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OVERVIEW:

Company Summary

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PRESENTATION

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

Good morning, everyone. My name is George Grofik, and I head Investor Relations and Communications at Royalty Pharma. It's my privilege to extend a warm welcome to our Investor Day and thank you all for attending. Before we start, I'd like to go through a few housekeeping details. First, for those who are viewing our live webcast, a copy of our presentation can be found on the Investors page of our website at royaltypharma.com. You'll also find a copy of the press release for this event on our website.

Second, there will be two question-and-answer sessions during the event. If you do ask a question, please identify yourself and use a microphone. And lastly, after the final Q&A session, there will be an opportunity to join Royalty Pharma's management team for lunch and to ask questions in a more informal setting.

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 to differ materially from these statements. We refer you to our most recent 10-K on file with the SEC for a description of these risks. All forward-looking statements are based on information currently available to Royalty Pharma, and we assume no obligation to update any such forward-looking statements. Non-GAAP liquidity measures will be used to help you understand our financial results, and the reconciliation for these measures is provided in the earnings presentation on our website.

So you'll be hearing from a number of members of our leadership team today. Pablo will start off by discussing the successful execution of our strategy since our IPO in 2020 and how as a premier capital allocator, we are set up to deliver strong growth and returns in the fast-growing royalty market.

After that, Ashwin will present key findings from a first-of-its-kind survey of the biopharma royalty market by Deloitte, which really underscores this attractive outlook. Chris will then detail how we are leveraging the powerful tailwinds which are driving the growth of the market. And after this, Brienne will highlight a recent case study, which demonstrates how we continue to innovate and stay ahead of the competition. We will then move to the first Q&A session, followed by a short break.

In the second session, Marshall will discuss how we are building on the capabilities of our unrivaled Research & Investments team so that we continue to win in the marketplace. And as part of this discussion, we'll feature a video from some of our key partners, including Chief Executive Officers of Biogen, Revolution Medicines, Teva and Cytokinetics.

Terry will then detail the clear path we see to drive significant value creation in the coming years. And after some brief final remarks from Pablo, we will close the formal part of the event with a second Q&A session. As I mentioned earlier, there will be a lunch with management afterwards, and it would be great if you could join us.

Now in planning the detailed agenda for today's event, we aim to provide clear and comprehensive answers to the most frequently asked questions we get from investors, many of which are listed here. And I won't go through them all, but they include, for example, what is your market opportunity and long-term growth outlook? What are your competitive advantages? Can you provide more details on your historical returns and are they sustainable? What's your outlook for the cystic fibrosis franchise? And who is your peer group?

We hope that the information presented today will answer these questions. Now before moving to the main presentation, I'd like to play a short video, which highlights the people and culture of Royalty Pharma. We believe our team-based approach is critical to our success, and we have worked diligently to maintain this unique culture despite tripling our headcount since 2020.

(video playing)

And with that, I'd like to turn the podium over to Pablo.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chairman of the Board & Chief Executive Officer*

Thank you, George. And I'd like to add my own warm welcome to our Investor Day. I'm thrilled so many of you have been able to join us in-person or online. Before I begin, I would like to take a moment to recognize the significance of today's date, September 11. The events in New York City on that terrible day in 2001 will forever be etched in our memories. My team and I would like to pay our respects to those who lost their lives and to those who continue to be affected.

And I would like to thank those in attendance listening online for taking the time on this important day to learn more about our business. And with that, I would like to move ahead with the Investor Day. I would like to set the scene by reminding you that Royalty Pharma is the pioneer, an undisputed leader in the biopharma royalty market. This is a simple and bold statement, which masks a tremendous evolution in our business since its foundation in 1996 and our IPO in June of 2020.

As you will hear from the team today, by combining our relentless focus on innovation and our unique and powerful business model, we're meeting the growing capital needs of our biopharma partners in even more creative ways. Through executing against our strategy, we have delivered excellent performance and strong returns while also helping to transform the lives of patients.

Standing here today, our prospects have never looked better. We expect to significantly grow the business over the next five years across a number of key performance metrics. In a market that is expanding rapidly, we continue to strengthen our competitive moats. We have a clear path to deliver substantial shareholder value creation as a premier capital allocator funding life sciences innovation.

We have a really exciting story to tell, and I am delighted we have this opportunity to start it with you today. Now let me move to the four key messages for today. First, we have executed extremely well. We've delivered on all key strategic and financial priorities we set out at our IPO and our 2022 Investor Day. I am very proud that we're on track to deliver double-digit top-line growth for this decade.

Second, as the leader and innovator in this space, we're really helping to drive rapid growth in the royalty market. Royalties are increasingly becoming recognized as a critical funding paradigm for biopharma, and the market has more than doubled in size over the five years since 2020.

Third, we have redefined -- refined our business model and our competitive advantages over nearly 30 years so that we're now the optimized buyer of royalties. We're constantly innovating to deliver win-win solutions for our partners that keeps us in a powerful position as the partner of choice in our industry.

Fourth, we're laser-focused on value creation. We've delivered consistently mid-teens returns on invested capital through a rigorous investment process. We have an owner-operator mindset that aligns us with our shareholders, and the recent internalization of the manager has further increased our alignment. We have a history of executing against our financial targets. We're confident in achieving our 2030 targets for our top and bottom line, which currently sit at more than 10% above the analyst consensus.

Lastly, we have a clear path to drive substantial growth in our top and bottom lines and the intrinsic value of our business. Taken all together, we envision we will deliver at least a mid-teens shareholder return over the next five years. Here, you can see that we have delivered against our priorities since our IPO. Based on our 2025 guidance, we expect to achieve a 12% top-line CAGR since 2020.

Over that period, we have deployed around $14 billion in capital on new royalty transactions, and we've generated a 15% return on invested capital, which is more than double our cost of capital. We've also returned around $4 billion to shareholders in dividends and buybacks within the framework of our dynamic capital allocation approach.

At an organizational level, we have scaled our platform to meet the growing demand for royalty financing, increasing our headcount threefold and investing in new skill sets, such as data analytics. Importantly, we have recently simplified the company through the internalization of the manager. Meaning, our valuable intellectual capital and investment platform is now combined with our diversified royalty portfolio.

By bringing our platform under one roof, I am highly confident we will not only deliver attractive growth and returns, but we will create significant value for our shareholders. At our first Investor Day in May of 2020, we set out two clear long-term financial targets. We're targeting a compounded annual growth in Portfolio Receipts of 10% or more between 2020 and 2030, which means a top-line of at least $4.7 billion by the end of this decade.

As we said, we intended to step-up our rate of capital deployment to $10 billion to $12 billion over the next five years, which was an increase compared to the greater than $7 billion we had previously given. I am delighted to say we're on track to achieve these goals. In fact, we're ahead of the run rate on both measures.

And while we are reaffirming the targets today, given our dynamic capital allocation framework, which allocates capital to the highest return activity, whether it is deploying capital on royalties or share buybacks; we clearly see the potential to scale our capital deployment over time. This speaks both to the power -- the powerful fundamental tailwinds driving our industry as well as to the successful execution of our strategy.

So why are the fundamentals behind our industry so compelling? The answer is simple. Royalties fill a critical funding role for biopharma. They are increasingly being seen as an important part of a biopharma company's capital structure with clear advantages to traditional debt and equity in multiple scenarios. For a biopharma company seeking funding, of course, the main advantage of debt is that it has the lowest cost of capital and is not dilutive to equity.

However, that typically comes with strict operational covenants. Also, the scale and availability of that depends very much on the macro environment. Equity on the other hand, has been the only source of funding for most biotech companies, which is why it has been so popular historically.

However, it comes with the highest cost of capital. It is broadly dilutive to shareholders, and it can be highly dependent on market conditions. This all changed when Royalty Pharma introduced royalties as a new, more flexible source of funding. Royalties offer the greatest flexibility, no operational restrictions and are non-dilutive to equity holders.

Furthermore, royalties are targeted and can be tailored to the individual needs of a company, which is clearly recognized today by so many biotechs. For the right company, we also believe royalties offer important advantages versus partnering with a biopharma company. Royalties allow our partners to retain strategic optionality as the profile of their product or pipeline matures.

By creating new or as we call them synthetic royalties as well as providing launch capital, we provide our partners many advantages over a traditional licensing deal. For example, our partners retain operational control along with a much higher proportion of the economics. They encounter less administrative complexity from joint decision-making. They also can access capital at a much lower cost than through partnering.

Our transaction with Revolution Medicines is a great example of a company deciding to pursue royalties instead of partnering with a global pharma player. And you will hear more about this exciting transaction later today. And as the quote on the right from a biotech CFO highlights, selling a large portion of the economics and decision-making rights to a larger pharma partner may also limit the potential attractiveness to an acquirer later down the line.

It's also important to recognize that biopharma, our industry, has a number of unique characteristics that make it ideally suited for royalties. Royalties may not be a funding option for all industries. So we believe there is a scarcity value for our business as a differentiated and attractive investment.

To highlight a few of these characteristics, product life cycles are long, typically around 15 years. Profitability is high, and so too are the capital needs, which average over $2 billion per drug approval. To get to the point of commercialization, often, multiple royalties are created, potentially starting in academia.

Furthermore, industry data suggests that 250 licensing deals are announced each year on potential new therapies, which drives royalty creation. When we add it all together, there are about 400 companies that need funding annually. And the total addressable market for funding over the next decade is over $1 trillion. When you combine these characteristics with the potential benefits that royalties bring, this explains why we are in such a vibrant and growing industry.

So let's put numbers to the market we're discussing. Over the past five years, the value of announced royalty transactions has averaged $6.2 billion per year. That's more than double the previous five years and nearly triple the level of 15 years ago.

Not surprisingly, market growth hasn't been linear. But the upward trend is strong and clear to see. So to summarize my comments on industry growth, our market has expanded rapidly, and we expect it to continue to do so. This reflects the growing capital needs of the biopharma ecosystem, underscored by the incredible pace of scientific innovation and the increasing awareness of the benefits that royalties can bring.

Our unique and attractive business model raises the question of how investors should think about and benchmark Royalty Pharma. In fact, a frequent question we get in investor meetings is, who is your peer set? It's not an easy question to answer as we're the clear leader in our market with no obvious publicly traded comp. We're truly an N of one for investors.

To try to answer that question, we believe Royalty Pharma combines the attractive attributes of certain industries, biopharma for its exposure to transformative therapies that drive consistent, strong growth, alternative asset managers for the rapid expansion of their addressable market and focus on sustained high returns for their shareholders, capital allocators for their acquisitive nature and ability to allocate capital efficiently and effectively at high rates of return and royalty buyers in other parts of the economy, such as precious metals.

While none of these industries exactly mirror our business, we believe this diverse group of peers offers important comparisons and a valid benchmark for our performance. We believe we compare well, given our track record of diversified double-digit growth and sustained attractive returns.

In light of this discussion about our peer group, we have also thought long and hard about redefining the essence of what we do and how we think Royalty Pharma should be viewed by investors. Today, I would like to define who we are and our ambition. Our goal is to be the premier capital allocator in life sciences with consistent, compounding growth. We're excited about delivering against this ambitious goal and we will achieve this through dynamically allocating capital in the best interest of our shareholders to deliver sustained, attractive returns and to strengthen our competitive moats in the fast-growing biopharma royalty market.

I want to explain in my next few slides why we are highly confident we will do this. It starts with our powerful business model, which we have constantly evolved over the past 30 years to make us the optimized buyer of royalties. Marshall will take you through the details later. But to summarize, we pioneered the industry in the 1990s with a closed-end serial fund focused on existing royalties on approved products. Over the next 30 years, we honed our business model and established a number of important moats around our business.

Our competitive advantages include deep access to low-cost capital at scale and an unrivaled brand and network of relationships across the entire biopharma ecosystem. We have a track record of success in delivering win-win solutions for our partners. Lastly, we have the biggest and most diverse portfolio of royalties in the industry and a cash-generative and highly efficient business model.

