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Colin Bristow

PRESENTATION

Colin Bristow

Good afternoon, everyone, and thank you for attending the UBS Global Healthcare Conference. I'm Colin Bristow, one of the biotech analysts here. It is my pleasure to have with us today, Royalty Pharma. From Royalty, we have Marshall Urist, EVP and Co-Head of Research and Investments; and Chris Hite, EVP and Vice Chairman. Thank you for joining us today.

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

Thank you.

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

Thanks, Colin.

Colin Bristow

(Operator Instructions) There we go. So I know you have some opening remarks. So I'll let you take it away, and then we'll dig into some of the questions.

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

Okay. Great. I think Marshall and I will do a quick spin through some slides and then obviously open up to Q&A. So -- but thank you very much for having us. We're very delighted to be here. We're super excited. Last week we had our inaugural Analyst Day on Tuesday, which I think is still on our website, which is viewable, and great reception from that. And so we're excited to come here and tell a little bit more about Royalty Pharma. I guess there's slight delay. Here we go.

Okay. So I'll quickly go through this slide for folks who aren't familiar with the company. It's roughly 25 years old. We went public in June of 2020. We are -- we have 45 approved and development stage products. 12 of those products are blockbuster drugs. Our revenue in 2021 was $2.1 billion, and our adjusted EBITDA was $1.9 billion. So obviously, very high margins.

On the right side of the slide, you can see the therapeutic areas that we have royalty interest in, rare disease, cancer, neurology being our largest. But what you can see is a broad diversification across therapeutic areas and programs, which we'll get into it a little bit how we sort of manage that and think about that as investors.

So what does Royalty Pharma do? See if I can get this to go. I guess it's a slight delay. Okay. So we basically invest in royalties, both existing, and we can create new royalties where there doesn't -- where there's no pre-existing royalty. So when you think about this slide, it's just very simple. Starting on the left side of the slide, you can see sales of leading therapies, and we obviously get a percentage of those leading therapy sales in the form of a royalty payment that comes into our top line which we call Adjusted Cash Receipts. So every quarter, we're on a sort of quarter lag to pharmaceutical sales, we get the royalties and we pay operating expenses, G&A, of roughly 9%, which leads to adjusted EBITDA. So our margins are extraordinarily high. We pay interest expense on investment-grade debt, which is about $7.3 billion of investment-grade bonds outstanding. And what that leaves us with on the right side of the slide is cash that's available for deployment, both back to our shareholders in the form of dividends. So we do pay a dividend and in the form of new royalty acquisitions and investments, and that would be funding to our partners. And our goal is to deploy as much capital that we can every year because we earn, which we'll get into a substantial rate of return in excess of our cost of capital, which obviously benefits shareholders. Very simple business model, very cash generative and very easy to understand. I need to start timing this a little bit.

Slide 6, here we go. Okay. So this gives you a clear example of the ways we invest. So across the top, when the company was founded by our CEO, Pablo Legorreta, 25 years ago, the foundation of the company was to buy existing royalties that existed at universities, hospitals, foundations, existing pharma and existing biotech companies. That was the business for a very long time, and it's still a big component of what we do today. The industry is extraordinarily fragmented, both in the way it conducts its research and development and in the way it markets drugs, all of which leads to a lot of royalty creation in which we participate in. The second way we invest in the sector is through what is called synthetic royalties. And what this does is basically open up the entire sector pipeline and commercial drugs as a potential royalty stream to us, where we actually create a synthetic royalty through contractual true sale of a revenue participation right. And we -- we'll get into this in a little bit, but we are super excited about this opportunity. It's really only been around for the last, let's call it, five years or so. And it's one that really we're getting inbounds virtually every day about the opportunity to raise capital in the sector through the synthetic royalty process.

The third way is called launch and development capital. So this is -- it's not an existing royalty. It's not a synthetic royalty, but it's an extension of capital to our partner to help them get more capital typically in the launch phase of their drugs where we have an existing royalty, or through R&D funding at large pharmaceutical companies or the biotech companies themselves.

