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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Royalty Pharma Q4 2023 Earnings Conference Call. I would like to now turn the conference over to George Grofik, Senior Vice President, Head of Investor Relations and Communications. Please go ahead.

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

Thank you, and good morning and good afternoon to everyone on the call. Thank you for joining us to review Royalty Pharma's Fourth Quarter and Full Year 2023 results. You can find the press release with our earnings results and slides of this call on the Investors page of our website at royaltypharma.com.

Moving to Slide 3. I would like to remind you that information presented in this call contains forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from these statements. I refer you to our 10-K on file with the SEC for a description of these risks. All forward-looking statements are based on information currently available to Royalty Pharma, and we assume no obligation to update any such forward-looking statements. Non-GAAP liquidity measures will be used to help you understand our financial performance. The reconciliation of these measures to our GAAP financials are provided in the earnings press release available on our website.

And with that, please advance on Slide 4. Our speakers on the call today are Pablo Legorreta, Founder and Chief Executive Officer; Chris Hite, EVP, Vice Chairman; Marshall Urist, EVP, Head of Research and Investments; and Terry Coyne, EVP, Chief Financial Officer. Pablo will discuss the key highlights, Chris will then provide more detail on our transaction pipeline, after which Marshall will give a portfolio update. Next, Terry will review the financials. And following concluding remarks from Pablo, we will hold a Q&A session.

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

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

Thank you, George, and welcome to everyone on the call. I am delighted to report another successful year of execution against our vision to be the leading partner funding innovation in life sciences. I am very proud of our achievements in 2023, which are summarized on Slide 6. We maintained our track record of strong business momentum with excellent financial performance and significant enhancement of our portfolio.

In terms of the financials, we delivered 9% growth in Portfolio Receipts, our top line, with royalty receipts up 8%. As Terry will discuss later, we have refined and simplified the presentation of our non-GAAP measures to improve analysis and tracking of our financial performance. In addition, in what we view as a big step towards further simplifying the analysis of Royalty Pharma for current and future investors, we're also posting supplemental financial information to our website, which brings together in one place all of the relevant financial data for our business, including a detailed product build and consensus forecasts.

During the year, we added royalties on eight therapies, including incremental royalties on the exciting blockbuster therapy, Evrysdi. We also saw a number of positive clinical and regulatory events for our portfolio assets. In terms of capital allocation, 2023 was very strong with $4 billion in announced transactions and $2.2 billion in actual cash deployed. Notably, it was our highest ever year for synthetic royalty transactions. We also announced a $1 billion buyback program earlier in the year because of the disconnect we see in the share price from our strong fundamental outlook.

Lastly, we're reflecting the strong momentum in our business in our 2024 full year guidance. We expect Portfolio Receipts to be between $2.6 billion and $2.7 billion based on expected underlying growth from our portfolio of between 5% and 9%. Consistent with our standard practice, our guidance is based on our current portfolio and does not include the benefit of any future transactions.

Slide 7 shows our strong growth in royalty receipts in the fourth quarter and for the full year. As I noted earlier, we delivered 8% growth in royalty receipts in 2023, which include 10% growth in the fourth quarter. This speaks to the excellent momentum of our diversified portfolio of more than 35 approved products.

In addition to our strong growth, slide 8 illustrates what we -- that we have significantly broadened our portfolio through the approximate $13 billion of transactions we have announced since 2020. To put this in perspective, at the time of our IPO, we guided to greater than $7 billion in royalty acquisitions through 2025. So we have exceeded this figure by a substantial margin.

Over the period, we have acquired royalties on 34 unique therapies, of which, 17 are either currently or projected to be blockbusters and nearly 2/3 were approved at the time of acquisition. These new royalties are expected to add approximately $1.2 billion to our top line in 2025, using consensus estimates. The ability to continue to expand the portfolio with attractive long-duration royalties is another unique feature of our business model and underscores my high level of confidence in Royalty Pharma's prospects.

With that, I will hand it over to Chris to update you on our transaction pipeline.

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

Thanks, Pablo. Slide 10 really explains the excitement we have for our market. 2023 saw very strong momentum for the royalty market with $7.4 billion of announced transactions. Not only did this represent the strongest year ever for royalty funding, but the dollar value was over 12x that in 2015 and the long-term upward trend is visible despite some year-to-year volatility. What this tells us is that royalties are becoming a core funding mechanism for the biopharma industry. Importantly, we maintain our leading share of this market in 2023, with a 53% market share. For comparison, the number two royalty buyer has only a 13% market share in 2023.

