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OVERVIEW:

Company Summary

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Marshall Urist *Royalty Pharma plc - EVP of Research & Investments*

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

Michael DiFiore *Evercore ISI Institutional Equities, Research Division - Equity Research Analyst*

Susan Chor *Bank of America - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to Royalty Pharma's conference call on the vorasidenib royalty transaction. I would now like to turn the call over to George Grofik, Senior Vice President, Head of Investor Relations and Communications. Please go ahead, sir.

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

Good morning and good afternoon to everyone on the call. Thank you for joining us to review Royalty Pharma's vorasidenib and Cytokinetics royalty transactions. You can find the press release with the 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 financial measures will be used to help you understand our financial performance. The most recent GAAP (technical difficulty)

Operator

Ladies and gentlemen, please stand by. Your conference call will begin momentarily. Your conference call will resume momentarily.

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

Following concluding remarks from Pablo, we will hold a Q&A session. Terry Coyne, our Chief Financial Officer, will also join Q&A. 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. It gives me great pleasure to announce today's transaction with Agios Pharmaceuticals for $905 million in exchange for a royalty interest on the U.S. net sales of vorasidenib. This transaction, which will be contingent on FDA approval of vorasidenib is a tremendous demonstration of Royalty Pharma's ability to acquire royalties on the most transformative therapies in our industry

to address areas of high unmet medical need. If approved, vorasidenib will be the first targeted therapy for IDH-mutant glioma, a malignant and incurable brain tumor.

Vorasidenib was granted breakthrough therapy designation by FDA and received priority review with a PDUFA date of August 20, 2024. Our excitement for this medicine is underpinned by truely remarkable clinical data, which Marshall will discuss in more detail momentarily. In its pivotal Phase 3 trial, vorasidenib demonstrated an impressive improvement in progression-free survival, the primary endpoint, and significantly improved the time to next intervention, the key secondary endpoint. I will also note that vorasidenib had a well-tolerated safety profile.

Turning to the commercial opportunity. We forecast vorasidenib peak sales in excess of $1 billion, driven by the high unmet need as well as physician and patient anticipation for new therapies in low-grade glioma, a market that has seen little innovation over the last two decades. This will translate to peak annual royalties in excess of $150 million. We see an attractive IRR in the teens for this transaction, which is at the higher end of our target return range for approved products.

Finally, vorasidenib has the potential to be an important product for Royalty Pharma in terms of Royalty Receipts, highlighting our ability to continue to refresh our portfolio with exciting, innovative medicines. In summary, we are thrilled to add this exciting royalty to our portfolio, while also providing substantial capital to Agios to achieve their strategic goals. I would note that this is our second transaction with Agios, once again highlighting the importance of repeat business to Royalty Pharma. This transaction is expected to enhance our long-term growth, and it would not have been possible without the power of our business model.

Speaking of our business model, this transaction also highlights the benefit of our scale and rapid access to substantial capital, which is a strong competitive advantage when executing large royalty transactions. Slide 7 shows every royalty transaction of $500 million or more. In the segment of the market, we have a strong market share of 75%. You will also note that over a third of our transactions have taken place in the four years since our IPO. This speaks to our talented and creative team which has helped us maintain our dominant share of larger transactions in the growing royalty funding market. With that, I will hand it over to Marshall.

Marshall Urist - *Royalty Pharma plc - EVP of Research & Investments*

Thanks, Pablo. I want to expand on why we are so excited about acquiring a royalty on Servier's vorasidenib. Slide 9 summarizes our transaction with Agios to acquire their royalty on U.S. net sales of Servier's vorasidenib, which we believe has blockbuster commercial potential.

We will pay $905 million in cash on FDA approval of vorasidenib. As Pablo mentioned, vorasidenib has a PDUFA date of August 20, 2024, and we are confident in approval based on the truly remarkable Phase 3 results and high unmet patient need. We are entitled to a 15% royalty on sales up to $1 billion, which steps down to 12% on sales greater than $1 billion. Furthermore, vorasidenib has a long duration of patent protection, and we expect royalties through 2038.

For those of you less familiar with glioma, Slide 10 walks through the typical glioma patient journey and current treatment options. After a patient is diagnosed with a brain tumor, they typically undergo surgical resection or biopsy. Unfortunately, only a little over a third of patients are able to have the entire tumor removed, while a little less than a third are ineligible for surgery and thus only have a biopsy.

Next, the tumor is sent to the lab and graded and this typically includes IDH-mutation testing, which is recommended in national NCCN guidelines that are closely followed by oncologists, as IDH mutation status will impact diagnosis and treatment recommendations. Patients with low-grade glioma, which is what vorasidenib would potentially treat, currently have two options before and/or after surgery.