We can utilize all three of those investment techniques or structures in the fourth leg, which is M&A-related support. And so, we can help large pharmaceutical companies when they buy a smaller biotech company. That company may have an existing royalty at the target, which they're not interested in from a strategic perspective. We can obviously acquire that existing royalty, and we can actually support M&A by partnering before the deal gets announced with a biotech or pharmaceutical company in the creation of new royalties or the acquisition of existing royalties.

And then finally, adjacencies is the fifth way in which we grow. And a good example there is our partnership with MSCI, which we can get into through the Q&A. Next slide.

Okay. Slide 7. So, throughout our presentation -- and really the way we think about it is, we like to create win-win solutions with our partners. It's really important that we create a win-win so that we get repeat business. People want to work with us, and you'll hear that throughout this presentation. Now on the left side of the slide you can see existing royalties, synthetic royalties, launch and development capital, M&A. I just walked through those examples. How are those wins? Well, if we're buying an existing royalty -- you can see some of the partners that we bought existing royalties on the right-hand side of the slide: foundations like cystic fibrosis, universities, hospital systems and large pharmaceutical companies. It allows them to diversify their assets. It allows them to get upfront capital today in exchange for long-dated stream of payments. Those are really the two key ways in which they get a win, and we obviously take the risk of elongated payment streams by doing a lot of work on the assets themselves. Synthetic royalties, I talked a lot about that on the prior slide.

You can see on the right-hand slide examples of the companies we've done synthetic royalties with, both large pharma, Pfizer and Sanofi, as well as biotechnology companies. We'll spend a little bit more time on the benefits of these. But effectively, if you're a biotech company out there and you're thinking about your capital needs, normally, you would go and you'd do a 10% equity financing or 15% convertible bond financing to raise capital, and it's obviously very dilutive to the existing shareholder base, and it can be very expensive. If your stock works long term, every investor and every CEO or CFO or Board member thinks the stock is going to work. Well, that -- the cost of that stock is extremely expensive relative to a synthetic royalty. We think that's a huge advantage for us to partner with these companies because the synthetic royalty is just a much lower cost of capital than issuing equity.

The launch and development capital we talked about. You can see examples on the right, Biohaven, Cytokinetics, MorphoSys, where we've done this before. So obviously, it's a lower cost equity as similar to synthetic royalties. And when you consider it as relative to debt, it's less -- much less restrictive in the sense of covenants than debt.

And on the M&A side, we use all three of those structures, existing, synthetic, launch and development capital, to support M&A. We've done that with MorphoSys and their $2 billion acquisition of Constellation last year, where we actually did every one of those structures in support of that $2 billion deal. And we've also done it where Astellas bought a biotech company called OSI Pharmaceuticals, they had a large existing royalty estate at OSI that they weren't -- Astellas was not interested in. We bought that from Astellas after the deal for $609 million -- helped them defray the upfront cost of that acquisition. So it's another win-win example.

Moving on to Slide 8. Maybe I'll start talking about it while it comes up. Here we go. So once again, how big is this marketplace? Well, we talked about the ways in which we buy third-party royalties, pre-existing royalties. Those royalties are really created in the ecosystem between academia out-licensing their basic research to both pharma and biotech, and between pharma and biotech cross-licensing their programs with one another in the creation of pre-existing royalties. When you think about the investment dollars at those three bubbles, starting at the top, academia not-for-profits over the next decade, we estimate will spend over $1 trillion in R&D. That basic research leads to programs, leads to company creation in exchange for royalties. That's been a big part of our business. It's been roughly 25% of our business over the last decade of committed capital. We expect that to be continuing to be a large piece of our business. When you think about large pharmaceutical companies on the lower left, they're expected to spend on R&D alone over the next decade, roughly $1.6 trillion. We can play there by partnering with them on a risk share basis where we did with Pfizer in exchange for a synthetic royalty. And then the unprofitable biotechs are expected to spend over $1.1 trillion between SG&A and R&D over the next decade. We can help them on the synthetic royalty side as well as the launch and development capital. And all of that funding goes to the creation of obviously products in which we project to be about an end-user marketplace of approximately $2.3 trillion in 2030 alone, of which $1.3 trillion isn't even approved yet today. Huge market opportunity, both on the investment side and the end user side. So we're super excited about our opportunity set going forward.

