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QUESTIONS AND ANSWERS

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

Good morning once again. We'd like to welcome Royalty Pharma to the Cowen conference. We're delighted to have them with us. Representing the company are three members of management, Terrance Coyne, who is Executive Vice President and Chief Financial Officer; Christopher Hite, who is Executive Vice President and Vice Chairman; and Marshall Urist, who is Executive Vice President and Head of Research and Investments, so thank you so much for being with us. We'd like to start out with kind of a big picture question. And that is that in the past, and I think it was specifically at your analyst meeting a little less than a year ago, I guess it was, that you noted that while you remain therapeutic area and modality agnostic, you see particularly large opportunities in a few areas. And we're just wondering how things have evolved over time because we've seen some good data, bad data and probably all of these indications. So first was under-innovated large markets; second was new modalities for existing diseases; third was brain diseases and fourth was targeted therapy beyond oncology. So maybe you could tell us how your thoughts have evolved and maybe give us an example in each.

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

Sure, Steve. So thanks, and good morning everyone, thanks for having us. I can start on that. I think to just put a point on it, I think when we talked about that, the goal there was to talk about thematically some big-picture things that we think are interesting. And our core investment strategy remains the same, which is we're going to look for the most exciting meaningful opportunities that we're seeing. Those kinds of themes guide our thinking, but are not a kind of top-down approach to how we're looking at the portfolio or looking at the new opportunities at any point in time. So maybe to get back to the core of it, I think some of those themes and examples, under-innovated large markets is an interesting one, and their big picture for everyone is that there are markets where there's tons of volume but have seen relatively few that are typically dominated by a lot by generics and where there are relatively few new branded drugs. So examples there, historically, our investment, Pfizer just finished, but with Biohaven there was a great example of migraine, which hadn't seen new mechanisms in decades, and you launch a new drug with the right strategy into that space, and they can do well. We made an interesting couple of -- interesting investments over the last few months in a new cardiovascular target called Lp(a), another area in cardiovascular disease, where it's been all LDL basically for as long as anyone can remember, and so that's a new next-generation target there. So we think those are good interesting themes. We talked about targeted therapy outside of oncology. We had a -- we've had a great partnership with Cytokinetics over the years. And their program in hypertrophic cardiomyopathy is a good example there as well where you're bringing sort of genetically informed treatment strategies to new areas that are not cancer. So lots to talk about, but that's a couple of examples there.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

Within the under-innovated large markets, we kind of have seen assets for hypertension kind of poking their heads out after 20 years. Are you seeing that as well? I mean, is this the next big area for innovation? Or is this just kind of a random thing that is unlikely to develop intent?

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

We've -- as we've all seen, there's been more development in that space, M&A in that space. And yes, at a high level, that's another good example, right, a space where there's been -- there's lots and lots of generics and no new targets, and you're seeing companies invest and come back to those areas. And so that's another example. Certainly.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

You mentioned Lp(a) as something you've invested in and something that holds great promise. It also, obviously, harbors great risk, right? Because we know it's a risk factor, but that doesn't always mean it will translate into a drug. So how did you become comfortable with the risk profile here?

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

Sure. So just two comments there. I think the first is, is that when we look at the investments that we've made there in the context of the breadth of and depth of Royalty Pharma's portfolio, both today and as we continue to diversify and build the portfolio, that having a place there for things like Lp(a), which have tremendous upside and a really solid underpinning from a data perspective, certainly have an important place in our portfolio. At a high level, I think there's a lot of different pieces if you think about the spectrum there that supports that target at the most basic level, when you look at what Lp(a) is, the very biggest component of Lp(a) is actually LDL, which we all know is a validated target. So -- and you're showing very meaningful reductions in Lp(a) so you're very much adjacent, you're in a neighborhood very close to a -- one of the best validated targets in cardiovascular disease, and beyond that, there's obviously very, very deep work on the genetics of Lp(a), population-based work about very clearly associating Lp(a) with lifetime risk of cardiovascular disease. So, I think there's a lot of different pieces. But you're right, the outcome studies are being run for a reason, and they're going to validate the target.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

By the way, if there are questions in the audience as we go along, please just raise your hand. So, there's probably, I think, at least for late-stage Lp(a) programs in development, was this the kind of thing where you looked at each and with pelacarsen -- or was this the one that was available and you consider them all kind of the same so this was a good way to invest?

