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OVERVIEW:

Company Summary

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CORPORATE PARTICIPANTS

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

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

CONFERENCE CALL PARTICIPANTS

Jason Gerberry *Bank of America Merrill Lynch - Analyst*

PRESENTATION

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Royalty Pharma, we've got Terrance Coyne, EVP and CFO; and Marshall Urist, EVP, Head of Research and Investments. My name is Jason Gerberry. I cover SMID-cap biotech and specialty pharma at BofA. And so gentlemen, pleased to be joined by both of you.

QUESTIONS AND ANSWERS

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

It's interesting times in the therapeutics landscape as we were talking about before this webcast started. I'm just kind of curious, coming out of 1Q, you've now closed the RP internalization transaction, right, I believe?

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

We had the shareholder vote on Monday.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Okay. All right. So progressing --

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

99.9% of shareholders voted to approve the internalization transaction, which was really, I think, a great outcome for us.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Right. So I guess coming out of the quarter, a beat and raise quarter, you've got share buybacks remain an area of focus. Maybe what would you kind of like, in terms of setting expectations for investors heading into this year, what are some of the key objectives? I know that, sort of there's a balanced approach to share buybacks and BD is important, right, in terms of getting more royalty deals under your belt. So maybe kind of level set going into the year, what the objectives are?

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

Yes. So thanks, Jason, for having us here. We're really excited with how the year started. We had really strong performance in the first quarter, grew our top line by 17%, grew Royalty Receipts, which is the sort of more steady part of our top line by 12% and have been seeing very consistent

Royalty Receipt growth quarter -- every single quarter since our IPO. And so I think that, that's something we're really proud of. I think it's something that we're going to focus on continuing to deliver over the long term.

You mentioned sort of priorities for capital allocation, and when we announced the internalization transaction, we had a call and we laid out what we view as our capital allocation framework to give investors a sense of how we're thinking about it, and it puts things in four quadrants. And we look at both the share price relative to intrinsic value and the attractiveness of royalty opportunities. And right now, we feel like we're operating in an environment where our share price is attractive and is a really good investment. And there's also really attractive royalty opportunities. I think with some of the turmoil that's going on in the biopharma markets right now, this could certainly create some additional really attractive royalty opportunities for us. So we're going to take a balanced approach.

We repurchased around $725 million worth of shares in the first quarter, and we're happy with the price that we were able to buy back the stock for that repurchase. And I think going forward, we're going to continue to kind of assess the sort of relative attractiveness of each of those two things. And try to be disciplined and smart allocators of capital and put that capital use where we think we can generate the highest returns.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Yes. So maybe when you think about the deal pipeline, and kind of how you conduct day-to-day business. This business that we're in, especially when the current administrations in office lends itself to periods of uncertainty. And when there is periods of uncertainty, I know that like as the dynamics change, right, future deal structures can change, valuations change, right, and you can flex up and down depending upon that. But when you're in this period of uncertainty, how hard is it to do deals? And do you feel like it's let's wait and see what comes of tariffs, what comes of MFN through the executive order? Or do you feel like you can still get deals done in an environment where you have so much uncertainty?

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

Yes, I think we can definitely -- it's a great question. I think we definitely still get deals done. Certainly, I think one of the advantages we have is our flexibility to be able to react to and try to incorporate the best information that we have out there. And as you said it, this announcement on Monday and on certain things we will hear from here create uncertainty. But we're going to continue to look for opportunities where we still see really important medicines that bring a lot of value to patients and we will certainly be cognizant of these newer risks that are out there. And certainly, there might be things where we see something, but the current environment kind of creates too much long-term uncertainty. And that's something we don't -- that's probably that's something we won't do. But I think we have the advantage of one, we have such a strong business today. We don't have to do any given deal, and we're going to continue to stay patient and disciplined as you've seen us in the past.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

And not to get too cute here with this question, but like do you feel like there's -- when there is elements of uncertainty when it comes to just company acquisitions, oftentimes mechanisms like CVRs are put in place, right, to sort of toggle risk factors? Do you look at like different exotic mechanisms to factor into deals that like, hey, you guys need capital. We want to be there and maybe there's something that you can structure a deal so it's fluid depending upon how some things may play out in the macro landscape.