Final slide for me, and then I'll turn it over to Marshall. How big is a synthetic royalty opportunity alone? Well, over the last five years, as soon as the slide comes up, you'll see it, biotech has raised $260 billion in capital over the last five years between IPOs, equity follow-ons, licensing deals with pharmaceutical companies, convertible bonds and synthetic royalties, of that $260 billion, the synthetic royalty opportunity, has only represented 2% of the marketplace or about $4 billion. We project this could be much, much larger. We're not saying synthetic royalties is going to replace the follow-on market or the IPO market or the pharma partnering marketplace, but it doesn't need to for us to have a very large opportunity. And for all the reasons I said about lower cost of capital, you can also see what it also does when we partnered with companies like Immunomedics, with Biohaven, both have been -- which -- one of which has been acquired, the other one has announced its deal to be acquired by Pfizer. That synthetic royalty opportunity which we did with those companies, allowed them to retain operational control of those programs and launch those programs themselves, which preserve their strategic attractiveness to the large pharmaceutical company. We see that as another huge advantage to synthetic royalties going forward, and we see that as a huge opportunity for us going forward as well.

I'll turn it over to Marshall.

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

Great. Thanks, Chris. So the-- sorry, is your slide?

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

Yes. So I thought I was done, but I'm not. So real quick, our growth historically. We've doubled our top line over the last 10 years from $1 billion to $2.13 billion, from 2012 to 2021. Importantly, our capital deployment, which we talked about, we generate a lot of cash. We look to deploy all of that cash every year as much as we can. The five-year period, 2012-2016, we deployed roughly $1.5 billion a year. 2017 to 2021, we deployed roughly $2.1 billion a year. And last Tuesday, we announced our intention to deploy $2 billion to $2.5 billion a year for the next five years.

Go to the next slide, and I'll actually skip to the next one so I can get to you. So we have, obviously, a big moat. We're the largest player in royalty funding. If you look to the right side, all royalty deals that were a size greater than $0.5 billion over the last 10 years, we've done 83% of those deals. Obviously, a huge market share. But even on the smaller deals, $250 million to $500 million, we were 53% of the marketplace, and the smaller deals where there's more competitors, 26% of the royalty marketplace. Overall, over the last 10 years, that's a 60% market share in the royalty funding. We have big moats, public company, investment-grade rated. That investment-grade rating allows us to have a cost of debt across our entire bond portfolio of around 2.3% cost of debt. So our weighted average cost of capital is estimated to be approximately 6%. Huge advantage versus any other competitor in the space, which is fund-oriented, much higher return focus and much higher cost of capital.

With that, I think I'll turn it over to you now Marshall. One more. I got one more.

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

Thank you.

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

Sorry. Last slide. So how have our returns on that capital deployment looked like historically? So if you look on the left-hand side of the slide, these are five-year investment periods: 2012-2016, '13 to '17, '14-'18, just to give you a sense. Very consistent returns over that time period throughout boom cycles in the capital markets for biotech. And most -- obviously, in the last year, it's somewhat a bit of a bust cycle. But we look at these as very -- we target sort of low double digit, high single digit for approved products and then the teens for development-stage opportunities. We've gotten those returns historically over the last 10 years on any sort of way you look at it. And the most important part of this is when you think about, those are unlevered returns. So we -- when you apply modest leverage to those returns, roughly 1/3 of those acquisitions in the form of debt financing on top of that, you can get to high teens, low 20s returns from an IRR perspective on that capital deployment, which we've historically been able to achieve, and we're super excited about that opportunity going forward as well. Now I can say--

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

Okay, cool. So, Chris did a great job setting the stage. And like Colin mentioned, I run our Research and Investments Group at Royalty Pharma, and that's the team that's kind of at the center of all of our investment processes. So I'll talk a little bit about how we do what we do before we get to some questions.

