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# EDITED TRANSCRIPT

RPRX.OQ - Royalty Pharma PLC at RBC Capital Markets Global Healthcare Conference

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

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

## CONFERENCE CALL PARTICIPANTS

**Gregory Renza** *RBC Capital Markets - Analyst*

## PRESENTATION

**Gregory Renza** - *RBC Capital Markets - Analyst*

We're going to go ahead and get started. Welcome back to the 2025 RBC Capital Markets Global Healthcare Conference. My name is Greg Renza, one of the biotech equity research analysts here. And we're pleased to be joined now by Royalty Pharma. And representing the company is the Head of Research and Investments, Marshall Urist.

Marshall, it's great to see you. Great to have you here at the conference.

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

Yeah, Greg. Thanks to you and to RBC for having us. We're excited to be here.

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## QUESTIONS AND ANSWERS

**Gregory Renza** - *RBC Capital Markets - Analyst*

Great. And I think many investors certainly have taken interest in what really is an interesting and revolutionary model when it comes to Royalty Pharma and the role that you play in the biotech and biopharma and frankly, the healthcare ecosystem.

So maybe just to start off for those who aren't familiar with the Royalty Pharma story. It'd be great to get a brief introduction of the company, your key portfolio assets, and your outlook on the biopharma royalty space.

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

Yeah, of course. So for people who don't know us, we are one of the largest funders of life sciences in the world and certainly the largest funder of royalty-based funding in the world. The company is over 25 years old at this point. Our founder and CEO, Pablo Legorreta, was really one of the founders of this kind of entire space and the business started -- the real roots of it are in -- were academic royalty monetizations. So universities sell royalties on approved products.

The business evolved from there through many iterations. If Pablo was here, you would get the very, very long story. I'll give you the quick one, which was we went from there to buying royalties from companies and also moving sort of backwards from approved through -- first, it was things that have been on the market for a while, early launch, then Phase 3 and then that's still the kind of part of the business today.

And the other thing that's changed a lot is that we've also started to create royalties as a funding mechanism, not just buying pre-existing ones. I'm sure you'll ask about that, but it's been an exciting thing to witness is how the growth of what we call synthetic royalties has really grown a lot over the last few years as a new way of funding biopharma.

We went public five years ago in 2020. We're now a big business today. We have about \$3 billion-plus of revenue, nice growth on top of that. We've talked about capital deployment every year of \$2 billion to \$2.5 billion a year, and it's a pretty simple business model actually. We own royalties on upwards of, I don't know if the number is right now, 40, 45 products. We collect that royalty. We have some expenses. We service our debt, pay some dividends. And then the rest of that, we deploy, either through returning that capital to shareholders through a buyback. We have a large buyback program we announced earlier this year. And then that's also how we reinvest to grow the business. So the business compounds that way and it's been a great compounding story over the last couple of decades.

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**Gregory Renza** - RBC Capital Markets - Analyst

And Marshall and the team really have such a unique and important role and participation in innovation. And as you think about the process and as when you went public five years ago, folks are interested, what's the secret sauce, right? And it starts from -- maybe starting from that beginning of this process of the vetting process, maybe working backwards a little bit. It would be great to get some perspective on how you approach that vetting process for royalty purchases, where it starts, what's the framework that you and the team talk about how that funnel starts and goes from there?

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

Yeah, sure. So just a little bit on our team. So Royalty Pharma now has about 100 people round about. Our research and investments team is about 30 people overall, that encompasses investment professionals, and then we have a very active data science team that works really closely with our investment team to help drive our investments.

What do we look for? What is our framework? It's actually pretty simple at a high level, which is we really strive to invest in and build a portfolio of important products, products that are meaningful to patients, the system, caregivers in some way. And it is a really a different style of investing because I think we don't start from, is there an opportunity to generate an attractive return. We start from, is this a really exciting product and then how do we structure something around it that generates a great outcome for us and for our partner.

And so we have a very deep diligence process. We do, I think, diligence from strategics when you think about what they do for M&A targets. We do it in a little bit of a different way, but I think we really strive to go to that depth. And that's kind of inherent in a way in our style -- passive investors, right? Once we make an investment, we don't have joint development committees and committees -- we're passive. So we have to do a ton of work upfront to make sure that we understand everything we possibly can about a product.

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**Gregory Renza** - RBC Capital Markets - Analyst

And certainly, in our space, it's hard to walk these hallways or see headlines, but just feel intrinsically some of the macro pressures that are occurring globally, but also in our industry, there's rapid change. And I wanted to get, Marshall, just your view on how you foresee R&D funding from external sources, also the concept of the synthetic royalty playing a role in this industry and the biopharma industry over '25 and frankly, over the next, call it, three to five years.