Today, we have the strongest royalty investment platform, bar none, with close to $22 billion of capital at work and $14 billion of equity capital at work. Taking all of these competitive advantages together, no one else can replicate this powerful platform. By leveraging our platform, we're able to allocate capital as effectively and efficiently as possible, so we can create long-term value.

At the start of this year, we introduced a new value-driven dynamic capital allocation framework, which guides our investment decisions. Terry will elaborate on this. But in short, this balances our view of the share price valuation against the attractiveness of royalty deals. This rigorous framework means we can deploy our cash in the most effective way possible to drive shareholder value.

In the first half of 2025, we repurchased $1 billion of shares and returned $1.3 billion to shareholders, a record for Royalty Pharma. At the same time, we have continued to deploy substantial capital on royalty acquisitions, such as the exciting funding agreement with Revolution Medicines we announced in June, or the royalty on Imdelltra we acquired from BeOne a few weeks ago. So far this year, we have deployed capital of $1.7 billion.

When we deploy capital and royalties, we have an investment approach, which has been refined over decades and is designed to optimize risk and reward. We're highly selective when it comes to product selection, with patient impact a key priority. We have an institutionalized and comprehensive due diligence process to assess the clinical and commercial outlook. This selectivity means we have historically transacted on about only 2% of initial reviews.

We're also therapeutic area agnostic. This allows us to maximize our opportunity set and diversification. For example, since 2020, we have invested in 60 different disease areas. In terms of returns, we expect to deliver a mid-teens unlevered IRR on our investments since 2020. That's more than double our average cost of capital over the period, which we are very proud of. And because we typically invest in royalties for their full term, we have a very long investment horizon that allows us to capture higher cash-on-cash multiples than most, if not all, of our competitors.

Lastly, we only invest where we see compelling proof of concept. And where possible, we work hard to structure deals to mitigate risk. This result is more than 90% of our royalty investments since 2020, are projected to exceed our cost of capital. Let me repeat, 90% of our royalty investments since 2020 are projected to exceed our cost of capital.

Since 2012, we have deployed approximately $27 billion in royalty investments. Our aim is always to maintain a healthy balance between approved and development-stage investments. Of course, the mix can be highly variable on a year-to-year basis given the timing of opportunities. However, over time, we have typically had a roughly 65-35 split between approved products and development-stage therapies. This is not necessarily a target, but it is generally a good rule of thumb for our capital deployment mix.

Expanding on my earlier point about risk mitigation, we deployed capital in low-risk opportunities, where there is proof-of-concept data or the product is already approved.

On this slide, you see the industry probability of success at each phase of development. We're not investing in Phase 1 or Phase 2 opportunities, but only where industry success rates are the highest. This approach to risk differentiates us from biopharma companies which invest across all stages of development, including in preclinical and early-stage development, where the probabilities of success are less than 15%.

And by following this disciplined risk/reward approach, we have built a strong track record of success. In fact, and this is important, around 90% of our development-stage investments have received approval, which is well ahead of the typical industry success rate.

Our portfolio is also relatively low risk. As you can see on the slide, for example, 86% of our invested capital at work, which is essentially our capital deployed for all active investments in our portfolio, is currently in approved products. Our exposure to unapproved products is relatively low and has historically always remained low. This is due to the success of our development-stage investments, which made many having been approved since we acquired the royalty and our capital deployment on approved products. Put another way, at the moment, only 11% of our capital is in development-stage therapies, a number of which already have positive pivotal data. And many of these therapies we're excited about and expect to receive approval in the future. Lastly, highlighting the success in our development-stage investing, only 3% of our capital has been in unsuccessful investments, which we believe is an impressive figure.

This slide is one I am particularly proud of, as it illustrates our consistent ability over many years, decades, to identify and invest in best-in-class or first-in-class products.

Lots of transformative blockbuster therapies that many of you will recognize, including Rituxan, Humira, the cystic fibrosis franchise, Tremfya and so on. Every single product outperformed consensus substantially, on average, delivering double the expected peak sales compared to when we initially made the investment.

This builds on the previous slide and illustrates that we are good at identifying opportunities that have not been appreciated by the investment community. As you can see here, most of our recent investments have performed well since our IPO, many of these are still in the earlier stages of their product life cycle and on strong growth trajectories. When we weight the outcomes by the capital we deployed, the analyst consensus for year five sales has increased by about 40% on average since we invested.

While our investment decisions are always driven by our own internal forecasts, using the consensus is a good proxy for showing our ability to identify winners. What you will also notice on this slide is that the larger transactions have tended to significantly outperform such as the deals for Trelegy, Evrysdi, Tremfya and Voranigo. For the deals where the consensus has decreased, they have tended to be on the smaller side, such as Oxlumo.

Importantly, when we look at returns, even for transactions where the consensus has decreased, you can see that all but two are on track to achieve our target returns. Again, this drives home the point that our investments are underpinned by our own internal forecast as well as our ability to creatively structure transactions that mitigate risk, which Marshall will touch on later.

While many of our investments do outperform, we do not necessarily need to be at or above the consensus for our investments to achieve attractive returns for our shareholders.

Now drilling down on our development-stage therapies, we have a very strong track record of investing successfully. Since 2012, we have deployed around $9 billion on unapproved late-stage products. Today, our portfolio includes 17 development-stage therapies, many which have multi-blockbuster potential, and we expect them to contribute significantly to our growth in the coming years.

I mentioned success rates earlier. To put numbers to this, across our development-stage investments, only 7% have failed to gain approval, 64% have been approved and 29% are still in clinical development. When you do the math, that's around 90% success rate for deals where there has been a regulatory decision. This beats industry benchmarks. This is the result of our rigorous due diligence process that we have fine-tuned over the past couple of decades. It begins with the requirement for compelling proof-of-concept data in an area of unmet patient need. On top of this, we will only invest if the range of commercial scenarios we model supports returns in the teens or better.

On my final few slides, I want to turn to our path to drive substantial value creation for our shareholders. I'm very confident we will deliver. And it starts with scaling our platform to meet the huge and growing opportunity ahead. Since our IPO, we have tripled our headcount, bringing in new talent and powerful capabilities in data and analytics. For example, our world-class team is second to none. We've also scaled our capital deployment to match our growing opportunity set. In the past five years, we have deployed over $12 billion of capital, up more than 70% over the prior five-year period. We have also maintained the highly selective investment approach I have outlined, each year transacting on only low single-digit percentage of initial reviews we conduct. We're an incredibly efficient business and will become even more so. Through the internalization of the manager, which I will discuss momentarily, we expect to drive our Adjusted EBITDA margin from an already healthy 90% in 2020 to around 95% next year. And lastly, we have an owner-operator mindset that fully aligns management's interest with those of our shareholders. Around 20% of our stock is owned by management, which is substantially higher than what you see in pharma. Furthermore, the vast majority of executive compensation will be in the form of equity as a result of the internalization.

Speaking of the internalization, this recent step to integrate the external manager is an important part of our journey. It's a key enabler and accelerator for our business going forward. For those less familiar with the background, Royalty Pharma has continuously evolved since I started the business in 1996 from a closed-end serial fund to an ongoing business with an indefinite life, a perpetual capital structure, then investing -- extending our investment scope to invest in unapproved products, culminating in our IPO in 2020, with each step improving our competitive positioning and moat.

Until this year, Royalty Pharma owned its industry-leading royalty portfolio, but it did not own the intellectual capital. By internalizing the manager, we're now an integrated public company. Shareholders will own both the royalty portfolio and the intellectual capital in one entity.

What began as a small fund educating universities on the value of royalties has evolved into what I believe is the leading investment platform in life sciences. I'm incredibly proud to work alongside a world-class team, whose talent and dedication have helped institutionalize royalties as a mainstream funding solution in the sector. Together, we've built unmatched capabilities and forged deep enduring relationships across the life sciences ecosystem, which will sustain this business for decades to come.

Given the benefits of the internalization, we strongly believe that the valuation of Royalty Pharma shares should, over time, reflect both the value of our world-class investment platform and our one-of-a-kind portfolio of royalties on leading biopharma products.

Today, we see minimal value being given to our platform. The valuation of our shares is driven almost entirely by the significant value creation delivered by our portfolio and our track record of success since our IPO. What is not reflected, in our view, is the intellectual capital and investment platform that Royalty Pharma now owns, the unique engine for future royalty acquisitions that our unified and integrated team brings and the huge competitive advantages we enjoy and continue to build. We think there is significant additional value to be realized for our shareholders. And we're confident we will demonstrate this over time.

One thing we're very proud of is our history of execution against our financial targets. As I mentioned previously, we're on track to achieve our 2025 and 2030 top-line targets as well as our five-year capital deployment target. This slide shows how the consensus estimates for our 2025 Portfolio Receipts, our top line, have increased by 15% since our IPO from $2.7 billion to $3.1 billion, underscoring the strength of our portfolio and our ability to deploy capital in transformative products.

We remain highly confident in our ability to hit our 2030 top line outlook of $4.7 billion or more. Today, we're also introducing a new target of at least $7.50 of Portfolio Cash Flow per share by 2030, which translates to a 12%-plus CAGR from 2025 to 2030. Terry will walk through this in more detail later. Importantly, both of these metrics are more than 10% above the current analyst consensus.

On my final slide, I want to reiterate some key messages. Royalty Pharma is a powerful business that is positioned to drive strong value creation. We operate and are the clear leader in an expanding market with strong fundamental tailwinds, reflecting the huge demand for funding in life sciences innovation even more in more creative ways. We have a best-in-class platform for investing in the most exciting and innovative products marketed by premier biopharma companies.

I want to pause here to make another really important point about the evolution of Royalty Pharma and its platform. 10 years ago, I was a huge part of nearly every deal that the company did, from the relationship side all the way through the final deal negotiations. But I realized that if I wanted this business to grow and thrive over the long term, I needed to prioritize growing the team and hiring and nurturing really strong people to lead this business into the future. Today, I am so pleased that the team has scaled dramatically. The members of the management team that you will hear from today as well as the broader team you see in the room today are the ones driving the business and have been for some time now.

While I remain as committed to Royalty Pharma as ever, these leaders run the business day to day with limited involvement from me as I focus on longer-term strategic goals. Our team has built unmatched capabilities and forge deep, enduring relationships across the life sciences ecosystem, which positions us to remain the undisputed leader in this space for decades to come. This team is behind our outstanding track record of delivering consistent attractive returns, including an IRR and return on invested capital in the mid-teens and return on invested equity of over 20%. And we expect to sustain similar returns above our cost of capital in the future.

Lastly, we're on track to deliver strong low-volatility growth through 2030 and beyond. We expect to achieve our goal of being a premier capital allocator with consistent compounding growth. Together, we think this adds up to a very attractive investment proposition with the potential to deliver annualized total shareholder returns at least in the mid-teens over the next five years.

Now before handing over to Ashwin, I'd like to also highlight Royalty Pharma's philanthropic activities. At Royalty Pharma, we believe two of our greatest strengths, our financial resources and our people, should be used to help patients in need of hope, elevate underserved communities and support the next generation of scientists.

As George noted, culture is at the heart of who we are. And philanthropy and public service are core to that culture. Over the past five years, we've worked with leading nonprofit and academic institutions to advance their missions. This includes advancing health equity through the Mount Sinai Royalty Pharma Alliance for Health Equity Research, supporting research via Blood Cancer United, what used to be the Lymphoma Leukemia Society, and the Prostate Cancer Foundation, a few of them, empowering women, scientists, entrepreneurs at MIT and promoting STEM education and public health to more than 30 partners.

Just as importantly, more and more of our colleagues are stepping up serving on nonprofit boards, mentoring and guiding research projects and participating in community fundraising events. I'm deeply proud of these contributions, which reflect the values we stand for. And we're just getting started. We're committed to deepening our impact and ramping up our involvement to make a lasting difference in the communities where we live and work.

With that, let me hand it over to Ashwin.

