products in the same class, which is unique, and which also builds deep capabilities in certain areas. For example, in the anti-TNF category, we received royalties from Humira, Remicade and Cimzia. And in prostate cancer, we received royalties on Erleada and Xtandi. For us, the primary advantage is our ability to expand investments in the most practice-changing and innovative therapeutic categories in the industry, with minimal to no regulatory complications. A secondary benefit is that this provides us with a partial hedge against competitive shifts in these therapeutic areas.

We intend to capture the leading share of this very large opportunity by accelerating our deployment of capital. Most recently, you will have seen that the rapid expansion in the royalty funding market and our strengthened competitive position as a public company have resulted in us investing in royalty transactions at a rate that exceeded our initial target. At the time of our IPO, we provided a five-year forward capital deployment target of greater than $7 billion, which implied an average annual cash spend on royalty acquisitions of around $1.5 billion.

To reflect our most up-to-date assessment, today, we're increasing our five-year forward capital deployment target to around $10 billion to $12 billion. This implies an average annual investment of $2 billion to $2.5 billion. And when we look further out, we see the potential that this annual spend could increase to around $4 billion to $5 billion per year given the very significant opportunity we see for funding life sciences innovation.

Based on the strong secular trends, the business momentum we're experiencing and the increase in our capital deployment plans, we are today raising our long-term top-line growth guidance. At the time of our IPO, we forecasted a compounded annual growth rate in Adjusted Cash Receipts, our top line, of 6% to 9% for the period 2020 to 2025. In February 2021, we lifted this by 100 basis points to 7% to 10%. Today, we're significantly raising this outlook by around 50% to 11% to 14%, annually.

On a relative basis, our new long-term growth target compares very favorably to the S&P 500, the S&P Health Care sector and our biopharma peer group, and it's a healthy 1.5x to 2x these benchmarks. Furthermore, as Sara will detail later, we now expect to achieve at least 10% top-line CAGR through 2030, which would likely position us as one of the fastest-growing biopharma companies over the decade. This is a bold statement but reflects our confidence in our competitive position and capabilities together with a very large opportunity set I just described.

Importantly, we're committed to delivering premier growth while operating as a responsible business. We consider ESG to be an important driver of value for all our stakeholders. We're a relatively small company in terms of headcount and footprint, but we're putting in place an environmental program centered on carbon neutrality and waste reduction, supported by employee engagement and training. Our social commitments to our people, our stakeholders and our community are already well embedded in our policies and behaviors. We have a strong focus on diversity and inclusion and on employee development and satisfaction, which has resulted in a very low employee turnover.

We also issued a $600 million social bond last year, which aligns with the United Nations sustainable development goals. We committed to use the funds from this bond to invest in innovation for underserved diseases, such as rare diseases and for top diseases or leading causes of death as defined by the World Health Organization or United Nations. Lastly, we're very committed to philanthropy.

On governance, risk management, compliance and the highest ethical standards are foundational to our culture. We maintain a diverse independent Board, many of whom are with us today here, with robust ESG policies, practices and oversight. And we're increasingly using ESG to inform our investment process.

Expanding on my comments on philanthropic support, the slide shows select examples of the important donations that Royalty Pharma and its management have made since 2020. In total, we have contributed $62 million to non-profits. Most recently, we signed a collaboration with Mount Sinai Hospital, under which we will provide $20 million to help understand and combat health disparities. Our donations have also helped to advance a world-class National Cancer Institute at Brown University, and we have provided support for the COVID-19 response, as well as improving access to blood cancer care.

This slide summarizes our recently announced alliance with Mount Sinai to improve health equity. Many of you will be aware that there are disparities in health outcomes in some communities as a result of racial, ethnic, gender and other factors. Through this alliance, we will provide financial support over the next five years together with our data and analytics capabilities to advance the care of these underserved communities.

Fundamental to our success is a team-oriented culture, an owner-operator mindset. We have 66 highly engaged employees with an equal gender balance and significant diversity, including by ethnicity and national origin. Our executive team has an average tenure of around 12 years, and around 1/4 of our people have advanced degrees. As I mentioned earlier, we pay close attention to employee satisfaction, and as a result, have experienced very low turnover at around 7%. Lastly, around 34% of our capital is owned by employees and the Board, which means that we're fully aligned with the best interest of our shareholders because we, too, are shareholders.

At Royalty Pharma, we have built a powerful engine, which we are confident will sustain value creation and compounding growth for many years to come. At its heart is our flexible business model, our platform and our scale. By leveraging these core attributes, we build on our role as a leading partner in life sciences innovation, providing sophisticated, tailored funding solutions. This, in turn, allows us to accelerate innovation and improve human health. With our low cost of capital, we generate returns on investment, which we reinvest in our virtuous cycle. The output from this engine is compounding top line growth, which coupled with our efficiency and high cash conversion, enables us to deliver sustained attractive shareholder returns.

In closing, Royalty Pharma offers a simple investment thesis. Successfully investing in the biopharma industry requires a very particular skill set. It requires deep understanding of the science, of competitive and technological risks, of regulatory and clinical trial risks, of trends in drug pricing and reimbursement, and of litigation and IP risks. It also requires strong financial know-how, including the ability to accurately model the impact of losses of exclusivity. And our successful investment in biopharma often requires an investor to tie all of these inputs into a financial model. The key here is that we need to get most of this, if not all of them, right. You get a few wrong and things go not well.

Through our business model, we bring access to many of the most transformative products in the industry. We have a long history of picking winners, blockbusters supported by a rigorous and institutional diligence process. We offer a broad and highly diversified portfolio with very limited binary risk. Our business model allows Royalty Pharma to consistently replenish and extend the duration of our portfolio, supporting the longevity and sustainability of our compounding growth outlook. We think this is a compelling proposition. Finally, we bring the depth of experience, a proven track record and a real passion for what we do.

With that, I'd like to thank you for your time, and I will now hand it over to Chris to expand on the enormous business opportunity we see ahead of us.

Thank you.

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

Okay. Can you hear me? I'm going to come over here, switch it up a little bit on everybody. I'm Chris Hite, I'm an Executive Vice President at Royalty Pharma. I've been at RP now just over two years. Prior to joining RP, I was an investment banker for 25 years, don't hold that against me. And primarily focused on pharma and biotech and the M&A and capital formation activities.

So today, I'm going to talk about our market opportunity. And I want to leave you with five key messages. One, we have an expanding opportunity in the existing royalty space. This is really driven by the industry fragmentation of R&D and marketing drugs, all of which leads to royalty creation. Two, the sector has significant capital needs. We estimate that unprofitable biotechs over the next 10 years will need, between SG&A and R&D, over $1 trillion. It's a lot of capital. Three, we've come up with innovative funding solutions to meet that capital needs, which dramatically expand the market opportunity beyond existing royalties. Four, we can use all of our structures and investment techniques to facilitate M&A. And then five, we believe that we have a differentiated sourcing and engagement with our partners, it gives us a competitive advantage. So those are the key messages. Let's jump into it.

You're going to hear this a lot today from people at RP and also from our partners, which is we create win-win solutions. And you heard Pablo talk about the structures and how we invest. They're on the left-hand side part of the slide. And on the right, you can see in the bubble, the partners and where we use the structures to invest.

So let's start with existing royalties. You can see that we've done a lot of deals with foundations, hospitals, pharma. There's biotechs that we've done with PTC and Dicerna most recently, where an existing royalty exists. We acquired the royalty. We take the long-term risk of the drug. Why is that good for our partners? Well, it diversifies their assets for biotech companies that sell us the royalties, it's a non-dilutive financing mechanism, and it allows them to get upfront capital today as opposed to long-dated payments. Win-win solution.

Next, synthetic royalties. This is a dramatic increase in the total addressable market for Royalty Pharma. We came up with this innovative solution. You can see the folks that we've done this with both large pharma, as well as biotech. And why is it a win for our partners? One, if you're a biotech company and you do this, it's much lower cost of capital than selling equity. Two, it allows the biotech and the pharma who sometimes partner with other pharmas, to retain operational control of the programs and of the marketing of the drug. And three, it's just a significant lower cost of equity.

So let's move down to launch and development capital as the next structure. You can see some of the companies we've partnered with in this: Biohaven Cytokinetics, MorphoSys. We provide this funding mechanism in addition to the synthetic royalties to get companies more capital, especially around the launch of their drugs. Why is this a win for them? Once again, lower cost of capital then issuing equity and far less restrictive than debt. We provide this capital, and we're willing to be very flexible and patient as opposed to the debt providers.

And then finally, we can use all of these structures to help facilitate M&A. And you're going to hear a lot about the MorphoSys transaction, and we'll talk a little bit later on how we help large pharma when they acquire biotechs.

So let's dig into the existing royalty marketplace. This is a complicated slide because the industry is complicated. The industry is highly fragmented. So when you think about it, there are more than 5,000 labs out there, academia, not-for-profit labs that get funding from governments, raise their own capital, do basic research. They out-license that research and form companies both on the biotech side and they out-license with a pharma in exchange for royalties. Large pharma and biotechs also cross license programs in exchange for royalties. And you can see that Royalty Pharma has for the last 25 years, played in between every one of these bubbles, where they've acquired these existing royalties from either academia, from large pharma or from biotechs. So that's the existing royalty marketplace, once again, driven by the highly complex and very fragmented sector.

The left side of the slide and the right side of the slide, we see the synthetic royalties. That's how we've grown the marketplace dramatically beyond the existing royalty structure. I'll get into that in a few slides.

So let's spend a little bit of time on academia and not-for-profit existing royalties. The NIH alone funds $45 billion a year and gives grants to these labs and academia, not-for-profits. Globally, we estimate there's $100 billion per year spent by governments, academia and research institutions for basic research that they then can out license. This has been a very large piece of our business over the last 10 years. If you go back over 10 years, and our committed capital represents roughly 25% of our committed capital to these not-for-profits and academia, of which you can see many examples of who we partner with on the right-hand side of the page, foundations like the Cystic Fibrosis Foundation, universities like UCLA, Emory and Duke as an example. So that's in the not-for-profit, academia existing royalty marketplace, which we expect to grow in the future.

Now let's spend a little bit of time on existing royalties that are at large pharma and biotech. If you go back 10 years, in 2010, the average license or partner for each approved drug, there was 1.5 license or partnership for each approved drug. That has more than doubled over the last 10 years to now 3.1 partnerships or license for each approved drug, dramatic increase and it shows the fragmentation of the sector.

On the right-hand side of the slide, you can see a recent deal that we did where we acquired a royalty on Cabometyx from GSK last year. Okay, that was a deal done in 2021, a 3% royalty on Cabo. Think about how that was created. You have to go back basically 20 years where GSK and Exelixis formed a collaboration to discover compounds. That collaboration was terminated in 2008. In exchange, GSK got a royalty that we acquired basically 13 years later. And along the way, Exelixis launched the drug in the U.S. but partnered with other parties ex-U.S. in exchange for double-digit royalties. That's just a snippet of what happens in the pharmaceutical and biotech sector every day, collaborations, partnerships, whether partnering on both R&D and marketing which creates royalties, which has been a huge opportunity for us historically and will continue to be in the future.

Now I'm going to move over to the expanding market of synthetic royalties. And when you think about this, it's a significant opportunity for us, and it's really just been developing over the last few years. Think about the amount of capital spent by the sector, it's enormous. If you think about

academia, non-for-profits over the next 10 years, we're expecting that those institutions to spend over $1 trillion in R&D. As I mentioned, they out-license, that creates existing royalties. Unprofitable biotechs are expected to spend $1.1 trillion on SG&A and R&D over the next 10 years. And pharma -- profitable pharma will spend approximately $1.6 trillion in R&D over the next 10 years.

So Royalty Pharma created the synthetic royalty opportunity where we actually can now partner with any pharma or biotech company on any program, there doesn't need to be an existing royalty there. We can create one contractually through a true sale of a revenue participation right, we can create a synthetic royalty. It dramatically increases our market opportunity beyond the pre-existing royalty streams that I just talked about. And how do we actually generate top line, think about the end users, the end user sales from that investment by these institutions. It's estimated to be -- the end user pharmaceutical market is estimated to be $2.3 trillion by 2030, of which $1.3 trillion hasn't even been approved yet. And that is where we actually get a piece of those end user sales through the existing -- through existing royalties and synthetic royalties.

So a question many ask that aren't necessarily close to the biopharma or pharma sector is, is this market growing? What's happening? The answer is, yes, it's growing. If you look at the left panel, the venture capital investments over the last five years have increased threefold from $12 billion in 2016 to $36 billion in 2021. Those investments lead to company formation, which turns out to be IPOs, which have also increased more than threefold over the last five years from 21 IPOs in 2016 to 74 IPOs in 2021. Those companies need a lot of capital. And the public biotechs that are greater than $0.5 billion market cap has also increased threefold from 97 in 2016 to 308 in 2021, all of which, as we just learned, need a lot of capital, we can provide that capital through synthetic royalties and through launch and development capital.

So I am just digging down a little bit on the synthetic royalty opportunity and how it's really underpenetrated. If you look on the right side of the slide, this pie chart, from 2017 to 2021 biotech basically raised $260 billion in funding through a combination of IPOs, follow-on equity offerings, pharma licensing deals, convertible debt and just the tiny sliver of synthetic royalties, just 2% of the marketplace.

I was a former banker. I can tell you that five years ago, the synthetic royalty opportunity was not being discussed at the Board level or the C-suite. It just wasn't. If companies needed to raise capital, they would go do a 10% equity dilution deal with their bankers or convertible bond offering with their bankers, not even think twice about it. That's what they did to raise their money.

I think going forward, and I think we're starting to see this really developed over the last couple of years, the synthetic royalty opportunity is now really at the forefront of their thinking at the Board level and the C-suite level. Why? Well, once again, it's a win-win opportunity for these companies because it allows those companies to retain operational control. Ask Immunomedics, ask Biohaven. Have they partnered those drugs at that early stage, would they -- and lost operational control, would they have been as attractive to a strategic acquirer?

As I mentioned, synthetic royalties are much lower cost of capital than selling equity across the entire company when we're really just funding specific assets in the synthetic royalty opportunity. So it's a -- there's lots of wins, and we're really seeing this as an emerging growth opportunity in the sector.