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

Yes. And we definitely think that this environment is going to create a lot of opportunities for us. And I think something -- if you've followed us over time, we've been really creative and forward thinking in how we structure our deals. So I don't know that I would use the word exotic necessarily. But certainly, we will find the right structure that works for us, works for our partners. But I do think that flexibility in structuring, especially in environments, macro environments like this can really help to get deals done.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Yes. So maybe there's a laundry list here of macro news flow items between tariffs, tax reform, drug pricing, FDA disruption, right, in terms of -- what do you guys see as like the real theoretical risk to the model that could fundamentally change the space as we know it today?

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

Sure. I don't know, Terry, you want to start maybe on some of that and I'll --

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

Yes. I mean I can start on tariffs, then turn it over to Marshall. It is actually easier for Royalty Pharma because we don't think we really have any exposure. And it's just a function of how the supply chain works where we receive our royalties, the royalty-bearing sale is not typically going to be a tariff-bearing sale. So the way that the supply chain typically works is ex U.S. affiliate sells into the U.S. to a U.S. affiliate. That transfer into the U.S. is the point where there will be a tariff. Where we receive our royalties is the sale from the U.S. affiliate to a third party. And that's -- there's no expectation that there will really be tariffs on that sale.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

And that's sort of a boiler-plated thing. You put in all your agreements, I imagine.

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

Yes. Well, the definition of net sales is always going to be the sales from the manufacturer to a third party. That is very consistent throughout those documents. And so yes, we're in the fortunate situation where we really don't think we have much exposure to tariffs at this point. And how that impacts the rest of the pharma ecosystem, it's tough to say from where we are now.

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

You mentioned a couple of other things, I think on FDA, it is still early, probably hearing that from a lot of people on stage these, at this conference. But on the FDA, I think we tend to take the view that drugs with great data that really show that they help patients that are advancing the field are going to get approved regardless of how the administration may change at the FDA.

And we've always taken, I think, a little bit more of a cautious view on opportunities that required -- what's the term -- regulatory flexibility, right? We've wanted to have a pretty clear path from a regulatory perspective when we evaluate investments. So I think from that perspective, I think we feel comfortable that ultimately great drugs are still going to get approved, and that's where we want to kind of focus the portfolio in our time.

MFN and pricing, anyone's guess at this point. I think we're still living in a world where the breadth of outcomes is pretty wide right now. So I think we're going to -- we will be cautious certainly respectful of what could happen out there. But we're going to take a little bit of a wait-and-see approach right now.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Yes. Okay. So it sounds like as long as share price is where it is, maybe a more balanced approach with buybacks and BD going forward.

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

Yes. And it also depends on deal flow, too. So I think that we didn't -- we announced one deal in the first quarter, and there's quarters where we'll announce five deals. So it's tough to say. It's always -- I mean that is the nice thing about our business is we can be flexible. And if -- and we're well-capitalized and so deals come along or the shares are really attractive, we have plenty of capital to pursue one or both of those.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Right. So talk about that a little bit. If a really compelling deal came along or multiple, how much dry powder do you have in the balance sheet right now?

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

So we have a lot of leverage capacity, we're at 3x total debt to EBITDA. We have over $1 billion of cash. And so we feel like it would be hard to imagine that a deal will come along where we couldn't easily fund it with the combination of cash on the balance sheet and debt. And we've never really had a difficult time funding ourselves over time. And we're much strong -- but we're much more well-capitalized now than we ever were in the past.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Is there a certain ceiling you don't want to lever the company beyond?

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

Yes. So what we said is that we are sort of targeting operating in the 3x to 4x range. We've been closer to 3x for a while now. As the business continues to scale, it's harder to imagine that we would get to 4x, but we would for the right deal, but then we would kind of delever from there, and we just had a positive development. We were upgraded by Moody's to BAA 2, which was a great development. So now sort of solidly in that BBB territory. And again, that speaks to the strength of the portfolio and the strength of the balance sheet.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Yes. Okay. And maybe, Marshall, are there certain areas of the biopharma ecosystem that you're more attracted to in terms of channel mix, disease and TA specifically? Or is that something where you don't typically want to tip your hand to your competitors as it pertains to what you really -- what you really like?

