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PRESENTATION

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

Okay. Great. Thanks for joining us, everybody. I'm Terence Flynn, the US biopharma analyst here at Morgan Stanley. Very pleased to be hosting Royalty Pharma this morning. Before we get started, for important disclosures, please see the Morgan Stanley research disclosure website at www.morganstanley.com/researchdisclosures.

With that, I'm happy to be here with Pablo Legorreta, who is the company's founder and CEO; and Terry Coyne, who is the company's CFO. Thank you both so much for joining me today. Really appreciate the time here as we're right back in the thick of it post the summer.

QUESTIONS AND ANSWERS

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

Again, I would like to start off just with kind of -- because it is a unique business model, just -- Pablo, give us an overview of the strategy. And then as you think about evolving that, is there anything that you're considering as you look at the kind of the forward opportunity set here? I mean, we talked a lot about the synthetic opportunity. I saw you just announced one -- another deal yesterday there. But that is a newer element of the strategy. So maybe you could elaborate on that a little bit more? But again, thanks for coming.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

Thanks, Terence. And thank you for the invitation to speak at your conference. And welcome, everyone. I am the founder and CEO. I've been building this company with an amazing team for the last 27 years and really trying to figure out how Royalty Pharma can fund this incredible ecosystem that we all work in, which has an incredible purpose and mission to develop drugs for humans.

And it's been a long time since we started. The business model has evolved quite a bit. When I started, the initial idea was just to acquire royalties in approved products from the original innovators, which in many cases were academic institutions, research hospitals, and in many cases, the scientists associated with those institutions.

But as time went by, and as we were trying to figure out how to expand the universe of opportunities for Royalty Pharma, in 2012, we took a really important turn and changed again the business model. So we decided to go out and have discussions with biotech and pharma management teams and offered to fund late-stage clinical trials and create a royalty.

So when that happened, the business changed, because in addition to acquiring existing royalties and approved products, which we still do today, we also started to fund Phase 3, and in some cases, even Phase 2 trials.

When you look at -- when we decided to do that in 2012, from that point on to today, we have deployed about $25 billion of capital, of which about 60% roughly is in approved products where the royalty already existed. And the remaining 40%, which is about $10 billion when you do the math

of $25 billion, 40% is in products that -- where there was no royalty, and we had conversations with companies, management teams, offered to fund Phase 2, Phase 3. And then we created the royalty. Contractually, the company has agreed to pay us a royalty.

So that expanded dramatically our TAM, or addressable market, and made the business interesting because when you look at Royalty Pharma -- just as an example, Terence, last year 2023, the team at Royalty Pharma, myself and the team -- I don't participate in every meeting because there's so many now. But we had 400 -- we reviewed 400 investment opportunities. So that means that we're reviewing actually probably two a day, something like that.

And what happens is that management teams called us. We're also calling on them very proactively, and they come, they meet. We have a Zoom call, an hour long. Sometimes we do two of them, and they tell us their story. What are they developing? Why are they excited? What trials they're thinking of running? And then we decide if we want to proceed or not. And of this 400 or so opportunities, just to give you a sense, last year, we actually ended up signing confidentiality agreements with about 120 of those 400 or so opportunities.

So the 280 that we decided not to proceed were for various reasons. We were not excited about the product, the data, the commercial opportunity. But also, in many cases, we're actually looking at things that are early stage, maybe Phase 1, Phase 2. It could even be pre-clinical if there's an interesting platform technology that we're interested in learning about.

But what happens is we tell management teams, we listen, we learn, they tell us what they're thinking about doing. We take notes. And we tell management teams, it's too early. Why don't we meet in a year or two? But for us, having that initial meeting where we learn about the product and get to know the management team gives us very good insights because then we can check in a year or two, did the management deliver? Did they do what they told us they were going to do? So that's more or less the process.

What happened last year is of the 120 opportunities, we now sign a confidentiality agreement, we get incredible data -- data that, in many cases, the public investors don't have access to because we have patient-level data, Phase 1, Phase 2, safety, efficacy data for all the patients. We have access to the FDA minutes where we can judge how the FDA views the program, the product, what concerns the FDA. We have access to all of that.

And then what happens is that we decide if we want to proceed. And we ended up -- last year, again, from the 120 where we signed CDAs, we did 90 in-depth reviews. And that's when the team takes a very deep -- we do weeks, months of diligence. And then we did nine deals last year, deployed $4 billion of capital. So that's the business today, what we do every day.