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

So people ask us that a lot if we see our business as almost like countercyclical to the kind of biopharma funding environment. And the fact of the matter is we don't see it that way. I think it is certainly a tailwind. But I think the kind of macro secular driver to our business is that we all know there's so much capital need in this industry. And we've really had such a short menu of options for companies over the years, right? There's been equity -- we all know it. And then as companies mature, they can do a partnership. But you give up a ton of economics. And then once companies are mature, they can access debt markets. But there's really nothing in the middle.

And I think that's where we've really focused on in a way, building our synthetic royalty and our R&D funding business is giving companies the ability to fund against a single drug or a single R&D program, right? So it's almost like investing in equity in a single product, right? And so that is what we've built, and there is just a need for it in the marketplace, right?

And so I think certainly, this environment is certainly helpful. We are very busy, as you might imagine. But we've successfully deployed a lot of capital into great products over the last five years, which have seen, to your point, low points like now in terms of the funding environment and also to the highest, to the highest points, and we've been successful in building our portfolio with the kind of products that we want to over that whole stage.

So I hope that -- I'm certainly hopeful that the funding environment improves. We're an important part of it, but I think we want -- we do best when there's a healthy broader environment out there, too.

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**Gregory Renza** - RBC Capital Markets - Analyst

That's great. And each investment can provide a really nice case study. Maybe we can talk about some recent ones. Maybe starting with the lupus, a \$250 million R&D collab with Biogen. Marshall, you announced that for one asset. What did Royalty see there? How is this deal structured? And how is this fitting into the longer-term for the company?

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

Yeah. So R&D funding, we -- so just to give a little bit of the background. So in the early part of this year, we announced a deal with Biogen to fund a Phase 3 program of a lupus drug called litifilimab, which is in Phase 3 for two forms of lupus. So we're going to provide them with \$250 million over time over about six quarters. And in exchange for that, we get some milestones and then also a mid-single-digit royalty on worldwide sales. And so it's a great win-win for Biogen. We take on a significant piece -- remaining piece of the development expense for that program in exchange for what is a pretty small piece of the economics at the end of the day. And it's a great example of it's a really exciting drug. It has an incredibly strong set of Phase 2 data, which gives us a high degree of confidence that Phase 3 is going to work out. It had two back-to-back papers in New England Journal of Medicine. And I think if you take a big step back, lupus is an interesting market, and we've talked a little bit about this is lupus is almost where like a psoriasis or an IBD was 15 years ago. Those are massive markets today. There's a ton of products. And we -- our team did a really interesting analysis that basically tracked that, right.

So we do a lot of this we have a very active data analytics team where we could say, you can track these markets, and they need two things to grow. One is new products, and the second is an identifiable population of patients in need. And you've seen that in all these markets. And so that's what we see, which is that's a market that I think is less than 10% penetrated today. We're going to have -- there's two approved biologics today. Fast forward five, six years from now, there's going to be many more, litifilimab will be one of them, and you're going to have significant growth in that market. And Biogen is a big company that should be able to participate in that and maximize value globally. So that's sort of how we think about things. And it's a good kind of case study of an R&D, pharma R&D funding deal. We've done those with Pfizer, AstraZeneca, Sanofi, Teva, Merck, multiple ones over the years.

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**Gregory Renza** - RBC Capital Markets - Analyst

That's great. You mentioned the attractiveness of the big markets of credible partners. You mentioned inflammatory bowel disease. And certainly, there are several cycles of success there, value created through strong sales and life cycle and even M&A. And we talked about J&J's Tremfya a little bit. Just walk us through how that was originally landed on, your views and the opportunity in the I&I for the program? Certainly, a big market that matures, but as you mention, the analysis to justify continued investment and continued play there.

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

Yeah. So MorphoSys is actually a great story. It's one of our growth drivers and a royalty that we own that we're really proud of. So we actually got that from a company, some people might remember called MorphoSys that was bought by Novartis several years ago. And we actually helped MorphoSys, they were undergoing a strategic transformation from a technology platform that made antibodies and created royalties into a development company. And they sold us a set of assets, Tremfya being one of them. We actually got a royalty on the Roche brain shuttle gantenerumab, trontinemab, which is just entering Phase 3 from that as well. But Tremfya was really the centerpiece of that. And so we've owned that royalty.

And that's a great example of another one where these markets, their ability to grow is something that we study really closely. And I think that's our ability to take the very long-term view is something that we have the luxury of doing, because we can own royalties, we want to own royalties for 10 years, 12 years, 15 years as long as we can. Duration is important. So it allows us to take that long view and really believe in the long-term growth potential of the markets.

And you highlighted it. It's been interesting to hear the CEO of J&J sort of almost scolding his analysts saying, I think the peak sales of this drug are \$10 billion and consensus is only, I think, \$5 billion or \$6 billion right now. So you don't hear that all the time, but J&J as a company we admire a lot and certainly in IBD and in inflammation, they're one of the best out there. So exactly the kind of product that we try to add to the portfolio.

