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PRESENTATION

Christopher Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Good morning, everybody. I'm Chris Schott at JP Morgan, and it's my pleasure to be introducing Royalty Pharma to this morning at the JP Morgan Healthcare Conference. We think this is a really unique business and a company that's very much helping fund some of the innovation that's occurring across the biopharma industry.

From the company, we have Pablo Legorreta, the company's founder and CEO, and then we're going to go to the Q&A afterwards with a broader swath of the management team. So Pablo, Happy New Year. Thanks for joining us and look forward to the presentation.

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

Chris, thank you very much, and it's such a pleasure to be here today. My first time as a presenter. I've been coming to the conference for 26 years, but Royalty Pharma was private for a long time, and thanks to the help of Chris and the JP Morgan team, we took it public in June of 2020.

So I'm Pablo Legorreta, Founder and CEO of Royalty Pharma, and I'm really excited to be here today to share with all of you our exciting business model. It's a very unique business model and one that I think has enormous potential to outperform, because we can, as Chris said, be the partner of choice in funding this incredible ecosystem that we all work in. And what I'll do today is walk you through a little bit of the business for some of you that may not know us well.

So this is the customary forward-looking statements, and so please take note of that. So I'll start with our vision, which is really straightforward. We aspire to be the leading partner, the leading funder of innovation in life sciences. And our mission is to accelerate innovation in life sciences and transform patients' lives globally. We at Royalty Pharma live our vision and our mission, and we're really highly, highly confident that we can deliver against our business goals.

I'll start by providing a brief overview of our business. It was founded in 1996, and we are, as of today, by far, the largest acquirer of biopharmaceutical royalties. And we are a leading funder of innovation across the life sciences ecosystem. We own a portfolio of 45 royalties. It's approved and development-stage products, including 14 blockbusters, very unique for a company like ours -- sorry. Okay.

So based on our broad portfolio, we reported top line Adjusted Cash Receipts of $2.3 billion over the last 12 months. We have superior diversification by product revenue and by therapeutic class. Our business model is also highly, highly efficient, able to convert the vast majority of revenue to Adjusted EBITDA. We have EBITDA margins in excess of 90%. We're very proud of our accomplishments in 2022. We delivered strong financial performance and held a successful Investor Day last May.

As announced in our press release this morning, we expect to deliver 31% growth this year and [around] (corrected by company after the call) 10% without the accelerated Biohaven onetime payments. We added six new therapies to our portfolio, including the blockbuster Trelegy. Last year was a strong year for capital deployment. Building off of our momentum since our IPO, we deployed $3.4 billion in announced transactions. And given the rapid expanding opportunity set for capital deployment, we raised our capital deployment goals to $10 billion to $12 billion over the next five years, from $7 billion also over a five-year time period at the time of our IPO.

Lastly, given our strong growth -- our growth in our business and the rapidly expanding opportunity set to fund innovation, we grew our team with several great additions and continue to integrate our new team members. We had a good number of year-end promotions and further strengthened our very unique corporate culture.

We're executing really well against all five pillars of our strategy as well as against our increased capital deployment plan. Our largest deal last year was for Trelegy, an exciting blockbuster, but we were also active in creating new synthetic royalties with Cytokinetics for aficamten and Merck with MK-8189. We've strengthened our market-leading position as we move towards achieving our five-year capital deployment target and we delivered attractive double-digit compounding growth. We're also excited to announce a new partnership with Ionis to kick off 2023, which I will touch on in a moment.

Now, I would like to provide a top-level and 10-year perspective on the amount of investment in R&D required in life sciences, which, as you will see, is enormous. Academia nonprofits over the next 10 years are expected to invest over $1 trillion in R&D. These institutions, as you know, seek to out-license their inventions, their IP, and as a result of that, they create what we refer to as existing royalties. Unprofitable biopharmas, essentially biotech companies, are expected to invest $1.1 trillion on SG&A and R&D over the next 10 years. And profitable biopharma will invest approximately $2.1 trillion in R&D over the same time period. Putting this all together, in aggregate, life sciences will require more than $4 trillion in capital. All of this investment is projected to result in a pharmaceutical market with revenues in excess of $2.2 trillion by 2032.