So once again, as I mentioned, $260 billion raised by the companies over the last five years with synthetic royalties really just being 2% of that $260 million or $4 billion. We estimate that the biotech sector will need to raise $450 billion in total capital over the next five years. So just hypothetically, if the synthetic royalty opportunity just expanded from 2% of that pie to 4%, that's an $18 billion market opportunity in synthetic royalties alone. If it expanded to 8%, that's a $36 billion opportunity for synthetic royalties going forward. Massive opportunity.

So the question is, do our partners like these structures? The answer is yes. We have repeat business with our partners: Biohaven, four transactions; BioCryst, two transactions; Cytokinetics, two transactions. They understand the benefit of doing synthetic royalty deals with us -- they understand the advantages of launch and development capital. They understand it's a cheaper form of capital for them, allows them to retain operational control. People are really starting to understand this. I don't need to spend a whole lot more time because Marshall, Brienne and Sara will really go through a lot of these case studies. But repeat customers is evidence that they like what we're doing.

I'm going to switch gears now to M&A and how we can facilitate M&A. On the left-hand side of the slide here, we list mid-cap M&A. Okay. I was an M&A banker for 25 years. There was really not much mid-cap to mid-cap M&A at all in the sector, and there's a really simple reason for that. And

the reason is the target companies want cash as consideration. And if you're a mid-cap biopharma company just launching a drug, one, you're not creditworthy because you're likely not making money. And two, you don't have the capital to deliver to the target shareholders.

So how are you going to get the capital? Well, banks aren't going to lend it to you. But guess what, Royalty Pharma can extend you the capital through buying existing royalties, creating synthetic royalties, providing launch and development capital, and we did that with MorphoSys, buying Constellation for $2 billion. Once again, Sara will go through this case study in great detail.

How else can we facilitate M&A? When a large pharma company buys a small biotech company, oftentimes, they're buying it for their lead compound, lead drug. And as we know, there's a lot of fragmentation. The biotech company may have an existing royalty on something they out-licensed years before that. And this was the case with Astellas and OSI.

I actually happen to be the banker on this deal representing Astellas back in the day. It was a hostile transaction where they're trying to buy OSI for one of their oncology drugs. But OSI had a royalty state on the DPP-IV patents. Astellas had zero interest in that, no interest in that. They were buying it for the oncology drug. But I told Astellas at the time, and I've worked with Pablo and the team for many years, so I knew that they would be very interested in this. I said Astellas, after you buy the deal, after you buy the company, we can approach Royalty Pharma and you can sell that. And that's exactly what we did.

We closed the transaction with OSI. I picked up the phone. I called Pablo. I said, "Would you be interested?" And right after the transaction, we sold that DPP for royalty estate for $609 million, which helped defray the upfront cost to Astellas. Once again, a win-win transaction that Royalty Pharma created. I'm going to switch gears now to sourcing. We think sourcing provides us a competitive advantage. So sourcing, we track, we engage, we do diligence, we execute transactions. I'm going to spend a little bit of time on sourcing, tracking and engagement.

You might imagine we have a comprehensive database of royalties and licenses out there. We map those. We closely follow the clinical and commercial progress of those using our strategy and analytics team as well as just our -- the broader team. We engage with parties early, so they understand how we can work with them, how we can provide capital. They understand how we work. We understand how they work. We drive earlier engagement.

So years before, maybe we're ready to invest or they're ready to take our capital, we're meeting the companies. We're understanding the programs and they're understanding what we do. So what are the results of that?

If you look at the right side panel, companies that are in Phase 3 or later that have a market cap of greater than $1 billion, we effectively, over the last handful of years, have met with 80% of those companies. That's a lot of companies.

If you're a company Phase 2 or later that has a market cap of greater than $0.5 billion, we've met with 66% of those company over the last handful of years; a lot of companies. We're engaging with companies when it would be probably 1 or 2 or 3 years before we would ever want to invest in that company, but they understand how we work, we're building relationships. And that really, I think, leads to the following slide.

Pablo mentioned this, and I think it's really a remarkable slide. We went back to 2016, 2016 to current, and looked at the 14D-9's of every M&A deal in the pharma sector. We read the background of the mergers, and we determined how many were broad auctions, limited auctions, the limited auctions is three or less parties or how many were bilateral negotiations.

Basically, 87% of every pharmaceutical M&A deal is an auction, 87%, with 59% being broad auctions. Only 13% of deals done in pharma are bilateral negotiations. Compare that with Royalty Pharma transactions over the last five years. 52% of our transactions are bilateral negotiations. -- with only 30% being broad auctions.

Why? Early engagement, relationships, trust, those are really meaningful words, and we really deliver on that. And we -- and they know that we deliver win-win solutions, and we're really proud of that. So I'm going to leave you with my five key messages again today.

One, the existing royalty opportunity is growing and expanding, given the industry fragmentation of R&D and how drugs are marketed. Two, the sector needs a lot of capital. Remember, unprofitable biotechs are expected to burn over $1 trillion over the next 10 years. Three, we've come up with innovative funding solutions to address that need. We don't have to rely on an existing royalty to be out there. We can create a royalty on virtually any product under development or ready for launch in pharma or biotech. Four, we can use all of our funding solutions to facilitate M&A. And five, we believe our relationships and early engagement provide us a competitive advantage on sourcing transactions. With that, I'd like to thank everybody for attending here in person and those on the webcast. And I'd like to hand it over to my partner, Marshall.

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

Thanks. So good morning, everybody. I'm Marshall Urist, and I head up the research and investment team here at Royalty Pharma. By way of quick background, I've been at Royalty Pharma for nine years or so. And before coming, I had a career as a sell-side analyst in Biotech.

So for anyone who's new to our story, the research and investment team is the group of Royalty Pharma that is really central to our investment process, from the earlier stages that Chris talked about in terms of identification and sourcing through our diligence process which I'll tell you a lot about today, then through structuring and negotiation and ultimately, execution, Of course, collaborating with many other parts of our team along the way.

So I'm going to talk about the research and investment effort at a high level and some of the things that we're doing now and why we're really excited about the future. And then you're going to hear from a couple of our key team members. Brienne Kugler, a VP in our team, is going to talk about our partnership with Biohaven, one of our most important and successful partnerships. And then Sara Klymkowsky, another VP in our team, is going to talk about our partnership -- sorry, one of our most complex and interesting deals over the last year, and that's our deal with MorphoSys.

So the 3 key messages I want to leave you with today. The first is that everything we do starts with our team. It is foundational. Attracting, developing, retaining the very best talent is absolutely critical for our success and makes everything else possible.

Second, we have a really differentiated investment process that we've institutionalized and honed over 2.5 decades, and I'll talk a lot about that. And then finally, we really think about research and investments as a platform that has scaled and will continue to scale into the future to leverage our very unique position in the biopharma ecosystem that you heard about from Pablo and Chris earlier.

So what makes it unique? First is tenure. Like I just mentioned, we've been at this for 25-plus years, and that gives us a really unique perspective. We have a One Royalty Pharma team philosophy that I'll talk about that's really critical to how we work and our track record to date. We have an open business model, meaning there's no cookie-cutter definition of what a Royalty Pharma deal looks like. We really start with trying to find a win-win solution for our partners.

As I just mentioned, we think of what we do as a real platform that is really built to scale with all the growth we see ahead of us. we have a really deep due diligence process. And finally, an important part of our process is a continuous focus on process improvement with a great example of that recently being the establishment of the strategy and analytics team and our data effort that I'll talk about later. So before we get into the details, I want to come back to our team. And this incredible team that you are seeing here is the foundation of everything that we do.

So we can have the best processes and the best platform, but without incredible people to execute it, it really wouldn't work. And so I couldn't be prouder of the team we have today. Our team has grown a lot over the last 10 years or so. In 2012, just before I joined in 2013, research and investments was about six people. At the end of 2021, that had grown over threefold to 21 people. And as we look ahead to 2025 and beyond, we fully expect to continue to scale the team to meet the opportunity that we see in front of us.

Another way to look at how we've scaled and evolved over time is thinking about Royalty Pharma in terms of functions and capabilities. In the mid-'90s, as Pablo talked about, when he founded Royalty Pharma, it really was more or less just research and investments. Then over time, we purposefully added key internal capabilities; finance, accounting, legal. More recently, as I mentioned, we've added a data effort in strategy and analytics. We've added Chris and his team and investments in capital strategies. Even in accounting, we've deepened our expertise there with an

advisory and strategic part to that as well. In parallel with that, the investment capabilities and what we do evolve -- has evolved very significantly, as you heard about from Pablo and Chris.

When Pablo started, it was just pre-existing royalties on approved products and has grown dramatically in the ensuing decades to include development-stage or unapproved therapies, R&D funding, equity investment, synthetic royalties. More recently, the development launch capital structures that you've seen us start to work with. And we fully expect to continue to innovate into the future with new structures to fund biopharma.

So let's get into our process, and we really think of it as three key drivers. The first is our approach and how our teams work, and I'll talk more about that in a second. Second is the depth and breadth of our diligence process. And then finally, and I think most importantly, is a deep culture of accountability, where there's one team that owns the whole process, the executive leadership team that you're hearing from today is really involved in every step. And that owner-operator mindset that Pablo talked about really drives us even down to the individual team and project level. So I mentioned this whole concept of one Royalty Pharma team.

And I think to understand it best, I think we need to contrast how we work to how traditional business development is often done in biopharma. And as Royalty Pharma evolves, we really developed our process and how we work to avoid some of the key drawbacks that we see in the traditional model. And the first one is the idea of siloed due diligence. So as you can see here on the left, that often, as due diligence goes through -- progresses through the various stages, lots of different stakeholders in the organization will contribute views.

The R&D organization might have perspectives on the science or the clinical diligence; commercial, the commercial people provide key model inputs, but it's all very siloed with different people providing different inputs, and you don't have one central team that's driving the process. Then all of that due diligence is packaged and then passed on to a committee or a series of committees or some other body that's really there to make the decision. And I think that concept of layer decision-making is the second thing that we're really set up to avoid.

And so, finally, of course, all of that leads to a transaction decision. And I think our view on that is that it also tends to lead to reduced accountability. Now to contrast that, on the other side is how Royalty Pharma works. And we bring this One Royalty Pharma team philosophy. And I can't overestimate how important this is.

Our One Royalty Pharma deal team is involved from the very, very beginning of identifying and developing opportunities through doing diligence, structuring and negotiation all the way through to execution. And as I mentioned, without question, we work with different parts of our team, like legal and finance along the way, but it's that deep product knowledge, the feel for the product, the clinical trial, the company that really informs every stage of what we do.

As that progresses through the various stages, as I mentioned, our executive leadership team is there along the way as we build and refine our thesis. And so what that means is true unified decision-making when we get to the end. There aren't various steps. Everyone is brought along together to result in a final decision. And I think that continuity, that unified decision-making is really key to our track record and the power of what we do. And I think it leads to that ownership and accountability and important, the high levels of conviction that we need to make our investments.

So there's a ton of detail on this slide about our investment process and our -- but it's up here for a purpose to make some key points. The first is our process is deep and wide. We say we often say internally, if it's knowable and we need to know it, we will go and find the answer. There is no resource that we won't go after to try and answer a question. But knowing what questions to ask is not enough. I think the platform aspect of what has been built at Royalty Pharma over the 25 years is having the ability to go out and know where to find the best, most informed answers to all of these questions, but even knowing what questions to ask and knowing who to ask isn't enough.

I think the other really powerful part of our platform is having the ability to integrate all of these various forms of information into one coherent investment process and make a coherent investment decision. Now we're always adding and refining this list, but I think taking a step back here really shows you how deep we will go and every question we will try and answer in trying to get to the right conclusion on a given product.

So what does this look like in practice? Well, I think one of the founding insights that Pablo had when we were first working on our process is that the biopharma world is just too varied, too complex, too dynamic to ever have all of the domain-specific expertise that you need in-house for a

given project. So we developed this idea of having a small internal team that then you go out and you build this very large external team that is sometimes not obvious when you see the deals we do from the outside. So it might look like a small team at Royalty Pharma, but in all actuality, you have a very big external team that's staffed by world -- by getting world-class expertise on a project-by-project basis.

So to show you what that actually looks like in person, in the real world, we have four recent prominent investments. And so you can see here for each of these, we had a relatively small internal team. And then we had over 15x that many people that were working externally on each project. And so you can see that's how we create a lot of scale, and that's how we create a lot of leverage from our relatively small focused internal team.

Now an important point, and this is something that is not also, that's hard to see from the outside, is that we will really run hard and fast and go far even sometimes when projects don't work out. And I think that culture of saying no and being able to walk away when a project isn't right or isn't going in the direction we want it to also a critically important part of our culture and all process, and I'll return to that in a second. But here's a real example.

So this is a past project. Of course, I can't tell you what it was. But you can see here, we had our regular small internal team. then we made a huge investment of time and effort to try and get to -- try and get this project over the line as you can see here. But unfortunately, we got to the end. Someone information came to light at the sort of end of our diligence, that meant we couldn't go forward. But there was no hesitation on our part in terms of saying, if it's not right, it's not right, and we'll walk away, no some cost decision-making, no inertia of a project might have on its own.

So we've built a platform and a process over two decades. But I think key to that has been a real focus on continuous process improvement. Are we leveraging the best sources of information? Are we doing everything that we can do to be the best at what we do? And so a great example of that process improvement is the Strategy & Analytics team that's headed by Sandy Balkin that's been built over the last few years.

So Strategy & Analytics is an in-house data team that manages a very large resource of in-house data that is really helping us in a number of ways. And I think at a high level, there's two big benefits that we're seeing. The first is probably clear, and that's internal. Having these data resources and the people to help us interpret all that data is really key and is becoming more important every day to our investment process and giving us the very best deepest insights for the projects that we work on.

But as we've done more and more of Strategy & Analytics, it's been clear that the second aspect of how this is going to be really powerful for us is external. And that's what we've seen is that the -- that all of these deep, really interesting insights that we're generating, we can also share with our partners to help them in terms of commercial strategy or clinical trial design or understanding the competitive landscape.

And I think as we share these kind of insights with our partner, it evolves Royalty Pharma's position to not just be a provider of funding to be much more of a strategic partner. And I think there's definitely a virtuous circle dynamic there as we provide not just capital, but greater strategic insight that we more and more become the partner of choice.