Ashwin Pai - *Royalty Pharma PLC - Executive Vice President of Investments*

Thank you, Pablo. I'm Ashwin Pai, EVP on the Investments team. I joined Royalty Pharma two years ago. Previously, I led the West Coast biotech investment banking business at Morgan Stanley, where I helped companies with capital raising and M&A. I joined because I believe that royalties have a significant role to play in financing the biotech industry.

Yesterday, Deloitte released its market study on senior biotech executive views on using royalties to finance their companies. The study is the first of its kind and speaks to two main points: one, royalties have become an important strategic funding modality; and two, royalties have significant growth potential.

Deloitte conducted one-on-one interviews and surveyed over 100 biotech executives and board members. These are the types of people I worked with in my prior position helping to evaluate how to finance their companies. About 1/3 were our CEOs and almost half were CFOs. This survey puts a finer point on many of the key themes Pablo spoke about regarding where royalties fit in the ecosystem.

The study makes it clear that royalties are viewed as a strategic addition to the capital structure. Many benefits were cited. About two-thirds mentioned the lack of equity dilution. Importantly, given the rapidly evolving nature of biotech, as companies bring in assets and seek to run additional clinical trials, the lack of covenants in maintaining operational control are additional key benefits that participants cited. A great example of this is Revolution Medicines, where our transaction allowed them to avoid partnering their asset with large-cap pharma. Pablo mentioned this earlier, and you'll hear more about it later this morning from Brienne.

Other benefits that were cited included the scale of capital available and the ability to customize deal terms. Executives understanding of these benefits continues to grow. 54% of them reported an increased interest in using royalty financing over the last three years.

The report also makes it clear that there is future significant growth potential for royalties. 65% of executives noted that their companies would need to raise over $250 million in capital over the next three years. 34% said they needed to raise over $500 million in capital over that period of time. These are large amounts of capital that are not always available in the equity or debt markets. 87% of executives said they would consider using royalties for at least some of these capital needs. The survey speaks to how established royalties are becoming in the biopharma ecosystem. This certainly matches my experience, where 10 years ago, royalties were rarely discussed as a funding alternative to today where they're broadly discussed.

Some select quotes from the study to bring it to life: non-dilutive and simpler than debt, operate how you want, available when the equity capital markets were closed for us. Later this morning, you'll hear directly from some of our partners as to why they chose royalties and why working with Royalty Pharma is compelling.

Now a few stats and conclusion to leave you with. Most importantly, and as mentioned before, 87% said they would consider using royalties to finance their companies over the next three years. 67% said they would consider using royalties instead of or in addition to equity. The number for debt is 77%. And the report highlights that royalties have become an attractive alternative to either equity or debt. Given the capital needs of the biotech industry, there is significant future growth potential for royalties.

I'll now turn it over to Chris to talk about the market opportunity.

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

Okay. Good morning. I'm Chris Hite. I'm an Executive Vice President and Vice Chairman of Royalty Pharma. I want to thank everybody for being here today. There's a lot of old friends out there in the audience. So I'm going to talk about megatrends in the sector, in the biopharma sector that are leading to large and a growing royalty opportunity and why Royalty Pharma is the clear industry leader in this sector.

But before I get into that and some of those megatrends, as many of you know, but some may not, we went public about five years ago. The company has been around -- Pablo founded it about 30 years ago. And we've learned a lot since going public in 2020. One, around the sector itself, the demand for royalty financing is far larger than we thought in -- even in 2020.

I remember on the IPO roadshow, we gave guidance. We're going to deploy $7 billion over five years. And I remember all the questions. Really, you think you can do $7 billion over five years? Okay. Well, five years later, we've done $14 billion. Scale drives strong competitive advantages. You're going to hear a lot about scale. We're an investment-grade rated company, $3 billion-ish of revenue, 95% margins, EBITDA margins. We can deploy a lot of capital in any one single transaction at attractive returns for us and attractive cost of capital for our partners. That scale matters, and you're going to hear a little bit about that later today. Finally, on the royalty funding market itself, we've discovered that it's attractive in any market. Capital markets are up, they're down; IPOs are closed, they're open. You're going to see that this royalty market has really grown over the last five, six years, consistently every year.

As it relates to the learnings we've had on Royalty Pharma itself, we really feel that we have differentiated access to the opportunities. Why? We're the largest player, dominant share. You're not going to sell a royalty without calling us first. Reputationally, relationship-wise, we have all of those things. A lot of us have been in this industry, I'm embarrassed to say, 30 years, probably 30-plus years; you have a lot of relationships when you've been doing the same thing for 30 years. And we have that access to those opportunities because of our scale, relationships, reputation.

We strengthened our competitive moats. You're going to hear a lot from Marshall about the research and investments team and our data analytics team, and we've strengthened our legal team and our transaction team. We've really worked very hard to bring in great human capital with great skills. And all of that has led to a sustainable and attractive return on the transactions. I also remember IPO; do you really think you can maintain these spreads? Do you think you maintain these returns? The answer is yes. And Terry is going to go through that.

Okay. So let's go into the megatrends that are driving the Royalty Pharma, the royalty industry. One, global innovation is occurring at a rapid pace. There's been dramatic increases in scientific breakthroughs that have led to a record number of FDA approvals. And it's not just in the United States, it's in Europe, it's in Asia. And in particular, we'll spend a second today on China on one of my slides. Another megatrend is R&D fragmentation creates and leads to existing royalty opportunities. And this has been the case since Pablo founded the company 30 years ago. R&D happens across many, many companies and universities and foundations. It's very segmented. And every time that they partner one of those assets out, universities with biotech, biotech with pharma, pharma with biotech; it's creating an existing royalty opportunity. So we'll spend some time on that. And the last megatrend that I'm going to talk about is biopharma capital trends are large and growing. We anticipate that the capital requirements expected over the next decade is going to be in excess of $1 trillion. It's a big number. So let's dive into these megatrends.

I talked a little bit about innovation, right? Scientific breakthroughs. We read it every day. It's remarkable. Like I said, I've been doing this for 30 years. What's happening on the basic science side, biology, chemistry, technologically is amazing. The result is the number of new drugs getting approved by the FDA over the last five years with 324 new FDA approvals. That's an over 50% increase from a five-year period ended in 2009. So that innovation is resulting in new drug approvals. So obviously very helpful when you're buying a royalty on one of those drugs.

The other thing that I talk about, another big megatrend is fragmentation. So since 2018, on average, there's been about 250 licensing/partnering deals in the sector. And many of you are involved in the sector, you'll open up your e-mail every morning, you see something from stat news or one of the research houses and this company licensed, this company partnered, this university partnered, something happened. Every time that happens, there's an existing royalty opportunity being created, 250 every year. It's pretty remarkable. It's a deep pool for us to play in.

Last megatrend I'm going to speak about is the capital intensity of the sector, right? This is a great slide. It's one I actually presented at our last Analyst Day. But I like it, so I wanted to present it again because it really does encapsulate the ecosystem that we play in. Academics, nonprofits, government-sponsored entities are expected to spend greater than $1 trillion over the next 10 years on research; pharma, profitable pharma, greater than $2 trillion on R&D over the next two years -- 10 years; and unprofitable biotechs between SG&A and R&D spend, greater than $1 trillion.

That's a lot of money that these companies spend and need, and we're playing in that sector. The interesting thing about this is it also brings up the existing royalty opportunity that is created through all those partnering activities. So you see academics, nonprofits partnering with pharma, partnering with unprofitable biotech. That all leads those existing third-party royalties that we can acquire.

The other thing that I'm going to spend a lot of time on is the synthetic royalty. And Pablo touched upon the Rev Med deal, we did a deal with Zenas this year. We did a deal with Biogen this year. These are synthetic royalties, ones that we create. They don't exist, but we -- in exchange for funding the company, we create a royalty. We call that a synthetic royalty.

And you see that it's not just with biotech, it's with large pharma. We've done deals with Merck and Pfizer and Sanofi, where we've created synthetic royalties by risk sharing and funding some of their R&D. What's the end-user sales of all this spend? In 2035, biopharma revenue is expected to be about $2 trillion. These are big numbers, big numbers that we play in.

The last megatrend that I touched upon earlier is really about China. Every day, you sort of pick up a paper and see another large multinational corporation, US, Europe, Japanese, et cetera; licensing something out of China into their R&D pipeline. In 2019, there were zero deals. So you can see the growth rate. Last year is 43. This year, they're on pace to do more than that. It's the comment around innovation is happening globally. These companies are seeking partners to help them develop these assets outside of China and ultimately market them outside of China. And if you think about it, that's another existing royalty growth opportunity for us to play in.

But those royalty opportunities are typically a little bit bigger, right, because they're all of the markets outside of China. So those royalty rates are a little bit bigger than what we've seen maybe traditionally amongst some of the existing partnering that goes on historically in the sector.

Okay. So what is all that doing with the royalty marketplace? This is what I talked about earlier, which is the IPO markets in black, the follow-on equity markets in blue, it's up, it's down year-to-year. But the royalty market, the three-year rolling average, constant growth since late 2019. And there's a lot of reasons for that. Pablo spent reasons on why royalty funding is really attractive. Honestly, I think it's also -- that is all true. But I also think it's really when we went public, we have shareholders, and they understand the benefit of working with us. And they're telling their -- the companies that they invest in, maybe you don't want to do an equity deal where you're going to dilute your shareholder base by 10% or 15% at a 10% or 20% or 30% discount. Maybe you want to do a synthetic royalty with Royalty Pharma. There's a lot of push, pull going on that's driving the growth in the sector and we are the beneficiaries of that.

This is a lot of what Pablo talked about, about why royalties are more attractive than equity, more attractive than debt. So I'm not going to spend a whole lot of time on the slide, but I do want to say one thing, the customized and tailored funding solutions row in this slide. You don't see a checkmark next to debt, you don't see a check mark next to equity. Those are cookie cutters. None of our deals were cookie cutters. Not any of them. Why? Because we listen to our partners. What is important to our partners, what do they care about? When do they need the funding? How much funding do they need? And you're going to hear that word a lot throughout today, partnership. We really care about our partners. We create win-win solutions with our partners, and that's what's leading to, I think, really the explosion in the synthetic royalty opportunity. Brienne is going to talk about that a little bit on the Rev Med deal.

So drilling down now a little bit on the synthetic royalty opportunity, right? These are royalties that didn't exist we created them with our partner. And what you're seeing here is this funding modality is becoming a part of the capital structure in the biotech sector. So let's just take Revolution Medicines. They've raised $5.3 billion between equity, partnering other. And 38% of their capital, if they drew all of our funding deal that we've just recently announced with them, would be 38% of that capital. Biohaven, 26% of the capital that they raised prior to selling the company was through working with us on synthetic royalties.

So what we're saying to you today is we're not going to replace the IPO market, the follow-on market or pharma partnering completely. But what we are doing is we're part of the conversation; we're part of the capital structure. Every CFO in the sector is thinking about a synthetic royalty in addition to raising capital through equity, debt or partnering. Why? flexible, scalable, partnership, right? Those are the reasons why it's a super attractive product, and we're really proud of this slide.

Capital required in the sector is enormous. I had that bubble slide, my favorite slide. This drills down a little bit on that. So let's just take Biohaven. What this is really showing is the SG&A spend in order to launch a drug is enormous in the sector. Three years prior to launching Nurtec, Biohaven spent $200 million on SG&A. The three years post launch of Nurtec, almost $2 billion, a tenfold increase in their SG&A required. How is the company going to do that? You're the CFO of Biohaven or the CEO, Vlad, that's a daunting task, right? What did they do? They did four deals with us and raised a lot of capital to help them fund that product. What did that help? Instead of partnering with a pharma right out of the gate now in the US, for example, they did not partner in the US; it preserved their strategic optionality and preserved the attractiveness of them to a strategic partner. Ultimately, Pfizer bought them. Pfizer did partner with them in Europe, but they were able through dealing with us and working with us to maintain the rights to the program in the United States.