Royalty Pharma is extremely well positioned to get a piece of those end-user sales through both existing and synthetic royalties. The strong momentum for our business is underpinned by encouraging trends in the royalty market as well as the fact that royalties are becoming a mainstream way of funding innovation. Since 2015, on the left, the number of transactions is up more than 6x to 27 deals. And the dollar value of transactions on the right is up to 10x to $6.2 billion over the same period. Royalty Pharma has maintained the leading share of the royalty market. 60% overall share of the royalty market since 2012, and on the larger deals valued at greater than $500 million, an 85% share.

We achieved greater than 50% of dollar value of transactions in [2022] (corrected by company after the call) and over 1/3 of transaction volume. We expect these trends will continue, given the clear benefit of royalty funding and the strong cycle of innovation in pharma and biotech companies. At Royalty Pharma, we have pioneered the use of synthetic royalties, allowing us to partner with any large pharma or biotech company on any program. Synthetics, in other words, creating new royalties, has grown the market dramatically beyond the market for existing royalties.

Funding with royalties has become mainstream and is nowadays part of the funding discussion at the Boards and C-suite of many, many companies. Why? Because of two simple reasons. It allows companies to retain operational control of their products and their clinical development programs and provides much lower cost of capital to do product or program-specific funding as opposed to continuing to fund companies exclusively with very expensive and dilutive equity and converts.

Over the last five years, biotechs raised $260 billion in funding and synthetics were just 2% of capital raised. Going forward, over the next five years, the unprofitable biotechs will require $450 billion to fund their businesses, and as you heard, $1 trillion over the next 10 years. Hypothetically, if synthetics were to become only 4%, that would result in an $18 billion funding opportunity for Royalty Pharma.

An emerging paradigm for successful biotechs is that a partnership with Royalty Pharma may provide a critical portion of a company's funding needs. Our highly customized approach, low cost of capital and use of a variety of funding tools, royalties, hybrids, which include a portion of equity or our new development and launch capital, all of this together have addressed well company's unmet funding needs. So as you can see, Royalty Pharma has supplied about 1/4 of the total cumulative capital raised by these companies over their lives.

For Royalty Pharma, our funding model has been validated by the development and successful commercialization of many of these products, and in certain cases, also by the acquisition of our partners by larger companies. This biotech funding model has proven to be less dilutive than pure equity or converts and much more flexible and scalable. We believe the structures could represent the new funding model that successful biotechs use in the future.

Turning now to 2022 and our opportunity funnel. We reviewed more than 350 potential transactions. This resulted in 106 CDAs signed, 70 in-depth reviews and 38 proposals submitted. Our disciplined and highly selective approach resulted in us executing only seven transactions across six therapies or just 2% of our 350 initial reviews. This ranges between 2% and 3%, 4%, 5%. In 2022, we saw strong growth in our pipeline, up across the board versus 2021. The difficult equity market environment certainly helps, but we can see positive trends in place for multiple years.

Specifically, from left to right, we saw initial reviews up 75% since 2019, in-depth reviews up 75% and transaction value up 55%. We're confident that over time, we can scale up our capital deployment while maintaining a high-quality bar and attractive returns for our investors.

In 2012, 10 years ago, we expanded the scope of our business beyond our initial focus of acquiring existing royalties in approved products to also fund products in late-stage clinical development with both biotech and big pharma. This was a really important change in Royalty Pharma's business model because it essentially made the entire pipeline of both biotech and big pharma, our potential pipeline. Since then, we have deployed $24 billion, of which $13 billion or 55% has been in existing royalties in approved products and $11 billion or 45% in royalties and late-stage products.

In my view, this is a big underappreciated opportunity for Royalty Pharma. I'm talking about funding the biotech industry through synthetic royalties and other structures. And as you can see on the two charts on the right, how over the last three years, we have experienced a strong acceleration in capital deployed. On the first of the two charts on the right, the middle chart, you can see how in just two and a half years since our IPO in June of 2020, we have far exceeded our prior capital deployment target of $7 billion or our guidance at the time of the IPO, and have deployed $10 billion in announced value since 2020.