So what's the vision for Strategy & Analytics? So there's two big efforts inside of that team. The first is called strategic search and evaluation that's led by Bill Grau. And that is a science-driven effort that really focuses on development landscape -- things like development landscape, scanning, therapeutic area, mapping, really being on top of all of the incredible basic science that's coming out all of the time.

And the real core mission of this team is horizon scanning for Royalty Pharma, positioning us for the future. Our deal teams internally are so intensely focused on trying to get the next deal right or focused on the next two deals that sometimes it can be hard to take a step back and really think long term about how we should be positioning ourselves. And I think that's the core mission for this team.

Part of this effort is going to be earlier partner engagement, like Chris referenced as well, to start to identify exciting opportunities early on and engage with them and get -- and we get to know them, they get to know Royalty Pharma better so that when the time comes for potentially working together, they know us better and we've helped them think through how we and royalties could be a part of their capital plans.

Now the other big effort here is also really exciting, and that's a data analytics effort that's led by Sandy, who I mentioned; and then also Oodaye Shukla. And so here, this is a deep data analytics effort that focuses on things like medical claims, real-world evidence, thinking about sales and

marketing benchmarking. So does the forecast match the spending level that a company might be thinking about or thinking about payor and formularies in a really deep way.

So really what we're trying to achieve here is a proprietary integration of many different data sources so that we have an absolutely best-in-class platform for market evaluation and forecasting. And I think the kinds of insights we're getting from this are really exciting and are becoming absolutely core to nearly every project that we work on at this point. So it's great to talk about all this at a high level.

But I want to show everyone exactly how we use this in a real way and how it's so powerful for our process. And I want to use an example of a recent transaction, which was our deal that we announced in January with Cytokinetics. Now for anyone who doesn't know, Cytokinetics is a biotechnology company that's based in San Francisco that focuses on muscle biology and areas like cardiology and neuromuscular disease.

And so we were talking to them about funding a key Phase III program of theirs called aficamten, which you heard Pablo mention earlier, for a disease called hypertrophic cardiomyopathy, which is a bit of a mouthful or HCM. And so this is a great example to talk about how we use Strategy & Analytics because it poses some common challenges that we would often work through in a different way in the past. And specifically, that the HCM is a novel disease area. There are no FDA-approved therapies. So there's no precedent to help you think through the commercial opportunity. And often, that means that there's more limited external sources of data. Also importantly, Cytokinetics and with aficamten, we're going to be second to market behind Bristol-Myers Squibb, who recently had the first-in-class drug called Camzyos approved in the last few weeks.

So how did we approach this? Well, we partnered with Strategy & Analytics as we're increasingly doing on every project to really deeply interrogate the in-house data resources. And I want to put some numbers on the kind of resources that we're bringing to bear here, which is that we have an internal medical claims and electronic health record database that encompasses 150 government and commercial payers, 90 million patient lives and over 20,000 physician practices, which gives us a huge dataset to really drive interesting insights about disease. So here's the kinds of insights that we're starting to get.

So the first one is relatively simple. And it might surprise some people that these kind of questions can be hard to answer. But for a novel disease area, simply asking the question, how many addressable symptomatic patients are diagnosed in the U.S. can be hard sometimes. You're often stuck with triangulating from different sources of information from the academic literature or from epidemiology, or like in this case, the companies who are involved in this space are putting out -- will put out numbers as well.

But often, I think part of our challenge at Royalty Pharma is being able to independently verify that information in a really high conviction way, can be challenging. So we look deeply into that database I just described. And we're able to confidently say that we -- as we work through it, we think there are about 88,000 symptomatic addressable patients in the United States with HCM.

Now interestingly, that falls more or less right in the middle of the range that Bristol-Myers had put out there. But I can't overemphasize how important it is for us and our process in driving conviction to be able to have these kind of insights. Now knowing the number of patients is just the beginning.

And so I want to talk next about some of the deeper, higher level insights that we're able to get that I think are even more interesting and what has us so excited about this for the future. And that's the panel in the middle. And this focuses on the patient journey, the idea to what happens to patients after they're diagnosed, and I think one of the key features of our database is that we can take longitudinal insight over time, so follow a patient over many years. And so here, we looked at all patients who were first diagnosed with HCM in 2018, and then we're able to follow them over the subsequent years.

And when we looked at this data, we saw something really interesting, which is that when you look even a year later, that less than half of those patients had actually even come back to their physician for additional HCM care. And then it falls off in the subsequent years. Now some of that is probably because maybe they're not sufficiently symptomatic to need a high-frequency physician relationship. But certainly, a lot of it is because when there's no approved drugs for that condition, when there are only nonspecific therapies, when there are not companies investing in physician, patient and disease education, that you have a market that doesn't really come -- that hasn't really come together yet.

So what we saw here was an incredibly clear opportunity for market development and market expansion. And so remember, I referenced that one of the key questions was Cytokinetics and aficamten were going to be second to market. But when we saw this, we also realized that having Bristol there first, having them develop, invest in market expansion and market development was only going to be helpful to Cytokinetics. So I hope this gives you a flavor for why I was so excited about these kind of efforts and how these -- and these kind of insights are becoming so critical to driving our conviction. And this resulted in part in our $450 million deal that we announced with Cytokinetics back in January.

So I want to switch gears a little bit and talk about something I referenced before, which is our culture of saying no. Now many of you might have seen this graphic before of our investment funnel, but I want to use it to make a different point than maybe we've talked about in the past. And that's that you can see that in 2021, we saw 300 things in total at the very top of our funnel. But you can see, we only sign CDAs or confidentiality agreements to take another step forward in 85.

And then we only really did an in-depth review. And by that, we mean we really started to go deep and put resources in, in 61 of those. So I want to take a step back and have everyone realize that we are so deliberate about how we invest the team's time, which is probably one of the most important decisions we make. And so we -- you can see from this funnel is that we have such discipline about saying no. If it's not something that we really see a potential in, there is no hesitation about walking away if it's not right. And I think that discipline to walk away from things is an underappreciated part of our process.

Now let's look at the funnel in a different way to give everyone a different sense of kind of how our pipeline and how it is evolving and how our business is evolving.

And so here, we can look at both the initial review level, that's the top of the funnel. And then the in-depth review, that's the third layer, that's the third layer across several characteristics of different kind of projects. In the first, let's compare pre-approval and approved opportunities. When you look at the top funnel, it probably will surprise no one that 80% of the opportunities that we see are approved.

Now when you go to the in-depth review level, you can see there's a very significant shift, which pre-approval opportunities go down to a little bit more than half. And so there's two big conclusions here. The first one is that there's a very high bar for us to move preapproval opportunities out of the top of the funnel. But at the same time, pre-approval opportunities are a very significant part of how we spend our time, and I'll come to that in a moment.

Second, let's think about synthetic and pre-existing royalties that you heard about from Pablo and Chris. At the top of the funnel, synthetics account for 75% of those opportunities. When we work down to the in-depth review level, it goes down, synthetic royalty opportunities are 60%, but it's still a very significant portion of what we're seeing and what we spend our time on. And this should give you a sense of why we're so excited about this as a potential -- as an important part of our business today and an increasingly important part of our business in the future.

Finally, think about it in terms of inbound versus outbound opportunities. So again, not surprisingly, inbound opportunities are about 80% of what we see at the top of the funnel. If you go down to the in-depth review level, you can see that flips entirely, where outbound opportunities are 70%. And what that tells you is that things that we pre-identify is interesting that thematically we like or that are important products is really where we spend most of our time. And I think that's another important part of understanding our process and our track record and our internal discipline.

So let's spend a little bit more time on development-stage therapies. Like you heard about this morning, we've done a lot of this over the last 10 years, $8 billion in development-stage investments. We have a very high bar here, and we're currently really excited about the 10 development stage therapies we have in our portfolio.

Now the middle panel here, this pie chart is something that our team that I am extremely proud of, which is if you break down all of our development-stage opportunities by disease area, you can see there's been a huge variety of areas that we've invested in. And I think there's no better example here of the power of our platform and our approach than what we've been able to do with a good success rate and a lot of discipline in terms of our development-stage investments. And all of that has rolled up into a really great track record of converting these development-stage therapies into approved medicines. And that's 80% by the number of investments and 95% by investment value.

Another way to look at -- another way to look at our pipeline and our funnel and how we've scaled and grown recently is shown here. You can see even over the past two years, we've seen over 50% growth in initial reviews, and that's been mirrored by an over 50% increase in our in-depth review rate, which as you -- which is part of what gives us confidence and what should give everyone else confidence that we have been scaling significantly as our markets have grown and we feel really confident we'll be able to continue to scale to meet the opportunity that you heard about from Pablo and Chris.

So you've talked a lot about how we do what we do and the types of questions that we ask. But I haven't actually touched a lot on the content, what do we actually look for. And so you can see here at a high level, a lot of the things that we look for. But actually, one of the most important things of what we look for is actually not even up here. And that's that we don't start from asking the question, is there an attractive economic or financial return opportunity in this project?

We actually start by asking questions about the product. Is this an important medicine? Is it important to patients in the system? Does it deserve a place alongside all the other incredible medicines in the Royalty Pharma portfolio? And if the answer to that is yes, we will work really hard and bring all of our creativity and long-term perspective to try and find a win-win solution that's economically attractive for us and our partner. And I think that product first approach is another absolutely core part of our process and a core part of our success.

Now our investment philosophy and approach has been and will continue to be the same, which is that we follow the most exciting products that we're seeing at any given time in a therapeutic agnostic manner. Full stop, that won't change. Now that doesn't mean as we work through things, that we don't have investment theses and themes that we think are interesting in our work with strategy and analytics or as we think big picture about all the projects that we're working on.

So we thought it would be fun to share a few of those with you today. The first one is this idea of under-innovated large markets. I think the shift towards specialty markets over the last few years, which we've seen get so much more attention, smaller patient populations, higher price points, has meant that all of this incredible innovation and science that we've seen has not to the same extent been applied in some of the larger markets that are out there that are higher volume, lower price point. And that's a really exciting opportunity because we think we're going to see cycling back to bringing a lot of this exciting innovation to bear in some of these other markets.

And I think thematically, our investments in migraine are a good example of that. More recently, the successful trial with AstraZeneca for PT027 in mild-to-moderate asthma is another. The second one is the idea of new modalities for new diseases. Now we've been asked many times about our level of interest in cell and gene therapy and things like that.

And I'll tell you the way that we think about it, which is that we -- there has been such incredible technological innovation in terms of technology platforms. But what we're really excited about is now the next stage of that, which is seeing all of that incredible investment in technology platforms start to produce some really exciting new products to tackle disease in a new way. And I think we're just at the very beginning of that process. And that's the thing that we're really excited about and we think is going to be a big opportunity for us in the future.

Next is brain disease, neurodegenerative disease, psychiatric conditions. Here's another area where there's been a tremendous amount of science to really truly, for the first time, understand what drives these diseases. And also investments in drug design and delivery to actually tackle them. And that's another -- this is another area where we see a convergence of this science to actually start to produce some really exciting new products that are going to be meaningful because we know there's profound unmet need in this space.

Finally, another thing we're excited about is the idea of targeted therapy beyond oncology. And so we all have seen how powerful it's been in terms of patient benefit to match a drug's mechanism with the driver of their cancer. But that powerful concept has really seen much less application outside of oncology. So I think another theme that we're excited about is seeing all -- seeing sort of mechanistic insight in areas like immunology or neurology and others start to be brought to bear to really match drugs to the drivers of the patient's disease in new areas.

And in fact, the example that I talked about with Cytokinetics and HCM is a perfect example, which is that you had a genetically driven cardiac condition and a drug that was designed to attack the underlying driver of that condition. And we've seen it drives very significant symptomatic benefit. And I think we're really excited about that theme into the future.

So I'll wrap up here with a couple of slides to bring a lot of the themes that I've talked about together, which is that I think there is that just simply looking at what we've done over the last two years, gives us confidence and is such clear evidence of our ability to execute on the process and the platform that I've laid out for you today.

Our team has added 21 new products in 25 different diseases to our portfolio over just two years, really showing you our ability to do high-quality work, high conviction conclusions across a huge range of diseases, both with products that are approved and preapproved. And I think this should give you a feel for why we're so confident in our ability to capture increasing share of all of the incredible innovation and opportunity that's out there.

Put this in a different way of how we've scaled even significantly over the last 10 years. So if you take the last 10-year period and you divide it into -- you divide it in half into five years. If you look at the number of transactions over the last -- into the first five years of the last decade, we did 12 transactions. In the last five years, we more than doubled that to 28. Same thing with royalties acquired. In the first five years of the last decade, we acquired 15 royalties. In the last five, we've over doubled that to 35.

So you can see, we've scaled our business and our team and our platform very significantly over the last 10 years. And this is again why we're so excited and so confident about our ability to continue to drive growth that you heard about from Pablo and Chris earlier. So it was great to talk to you about everything that we have going on in research and investments, and you'll hear from a couple of our team members after our Q&A session So thanks a lot.

QUESTIONS AND ANSWERS

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

We will now kick off the first of two Q&A sessions. If you do ask a question, please use a microphone and identify yourself, and we would also request that you limit your questions to the content covered in the first three presentations. We'll take the first question from Steve.

Stephen Michael Scala - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Steve Scala from Cowen and Company. Wonderful presentation this morning. I have two questions. And I'd just like to understand the profile of your top-line growth.

So you noted that the company grew 13%, 2010 to '20. You're guiding to 11% to 14% in 2020 to '25. You said that you could grow 10% or more in 2020 to '30. So just doing the math, that implies that growth could be as low as about 6% in '25 through '30.

And I'm just wondering, with a presentation just filled with promise this morning, why would there be a decline, especially of that magnitude?

Second question is, and I'd like to ask a question about cystic fibrosis. You've noted that it may or may not be an issue. You've quantified the impact, which is modest, but that's not the question. The question is, have you had discussions with Vertex year-to-date on this topic of their new triple? And if so, what has been the tenor of those conversations?

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

Thank you. So I guess I'll ask Terry to take both questions, which are very appropriate for him.

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

So the question on growth, I'm going to get into that in a minute. But I think high level, we're really proud of 10% or more growth over this decade and confident in our ability to deliver on that. If you look at the guidance that we've given today of growth from 2020 to 2025, it's 11% to 14%. And then longer term, 2020 to 2030, it's 10% or more. I wouldn't really characterize that as a major step down.