Slide 11 drills down deeper into our transaction funnel. As you can see here, we were incredibly busy and reviewed more than 400 potential royalty transactions. This resulted in 126 CDAs signed, 93 in-depth reviews and 47 proposals submitted. We continue to be very financially disciplined in our approach as we executed only seven transactions, or just 2% of our initial reviews.

Slide 12 illustrates the strong underlying trends in our transaction funnel, not just in 2023, but over a multiyear period. On the left-hand side, the number of in-depth reviews we conducted has more than doubled since 2019, which was the year prior to us going public. We view this as an important data point as this is when our team starts to invest a significant amount of time reviewing opportunities.

The expansion in this number speaks to the growing number of quality opportunities we're seeing. On the right-hand side, you can see that the transaction value reached $4 billion in 2023, which is about double what we achieved in 2019. Looking ahead, we're confident we can scale up our capital deployment over time while maintaining a high-quality bar and attractive returns.

Slide 13 shows the strong growth in synthetic royalty transactions since last year. We pioneered this innovative solution in which we create new royalties as a non-dilutive funding solution for our partners. Historically, biopharma funding has been dominated by equity, licensing deals and debt. Synthetic royalties have been a small part, just 3% of the overall funding picture over the last five years.

However, we strongly believe that synthetic royalties offer an attractive win-win approach to our partners. Consequently, our expectation is that they will be a fast-growing business opportunity in the coming years. This is backed up by our ongoing partnership discussions, where we now see that synthetic royalties are being routinely discussed at the Board level and C-suites as a potential funding modality. Consistent with this growing opportunity, we announced synthetic royalty transactions of nearly $800 million in 2023, which represents a doubling since the year of our IPO. We see this as just the start of a really important trend.

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

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

Thanks, Chris. As Pablo noted, not only did we deploy substantial capital to enhance our portfolio in 2023, but we saw a number of positive clinical and regulatory events for therapies in our portfolio. In addition, we benefited from strong in-market performance for many of our recent portfolio acquisitions.

Slide 15 shows the performance of our transaction since 2020. The graphic on the left-hand side shows that the consensus 2025 sales estimates for the majority of our recent investments has increased significantly. Over half have seen more than 20% increases in consensus sales and a couple of increased by more than 50%, notably, Evrysdi on which we acquired incremental royalties in 2023.

The graphic on the right-hand side highlights that the majority of our recent development-stage investments have delivered positive clinical or regulatory milestones. The takeaway is that our team has a strong track record of identifying attractive commercial and development-stage opportunities driven by our disciplined and time-tested approach.

Expanding on our development-stage portfolio, we're very excited about several notable successes over the past year.

Slide 16 lists six important recent highlights from our portfolio, including the positive Phase 3 results from Cytokinetics cardiovascular drug, aficamten, and the $13 billion acquisition of Karuna by Bristol-Myers Squibb to gain KarXT for schizophrenia, where we have a royalty.

Also, last week, Novartis announced a $3 billion acquisition of MorphoSys, where we have a royalty on the lead program pelabresib, $300 million of development funding bonds, where we will receive a 2.2x return over time, as well as approximately $100 million of MorphoSys equity. Each of these development-stage therapies has the potential to be an important contributor to our long-term growth and returns, and we have a number of exciting potential upcoming milestones for our portfolio in 2024 and beyond.

Lastly, I should note that we made a small but exciting investment in Emalex's ecopipam in January, which is potentially the first drug specifically developed for Tourette syndrome.

With that, I'll hand over to Terry.

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

Thanks, Marshall. Let's move to Slide 18. You would have seen from our press release today that we have made changes to our financial presentation in order to enhance transparency and disclosures for investors and to better reflect the nature of our cash flows.

First, as we previously announced on January 8, it replaced Adjusted Cash Receipts with Portfolio Receipts. While this key performance metric sums to the same amount as Adjusted Cash Receipts, the change will facilitate increased transparency into the economics of individual royalties, as these will now be recorded net of legacy noncontrolling interests. Additionally, Portfolio Receipts will be broken down into two subcategories, namely Royalty receipts and Milestone and other contractual receipts. This new disclosure is intended to provide greater clarity on the underlying trends in our royalty portfolio versus other contractual payments, which may be more variable over time.