Finally, since the start of 2022, we have announced $4.5 billion, positioning us well to meet our new $10 billion to $12 billion five-year target increased at our Investor Day last May. We're very excited to start the year announcing a win-win partnership with Ionis. We acquired royalties in -- on Spinraza, a blockbuster for SMA, and pelacarsen, an exciting development-stage therapy for cardiovascular disease. Through this collaboration, we deployed $500 million upfront and have agreed to an additional up to $625 million in potential performance-based milestones. This transaction leverages Royalty Pharma's deep internal knowledge in spinal muscular atrophy, an Lp(a)-driven cardiovascular disease. This unique deal structure provides an attractive risk-reward for Royalty Pharma.

Our interest in Spinraza is a lower-risk investment and will generate cumulative royalties of either $475 million or $550 million. And as expected, it will generate returns commensurate with the returns we seek in approved products. And we're really excited about the significant upside potential from pelacarsen for which Novartis has projected greater than $2 billion in sales. And we expect this will generate attractive returns, again commensurate with the returns we seek for unapproved investments. Given previous investments, we now own two potential royalties in both SMA, Evrysdi and Spinraza and emerging -- and the emerging Lp(a) class.

As evidenced by the Ionis deal, we have a unique ability to invest in multiple products in the same class, which is also a unique advantage for our investors and demonstrates the power of our business model. As a result, we can own multiple royalties in multiple products in the most innovative therapeutic classes with no regulatory complications. A secondary benefit is a natural hedge against competitive shifts in these therapeutic areas.

Historically, Royalty Pharma had a successful series of investments in several products in the same therapeutic classes, as shown on this slide. In the anti-TNF category, we received royalties from Humira, Remicade and Cimzia. In prostate cancer, we received royalties on Erleada and Xtandi. And our new partnership with Ionis adds additional royalties in both SMA and Lp(a), two therapeutic areas we're very excited about. As you may have seen, we also recently acquired a royalty on Amgen's olpasiran, which also lowers Lp(a), and several years ago on Roche's Evrysdi.

Over more than two decades, Royalty Pharma's unique business model has been able to generate very consistent and predictable absolute double-digit returns. In my view, this is an underappreciated attribute of our business. Here, on this slide, we compare actual and estimated returns to our target returns. We target high single-digit to low double-digit returns for approved products and teens for development-stage therapies. Historically, our portfolio has delivered consistent low teens returns on an unlevered basis. Our estimated cost of capital is between 5% and 7%.

Importantly, nearly 90% of the deals over this period have -- are expected to deliver returns above our cost of capital. Also underappreciated is our ability to enhance returns with conservative leverage. Historically, we have funded about 1/3 of our deals with low-cost debt. That takes our levered returns to the high teens or low 20s. The $10 billion of capital deployed over the last three years significantly broadened our portfolio.

We acquired 29 unique therapies, 14 of which were development-stage and 14 which are either currently or projected to be blockbusters. Our new medicine spans seven therapy areas. Importantly, the strength of our business model is that we're therapeutic category-agnostic. These new royalties are expected to add approximately $1 billion to our top line in 2025 based on consensus estimates.

Of note is the high quality of our new medicines, products like Tremfya, Trelegy, Evrysdi and Cabometyx. These are our top products across the industry with their best years ahead of them. We also added many exciting and differentiated development-stage therapies with blockbuster potential.

Since 2020, roughly 60% of our capital deployed has been on approved therapies and 40% on development-stage products. The graphic on the right-hand side shows that the consensus estimate in 2025 for the vast majority of our investments has significantly increased. A few by more than 50%, such as Nurtec and Evrysdi, also very strong performance from Tremfya, Orladeyo and Entyvio. This indicates that the bar for quality for our deals continues to remain very high.

In 2022, we continue to add important development-stage therapies to our portfolio, as you see in these green boxes. Our development-stage portfolio has the potential to receive royalties on approximately 40 projects in late-stage development. The size and diversity of our pipeline, we believe, compares well with many of the largest biotech companies. Our pipeline also has considerable diversity from a therapeutic class perspective. We anticipate our pipeline will continue to grow as we invest in both approved and development-stage medicines in the years to come.

To finish, I would like to highlight how Royalty Pharma's business model offers an unusually unique way to invest in biopharma. It maximizes exposure to many of the industry trends while minimizing exposure to many of its common challenges. In terms of biopharma industry strength, we offer strong diversification on the top line and bottom lines. We offer strong exposure to transformative therapies, 14 therapies with more than $1 billion in end-market sales and many well-known brands in the industry. Our portfolio benefits from an average expected duration of 13 years, exceeding many big pharmas and large biotechs. From a financial return perspective, we have a track record of delivering consistent and predictable double-digit returns on deployed capital.