And I'll also touch on this later. But this assumes, and I think that we would all probably say after Chris' presentation and Marshall's presentation, that this is conservative. But this assumes for this target, you need to make a capital deployment assumption. And we're assuming that it stays flat at $2 billion to $2.5 billion per year on average.

I think Pablo would tell you that that's probably going to end up being very conservative. So I wouldn't call it a step down. I think it's really good growth, and it's something that we think will stand out versus Biopharma and really all industries. And then the CF question?

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

I just was going to add that what's been shocking to me over more than two decades of investing in life sciences is that the innovation taking place when I started was amazing, but not at the level we're seeing today. Today it's just incredible what's happening in this industry. And what has always shocked me is I remember always saying to myself, we're growing now and I can see how the business is going to grow over the next three to five years. But where is the growth going to come from five years from now, seven years from now, and has always been a surprise to me that when we get there, there are things for us to invest in that are incredibly exciting, and that end up delivering that growth. And I do agree with Terry that I think we're conservative in the way we're addressing it.

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

And then on the CF question, I mean, so just at a very high level, and we've been very clear about this. We're really excited about the CF franchise and its ability to be a long-term contributor to Royalty Pharma's business.

We think Trikafta sets a really high bar in this space. I think that was evidenced by a clinical setback that we saw from another competitor just a few weeks ago, just shows you how high the bar is and how transformative this product has been for CF patients. So we're really confident in the long term with Trikafta.

Our guidance that we've given through 2030 reflects a range of scenarios, some sort of more negative scenarios. But at this point, it would be inappropriate for us to comment at all about any discussions with Vertex at this point.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Great. Thank you very much. Take the next question from Terence.

Terence C. Flynn - *Morgan Stanley, Research Division - Equity Analyst*

Terence Flynn, Morgan Stanley. So a two-part question on guidance and then a question for Marshall. So Terry, on the guidance, can you just talk if there's any change to assumptions on your IRR just given kind of where rates are going? And then how are you thinking about that mix of traditional versus synthetic? It sounds, based on Chris' presentation, that you guys are extremely excited about the synthetic opportunity. So how are you thinking about that as a driver of the future growth?

And then for Marshall, just wondering if you can give us any color on kind of how that funnel is tracking for 2022. We're about halfway through the year now. Obviously, you guys had a big step up, as you've shown before, but how are things going this year, especially given the dislocation of the biotech market?

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

Yes. So in terms of return assumptions, we're sort of sticking with the same guidance that we've given previously. So just a reminder, what we've said is that for approved products, we expect -- we're targeting returns in the high single digits to low double digits. And then for development stage products, we're targeting teens returns.

Now you could see, I think we would expect sort of a natural sort of there could be some variation in a rising rate environment. But I think our goal is to continue to deliver very attractive uncorrelated returns over the long term, consistent with how we've sort of been able to deliver it in the past. And I'll touch on that again in my section in a second.

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

Thanks, Terrance. So on the pipeline for 2022 and on the funnel, I think we feel really good about where things are, I think from a growth and intensity perspective, I think our team would tell you, it's been a pretty intense year so far in terms of projects. I think in terms of mix, again, we've seen a really good mix of things across all the approved, unapproved synthetics, et cetera.

The important thing to keep in mind is that our approach doesn't change, right, is that, that focus on product and the importance of the product, the bar doesn't change. And so that will continually guide us. I think what's happened in the public equity markets, we're certainly seeing an increase in inbounds and because of that, but if anything, I think it's maybe an acceleration of a trend that we've talked about before, which is royalties and royalty-based funding are just becoming a fundamental piece of the pie. And you'll see, Brand, we'll talk about that as well, an important piece of the pie for companies today. And if anything, what's happening out there is just accelerating that.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

We'll take the next question.

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

Geoff Meacham, Bank of America. I just had a couple, and, by the way, really helpful events. So the wave of recent IPOs, obviously, will lead to a ton of innovative products in the next couple of years. But obviously, the vast majority are pretty early stage. And so, Marshall, you're going to be pretty busy. So the question is, are there creative ways for Royalty to get involved earlier than the approval process and still participate in value creation? I don't know, like thinking manufacturing or in clinical development.

And the second question is, you guys have a lot of legacy noncontrolling interests that predate the IPO. And just curious on the math of maybe paying off some of that for the benefit of public shareholders. I wasn't sure if there was a criteria for doing that, whether there's a discount or things like that.

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

Yes. So Geoff, on your question on how we're thinking about the fact that a lot of the crop of IPOs and new companies that we've seen have been on the earlier side. So I don't think -- you're not going to see from us any kind of significant shift in the stage at which we really -- that we really get involved in new products or development programs.

Now that being said, I think, as I highlighted and Pablo highlighted, we are always looking to be as creative as possible to achieve that. But I think in the main, you're not going to see any very significant shift from us, that being said, I think given all of that incredible science, I think we did want to highlight between what I talked about and what Chris mentioned about how earlier engagement, I think, in trying to develop those relationships is an important of our strategy going forward to address some of what you're talking about.

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

Yes. A couple of things. So Jim Reddoch, that has been involved with us for more than a decade, is going to, now that Marshall is leading the research and investment team, is going to spend quite a bit of time out actually trying to cultivate relationships earlier stage with biotech companies that can become potential partners for us down the road. And also with universities and foundations and research hospitals where we have exceptional relationships, but you just have to be on top of them.

And Jim is going to lead an effort to try to make sure that we're all present that earlier stage with all of these companies that I think is really critical. And then the second thing I would say in terms of changing the pre-approval investments. I think another thing that for me is very exciting, is what's happening with our Strategy & Analytics team. And I've been talking about this in the earnings calls because it's not only what Marshall showed us about how the insights that we gain are very powerful. And he gave the example of Bristol-Myers with a range and how we came up with 88,000, but what has happened in other projects is that we come up with bigger differences where we think that the market is smaller or maybe even bigger than what people think.

And those insights are valuable. But also, I think to the extent that we can actually be much more knowledgeable about the industry clinical trials, what different companies are doing in clinical development, we can have more intelligent conversations with the potential partners about their clinical programs. And if we can add value in those conversations to them, then the -- it's a lot less of a -- it's a partnership, and we will be able, I think, to negotiate better terms for us because we're delivering more value to these companies. And that, I think, is something that we're going to start to see more and more of over the next few years, and it's very exciting.

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

And then, Geoff, your question on the noncontrolling interest. So you're correct. We do have a noncontrolling interest where a portion of our pre-IPO investments get paid out to pre-IPO shareholders. Our assumption is that, that will continue to be an outflow that feeds into our Adjusted Cash Receipts, which is our top line.

But that will, as a percentage of our top line, decline over time because those pre-IPO investors don't participate in post-IPO investments. And you've seen that, that's been coming down steadily as we add new products where there is no noncontrolling interest component.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

We'll take the next question from Chris.

Chris Shibutani - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Chris Shibutani from Goldman Sachs. Two questions. One on the capital allocation, the $2 billion to $2.5 billion that you've provided. And then you also talk longer term about going to $4 billion. Can you talk about what you believe might be the constraints to bridging that gap? It is the volume of the nature of the opportunity set that you need to achieve? Is it internal constraints or capacity constraints?

And then a second question about the synthetic royalty approach. I think you certainly outlined how that's going to be a growing component of your overall portfolio. And when you talked about advantages, you really sort of reiterated the capacity of the partner to retain control. But are there particular types of companies or therapeutic areas or any other criteria where you think that the synthetic approach would be particularly advantageous?

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

I think, Chris, regarding your first question, the deployment of $2 to $2.5 billion per year. It's obviously an increase from what we guided just a couple of years ago. And I think it's a reflection of two things. One is the size of the opportunity and you saw the statistics that Chris talked about regarding the capital needs of the industry, which are really enormous, and the opportunity in synthetics, which we're very excited about.

But there's also M&A. You saw the Constellation -- MorphoSys-Constellation deal last year. Those are more difficult to predict because the stars have to be aligned, but those could be very significant. So I think today, we have the confidence to guide investors, analysts to the $2 billion to $2.5 billion per year. It could be larger in one year, smaller in another. I think you have to think about this as a rolling average, probably or some -- how much we deploy over two, three years.

And I think the $4 billion to $4.5 billion figure is what we see could happen over time. The opportunities are there. There's no question that the opportunities are there. The question is, are the assets going to meet our very strict investment requirement. That's the key. Are we going to be excited about those products? And if the answer is yes, and the science is really interesting, then I think we will slowly move in towards a higher capital deployment. But I guess, it's a question of being conservative and guiding with confidence and then the other is more what we see down the road. But Terry, if you want to add something or Chris, about the size of the opportunity?

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

So on the synthetic royalty question, are there a particular set of companies that they may be relevant for. I'll just reiterate that five years ago, there really wasn't much discussion at all as a banker when I was out meeting clients presenting to the C-suite or the boards. It was the capital formation was always should we do an equity deal or a convertible bond. There was never a discussion what about a synthetic royalty. And that has really begun to shift. And as I mentioned, if you're now the CFO of any publicly traded biotechnology company, I think absolutely, you've got to consider as part of your overall capital-raising criteria, synthetic royalties should be on the table at least to look at.

We may not be willing to do it at that point in time of when they need to raise the capital. But it's absolutely -- for all the reasons I stated, it's really a win-win solution for them. It's much cheaper. When you look at Immunomedics, when we did a synthetic, or Biohaven when we did a synthetic, if they had raised capital on the -- from the equity market at that point in time compared to the synthetic, the cost differential to the existing shareholders is dramatic. So once again, I just think it's going to be much more part of the conversation going forward. And it really should be -- every single company should really consider it, in my view.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

We'll take the next question, please?

Gregory Daniel Fraser - *Truist Securities, Inc., Research Division - Research Analyst*

Greg Fraser from Truist Securities. In terms of deal size, we've seen how high you're willing to go for the right deal, what about on the lower end? Do you have sort of a minimum that you're trying to stay above? And a question on the recent alliance with Mount Sinai, pretty intriguing for the reasons that you mentioned. I'm curious if you have access, or if you will have access to their population data? And how that alliance might help inform your investment decisions?

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

Sorry, can you just repeat that last bit? We were going to have access? Or what exactly did you ask us?

Gregory Daniel Fraser - *Truist Securities, Inc., Research Division - Research Analyst*

If you would have access to their large database of population information.

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

So it is a very exciting collaboration for us. I think coming from abroad, I did not grow up in this country, but obviously, I've been here for 30 years. One of the things that has shocked me is the disparity in health. This is the country that has the highest level of innovation in life sciences, more than any other country in the world, the best hospitals. But there is disparity in health equity, and access to health and also outcomes.

And I think when we started to look at that -- and we have at Royalty Pharma this commitment of investing 0.25 percentage point of our top line in philanthropy per year. And when we looked at the different alternatives that we could get involved with, we felt that Mount Sinai and the effort they have in this Institute of Health Equity Research would fit so well with our brand, and really have us doing something which is really great in terms of giving back to our community and society.

What's going to happen through this collaboration is that we're going to fund a lot of the work that is taking place there to the tune of about $20 million over the next four years, but also we're going to help them through the research. Not so much the research and investment team, but the strategy, the analytics team with all of the data. We have the hundreds of millions of patient data that we have access to better inform the research that they're going to be doing. So in fact, the contribution is going to go from us to them to a certain degree because we have access to much bigger data sources. And this is relatively new at Royalty Pharma, we have two, three years working on this. And it's really incredible what you can get in terms of information -- longitudinal information about patients, how they progress, claims data. And I think that's going to help all of the work being done at Mount Sinai, to not only be focused on this community, the area where Mount Sinai operates, but that research have impact nationally, and potentially globally, and try to better understand what's going on, and then provide solutions.

Now we might also get benefit from Mount Sinai because of the work they're doing and things that they're doing in their research that will benefit us. So it will be mutual, but it's very, very exciting, and we'll see how it develops. It's something that's brand new to us. I would tell you that the entire team at Royalty Pharma, we had interactions with Mount Sinai, met with them. And a lot of my colleagues got very excited because we've all been looking for things to do on a philanthropic side as a company where we can give back to our community and society. And it's always difficult to find something that makes so much sense. And what we all felt is that this really made sense for us. And some of my colleagues are very excited to maybe -- in their free time, spare time, dedicate a little bit of their time to getting involved, but I'll stop there.

Gregory Daniel Fraser - *Truist Securities, Inc., Research Division - Research Analyst*

Deal size?

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

Yes. I think, ballpark, and every deal is obviously different a little bit. But maybe $100 million from an investment perspective, would probably be a cutoff. Don't -- it's not -- there's going to be some exceptions perhaps. But obviously, we're going to do all -- Marshall went through and showed all the work we're going to do, and whether you're going to do all that work, whether it's a smaller transaction or a larger transaction. So we'd like, obviously, to invest bigger dollars if we're going to put all that work in.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

We do have one question from the online audience. Can you talk a little bit about competitive dynamics? How have you been able to maintain your market share with a seemingly increasing number of market participants?

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

So I think I touched a bit on the advantages we have at Royalty Pharma. And I honestly think, I would start by saying that there is other -- there are other players out there that are trying to work with companies to provide capital and fund them. But the reality is that when you look at Royalty Pharma, a lot of the things that we've discussed today, the structure we have, public company, scale, the team, which is exceptional. I honestly think we're in a totally different level than many of the other market participants. I think they're even in a different business that we're in. It's really a different business, different approach, different -- that we're in. There's some overlap in some cases, but it's very different.

And what I would say about competition is that the market is so big, so big and the capital needs are so significant that there's room for many participants. And I think what's happening as time goes by, is that the creativity, the approach we have, that Marshall highlighted very well, which starts with relationships that start very early with the company, and -- which we follow and where we really get to know the management teams, understand their needs, understand their challenges, and then trying to find solutions to them. All of that approach really results in us having these transactions, which are not competitive.

And Marshall highlighted really well how maybe 2/3 of the transactions are sort of proprietary -- 70% are proprietary. So I think great to have competition. It creates a more dynamic market. Companies seeing different alternatives is obviously a very good thing. But at the end, what happens in many cases is that we're just in a totally different -- discussion with many of these companies. It's just different. And it's something that we embrace, but we're very confident with the position we have, the strengths we have, which are just growing, and they're getting -- we're getting stronger. And I think that's putting us five years, 10 years ahead of other potential competitors.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

We have time for one or two more questions before the break.