Second, to better reflect our cash flows, we are introducing a non-GAAP liquidity measure, Portfolio Cash Flow, along with a new performance metric, Capital Deployment. We believe these new measures will help focus investors on the simplicity of our business model and the cash inflows and cash outflows of our business.

Finally, you should note that our long-term outlook is unchanged by this new presentation. All guidance statements, which we made for Adjusted Cash Receipts now apply to Portfolio Receipts. In other words, we expect the compounded annual growth rate and Portfolio Receipts of between 11% to 14% over 2020 to 2025, and of 10% or more from 2020 to 2030. In totality, we believe these changes provide greater insight into our business and are more aligned with how we manage our business. It should be noted that these changes have been discussed with the SEC.

Slide 19 provides more granular detail on our non-GAAP liquidity measures and performance metrics. As I just noted, the calculation of Portfolio Receipts is identical to the previous Adjusted Cash Receipts. But the new disclosures provide greater transparency into the underlying economics and trends within our portfolio. Adjusted EBITDA is unchanged as a key non-GAAP liquidity measure. Portfolio Cash Flow, another key non-GAAP liquidity measure is calculated as Adjusted EBITDA less net interest paid.

It replaces Adjusted Cash Flow and measures substantially all cash generated by the business. The primary difference between Portfolio Cash Flow and Adjusted Cash Flow is the exclusion of upfront development-stage payments and milestones, which are now included in Capital Deployment.

Capital Deployment measures substantially all cash outflows related to our investment activity in a single line. It is an aggregate amount, which reflects cash payment of our new, previously announced transactions as opposed to announced transaction value, which may also include milestones to be paid in future periods. We included a detailed breakdown of capital deployment in our earnings release on page four.

When management thinks about the ability to pursue our strategy, we look at Portfolio Receipts at the cash inflows. We subtract cash expenses to provide -- to arrive at Portfolio Cash Flow and we deploy the vast majority of that capital in attractive royalties to drive future value creation and growth.

The virtuous cycle of our business is critical to understanding how we generate long-term value. Following these updates, we will no longer report Adjusted Cash Receipts or Adjusted Cash Flow. We have posted to our website the historical financials under this new framework dating back to 2019. We are also providing significant additional information on the Investors section of our website, including key royalty terms, consensus estimates for key products and NCI by product to assist in your modelling.

Let's now move on to the financials, starting with our full year top-line performance on Slide 20. The underlying trends remain quite encouraging. Royalty receipts grew by 8% for the full year, reflecting the strength of our diversified portfolio. Additionally, the new disclosures on milestones and other contractual receipts show the impact of the Biohaven related payments on reported performance.

As a reminder, 2022, we received $509 million in Biohaven-related payments, while in 2023, we received $525 million in Biohaven-related payments, with the net impact being a relatively modest benefit to full year 2023. Overall, milestones and other contractual receipts grew by 15% in 2023, contributing to 9% growth in portfolio received.

Slide 21 shows how our Portfolio Receipts performance in the fourth quarter and full year in more detail, including individual royalty contributions. Beginning with royalty receipts, growth of 10% in the quarter and 8% for the year was mainly due to the strong performances of the cystic fibrosis franchise, Trelegy and Tremfya, as well as the acquisition of the Spinraza royalties.

We also saw growth contributions from most of our key royalties, including Evrysdi, Trodelvy, Promacta and Cabometyx. These positive factors were partially offset by weakness in Imbruvica and Tysabri as well as by royalty expirations in the other products category. When we move to milestones and other contractual receipts, year-over-year comparisons were impacted by the Biohaven related payments, as I just noted. Taken together, Portfolio Receipts grew by 9% for the full year.

Slide 22 shows how our efficient business model generates substantial cash flow to be reinvested. Portfolio Receipts amounted to $736 million in the fourth quarter and $3.05 billion for the full year. As we move down the column, operating and professional costs created the 7.4% of Portfolio Receipts in the quarter, and 8% for the full year. Moving further down the column, we have consistently stated that when we say that the cash generated by the business to then be redeployed into value-enhancing royalties, we look to Adjusted EBITDA less net interest paid or what we now call Portfolio Cash Flow.