Turning to industry challenges. We do not take on significant early-stage development risk, which clearly differentiates us from biopharma. Also, we have no therapeutic area bias and minimal exposure to binary risks. Thank you very much for listening to us today and being here and happy to take your questions.

QUESTIONS AND ANSWERS

Christopher Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

I'll just start with some Q&A from up here. So I guess maybe just kicking off the questions for me, obviously, the deal announced this morning. So I was hoping if you could elaborate a little bit more on how you think about returns from the transaction today. Maybe how much of this was driven by the Lp(a) opportunity versus how much was driven by Spinraza?

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

Marshall, why don't you take that question? What I would say is I think one of the things that has been a constant in the history of Royalty Pharma is to really try to identify new drug classes that are going to be really important and have meaningful impacts on patients' health, and as a result of that, will become very, very large in terms of revenues. We have consistently been able to do that.

And I think what's attractive about this investment from my perspective from a very top level is that we're getting an investment in Spinraza, a $2 billion drug that -- and we also have the investment in Evrysdi. So we actually have two incredible investments in a very important therapeutic class. But then Lp(a), I think, could be one of the biggest classes in this industry in 10, 15 years.

And we have managed to establish now two royalty investments in this new emerging class, and these royalties are very meaningful. When you look at the size of royalty that we owned historically and what we now have acquired on both, they're actually quite meaningful. But Marshall, talk about returns.

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

Thanks for the question. I think Pablo hit a lot of the important themes, but it really was about the package. And I think the slide talked about attractive risk-adjusted returns and our unique ability to structure something with a really established incredible product like Spinraza and then you have exposure to a potentially multibillion-dollar class put together. So I think that's really the way we thought about it, that it was the package of both together that was attractive and something we're uniquely positioned to put together.

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

And each investment on its own will deliver very attractive returns. Obviously, the approved ones are lower, very predictable, very leverageable, and the unapproved then will deliver high teens, maybe even 20s returns, depending on the sales scenarios. And those are unlevered returns. They get approved and become big drugs and then we can lever them at some point in the future and that enhances our returns even further.

Christopher Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Sure. And can you just elaborate a little bit more on that Lp(a) market? Because this one, the data has looked really compelling, but I think there are some debates about, how do you commercialize this? How big could this actually become? Like what does your work kind of point it to?

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

Yes. No, it's a great question, something we've thought a lot about, as you might imagine. And I think first, taking a step back, like Pablo mentioned, part of what we do strategically is to look for those classes of the future, right, that could be very, very significant. And I think when you look at cardiovascular disease, the unmet need is very significant. We've obviously spent a lot of time lowering LDL cholesterol and I think we can do that, thanks to the industry, we can do that really, really well now.

And the question is what's next? And I think as we went through, Lp(a) is clearly on the forefront of that, we believe, the kind of leading next-generation target. Sure, there are going to be some market development that has to happen. People have to test for it and et cetera. But no sort of major logistical hurdles there that we felt like once you have a compelling set of clinical data that says for appropriate patients, this has a meaningful impact on residual cardiovascular risk, we think the pieces are there for this to be a big market.

Christopher Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. Maybe just a kind of bigger-picture question just on the deal environment. We've had this prolonged window now of depressed valuations for a lot of the innovative kind of biotechs out there. How has that been affecting whether it's your -- the type of deals you're seeing, the deal flow you're seeing? Just help me a bit about just the environment to kind of dislodged assets now, I guess, or create these royalties.

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

Never in the history of Royalty Pharma have we been as busy as we are now. I mean, that's just a fact. But Chris, why don't you...

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

Yes. We are really busy. I think Pablo went through some of the key metrics, which are -- we've invested over $10 billion in announced transactions since 2020. And in 2022, our top of the funnel was over 350 opportunities, which is up 75% since 2019. A number of in-depth reviews that we've looked at is up 75% since 2019. So we're really busy.

But the market itself is expanding. So Pablo also talked about this, but the number of royalty transactions since 2015 is up sixfold and the dollar value of those transactions is up over tenfold. So the market is expanding. We're obviously the largest player in the market, and we see a lot of opportunity out there.