Michael Bunyaner - *TLF Capital*

Michael Bunyaner, TLF Capital. If we were to step back and think about the success that you've built, and this incredible opportunity that you're looking at, the core skills and experience of a lot of the participants was in the transaction business. You clearly now are in the ownership and holding business. Can you step back and share how all of the shareholders benefit, yourself and public shareholders, from this? Because clearly, you have very, very attractive annuity that you're building.

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

I think my view has been that we've always been in a business that is not transaction-driven. It's not a business where we have capital. There's a company that needs funding and we transact. It's much more a business of relationships, long-term relationships. It's in a business where we've actually made investments and hold our investments. We don't sell them. We create this incredible business with very unique attributes in a portfolio with very long duration. So I think that's an important aspect of our business. Others that are getting into the market do see it as a transaction business, and have even sold assets, which we could acquire. So it's, again, very different approaches.

I think you touched on the fact that all of us here are shareholders of Royalty Pharma. And that is something very unique because it's this mindset of owner-operator business where what really matters to us is make sure that we're going to do well 5, 10 years from now, that make the right investments with the right performance, the right returns. Because we own so much of this business that we want that to happen. And so -- and another thing that we have mentioned in the past is that very unique to Royalty Pharma when we went public. I had discussions with the rest of my team and said, I want us to commit to hold 80% of what we own for five years, contractually not sell for five years. I don't know if many companies, if there's any that do that, but we've all done it. And that really shows this commitment to the long term, and to the business that we all have.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Do we have any other questions? We have one last question from the online audience. How do you expect the business mix to trend between your five strategic pillars? And do the adjacencies include earlier-stage investing?

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

I think we need to maintain an open mind. That's been part of the success of Royalty Pharma that we've innovated in so many different ways over the last two decades. And recently, what I've seen is that there are opportunities that come to Royalty Pharma that are not product-specific, that are broad technology platforms that could be applied across the industry, could be things like mRNA or other things, delivery technologies like Halozyme's technology.

And what I realized is that these technologies, if they meet the investment criteria that we have, which is high, are ones that we could get behind and then help these companies adopt these technologies more broadly. And there's an example that we haven't talked a lot about recently of an investment we did in a company called ApiJect. It's small, but could have broad industry potential. And it's not a product, it's a technology. So we have decided as a team to actually be more open-minded, and look at these things, and be very selective. And it's going to start like many things small. And eventually, we have success that will grow. But that's an example of an adjacency. And obviously, the MSCI collaboration where we're helping MSCI to create life sciences indexes and launch them is something that I'm also very excited about. And it's going to start small, but over the years, it could become big as the industry becomes more sophisticated and many indexes are adopted to give investors things they need to make better investments. And it will be a royalty for us that we will collect for a very long period of time.

But I think the point is we have an infrastructure, relationships, an incredible team. And why not take advantage of a lot of the knowledge we have to very selectively make these investments in things that we think could be additive to our business, but could also over time have potential to deliver good revenue and returns for us. And that's what I would say about adjacencies. It's something we're doing now. It's small, and we will see where it goes.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Great. We'll take next question from Steve.

Stephen Michael Scala - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Steve Scala from Cowen. Pablo, you've been in the industry for a long time. I'm just wondering, based on your experience, how you look at China as an opportunity or a risk going forward? Investors are very apprehensive about the opportunity. So when you're looking at a product that may have a large potential market in China, is that something that you would go after with more vigor because you view it as a phenomenal opportunity? Or would you shy away from it because you're concerned about long-term risk?

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

I think China is interesting for sure. And the team and myself have been to China multiple times over the years to try to get a feel for what's going on there. And actually, as part of this MSCI effort, we started to realize that it is incredible. There's something like 700 companies or maybe the market, the biotech market cap was $700 billion or something to that extent. And it was $50 billion-or-less like five years ago. So there's incredible science now taking place in China. The market is huge. And we were just recently talking to AstraZeneca's CEO, Pascal, and how he was talking about China. He's become the biggest pharma company in China with, I think, $6 billion or $7 billion of revenue. So there's clearly a lot of potential there. And I think a lot of the projects that we invest in will have a China component. So there's no question that we're benefiting from that. But at the end of the day, we -- when we model the investments, the focus is U.S., Europe, and then we do look at other markets. But obviously, the focus is U.S. and Europe. And if there's a China benefit, great.

I think we will keep an open mind to see what happens over the years. And obviously, this relation with MSCI will be helpful also because we're going to start to see how the whole biotech market is developing in China with a lot of these indices. And we'll keep an open mind and see if at some point we want to have a more specific effort in China. And I think it's not only China, but it's Asia, Japan also. And I think we have some colleagues that are going to look at that more closely. And we'll go and visit and see if it's going to be an opportune time for us to get involved in. In Japan, we have actually done transactions with Japanese companies, Chris talked about one of them. And we have had discussions with some really interesting biotech companies -- Chinese biotech companies that have really interesting drugs that are being co-developed with big pharmas, and they might have royalties. So I guess we just have to be open about this, and just see what happens.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Great. Thank you, Pablo. So this will conclude the first of our two Q&A sessions. We'll take a short break. Thank you for all the questions, and we'll reconvene at around 11:00 a.m.

(Break)

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

So we're now ready to begin the second part of our Investor Day, and we'll kick it off with case studies from Brienne Kugler, VP on the Research and Investments team, and Sara Klymkowsky, VP on the Research and Investments team.

Brienne Kugler - *Royalty Pharma plc - VP, Research & Investments*

Thank you, George. It's a pleasure to be speaking with everyone in the audience and to all those who have dialed in today.

I'm Brienne Kugler, a Vice President on the Research and Investments team here at Royalty Pharma. I've been here for the past 8 years. And prior to that, I was on the sell side. As Marshall and Chris had talked about earlier, we view ourselves as true partners to biotech companies. Over the next few slides, I'll be walking you through one of our long-term partnerships with Biohaven. And you'll also have the opportunity to hear later from Biohaven's CEO, Vlad Coric.

I want to start by first talking about how our long-term partnership with Biohaven first began. I'm going to take you back to the spring of 2018. Biohaven was a relatively young company then. They had just IPO-ed the prior year, and we're advancing their lead drug Nurtec, an oral CGRP inhibitor for migraine through Phase III development.

So what did we do when we first heard about the opportunity to work with Biohaven. Well, we started our typical due diligence process that Marshall talked about earlier. So what did that mean here? Well, first, we knew that the Phase III efficacy trials for Nurtec had already read out positively. Second, on the safety side, we are still waiting for the long-term safety trial to read out. So in order to get comfortable there, we engaged with external expert consultants, poured through thousands of pages of clinical study reports and looked at patient-level data.

At the same time, we also started getting up to speed on the migraine market. What we saw there were several hallmarks of a large underserved population that had either -- that had treatment options that either provided inadequate treatment release or were contraindicated in many patients. After extensive physician diligence, we began to believe that Nurtec could be an attractive option for many of these migraine sufferers.

Our entire deal team grew very excited that Biohaven could have a potential blockbuster on their hands. So we're able to negotiate a transaction with Biohaven, and start our partnership by acquiring a synthetic royalty on both Nurtec and zavegepant as well as purchase equity in Biohaven. Over the next several years, we did three additional transactions with Biohaven. I want to first talk about our March 2019 deal. At that time, Biohaven was getting ready to file their NDA with the FDA. And they were looking to acquire a priority review voucher in order to accelerate the time frame that the FDA would review Nurtec. We knew that this would be a win-win for both us and Biohaven as it would enable Biohaven to launch Nurtec

earlier. Since we already did our diligence recently, we were able to, within a matter of days, get this capital to Biohaven. This is just another benefit of working with Royalty Pharma on repeat transactions.

I also want to talk about our August 2020 deal. At that time, Biohaven was was launching their drug Nurtec, and was looking for additional commercial launch funding for that as well as they wanted to accelerate the R&D development of their second CGRP inhibitors zavegepant. We were able to come up with a unique customized up to $450 million deal that showed our flexibility in engaging with their biotech partners to meet their needs. In total, we've provided Biohaven with uptake over $800 million of capital over these four transactions.

We've been very proud to help Biohaven build such an amazing brand in Nurtec. We've really seen that Nurtec's product profile has resonated in the migraine community with both migraine patients and physicians. We've seen encouraging trends from the oral CGRP class on prescriptions. And Nurtec has had an absolutely stellar launch. Consensus sales have significantly increased since the time of our initial transaction, and are now above $2 billion by 2025. We're also delighted to see that Pfizer last week is talking about a significant peak sales potential for the CGRP franchise of over $6 billion.

Now I want to spend a little bit of time discussing the announcement last week that Pfizer will acquire Biohaven for almost $12 billion. We are thrilled that Nurtec and zavegepant will be in Pfizer's hands, marketed by the leading primary care sales force. But we've been partnered with Biohaven for a long time. So what does this mean for us at Royalty Pharma? Well, from an economic perspective, this means that a portion of the capital that we've given to Biohaven over time will now be accelerated. So at the time of the acquisition close, we will receive our returns back on our common and preferred equity. And then once zavegepant is approved, we have an option to accelerate a $475 million milestone. Putting this together by the first half of 2023, we expect to receive about a 1.8x cash on cash return on the investment. And importantly, we will still continue to be receiving Nurtec and zavegepant royalties for many years to come. This is a very similar playbook to what happened with our Immunomedics transaction, where we acquired a synthetic royalty and equity. And upon Gilead's acquisition of Immunomedics, our equity portion was accelerated, and we are continuing to receive Trodelvy royalty payments.

It's great to see in the last two years, two very exciting biotechs that we partnered with, and we're able to remain unencumbered by working with Royalty Pharma as a strategic partner. And then we're able to eventually be able to recognize substantial value from their shareholders via M&A transactions.

We're now going to play a short video with the Biohaven CEO, Vlad Coric, where he talks about our partnership.

(presentation)

Brienne Kugler - *Royalty Pharma plc - VP, Research & Investments*

Now you just heard Vlad say that partnering with Royalty Pharma was the most important decision that Biohaven has made as a company. Biohaven is just one example here of biotechs we partnered with. We've also partnered with BioCryst and Cytokinetics. In total, we funded around 1/4 of their total capital that they've raised over the past several years. This really highlights the point that Chris talked about earlier that we see royalties as an increasingly important mix of the total capital that biotechs are looking to raise. And as we look forward, we see a future where biotechs more widely recognize the benefit of working with a partner like Royalty Pharma that can play an impactful and strategic role in the biotech company's growth journey.

With that, I will turn it over to Sara Klymkowsky to walk through another recent transaction. Thank you.

Sara Klymkowsky - *Royalty Pharma plc - VP, Research & Investments*

Hi, everyone. Really excited to be here today. My name is Sara Klymkowsky, and I'm a VP on the Research and Investments team at Royalty Pharma. And I've been at Royalty Pharma for more than 10 years. So really, effectively, I grew up at Royalty Pharma, and it's been a really fun and exciting journey.

As we just heard from Brienne about our exciting investment and relationship with Biohaven, at Royalty Pharma, we view ourselves as a true partner to biopharma. And we've been fortunate to work with companies along every stage of their growth journey. And today, I wanted to highlight three things that I think we do better than anyone else. We partner with companies and help them do big and bold things with our full suite of funding solutions. We seamlessly handle an incredible degree of transactional complexity, and we create win-win outcomes for our partners and our shareholders by focusing on high-quality companies and therapies that benefit patients.

So I have a perfect example to walk you through today to showcase what we can accomplish when we put these strengths into practice. Okay. So let's get started. We partner with companies to help them do big and bold things with our full suite of funding solutions. But I really think about this slide as summarizing the problem and our opportunity. So last summer, MorphoSys, a mid-cap biotech, approached us with one of these bold ideas. MorphoSys is a company with a well-known expertise in antibody development and importantly, a marketed blood cancer therapy called Monjuvi. They wanted to acquire Constellation, a company specializing in epigenetics with a small molecule discovery platform, and two, attractive candidates in hematology. So this bold vision was driven by the confidence that the acquisition would do a number of important things for MorphoSys: accelerate their growth strategy with these pipeline and the product candidates; bolster their position in hematology and provide them an entry into solid tumor development; and expand their capabilities, strengthening their research and technology platforms.

But as Pablo and Chris mentioned earlier today, mid-cap M&A in biopharma has been difficult, and the traditional funding sources and partners just didn't make sense for MorphoSys. So here's where Royalty Pharma stepped up. We provided up to $2 billion to fund the acquisition of Constellation, and helped MorphoSys become a more fully integrated commercial and development-stage company.

Okay. So here's the part of the story where Royalty Pharma created a customized and complete funding solution for MorphoSys. We provided more than $1.4 billion in upfront cash, up to $150 million in milestone payments. We worked with MorphoSys to crack development and launch funding of up to $350 million, customized to fit their needs. And finally, we purchased $100 million of equity in MorphoSys at the close of the transaction. So up to $2 billion in funding to help MorphoSys realize their strategic vision.

So how did we do it? This slide should look familiar from Pablo's comments earlier today. We used every strategic pillar to help MorphoSys raise enough capital to support their vision.

The first pillar. We purchased existing royalties for MorphoSys. MorphoSys had existing passive nonstrategic royalties on Tremfya from J&J, otilimab from GSK, and gantenerumab from Roche.

The second pillar. We worked with MorphoSys to create new synthetic royalties on the therapies at the heart of the Constellation transaction. That's pelabresib in myelofibrosis and CPI-0209.

And our third pillar. We created customized launch and development capital funding to support MorphoSys in the medium and longer term. So all of this was possible because of the fourth pillar. Our ability at Royalty Pharma to create funding solutions that help companies and facilitate M&A.

This next slide walks through our second strength, our ability to seamlessly handle an incredible amount of transactional complexity without slowing our partners down. And it really comes down to our comprehensive approach and process. Chris touched on this earlier today, but sourcing is a key competitive advantage at Royalty Pharma. We've been in this industry for decades, and have quality long-standing relationships. As you can see, we had multiple prior in-depth conversations and discussions with Constellation and our relationship with MorphoSys was built over more than 10 years. So when I think about the groundwork of this transaction, I think it really started more than a decade ago.

The next is tracking. So we were already following the therapeutic areas and key therapies at the heart of this transaction when we got the call for MorphoSys. So we were up to speed and knowledgeable, ready to engage. And the next is engagement. I think about this as we were ready to engage with MorphoSys to fully and truly understand their capital needs, and that allowed us to quickly move on to focusing on crafting a win-win solution.