This amounted to $687 million in the quarter and $2.71 billion for the full year, equivalent to margins of around 93% and 89%, respectively. These high levels of cash conversion once again highlight the efficiency of our business model. Furthermore, based on this strong cash generation profile, we were comfortably able to support Capital Deployment of approximately $1 billion in the fourth quarter and $2.2 billion in the full year, as well as to repurchase $305 million of our stock.

Slide 23 shows that while 2023 was a substantial year for Capital Deployment, we continue to maintain significant financial capacity for future royalty acquisitions. In total, we have greater than $3.5 billion available through a combination of cash on our balance sheet and access to the debt markets. End of the fourth quarter, we had cash and equivalents of $477 million.

On top of our $6.3 billion of investment-grade bonds, we've maintained significant leverage capacity, which we previously have said we could take up to 4x total debt to EBITDA if the right opportunity arose. Furthermore, we have additional financial capacity from the $1.8 billion revolver, on which you should note, we repaid the $350 million draw in the fourth quarter. Taken together with our strong cash generation, we feel good about our ability to continue to execute transactions and create shareholder value.

Slide 24 provides our full year 2024 financial guidance. We expect Portfolio Receipts to be in the range of $2.6 billion to $2.7 billion. Let me walk you through our assumptions. First, it's in our overall top-line guidance, we expect to deliver continued attractive growth in royalty receipts. We anticipate the strength of our diversified portfolio will more than offset continued Imbruvica and Tysabri headwind and as well as the potential launch of Promacta generics.

Second, on a reported basis, we face a high base of comparison in 2023 as a result of the $525 million of Biohaven related payments we received last year. For your modelling consideration, I remind you that the largest element, the $475 million Zavzpret milestone, was received in the first quarter of 2023. As a consequence, milestones and other contractual receipts are expected to be substantially lower in 2024.

Lastly, our guidance assumes a negligible FX impact. Importantly and consistent with our standard practice, this guidance is based on our portfolio as of today and does not take into account the benefit of any future royalty acquisitions. Turning to operating expenses. We expect payments for operating and professional costs to be approximately 8% to 9% of Portfolio Receipts in 2024. Interest paid for full year 2024 is expected to be around $160 million and to follow the established quarterly pattern with de minimis amounts payable in Q2 and Q4. This does not take into account any interest received on our cash balance, which amounted to $72 million for full year 2023 and $8 million in the fourth quarter.

Slide 25 provides more detail on the expected evolution of royalty receipts versus milestones and other contractual receipts in 2024. For royalty receipts, we expect growth of around 5% to 9%, while milestones and other contractual receipts are expected to decline from around $600 million in 2023 to approximately $30 million in 2024. The key message here is the continued attractive underlying growth of our royalty portfolio, which we expect to deliver in 2024.

With that, I'd like to hand the call back to Pablo.

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

Thanks, Terry. Let me start my concluding remarks by saying how pleased I am with our performance in 2023. We delivered strong growth, we maintained our industry leadership, and we deployed substantial capital on value-enhancing royalty acquisitions, all against a positive fundamental backdrop in which royalties are becoming a core funding modality for life sciences innovation.

On Slide 27, my final slide, I wanted to leave you with a key message. Navigating the science and business opportunity in biopharma is extremely complex. For investors, we circumvent that complexity by having a simple, but powerful business model, which we're confident will deliver attractive growth and shareholder returns over the long term. It starts with our diversified portfolio of over 45 royalties that form the bedrock of our compounding growth.

This portfolio is unique and cannot be replicated by new entrants. This, in turn, provides us with substantial cash flow to allocate primarily on value-enhancing royalty opportunities. However, we also returned capital to shareholders through an attractive and growing dividend and share repurchases. We maintain a high-quality bar so that we can sustain attractive returns above our cost of capital. And the strong returns have, in turn, propelled our track record of impressive growth. which we expect to maintain over this decade.

With that, we will be happy to take your questions.

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

Thanks, Pablo, and we will now open up the call to your questions. Operator, please take the first question.

QUESTIONS AND ANSWERS

Operator

Our first question comes from Geoff Meacham with Bank of America.