First, radiation and chemotherapy, which can result in long-lasting remission but carries significant long-term toxicity, including potentially irreversible neurocognitive side effects. Or second, watch and wait, which includes serial MRI scans until the tumor progresses. Patients that choose the watch and wait approach will likely eventually need further treatment, including a second surgical resection and/or radiation and chemotherapy. So, you can see why we are so excited for vorasidenib. Glioma patients are in desperate need of new treatment options and vorasidenib offers a compelling clinical profile and potentially a new way to delay the use of radiation and chemotherapy.

Slide 11 shows the compelling efficacy results from the Phase 3 clinical trial of vorasidenib in detail, which were published in the New England Journal of Medicine in August of last year. Progression-free survival, the primary endpoint, improved significantly for vorasidenib treated patients who achieved a median PFS of 27.7 months versus 11.1 months for patients on placebo representing an approximately 60% benefit that was highly clinically and statistically significant.

In addition, the time to next anticancer intervention, the secondary endpoint, which can mean delaying the need for further surgery or radiation chemotherapy, was significantly improved for vorasidenib treated patients. Over 80% of vorasidenib treated patients did not require additional treatment after two years, while placebo patients required additional therapy after a median of 17.8 months, which was clinically and statistically significant. Based on these compelling results, the trial was unblinded before the planned end of the study at the second interim analysis and placebo patients were offered vorasidenib.

Slide 12 highlights another key benefit of vorasidenib, the safety and tolerability profile. In the Phase 3 trial, vorasidenib was well tolerated with the safety profile of mainly low-grade adverse events, including a relatively modest rate of liver enzyme elevations that are manageable. This compares to radiation and chemotherapy, which is much more frequent grade 3 adverse events, including blood and bone marrow disorders, and radiation specific side effects. Importantly, these graphics do not capture the long-term irreversible neurocognitive side effects associated with radiation chemotherapy, which may include severe headaches, partial loss of power or dyskinesia, seizure or paralysis syncoma.

To finish, given that vorasidenib is in the capable hands of Servier, a private company and therefore, many investors may be less familiar with it, slide 13 provides an overview of the key market drivers and why we think vorasidenib could represent a blockbuster commercial opportunity.

First, there's high unmet patient need with overall survival of approximately 10 years for relatively young patients with low-grade glioma and no approved targeted therapies.

Second, IDH-mutations are estimated to drive low-grade gliomas in over 70% of patients, resulting in an estimated 1,500 incident and 10,000 prevalent U.S. patients.

Third, we expect vorasidenib to have a very long duration of therapy of over two years given the median 27 months of progression-free survival in Phase 3 and manageable safety profile.

Fourth, there are no other potentially competing therapies in late-stage clinical development. Royalty Pharma has performed deep due diligence, including a comprehensive demand survey, which indicates high physician excitement for vorasidenib and expected broad and deep uptake across many subsets of low-grade glioma patients if it is approved.

Lastly, given that low-grade glioma patients tend to be relatively young, and it has orphan status from the FDA, we do not expect vorasidenib to have exposure to IRA. As a result, we see the peak potential for vorasidenib to be over $1 billion, with peak royalties of greater than $150 million, driving an IRR in the teens. We see additional upside potential from key drivers, including the launch ramp, duration of therapy and depth of prescribing across patient segments in low-grade glioma. And with that, I'll hand it over to Chris.

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

Thanks, Marshall. Slide 15 illustrates an important aspect of what differentiates us from our competition, namely repeat business with our partners. The transactions with Agios and Cytokinetics are examples of partners that we have completed multiple transactions with. We believe this repeat business is a testament to our partnering approach.

Slide 16 highlights our long-standing partnership with Cytokinetics. Including the transaction we announced last week, we have provided access to more than $1 billion in total funding across three deals. As a reminder, Cytokinetics recently presented the pivotal Phase 3 results for aficamten, which we believe demonstrates the potential to be best-in-class therapy for hypertrophic cardiomyopathy.

Following last week's transaction, we are now entitled to a 4.5% royalty on net sales up to $5 billion and a 1% royalty on sales above $5 billion. Based on research analyst consensus, aficamten has the potential to generate peak annual royalties to Royalty Pharma in excess of $180 million. We have also provided launch and development funding of which $200 million has been drawn and an additional $350 million remains available. The return on this funding is based on fixed payments expected to range between 1.9x and 2.3x over time on drawn capital. Taken together, our third transaction with Cytokinetics highlights our ability to structure creative funding solutions and underscores the breadth of our funding capabilities. With that, I'll hand it over to Pablo.

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

Thanks, Chris. I want to close on Slide 18 by highlighting that as of today, we have announced transactions worth up to $9.4 billion since the start of 2022 with a healthy balance between approved and development-stage therapies.