So I'm on the research and investments team, and you heard Marshall walk through our diligence process earlier today, but I can't emphasize enough that diligence is truly at the heart of what we do at Royalty Pharma. And this is a perfect example. We had multiple therapeutic-area-focused teams working in a coordinated parallel way, getting to an answer on all of these products. And our entire process culminates in execution. So we developed our deep understanding of MorphoSys' capital needs. We deployed our full suite of funding solutions, and we completed the process in under 60 days.

Okay. Our last strength, our ability to create win-win outcomes for our partners and our shareholders. As part of this more than $2 billion deal, we acquired a portfolio of royalty streams anchored by Tremfya, an incredibly attractive, established therapy with upside potential and importantly, a key driver of a solid base return. The development in launch capital serves a similar role here: long duration, predictable, stable cash flows, creating a solid base return. And the anchors of this transaction provide a solid foundation to add exciting development-stage therapies to our portfolio. Otilimab with strong proof-of-concept in rheumatoid arthritis from GSK, pelabresib and CPI-0209, in myelofibrosis and hematology and solid tumor with great upside potential and gantenerumab in Alzheimer's disease, which is higher risk, but with multi-blockbuster potential in the hands of a premier company, with Roche.

So I wanted to thank you so much for the opportunity to walk you through one of our most exciting and complex transactions of the last year, truly only something that Royalty Pharma with her multi-decade history in the industry could do.

And with that, I'll hand it over to Marshall.

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

So it's been just really exciting to talk to everyone today about what we do in research and investments. You heard from me about our process and a little bit about where we see going in the future. You heard from two of our key team members and one of our most important partners.

And so I just want to remind you of the three points that we wanted to leave you with today. The first, and you've got a flavor for this is our team and maintaining and growing our team in a high-quality way is the foundation for everything that we do. Second, our differentiated deep process with a real focus on always trying to stay at the forefront and process improvement. And then finally, what we really are is a scalable platform that has scaled and will continue to scale to capture the market opportunity in front of us.

And so with that, I'll pass it over to Terry.

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

Great. Thanks, Marshall, and thanks, everyone, for hearing about Royalty Pharma. My name is Terry Coyne. I'm the CFO. I've been at the company for 12 years. The last three years, I've been the CFO. And for the first nine years, I worked in the research and investments team. And I have the privilege over that period of leading many of our largest transactions. I've seen incredible growth in this business over the past 12 years but I truly feel our best days are ahead of us. My goal during the presentation is to help you understand how our unique business model can compound growth over time and drive significant long-term stakeholder value.

Let me begin with a few important points about Royalty Pharma's compelling financial characteristics. One, we're experiencing continued momentum in our business. We're increasing our top-line growth outlook by nearly 50% through 2025 to 11% to 14% CAGR over that period. We're also increasing our capital deployment outlook over the next five years by over 50% from $7 billion previously to $10 billion to $12 billion now.

Two, we have a long track record of successful capital deployment. We built a highly fruitful diversified portfolio that provides low-risk access to 35 commercial products, including 12 blockbusters, many of the products in our portfolio are in the early years of their launches with substantial growth ahead of them.

Three, we're leveraging a highly efficient, diversified business model with among the lowest cost of capital in the industry to drive future growth. And this is key value creation. We've built a cash flow compounding engine.

Fourth and finally, we're so confident in the opportunity today ahead of us that we can say with confidence that we expect to generate top-line growth of 10% or more over this decade.

With that, let me walk you through the simplicity of our financial model. We collect royalties on market-leading products across the biopharma industry, which drives Adjusted Cash Receipts or our top line. Now royalties represent a percent of top-line sales of the underlying pharmaceutical products. These products are well covered by the street, and we're transparent about our royalty rates. So it makes modeling our top line pretty easy.

We have very low G&A expenses, around 9% of our top line in 2021, and we pay interest on our investment-grade debt. The vast majority of our remaining cash flow gets redeployed into new long-duration royalties at attractive rates of return. We use conservative leverage to broaden our capital base and enhance our equity returns. The process of identifying new royalties, conducting due diligence and structuring deals is extremely complex. That's our expertise. What investors get is a very simple financial model. This has been our key to value creation since inception 25 years ago, and we're seeing more opportunities now and investing at greater levels to fuel this virtuous cycle.

Royalty Pharma has a proven track record of compounding growth. We're a fairly new public company, but the growth profile we're describing today is not new. We have a 25-year history of compounding growth and value creation. So on this slide, you can see from 2010 to 2020, we grew at a CAGR -- a top-line CAGR of 13%. Today, we can say with confidence that this level of growth will continue. From 2020 to 2025, we expect to grow our top line at a CAGR of 11% to 14%. That means we now expect our Adjusted Cash Receipts, our top line to grow from $1.8 billion in 2020, our IPO year, and $2.1 billion last year, to $3 billion to $3.5 billion in 2025. This is a really important point I'm going to make here. We expect Royalty Pharma to grow over the long term, irrespective of individual royalty expiries. Expiries are a fact of life for this industry. Royalty Pharma has a strong track record of continuously refreshing our portfolio with market-leading therapies.

Our growth outlook has evolved nicely over time, and well ahead of our initial guidance at IPO. Now at IPO, we guided to a CAGR from 2020 to 2025 of 6% to 9%. Last year in February, we updated this growth outlook to 7% to 10%. Today, we're now targeting 11% to 14% through 2025, which is nearly a 50% increase at the midpoint of our guidance. It's driven by two key factors. First, our existing portfolio has performed well. We've added great new royalties. Many of them are outperforming. This accounts for the vast majority of our growth outlook. And second, our powerful model is working. Over this period, we expect to deploy significant capital in new value-enhancing royalties.

So as I just covered, we used cash flow and conservative leverage to buy value-enhancing royalties, and this leads to attractive compounding long-term growth. Since 2020, our IPO year, we announced $5.9 billion of transactions. We added 21 unique therapies across six therapeutic areas, nine development-stage therapies. And 10 of the products that we added are now or expected to be blockbusters in the future. With this all is expected to add up to on consensus estimates is a contribution to our top line of over $750 million by 2025, with significant upside potential from our pipeline.

We're really proud of the scale of capital deployment. It's better than we expected. We had guided to over $7 billion over 5 years, and we delivered $5.9 billion in two years. But most important is the quality, products like Tremfya and Evrysdi and Cabometyx. These are top products across the industry with their best years ahead of them.

We've always believed our growth stands out for three reasons. The first is the diversity of growth. You can see at the pie on the right that our growth is diversified across different products and franchises. Second is the magnitude of growth. At 11% to 14%, we think our growth compares really well across biopharma, but really all industries. And then third is the duration of growth. Around 90% of our deals over the last two years have durations beyond 2030. And many into the mid- to late 2030s. We think this is very differentiated when you compare us with other biopharma companies.

Capital deployment is a key metric for our business. At IPO, we guided to at least $7 billion over five years. We're now guiding to $10 billion to $12 billion over the next five years. So that takes us from around $1.5 billion per year to $2 billion to $2.5 billion per year. Now this will be uneven. There

could be years where we invest $1 billion, and there can be years where we invest many multiples of that. We're very disciplined. Patience is key to value creation in our business.

Chris described in detail how large the opportunity is. Marshall explained how our model allows us to scale to capitalize on the opportunity while maintaining that high bar to ensure value-enhancing growth. Now our guidance implies around a 50% increase. But over the long term, we see an opportunity to double this capital deployment to $4 billion to $5 billion per year.

So let me now describe the components of our 11% to 14% growth outlook. An important benefit of our portfolio is that we're diversified across products, therapeutic areas and marketers. So we break the portfolio into four components. The first is our established growth portfolio. These were products approved prior to 2018. It includes 25 commercial therapies, 12 of them were blockbusters last year. We expect this segment of the portfolio to have a CAGR of 3% in 2020 to 2025.

Next is recently launched products. There's nine products in this segment of the portfolio. These products are launched in 2018 or later, they have significant growth ahead of them. We expect this segment of the portfolio to take our growth from 3% to 7% over the period. Then we layer in the development-stage pipeline. And this excludes gantenerumab, which I'll touch on in a second. But when you layer in our development-stage pipeline, and there's 10 different potential pipeline candidates here, takes our growth from 7% to around 8% through the period. And then finally, we layer in future acquisitions, which could take us to 11% to 14% through the period.

Another way to look at our growth over the period is that around 25% to 30% come from our established growth portfolio. Around 25% to 30% will come from recently launched products, and around 10% will come from our development-stage pipeline. And then around 30%, we expect to come from future deals.

Now let's drill into each of these buckets. So we'll start with the established growth portfolio. This segment of the portfolio delivered $1.8 billion in top-line contribution in 2020, and we expect it to grow to $2 billion to $2.2 billion in 2025. The key drivers here are the cystic fibrosis franchise, Tremfya, Cabometyx and Tysabri. It's also partially offset by some expiries. Our royalty on Gilead's HIV franchise expired in 2021, and our Gilead -- our royalty on Merck's Januvia is expiring this year. These were great investments that generated lots of cash that we've redeployed into many of the new products that are in our portfolio today.

On the right side, you can see the market position and scale of these products. And I'll just highlight a few. So the cystic fibrosis franchise is expected to reach -- sorry, expected to reach sales of $10 billion in 2025. These products have completely transformed the treatment of cystic fibrosis. We're very proud to have them in our portfolio. Tremfya for psoriasis and IBD has had an excellent launch with significant growth ahead of it.

And then there's Tysabri. It's a more mature product, but it generates meaningful cash flow. Now this is a deal that I led when I was on the research and investment team and worked very closely with Sara Klymkowsky on this. This is a product that's consistently outperformed expectations. Our expectations when we made the investment and also consensus expectations pretty much every year since then.

The key thing is that these are extremely important products to their marketers, and we expect them to deliver predictable growth for Royalty Pharma. They really provide a very strong base for our business to grow.

Next, we have our recently launched products. We expect the segment of the portfolio to grow at a CAGR of around 70% over the period from very little in 2020 and to $350 million to $450 million by 2025. That's driven by some of the stronger launches across the industry, like Erleada for prostate cancer, Evrysdi for spinal muscular atrophy, Nurtec for migraine and ORLADEYO for hereditary angioedema.

In a period where many products and launches have performed below expectations, our team has been successful in identifying and investing in a number of upside launches. On the right side, you can see the market position and scale of these products -- or the expected market position in scale. These aren't just important drivers for us. The top marketers in the industry are going to be focused on driving their growth.

Now let's turn to our pipeline of late-stage development products. We're pleased with how our pipeline is growing. We had four products in the pipeline at IPO, and now we have 10. Now some will not succeed. But we think our track record is really strong. Since 2012, we've invested $8 billion in development-stage products.

If you look at the success rate based on the number of products that have read out -- the number of trials that have read out. Nearly 80% of our deals have been approved based on the number of deals and nearly 95% based on the value of deals. A couple that I would highlight that are under the radar, the first is seltorexant. It's a product developed by J&J for depression with insomnia symptoms. We're hoping to see some Phase III data later this year. This is a big net -- unmet need and it also kind of touches on a couple of the themes that Marshall highlighted earlier.

So the first is it's a market that's been -- it's a big market that's been underinvested in. And it's also -- it falls under the brain category. We think it could be a very important therapy for those patients. And the second is aficamten. We think that this product has the potential to be differentiated in the hypertrophic cardiomyopathy market. We are excited to see that Camzyos was approved recently. And as Marshall highlighted, it's great that Bristol is going to be laying the groundwork for that new market. And we think that aficamten could be an important driver for our business over the long term.

One potential upside driver is gantenerumab for Alzheimer's disease. It's not in our guidance given that it is higher risk. But if it works, with consistent Phase III data, subcutaneous delivery and Roche as the global marketer, we see multi-blockbuster potential. One thing I'd also highlight is that we're also entitled to the same royalties on the brain shuttle delivery of gantenerumab, which could be further differentiating.

Now most of the products in our development-stage pipeline won't launch until late in our guidance period. So the contribution is fairly modest at around $50 million to $100 million using consensus estimates. But we actually see nice upside potential to these consensus figures.

Looking longer term, our development-stage pipeline could be a really important driver for our business. So if you look at royalties on risk-adjusted consensus sales of the products in our development-stage pipeline in 2030 could be $200 million to $400 million. Royalties on nonrisk-adjusted consensus sales could be between $400 million and $800 million. And again, this excludes gantenerumab, which could provide some nice upside optionality there.

So I'll now walk through our non-GAAP P&L, which will help you understand the components of our long-term guidance. We collect royalties and pay out a portion to noncontrolling interest. This leads to Adjusted Cash Receipts, our top line. In 2021, we had G&A of $185 million, which equated to 9% of our Adjusted Cash Receipts. That leads to adjusted EBITDA of $1.94 billion. If we then subtract interest and other expenses of $170 million, it brings us to nearly $1.8 billion.

This is the cash that the business generated that we could redeploy in new royalties. Now certain of these royalty investments will show up on our non-GAAP P&L, the biggest relates to upfront and milestone payments on development-stage deals. Last year, this amounted to $193 million. These expenses were previously excluded consistent with industry practice, but we've updated our non-GAAP P&L to include these expenses following similar updates that were made across the industry beginning in the first quarter of 2022.

I think what this P&L shows you, it's very clear that our business is efficient in generating cash flow, to reinvest in new value-enhancing royalties. So let me summarize our expectations for the key components of our non-GAAP P&L through 2025. We expect Adjusted Cash Receipts to grow at 11% to 14% CAGR to $3 billion to $3.5 billion in 2025. We expect operating and professional costs to be between 8% and 10%, reflecting the efficiency -- 8% and 10% of our top line, reflecting the efficiency of our business.

This implies adjusted EBITDA of $2.7 billion to $3.2 billion in 2025. We expect interest expense to be between $200 million and $300 million. This assumes that interest expense increases a touch related to some of our more near-term refinancings, but it's not significant.

I think again, what you can see here is that this business can generate significant cash for us to redeploy in new royalties. Now I'm going to show you how Royalty Pharma's unique ability to generate cash over time can power our capital deployment. This is the virtuous cycle of our business. So on the left, if you first start with balance sheet cash, now at the end of the first quarter, we had cash of a little over $2 billion. Then we layer in

cash that the business can generate from existing royalties and also new royalties that could take our capacity over the next five years to over $15 billion.