Geoffrey Meacham - *BofA Securities, Research Division - MD*

Just have a couple. So the first is that now that we have vanzacaftor data in hand, I wanted to ask what are the next steps in the dispute of the royalty levels? And then when you guys look at the sensitivities around the switch rate from Trikafta to vanzacaftor regimen, what are your high-level thoughts as you plan kind of royalty economics going forward?

And the second question, maybe a higher level for Terry, does the new emphasis on Portfolio Receipts, does that imply that you're putting greater weight going forward on equity investments over royalties as the driver?

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

Sure. Thank you for those two questions. Terry, do you want to take them, please?

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

Sure. So thanks, Geoff. No update on any potential dispute with Vertex, and we would -- if something comes around there, we would certainly update you guys at the appropriate time. On the switch rate, so we obviously were very focused on this data. And it came in very consistent with our expectations and very similar to the Phase 2 data. There's no benefit on the primary endpoint of lung function and a small improvement on sweat chloride. And so you may remember on our second quarter call, we outlined the potential impact of different scenarios related to the CF franchise. And we -- as a reminder, we looked at downside scenarios, where 50% to even as much as 75% of patients switch, and also where the ultimate royalty rate on the new triple is half of what we believe we are entitled to.

And that downside sensitivity showed a headwind of a couple of hundred million dollars on our top line towards the end of this decade. And as we highlighted then, we feel even more confident about now this is very manageable for our business. And we're still very confident that we can deliver top-line growth over this decade with a CAGR of 10% or more. So I think in terms of the switch, this data -- we think the data that they showed, the scenarios that we highlighted still hold, and that's probably the best thing to reference would be our second quarter earnings deck.

Oh, yes. Sorry. And then your question on Portfolio Receipts and whether we would be more focused on equity. No, not at all. Our number one focus is buying royalties. And that's why we think that Portfolio Receipts, the way that we're breaking it out is actually really helpful now and provides even more transparency because we now have these two subcategories. We have Portfolio Receipts and then we have milestones and other -- sorry, we have royalty receipts and milestones and other contractual receipts. And as you can see, royalty receipts are by far the biggest driver of the business. They're going to be the most consistent grower over time. And that's really where we're spending all of our energy is trying to add to that bucket. We also from time to time have these milestones and other contractual receipts that provide very attractive cash flow. But the more consistent element of the business will end up being the royalty receipts.

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

That's the core of the business.

Operator

Our next question comes from Chris Schott with JPM.

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

Just two bigger picture questions for me. Maybe the first is on synthetic royalties. I think you mentioned it was a record year. Can you just elaborate a little bit more on what you're seeing in the market out there? And when you think about these transactions, how have returns historically compared on your synthetic royalties versus more traditional royalty structures? So, I guess, this is more about expanding the pie? Or could these deals actually be kind of more attractive returns than traditional structures? And then my second question was just on the $4 billion of transactions last year. Just as you think about kind of the quantum of opportunity for 2024, should we think about that $4 billion kind of number as kind of a new norm for Royalty Pharma? I know the numbers have ramped over the last few years. I'm just trying to figure out, if we should think about '23 as an unusual year? Or is that kind of level of deployment we should anticipate going forward?

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

Thanks for the question, Chris. And I'm going to turn it over to Chris Hite, but I'm just going to quickly answer your question about the returns. And synthetic royalties, when we create those royalties, what we're doing is we're funding late-stage trials for biotech and pharma companies.

And for sure, the returns on those investments are higher than when we buy a royalty sort of more conventional on an approved product, where, as you know, the returns we had guided to high-single-digit, low-double-digit, and what we have been achieving is actually really in the low double-digit returns, 11%, 13-ish unlevered for the approved. But then for the synthetic royalties, we have a pretty good track record of achieving

returns that are significantly higher than that in the high-teens and even into the low-20s, when the products get approved, that's before leverage also. But Chris, on to you.

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

Yes. No, thanks, Pablo. I think Chris, Pablo answered the first question. As it relates to the second question around $4 billion, is that a new norm? We're not changing our capital deployment guidance that we gave last year at our Analyst Day meeting of $10 billion to $12 billion over five years. I think what it does highlight is there is a strong momentum. There's a -- you can absolutely see it in our funnel and our -- obviously, the deals we've announced. We see it every day that royalty financing, and that can come in a lot of different ways, obviously, synthetic and existing royalties, all kinds of different ways is an absolutely growing trend within the sector. So we're super excited about the opportunity set, but we're not changing our long-term guidance.