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

I think at a high level, I think the interesting thing is our -- what's happened with Lp(a) in our portfolio highlights, I think, a really unique part of the Royalty Pharma model, which is we've made the two investments in the two leading programs for Lp(a) with pelacarsen that you just mentioned from Novartis and then we bought a royalty on Amgen's olpasiran from Arrowhead in the second half of last year. And so there, I think it's pretty unique as a company that we're able to identify an interesting area like that and have multiple products in the same class. We've done that historically in, we've done it in prostate cancer, in migraine, in TNFs historically. So lots of different areas. So I think we saw it as a really great opportunity to have the two leaders, by far the two leaders in this space. And as we've all seen, I think having two is sometime much better than one when you have two big companies investing and developing a new market. I think that having more than one is -- can be really important to actually driving that market globally.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

So brain diseases is still on the list of areas you target, even though your most recent investment here didn't work out ideally. Is it still an area that you think holds promise?

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

Yes. I mean, look, there is a lot of opportunity there when you think about the diseases that are out there where there is really fundamental unmet need, not actually a limited amount of innovation in certain pockets of that space, that's another area which we're looking at opportunities there alongside the rest of the portfolio.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

So in addition to your investment in gantenerumab, you also had exposure to their brain shuttle concept. The brain shuttle concept continues on at Roche in their MS program, I believe it is. So do you have any economic tie to that because it's still brain shuttle or don't you? And what was your analysis of the brain shuttle technology itself?

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

So we have exposure to the brain shuttle gantenerumab which continues and -- continues, I think it's in a Phase 2 trial at Roche today. And yes, we have a royalty on that. Again, when we made that investment, it was very, very, very early in development. So I think we thought, as I'm sure a lot of people do, it's very cool technology. We're seeing it validated. We're seeing the general approach get validated in some other orphan diseases, but we'll have to see, right? So I think a little more to wait before we see what the sort of balance of safety and efficacy is for that approach.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

I was actually unaware that the gantenerumab brain shuttle was still in Phase 2. So okay, that's interesting. We'll follow up this afternoon with them or maybe it's tomorrow. So these are the areas where you're perhaps most intrigued but that implies that in any bell curve, there's another side to it, right? So there must be some areas where you're less intrigued. And I know that you're intrigued in all areas, but we still have a bell curve and there's still some that you're less intrigued by. So tell us about some of those and why you're less intrigued.

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

Steve, I'm not -- I'm going to -- probably not going to answer your question directly in the sense that we very much are a case-by-case approach and don't want to be caught by our pre-existing biases. We've all -- as a team, we've been together for a long time. We've seen a lot. And so we really try to have discipline to come to things with an open mind, right? And I think we've certainly seen -- we have I think we have a good sort of debate, a culture of sort of debate and discussion where our views on things can evolve over time. We've put things down, picked them back up multiple times, and as the facts change and as the sort of -- as the industry changes around them or competitors change, we always want to be able to go back and really be able to have that open mind. So I think that's an important thing. So the honest answer to your question is, we're not a -- I would never ever do XYZ kind of place. We'll -- if it makes sense, we'll look into it and we try to be open minded.

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

We have sort of a saying that nothing ever dies at Royalty Pharma. So to Marshall's point, it could seem uninteresting. And then a couple of months later, we -- something new happens, and we reengage and transactions happen that way all the time. So that's kind of the sort of nimble aspect of our business.

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

And the only thing I would add to that is it's tough to make investments if the end market is very small because what we don't want to do is overburden the product with a royalty to get a return. So smallish products, those are tougher to do regardless of therapeutic area.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

That touches upon another question, and that is from the perspective of the royalty seller, so obviously not Royalty Pharma, but from the royalty seller, what factors make a program or an asset, a good candidate to sell a royalty? And you just answered part of the question, small products do not make good candidates. So but what other features? If you're a royalty seller, would you say, wow, there's one. That's a great candidate.