And interestingly, we did an analysis recently where we said, okay, since 2020 when we went public, how much capital have we deployed? $15 billion. And what stood out that was pretty interesting, and we knew that this was the case, but it was interesting just to see the data, is that it turns out that of the $15 billion of capital, 40%, $6 billion were repeat deals where we're actually doing a second or a third deal with a company that we've already done business with.

And what -- the reflections or the conclusions from this data is that Royalty Pharma has really created this incredible franchise and a great name with management teams, and they see us as being incredibly constructive, a real partner willing to take risks, willing to work with management teams, not only -- because one of the big distinctions that I think we see every day, and we even hear it back from the companies we do business with, is that they see us as a real partner, not only as a capital provider. Where -- a lot of the people that are trying to imitate us and that have started to do what we do, other funds, some of the PE firms that have done this, they are very transactional. They see themselves as capital providers. In our case, we want to really develop a strong relationship with management teams and be there to help them. And also, a lot of the -- you've asked about the business, how its changed. We really started to push about five years ago, data, claims data that we share with the companies. And we -- by doing that, we're adding value to the development process, to the management teams. And data that -- we can talk about that later, but it's data that they hardly have access to. It costs a lot of money. It takes a lot of -- we have a team of six biostatisticians that help us analyze that, but we can talk about that later. But anyway, that's what's happened with the business. And we see -- we are incredibly excited about the deal flow and the opportunities that we see. And it's honestly getting better and better as time goes by.

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

Great. That was the segue to one of my other questions. It's just the kind of current deal landscape. I mean, you talked about '23 in the metrics there. But just as you look at the kind of forward opportunity set here through back half of '24, how is that shaping up? I know Terry has mentioned before that again, it's better to look at it on an annual basis. But again, as you look at kind of second half of the year, anything notable that you guys want to call out? How is that shaping up?

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

So happy to have my partner and colleague, Terry answer, so I don't want to (multiple speakers)

Terrance Coyne - *Royalty Pharma PLC - CFO & EVP*

So Terence, it's a great question. The deal flow has been really strong. I mean, we've had a great year so far, north of $2 billion, have made some really nice additions to the portfolio. And I don't think -- we don't feel like we're done. You never know when things are going to -- when transactions are going to get to the finish line. But the one we announced a couple of days ago was something that might not have been necessarily on our radar a month ago.

And so, I mean, we are always -- we're tracking these things, but these deals can happen quickly for a variety of reasons. And so for us, it's -- the beauty of our model is that we can kind of -- we're following every exciting asset that's out there. And we're thinking about ways to become partners with these companies.

And so -- and we can move really fast -- and I think that that's a major competitive advantage of ours. And I would also just highlight the deal that we announced the other day with Ascendis is the second transaction we did with them. And we have a lot of examples of multiple transactions with partners, which we think is super important for our business model.

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

Yes. Maybe just talk about the kind of macro environment and how that might shape the business going to '25. If we do get a rate cut here in September, what are kind of the implications for your business, as I know that had seemed to be a focus when rates were going up. What would be the impact on the business? I know you guys had a view. But now for coming out the other side of that, just level set us for how to think about implications.

Terrance Coyne - *Royalty Pharma PLC - CFO & EVP*

We really view ourselves as rate agnostic. Our business is going to be doing well regardless of the rate environment. And I think that that was a -- certainly a perception in the market that we were a rate-sensitive business. And I think what we've shown, what we tried to demonstrate is that as rates increase and as our cost of capital inevitably went up a little bit, we're able to get slightly better returns. And that's the flexibility in our business model, and it also has kind of accelerated an expanding opportunity set.

So we don't feel like the rate environment is particularly a driver of our business in any one way. We're happy to have -- we're happy that rates seem to be heading in a lower direction because we -- over time, we will be in the debt markets again and certainly would like to be borrowing at lower rates. But overall, for the business, it's not really a driver.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

The reality is that we've been in business for 27 years. So you can imagine that in 27 years, we've been already through so many business cycles where there's been so much money going into biotech, funding a lot of companies, and then it dries up. And again -- so we've been through tough markets, great markets for biotech. And in every one of those times, we've been able to find incredible opportunities for us to invest in.