Next slide. This is the same concept, only it's focused on R&D investment, the sheer amount of capital required. So let's once again take the top row, Rev Med. Pre proof of concept, $750 million; post proof of concept, anticipated to be $3 billion, 4x spend. You can go down the list here. The capital required to get these drugs over the line is enormous. We just did the launch, but this is to get them approved. And what you see here is the emergence, right, the other slide had checkmarks all the way down except for one company. Here, there's three checkmarks around R&D synthetic royalty funding.

That Rev Med deal, to me and to all of us actually, the whole management team; that really did illustrate to the sector that at scale, we can help companies preserve their independence, not have to partner and keep the assets to the next valuation inflection point through attractive capital. That's a landmark deal. And I think the next time we're all here together at our next Analyst Day, you're going to see more checkmarks on that slide.

So Ashwin talked about our Deloitte partner that just released their study. It was a great study. I think what it really illustrates is -- don't really take our word for what we're seeing in the marketplace on synthetics, take the results of the survey. When you look at the survey, over the next three years, 80% of the executives surveyed said they're somewhat or highly interested in doing a synthetic royalty deal in the next three years.

And look at some of the quotes on there. I think one of my favorite ones is the first quote, which is really -- I'm sorry, the second quote, which is really about the partnering. You were able to raise capital without the loss of operational control. Okay? When you partner, when you inherit a big pharma partner, you're not running the show anymore. At least you're going to have a 50-50 shot, committees, JDC, JSCs, you're inheriting somebody. When you're working with us, we are a partner, and we're not going to be in your business, we're not going to be demanding JDCs. We are a partner, and that's what we're really proud of. And that's why this opportunity is growing.

Last slide before I hand it over to my partner, Brienne, is this is just now synthetic royalty growth. 2015, the product was basically non-existent. Last year, $3.1 billion raised in synthetic royalties. We've already done $1.8 billion this year in synthetics. Last year was our largest year ever, we've already eclipsed it. And what I'm really excited about is, over the last five years, on the right, the pie chart on the right; biotechs raised about $300 billion through follow-on offerings, convertible debt, IPOs, partnering, right? The synthetic royalty market was 3% of that $300 billion, just 3%. When you think about all the advantages that product offers and that amount of capital raised over the last five years, that's a big growth opportunity.

So with that, I'd like to hand it over to my partner, Brienne Kugler, to talk about Rev Med.

Brienne Kugler - *Royalty Pharma PLC - Senior Vice President of Research & Investments*

Hi, everyone. Thank you, Chris. Thank you, everyone, for coming here today. I'm Brienne Kugler, I'm a Senior Vice President on our Research & Investments team. I've spent over a decade at Royalty Pharma, building up a large breadth of experience working on deals, everything from deal identification to diligence to execution of our transactions in order to better work with our partners.

And a great way for me to illustrate how we partner is for me to tell you about a recent partnership we did with a very exciting biotech company. First, I want to spend some time talking about the biotech companies' perspective. Chris just talked about how much capital is required to fund late-stage clinical trials and to support drug launches. The CEO or CFO of a biotech company have a big task ahead of them. How can they raise that much capital? They could consider equity, but that depends on the share price and market conditions. They could consider debt, but that might be limited for a pre-commercial stage company. They could consider a partnership but then they would give up operational control and it could impact an acquirer's perspective. And last, but certainly not least, if the asset is at the right stage, they could consider a royalty partnership.

So for some time, we've been following the very exciting data emerging from Revolution Medicines. When we first started talking to Mark and his team at Rev Med, it was clear that they had bold and visionary plans. We needed to come up with a novel structure to solve their big capital need in order to enable them to execute on those ambitious plans. A few months ago, we closed on that very innovative structure. So what was so innovative about it? It was the scale of committed capital. We gave Rev Med up to $2 billion of capital at a stage of development when they were still in Phase 3 trials. Capital was split $1.25 billion of royalty, up to $750 million of debt, $250 million of the capital was upfront, and the rest of the capital is staged over time to align with when Rev Med would require that money. So why did Rev Med want to partner with us? Well, first, they have a pipeline of very exciting products and a number of expensive and large Phase 3 trials that they want to start as quickly as possible. The significant quantum of capital from us enabled them to do a multiyear R&D investment.

Two, they're not giving up operational control there's no joint decisions, no joint steering committees for them to worry about.

Three, they remain fully in the driver seat. That helps enable their flexibility towards any future decisions that they may make. At the bottom of the page, you can see, in Rev Med's own words, why they thought that this deal made perfect sense for them.

So we see this as a template for future deals, where we can partner early on high-quality assets and commit significant stage capital over time. Since we did this groundbreaking deal, we've received inbound interest from biotechs, who are interested in partnering with us instead of working with a traditional biopharma partner. They're particularly interested in our ability to support them with scale and flexibility.

And finally, I want to touch on why we at Royalty Pharma were so excited to partner with Revolution Medicines. It really starts with the data. We see a tremendous opportunity for their lead drug, daraxonrasib, to transform standard of care in pancreatic cancer, which has traditionally been a devastating disease. The survival data that we've seen is twice as long as that of chemotherapy. We see potential for Rev Med to go into earlier

lines of therapy in pancreatic cancer and expand into other indications like non-small cell lung cancer. So we believe that this extraordinary advancement in medicine will translate into a large commercial opportunity.

On the right-hand side, you can see the consensus achieves almost $8 billion by 2035. And finally, we really like the unique deal structure with $250 million upfront and additional funding tranched over time upon certain milestones. Altogether, we're thrilled about the opportunity to partner with Rev Med. So I hope you all appreciated this look into a partnership that we believe serves as a template for future deals.

With that, I'll turn it back to Chris. Thank you.

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

Thank you, Brienne. Okay. I'm back. Just a few more slides for me. This is a funnel slide. Everybody loves the funnel slide, right? Last year, we looked at 440 opportunities, initial reviews; signed 153 CDAs, 99 in-depth reviews where we liked it enough to really dig in and do some work. And we did eight deals for $2.8 billion. You can see the deals we did on the right. Busy year. $2.8 billion in transactions, highly disciplined, highly selective, great transactions.

When I was last here, at the last Analyst Day, we talked about inbound, outbound, okay? In-depth reviews is where we really like something that's worth spending the time. And in 2021, the in-depth reviews, we did 61 of them. And about 70% of those reviews were from outbound calls. So we picked up the phone, we called the potential partner, said, hey, we want to dig in here and potentially work with you.

Last year, we did about 100 in-depth reviews, flipped it on its head. The outbounds were 30%, and the inbounds were 70%, right? There's definitely a shift happening here. And people recognize the benefit of working with us reputationally, partnership-wise, bringing scale around capital, all of those things. That's really driven that sort of dynamic. And I think, as Brienne mentioned, after the Revolution Medicine, where you're doing a $2 billion deal to help somebody fund their R&D program, those inbounds have really ticked up since that.

A couple more slides really on where we sit within the industry itself and how it's grown. On the pie charts on the left, 2015 to 2019, the royalty funding market was $13 billion, 57% share of that. It's more than doubled, 130% growth five-year period ending last year, $31 billion market, 50% share. Pretty remarkable growth rate. And our share is remarkable, too. When you think of these large transactions, we have over 70% share of transactions greater than $0.5 billion. That is really exciting to us, and that really demonstrates our ability to put large amounts of capital at work at scale.

This is probably my favorite slide now, replaced the bubble slide from a couple of years ago. Repeat business. If we weren't a good partner, this slide would be blank. There wouldn't be repeat business on the slide. So if you think about the transactions we've done, Biohaven, I mentioned them earlier, launching Nurtec, four transactions with them. Cytokinetics, three transactions with them. PTC, three transactions. Why? I think we're a pretty good partner. I mean, we listen. We really want a win-win solution. And I think people recognize that, and that's what leads to this slide.

Just drilling down on that one a little bit more. Of the $19 billion that we've announced since 2020, remember, $19 billion announced value, $14 billion actually deployed; 32% of that $19 billion is from repeat business, $6 billion. That's great for us, it's great for our partners, speed of execution, we know each other. They know we're going to transact with them. We're very transparent. It's a great partnership. It's great for our business, and it's great for the industry.

So this is my last slide, just summing it up again. There's big megatrends in the sector, okay? Innovation, fragmentation, large amounts of capital, that's all leading to a very large and growing royalty opportunity, both on existing royalties from the fragmentation and on the synthetic royalties from deals like Rev Med. And because of the team here and our scale, we have really become the industry leader. We have been, and we continue to be, and we're super excited about that, especially around the large transactions.

So with that, I'm going to turn it over to George.

QUESTIONS AND ANSWERS

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

Will now kick off the first of two Q&A sessions. And now if I may ask the Royalty Pharma team to take a seat on the stage. Great. Great. So we're ready to kick off the Q&A session.

(Operator Instructions) A question from Chris.

Christopher Schott - *JPMorgan Chase & Co - Analyst*

Chris Schott from JPMorgan. Just two for me. My first one is post the Rev Med deal, it seems like you're highlighting these large-scale, late-stage funding transactions as a large opportunity for Royalty. I guess, can you just help us a little bit in terms of how to think about the risk and return profile of these type of transactions versus, let's just say, some of the launch spend finance transactions we've seen in the past?

And then my second one was on China. I know I asked about this in the past. But I'm just trying to get my hands around what do you think is kind of rapid expansion of the China biotech industry means for biopharma as a whole? And how Royalty participates in this? I guess specifically, is this you're looking to kind of buy these royalty streams or these licensing deals once they are commercialized? Or is Royalty really trying to get involved with synthetic transactions and help some of these companies navigate kind of the global financing environment?

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chairman of the Board & Chief Executive Officer*

Sure. Thank you, Chris, for the question. And I'm going to ask Marshall to take the first question, but I'm going to quickly just give you some perspectives on China. The way we see it, it's sort of early days, it's beginning. We've been paying attention to China for a decade and visited Chinese companies, Chinese VCs, universities a decade ago and have constantly gone back to meet with companies, develop relationships. And that's what lead, for example, to this transaction, we announced this year of $1 billion with BeOne, a Chinese company that has now become a global company. And we met the CEO a decade ago and developed a relationship, and that led to this great transaction.

But China is really interesting. The quality of research and the innovation that's taking place there is really incredible, accelerating. And the statistics are obvious. Last year, of all of the licensing deals that took place, about 1/3 of them involve a Chinese-originated product. So as a company, we need to be there, and we will be there.

But a couple of interesting things about China. One is that all of these Chinese companies, there's a few that are starting to become global companies like BeOne, a few others, but a lot of them are very local. And what happens is that they need partners outside of China to commercialize their products in the US and Europe. So that leads necessarily for them to do deals with Western companies so that they can get their products into the US and into Europe and elsewhere. And that creates royalties. So from our perspective, what we're seeing is that many more of the products that are being developed in China will carry royalties.

The second thing is the capital needs, and it's much more difficult to finance companies into China, for many reasons. And capital being more scarce in China, there's definitely a role for us to play. I also was having a conversation with one of our directors, and he said to me, also royalties have an advantage, it's not equity. And obviously, when you see equity, there's a lot of implications, even political issues that have been mentioned or that have arisen when you invest in equity in a Chinese company, be it a public investor or a company, but royalties are not equity. So it might be even easier to bring capital to some of these companies, structuring things with an equity-based financing.

And then the last thing is that the Chinese opportunity is definitely important. And you will see, as time goes by, that we're going to be making a big effort to really be in that market and again, dominate that market. And anyway, that's the answer to that. But Marshall, the question on Rev Med.

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

And Chris, thanks for that question, and tell me if I answered the question. So I think just kind of two messages there, I think, of the two parts of your question. One is I think what we wanted to highlight is how the Rev Med transaction really illustrates our kind of creative open-minded approach to continuing to find and expand the different ways that royalties can help fund companies, right? And I think the scale, the structure of Rev Med is illustrative of that. So I think we're excited to find other companies to do that with and find other new and different ways to structure and use royalties to creatively solve problems.