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

I think about that question from a standpoint of if you're the CFO charged with raising enough capital to achieve the goals of the company, you're thinking about equity, you're thinking about convertible bonds. And I think over the last five years, structured financing through royalty deals, it's clearly another viable alternative that more and more CFOs and CEOs and boards are getting exposure to and understanding. And what they're really understanding is that the cost of capital associated with the synthetic royalty is much more attractive if you truly believe in the equity of your company. That we offer a very attractive cost of capital in large part because when we invest, we're assuming success. So we're taking, if it's development risk, regulatory risk, commercial risk, we're assuming a level of success of that program, whereas the equity market, in large part, is always putting a POS on clinical, regulatory, maybe shorting the launch, whatever the case may be. And so for a lot of reasons, our cost of capital that we can provide our partners is just much more attractive. And we're risk-sharing along with them, so we're betting on long-dated risk around the product performing and that's, to a lot of boards, that's very attractive. They want a partner that's willing to share that risk.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

Questions from the audience? Yes.

Kathleen Miner - *TD Cowen, Research Division - Former Director*

But your own costs of capital have also gone up with rates going up. So I think in one of your letters, you mentioned that you expect that to be offset with better terms and so on. Can you flesh that out a little bit? So kind of your own take and cost of capital, has that impacted maybe the areas that you focus on? Or is it just the deal structures? Or how is that impacted?

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

Do you mind paraphrasing the question for the first part?

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

So the question was how our cost -- the change in our cost of capital has impacted deal terms and the structures and where we're looking to invest. Is that correct? Yes. So it's -- obviously, the markets are dynamic, right? And so, our cost of capital has certainly gone up a little bit. We're very fortunate, though, that all of our debt is fixed rate, 60% of it matures in 2030 and beyond. And we're very well capitalized. We have -- we generate a lot of cash and have a lot of cash on our balance sheet. So we're very -- we're in a very strong financial position. We did say though that we would expect that sort of since we're constantly reinvesting that we would expect that there would be some sort of natural offset as our cost of capital increases, that sort of the risk-adjusted returns that we're looking at would also increase a little bit. And I think we have seen that. We have felt like that is happening. If you sort of think about some of the assets that we've been able to add to the portfolio, I think olpasiran is a great example where that was a company that was thinking about -- they had capital needs for their internal programs, and in a different environment, we might not have been able to buy that royalty from them. And so I think that the environment does create certain opportunities for us and that's where that sort of risk-adjusted return offset is, where we're seeing that.

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

And maybe just to add to that, for folks that maybe don't know us as well, we were an investment-grade rated company, which is highly unusual for a lot of companies in the sector. But we're investment-grade rated. When we did a lot of our debt, it's at very -- at the low points in the treasury bond market in the summer of 2020. And we -- as Terry said, our weighted average cost of our debt across $7 billion roughly with 30-year and 20-year and 10-year maturities, et cetera, was about 2.2%, which is pretty remarkable when you consider that as part of your weighted average cost of capital. So we -- and that's embedded in our capital structure. So yes, rates have gone up. So if we had to refinance today, we would pay a slightly higher rate, but everybody's rates have gone up. So I think that's embedded in everybody's weighted average cost of capital when they're considering financing alternatives, their own WACs have gone up, our partners.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

Other questions?

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

So in various meetings with big cap pharma they to varying degrees, talk about how they're going to change their development practices because of IRA. And I should have prefaced this by saying, we know at the end of the day, your central mission is to get the best assets. We know that. But still, we have this thing now IRA and it's kind of messing things up. So there must be some additional analyses or features or thought processes that Royalty Pharma is now going to go through as it selects its assets because of IRA. Can you just share with us what those additional thought processes are?

