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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 fourth-quarter earnings conference call. I would like now to turn the conference over to George Grofik, Senior Vice President, Head of Investor Relations and Communications. Please go ahead, sir.

George Grofik - *Royalty Pharma PLC - Senior Vice President, Head of Investor Relations and Communications*

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 2024 results. You can find the press release with our earnings results and slides to this call on the investors page of our website at royaltypharma.com.

Moving to slide 3, I'd 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 differ materially from these statements. I refer you to our most recent 10-Q 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 results and the reconciliation of these measures to our GAAP financials is provided in the earnings press release available on our website.

And with that, please advance to 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 key highlights after which Chris and Marshall will provide updates on our transaction pipeline and portfolio. Terry will then 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, Chief Executive Officer*

Thank you, George, and welcome to everyone on the call. It gives me great pleasure to report another successful year of execution against our strategy of the leading funder of innovation in life sciences.

Moving to slide 6. We're very proud of our achievements in 2024. We again delivered excellent financial performance and significantly enhanced our portfolio through strong capital deployment. We delivered Portfolio Receipts, our top line, of $2.8 billion for the year, which was at the high end of our guidance range. In underlying terms, this represents growth of 13% in Royalty Receipts and continues our track record of strong performance since our IPO.

I should also point out that our 13% growth significantly exceeded our initial guidance of 5% to 9%. When we look to 2025, we're expecting Portfolio Receipts of $2.9 billion to $3.05 billion. In terms of our portfolio, we added royalties on eight new therapies, including four development-stage therapies. We saw positive news across our portfolio, including FDA approvals of Voranigo for brain cancer, Cobenfy for schizophrenia, and Tremfya for ulcerative colitis, and FDA acceptance of the NDA for Cytokinetics' aficamten for obstructive hypertrophic cardiomyopathy.

In terms of capital allocation, we had a very attractive year for royalty transactions, and we deployed capital of $2.8 billion to further broaden our portfolio as well as $230 million on share repurchases. Last month, we announced an evolution in our capital allocation framework, in which we will scale our buybacks depending on the discount of our shares to -- share price to intrinsic value. As part of this, our Board authorized a new $3 billion share repurchase plan, and our intention is to repurchase $2 billion in 2025.

In the past month, we also generated over $0.5 billion in cash by monetizing the MorphoSys development funding bonds, which we will redeploy. Lastly, at the start of 2025, we announced a truly transformative step in the evolution of Royalty Pharma, with a planned acquisition of our external manager to become an integrated company. We expect multiple strategic and financial benefits from this highly compelling internalization transaction, which we anticipate will close in the second quarter of this year.

Moving to slide 7. This highlights the journey we have been on since I started the business in 1996. From a closed-end serial fund to an ongoing business with an indefinite life, then moving through an expansion of our investment scope to our IPO in June of 2020. Last month's announcement of the internalization of the manager is the logical next step in our evolution and best positions Royalty Pharma for future growth and shareholder value creation. Slide 8 gives more background on Royalty Pharma's current structure. The company has been externally managed since its creation in 1996. Under this structure, which is common among alternative asset managers, Royalty Pharma owns its unique industry-leading royalty portfolio of more than 35 approved products and 14 development-stage therapies, which includes 15 blockbuster therapies, but it has no employees. Instead, it pays a management fee of 6.5% of Portfolio Receipts, its top line, to the manager, which in turn provides the platform.

Following the internalization, the intellectual capital will transfer entirely to Royalty Pharma and the company will integrate the employees and scale the investment platform into one entity. Importantly, now that Royalty Pharma will own the unique engine that drives future investments, we believe that Royalty Pharma shares should reflect the value of the world-class investment platform on top of the value of our one of a kind portfolio of royalties on leading biopharmaceutical products.

Slide 9 provides more details on the multiple benefits for shareholders from the internalization. Financially, we expect cash savings from extinguishing the management fee will accumulate over time. In 2026, we expect savings of over $100 million. And over the next 10 years, cumulative savings are expected to be greater than $1.6 billion. This compares to the total consideration of $1.1 billion. In addition, by ending the management fee, the net returns on royalty investments will increase for shareholders. Strategically, there are many important benefits. First, management and shareholders' alignment will be substantially strengthened given the majority of the consideration will be paid in stock vesting for five years to nine years.