The second part of your question, I think, was about how we think about returns in a structure like that. And that's actually something about that deal, which I think is really interesting and a little bit underappreciated, which is it's built in such a way that we're committing capital to that company over a multiyear period, right? But we're doing it in a way that uses the same principles of the return metrics in the same way we think about risk reward and risk management of all the investments you've seen us make to date. So not to go through the whole structure, but conceptually, right, we made a $250 million upfront investment on the product that -- while the product is in Phase 3, right? If you think about it, more capital becomes available to them when their first trial reads out positively, more capital when the product is approved, more when it's commercialized and then again, more when there's a major label expansion into the frontline, right? Apologies, you'll hear that again from me in my talk here in a couple of minutes. But I think -- but the interesting thing about it is the additional royalty that becomes available is also available at subsequently lower cost of capital over time, right? If you look at the deal, there's less royalty each time, right? So that's how -- and it all fits within the return hurdles that we've communicated and are committed to and so that's the concept of how we do that. And I think it's sort of -- we're uniquely able to do that because of our model.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chairman of the Board & Chief Executive Officer*

One additional comment about that transaction is that you've seen us over decades innovate, always push to do new things and new ways of funding the ecosystem. What's so unique about that transaction is that it really showed how Royalty Pharma can become an alternative to a big pharma partnership. It had not been done before, the scale of the $2 billion, the stage of development of the product. And what happened with this company is the relationship has been -- was built over time. But we had a meeting with the management team, we flew out to San Francisco essentially to -- because they were in the process of deciding whether they were going to go in the direction of a big pharma partnership or something different. And the point we made to them in that meeting is you're at crossroads. If you do a big pharma partnership, it's going to take you in one direction. You'll have a big pharma partner with a lot of constraints, and you're going to lose a lot of the economics, probably 50% of the economics. You do a deal with us, and you're going to have complete operational flexibility, and you will also lose 7% of the economics. The royalty we have is 7%.

So I think what's so unique about that and when I look back at all of the things that we've done over the years, I put that as something that was really a game changer for us and a game changer for the industry because now companies know that if they need capital at scale, they can come to us and do a deal like that and gain those two great advantages, flexibility and more of the economics, and more of the upside for the shareholders.

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

Take next question from Terence.

Terence Flynn - *Morgan Stanley - Analyst*

Terence Flynn, Morgan Stanley. Just one -- first one is probably for Chris. I agree that -- I like that repeat business slide. It's a great addition and shows the strength of the team and the relationships. The one related question I had is just I know you've given this number in the past. But the percent of deals that are single party versus multiparty competitive processes, can you just give us an update on kind of where that stands? Because I think that also speaks to kind of a similar point you guys are trying to make there.

And then the second question I had is on the size of the royalty market. You said $6.2 billion today. If we look out at 2035, you gave us total industry revenues of $2 trillion. Where do you think the royalty market will be at that point if we look out in terms of percentage of that or dollars?

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

So the first question, I think you're referencing, Terence, the -- by the way, thanks for the questions. You're referencing that slide I think we had in our last Investor Day about sort of comparing pharma sale processes and the number of competitors. We actually probably stopped tracking that probably three years ago, two years ago.

I would say, the industry -- last year, we did -- we looked at 440 things, right? And the competitive tension, in my mind, hasn't really gotten greater. We -- of course, we -- there are competitors out there. But from the standpoint of relationships, what I really come back to is we have deep, deep industry relationships, and we have deep reputations that I think really benefit us.

And yes, I mean, some of the transactions, there's competitive tension, some are not. I'm not sure we've ever lost since I've been here a transaction that we wanted to win. But I think it really comes back to the team, the reputation, the partnering reputation and the relationships that we have across the industry that, quite frankly, I think people do checks on us or we know them really well, and they want to work with us.

That's probably the best way to answer that question. And the second question was how big do I think that's going to be. I don't think we're giving -- I'm going to look at -- maybe Terry wants to take that. It's a financial guidance question.

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer*

We think much larger than it is now. But I don't think we can give specific numbers at this point. But it's growing, clearly. We're optimally positioned to maintain a leadership position. So we're really excited. I think that came across pretty clearly in Chris' section.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chairman of the Board & Chief Executive Officer*

I think in the past, we had a statistic where we said if the market is 3% of this $300 billion and when you look at the funding that is needed over the next five years, which is probably $500 billion to $600 billion, biotech, and you put a number of 4%, 8% to that 400; you get to numbers of much bigger, right, double what it is today.

So I don't know if that might be a way to think about it. But obviously, synthetics will grow. And are they going to be 4% to 8%, maybe somewhere in that range? So it will probably double or be a bit more than double.

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

Great. Next question? Middle row here.

Dina Ramadane - *BofA Securities, Research Division - Analyst*

Dina Ramadane from Bank of America. Just two questions from us. First, just wanted to touch upon your track record of identifying products that consistently outperform. The deals that had achieved greater than 100% outperformance were concentrated in oncology and I&I. And I guess one could argue the Street hadn't fully appreciated pricing 10 to 15 years ago in these spaces. So looking ahead, can you maybe talk about your ability to recreate successes? Like those deals now, that pricing is understood and good targets are seeing increased crowdedness. And then second is just a follow-up on the China biotech market, what you're kind of seeing emerging from that space. Do you see innovation crowded in a select number of companies? Or is the landscape pretty widely dispersed?

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

Marshall, why don't you take the first question and then maybe you, Chris, the second?

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

Yes, absolutely. So I think a couple of ideas that are important. One is, I think, something that we're also -- we're really proud of as a team, and thanks for pointing that out, is our ability to identify attractive products that meet unmet needs, and those are the ones that outperform.

And I think what's interesting when you look at that list, to your point, it really runs the gamut of time, which is the other kind of vector in your question, right, which is there's products very recently that we've invested in, that have outperformed very significantly. Like I'm going to talk about one of them in a few minutes, Niktimvo, Voranigo, investments we made in the last year or so that have performed really well. Yorvipath at Ascendis is another one, right? So yes, I think price historically, I think, we've all seen as an industry, has been a significant -- was a significant driver of growth. I think even over the last few years, certainly the contribution of price, how we forecast, we're very purposeful about not being over reliant on price. So I think we feel really good, and we'll talk about our platform in a few minutes about why we'll continue – why we'll be able to continue to identify great products.

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

I think, on the China, it was the China question you were asking, is it wide spread the potential innovation. Was that the question? I mean, it is. I mean, there was actually -- there was a Chinese CEO in our office yesterday talking about how many biotechs there are doing innovation in China. I think the number is 3,000? 3,000 Chinese companies, biotech companies, which I think we've all been going there for decades, in excess of decades. We have deep relationships. Pablo talked about BeOne. When I was a banker, I took Zai Labs public, we've been there a lot. We know a lot of the players. Yet, the slide is important because if you think about the slide, three years ago, there was no out-licensing to multinationals. It's really a recent phenomenon. Those out-licensing span from preclinical to Phase 1 to Phase 2 -- and keep in mind, where we really -- we like to play in is seeing proof-of-concept data. So I think what I would tell you is it's a big opportunity, it's growing. We have relationships there. We're the largest player. Even though BeOne is not a Chinese company any longer, I think that transaction that we announced last week for $900 million is eye-popping to a lot of companies there that have royalties and want to monetize them. So I think we're well positioned, given our relationships and our scale again. And we're focused on it.

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

We have one -- time for one last question before the break. We'll take -- last row.

Geoffrey Meacham - *Citibank Cameroon SA - Analyst*

Geoff Meacham from Citi. Just a couple of quick questions. I guess the first one is, at what point does the law of large numbers really apply when you think about your long-term revenue goals? Just thinking that over time, maybe the Rev Med deal may become more of a standard if you're just thinking about moving the needle on growth.

And then the second one, it's related. But when you look to deals with larger-cap biopharma, is there a way to more creatively address that segment? It seems like, obviously, mid-cap biotech seems to be your sweet spot, but larger-cap biopharma and maybe synthetics may be the kind of the next evolution.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chairman of the Board & Chief Executive Officer*

Marshall, do you want to take that question?

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

So yes, Geoff, you -- the second part of your question is, we have a lot of -- on the -- specifically about partnering with large pharma -- we -- this is an area where we have a tremendous number of conversations. We've obviously done deals with Pfizer, Sanofi, Merck, many companies. And that's a very active area of discussion with us. I think it is a place where we are trying to be, where we are trying to be creative.

On the other hand, our bar is very high. We want to make sure we're partnering with the largest companies on their highest-priority programs because the quality and higher-return shareholder capital deployment is the number one thing that we're focused on, as you heard about from Pablo. So I'm sure that will be a significant part of our business into the future, but we're going to show the same kind of discipline and patience that we have in the past. Terry, do you want to maybe talk about the first part?

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer*

Then I can -- Geoff, I can answer -- or I can try to answer the question on growth. And I don't want to steal my thunder, but we'll get into this more later. But we've been growing a lot very consistently. And the guidance that we're giving today is to grow through the back half of this decade by 9% or more with very conservative capital deployment assumptions. So I don't feel -- none of us feel like the growth is slowing down anytime soon. If anything, the opportunities are only accelerating, which is going to drive growth well into the future. So we feel really good about our ability to continue to deliver really attractive growth. But also, and this is like -- this is a point that we're just going to keep hammering home is value creation as well. We need to make sure that we are continuing to deploy capital in things that are great returning assets.

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

Great. Thank you. So this concludes the first of our two Q&A sessions. We'll take a short break now, break around 15 minutes and reconvene at 10:25.

(break)

PRESENTATION

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

So we're ready to kick off the second part of our Investor Day, and we'll kick it off with Marshall.

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

Well, good morning, everyone. I'm Marshall Urist, and I head up the Research & Investments team at Royalty Pharma. And so what I'd like to do today is provide an in-depth answer to one of the most common and important questions that we get from investors. Now it's phrased differently all the time. But the question is basically the same one. And that question is, what are Royalty Pharma's core and durable competitive advantages? Why can't someone with a team and capital simply bring that together and do what you all do? And so what they're really asking when you really boil it down is why do we win?

And so our answer to that is really in three parts. The first, as Pablo touched on a little bit, is that we have been committed and are committed to being the optimized buyer of biopharma royalties in the world. The second is our unique business model. And the third is our unparalleled investment platform. So we're going to talk through each of these today.

So we are committed to being the optimized buyer of biopharma royalties in the world. And so what does that mean? So what it means is that we've been committed to evolving and changing across every aspect of our business to maintain our market leadership to be the optimized buyer.

And so what I'd like to do to show everybody that is to reframe some of the history of Royalty Pharma that you heard from Pablo into what we see as a process of continuous optimization. So let's walk through each part. Let's walk through our model. As Pablo talked about, we started as a very typical serial fund business in the '90s.

In the early 2000s, the business made a major change into being an ongoing evergreen business model. And to me, that remains one of the most important events in Royalty Pharma's history. This continued, we went public in 2020, and this process continued even to this year with the internalization of our manager.

The same thing is true with our investment approach. When it started, we were just focused on royalties on very mature commercialized products. And then over time, we built to being earlier in commercialization, to at launch, to things that were pre-approval, to today where we invest in Phase 3 or even earlier.

How we buy royalties has been expanded and optimized over the years. At the beginning, it was just royalties from pre-existing licenses to being there at the inception of synthetic royalties and driving the growth in that market, to funding R&D directly with the largest companies in the world and very recently, like you heard about from Brienne of our -- the Revolution Medicines transaction, where we actually designed something that took the place of a typical biotech pharma partnership.

Same thing with our investment platform. We've expanded and innovated to have the best platform out there. So you put all of those things together, and it's allowed us to achieve -- through this process of optimization, allowed us to achieve two of our absolute strategic imperatives.

The first is over these decades, we've relentlessly driven down the cost of capital to always have the lowest cost of capital in our space. And just as important, all of this has enabled us to maintain and even expand the spread that we earn over our cost of capital on our investments. And as we look forward, we remain committed to this process of continuous optimization to always figure out how we can improve how we're positioned to lead our marketplace.