So what really makes us unique is laid out nicely here. I think, first of all, like Chris mentioned, our tenure in this industry gives us a huge competitive advantage. We've been at this for 25-plus years. And that gives us, I think, unique perspective on products and our approach to how we deal with our partners. I'll get to the second point in a minute, but we are extremely proud of our team at Royalty Pharma. And I think importantly, we have -- all of our sort of research and diligence is centralized and internal to Royalty Pharma. So we do all of our own work. We certainly access outside sort of opinions. But at the end of the day, the investment team, the investment decision is at Royalty Pharma.

Third is that we truly have an open business model. So there's no kind of cookie-cutter approach. If any of you have seen our transactions, we are truly partner-oriented, trying to find the right structure, the right thing for the company and for that product at that stage in their development. We really see what we have as a platform, right, which is something we've scaled and built over time, and Chris talked about the future opportunity for our business to continue to grow into the future, and we really feel strongly we have the platform to support that into the future. I talked about -- I'll show some examples of our diligence process, but we really pride ourselves on doing very, very deep, complete work on the transactions we do.

And then finally, I think there's very much a spirit and a philosophy of always trying to focus on process improvement. And so over the last few years, we've made a very significant investment in data analytics internally at Royalty Pharma, to continue to make sure that we are at the forefront of doing what we do. As I mentioned, we've scaled very significantly. If you look in 2012, our research and investments team was six people. At the end of last year, that had more than tripled in size to 21 people, and we fully expect that we can continue to grow our team to meet a lot of the opportunity that Chris talked about.

I want to talk -- just spend a minute on something that I think is absolutely core to understanding Royalty Pharma and our track record and how we work, and it's this idea of One Royalty Pharma team. And to explain that to everyone, I think let's start with kind of our observations of how business development is traditionally done within biopharma and the shortfalls of that, that we've kind of evolved our team and our process and our approach to avoid. And so, I'll just touch on each of these quickly.

The first is this concept of siloed due diligence, so where different aspects of a transaction are diligenced by different people. The R&D organization is going to have an input on the technical diligence. Commercial will sort of put all the inputs for the model and so on and so on. And then all of that then gets packaged and sent to a committee or a series of committees or whatever that structure might be. And so you have this concept of layered decision-making where the people who do the work, are not necessarily the people driving the decision, and all of that wraps up into reduced accountability.

So we've evolved our process to solve for those shortcomings. And that we call sort of the -- our One Royalty Pharma team idea, which is, we have one deal team internally, and I'll show you a little bit about how this works in one second -- who is involved continuously through every stage of our transaction from identifying and developing opportunities, driving all of our diligence, structuring negotiations, even working with our attorneys, both internal and external, to make sure that we execute in paper our transactions appropriately so that product knowledge, all that depth, all that nuance that comes from doing the work all the way through, is brought to bear through all phases of a transaction, and that's incredibly powerful.

I think another part of that is our executive leadership team is involved in the process all the way through. So it's not as though the team works and then sort of comes into a presentation at the very end. We have -- very much have a process where everyone's brought forward together so that by the time we get to the end of a process and actually make an investment or add something to the portfolio, we've been working in parallel the whole time, and that solves for the third thing, which is accountability and high conviction. So we all sort of own it from the very beginning through the end and night. This is so central and powerful part of our process that's worth -- it is worth understanding.

So how does this actually work? How -- like what do we actually achieve with all of this? Well, Pablo, when he was sort of -- when he founded the company, I think one of his first insights was, our -- the world of biopharma is so complex. There's so much going on. It's changing all the time. Things are growing and changing that it's not possible internally in an organization like Royalty Pharma to have all of the domain expertise that you need. It's just not achievable. So we've really set up a platform where we have these core internal teams, but then on a project-by-project basis, we go out and build a very, very large external team. And so, here's four examples of announced transactions where we sort of had -- think about it 15x-plus the number of people externally who are contributing to a transaction versus what we have internally. And so that's sort of the power and the idea of our platform that we can build these large teams for each transaction, that are comparable to what sort of the biggest companies in our space might bring to bear from a diligence perspective, but then we can move on to the next thing. And I think that sort of is our ability to -- and we might get to this -- kind of be truly therapeutic-area agnostic in the way that we invest and the way we've built the portfolio.