Second, with all employees transferring to Royalty Pharma, this ensures continuity of personnel and operations with a long-term equity vesting to maximize retention. Third, it enhances our commitment to robust governance practices. Lastly, simplification will increase comparability of Royalty Pharma to other companies and enhance transparency. We think this transaction is highly compelling for shareholders and further strengthens our prospects for long-term value creation and success.

With that, I will hand it over to Chris.

Christopher Hite - *Royalty Pharma PLC - Vice Chairman, Executive Vice President*

Thanks, Pablo. I want to give a brief update on our transaction pipeline and the tremendous opportunity set ahead of us. Slide 11 shows our transaction funnel. We were busy in 2024 reviewing more than 440 potential royalty transactions. This was a record for us and an increase of around 10% versus the prior year.

This speaks to the strong secular tailwinds driving the demand for royalty financing as well as our competitive moats as the clear market leader. When we then move down the funnel, these initial reviews resulted in 153 confidentiality agreements signed, 99 in-depth reviews and 42 proposals submitted.

We continue to be disciplined and highly selective on our approach as we executed only eight transactions, or just 2% of our initial reviews, for a total transaction value of $2.8 billion. You can see on this slide the eight potential new therapies on which we will receive royalties, which are nicely balanced between approved and development-stage therapies. Many of these have blockbuster or even multi-blockbuster potential.

Slide 12 provides an update on one of the fastest-growing parts of our opportunity set, namely synthetic royalties. This innovative solution involves creating new royalties as a non-dilutive funding solution for our partners. There are many reasons why this represents a true win-win approach for our partners. It allows us to tailor a solution to meet their needs, provides independent validation of the asset and allows the partner to retain operational control. It aligns our long-term interest, and lastly, we can add value through our proprietary analytics.

Biopharma funding has historically been dominated by equity, licensing deals and debt. Synthetic royalties have represented less than 5% of overall funding. We are confident this proportion will increase based on our ongoing partnership discussions, which reveal that synthetic royalties are being routinely discussed at board level and C-suite as an important funding modality.

Consistent with this growing opportunity, we achieved a record year for synthetic royalty transactions of $925 million in 2024. This figure has more than doubled since 2020. With the advantages I described and the huge funding requirements for life sciences innovation, we see tremendous scope for further growth in synthetic royalty funding.

With that, I'll hand it over to Marshall.

Marshall Urist - *Royalty Pharma PLC - Executive Vice President - Research and Investments*

Thanks, Chris. I want to focus today on an exciting group of five products from recent royalty transactions that are launching this year and will contribute to Royalty Pharma's growth in 2025 and beyond. Slide 14 summarizes these five launching therapies. What stands out is their novelty, being either first or best-in-class in covering a diversity of diseases and technologies. This underscores our well-honed therapeutic area agnostic approach that focuses on transformational science and patient need.

Touching on each of these, we see a large and underappreciated royalty opportunity from Voranigo in brain cancer based on our double-digit royalty potentially exceeding $150 million in annual Royalty Receipts. The Voranigo launch is tracking well, and we are excited to see additional progress in 2025. You are probably well aware of Cobenfy, Bristol's new treatment for schizophrenia. Consensus estimates point to significant sales potential, which would generate as much as $100 million in peak royalties. Geron's Rytelo and Ascendis' Yorvipath are off to a good start, and Niktimvo's launch is now underway. Putting all of this together, total consensus peak sales forecast for these five therapies amount to over $10 billion, which would add over $430 million to annual Portfolio Receipts after applying their respective royalty rates.

This scale of revenue contribution from just one year of new investment activity is clearly very meaningful in the context of our 2024 Portfolio Receipts of $2.8 billion. Furthermore, when you layer these launches on top of our development-stage pipeline of 14 therapies, our diversified base of Portfolio Receipts and the market opportunity that Chris highlighted, you can see why we feel confident that we will continue to generate strong returns and growth.

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

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer, Executive Vice President*

Thanks, Marshall. Let's move to slide 16. This slide shows how our efficient business model generates substantial cash flow to be reinvested. Royalty Receipts grew by 12% in the fourth quarter and 13% for the year, reflecting the strength of our diversified portfolio. Key drivers were the strong performance of Evrysdi, the Cystic Fibrosis franchise, Trelegy, Xtandi and Tremfya.

The decrease for the year in Portfolio Receipts, our top line, primarily reflected one-time Biohaven-related milestone payments received in 2023. As we move down the column, operating and professional costs equated to 9.8% of Portfolio Receipts in the fourth quarter and 8.4% for the year, consistent with our guidance.