We're able to enhance this capacity with conservative leverage. This analysis shows how our capacity can grow if we take our leverage to 4x. This could lead to over $20 billion of cumulative capacity. And if you put that in the context of the guidance we just gave of capital deployment of $10 billion to $12 billion over the next five years, you can see that this business can be really self-funding.

Our primary focus is buying royalties. This is how we can create the most value. But we also expect to return a portion of the cash generated by the business to shareholders through dividends and potentially share buybacks over time.

Let's spend some time talking about returns. We get asked all the time about our returns. This is the first time we've discussed it with investors. On the left-hand side of this slide, what you can see is that over time, our returns have been very consistent and predictable, averaging in the low teens on an unlevered basis.

Now our estimated cost of capital is between 5% and 7%. So you can see that there's a big spread between our cost of capital and our unlevered returns. One thing I'll point out that's not on this slide, that nearly 90% of the deals over this period are expected to deliver returns above our cost of capital, which we're really proud of. The beauty of this business and something that we think is very underappreciated is our ability to enhance returns with leverage.

So on the right-hand side, you can see if you start with low teens unlevered returns, then layer in the benefit of conservative leverage. Historically, we funded about 1/3 of our deals with low-cost debt. That takes our levered returns to the high teens or low 20s. This is really the return on the equity investment in our royalty deals. And one of the great things about this, like the left-hand side is that this can be very consistent as well.

Now the emerging economic environment is certainly creating uncertainty for many companies and industries. We think the defensive nature of large, diversified biopharma is clear. And within biopharma, we think Royalty Pharma's model stands out. So I'll break this into four buckets. The first is the risk of stagflation. We think the scale, duration and diversity of noncyclical growth of our portfolio should be very attractive in this environment.

Our business outperformed in 2008 and 2009 during the financial crisis, and we outperformed in 2020 during COVID. This business is resilient. Our unique margin structure where the vast majority of our G&A is fixed as a percent of our top line is very protective to the bottom line and very unique.

The second is the impact on our cost of funding. We were fortunate to have fixed long-duration debt with 60% maturing in 2030 and beyond. We're committed to our investment-grade credit rating, which provides deep access to debt when we need it.

Third, it's no secret that many smaller biotechs have faced significant pressure. We think this should expand the universe of opportunities though we will continue to be selective. But royalties should become more attractive in this environment. And it could also increase M&A where we see a role for Royalty Pharma to play.

Fourth, and this is critical, we're confident that we can continue to deliver attractive returns, given the flexible nature of our business model. This is a slide that I'm really proud of, and I think it often gets overlooked. Royalty Pharma has a track record of consistently identifying exciting waves of biopharma innovation and finding ways to participate. From Rituxan, the first monoclonal antibody for cancer to Gilead's HIV franchise to Humira, where we invested in 2006 and it later became the biggest selling product, to more recent life-changing therapies like Trikafta for cystic fibrosis. The list goes on and on.

I remember first joining Royalty Pharma in 2010 and staring down these near-term expiries for Neupogen and Neulasta and Rituxan. We talked a lot about this at the time. These were huge royalties for us. And those expiries came and went and our growth didn't miss a beat. We think we're even better positioned now with a diversified portfolio of long-duration therapies to form a base to add wave after wave of exciting new therapies in the future. This constant portfolio replenishment with top therapies in the industry is in our DNA and we're really confident that it can continue.

So we appreciate that investors want to understand the profile of cash flows from new royalties that aren't yet in the portfolio. Standing here today, we don't know exactly what we will invest in. We view that as a strength and core to the model. We're going to continue to focus on the best therapies that have the biggest impact on patients, but we think looking at historical curves can be helpful as you think about your models. So what you have here is a representative curve showing cash inflows over time for every $1 billion invested using actual acquisitions that we made over the past 5 years and consensus estimates.

And what you can see in this curve is that in the first five years of most royalties, you see a period of significant growth. Many products will continue to see nice growth through 10 years or longer, while others could moderate and some will have a shorter overall duration. You can often see a significant tail beyond 10 or 12 years. Many of our recent investments have durations of 15 years or longer. Now there's clearly a range depending on what we buy and the shading here reflects this.

But now I'll show you why we think this is important. So using that curve, let me show you how royalties can compound over time. For the purpose of this analysis, we assume that we invest between $2 billion and $2.5 billion per year through the entire decade. Again, we think this could prove conservative based on the expanding opportunity set that we're seeing. So first, we'll start with investments through 2022 to 2024, investing that amount by 2030 -- if we invest $2 billion to $2.5 billion per year, it could lead to $1.2 billion in top-line contribution by 2030.

If we then layer in investments from 2025 to 2027, could add another $1 billion by 2030. And finally, layer on investments from 2028 to 2030. It could add another $400 million. Cumulatively, all of these investments could lead to an additional $2.5 billion in top line contribution by 2030. I think what Pablo would say, if you ask them, actually just said it a little while ago during the Q&A is that this guidance --or this capital deployment is very conservative. But either way, I think it highlights the compounding nature of this business.

So now let's bring this all together. So we described how the growth can compound over time. And what you -- and so we described over the last decade, we grew by a CAGR of 13%. If you look from 2020 through 2025, we expect to grow at a CAGR of 11% to 14%. And from 2020 through 2030, we expect to grow at a CAGR of 10% or more over that period. Now kind of dissecting the components of the growth over that period, we expect to see growth from our existing portfolio. That reflects a range of scenarios for our key franchises, including the cystic fibrosis franchise, and again, does not include any contribution from gantenerumab.

And then when you layer in new investments and assuming that it stays flat at $2 billion to $2.5 billion per year could lead to 10% growth or more over the period, which we think could position us at the top grower among all large biopharma companies.

So let me recap. The business is seeing strong momentum. We've increased our guidance on capital deployment, and we've increased our guidance for Adjusted Cash Receipts. It's driven by a diversified portfolio of market-leading therapies. We have a great portfolio of newly launching therapies and an exciting pipeline of development-stage therapies that offer nice long-term upside potential. We've developed this efficient cash flow compounding engine to drive future growth. And we're confident that we can continue to deliver very predictable returns over the long term.

With all that should we think add up to -- could add up to is the top growing biopharma company from 2020 through 2030.

With that, I'm going to hand it back to Pablo for his closing remarks.

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

Thank you, Terry. Excellent presentation, very clear slides and message. So before we start the final Q&A session, I want to thank everyone in the audience for your continuing interest in Royalty Pharma. And I hope to meet many of you over lunch. I also want to leave you with a brief reminder of the key messages I began today's event with.

Royalty Pharma is a unique investment proposition, really an N of 1 with an excellent track record of double-digit growth. We maximize the best of the biopharma industry without many of the potential pitfalls. We have built a large and durable economic moat, and we have an enormous opportunity at the heart of funding the golden age of life sciences innovation.

By successfully executing our strategy, we expect to deliver double-digit top-line growth through 2030, which would make us one of the fastest-growing biopharma companies over the decade. I personally have never felt more optimistic and upbeat about the prospects for this special company. And I hope many of you will join us in our exciting journey.

Thank you. George, I think we can start with questions.

Before we do that, and as my colleagues join us up here in the podium. I actually want just to recognize something that is really, really important here. And one is the incredible team that exists at Royalty Pharma. You've obviously had the experience to hear from many of them today, but there's many more people that are so critical to the success of this company that you haven't met. There's a couple that I actually like to recognize here.

One is George Lloyd, if you can stand up, George, who is our General Counsel, and joined us about 12, 14 years ago, George. He was our lead counsel when we were doing deals working for Goodwin Procter and eventually joined us. And I think George is a very special person because he's not only an incredibly sophisticated and experienced lawyer, but he's incredibly commercial, practical, which is critical when we're getting into these very complex transactions. Someone also that through very meticulous work has been able to actually create significant value beyond the value that some of the investments that we've made -- have produced in the case of our HIV/AIDS franchise with reinstitution of patents.

I think there was probably close to $1 billion of additional value that was created through a very smart -- actually was DPP-IV -- misspoke. But he was able to create very significant value for the business through very smart IP strategies. And it's happened in other investments, and he's now built an incredible team under him with Jason Mehar, Sean and Yoon, really experienced lawyers that are really taking us to the next level.

And then the other person here that you haven't heard from is Jim Reddoch, who's been obviously my partner, joined very early days of Royalty Pharma. And I think there's many, many things that Jim has done for Royalty Pharma. But one of the things that became so obvious to them and apparent is that he has really had an incredible influence building the team you see here today, helping me hire Marshall, Terry, Molly that is no longer with us and obviously, Sara and Brienne, but many other people. And he's done it in a very thoughtful way. And I think Chris was obviously a new addition to the team, and you heard from him, and I think it's incredible, the breadth of experience that he's brought to Royalty Pharma.

But what I would say about the team is that the performance that you see today in terms of -- over the past and now as we see into the future, is really the result of this team. And when I look at it, I just cannot just marvel myself by really reflecting on how talented this group of individuals men and women are and talented in many different ways, but it's really -- when you think about it, what is critical for this business to be successful, is a very unique combination of skills. It's understanding the industry research and the fundamental research that is done every day but also then turning that into actionable things that turn -- become an investment.

And I think one of the things that has been so interesting to see is when all of these individuals join us, many of them from with medical background, science backgrounds, but having had experience on Wall Street as analysts at different banks and how their whole mentality and approach changes over time to become investors, which is very different. It's not only being a good analyst, but really understanding risk -- measuring risk and it's something that's in the gut. And I think what's happened with a lot of my colleagues is that, that has happened, and that's our critical part of this business.

But anyway, I'll just finish by saying that they're incredibly talented. And I think it's probably the highest-performing research and investments team in life sciences. And thank you for the incredible job you guys do.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Thank you, Pablo. We'll now start the second and final Q&A session. (Operator Instructions) I'll take a question from Chris.

Chris Shibutani - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Thank you very much. Two quick questions. First, on capital allocation. If we think projecting through the balance of the decade and spending that $2 billion to $2.5 billion, upside potential there. You could have some extra cash on the balance sheet. Comment on your willingness to do things such as share repurchases or increase the dividend.

Secondly, for Marshall, leader of this high-performing life sciences research effort, with migraine. Pfizer recently provided us an update with their view that, that portfolio can generate $6 billion in sales, which is above the level where I think most of the sell-side consensus has been at. Can you share with us your views on this market, where you think it can go? And what are the key factors that can get towards that $6 billion Pfizer number, if that's an opinion that you share, which you referenced on your slide?

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

So I'll start on the capital allocation. You're right, the business can generate a lot of cash over time. As I mentioned and as I think, hopefully, you saw today, we're most excited about redeploying that capital in royalties. We see a huge opportunity to do that. And we think the business can continue to scale. But we pay a dividend, we grew the dividend by double digits last year. We're committed to continuing to pay the dividend. And we also mentioned that over time, we'll look to -- we can look to do share repurchases as an additional tool to return cash to shareholders. When the business generates the cash that it does, I think that it's -- that returning some of that to shareholders is very important. We've always -- we've actually paid a dividend for 25 years. So that will be an element, but the mix is definitely going to be focused on buying new royalties.

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

Great. And thanks, Chris, for the question. on Biohaven and the migraine market. I'll start and Brienne should comment too since she was critical to all of those investments that you heard about. So before getting into the specifics there, I want to take a step back and just make sure it's clear that what's happened with Biohaven is exactly the kinds of situations that we're trying to create and be involved with is where we help companies get started with development, with the launch.

And then ultimately, it ends up in the hands of a company who can bring resources to it that we never imagined when it started. And the Pfizer transaction is a great example. Brienne referenced Immunomedics too, when you look at the investment that Gilead is making in Trodelvy. It's really staggering and amazing. And I think it's a way of sort of creating scale and gearing in our investments that we get really excited about.

I'll pass it to Brienne in a second. I think what is interesting about the Pfizer transaction and their forecast is-- at a high level-- is that I think it often gets overlooked, the global opportunity, right, as well. And there's not a huge list of companies that can maximize the value of that. But I think the potential of them really speaks to thematically, one of the things I touched on, which is that these markets are massive in terms of volume.

There's even probably some sort of off-market volume of people who aren't reflected in the numbers that we all see because of the deep dissatisfaction. So it's incredible to have Pfizer sort of take the baton from here and for our royalty, like Brienne spoke to. But Brienne, why don't you talk about the potential?

Brienne Kugler - *Royalty Pharma plc - VP, Research & Investments*

Thanks for the question. So we've been really excited to see what Biohaven has been able to do with Nurtec, is just really a tremendous market. And the product profile has really just resonated with a lot of migraine sufferers that now have the ability to have a new oral option to treat their migraines. And we're very excited for the potential for Pfizer to continue marketing the product. They're the leading primary care sales force. We're going to be increasing the number of sales reps that are going to be marketing Nurtec. We're just looking forward to this drug being in the hands of more patients going forward.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

I'll take the next question, please? Steve?

Stephen Michael Scala - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Steve Scala from Cowen. A few questions, and I'll follow up on migraine. I'm curious if you think Emgality growth will be hurt by Nurtec. And if yes, why was Emgality a good investment back in 2019? Secondly, Terry, on Slide 90, Imbruvica is a product that's on the slide, but I don't think you mentioned it. AbbVie is now seeing that Imbruvica will not grow again. That's quite different than consensus. I'm wondering what's in your models, and you agree that contraction is likely in the future.

And then lastly, if I can ask a big picture question to Pablo. Over the last 25 years, and obviously, in retrospect, was there a common theme or a thread in your successful investments in a common theme or a thread in your unsuccessful investments?

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

Yes. So I'll start just quickly on Emgality. Again, if you take a step back, I think the receptivity in the marketplace that you've seen across the injectables, across the orals has been amazing when you think about it at a high level. I mean the uptake has been pretty incredible, sort of speaking to the unmet need that Brienne talked about.

I think there is a future and a role for the injectable class. I think the way we think about it, though, between Emgality, Nurtec and zavegepant which is obviously in development as an oral in the preventative space as well. I think we're really well positioned to benefit as that market develops, whether Emgality and I think Lilly is doing a great job with that product despite some oral pressure.

So I think it's exactly the kind of product that we like to be involved with. And it's a good example of how, over time, we can build a portfolio in an area and really benefit from an overall thesis in a class or a target. And maybe I'll Terry, do you want to...