So I mentioned, we're also always trying to be front-footed, leaning forward, about how do we drive our process in terms of process improvement. And so, we've established a team called strategy and analytics that's really focused on data and an important theme you're hearing: this is all internal. So we have an internal data team, and then we own all of our own data internally. So it's been a very big investment turning out to be incredibly powerful to our process. And this runs the gamut from kind of horizon scanning, kind of helping to understand all of the science and everything that's happening so that we're well positioned for the future, but then also a very deep knowledge on true data and analytics from a market evaluation perspective so that we have sort of the very best information in terms of market evaluation and forecasting that is available today. So we're always at the forefront of our industry and what we're doing, and happy to take questions about that later.

So this shows our investment funnel from 2021, just to give you a feel for kind of the breadth of our opportunity and how we work. And so, there are some key takeaways from this.

The first is that we do see a lot of things. 300 things came in the door last year in total, and that has grown significantly. I don't know if we have that slide in here, but grown significantly over the last few years, sort of consistent with the theme that Chris was talking about, that the concept of royalties and using royalties is definitely growing very substantially as a part of how biopharma is funding itself. The second thing to point out, though, is that, if you look at the number of things where we signed a confidentiality agreement or a CDA, is actually a small proportion, less than 1/3 of those things. And this is a great way to highlight our discipline, our internal process discipline, where we very much have a culture of, if it's not right, it's not right. Things don't have momentum on their own, and we are very happy to say no. And how we deploy our time is a decision we take very seriously, and you can see that here.

Even after though -- if you keep stepping down through the funnel, even after that though, even after we've started to work on a project, you can see there's still a very significant step down as we go through the process, again, highlighting this theme that we're -- we have a very disciplined process. And once -- if information comes to light or we get to a place where we're just not comfortable, we will walk away, and I think that's an important part of our culture.

So here, just to give everyone a feel for everything we've done just looking at the last two years. I think what's cool about this, there's a few things, I think, makes me proud of our team every time I see this slide, which is two years, we've done -- we've invested in 21 different products in 25 different diseases. So first, I think that's clear proof from my perspective that it is truly a platform that we have, that we can diligence any therapeutic area, any product to get to conviction in a way that really satisfies us within our framework. We've done it, approved, pre-approval, and pre -- a good mix of approved and pre-approval investments as well. So -- and a real focus, I think you'll see here on product quality. These are some exciting -- some of the very exciting products in our industry, and so, we have a really high bar for what we add to our portfolio.

So here is our framework. I'm not going to step through each of these. But I think the way I would summarize this slide is that, where we start with our process is not 'do we see a really attractive opportunity for economic return for a given project'. What we start with is 'do we like this product', right? We sort of internally say, 'is this a Royalty Pharma product? Is it important for patients, for the system, in some way', and that's what gets us excited. And once it sort of clears that hurdle, then we ask ourselves 'how do we get to a win-win solution for Royalty Pharma and for our partner?' And I think that's how we've built the portfolio over the last 25-plus years. It's not sort of a top-down approach. We need to be in this therapeutic area or that therapeutic area. We more say 'is this an important product', and then over time, that generates the portfolio diversity and composition that you see today, that is the best in the industry.

So a very natural question, I think, right now is, how is Royalty Pharma positioned, given the current macro environment? And I think, we see ourselves as very well positioned for multiple reasons. Chris mentioned -- from an interest rates perspective, Chris mentioned -- 60% of the debt Chris talked about is now fixed through 2030. We see even under the current scenario, the 2.2% fixed rate, that coupon that Chris talked about on our debt, probably through 2025, is going to rise very modestly in the environment that we're in. We get asked a lot about everything, I'm sure that everyone at this conference has been experiencing, with the wider sort of biopharma equity drawdown that we've seen. I think actually, from our perspective, it is a positive for our business for multiple reasons. The biggest one is that, Chris talked about, there's been an ongoing kind of secular trend over the last few years in terms of more focus on royalties. And I think this market and this fundraising environment is really only accelerating that process.