Net interest in the fourth quarter was de minimis, reflecting the timing of our interest payments in the first and third quarters. Full year net interest paid was $113 million. You should note that this did not reflect interest on the $1.5 billion of incremental debt that we raised this past summer, with the first interest payments from those new tranches expected in the first quarter of 2025.

Moving further down the column. We've consistently stated that when we think of the cash generated by the business to then be redeployed into value-enhancing royalties, we look to Portfolio Cash Flow, which is Adjusted EBITDA less net interest paid. This amounted to $678 million in the quarter, equivalent to a margin of 91%. On a full year basis, Portfolio Cash Flow was $2.45 billion, a margin of just under 88%. This high level of cash conversion, once again underscores the efficiency of our business model. Capital deployment in the third quarter was $552 million, taking our total through the year to approximately $2.8 billion.

Slide 17 shows that our unique business model has powered strong Royalty Receipts growth since our IPO. We delivered double-digit growth in three of the four years since our IPO with an average annual growth over the period of 12%. We are particularly proud of this track record of consistent and strong growth.

Slide 18 provides more detail on the evolution of our top line in 2024. As I highlighted earlier, significant Biohaven-related payments in 2023 impacted year-over-year comparisons for Portfolio Receipts, our top line. Royalty Receipts, which we consider our recurring cash inflows, grew by 13%, which was well ahead of our initial guidance of around 5% to 9%. Importantly, as you can see on this slide, strong base business performance was the primary driver of our Royalty Receipts performance in 2024.

Slide 19 shows that we continue to maintain significant financial capacity to execute our strategy through a combination of cash on our balance sheet, cash that our business generates and access to the debt markets. At the end of the year, we had cash and equivalents of $929 million. If we also include the proceeds from the MorphoSys development funding bonds in January, our cash and equivalents stood at just over $1.4 billion on a pro forma basis. On the MorphoSys development funding bonds, we received proceeds of $511 million on the sale, which results in an IRR on that investment of approximately 25%. In terms of our borrowing position, we have investment grade debt outstanding of $7.8 billion. Our leverage now stands at around three times total debt to EBITDA. We also have undrawn financial capacity from a $1.8 billion revolver.

We continue to take advantage of the fundamental disconnect on our share price and repurchased $50 million of our shares in the fourth quarter, taking our total spend on buybacks to $230 million during 2024. As a reminder, we announced a $3 billion share repurchase authorization on January 10. We will provide an update on our progress on that new authorization on our first quarter earnings call.

Slide 20 lays out our capital allocation framework. We have a dynamic framework, which balances our view of the share price valuation against the attractiveness of royalty deals. When our share price is trading at a discount to its intrinsic value, share buybacks will be an important part of our capital allocation.

Conversely, when our shares approach a premium to intrinsic value, we would plan to dial back our share repurchases and focus on higher returning royalty deals. In an environment where neither attractive royalty deals nor share repurchases are available, we have other options available for our cash, including growing cash to wait for the right deals, paying down debt or increasing dividend distributions. Ultimately, we are focused on driving shareholder value through allocating capital as efficiently and effectively as possible.

Today, we believe we're operating in the upper left quadrant, where we see many attractive royalty opportunities and a discount to the intrinsic value of our stock. For this reason, we announced a new $3 billion share repurchase program last month with an intention to repurchase up to $2 billion of shares in 2025 depending on the level of discount to intrinsic value.

Slide 21 provides more granular detail on the evolution of our balanced capital allocation framework to drive shareholder returns. We expect to maintain significant financial capacity to execute royalty deals in 2025, consistent with our guidance of between $2 billion and $2.5 billion of capital deployment per year on average. We are maintaining our investment target returns but also note that IRRs have trended higher in recent years. We also maintain a strong commitment to an investment-grade credit rating. Lastly, there's no change to our dividend policy, which is to grow by a mid-single-digit percentage annually.

Slide 22 provides our full year 2025 financial guidance. We expect Portfolio Receipts to be in the range of $2.9 billion to $3.05 billion, which equates to growth of around 4% to 9%. This guidance reflects the momentum of our diversified portfolio.

It also takes into account a range of scenarios for the launch of Alyftrek, the new Vertex triple, as well as for Promacta generics, biosimilar Tysabri and the impact of Medicare Part D redesign. Milestones and other contractual receipts are expected to increase from $31 million in 2024 to approximately $60 million in 2025.