Operator

Our next question comes from Umer Raffat with Evercore.

Umer Raffat - *Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research*

I have a couple here, if I may. First, Pablo, I know you guys did $4 billion in transactions in 2023 and you did share buybacks of $300 million. And you clearly have conviction on the deals you did, but I'm also sure you believe the stock is undervalued. So how should we think about that ratio of external deployment and the IRR expectation there relative to shares and where they trade?

And secondly, Terry, these updates to the non-GAAP measures were they prompted by an SEC request? Or was it volunteered by Royalty Pharma? And was there any discussion in these SEC conversations around how you account for the subset of development-stage funding payments that you guys still exclude?

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

Yes. So your first question, which was about capital deployment and also our share buyback program. I mean, one very clear message to give you and everyone is the management of our business, us here you should really view us as fellow shareholders, right? So we actually own a lot of this business. And we're very careful in the way we allocate capital.

Our priority, as we've said multiple times in the past is to actually make great investments because that's what's going to drive growth and value creation for all of our investors, including ourselves. But then what we have also seen is a big disconnect in the intrinsic value of Royalty Pharma, our portfolio and our ability to continue to generate value by deploying capital and that was what prompted this $1 billion share buyback program. And as you know, we've actually repurchased about $300 million of the $1 billion, which was the goal for five years because of this disconnect. But we are obviously going to prioritize going forward new royalty investments over buying back shares. And on to you, Terry, regarding...

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

Yes. So Umer, thanks for the question. We've been a public company for three and a half years now. And over that time, we've had lots of interactions with investors and analysts. And one area that's come up is the uniqueness of our financials. I mean we really are -- and we always highlight this, but our financials also show we're really an N of one. And so what we're announcing today is the culmination of that feedback we received from investors and analysts and discussions with the SEC. As I mentioned in the prepared remarks, when we think about the ability to pursue our strategy, we look at the cash inflows from our diversified portfolio of royalties, we subtract the relatively small cash expenses to run the business, and redeploy the vast majority of that capital in attractive new royalties to drive future value creation and growth. So our updated financial disclosures, which we're really happy with, really highlight the virtuous cycle of our business model.

Operator

Our next question comes from Terence Flynn with Morgan Stanley.

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

Great. Two for me. I always appreciate the funnel slide that you guys present every year. And I was just wondering, if you could provide a little bit more detail on the 47 proposals submitted. How many of those were unilateral processes? I think in the past, you've said that the majority of the proposals you submit are unilateral, but just wondering unilateral versus competitive, if you can kind of give us a mix there. And then the other one I had is just on your '24 guidance, Terry, can you give us any color about how you're thinking about the impact from Tysabri biosimilars? Because I know there's a range of outcomes here.

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

Thank you, Terence, for your questions. So Marshall will take the first part of your question and then Terry will take the second.

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

Terence, thanks for the question on the funnel. So maybe just to answer your question qualitatively, which is I think when we looked at last year and the mix of the proposals that we made between outgoing proposals that we -- that our team were proprietary to our team and we identified versus things that might have been incoming or processes. I think the mix was probably very consistent with prior years, sort of underscoring what you heard from Pablo and Chris about our confidence in the underlying trends.

And I think as we look forward, we're certainly prioritizing those creating one-on-one opportunities or proprietary opportunities for two reasons. I think one is when we are one-on-one with a company that's when we do -- when we're in the best position to solve their problem and -- their problems and create really great investments. And two, we have been building the team and focusing more and more on Priory identifying those products and programs that we think are really exciting and going after those to do everything we can to build the portfolio and make it as strong as it can be with the greatest medicines that can be in it. So we feel really good about the underlying trends in the business and where our team is to continue to execute as we've been doing.

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

And then Terence, on the Tysabri biosimilar, this is something we're obviously tracking. We have similar information to you in terms of timing there, and there's still a little bit of uncertainty. But we take really a scenario-based approach in our guidance. And we definitely looked at downside scenarios in terms of a biosimilar launch and potential impact to the brand and feel really good about the guidance that we gave there.