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

Sure. I can start on that one. So yes, there's no question. I think it speaks to the sort of the flexibility of our model, right, that as we're learning more every day, and as the weeks and months pass, about IRA, right, we can incorporate that into our process and how we think about things on a very kind of dynamic basis. There's no sort of -- we don't -- like you asked about the lack of sort of therapeutic area focus or the breadth of what we do means we can sort of pivot and think differently on a real-time basis, which I think is a strength. But you're right, we have to start and we have started thinking, about IRA in our analyses. And there is -- I'd say, at this point, there's probably more unknown than known at this point about it. And I think we're sort of all waiting and learning more. But there are, and it's the things we talk a lot about, which is the list in price negotiation and everything else and what are the -- what does that mean? But I think just as important in our mind are all of the second order effects beyond that, right, which is what does the various benefit redesigns mean as sort of the risk and cost exposure is shifted in different ways across the industry that itself will have different effects. So I think we're very much taking a kind of scenario-based approach to this and trying to say, like, within certain bounds, how do we feel about our returns. We can be kind of straightforward if it is a situation where you have a very heavily -- like the classic, would be a classic example, of a like heavily Part D small molecule, right? That's going to be one sort of analysis and set of conversations. But there's a million variations, I think, in between that.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

So pharma companies have, again, to the same point, listed three or four things that they would contemplate and you mentioned one of them, maybe less small molecules, maybe less Part D drugs, maybe less cancer drugs. So these are all things that they put forth as potential ways they could get around IRA. The question is, do you expect the companies actually to pursue these initiatives? Or do you think they're just talking about it but are unlikely to do anything, that they're going to continue on their current path?

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

It's hard -- I think it's going to be across the spectrum. I think it's hard to know. I think everybody -- we've -- as Marshall said, we've been really focused on this legislative enactment and really talk to consultants in D.C. all the time and pharma partners, and so we're trying to get a grip on it just like everybody else and how CMS ends up negotiating and there's still a lot to know and I think that's going to inform pharma on how they behave. But I think the only thing I would add to what Marshall said around the IRA generally is one of the beautiful things about our business model is we can adapt pretty quickly to things. So we don't have a manufacturing infrastructure or TA infrastructure or sales force infrastructure out there tied to a certain area. We can make new investments where our public goal is to deploy $2 billion to $2.5 billion a year, and we can adjust pretty quickly and how we make those investments based upon the facts on the ground and how the IRA is being implemented without the burden of historical TA infrastructure or manufacturing infrastructure or whatever. And I think that's another great aspect of our model.

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

Yes, I think from our perspective, we also -- if there's an exciting target and it's a small molecule Part D drug, it could change the way that companies invest in those programs, which could also create opportunities for us, where that investment gets pulled forward because you want to -- you don't want to waste time moving to from later lines to frontline. And so that could create opportunity where we are as excited about the target as they are.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

Many of your deals were inked before we knew what IRA was. So I'm thinking about Imbruvica, which goes out, I believe, to 2032. Evrysdi, I think, goes out a long way, small molecule. So did the language in the contracts contemplate any unknowns such as IRA even though we didn't know what IRA was or what it would look like?

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

No. I mean that is the reason to do a deal with Royalty Pharma is that we take that risk. And so that is part of the pitch, is that the -- this is a world where an asset could be 15 years long. There's a lot of uncertainty of what those end years are going to look like. We have this big, broad, diversified portfolio. We are ideally suited to have those types of risks in the portfolio. And so that is the...

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

And that was true pre-IRA as well.

Unidentified Analyst

I'm curious if the different counterparties that you all approach, could be a university, it could be nonprofit, could be a company. Do you find that your terms and returns differ based on the counterparty for multipurpose royalty? Or is it kind of similar regard?

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

I don't know if we've ever done that, and that's a good question. I don't think we've ever really looked back and done a sort of post-hoc. Have we looked at returns profiles based upon the seller?

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

There's certainly... there's certainly are sellers that are more optimistic about what they own than others and that can require more creativity on our part to bridge gaps. That's definitely -- I see a lot of milestones you might say that's an area -- that's a company that might have had a slightly more optimistic view than we did.

Unidentified Analyst

I ask in part because one can imagine that some of who are maybe more sophisticated than others and that might accrue to your advantage in one way or another. And in a scenario like that, you could also imagine that maybe there were some low-hanging fruit that maybe have already been plucked, and that would be replenished. I don't know if that's a fair way to phrase that.