The capital needs of this ecosystem are so gigantic. We calculate that the biotech ecosystem, the thousands of companies, biotech companies that are out there will require about $1 trillion of funding over the next decade to basically fund their pipelines. And we think it's about 400, 450, maybe 500 somewhere in that range over the next five years. So it's very significant.

And what's so interesting for us to see is that if you look at the conventional ways biotech has funded itself and you look at initial IPOs, following offerings, licensing deals -- the share of the funding, if you look at the last five years, which is $260 billion that was raised by biotech to fund their pipelines over the last five years, the share that was this thing we call synthetic royalties that we invented, where we actually go and fund the Phase 2, Phase 3 trials, was only 3% of the $260 billion. So that figure is going to grow. There's no question about it. It's going to grow. And we think that just synthetics for us in the next five years could be -- it's -- 4% of the capital needed is [$18 billion] (corrected by company after the call). If it's 8%, it will be $36 billion. And we guided our investors to about $10 billion to $12 billion of capital deployed by Royalty Pharma over the next five years, a conservative number for sure because we're deploying $3 billion to $4 billion per year. And obviously, $10 billion to $12 billion over five years is less than that, but we want to over deliver on it.

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

Understood. The kind of corollary related question is just the returns. Terry, you kind of alluded to this, but just maybe talk us through. There's obviously the commercial product, return profile, and then there's the pre-commercial return profile. What is -- how has that tracked? And then how does it look from a kind of go forward? How do you think about go-forward kind of returns that you're targeting?

Terrance Coyne - *Royalty Pharma PLC - CFO & EVP*

It's pretty consistent. I mean, what we've said is that for approved products, we're targeting high single-digit to low double-digit returns. I would say the way we think about that, though, is on kind of a risk-adjusted basis. We want to be investing in things where we see upside. And as the rate environment -- as rates have increased, that kind of -- the return hurdle has increased a little bit as well. So maybe before we were -- there may have been some deals we were getting 9%, now we're getting 11% or 12%.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

Unlevered.

Terrance Coyne - *Royalty Pharma PLC - CFO & EVP*

Unlevered, that's a really important point. And then for development-stage assets, we're still targeting teens returns. And those obviously have -- we want those to have upside where it can get into the 20s. But obviously, we could lose our investment as well. And that's the nice thing about our big, diversified portfolios. We can make those types of investments, and with the expectation that if we made five investments in development-stage assets, one of those assets -- hopefully, just one fails. But maybe one or two, and we'll still be just fine.

And we're going to look for things where we see a lot of upside, like some of the investments we've made recently with Frexalimab, which was a deal we announced earlier this year for a product that's in development by Sanofi for multiple sclerosis. We see a lot of upside with that product. It's obviously still in Phase 3 trial. So a lot of things need to happen still. And then like the Lp(a) investments -- so we try to make investments, particularly in the development-stage assets, where there's really that opportunity for outsized returns that compensate for the risk. It is risk.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

If you look at the statistics of the $10 billion that we have deployed in unapproved products, I think 75%, 77% already got approved. So there's another 25% that is still to see. It turns out that if you look at our pipeline and you look at the exciting drugs in our pipeline, KarXT, Bristol-Myers acquired Karuna for $14 billion because of that product. And you look at the data that that product has. It's very attractive. So at this point, derisked, it's highly, highly likely it's going to get approved.

Same thing for Seltorexant, but totally under the radar screen. We bought a royalty that's mid-single digit for $60 million in that product. It was in development when we bought it. Now J&J has put that product in a category of drugs where they think it could be $1 billion to $5 billion. It's a very wide range, but it's certainly $1 billion plus, maybe a couple billion and de-risked, we think it's really -- then Cytokinetics, right, with other cardiovascular drugs; also, amazing data, derisked.

So when you look at the fact that we have this pipeline with incredibly attractive drugs where a lot of them have now been derisked, that success rate will probably end up in the north of 80%, 85%, I don't know, 90% for all of our unapproved investments.

And it's a part of our business that is significant, driving growth, and providing investors with an exposure to really attractive drugs that have blockbuster potential, could drive very significant growth and returns for us and where -- for them to invest in those drugs, you need to invest in J&J or in Bristol-Myers with Karuna. Do you want to invest in Bristol-Myers where there's a lot of other things? Or might you consider investing in Royalty Pharma where you get exposure to those attractive drugs in a much more focused way?

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

Maybe one kind of related question is just on the return profile. I think one area of pushback is just the competitive landscape. You mentioned some of the private equity funds trying to kind of get into this area. And so as you think about the moats that you've built, you talked about some of these in terms of the relationships.