The last point to make -- that I want to make is, our business model, I think, is uniquely positioned for this kind of an environment because we are so tactical and can respond in real time to changes that are going on out there in terms of areas that are interesting, in terms of what we pay for the royalties we acquire, how we structure things. We can respond in real time, which is incredibly powerful. We don't have sort of legacy infrastructure or other things that limits our ability to react strategically and go in whatever decision -- excuse me, whatever direction we think is most attractive.

So, I think finally, last slide for me. I think just to sum up kind of how we think about Royalty Pharma as an investment. You can see on the left here, as many of you guys know, investing in biotech and biopharma is a complex undertaking, and I think Royalty Pharma offers the opportunity to simplify a lot of that for some key reasons you see here, which is, as Chris talked about, very simple business model. We take in royalties as a percentage of top-line sales and with very little sort of cost drag, are able to redeploy that to continue to compound our growth and drive our portfolio. We've been at this for a long time. And so, we have a great track record and very complex and rigorous process. Diversification- we didn't talk a lot about this, but in terms of exposure to binary clinical risk, we're very, very selective when we take that on. And I think we've shown now over many years our ability to continue to invest and refresh the portfolio.

So that is it for me. And Colin, we can get into some Q&A or whichever direction you want to take it.

QUESTIONS AND ANSWERS

Colin Bristow

Absolutely. Thank you. That was great. Actually, just on the last point, talking about sort of binary clinical risk portfolio mix. How do you think about portfolio diversification? Are you truly therapeutic-area agnostic? Just walk us through that.

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

Yes. So I think two points there. Your second question, the answer is yes. If you looked at the slide I showed, we are investing all over the place every year in many, many different areas. Our approach and our thesis has always been that, if you take a top-down approach for building a portfolio, right, you end up in a situation where you're saying, what is my best opportunity in this therapeutic area at this point in time. And that doesn't necessarily mean it's a great product, but I'm kind of trying to check a box. And I think that's something that we've always tried to avoid, and so we are truly therapeutic-area agnostic. And I think about the morning -- Chris and I had the number of deals we're working on right now. I mean, it was all over the place, right? We go from thing to thing to thing, and it truly is extremely diverse.

The second part of your question on pre-approval and binary clinical risk. We're very selective there. There are some slides in our Analyst Day for anyone that wants to review that, that sort of shows how selective we are with respect to taking clinical risk. We certainly do it, and we -- it's an important part of our business. If you look over the last 10 years, I think pre-approval investments in total are a little bit less than half. So we've done a lot of it, but our track record of being very selective and converting that into approved products is high. So we do it, and it's an important part of our business, but very selective in our approach.

Colin Bristow

A question from the audience. How does Royalty Pharma source their deals? Does the RNI actively seek out opportunities or do counterparties call Royalty Pharma?

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

We -- it's both. It's a simple answer. And I think Marshall had a great slide in the Investor Day about segregating between inbounds and outbounds. One thing I would just say is, we've all been in this business a long time. I mean, I was in the business for 25 years prior to joining Royalty Pharma. Marshall -- the team, and the relationships matter. So we -- I think we've got a good reputation of working with partners, creating win-win solutions that gets out there in the industry. People understand that we're flexible and we want to help people achieve their goals, and we find ways to do that. And I think that sort of draws upon itself. And the other thing is, I think we identify things that, to Marshall's point, around drugs that potentially could mean something in the industry, and we may focus on them earlier, Phase I, Phase II and build a relationship, making sure people know how we can work with them to the point where, as that clinical compound advances and gets to the stage where actually it makes sense for us to invest, they know us. We've built that relationship and we work really hard at that.