The $511 million upfront for monetization of the MorphoSys development funding bonds will not be recorded in Portfolio Receipts and will instead be treated as an asset sale. Importantly and consistent with our standard practice, this guidance is based on our portfolio as of today and it does not take into account the benefit of any future royalty acquisition.

We would also note that our top line would have been approximately $150 million higher in 2025, if the long-term payments relating to Biohaven and MorphoSys had not been accelerated, which increased the IRRs on both of those investments.

Turning to operating costs. Payments for operating and professional costs are expected to be approximately 10% of Portfolio Receipts in 2025, reflecting the efficiency of our business model. This figure takes into account one-time expenses related to the MorphoSys development funding bond sale to increase operating and professional costs by around one percentage point.

Furthermore, our guidance does not take into account the benefit of the internalization transaction. We will provide an update after it closes. Interest paid in 2025 is expected to be around $260 million with de minimis amounts due in Q2 and Q4. Year-over-year increase reflects interest payments from the $1.5 billion of notes issued in June of 2024 for which the first payment will be paid in the first quarter. This guidance does not take into account interest received on our cash balance, which was $9 million in the fourth quarter of 2024, $46 million in the full year. It also does not reflect the additional interest expense, which will follow the internalization transaction. As a final consideration, while share repurchases would clearly decrease our average share count in 2025, there will be a slight offset from the issuance of equity performance awards, which is our long-term incentive compensation program, which reflects the success of our investments in 2020 and 2021. We expect equity performance awards to be approximately $45 million in 2025, with approximately half of that value reflected in the share count over the course of the year. To close, we expect to deliver another year of strong financial performance in 2025. We are excited by the opportunity to accelerate shareholder value through our new share repurchase program and the internalization transaction.

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

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chief Executive Officer*

Thanks, Terry. Let's move to slide 24 for a summary of the key messages you have heard today. First, we delivered solid performance with 13% growth in Royalty Receipts in 2024, during which we significantly exceeded our initial guidance. We also deployed substantial capital of $2.8 billion as we acquired eight exciting new royalties, adding further diversification and long-term growth.

Second, we continue to have a very attractive opportunity set. We conducted initial reviews on over 440 potential royalty transactions, a new record for Royalty Pharma, which speaks both to the fast-growing demand for royalty funding and to our continued leadership position. We did so in a

very disciplined manner. In order to drive strong returns, which have trended higher in recent years. Third, we have started 2025 with two important steps to further enhance shareholder value with our new $3 billion share repurchase program and our internalization transaction. All things considered, I'm confident that Royalty Pharma is increasingly well positioned to deliver attractive compounding growth and to drive value for shareholders.

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

George Grofik - *Royalty Pharma PLC - Senior Vice President, Head of Investor Relations and Communications*

We will now open up the call for questions. Operator, please take the first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Geff Meacham, Citi.

Geoff Meacham - *Citigroup Inc - Analyst*

Hi, guys. Thanks for the question. Just had a few. Terry, on the guidance, I know you don't want to provide a point estimate, but maybe if you give us any additional detail on the Alyftrek assumptions that you're making for the year. Same on Tysabri. And I know MorphoSys isn't included, but are there any milestones assumed in the '25 Portfolio Receipts guidance? And the second question, more bigger picture for Pablo. I know we've seen a lot of new policies coming out of DC sort of fast and furious, what would you say are the risks to royalties from maybe a tax or IRA perspective? I wasn't sure if you guys had engagement with the new administration or taken more of a reactive stance? Thank you.

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer, Executive Vice President*

Sure, Geoff. So on the guidance, we haven't provided specific product by product guidance, that's not our normal practice, I would just say for Alyftrek and Tysabri, as you can imagine, you looked at a range of scenarios for both of those and continue to believe that they will be - the CF franchise will continue to be a very important contributor for Royalty Pharma 2025 and also over the long term. And also, we expect that Tysabri will continue to be a very important contributor for Royalty Pharma. But yeah, as far as specifics there, we haven't given anything but looked at a range of scenarios. In terms of milestones assumed in our 2025 guidance, we assumed $60 million or so of milestones. So not a particularly large component of the Portfolio Receipts guidance for this year.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chief Executive Officer*

And also excluding the MorphoSys.