So that's the first really core idea. The second is we're going to talk through in detail aspects of our business model and all these aspects of our investment platform to show you the incredible number of deep competitive advantages that we have.

So let's start on our business model. And I think the best way to do this is to just walk through a comparison of Royalty Pharma with a lot of our typical competitors. And I believe what you'll see from this is that our competitive advantages are durable because they are structural. So let's walk through this comparison.

So as you heard, Royalty Pharma is structured as an ongoing business with an indefinite time horizon, with a complete and total strategic focus on the life sciences. You compare that to our typical competitors who are structured as closed-end funds, who have investment horizons in the, call it, seven- to 10-year time frame; and usually, our competitors are multi-industry and multi-strategy, meaning a biopharma royalty investment is talked about or exists next to real estate, infrastructure, energy, any number of things.

So why does all of that matter? Well, we're going to talk about why they matter individually. But you put them together, they're really core to what you heard about earlier, is this idea of alignment. That we see the world the way our partners see the world. And that sets up a really strong backdrop to create win-win solutions and create successful transactions.

But let's keep going. So let's talk about all the sources of capital that we bring to bear when we make our investments. We have investment-grade-rated debt. We have access to the deepest public equity markets. And most importantly, we have $2.5 billion of yearly Portfolio Cash Flow and growing that's supported by our unparalleled diversified portfolio of over 50 therapies.

Again, compare that to our typical competitors, who are investing typically a single type of capital, that's their LPs committed capital; they have very narrow royalty portfolios and limited or no capacity for reinvestment. So when you put all of this together, you see how our cost of capital advantages are fundamentally structural and are very difficult for others to compete with.

But let's talk about how these structural advantages actually help us with the three major stakeholders that we see in our space. The first is our partners. The second is Royalty Pharma ourselves, and the third is our shareholders. So let's start on the left with our partners. Our partners really benefit from our structural advantages because we bring a unique form of flexible capital that helps them advance their medicine, their program closer to patients. And we do it for whatever stage of development it is at an attractive cost of capital that gives them a new form of capital that wouldn't otherwise be available. So obviously, helpful to them. For Royalty Pharma, ourselves, all of these advantages are critical for us to continue to build the portfolio and to win the deals that we want and most importantly, to win the deals on important medicines that impact patients that have defined us to date. And so that's a major advantage to us.

And how does all this benefit our shareholders? Well, of course, the benefits to our partners and the benefit to us are beneficial to our shareholders. So -- but it goes well beyond that, and I think this is sometimes underappreciated. So when you see us do a deal very often, we'll say something like we expect this investment to generate an unlevered IRR in the low double digits.

And let's just take us a moment to realize that in and of itself is super attractive, right? When you compound in the low double digits over the 10, 15, 20 years of our investments, that's amazing, and that's super attractive. But we have an advantage beyond that because when we take that single royalty that we buy, we bring it into our portfolio, it then gets the benefit of our investment-grade debt.

So that unlevered IRR, that unlevered low double-digit IRR that I just talked about or we might talk about for a single product, expands to the high teens or even 20s with that benefit of leverage. And so you can see that across every in every major stakeholder in every major way that we have structural advantages in acquiring royalties.

So let's dig into a little bit more detail. So as I mentioned, we have -- we are differentiated with an ongoing evergreen business model. And that is enabling of the longest investment time horizon out there. And that's really difficult for others to recreate because if you think about it, that long-term time horizon isn't a strategy decision that we're making, it's a fundamental manifestation of our structure. And that has a lot of benefits for us.

First, it gives us the greatest flexibility in structuring, and we're going to talk more about that. Second, it maximizes our opportunity set. Third, it gives us a differentiated ability to generate attractive returns because we can include all the great things that can happen to great products like full launches around the world or label expansions or combination studies. But we all know those things take time. And so our long-time horizon allows us to uniquely benefit over the long life cycle of a pharma product.

And then finally, a theme you've heard a lot today, alignment. Our long-term time horizon really matches our partners. And so when we're able to do that again and we're able to share that kind of world view and product view, that puts us in a much stronger position to win the transactions we want to win.

But on the right here, let's talk about why the time horizon matters in really simple terms of market segmentation. So when you think about our marketplace, Royalty Pharma is uniquely able to invest across every relevant market segment, from things that are in Phase 3 all the way through to the most mature commercial opportunities. And so our typical competitors, though, often are limited to one or two market segments. So what that means is our competitors very often behave as typical capital providers because -- but we, with this long-term perspective, are able to be much more strategic and a different kind of partner. Now we compound that competitive advantage even further, and this just came up in the Q&A, with things like the Revolution Medicines transaction where we invest across market segments in a single deal; so as I mentioned, we started with an

investment in a Phase 3 product and then grow it from $250 million to $1.25 billion as the Phase 3 data read out positively, as that product is approved, as it launches commercially and as its label expands.

We push even further in a deal like Rev Med, where we invest across the capital structure, where we make senior secured debt available as the company transitions from a development to a commercial-stage company. So you can see how our long investment time horizon is really enabling of our market position in many, many ways.

So another fact -- another core part of our model is flexibility, as you heard about from Chris and others this morning. And this is really important because if you think about one of the core principles that we have at Royalty Pharma is that we approach every deal with a blank sheet of paper. There's no preconceived notion. We just want to understand our partners' needs and find something that works for them and works for us.

So flexibility is really important because flexibility expands your opportunity set. Because when you have complete flexibility, you can structure around the greatest number of development or commercial scenarios. Flexibility is really critical to effective risk management because you think about lots of ways to share and mitigate risk with your partner.

And then finally, it's also really, really important to our partner-centric brand that we're going to talk about of how we can design win-win solutions. So let's talk about structuring in a little bit more detail. So hopefully, as we talk through this today, when we announced transactions in the future, you'll have a better sense of how we might think about why we used or didn't use certain structural elements.

So here on this slide is a subset of our structuring toolkit. And before we talk about any one of these, I want to stop and make a really critical point that you've heard from us, but it's really fundamental to our approach to structuring, which is that our number one criteria for product selection at Royalty Pharma is quality. We want to be involved with important products that are important to patients, that address unmet needs, that are important to their families and physicians and to the system. And that's really important for structuring because when you do that, when you're focused on quality products, you're aligned with the goal of your partner and your goal, which is to accelerate that product in some way, you change the nature of the discussion from one that we typically think of a negotiation is very zero-sum to one that's super collaborative.

And so what -- and that sets up what you see on this slide, which is every structural -- every structure that we use has reciprocal benefits, helps us in some way, it helps our partner in some way. And so let's talk through one example of how we think about that. So by far, if you followed Royalty Pharma, the most common structural element that we use is royalty tiering. That means that the royalty rate goes up or might go down based on certain sales levels. So why do we use that all the time?

Well, it's an incredibly powerful tool because it helps to bridge differences in forecast and helps us to focus on the part of a forecast or the part of a product where we have the most alignment. So yes, that means and is really often the case that we have very successful transactions with companies where we don't have the same forecast. But we have lots of ways to bridge those differences, and that's really powerful.

Royalty tiering, you might see royalties tier down on higher levels of sales. And that can be important because sometimes it's really important to our partner that Royalty Pharma participate less in dramatic outperformance scenarios, and that can be important to getting a deal done. But we always pair that discussion with thinking about underperformance scenarios and say that's why by the same token, very often, you'll see in our deals that our royalty rate increases in lower forecast scenarios, or the term of our agreement gets pushed out in lower cases. And so we're always trying to achieve that balance, and that's fundamental to the way we structure, and I could talk about that for every one of the five things you see on this slide.

Last point I want to make about structuring is we've been really proud of the fact that we've been really innovative and are constantly coming up with new ways to structure transactions, and this also came up in the Q&A. And we do that because when we can innovate, when we can come with new structures, we only grow and expand the role that royalties can play in the biopharma ecosystem. So certainly, expect to see more and more structural innovation, figuring out new ways to work with our partners as we go into the future.

So another aspect of our model that has enabled us to achieve market-leading scale, and so we are the number one buyer of biopharmaceutical royalties in the world. As you've already heard this morning, we've deployed $14 billion of capital in the last five years into over 50 products. And

that's been enabling of and is certainly a massive competitive advantage in the largest transactions. So we have 70% share in transactions over $500 million. But it's -- but the other major scale advantage we have is sometimes overlooked, and that's institutional knowledge because we've been at this the longest, we've done the most deals. And so we have a deep, deep well of institutional knowledge that we bring to bear and is a massive -- and we benefit from our scale in that way as well.

But let's talk about scale in a really practical way. And let's talk about a theoretical $1 billion royalty transaction. And $1 billion is actually a great number to use because we actually just did a $1 billion royalty transaction a couple of weeks ago, we bought a royalty on a really exciting lung cancer product from Amgen called Imdelltra from BeOne Medicines.

And so let's talk about the practicalities of an investment of that size. So first, let's level set. So Royalty Pharma currently has about $22 billion of invested capital, which is 4 times the size of our largest competitor. So now think about that $1 billion Imdelltra deal. For Royalty Pharma, that represents 5%-ish of our capital base.

No problem. We can do and have done deals much larger than that. You think about a lot of our competitors, that creates real challenges in terms of concentration, and forces them to do other things, which introduce a lot of complexity, and it gives us a massive advantage in deals of this size.

And another really basic point to remember about our scale advantage is that with every deal we do, we only deepen and expand the scale advantages we have. So this is something that's durable and that we're constantly, constantly building on.

So we've talked about our business model. So now let's move on and talk a little bit about our investment platform. And so this is obviously a subject that's very, very near and dear to my heart. And so let's talk about our investment team. So when we last got together here at our Investor Day in 2022, we had grown a lot in that point, and we were at about 21 people. Given all of the growth and the expansion in our market that you've seen over the last three years, we've grown another 80%, and we're now an incredible team of 38 people.

As we look forward, our commitment to our shareholders is that we will continue to grow and expand the team to meet the opportunity ahead of us. The ability to process transactions with the excellence and quality that we do today will never be a rate limiter to Royalty Pharma's growth. So what are the components of our investments team? Well, the biggest piece is the Research & Investments team, and that's the team that focuses on identifying, diligencing and executing our investments. And everything at Royalty Pharma is, of course, a team effort. So our research and investments team works really closely with our incredible legal and finance teams as well. The second component is our Strategy & Analytics team. And this is our data effort that I'm going to talk a lot more about in a minute. And so this team is really deeply, deeply embedded within our investments process. And that's been incredibly, incredibly powerful, and I'm going to show you why that is.

Third team is our Search & Evaluation team that's led by Jim Reddoch. And Jim's team is really tasked with looking ahead to identify really exciting and promising science and products, be it in academia, in biotech and pharma and beginning to work on that so that we understand the science, most importantly, we have relationships and understand the people around it. So in a year or two, when it does come time for that to be a potential royalty investment, we are way ahead of the game because we already know the product and we already have relationships with the people.

Fourth is our Investments & Capital Strategies team. And this is the team, as you heard about from Chris and from Ashwin, that really tasked with managing and expanding our incredible network of relationships across the industry. And the other thing that this team has done is over the past few years, as we're working with more and more and a broader range of companies because of synthetic royalties, this team also does incredible work to help us understand our partners' holistic capital needs. So we have a great sense of the kind of total capital context and need that our investments are going into and is another way that we're broadening and deepening our conversations with our partners.

So let's talk a little bit about our process because I think this is really absolutely a core advantage for us. So we've been working on this and honing this process for 30 years. And so there's a couple of things I think are really unique about our process, and I think more broadly about our investment culture. One is that every single investment at Royalty Pharma starts with a single deal team. And that team is really tasked with that, managing, driving that process from inception all the way through to execution. We do not function as a place where there's a group of analysts who do a bunch of work and then pass it over to other people to make a decision. It's one team that drives it. And that's incredibly powerful because what

that means is the people who know the product best will drive us through all the way through not just from the diligence, but all the way through the investment through executing that investment, through papering that investment and following it afterwards.