Maybe just remind us of kind of some of the other moats others would have to kind of surmount to kind of come into this business. And then I think you also provided a metric where not just the repeat business, but also the -- where it's like the deals that you are the sole party that's like -- that's bidding for the asset. I think that's the other perception externally is that all these processes are now like auctioned out. And so they're effectively like --

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Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

It's not the case.

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

No, I know. I know you have data on this. So again, maybe talk of barriers beyond those you already did and then some of the dynamics there in terms the process.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

The deal that we announced yesterday was a one-on-one conversation, zero competition with this company. It didn't even go to that because we did a prior deal with them. They were happy and they see us as a very constructive partner, but I'll let Terry answer.

One thing I was going to say, when you talk about moats, we initially -- when I started this business, it was a more conventional investment vehicle with the kind of economics that you get in investment vehicles that are high. And in 2003, I decided to change the structure and create a company kind of vehicle, ongoing business, not a serial -- all of the private equity has the serial funds, right? And we changed that in 2003.

And we also created the ability for us to use incredibly attractive funding in the form of debt that -- so we -- I don't know if the audience understands that Royalty Pharma today, for example, has $7.8 billion of debt outstanding, of which we have 30-year tranches where -- imagine 30-year, okay? That's almost like equity capital where you have money -- where I think we have $2 billion in 30-year tranches. When you have that --

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Terrance Coyne - *Royalty Pharma PLC - CFO & EVP*

Investment-grade debt.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

Investment-grade debt. When you have $2 billion of capital where you pay it in 30 years, it's sort of equity. We can make investments in royalties that have 15 years, two investments. And that capital is -- they're funding it, right? Then we have 20-year tranches, 10-year tranches, so we have a weighted average duration of 14 years. And our cost of debt is fixed at 3.05% or something like that -- yes.

It is incredibly -- it's an advantage that we have that is really amazing. When you look at some PE firms that have investment vehicles that are sort of serial, they raise money from investors, promising investors high-teens returns, they cannot buy royalties at 11%, 12% when you promise investors high teens. Because they have also friction. They have all of the expenses, management fees, carry. And they don't have access to leverage, we do.

So all of these moats, we solved that problem in 2003, 20 years ago. These other investors are -- have the structure I had 20 years ago, right? So the lead we have versus them is very significant. The other is scale. We bought a royalty from the Cystic Fibrosis Foundation for $3.3 billion.

We've invested so far on Roche's Evrysdi, buying royalties from PTC. The first deal was $650 million, not yet approved, but derisked because the data was out. Then we bought $1 billion last year on that asset, and this year, another $250 million. So we invested $1.9 billion in that specific product, which is for spinal muscular atrophy, an incredible drug.

The scale we have allows us to make those investments so difficult for an investment vehicle. One of the PE firms has $4 billion of capital. How can they put $2 billion into one asset? Not possible. You look at the 20 deals that are $500 million or more in size, I think we've done 17 of the 20 or 16 of the 20. We have an 80% -- close to 80% market share, a dominant market share in large deals, another moat.

But then the other thing that is interesting, when you have a business that produces $3 billion of revenue recurring last year, and we have this very attractive, predictable growth in our top line because it's very well diversified and has a duration also of 13 years -- when you look at the duration of our products and looking at when patents expire, it exceeds many of the big pharma's where the durations are 10 years, 9 years, 12 years. We're at 14, and we're always adding new things, so extending the duration.

So when we have that top line growing predictable, we can take risk and fund unapproved products and do it at scale, where we've done $10 billion over the last 10 or so years. I think it might be $8 billion over the last five years. So that, again, gives us an incredible advantage and moat where we can be talking to all of these biotech companies that need money and funding their trials, and we can do it. And we can suffer a loss, and we did, $275 million write-off. Didn't mean much to us when you look at the scale that I can write off of that nature.

So all of these things add to a very, very unique business that I honestly believe is irreproducible. It's so -- if someone today gave -- told me, Pablo, I'll give you $20 billion. Can you recreate Royalty Pharma? Impossible. I couldn't do it, starting from scratch. And it's impossible to do because a lot of the products that we have in our portfolio are -- to build the portfolio we have today, where we have royalties on the Vertex cystic fibrosis, on Tremfya, on Trelegy, many of those investments we did 10 years ago, 14 years ago, 8 years ago. So to reproduce this portfolio takes that long. So it's a very unique business with incredible moats.