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

Yes, it's a good question. And it's not that we don't want to tip our hand, but it's more about how we have approached business development, how we have approached finding new investments, which is to take a really open, flexible approach and say, what are the most kind of exciting, most important new medicines and opportunities that we're seeing at any given time. And so the advantage of that is that we don't go out and take sort of a top-down perspective and say, this year, I have to go out and find something in oncology, something approved in cardiovascular and sort of kind of curate the portfolio that way. It's more let's have a team and a structure that allows us to go after anything that we see out there that's exciting that we want to add to the portfolio.

So that, when you look back, has generated the highly diversified portfolio of really great products that we have today. And so no change in the business that way. I think we'll continue to approach it the same way.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Yes. Okay. And then maybe shifting gears to your largest royalty from Vertex, just curious from either of you, just the early adoption of the new triplet product, how that's going relative to early expectations?

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

Yes. I think so we've obviously been tracking that closely. We're one quarter in. It's still really early days. But I think the -- what we're seeing is that the launch is going to be gradual, at least it is gradual so far. And I think that, that reflects the strength of Trikafta, the amazing impact that, that product has had on patients living with CF has totally transformed the disease. And so we've said that we think that Trikafta will continue to be a very important product over the long term and still feel that way today.

As far as Alyftrekgoes, where it gets to. It's just tough to say at this point. But I think that Trikafta will continue to play a big role in CF treatment. As you we -- as you're probably wondering around any potential dispute around the royalty rate just for everyone's background, we feel really strongly that the deuterated form of ivacaftor, which is a component of Alyftrek is the same as ivacaftor, and we should get the same royalty rate, and so that's something that we feel really strongly in our position, and we're going to -- we will certainly, over time, we'll see how that ultimately plays out, but we feel good about our legal position there.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

So yes, I'm mindful, I know on your one -- your recent call, like your earnings call, not much you can say on that front. But maybe a broader question, generally speaking, when you strike royalty agreements with parties. Does it typically contemplate life cycle management into existing APIs and things like that, that sort of underpins your confidence that the follow-on product would be encompassed within the deal? The original terms of the deal.

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

So every deal is different. But certainly, in this case, we feel really strongly that deuterated ivacaftor is the same as ivacaftor and should have the same royalty rate. But yes, I mean, every transaction is different. And the reality is a lot of times, we're -- the deals have already been done between another party and we're buying that contract. So we don't really get to negotiate the specifics there. But in this case, we feel strongly about our position.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

And stepping back beyond Vertex, any trends that you'd highlight in the royalty space, broadly speaking, your competitive positioning versus others? I imagine market shares holding firm, any trends in deal terms that maybe are shifting. Or do you feel like it's business as usual kind of holding your market share or even growing your market share in the royalty-garnering space?

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

Yes. I mean I think the biggest trend is that the market is just getting bigger and growing, right? And the role and the use and the number of opportunities that are being created out there is growing a lot, right? And so that's exciting. We've been talking about that a lot that we think royalties will have a bigger and bigger role in the funding of our ecosystem over time, and we're certainly seeing -- starting to see that.

Beyond that, I don't know that there's any big trends. I know we've continued to feel very confident in our strategy, competitive positioning, our ability to win the deals that we really want to lean into. So I think the sort of secular story of the growth of royalties is very much alive and well, and we are really excited about what's in front of us.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

And how much of that do you think that trend is independent or dependent on the drying up of the capital markets for IPOs and secondaries, for biotechs, right, which is your feeder of these deals most frequently, right?

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

Yes. There's kind of two answers to that. I think one is, if you look historically, it is not related to the background environment. You look since we went public in 2020, you just take that period to now, we've seen some pretty robust capital availability cycles in biotech and biopharma, and we thrived and did great deals and grew the portfolio during those periods. And the same thing has been true when the markets have tightened when capital availability has tightened. So I think it's unrelated. And I think why that is, in our view, for a long time, you've had more companies being created, more innovation, more need for capital, but there hasn't been a lot of innovation on the type of capital that's available. And I think one thing we offer is a really unique type of capital to fund a given project on a sort of project-by-project or drug-by-drug basis, right? And that's kind of what royalties are in a way is like equity in a single product. And that's an option for building capital structure that wasn't available historically. And I think the reason why it's growing is not simply because of the waxing and waning in the cycle, but because I think we offer something and our kind of part of the world of funding biopharma offers something that kind of the market needed.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Yes. Okay. So maybe we'll jump to some portfolio-specific questions. First, maybe starting off with the Tourette's asset that you guys highlighted on your most recent earnings call. How did that deal come about? What attracted you to the asset? I know it was sort of get a pretty substantial royalty if revenues exceed $400 million on that asset. And it seems like it's a pretty underserved population and not many options to go to.