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer, Executive Vice President*

Right. Yeah. They're -- we did get a payment for MorphoSys in the first quarter. It's relatively small, but there will -- but the large $511 million related to the sale of MorphoSys development funding bonds is not part of that guidance. That was treated as an asset sale, so it's not going to show up in our Portfolio Receipts.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chief Executive Officer*

So with respect to your bigger picture question of the new administration and the initiatives related to health care. It's early days, Geoff, we're following it very closely. In terms of your question regarding taxes, we don't foresee any impact or any change in the taxation of our business. And the other thing I would say is that we're fortunate to have on our Board, Ted Love, who is the Chairman of BIO. So I've been in discussions with him just to get insights into what's going on and how the industry is reacting. And another thing that we plan to do is to get much more involved through BIO with industry and the administration.

Geoff Meacham - *Citigroup Inc - Analyst*

Thank you.

Operator

Chris Schott, JP Morgan.

Chris Schott - *JPMorgan Chase & Co - Analyst*

Great. Thank you so much. Just two questions for me. Maybe just on the synthetic royalties. Can you just talk a little bit about how your returns on the synthetics have compared to maybe more traditional structures. I'm just trying to get a sense if the growth in this newer source of royalties is more about expanding kind of the TAM and breadth of assets you can pursue or if you can also think about higher returns here as well? And then my second question was on the Vertex royalty with the Alyftrek launch. Can you just walk us through -- I know I know you can't provide too many details, but just how we should think about the timing of the arbitration process and when the Street might have more visibility on how the royalty situation is going to play out. Thank you.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chief Executive Officer*

Sure. Thanks for the question. So Chris, why don't you take the question on synthetic royalties, the scale of the opportunity and the returns. And then Terry can talk about Vertex and the timing we expect.

Christopher Hite - *Royalty Pharma PLC - Vice Chairman, Executive Vice President*

Yeah. Thanks for the question, Chris. The synthetic royalty opportunity, as we said, we had a record year last year. You saw the trends, very, very positive. We've really seen just -- and I think we've talked about this a little bit, but we've really seen a mind shift in the sector. So when you just think over the last five years, the sector has really embraced alternative forms of capital, namely synthetic royalties, when they're considering raising capital to fund their business as opposed to partnering with pharma or raising equity or debt capital. Obviously, when you're partnering with pharma, you're giving up some operational control, typically US rights. So they find our capital and our partner -- us being a partner with them extremely attractive because they retain operational control, maintain the ability to continue marketing in the United States, as an example. And we just create, I think, win-win solutions for them as evidenced by all the deals we did last year.

And as it relates to returns, we feel really good about the returns, the return profile that we're able to achieve on those transactions. Obviously, we wouldn't be doing them if we didn't like the returns. And we highlight to them the win-win nature of those transactions, all of those benefits I've mentioned, as we discuss our return profile. So we're really excited about it. We're really excited about the returns and the opportunity set in front of us.

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer, Executive Vice President*

And then just on Alyftrek, timing of arbitration. So just to reiterate what we said previously, we continue to feel really strongly about this. Deuterated Kalydeco is the same thing as Kalydeco. and so we do feel very confident in that position. In terms of the timing of any potential arbitration, we don't have an update right now. But what we can say is that arbitration, unlike a typical court process, arbitration is not a long drawn-out process, but we can't really provide any specifics right now around timing.

Operator

Michael Nedelcovych, TD Cowen.

Michael Nedelcovych - *TD Cowen - Analyst*

Thank you for the questions. I have two. My first is on guidance again. Going back at least to 2022, I believe Royalty Pharma's year-end performance in each year ended up outstripping your initial guidance by a healthy margin. Is it fair then to assume that the top-line guidance for 2025 may be somewhat conservative?

And my second question is on your screening process. Winnowing from 440 reviews to only eight transactions is very impressive, what would you say are the most common reasons that you do not pursue a given transaction?

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chief Executive Officer*

Sure, Terry, why don't you take the question on guidance and then Marshall the one on the funnel and our selection process.

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer, Executive Vice President*

Yeah. So you're correct that historically we have tended to outperform. And I think that's just kind of the nature of the types of products that we invest in, in the portfolio. It's just early right now. We're just starting the year. And so our range is a little bit wider as you can imagine. But we feel like there's a lot of great momentum in the portfolio. We're very confident about how things are going and hope that as the year evolves, we can be heading towards higher numbers, but it's just early days right now.