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

Yes, just the data point on the single party, like what's that mix look like?

Terrance Coyne - *Royalty Pharma PLC - CFO & EVP*

We haven't updated that number, but we certainly will update it at our next Investor Day, but I would say it's consistent. We're seeing a lot of the transactions this year where it was really just us. It was sort of a side-by-side negotiation. And then oftentimes, even when they do hire an adviser, it's more of a market check. They want to make sure they're getting a fair price from us. We're trying to pay it. We pay a fair price. And so we're happy for people who do a market check. We know we're going to be a great partner. So even in those situations, we would sort of characterize that as a limited auction, where they've more or less checked that they want to work with Royalty Pharma and -- but they need to make sure that they're getting a fair price. I think we really see ourselves and feel it every day that we are the partner of choice.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

They tell us that.

Terrance Coyne - *Royalty Pharma PLC - CFO & EVP*

We take a lot of pride in that. And it's because of the relationships that the team has that when you're going through contract negotiations, you're viewed as a constructive counterparty. And companies are going to face difficult times down the road sometimes. And we need to be constructive there, and we have a reputation for that. So that's -- those are all examples of why we honestly feel like our business, the moat has gotten wider and the gap between us and the competition has gotten wider.

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

Yes. Okay. Great. Maybe one more on the strategy side before we go into some of the portfolio. The first round of IRA negotiations came out a couple of weeks ago. You guys have talked about this before, but I'm more interested in kind of the forward. Any kind of key learnings from that? And then as you think about the business model on the forward, obviously, you have the luxury of being able to kind of pivot into different therapeutic areas, right, and depending on Medicare mix, et cetera. So strategically, any takeaways from that first round of negotiations? And then what does this mean for your kind of go forward?

Terrance Coyne - *Royalty Pharma PLC - CFO & EVP*

Yes. I would say when we saw -- we only had one product on the initial list, Imbruvica. It seemed like that was fairly constructive. It certainly wasn't the doomsday scenario that some people had feared. And I think that -- we feel like that hopefully paints a good picture for some of the oncology products that people have been -- that investors and analysts have been concerned about in the future and that there is still going to be a very dynamic oncology market longer term, which is super important for the world.

But I think that we -- it's probably we haven't made any investments really since IRA was announced that had much IRA exposure. I wouldn't say that's by design. We will make investments in that space. And for products that have a lot of IRA exposure, we will just take a sort of a scenario-based approach. And ultimately, these products are super important for patients. The data is really strong, then we think those are the products we want to invest in, and they'll be reimbursed no matter what. And so that's kind of our overall view.

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

Okay. Great. Maybe just on the portfolio, I mean, you mentioned the Ascendis deal for Yorvipath. Maybe just again, because that's one of the newer ones. What was attractive about that asset, this market as you think about that one? And that's one of the synthetic deals that you were talking about before, Pablo, in terms of carving out an opportunity set. So maybe just a little bit more details, given that's one of the newer deals.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

Do you want to?

Terrance Coyne - *Royalty Pharma PLC - CFO & EVP*

Yes, so it's a -- that deal hits home on a couple of key things for us. So one, it's a huge unmet need. There really hasn't been much innovation there. There's a lot of need for patients with hypoparathyroidism. And we think Ascendis is going to be a great partner to launch that drug.

They've had -- they've done well with Skytrofa, where we already have an investment. And I think that it was -- for us, it's a relatively small investment. But when you start -- when you piece the two of them together, both of them were about $150 million, so $300 million total, attractive returns, and a product that we think clearly has blockbuster potential. And so we're excited about it.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

Even though there was some data yesterday that maybe surprised people about Skytrofa -- I don't know if you follow that. We just looked at it today. It actually -- the guidance, they lowered it, EUR220 million to EUR240 million. We were at about EUR210 million; on average, we're about EUR210 million. So somehow, expectations got a little bit ahead of themselves, and now they've come down. But it's actually totally in line with what we had initially forecasted. But a great partner, totally focused, the company. And again, second deal with them, win-win.