I would say the consensus now that's -- actually, we now are including the consensus for our top products on our website to again, sort of make it easier to sort of follow the portfolio. And I would say that, that consensus certainly seems to reflect some pretty substantial impact from the biosimilar. And again, one of the things that we've highlighted in the past is that Tysabri is a unique drug and for a lot of different reasons. And so we expect that it's still going to have significant sales even with a biosimilar on the market. And at this point, we're only aware of one that would potentially be a competitor.

Operator

Our next question comes from Chris Shibutani with Goldman Sachs.

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

Two questions, if I could. Just in general, about opportunity sets on the forward. Marshall, curious to know what your thinking is, in particular, about the cardio metabolic as you guys categorize it -- investors and the industry clearly enthralled by the opportunity of metabolic disease, particularly obesity and allied conditions. Curious about your views there. And then secondly, during the past two years or so, there's been a bit of turnover the shareholder base, particularly amongst the original IPO investors. Perhaps, can you comment on anything that can give us perspective on where we're at with that. I think that has somewhat loomed as an overhang in investors' mindsets. But on the forward, what would you guide investors to think about that?

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

Sure. I'll take your second question about the change in the shareholder base. And it has been very significant. I think the goal for us going forward now is really to focus on long-term holders of Royalty Pharma and cultivating new investors and educating new investors about our business, which is very unique and very, very attractive. And I think one of the very exciting things we're doing this quarter is revamping, as Terry reviewed, our financial information and reporting. But also I would really encourage all of you to go to our website and now see how we've actually prepared a lot of interesting Excel spreadsheets, where you're going to be able to see -- we're going to really make it easy for investors and investors will be able to see the historical performance of the business, product-by-product, how royalties are calculated and then the analyst consensus. And all of this in a spreadsheet, making it really easy for new investors, old investors to track performance and actually decide to make an investment in our business, model it, and monitor it. But I'll pass it on to, I think, with you, Marshall, on the first question.

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

Absolutely. Chris, on your question on the CV metabolic space. Yes, no question, as you might imagine, we've been following all of the really exciting developments there with a lot of interest. We do take a little bit broader view of all the innovation that's been going on in that area to find opportunities, certainly, the investments in Lp(a) that we've made over the last two years, which is an exciting new target in cholesterol management is an example of that, and we're excited to see the results of those studies in - over the next couple of years.

And specifically in obesity, as you might imagine, we're following the space closely. And -- but really, we'll continue to follow it in the context of our overarching strategy, which we've talked to you before about, which is to really be disciplined to look for opportunities that make sense for Royalty Pharma and to wait until we see the right thing to add something in a particular therapeutic area rather than saying, we really need to go out and identify something in obesity or in an indication related to obesity. But we want the right things, and we've been patient. And I think as you've seen us do in multiple other areas, we really will have the discipline and the patience to wait and find the right thing for Royalty Pharma to -- when we see the right thing, we will go after it really aggressively, but we're certainly going to wait and show the same discipline that served us well to date.

Operator

Our next question comes from Stephen Scala with TD Cowen.

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

In response to an earlier question on the Vertex situation, you mentioned that there were no updates. Does that mean that nothing is going on? So the royalty is unchanged until some event occurs, and/or is there -- are there discussions that you cannot detail? Is it possible that Vertex concluded Royalty Pharma was right all along and won't press the issue? Or will Royalty Pharma start getting smaller royalty checks, so Royalty Pharma will have to initiate the litigation? And if the answer is you can't discuss it, can you tell us why you can't discuss it? Is it because it's on the advice of legal counsel or that you don't know anything at this time?

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

Thank you for the questions, Steve. Terry, please go ahead.

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

Yes, Steve. We know investors are very curious about this. And you know what unfortunately, we just can't provide any updates at this point. But I would just reiterate what I said earlier, investors have the sensitivities that we provided on our second quarter call to understand the potential impact of the business under various downside scenarios and we still feel like those sensitivities are appropriate, and we will provide updates in due course.

Operator

Thank you. There are no further questions at this time. I'd like to turn the call back over to Pablo for any closing remarks.

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

Thank you, operator, and thanks to everyone on the call for your continued interest in Royalty Pharma. If you have any follow-up questions, please feel free to reach out to George and the IR team. Thank you very much.

Operator

Ladies and gentlemen, this does conclude the program. You may now disconnect. Everyone, have a great day.