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**Gregory Renza** - RBC Capital Markets - Analyst

And just outside of the room, we were kind of talking about classes that you're in, that you're not in, some of the white space that's still available to us in the biopharma sector. But when it comes to classes and your ability to sort of double down on classes and not have to pick one horse and one winner. When we think of the Lp(a) space, maybe just walk us through how you're looking at your exposure to pelacarsen as well as to olpasiran, the royalty agreements and the rights that you've established there? The Lp(a) space continues to evolve quite nicely. We're sort of nearing a maybe a pretty important stretch this year and especially next year in the late phase. So maybe just walk us through your positioning there and just give us a 30,000 foot overview.

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

Yes. So we own -- we -- cardiovascular disease is an interesting area because it was obviously one of the biggest areas of pharma for a long time and other than PCSK9 has not gotten a lot of play until recently. And so we had the opportunity over the past couple of years to buy royalties in the two leading products to lower Lp(a). And for anyone who doesn't know, this is a sort of alternative form of cholesterol that isn't lowered by LDL drug statins and is thought to be kind of an independent risk factor for cardiovascular disease.

We bought royalties on both of the leading products in this space. We bought a royalty on the Novartis product. It's going to be first-in-class from Ionis. And then we own a royalty on Amgen's olpasiran that we bought from Arrowhead, another siRNA platform company over the last few years. And so this is a market we are really excited about. You're right, the big question we still have to answer, which is we know these drugs lower Lp(a), but do they prevent heart attacks and strokes and events. We're eagerly awaiting the outcome of those studies. I think we'll see the first one in the first part of next year. And certainly, we have to answer that question. But I think you have two of the best cardiovascular marketers in the world, right, behind those two products, millions of patients with high Lp(a). As soon as you have active products, I think it is a very easy step to start to test people for Lp(a). You could all ask your doctors today, if you're curious, it's easy to do.

And so yeah, that's a market that we think has to form, but we can't think of two better companies than Amgen and Novartis to make that happen.

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**Gregory Renza** - RBC Capital Markets - Analyst

And as you think about investing in different platforms and technologies, again, cycles of technology that you have participated in, many of the IRA pricing pressures and forecasting that it maybe has plagued the sector or some portfolios over the last few years related to small molecules,

of course. I'm just curious how you assess the different modalities when you look at making investments. What is most fundamental -- getting to that long-duration blockbuster potential, which really is an important end game? But I think there are a lot of examples over your past investments where you've just gained an index of confidence about market differentiation even in some smaller markets. Maybe just walk us through some of those that come to mind for you.

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

Yeah. I think one of the things that served us well actually is we aren't technology-focused, right? We are product-focused. And so in a way, a technology platform is -- just makes new products for new diseases possible. And so that's the way we look at it.

And so like a gene therapy, we've done one investment in gene therapy over the years, because have we seen really great products that got us excited yet? And I think if you take a step back from the space, that served us pretty well over time commercially. But that is the way that we really approach things. So we certainly are following technologies and looking at them, but it's certainly -- but it's really about the products. You mentioned the Lp(a). We've made three investments now, I think, in RNA-based or, I should say, RNA-based therapeutics, but it's been about great products, right? You mentioned Lp(a). We own a royalty in Spinraza, which is an ASO for SMA and then a small royalty on another orphan product that Alnylam markets. So that's our approach on technology, and we'll be very, very patient. And if it's not right, it's not right, and we'll wait for the right thing to come along.

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**Gregory Renza** - RBC Capital Markets - Analyst

Fantastic. And maybe as we're touching on this, when it comes to your index of confidence as far as intellectual property, what gets you comfortable with screening from an IP estate standpoint? This is always something that applies a great degree of expertise. You mentioned not being sort of technocrats, but at the same time, you have to get that longer-term comfort. So just walk us through some of that assessment that you've talked about.

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

Yeah. So as you might imagine, when you buy royalties and buy licenses, IP is a core kind of core competency in -- from a diligence perspective. So we have, like I mentioned at the start, over two decades of history doing IP diligence. We make big investments every year in getting the best outside legal advice. And it's -- and so we have a good system there of understanding what kind of ambiguities we're comfortable with, what kind we're not. Sometimes, people ask us what are the reasons you pass on things. And IP can be a big one there is for whatever reason, we just couldn't get comfortable with the license, we couldn't get comfortable with those patents. And so we will walk away. And so -- but it's something we've been doing for a long time.

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**Gregory Renza** - RBC Capital Markets - Analyst

And then just structurally, assuming you had this next step of internalization of your management company with the deal just closed and came final. So when you talk about the evolution of Royalty, maybe just touch on the importance of this transaction. And maybe for those aren't familiar, just walk through that structure and what it means for the company?