Christopher Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Can you just, maybe just follow up on that, just talk a little bit about the quality of assets out there? I think one of the debates is we had so many companies that went public. And I guess, are all of those kind of attractive assets that should be public companies over time? So I guess, when you're looking at that funnel of 350 deals, are you seeing the type of quality that you'd ideally like to be able to keep scaling at the model?

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

What we really are trying to do is we have a high bar, right? So despite the fact that we have made a lot of investments, we want to make sure the quality filter is there. I don't really want to comment on whether the industry was over-exuberant on taking companies public. There are a lot of early-stage companies. Those companies will mature. And as they mature and the data develops, those certainly could be additional opportunities for us to invest. But right now, we see a lot of very high-quality assets like we announced today.

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

Let me just step back and take a big picture perspective here because if you think of what's going on in this ecosystem and I often refer to what's going on now as sort of the golden age of academic discovery and biotech development. And you have governments that -- you saw the figures, amount of investment, in the trillions of dollars over the next 10 years, $4 trillion. But on a yearly basis, it's in excess of $300 billion invested in R&D and life sciences.

So what's so unique about Royalty Pharma is the extremely privileged position we have, where if I look back, and this is how I see our business today, maybe not 10 years ago, 15, but this entire ecosystem produces incredible innovation and treats human disease. And we actually look -- when we look at it, have realized that the entire pipeline of this entire industry is our pipeline because we can invest in products by acquiring royalties from academic institutions, which end up with royalties, hospitals, foundations, and we've done a lot of that.

But then we can also fund now, when we started in 2012, to also invest in unapproved and create royalties. We can fund biotech, all of biotech, and we can fund big pharma. And it's becoming more and more obvious for many of these companies that what we offer is very compelling, less dilutive than equity, low cost, very patient. And we've come up with new instruments like this thing we call Launch Capital that I think is going to be very important for many companies.

So we're in a really unique position, and I think investors should pay attention. And it's a very unique business that allows investors to capture the most attractive aspects of this entire ecosystem and a lot less exposure to many of the issues and drawbacks and binary outcomes and things, but I'll stop there.

Christopher Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes, that was helpful. One of the questions I get is just higher interest rate environment and what that does to your cost of borrowing and cost of capital. Maybe just elaborate a little bit more about how we should be thinking about that impacting your business.

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

Yes. So happy to take that. We were fortunate that in 2020, we refinanced all of our debt from shorter-term floating rate debt to long-term fixed coupon bonds. And so 60% of our debt matures in 2030 and beyond. And we're, right now, borrowing at 2.25%. We do have a maturity in September of this year. It's $1 billion. If we were to refinance at today's rates, it would take our weighted average interest expense up to a little less than 3%. So it's really pretty manageable and fairly modest in the grand scheme of things and in the context of the scale of our business and the opportunities.

We also are seeing a little bit of a reset in terms of, you would expect that as rates rise, that our return expectations would also rise a little bit as well, and that's something that we're also seeing. So I think that there's sort of a natural hedge in our business and that we're constantly reinvesting. And so much of our business is about deploying capital at attractive rates of return, that it ends up being fairly neutral to even potentially positive as we think about the impact of a higher rate environment on the funding needs of the biopharma ecosystem.

Christopher Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

As long as that spread keeps increasing and so it's not just a one-sided kind of the deal price stays the same.

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

Yes.

Christopher Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Okay, that makes sense. And then maybe I'll open up to the audience for some questions in a second. But just bigger picture. I mean, I look at what you guys have done since the IPO. You've exceeded your expectations. You've made high returns, et cetera. The stock hasn't necessarily reacted to it. So help me a bit about what you think the Street is missing in terms of the model and the investment opportunity, I guess, in the story.

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

I talked about a lot of the things during my remarks. And I think one thing that I should have mentioned also big picture about us having this privileged position to invest in this industry and having all of the pipeline of the entire industry that we could access is that we -- if you think about it, we're also coming in when a lot of the important questions have been answered in terms of risk and commercial potential. So it puts us in a very interesting position where we can make investments with really attractive upside returns and manage risk, very unique.

But I think another thing to mention just briefly is that we were private for 23 years and built a big business. So we had investors that have been stuck with us for more than two decades and great investors that really supported us and grew with us. But what's also happened is that there's been a very significant shift of investors transitioning to other kinds of investors that we have today and it's been more than 50% of the -- 55% of the ownership of Royalty Pharma has turned over.