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

Yes. So on Imbruvica, our guidance reflects a range of scenarios, as you can imagine. I think consensus might have a little bit of growth, but remember, it's a global product. And so they have been able to continue to show some growth outside of the U.S., while I think consensus has it sort of contracting a little bit in the U.S. So -- but we did -- we obviously look at these things under a range of scenarios and are very comfortable that we can deliver that -- the guidance that we just gave under a range of scenarios.

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

So regarding your question about common themes in successful investments and also themes on unsuccessful investments, if I reflect back at the time when I started the business, we had a lot less experience. And also, the industry was very different at the time. It was much more based on small molecules. It was sort of the beginning of biologics.

And the companies were different, a lot more -- the predominant companies where big pharmas biotech was starting. And we made a lot of mistakes initially, lost money, very painful to lose money, but you try to learn and then reflect on what didn't work. And what started to happen over the years is that we developed investment criteria of what constitutes an attractive product.

And some of those themes came across in the presentation, particularly when Marshall, Brienne and Sara spoke. And what we've realized is that there's attributes that are common to successful products. And what we've done over the years is that we have really become disciplined and really try to stick to looking at a product and understanding if that product scores high in many of these attributes, and if it does, we get very excited,

but it has to be in many of them because also in one of the slides that I actually -- I think it was my last slide where I talked about all of the things that you need to get right investing in life sciences. It's many, and many have to be right because if one or two is not right, it can be a disaster.

And I think that's one of the attractive things that is not appreciated by investors about Royalty Pharma. And I'm thinking here not so much about the specialist investors but more generalists that I think we offer a very unique way of investing in life sciences with a lot less risk because of our diversification, that's very unique. The duration of the portfolio and the very high growth.

So it's a way for investors to potentially invest in the space, which is very exciting because of the innovation, but with a very interesting risk-reward balance that I think few other companies offer. But going back to my question or your question, I'm sorry, about common themes, what we've realized is that we get excited when we see products scoring high in many of these attributes. And if the product doesn't score high in many of them, then we have now understood that it's better for us to pass, not invest.

And as Marshall said, we're disciplined. We don't care. We don't invest in a quarter or two any capital. We -- we'd rather not make an investment that's not going to succeed and also diminish the quality of the portfolio, which is very high.

But in terms of themes, another thing that's become clearer and clearer is that blockbusters have tended to outperform not only our expectations when we made the investment, but also the analyst expectations that were following the companies that were launching them. And they outperformed for many reasons. When the drug is a blockbuster, it's sort of the lowest risk investment in pharma to invest more in making a blockbuster even bigger, right?

So you're going to run more clinical trials to see if there's more uses for their product. You're going to invest in sales and marketing more. And these products have tended to outperform. And what's been great for us at Royalty Pharma, as Terry pointed out in one of the very last slides, is that we have been able, over the years, to actually invest in every wave of innovation that this industry has had in the most attractive products in each one of those waves of innovation.

I mean looking at things like TNF inhibitors, for example, we took time. We tried in '98 with NYU's Remicade. We didn't succeed. We were patient. We ended up investing in Humira, eventually in Remicade and Cimzia, but I can go through many therapeutic areas, and you can see how we've been able to invest in the most exciting drugs in all of these different waves of innovation.

And I think it's going to continue because of the model that we have that is very open, very collaborative. And actually, there was a question asked before about competition. The more I think about it is we're gaining strength as time goes by because of all the things that we're doing, even the things that we're doing with Strategy Analytics is putting us in a position where we will have something that others won't. And it's going to put us (inaudible) position with the different biotech companies.

So blockbusters have been incredibly powerful. And I think we've actually have made mistakes. We learned from them. And there are common themes. One of the things that, for example, has to be there is huge alignment between the market and the drug that it has to matter for it. We've made investments in small drugs that we thought were great because of many reasons. Clinical data, they were -- but they were not important for the market. They haven't performed well. So there are obviously themes that I can point to. Thank you for the question.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Thank you. We'll take the next question. Phil?

Unidentified Analyst

Marshall, it strikes me listening to you and Brienne that you do research differently than we do because you guys can get information that we can't get to. That's material non-public information that we couldn't trade on. And which -- I'd like you to give us some examples of that and how it creates an advantage and more credibility on the products that you invest in. I think -- and if I remember right, on the Nurtec, you guys are looking

at patient-level data from the first study when people were betting on, I believe, it was a maintenance treatment dose or vice versa. And just to give us some examples of where that creates an advantage relative to the kind of research that we're doing here?

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

Yes. So I think -- thanks for that question, Phil. I think I can start maybe Brienne or Sara also could comment. But I think it plays out on a number at different levels. So like you mentioned, when we partner directly with companies, right, as I referenced, we're under confidentiality with them. And so if we do a synthetic royalty with the company, any -- you can assume that we've gone very deep with them into the data. As Brienne talked about Biohaven, we were deep into the details. And you're right, they were actually two Phase III trials, and we were waiting for a third as well as the long-term safety data as well.

So we went deep to understand the safety profile because for anyone who remembers the history, the first generation in that class that had some liver safety problems. I mean there are other examples with Immunomedics when we did that deal as one example. We were going through every patient of data before they were filing. So -- and I think any -- for all of our synthetic royalties, I think you can assume that we're getting really into the -- really close and into the data.

But I think it goes kind of beyond just that. It's that we have, I think, the luxury of time and a long-term perspective and the support of being able to put the resources in to really -- and this is what I was hoping to bring out during my prepared remarks was that we have the opportunity to put all the resources we can in to get to an answer. And I think having the institution that's built that way, and we're not trying to sort of optimize for like a margin on a deal, we're trying to get to the right answer is also a big competitive advantage.

I don't know, Sara, do you want to...

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

Yes. Just listening to your answer, Marshall, which is great, and you're so right. But there's other things that happened. We are under confidentiality so we -- in addition to having access to patient-level data, we have access to things like FDA minutes. So we know what the FDA is thinking about the product, what is the focus of the concern FDA might have.

And also through the interactions that we have with the management teams, we really get an incredible sense of how they're presenting the product, the marketing. So there's a lot of things that we gain. And what happens, Phil, is that we're able to get that information because we're financing the company. We're financing the product. So they share that information on their confidentiality. We're making an investment in the product funding the trial.

But also what's interesting, which is very unique about the Royalty Pharma model is that we also then make an equity investment in addition to the royalty investment with incredible information that often public investors don't have access to. And that is totally possible, doable, legal no issue because it's a level playing field, we're actually working with a company who has the same information internally they have the information they're sharing with us.

And we're not depriving the public investors from a potential gain. We're buying the equity directly from the company. So it does put us -- puts us in a very, very unique position where we're coming in and making an investment with deep knowledge both on the royalty and equity side. And my vision for that has been that if we can in those hybrid deals end up doing deals where maybe 2/3 is a royalty -- the capital we deployed 2/3 is a royalty, 1/3 is equity or could be three quarters, one quarter. It's great because we -- as we've seen with Immunomedics, we saw it with Nurtec recently. We end up making a very significant profit on the equity, which ends up resulting in many cases with us recovering our entire investment with the equity investment and then really keeping the royalty almost for free. So it's a very unique aspect of our model but others.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Thank you. We'll take the next question, please. In the back row.

Unidentified Analyst

(inaudible) Pablo and team, thanks for a great Investor Day, especially your preface comments about how the team looks at everything they do from an investor's point of view. You mentioned the FDA earlier. Can you talk a little bit about what it's like at this point to interact with the FDA, what some of the priorities are for which types of drugs and drug approvals and the general legislative and regulatory environment.

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

Sure. Thanks for that question. So I think Pablo highlighted one of the key advantages we have is that we do have insight, very granular insight into the back and forth with the FDA. And so a key part of our process is having conviction that our partner has the right strategy that we feel like their strategy is aligned with what the FDA is asking for.

And so I think we've all had a lot of learnings that sometimes there's a little bit of gray area there between what the sponsor might hear and what the FDA says. And I think that's one of our kind of advantages of being able to look at so many things is being able to see those kinds of patterns. And so getting conviction on the regulatory side is absolutely key. And it's not just the FDA. We look at interactions with the EMA, with the PMDA in Japan, increasingly, there's a question about China, I see some of that as well.

So we really take it on a sort of product-by-product basis and look at sort of where that specific product sits from a regulatory perspective and certainly, we bring part of what your preferences -- question is referencing, bring a frame where we look at what's going on, how things might be changing, but I think our advantage is we want to have really high confidence and high conviction that the regulators are comfortable with what the partner is doing.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Thank you. We have one question from Terence Flynn of Morgan Stanley. Has the bilateral deal mix of 50% over five years, been generally stable. And what are the top reasons why you elect not to move forward with a potential transaction.

Has the bilateral deal mix of around 50% over the past five years been generally stable?

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

Are you asking if it hasn't changed? I couldn't hear you, I'm sorry, George.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Has the bilateral deal mix around 50% over the past five years, has that been generally stable? And how has that evolved over time?

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

Well, that's the result of the last five years. We didn't look at the analysis, I don't think prior to that. But I think the fundamental point really on the bilateral is the early engagement, relationship building, win-win solutions. I think Vlad said at best at Biohaven partnering with us, we were flexible and innovative in ways that we could provide capital. And that's not lost upon other participants in the sector.

So we're not really like a one and done company. We look to provide capital to help our partners finance their company. And typically, biotechnology companies need a lot of capital even at launch and beyond launch to fund the launch, to fund the next program. And we really look for ways to be their partner over the long haul. And I think that is what really attracts people that allows us to have those bilateral engagements.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Second part of the question from Terence Flynn is what are the top reasons you elect not to move forward with a potential transaction?

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

Sure. So we've been asked that before. And when we look at it, there's really no one theme that drives why we don't move forward. I talked to you about our process. And so at every stage and every stage along the way, there might be things that don't work out. I mean obvious ones are we can't get comfortable with the clinical trial risk or we might not love the design.

A lot of times, it may be it's a difference on commercial views or on commercial strategy. We really have to get comfortable and been doing more work recently to try to match is the company's planned investment in their commercial infrastructure and their strategy aligned with the forecast that they're putting out there. And you'd be surprised a lot of times those two things aren't necessarily built to gel. And the list goes on and on and on about why that may happen.

I'll tell you as a part of the answer to that, the reasons why things don't work out -- that don't happen much is really the Pablo talked about competition. I think the competitive dynamic is typically not a big reason why things don't work out. The biggest reasons are because on our side, for whatever reason, we're not comfortable with moving forward.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Great. Thank you very much. We'll take the next question from Mike.

Michael DiFiore

Thanks for taking my questions and for putting on such a spectacular event. Two for me. I think this is the first time, correct me if I'm wrong, that you've disclosed that brain shuttle gantenerumab would confer the same royalty as regular gantenerumab. My question is why disclose this now? And might this imply reduced confidence in the current subcu version of gantenerumab?

And my second question is regarding the SEC-mandated accounting changes that have been implemented industry-wide. Have these changes, in any way, changed the way and how Royalty Pharma intends to structure future deals?

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

Sure. So like the first part of your question on gantenerumab. No. So we actually have talked about that before on conference calls. I think the question has come up. Maybe Steve asked the question or someone else has asked the question again before on conference calls. So that that's not new today, but I think, Terry, just wanted to be clear because part of the theme that he was talking about there was right, all of the optionality within our development-stage portfolio, and even within gantenerumab, there's both the initial program, which we're very excited about and looking forward to the answer later this year, but then also the brain shuttle behind it, which is pretty cool technology as well.

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

And so the question on the SEC accounting changes that have led to some updates across the industry beginning in the first quarter. We don't expect that-- this to, in any way, change what we're doing at Royalty Pharma. And we've always sort of been focused on the cash that the business generates that we're then able to redeploy in new royalties. And that's how we think we can create the most value, whether there's a segment of that, that shows up in the P&L. At the end of the day it's the cash that the way I described it today is EBITDA less interest expense, is really the cash that the business generates on a consistent basis and growing basis that we're then able to redeploy in new value-enhancing royalties. So the accounting will in no way drive where our investment focus is.

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

I think we have one of the simplest P&Ls to understand in the industry. When you look at the bars and how we start with the top line, cash expenses, EBITDA, I mean it's so simple and transparent. And as Terry said, the cash conversion is very strong, so.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Take the next question, please. Steve?

Stephen Michael Scala - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Early on, there was a slide that showed products on the way in the future. And on that slide, in fact, it was the first two you mentioned, were gantenerumab and otilimab, two products that I think investors have very low expectations for. I'm thinking about that, and then I'm thinking of the answer to Phil's question just a moment ago about how you have access to data that we don't have.

I think there was an interim look at gantenerumab. I'm not asking what it is you know about these compounds that might be prompting your enthusiasm, but what's the nature of what you might have that we don't have? That's the question.

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

Sure, Steve. So I'm -- we've touched on this topic before, and I think to be clear, our excitement about both products is really driven by the -- really driven by the characteristics that we've talked about many times, right, about the potential of this market, the market or the fact that do you have two like clean up or down Phase III trials that are really well designed, do you have differentiated delivery like Terry talked about.

And it's also the idea of how we can build within a deal like Sara talked about, right, a really base of attractive returns based on Tremfya and the development funding bonds and then add a tremendous amount of optionality with things like gantenerumab and otilimab. So I think that's the right way to think about it, to your question. And certainly, there is variability in from deal to deal, depending on who the royalty holder might be in terms of the depth of information that we get. Sometimes we honestly don't know much more than you all do. And sometimes, as we talked about, we have deep, deep information. So it's really highly varied.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Great. We'll take the next question please.

Great. Well, if there are no further questions, this will conclude the Q&A session and today's event. As a reminder, we do have a management luncheon, which will begin shortly. And we thank you all for joining us today and for your continuing interest in the Royalty Pharma story.

Pablo Legorreta - *Royalty Pharma plc - Founder & CEO, Chairman of the Board*

One final thing. I think all of us here. The team would like to thank you, George, for the extraordinary, extraordinary job you did in putting together -- this Analyst Day and the incredible work that has gone into it. But also the other thing that we all have to recognize is how you have guided us since we have become public in this process of learning how to be a public company and how to report to investors. And I think the incredible experience that you had before you joined us has been a tremendous benefit to us. And so thank you, and you and your team have done exceptionally well for us. Thank you.

George Grofik - *Royalty Pharma plc - Senior VP and Head of IR & Communications*

Great. Thank you very much, Pablo.