The second big differentiator in our investment culture is we work as a team. We are not siloed where there's one person who leads an investment is incentivized to do investments with their team as an individual, we really function as a team, and we're going to talk about why that's powerful.

So how does our process work? Well, once that deal team has done enough work and we get to the point where we're close to making a committed proposal, that investment will go before our internal investment committee for discussion and debate. From there, when we get much closer to actually executing a transaction, most investments will also go before our Board for discussion.

And these last two steps are really critical because this is really where the dynamic capital allocation framework that you heard about from Pablo this morning is applied consistently on each and every transaction. And we really mean that, that on every transaction, we quantitatively compare the proposed investment against other uses of our shareholders' capital like returning it to our shareholders through buybacks, and we do that each and every time to make sure that we are creating value and we're doing the right thing in terms of capital allocation.

So when you put all this together, this process really benefits shareholders in multiple ways. You'd imagine that this one team concept and one -- this ownership mentality that we have is really critical to driving very high conviction investments. Second, we talked about how the disciplined capital allocation framework is really -- is really hardwired into our process. The ownership mentality that we have is critical for our generation of the strong and consistent returns like we have.

And of course, those same factors really inform our commitment to really effective risk management.

So a core piece of this is obviously our diligence process. So here it is in all of its sort of glorious detail here. And so there's -- all of this detail is here for a specific reason. Not that I'm going to talk through every bullet on this slide today, but to make a basic point that our ambition is to have the most comprehensive and innovative diligence process out there.

We sort of say internally, if it's knowable about an investment, it's our job to know it. So over the past decades, we've built an incredible platform that allows us to ask and have access to the resources to answer every topic that you see listed on this slide. We've also been really deliberate over the last few years, as I'm about to talk about, to push data science into every aspect of our diligence process as possible. And we're at the beginning of thinking about how we're going to deploy AI tools into this process as well. But having access to all of this information is really only part of the battle, because the other incredible thing and what we've gotten really good at is taking this multitude of information streams and bringing it all together into a single coherent high conviction investment thesis, and you really need to have both.

And I think we are excited about the future. We're excited about continuing to hone and test and improve this diligence process over time to make sure that even as the world becomes more global and more complex, we have the diligence process to meet that.

So I want to make a basic point that we talked about, about our model, which is that we do one thing, right? We focus on life science and biopharma royalties. If you look at our team, we have over 230 years of cumulative life science royalty investing experience. And if you take a moment and think about it, we probably have the lion's share of the life science royalty investing experience that even exists in the world on our team. So very hard to recreate our incredible team.

But it goes way beyond that because the fact that we focus on one thing, every person at our company focuses on one thing. It's not just the investments team, it's our legal team, it's our finance team. So that's really core to our culture of excellence in everything that we do. But it's also really important to our brand because that means that every one of our partners who interacts with our team is interacting with someone who's totally focused and all they care about is the thing that's most important to our partners.

Now compare that to others in our space. So let's say one of our partners wants to come and talk to our legal team about a contract issue or any number of things. They're talking to someone who's a specialist and is just focused on this one thing. You have that same legal call with one of our competitors. You might be talking -- that lawyer might be talking sure about your biopharma royalty investment now. And her next call is going

to be about a real estate deal or a lease or something else. And so that focus is incredibly powerful in multiple ways, not just for investments, but also in terms of informing our brand.

So the scale that we've talked about is also enabling of something really powerful for our investment platform. And that's the volume of opportunities that we get to see every year.

So over the past three years, '22, '23, '24, we had the privilege of seeing over 1,200 total opportunities. And as you can see on the left, that was spread across every relevant therapeutic area out there. And so this is an incredible resource because, first, it's another way in which we grow and expand our institutional knowledge base. And this makes us better in every way for every investment that we make.

Second, the global perspective that we have is really value add for our partners because we see everything in our space. And so we really have the global perspective to help them think about how royalties might be helpful at their company because we've seen it all and can offer perspective. And then finally, every one of these 1,200 opportunities is like a little lab for us to test that diligence process that we just looked at to show are the different aspects of our process, the resources that we have working appropriately and generating the kinds of answers that we want.

So these 1,200 opportunities are an incredible resource, and we're always -- we always make sure that we get every last ounce of value that we possibly can out of all of these opportunities that we get to see.

We talked about how the long-term perspective that we have is unique to our business model, but it's also unique to how we build our pipeline, because what really defines us is we're patient. So when we find an exciting product, an important medicine that we want to be part of our portfolio, we will follow -- we will be patient. We will be relentless and patient, which are two hard things to put together until we find the right opportunity to potentially transact on that royalty. And a great example of that is our experience with Trelegy, which is an incredible asthma and COPD product multi-blockbuster at GSK.

So we first got interested in that product all the way back in 2013. We started to work on it. We got to know it. We were building models. We got to know the great people at Theravance around it. And we certainly made approaches and attempt to buy it over the years. But we didn't actually enter substantive negotiations, the substantive negotiations that would result in a transaction for seven years. And then we didn't transact for another 18 months or so beyond that. So we understand that this is a long game, and we understand that quality products require patience and focus. And so that's exactly how we've built our pipeline.

The same thing is also true from a therapeutic area perspective. So if you look back, we've been back to the same therapeutic areas over decades. And that's because we've learned something really simple, which is that when you know a therapeutic area's past, you're in a far stronger position to pick the winners of its future. And so that's why you've seen us do this in immunology, multiple sclerosis, prostate cancer, successfully deploying multiple billion dollars of capital into really exciting products over every technology and generation of products in those spaces.

But probably the best example of this is our experience with SMA. So for anyone who doesn't know, SMA is a condition spinal muscular atrophy that's a rare neurodegenerative condition that mostly affects children. And so it's pretty remarkable that we've put over $2 billion of capital into this single rare orphan condition.

So how does that happen? Let's tell that story a little bit. Funny enough, the whole thing started all the way back in 2018 with an academic monetization process that we didn't end up participating in that deal for a product called Spinraza from Biogen and Ionis. But it was really important because we got to know the space. And most importantly, we know we got to know the competitive set in that space. And we identified out of that what we thought was the single highest quality royalty asset in the space which was a royalty on an oral product that was still in development at that time called Evrysdi at Roche, and there was a royalty at a great company, PTC.

So we continued to follow it and had to be patient again. But when the opportunity came to acquire a portion of that royalty in 2020, we were ready and we had high conviction, and we were really excited to add that to the portfolio. We returned to the space again later that year with another deal that we didn't end up doing for a royalty on a gene therapy called Zolgensma. This is at Novartis. And then we continue to follow the space. And then in 2022, for a deal we announced in very early 2023, we added a royalty in the first product in this space where we got started and

actually didn't do that deal, a product called Spinzara. But we understood it -- we understood the market so well. We understood how all the various parts of the market fit together that we were really excited to come back and add that to the portfolio as well.

And then later that year, we had the opportunity to acquire further economics in Evrysdi as well. So how does that happen? Well, we've gotten really good at this process of cumulative diligence over time and then acting and then waiting for the right opportunities and acting with conviction. So what's enabling of that?

Well, when you do multiple, multiple transactions, multiple processes over time, we get the benefit of an incredible amount of proprietary information. So through all of this, we see detailed regulatory correspondence with the FDA and the EMA in Europe. We understand how companies think strategically about these markets because we get to see joint steering committee materials and other things like that. We see detailed clinical data, toxicology data. Really importantly, as a royalty investor, we see detailed country-by-country sales data. We understand global pricing. We understand share dynamics. For our internal teams, it's super powerful because we get to forecast the market, come back to it a year or two later, see where we were right, way more importantly, see where we were wrong, adjust, reforecast and follow the market again.

Same thing is true in looking at clinical data or talking to physicians. We'll talk to the same physicians many, many times over the years and see how their perspective is changing. And so this is how we bring all of these resources to bear over time to act with conviction and to build a portfolio in a single disease like this of multiple therapies.

So I've hinted at this a little bit, but let's talk about our data efforts. And I just want to say upfront, our effort in data has been absolutely transformative to our investment process over the last few years. Our extremely talented Strategy & Analytics team is now completely and entirely embedded with our investment process. There's really no daylight there.

Because what we've learned is, as you drive those teams closer and closer together, that's where you really generate incredible insight. So this team does several things, they do a lot of our real-world claims analytics, and I'm about to give a really interesting example of, any large-scale applications of data science, competitive intelligence and like I mentioned, we're at the beginning of working with AI.

So we've made a really large investment in data over the last few years. We expect that investment in data to continue to grow because of the incredible returns that we're seeing on that investment. So where is our data set today? So right now, we have access to patient-level claims data for 200 million Americans. We have detailed electronic medical record data for another 44 million people.

Over the past couple of years, we've added a whole new frame to our data set where we can shift and look at the market from a totally different view, which is the prescriber or the physician level, and we have a data set now that has prescriber-level data for six million health care professionals. Because we've been at this for a while, we've assembled a longitudinal data set now that spans nine years, almost a decade, and that longitudinality is incredibly powerful.

So what do we get from all of this? Well, number one, it really is enabling of us to analyze markets with a really ton of detail and really understand addressable markets. It helps us really understand how drugs are actually used in the real world, which is very different than clinical trials. Third, as I mentioned, we've now started to look at physician behavior.

So we can look at prescribing differences in different settings like the academic setting versus the community setting or different payer environments or different geographies. We've developed a lot of methods recently to understand launches. And so we've looked at precedent launches and now have a lot of ways to apply those in the -- to apply those to future launches as well.

But the value of this data goes way beyond just our investment process because what we've seen is when we share these data with our partners, which we now do routinely, it's incredibly powerful. So we'll present a lot of the Strategy & Analytics team incredible work to share with our partners. Here's how we define the population. Here's what we see. And that's super powerful because when we do that, it totally shifts the conversation from a kind of typical negotiation you might think about to this much royalty here and moving numbers around on the page to a strategic partnership discussion, which totally changes the nature of the negotiation and puts us in a way better position to achieve everything that we want to achieve

which is win-win with our partners and really attractive deals for our shareholders. So that's why you put all this together, why we're going to continue to push and invest and build on our uses of data.

But rather than just talking about it at a high level, let's talk about a great recent example of how we did this. And so a great recent example is a $350 million investment we made towards the end of 2024 in a product called Niktimvo, for a condition called chronic graft versus host disease, or GvHD. And this is a side effect of the stem cell transplants that some cancer patients need. And so let's walk through how we use data and what the outcome was. So here's three uses of data in trying to understand this product. So on the left, the first panel here is basic market sizing, right? How many patients have this condition and then how many patients move through subsequent lines of therapy as they need different drugs. But this is really just the starting point because from here, the team has gotten really good at peeling the onion and peeling the onion and really focusing in with a lot of detail on understanding what are the relevant patients within each of these segments that we think are really going to define our addressable market.

Second, in the middle, we went on and looked at real-world duration of therapy for the two products that were currently in the market before Niktimvo launched, one called Rezurock and the other called Jakafi. And here, we saw something pretty amazing, which was that both of these are pretty good drugs. But when we looked at what was actually going on in the real world, 70% to 75% of patients were off of these drugs by two years, half or so of them were off by a year. The team knew from their physician diligence conversations that people really aren't being cured of this disease with the drugs that are available. So this told us there was a very clear and obvious deep unmet need for another product like Niktimvo.

Third, on the right here, we then moved and looked at the most recent precedent launch in this space, which was a Sanofi product called Rezurock. And so the team has developed methods to try and understand what is pent-up demand at the timing of launch. I mentioned we have longitudinal data. So one of the things that we can do is actually look at a launch and say, of the patients who are starting drug early on, how many were diagnosed years in the past. And what that tells you is these are probably patients who have seen multiple drugs at that point and are waiting around for something new. And that was certainly a very important dynamic in the Rezurock launch and we really had conviction that was going to happen for Niktimvo as well.