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

Yes. And so that's a great story to kind of understand one of the things that Royalty Pharma does well because we had that opportunity came to us. And we had all of the kind of resources internally in terms of the data resources to be able to understand a market where there really were no approved drugs, right? So there was no precedents you could look to. There was no big companies talking about the epidemiology, right? We can sort of build our conviction in the size of the market, which we highlighted over 100,000 Tourette's patients out there and there hasn't been a new drug approved in over 10 years. And so I think that really shows kind of our ability to build and identify opportunities that might be overlooked because just they haven't been paid a lot of attention to.

So we were excited to have that. And it's funded by a team that's done this before, right? So we were -- it kind of brought together a lot of positive attributes.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

And how important is speed of your operation to getting deals done versus either competition or even other forms of financing coming into these companies that might be, I guess, an indirect form of competition, right? If they go to do a secondary offering, there's no need necessarily for royalty financing. So maybe can you speak to the organization, how it's rightsized to do these types of deals to do them in an expeditious manner. I imagine time is of the essence.

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

Yes. No, it's a great question, and it's something several years ago that we, as a team, kind of identified strategically as somewhere we needed to invest, which was, I think we would it would grow our market and create more opportunities if we could move a little bit faster.

Now we're never going to be able to move as fast as an overnight equity offering, but we've built the team and invested in resources around the team to be able to move faster. And by growing the team, the other thing we were able to do is do work ahead of time on areas and opportunities that we think are interesting because if you put that if you put that sort of kind of -- you do the groundwork ahead of time when the opportunity is actionable, you can move much more quickly. So we've definitely been able to speed up, and I think it's been important to be able to be responsive to our partners.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Yes. Maybe shifting to the Cytokinetics partnership, and I guess some of the recent updates it looks like Camzyos gets a little potential loosening of its label around echos and aficamten with the delay and request for REMS, these kind of two factors as you think about sort of the opportunity and how that maybe shifts any competitive balance? Was this all maybe in line with how you kind of saw this kind of netting out in this space? Or does this come as a surprise in any way?

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

Yes. I think maybe take a step back from that to just to help everyone because it help everyone understand how we look at the world because I think this is a good kind of case study that way. And so the thing is we think about our investments and our partnerships in 10-, 15-, 20-year kind of frames, right? And I think that's really powerful because our partners, the companies, that's exactly the way they see the world, right? And sometimes, the equity investing world is kind of a little bit more focused on the near term, let's say, about that. So I think we're still very excited about that opportunity because what we're really thinking, what we're really focused on are the kind of big picture things, which are this is a big market. Aficamten in this case is a great drug. We think the team at Cytokinetics is doing a great job. And so it wasn't necessarily determinative for us that the Bristol-Myers product has a certain kind of limitations on its use right now. We sort of could take the -- we had to take the view that in the fullness of time was that always going to be true or whatever it might be. So we're -- that we think about the world in such a long-term way that some of these changes don't really necessarily really impact our thesis.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Okay. And then Cobenfy, this is -- I used to cover Karuna back in the day. So I know this space well. I guess our thesis is always the low-hanging fruit was going to be think like one-third of the market uses combination D2s, right? So to swap something with a novel mechanism of action kind of create a built-in market opportunity for Cobenfy. Now the ARISE trial, I think, a negative outcome I guess we can interpret that one or two ways. Does it impact the adjunctive utilization, which we saw as kind of logical market slot for Cobenfy, or in the end, doctors are still going to trial two combination agents because they were doing it with two D2s anyways in the absence of real evidence that, that even worked.