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

Yes. Colin, I'd just add two things to what Chris said. I think first is, I mentioned our investment in strategy and analytics and data. I think a part of that effort is -- sort of is earlier engagement with partners, I think part of our kind of drive to further establish royalties further and deeper into the funding ecosystem, is really that part that, that investment is really focused on that, which is identifying early-- companies earlier that are potentially interesting so that once they're sort of in the Royalty Pharma sort of phase that we have a dialogue there, and we've sort of hopefully influenced their thinking as much as possible on royalties. And just to put some numbers on it, like Chris mentioned, if you look -- if you think -- if you remember that funnel slide I showed, if you look at the top of the funnel, incoming versus outgoing was something like -- I think it was 80-20 incoming, not surprising at the top -- 20% outgoing, if you go three layers down in the funnel. So when we really start to do work and really lean into something, it actually flips entirely. So it's 70% outgoing and 30% incoming. So things that we've pre-identified as interesting are where we end up spending most of our time.

Colin Bristow

Another question. Moving forward, what therapeutic area and stage of development is a high priority for sourcing deals?

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

Yes. So -- to get back to your first question. So we -- that isn't necessarily how we think about things. I think we really like the kind of open model in the way that we approach therapeutic areas. So truly, you won't see us focus on one versus another. Over short periods of time it's certainly possible that we could do -- by the same token we could do multiple deals in one therapeutic area over one -- over six months or a year. That doesn't mean that's a focus. It just means that for that period, that's where the things we were most excited about where were coming from.

Colin Bristow

Just given the increased internal resource base you now have -- are you finding yourself becoming sort of more ongoing partners, or there are sort of consultant type roles after the investment is made? Is it purely a sort of transaction, then move on?

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

Yes. No. I think -- like Chris mentioned, I think that's one thing that we really pride ourselves on is being a partner first and foremost. So when you look at some of our history, like Biohaven is a great example, and we spent a lot of time on that on the Analyst Day because we worked with them four times over three years or -- yes, three years or so. And from when Nurtec, their drug was in Phase III to, when they needed to fund a priority review voucher to move them up so they were better competitively positioned versus AbbVie to, when they needed to fund their pipeline while still launching their drug. And so we've been a true partner. And there's no question that part of that internal resource is, we want to share that with our partners. When we do work and understand the commercial market or better understand the patient journey, we're absolutely sharing that with our partners, because obviously, that's accretive to their strategy to improve the product's prospects. And it also is, I think, sort of a virtuous kind of cycle between us as a partner of choice and companies out there, as they're thinking about different options.

Colin Bristow

And maybe one last question. I feel like over the last decade, there's been a waxing and waning of other players interested in investing in the royalty space. Clearly now, you have an extremely solid track record and you're very publicly just building on that. What -- is there an index of concern on your part that you're now going to attract more sort of interest in investing in royalties and that will subsequently hit your projected returns? Or you just take comfort in the fact that you've built these moats?

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

We have the -- we have built moats. I think our investment-grade rating and our cost of capital and our portfolio of over $2 billion of top line really is a big moat. But if you take a step back and think about it, we're a public company. We want to partner with our partners throughout the duration of that asset. If it's 15, 20 years, that's what we want to do, and that's what we really look to do. A lot of the folks -- and by the way, the market is so big. We welcome competition because it's only raising the profile of royalties, right? I mean, we talked about $1 trillion-plus spend requirement of the unprofitable biotechs alone. We can't do all of that. So we welcome the competition. We welcome all of that. But a lot of the competition that has come in and gone over that decade, has been fund-oriented, right? So, when you're a fund, you're basically raising capital for a five-ish type year period and locking that money up and then promising returns. And you think about the duration of how long it takes to get a drug on the market, how long it really takes to get drugs launched and to the point where they're making returns. And that sort of marketplace isn't necessarily best suited for a five-year fund. Whereas we're taking a 20-year view, and that doesn't mean that they can't compete in certain ways and structure things differently. But we don't really -- we don't think about it like that. And regardless, I think the market is so large, more people out there talking about royalty financing, the better as far as we're concerned.

Colin Bristow

Great. Well, congrats on the continued success, and Marshall, Chris, thanks for the time.

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

Thank you very much.

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

Thanks, Colin. Appreciate it. Thanks, everybody.

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

Thank you.