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

Again, another one you mentioned is KarXT. Bristol acquired Karuna for access as the PDUFA date is coming up here in September. Maybe just -- what drove the interest in this asset segment of the market? And the other question we get a lot is just competitive dynamics relative to the AbbVie asset, emraclidine. And so maybe just a little bit elaborate on that market? Because again, that's another newer product like what we're going to be watching as we go into 2025.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

Yes, I think there's huge potential when you look at CNS. And I think there's just great innovation taking place. And we've actually -- I mean, you probably have seen that we have this other investment recently with the Teva asset, where we funded that. And I think when we looked at the whole landscape, KarXT stood out as a product with really great data. Good marketer.

But in many of these cases, what ends up happening, which gives us -- so we go into these situations assuming that the product is going to remain in the hands of the company that's developing it. But we also recognize that in many cases, there's a possibility, which happens so often with these biotechs that they get acquired by bigger companies. It happened with Immunomedics on Trodelvy. It happened with Nurtec and BioHaven and Pfizer. And it happened in the case of Karuna and Bristol-Myers.

And what then occurs when those transactions take place is that the product then moves to the hands of a much stronger marketer, and it changes the competitive landscape. And so we feel really good about what happened there and the fact that we think that we go in with a conservative scenario. But now in the hands of a stronger company, it is likely to outperform.

And this is when we see all of these unapproved investments that we model at the teens returns. And then things happen that the returns are significantly higher for us. But it's -- we take a holistic approach, and it's part of the way we look at things with these expectations of eventually change of control.

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

The other areas -- this is more on the development-stage side. It's Lp(a) again, a novel target for CV indications. And again, you guys have a couple. You kind of doubled down in this area. So again, this is one of those where you're talking about -- probably, you guys have said 80% success rate effectively in the kind of pre-commercial deals. So what kind of drove the confidence here, and again, to even go further and do two deals in the space? What was kind of behind that?

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

Honestly, we don't see it as doubling down. We see it as investing in the class, right? And we've done that repeatedly over decades. We had royalties in Humira, Remicade, and Cimzia, so three drugs in TNFs. We have royalties in Nurtec and Emgality in Migraine. Royalties, anyway, in MS, Tysabri, Tecfidera, and now Frexalimab. So it's really a bet on the class. And we feel very comfortable with those situations.

And it actually has played out really well because also what happens in many of these cases, you would think that product -- it does happen that maybe a product dominates. But often, the patients have different biologies, different profiles. So having two drugs in a class might allow patients to get a treatment because some will do better on one and others with the other one. So that's the way we approach it.

And for us, it was very interesting when we started to look at Lp(a) as a whole new class of drugs where you could treat this condition. That's not driven by habits, what you eat. But really, it's driven by genetics, and there's people that have this kind of genetic profile. If you test positive for Lp(a), you're at high risk of having an issue, a cardiovascular issue.

And what was really interesting to see when we looked at the two assets was that it was very clear that when patients were on these drugs, the reduction was in the 80%, 90%. And then they were in the hands of really big companies. So all of those things, when we looked at everything, it seemed to us that they were really attractive investments in the class.

We were conservative because we also see a scenario, and this class could be in the $5 billion, $10 billion range. But if the drugs, eventually, through the long-term trials that are being run now, get into prevention, it could be much bigger than $10 billion. It could exceed that. And that's the upside we see. It's not in our base case, but we see that as a significant upside. What's exciting to us is that we're going to start to see that data in the next year or two.

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

Yes, next year will be the year. Great. Well, I think we're up against time. But Pablo, Terry, really appreciate you joining us today. Thank you so much.

Pablo Legorreta - *Royalty Pharma PLC - Chairman of the Board & CEO*

Thank you for inviting us. And I think that I will just finish by saying that Royalty Pharma is in an incredibly, incredibly strong position today with a team that is totally focused on the space. And I think we're really -- as time goes by, it's so great to see how we're building this very unique position in this ecosystem to fund innovation and to be really the leading -- the dominant player, funding innovation in life sciences.

And it's a business, where if you look -- if you ask me what's going to happen in the next five to 10 years, it's going to grow. There's just no question about it. The capital needs in this industry are so dramatic that it's going to grow. And because we're the dominant player in the field, the business is going to grow. It will -- you've seen us just point that the fact we're going to have revenues greater than $5 billion, not too long from now.

So predictable growth with a very attractive return profile. And I think our valuation is at a very attractive point today. We are buying back our shares at Royalty Pharma, so we believe in the business. And anyway, I'll finish with that, but thank you.

Terence Flynn - *Morgan Stanley & Co. LLC - Analyst*

Thank you, Pablo. Thank you, Terry.