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

Yes. Look, I think what I'd remind everyone on Cobenfy was we couldn't be more thrilled with what's happened since we made that investment. To your point, we made an investment in that product, and it was in the hands of a small independent company that's subsequently been bought by Bristol and their major competitor is now delayed, right? So or maybe forever delayed right? And so when we make investments in those kind of products, this is a great outcome for us, right? So to answer your question specifically, no, we weren't dependent on combination on the combination therapy. We were thinking it would be Karuna marketing it in the monotherapy market. And so where it sits today, I think we are, we're thrilled with where it is. And our fundamental view is that people are going to experiment with combination therapy because that's what these psychiatrists do, and I don't think the outcome of that trial really is going to impact that.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

And was part of the thesis around this asset, Alzheimer psychosis because I know there's some differing views on the clinical risk profile of that trial, right, between the old minimal data that was generated, it's imperfect in a lot of ways. And then commercially, there's -- a lot of these people are in nursing homes, right? Like there's some challenging kind of payer constructs as we understand them. So I don't know, it was more of the sort of valuation predicated around schizophrenia and the more near to market opportunity?

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

Yes, schizophrenia was really the focus. If there's anything beyond that, I think we'll be very happy with that, but it's really just schizophrenia that we're focused on.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Okay. And then Lp(a) next year should be the year hopefully. Lp(a) I think (multiple speakers)

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

Lp(a), yeah.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Both interims are now out of the way with pelacarsen. We caught up with Ionis this morning. Yes, I guess do you just kind of see this as, let's play both horses and we win either way in terms of funding both Amgen and --.

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

No, we actually -- not we win other way, we think we'll win both ways, right? As we sort of made what was our view was to our discussion before about how we approach it with the first one with the Ionis pelacarsen, first-in-class drug going to be the first card turnover to prove the value of Lp(a), in the hands of one of the best resourced cardiovascular marketers out there, and we actually bought it in a really nice sort of risk-reward protective structure.

And then second was we also had the opportunity for olpasiran, which is the Amgen, which is the Amgen program, also another huge-scaled marketer that I think they're both going to be kind of synergistic in making this market bigger, and it's dosed quarterly, right? So that's a great profile as well.

So I think our -- I think that's something unique about our business that's worth just touching on, which is we uniquely can own multiple products in the same class, right?

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Can you remind me, are the royalties similar on the two?

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

No. Actually, we are -- the pelacarsen is mid-single digits. Olpasiran, I think we've said it's high-single, low-double. So definitely a share point to Amgen is worth more to us than to Novartis. But I think the cool thing is, right, something super unique about our business that you've seen us do is, yes, we can own two Lp(a) products. And who knows one day if we had an opportunity to do another one, we would certainly consider that as well.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Okay. Last one on the portfolio side, one that we're excited about is olanzapine LAI. When we think about who needs an LAI, it's usually somebody that's very sick, very difficult, struggling with compliance with their therapy and olanzapine is the heavy hitter of antipsychotic therapies. And so it seems, I think the Medincell consensus on this product is $2 billion to $3 billion. It's much higher than the Teva consensus. But nonetheless, I guess do you see this as something that could be as potentially as large as Invega from a sales perspective. Invega has been the kind of the gold standard in the LAI space had the broadest suite of offerings and maybe they were there at the right timing and struck lightning in a bottle, so to speak. But nonetheless, we are seeing pretty good traction with Teva launching Uzedy and that may sort of portend good things with olanzapine.

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

Yes. So I think you, the last thing you mentioned is important. I think Teva has done a phenomenal job competing in that, in the risperidone-LAI market. And so we're certainly super excited to be partnered with them and have this product in their hands. And I think, I guess, the way I think about the peak sales is, we certainly don't need it to be as big as you mentioned for this to be a successful investment. But look, I totally agree with you, the olanzapine market needs this. I think you don't have to talk to many physicians to get that feedback that there's a lot of unmet need for this product. So we're excited to see it launch.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

All right. Well, we're out of time, gentlemen. So thanks so much for joining us in the conference.

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

Yes, Jason, thanks a lot. Appreciate it. Thanks.

Jason Gerberry - *Bank of America Merrill Lynch - Analyst*

Thank you.