Marshall Urist - *Royalty Pharma PLC - Executive Vice President - Research and Investments*

Great. Thanks for your question on the funnel. So it's a good question. And the discipline that the funnel entails is something that is absolutely core to our investment process. We never feel compelled to do any single deal, it's really focusing on the quality of the product, its importance to patients, the strength of our partners, the clinical data, the clinical profile, the commercial potential, the intellectual property. So I think if you looked at the top of the funnel and what skinnies down all the opportunities that we look at, I do think it's probably spread pretty broadly across all of those things that I just mentioned. I think stage of development is an important one. IP can be another important factor. And then I think the product profile either in terms of if it's a development stage or a commercial stage product. So it really is across the board. But I think that discipline and that focus on only adding really high-quality important products to the portfolio is sort of our North Star and what will continue to guide our process this year and beyond.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chief Executive Officer*

If I can just maybe very briefly add just a couple of other perspectives on the investment process and the funnel. We have a practice here at Royalty Pharma that we've held for decades of, and this is what I told the team for a long time that we need to really look at everything that's out there, all opportunities that come to us and spend time with management teams to learn about their products and their technology, the science behind

their products. And we do that because it gives us a really good perspective on how the whole ecosystem is developing, but things are potentially going to be really successful in five, ten years from now. So we look at everything.

There's many things that are early stage, but looking at those things also allows us to -- when we listen to management, we spend an hour, two hours hearing their story to get a perspective on what they plan to do. And then sometimes, we tell them it's early, we'll meet in one year or two, but having had the opportunity to hear their story early on allows us then to actually see whether management was able to deliver and do what they told us they were going to do. So it's a very dynamic process, and the breadth of it is also really important.

Operator

Chris Shibutani, Goldman Sachs.

Chris Shibutani - *The Goldman Sachs Group Inc - Analyst*

Great. Thank you very much. I always appreciate this quarter with the funnel. And if I go back to every slide every year over the past since the IPO, there's been a subsequent slide that talks about the growth and your capacity through each of those stages. And starting last year and also in this year, the highlight of strong growth in initial reviews was removed. Numerically, it has increased from mid-200s to 300, 350, 400. Should we expect that pace of initial reviews to continue at this numeric level, though it is decelerating? And what are the constraints potentially to that? And with regard to constraints, the second question would be, can you talk to us about what your scope of access and exposure is globally, industry certainly has been doing a lot more of searching and partnering of assets in particular of late, from China. Do you have a footprint there? Any thoughts? And should we look for you to perhaps become active? Or is that not an ecosystem that necessarily is embracing the royalty-based approach? Thank you.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chief Executive Officer*

Marshall should take the question on the funnel and initial reviews. Our business is global, and we have been successful in investing globally for decades. Without having a physical presence in Europe, we were able to make great investments years ago, for example, in Humira, a transaction with acquiring that royalty from AstraZeneca Cambridge Antibody Technologies. We now have presence in Europe, not yet in China, but that doesn't mean that we're not looking at things in China. And what we have done and do is just travel and go and meet companies and meet them when they come to the US, which has obviously happens all the time. So we do -- if you look at the top Chinese biotech companies that are really developing great technologies and licensing them to Western companies, we've known them for 10 years, 15 years, have had dialogues with them, and keep in touch. And I think we intend to actually increase our interactions in China and plan to be there this year again. Marshall?

Marshall Urist - *Royalty Pharma PLC - Executive Vice President - Research and Investments*

Yeah. Chris, thanks for your question. I think what you point out is exactly right. I think our track record since the IPO and the growth in the number of opportunities, I think hopefully, has convinced everyone about what we saw when we went public, which is we thought the opportunity for royalty-based funding for alternative forms of capital in biopharma was a big opportunity and something that we were excited about capturing. And I think that -- I think how the number of things that we have looked at, how the size of our market has scaled over the last five years since we went public, has really proven that out. So I think that's the message from here. I think we will continue to have a very, very broad scope of opportunities to look at. But the important thing is that are we finding really impactful, important products to add to the portfolio. And I think when you look at what we did last year, that's a great example of exactly the kind of thing that we want to do every year adding really attractive launching products as well as adding to our pipeline, of development-stage products as well. So that -- I think that is how we see the world and I think we're really excited about the opportunity in front of us.