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

Yeah. So without getting into all of the details of this, we announced a really exciting transaction at the beginning of this year, which was to internalize our external manager. And so a little bit of a history lesson is probably important. So Royalty Pharma was private for 21 years of its life. And like a lot of investment structures, it was structured as an external manager, where you had capital and the kind of the employees worked for a manager and that you were compensated with a management fee. And when we went public, we carried that structure into the public entity.

And so the transaction we announced was sort of the way we thought about it was sort of a natural evolution of our business, which was we put together the royalties we own, which was the public entity, with the team and kind of the intellectual capital of the company into kind of one entity, which makes a lot of sense. It's the right move. It was kind of part of the road map to bring together because it aligns us with shareholders completely, the whole team, we are always very aligned. But this transaction aligns us completely. And if you think about one of the things that we think is most interesting about Royalty Pharma is it isn't just a vehicle for royalties, right? We are an ongoing business. And we have platform value and the team and all of the intellectual capital that we've accumulated over the two decades, you're bringing all of that into one structure. And so we think that's a really important part of the story. And so that's why this internalization was a big deal.

And I should mention, along with that, we announced a large -- a \$3 billion buyback program. And one of the things that we talked about to sort of help our shareholders understand was what is our kind of capital allocation framework. And I think what we talked about was we're constantly assessing is how exciting the investments we're seeing versus the value we see in our stock. And so we're going to do -- always do the right thing for shareholders between balancing buyback when we look at the value of the stock and the number of external opportunities we see to reinvest. And so I think it was a pretty strong message to our shareholders that we are committed to creating shareholder value. And I think that transaction was a big step in that direction.

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**Gregory Renza** - RBC Capital Markets - Analyst

Maybe last question for me, just coming off of first quarter disclosures and while the sector and just the larger markets on watch out of our performance and what the outlooks are for 2025, just given the macro. You and the team raised guidance for the Portfolio Receipts. Just walk us through some of that thinking to increase just those base assumptions on the variety of portfolio contributors that you have.

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

Yeah. So it's actually pretty simple. We raised guidance for two reasons. About half of it, we said on the call was FX, just our portfolio mix had moved. And then the second piece was sort of same-store sales, was growth in the royalties that we have. We talked about some of them, Trelegy, Tremfya, we own a royalty in the Vertex CF portfolio. And so it was really just the underlying growth in the portfolio.

The other thing I would mention is we made an exciting investment last year in a product that's probably off of people's radars a little bit, which is a new drug for low-grade glioma, so a form of brain cancer that was being marketed by a company called Servier. And so it's a private French company. It's sort of off people's radar, but we paid a little over \$900 million last year for a 15% royalty on US sales. That drug is off to a great start. So it's nice to see some of those new products contributing as well. But just to keep in mind, our guidance doesn't include any assumption about new investments. So anything we add during the year is incremental to our guidance.

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**Gregory Renza** - RBC Capital Markets - Analyst

Great. Yes. Vorasidenib model for many years. That's great to see.

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

It's such a great product. We're excited to have it, definitely.

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**Gregory Renza** - RBC Capital Markets - Analyst

As are we. Just before we break, Marshall, I just want to open up to the audience here in New York. Any questions for Marshall and Royalty Pharma? We have one here.

**Unidentified Participant**

Could you say more about your diligence platform, what it consists of? What are the specialties of the people that are involved?

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

Yeah, absolutely. So we have invested a lot in our diligence platform over the last few years. And I think from an investment team perspective, we're really set up as generalists, right? We want our team to be able to look at any therapeutic area out there. And we think that, that's a strength that we have that we're not therapeutic area focused. If you look at our track record of investments, we've invested very broadly.

The second piece of it is we've made -- I referenced a little bit, we've made a big investment in data over the last few years. So right, we spend a lot every year on forms, on lots of data sources. Claims data, we do all of that work internally. We've hired several people out of pharma who did real-world evidence work there, who work closely with our team. And so we can do truly deep proprietary market evaluations. And so that gives us sort of unique kind of conviction and confidence.

And then as part of our diligence, I think it's something that -- an advantage that we have is when we work directly with companies, we can know everything they know. We're not sort of public investors in that way. So we can see all kinds of trial data, regulatory correspondence, even sometimes down to sort of individual patient trial data. When we're working with companies, we can ask for specific analyses and that kind of thing.

And then the other part of our platform is the way that we work is we'll have kind of a small internal team. And then one of the things we do really well is we will go out and find the very, very best sector-specific advice we can across clinical development, regulatory, commercial, manufacturing, whatever it is, for that product. And so we've built this platform over many years, and I think we're in a great place to -- a great place for the future.

**Gregory Renza** - RBC Capital Markets - Analyst

Marshall, thanks.

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

Yeah. Thanks for having us. Thank you.

**Gregory Renza** - RBC Capital Markets - Analyst

Thanks, everyone.

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