About 35% of the ownership is in very solid hands because management, we own 23% of this business. And our Board -- with our Board, we get to 35%. So it really, at this point, leaves very little ownership that probably will turn over. But do you guys want to talk about other things?

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

I guess I would just add that we're a new public company and so it is a little bit of an education process and we're an Nof one. That's why we're trying to be at these conferences and explaining our story. And I think that we're making good progress in our Investor Day that we held in the spring of last year was really important for that. And I think that it's just continuing to educate people on the attractive aspects of the story.

Christopher Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. Can I just -- as I think about kind of the deals and how they've evolved over time, I guess are you thinking about deals differently today? Because it seems like over time, we thought about as I think about the balance of development stage versus commercial stage, so maybe that one first. I think your -- you spend like 55% in market, 45% development stage. Is that kind of the right mix for Royalty Pharma going forward or could that pivot one way or the other over time?

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

Yes. It's remarkable. Chris, it's a good question. It's remarkable how actually stable it's been over time, right? I mean, Pablo talked about this 60-40 since we've been public. If you go back a decade, it's not that much different. It's 55-45, which is -- which I think speaks to our approach and of selection of the products and programs that we want to be involved with and how that stayed very consistent over time.

So I think we're going to continue to be very focused on quality and what are the most important things in front of us. So could there be periods where that mix shifts one way or the other? If you look at snapshots in time, that's certainly possible. But I think we feel really good about the strategy and where that mix is coming out when you consider longer periods of time.

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

But I think, and adding to what Marshall said, is that you've seen how the business has changed over decades and we're constantly trying to innovate and come up with new ways of doing things. So we're not going to stay still and we're going to continue to do that. So things will change, I mean, maybe not so much in terms of the mix of the assets. But in terms of how we do things, what kind of structures we use, definitely, we will continue to be very creative and try to solve companies' problems essentially.

Christopher Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Okay, great. Just a couple of here in the last few minutes. I get this -- I think you got asked this in the past. But just as you consider IRA and maybe a more question about future deals, how does that factor in? Do you feel like enough visibility of how IRA is going to play out as you think about potentially larger assets that could eventually get kind of drawn into those negotiations?

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

Yes, it's a good question. I think probably a lot of people in the room have been thinking a lot about this as well. And so I think it does. If you take a step back, I think something like the IRA highlights one of the strengths of our model and how we operate and what something that Pablo said, which is we can be very tactical, right? So as things change, as we learn more, we can very much incorporate that on an ongoing basis into what we do.

As Pablo mentioned, seeing the whole industry's pipeline as our potential source of opportunities gives us a lot of room to be able to operate as we do learn more about IRA. Specifically to the question, we're, I think, doing a lot of scenario work now when we look at things to say if this happens or that happens, what might this look like? How could we structure that? Can we structure with that in mind potentially?

And so I think we're going to continue to take that approach. I mean, there's going to be obviously a lot of important -- really important medicines that are going to be exposed to IRA, and we want to make sure that we have a strategy there and that we're getting that right.

Christopher Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. And maybe just the last question as we're wrapping up here. As we think about 2023, I know you're not giving formal guidance, but can you just maybe talk about some pushes and pulls that we should consider as we think about this year?

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

Yes, sure. So yes, we'll give our annual guidance when we report our fourth quarter in February. But I think bigger picture, we continue to expect strong performance from a lot of the products that were highlighted today, like Tremfya, cystic fibrosis, Trelegy, where we'll have a full year of royalties now and then some of the launching products like Evrysdi and Orladeyo. So we're very happy with how the portfolio is shaping up for next year.

On some of the headwinds, obviously, FX looks like right now that it will continue to be a little bit of a headwind, although that seems to be improving. And then Imbruvica is one product within our portfolio that historically was a great performer, still a fantastic investment for us, but certainly facing commercial headwinds that look like they're going to continue into 2023.

And then the last one to just highlight, and this is a sort of a small one but it's in our other line, there was a negative development for Lexiscan from potential generics. That was about $45 million of our top line this year so that could have a negative impact in 2023 as well. But we're very optimistic and I think continue to expect very nice growth going ahead.

Christopher Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. Well, I think we're just out of time. Thank you so much for the comments today. Appreciate it.

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

Thank you.