And as Pablo mentioned, I think what we've seen in terms of the licensing of Chinese products is a great example of how the ecosystem continues to expand. And as there are royalties being created in licensing deals from China to multinational pharma companies that just adds another source of royalties for us and further expands the market opportunity. So we are really excited about the opportunity in front of us.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chief Executive Officer*

Chris, maybe just adding in. Of course, we have another angle that is important to mention here is that, as I said, our business is global. And what really matters to be able to actually take advantage of the very significant amount of opportunities that exist that are out there, this 400-plus things we looked at last year is the size of our team and the scale of our team. I would say that Royalty Pharma has one of the largest investment teams in life sciences and also a team that is totally focused on a specific way of making investments in life sciences. Obviously, we don't -- as you know, we don't invest in equities, there's thousands of biotech companies that are public and that requires another skill set. We have a very specific way of investing and the team we have is large and has a global reach. So that's another thing I wanted to mention.

Chris Shibutani - *The Goldman Sachs Group Inc - Analyst*

Thank you.

Operator

Jason Gerberry, Bank of America Securities.

Dina Ramadane - *Bank of America - Analyst*

Hi. Good morning, this is Dina on for Jason. Thanks for taking our questions. Two from us. One, on the impact of the IRA Part D redesign, do you view the redesign as material? And are there any products you believe are mismodeled by the Street? How do you redesign elements impacting products with high Part D exposure such as olanzapine LAI?

And then just a quick follow-up on the Vertex matter. Are you able to provide any color on your expectations that there will definitely be an official arbitration process versus the probability that there could be a more amicable resolution. Thank you.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chief Executive Officer*

Sure. So Marshall, do you want to take the question on the impact of IRA. And maybe, George, you take the question on Vertex, or Terry actually.

Marshall Urist - *Royalty Pharma PLC - Executive Vice President - Research and Investments*

Great. So just quickly on IRA, and Terry can add anything in terms of how we thought about it for guidance for 2025. So in a portfolio as broad as ours with some -- with the some multi blockbusters and important products we have in the portfolio, it is something we are watching. I think one of the important things we've highlighted overall is that when you take a step back and look at the portfolio, the IRA exposure, the initial Part D exposure is actually pretty modest. We've highlighted three products there, Imbruvica, which was, of course, on the list last year for price negotiation and then for this year, Xtandi and Trelegy. So completely as expected for us. And then I think beyond that in the portfolio, we will continue to watch how this evolves and some of the positives in terms of the lower out-of-pocket exposure as well and how that's balanced against the more negative aspects from a revenue perspective, but something we're definitely continuing to watch.

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer, Executive Vice President*

And then on Alyftrek, we can't -- we just can't get in any specifics around arbitration at this point. If there is a -- when we have something to update, we will definitely update investors at that time.

Operator

Ash Verma, UBS.

Ash Verma - *UBS Group AG - Analyst*

Hi. Thanks for taking my question. Congrats on all the progress. So I have two questions. One is just on the guide for operating and professional costs at 10% of the Portfolio Receipts, I wanted to make sure this does not reflect the internalization yet? And then the $100 million savings that you had mentioned previously is that versus the 10% level or the prior 8% to 8.5% rate that you were at before? And then Alyftrek, to the extent that you can comment, I mean, would this have to be resolved before the first Royalty Receipt becomes due at 1Q? Or can it go beyond that? Thank you.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chief Executive Officer*

Terry, why don't you take that question?

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer, Executive Vice President*

Sure. So the 10% operating professional cost guidance does not reflect the internalization. As we mentioned on our call on the internalization, we think that, that number following internalization would be around 4% to 5%. We continue to believe that would be the case. So that's probably what to think about for 2026 as an example, which would be the first full year post internalization. This year it's just a little tough because it's kind of -- it's going to be a split year of pre- and post-internalization.

And the savings, the $100 million savings is reflected in that 4% to 5% number that I gave. In terms of Alyftrek, again, I recognize that investors are eager to learn more about timing. We just can't provide any specifics at the time, and we would update investors at the appropriate time if there is an update.

Operator

I show no further questions in the queue at this time. I would like to turn the call back over to Pablo for closing remarks.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chief Executive Officer*

Thank you, operator, and thank you to everyone on the call for your continued interest in Royalty Pharma. I'd just like maybe to end to say that we look forward to the closing of the internalization transaction in the next few months. And then to update you on an exciting year ahead as we start to see the benefits of the internalization, our share buyback -- share repurchase program. And then the continuation of our capital deployment into really exciting products.

And so if you have any follow-up questions, please feel free to reach out to George Grofik and Dana. Thank you.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.