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

I would say, and you guys chime in. I think foundations and I would -- you should assume that they're all pretty sophisticated.

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

They have trustees. They have very smart people on the boards, they don't want to sell something and not get full value. And so, they usually hire bankers to sell these things.

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

And that really hasn't changed. It's not like we're going into more sophisticated land or, yes, that's been the case.

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

Yes. And I think I'd also say, Terry, we watched this happen, I think lack of sophistication is usually associated with not doing deals, right? Because you're sort of like, I don't want -- if I don't understand it, if I don't feel like I understand it. So I think the general increase in sophistication has increased volumes in our space over the last 10 years without question.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

So there's a number of events coming up for Royalty Pharma this year, meaning your partner's events. Name two or three that you're waiting on the edge of your seat for the readout or the event to happen. What are the most important events?

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

I mean, certainly from a -- clearly, from a financial perspective, if zavegepant is approved for migraine, the PDUFA, I believe, is this month, we would get a $475 million milestone payment. So that's important. I think we're pretty optimistic that that will happen. But it's -- there's always some level of risk. So that's definitely an important one from a financial perspective. I think Tremfya certainly another big one where we have investment in this there's more legs of growth there in IBD, hopefully, I guess, later this year.

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

The only thing I'd add to what Terry is saying though is that I think one of the better parts of Royalty Pharma as opposed to other parts of our industry is we're probably not sitting around all that often on the edge of our seats worrying about one event versus another that sort of defines our company. And so, they're all important, and I totally understand the question. And we -- part of the having the presence of unapproved things in our portfolio, and that's been an important driver of our portfolio, it means we're going to have these -- a certain number of them every year. But again, we're kind of focused on building the portfolio, quality opportunities, and that, in our mind, is I think what keeps us on the edge of our seats more than anything else.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

We're nearly out of time. So allow me the final question. And that is, so you probably have a pretty good idea of where investors think Royalty Pharma will be in a decade. And we cut and model things based on what we know, right? So it's kind of just straight line. But you have a much better understanding of the environment, right? You know more about Royalty Pharma, you know all with contracts, you know the landscapes, you talk to all the companies, all these things that you know that we don't. What will be the biggest surprise to us about Royalty Pharma in 10 years?

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

Others can weigh in. But I think it's just our ability to continually scale that I think people might underestimate is how scalable this business is and how sort of fundamental over time, we think royalties will become from sort of this niche small component of the overall industry to a core component of the overall industry in the next 10 years. And I think we all feel like we are optimally positioned to play a huge role in that and to fund the innovation in this industry and to generate really strong, attractive compounding returns for our investors. So I think it's -- I would say scale is probably the thing that is -- doesn't get appreciated. Scalability.

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

I mean the only thing I would add is the size of the market that we play in, it's enormous. The industry spends an enormous amount on R&D. It's highly fragmented between universities, foundations, hospitals, biotech, large cap, small cap, and they're always partnering with one another. And every time there's a partnership, whether it's collaboration or royalty, it presents an opportunity for us. And you put on top of that the synthetic royalty opportunity where we're part of the capital structure thought going forward as opposed to doing an equity deal or convertible bond deal, and I just think it's so enormous the total addressable market. That probably doesn't capture the mind as much as it should.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

Okay. Well, let me just ask you then this. So this total addressable market -- let's view this total addressable market as a sphere. How much of that sphere have royalties penetrated? Is it closest to 25%, 5% or a fraction of 1%?

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

Well, we have the data in our analyst day slide. I think that just on the capital formation part where people are going out and raising capital and doing partnership deals, it's about 2% of the capital raised over the last five years. That doesn't really capture all of that industry fragmentation, R&D and collaboration profits and everything else. That's just really providing a synthetic royalty as opposed to equity convert or partnering.

Stephen Scala - *TD Cowen, Research Division - MD & Senior Research Analyst*

Great. With that, we do need to conclude. Thank you so much for participating.

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

Thanks.

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

Thank you.