We have also had an exceptional start to 2024 with nearly $2 billion in transactions announced in just the past three weeks. This includes the acquisition of royalties on frexalimab an exciting next-generation I&I therapy in Phase 3 development by Sanofi. The expansion of our partnership with Cytokinetics and now the acquisition of royalties on vorasidenib which we believe will be a practice-changing medicine for patients with glioma. This extraordinary level of activity highlights the power of our business model, our team's ability to operate in parallel across multiple transactions as well as the strong fundamental tailwinds in our industry.

It also puts us on track to meet or exceed our five-year capital deployment target of $10 billion to $12 billion and supports my high degree of confidence in delivering attractive compounding long-term growth. With that, we would be happy to take your questions.

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

We will now open the call to your questions. Operator, please take the first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Terence Flynn with Morgan Stanley.

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

Great. Maybe a two-part for me. I know, Marshall, you commented on the treatment duration over two years. Just wondering what you assume in terms of pricing if you're willing to comment there? And then the second question is just Servier's commercial presence in oncology, if you can comment at all about kind of their footprint and commercial abilities here as you think about the ramp of this product.

Marshall Urist - *Royalty Pharma plc - EVP of Research & Investments*

Yes. Thanks, Terence. We are excited about this one. So on pricing, there are some -- there are approved IDH inhibitors that have a publicly disclosed WACC. We always look at scenarios, but that's probably a good place to center your analysis.

And then second on Servier. We're excited that Servier is going to launch this. I think while they aren't historically a huge presence in the U.S. in oncology, they are a company with real resources. And overall, I think the important thing is the clinical profile of this medicine, the size of this marketplace is very, very doable for a company like Servier, and we're excited to see what they do with it.

Operator

Our next question comes from Michael DiFiore with Evercore ISI.

Michael DiFiore - *Evercore ISI Institutional Equities, Research Division - Equity Research Analyst*

Congrats on such a great deal. Two questions from me. Given the strength of vorasidenib's data and the fact that there's a minimal late stage competition, I would imagine this opportunity would have entailed a very competitive bidding process. However, not many of your competitors would have been able to afford such a significant upfront. So to the extent that you can, could you perhaps speak to any competitive dynamics around this deal or whether Agios just simply presented this opportunity to you do to repeat business? And I have a follow-up question.

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

Sure. Chris can take your question.

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

Yes. Thanks for the question, Mike. We don't really comment too much on the competitive dynamics of the deals we do. I think anytime you see something that's attractive like this, you should assume there's competition, but we obviously had an existing relationship with Agios, which we think benefits us over a long -- that long-term relationship. And I think I'll probably leave it with that.

Michael DiFiore - *Evercore ISI Institutional Equities, Research Division - Equity Research Analyst*

Okay. And my follow-up question is just regarding IDH-mutation testing. How developed is the market with respect to this? I mean, is this par for the course? Or will certain areas of the country or certain geographies need significant education and resources in order to perform IDH testing?

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

Marshall, do you want to take that question.

Marshall Urist - *Royalty Pharma plc - EVP of Research & Investments*

Sure. Yes. Thanks, Mike. That's a good question. So overall, our view is that IDH-mutation testing is already an important part of the management of low-grade glioma. I think, certainly, once you have -- once you have a specifically approved medicine and a company marketing it, we don't think that's going to be a significant limiter on this product. There will take some development. But given the depth of the unmet need, we really see a great opportunity here.

Operator

Our next question comes from Geoff Meacham with Bank of America Securities.

Susan Chor - *Bank of America - Analyst*

This is Susan on for Geoff Meacham. So I know that the royalty is on U.S. net sales. Can you comment at all about potential for rights to ex-U.S. sales or any other potential add-ons to this deal?

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

Marshall, you want to go ahead?

Marshall Urist - *Royalty Pharma plc - EVP of Research & Investments*

So just a little bit of history. So Agios has this royalty as part of the acquisition of Servier's acquisition of their oncology business. So the royalty is specifically on U.S. sales. And so that is just structurally how the royalty was restructured as part of that transaction. So yes, we're focused on the U.S. market here.

Operator

(Operator Instructions) There are no further questions at this time. I'd like to turn the call back over to Pablo Legorreta for closing remarks.

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

Sure. Thank you, operator, and thanks to everyone on the call for your continued interest in Royalty Pharma. I think I'd just like to mention that this transaction is another example of the strength of Royalty Pharma's business model and its ability to continue to add really exciting first-class products in many therapeutic areas, and our ability to, as a result of this, drive double-digit compounding growth in top line and bottom line. So as I said, this is very exciting, and we'll be back later in the year with more things to discuss.

But thank everyone for your interest and your questions. And please feel free to reach out to George with any other questions.

Operator

Thank you for your participation. This does conclude the program, and you may now disconnect. Everyone, have a great day.