And so what did we see? Well, Niktimvo absolutely blew away consensus, doubling consensus expectations at the time of the launch which we were incredibly happy to see. But I think really importantly, what this shows you is how we use our data resources, how we can identify products that are being overlooked by the Street and then invest with conviction in those opportunities.

So one of the aspects of our investment platform that you don't think about is our brand. What do we want the brand of our platform to be? So we want our brand to be that we want companies to want to work with us because we create win-wins and we add value beyond our capital, like you just heard about.

We want to deal with Royalty Pharma to be a sign and a signal to the world that this is an important product backed by a great team. And we were certainly happy to see some of that come out in the quotes from the Deloitte survey that Ashwin talked about earlier.

But probably the best way, my favorite way, to really test is our investment platform working is to simply take a step back and look at what we've done. So we've invested $14 billion of capital, and that's gone into 48 products spanning 60 unique disease areas which is pretty awesome. And honestly, I like saying it every time because it's incredibly proud -- I'm incredibly proud of our team for doing this. What's just as incredible, as you can see here, is that it's very consistent year in and year out.

And what's telling you is that our open model, focusing on quality of being patient and investing with conviction is really working and allowing us to build our portfolio with the high-quality products that we want to and that have defined us to date.

So I'm going to finish with one last story, and that's one of my favorite recent examples, and that's our investment in Voranigo. So Voranigo is an oral cancer product for a form of brain cancer called low-grade glioma that's currently being launched by a private French company, Servier. And so this is a great story, and it starts back in 2019 when we were actually talking to Agios, the original developer of this product, about funding the Phase 3 trial with a synthetic royalty. So we did a lot of work. There wasn't a ton of data, but we had really high conviction in this product's potential, both its probability of success and its commercial potential.

Unfortunately, while we were talking to Agios, it became kind of clear to us in our conversations that they were sort of questioning strategically whether they wanted to be in oncology for the long term. And indeed, the following year, they sold their oncology business to Servier. Now we were really disappointed by that because we love this product. But as part of that transaction, they retained a 15% royalty on US sales.

So that kind of became on our most wanted list. But as a theme you've heard from me, we had to wait. And so in March of 2023, the Phase 3 trial read out positively, as we certainly expected. We saw the data at ASCO shortly thereafter, beyond our expectations. Right after that, we opened kind of conversations with Agios about how they might be thinking about this royalty strategically and whether they wanted to hang on to it. We had to wait another year from that until they actually started a process to sell this royalty. But as you might guess from everything we've been talking about today, by that point, we had super high conviction, and we were ready to do what it took to acquire this royalty, which we were really happy to do in May of last year, which we bought for $905 million. So what's happened since then? Well, the Voranigo launch has been nothing short of incredible.

Already annualizing at nearly $1 billion after just four quarters on the market. Remember, that's a 15% royalty on US sales. So that's right now, $150 million of new royalty revenue to Royalty Pharma. So why is this a good story? Well, first, it shows you how we're patient. And when we see a product that addresses an unmet need, we will do everything in our power to add that to our portfolio. It's another example of how we identify and focus on overlooked opportunities. This one in the hands of a private French company. And finally, it shows you how we use time to build conviction so when the right opportunities come, we can act and invest with conviction.

So I'm going to wrap up by returning to where we started, which is answering the question, why do we win? And so let's just put it all together here. First, of course, winning is about paying a competitive price. So you've heard how our business model, our structurally low and leading cost of capital and our investment platform allows us to win and invest with conviction in the right products.

You've heard how our scale and our focus is an incredible advantage. How our brand and our partnership mentality sets us up really well to win the transactions that we want to win. How we have the deepest network of relationships in our space. How our structure enables us to have a differentiating long-term time horizon that allows us to follow and act on the most important products in the space.

And finally, how our flexible structuring approach is really enabling of finding win-wins for our partners. And when you put this all together, it's really clear why we win. But also more importantly, it's really clear to me that the sum -- that here, this is not just the sum of its parts that when you put it all together, it's something much more powerful than that. So this has been really great, but rather than hearing about all this from me, why don't we take a moment to hear about this from some of our most important partners.

(video playing)

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer*

Okay. Good morning. My name is Terry Coyne, and I'm the CFO. Hopefully, by now, you're as convinced as I am that Royalty Pharma is a remarkable business operating at the center of the biopharma ecosystem with sustainable moats that will power the company well into the future. During my presentation, I'm going to discuss how these moats should drive strong financial performance and attractive shareholder returns.

We've executed and we're confident that we'll continue to execute. Over the past five years, we laid out some very ambitious goals. We're on track to hit every single one of them. This is a team with a proven track record.

We're guiding to $4.7 billion or more on the top-line and over $7.50 per share on the bottom-line in 2030. These targets represent really attractive growth with 2025 to 2030 CAGRs of 9%-plus on the top-line and 11%-plus on the bottom-line, but we're also delivering really attractive returns with IRRs tracking to the mid-teens on the investments that we've done since 2020, which is better than we expected.

Today, we're really proud and happy to introduce two new return metrics that we think are going to be super helpful for investors. The first is return on invested capital. It's been averaging 15% with remarkable consistency. And the second is return on invested equity, which has been consistently

in the low 20%. Again, really, really consistent. As we continue to execute, we're confident that we see a clear path to significant share price appreciation.

So let's talk about execution. We're delivering. Look down this list, we're hitting our goals. We expect to hit our top-line guidance with a 2020 to 2025 CAGR of 12%. Our original guidance at the time of our IPO was only 6% to 9%, so way ahead of that. Our capital deployment is at the higher end of the range and could go higher. Our returns are better than expected. The duration of the portfolio is as long as it's ever been. We're returning capital to shareholders, a record $1.3 billion in the first half of this year, and our balance sheet has never been stronger, which led to a recent credit rating upgrade.

Our strong execution has translated to remarkable growth. Look at this chart. We've consistently grown royalty receipts quarter in and quarter out, averaging in the double digits. Now what other companies have such consistent growth nearly 30 years into their life. Our ability to consistently add amazing products to the portfolio and compound growth is a truly unique attribute of Royalty Pharma and one that we believe is sustainable.

Over this period, we've had consistent beats and raises, 14 of the last 21 quarters, we came in ahead of analyst expectations. Why does this happen? It speaks to the quality of our asset selection, all driven by the incredible research and investment process that Marshall just walked through. We don't believe this can be replicated. We're singularly focused on identifying the best therapies in the biopharma industry and our history has shown that these therapies consistently outperform expectations.

We have a track record of strong revenue growth, and we expect to continue to deliver really attractive growth over the next five years. Using the midpoint of our guidance, we expect our 2020 to 2025 CAGR -- revenue CAGR to be approximately 12%. From 2025 to 2030, we expect a CAGR of 9% or more with our top-line reaching $4.7 billion or more in 2030. Now that $4.7 billion-plus has two very conservative assumptions.

One, that capital deployment is consistent with recent levels; and two, a downside scenario for our Alyftrek royalty. As we've discussed, there's many reasons to believe that our capital deployment could be higher. I think we all feel like that's pretty likely, as the market expands and more exciting opportunities come our way. We also remain really confident in our legal position on the Alyftrek royalty, but we want to be prudent in our financial guidance.

So where is the growth going to come from? We expect around half of our growth to come from our existing portfolio with 35-plus approved products and a very unique and exciting pipeline of development-stage products. Our existing portfolio is diversified across product, therapeutic area and leading biopharma marketers. The other half of that growth will come from new investments, again, assuming capital deployment stays similar to recent levels. Now as we make investments, we will -- we are committed to staying laser-focused on generating attractive returns on investments well in excess of our cost of capital.

We have a diverse group of growth drivers within our approved products. Voranigo for brain cancer. Marshall just highlighted this product. It's having an amazing launch. It's quickly becoming a blockbuster. Tremfya is a product that's consistently outperformed expectations, seeing strong uptake in IBD, and yet consensus does not yet reflect J&J's guidance for peak sales north of $10 billion. Trelegy is another product that's consistently outperformed, and we think that trend could continue. Cobenfy is having a great launch in schizophrenia with lots of strong growth ahead. Evrysdi is the leading product for spinal muscular atrophy. Trodelvy is expected to move into first-line triple-negative breast cancer, which should power the next leg of growth for that product. And then we've recently added Imdelltra for small cell lung cancer. It's having a great launch, consistently ahead of expectations, and we're excited about the potential for Imdelltra to move into earlier lines of small cell lung cancer.

Importantly, we own a substantial portion of the profitability of each of these products with royalty rates in the mid-single digit to double-digit percentages.

Now we would be remiss if we didn't talk about the cystic fibrosis franchise. It's currently our largest royalty. We expect it to remain a major contributor over the long term. We have no update today on our dispute with Vertex around the royalty on Alyftrek. We continue to expect that to be resolved by around the end of 2026.

But we do have an update on the scenario analysis that we laid out a few years ago on the potential sales scenarios for our CF franchise. So at that time, under our downside case where we were unsuccessful in the dispute with Vertex, and we only received a 4% royalty on Alyftrek, we thought that our 2030 cystic fibrosis Portfolio Receipts would be between $600 million and $700 million.

We now expect our 2030 CF Portfolio Receipts to be around $800 million under a downside case. That represents an increase of nearly 25% at the midpoint. So you can see that this product is going to be a very important long-term contributor under any scenario.

Now consensus for Royalty Pharma already largely reflects this downside scenario. If we receive the contractual royalty rate that we believe we're entitled to on Alyftrek of 8%, we think that would take our 2030 CF Portfolio Receipts to north of $1 billion. We are very confident in our legal position. But we also recognize that we're in a pretty favorable position with the market pricing in a downside case where success in the dispute would represent upside to investor expectations.

Our growth will also be supported by what we would argue as one of the most exciting and innovative pipelines in all of biopharma. We have 12 products that are either first-in-class or best-in-class with clear blockbuster potential. In total, our pipeline is expected to generate north of $36 billion in peak sales, translating to over $2 billion in peak royalties to Royalty Pharma.

And it's already beginning to bear fruit. Next year, we'll see -- we hope to see launches for Cytokinetics' aficamten in hypertrophic cardiomyopathy. For Teva's TEV-749 in schizophrenia, and Emalex's ecopipam in Tourette's, all these following very positive Phase 3 data.

Next year will also be a pretty big derisking year for our pipeline. We'll see the first outcomes trial for our investments in the Lp(a) class of drugs with Novartis' pelacarsen. We continue to believe that the Lp(a) class could be the next major class of cardiovascular disease drugs, and we're perfectly positioned with the two lead pipeline products in pelacarsen and Amgen's olpasiran. We'll also see data next year from our recent deal -- first Phase 3 data from a recent deal with Revolution Medicines on daraxonrasib in pancreatic cancer. We believe that drug has the potential to totally revolutionize that devastating disease.

Longer term, we'll have pivotal readouts from a host of potential blockbusters. We've got frexalimab in multiple sclerosis in development by Sanofi. We think that could be a very important new high-efficacy alternative for that disease. We've got litifilimab for lupus in development by Biogen, which shown a very differentiated profile. And then finally, trontinemab in Alzheimer's disease in development by Roche, which appears to be the most potent drug to clear amyloid. We're extremely excited about our pipeline and the potential to add over $2 billion to our top line in the future.

We also expect strong contributions from our ongoing investment activity. And this slide illustrates why we're so confident in the outlook for contributions from new investments looking forward. Royalty Pharma has a track record of identifying exciting ways of biopharma innovation and finding ways to participate. Since 2020, we've invested $13.8 billion across amazing products like Trikafta and Tremfya and Trelegy and Evrysdi and Voranigo and Imdelltra, just to name a few. Our investments since 2020 are expected to deliver $2.6 billion in royalties to our top-line in 2030. We've been doing this for nearly 30 years, and we're confident that we can continue to add great products to the portfolio with long duration cash flows.

An underappreciated strength of our business is our diversification, not just on the top-line, but also and even more importantly, on the bottom-line. So the top three products as a percent of our sales are expected to represent around 45% of our top-line in 2025. This is a little better than pharma at around 55% and much better than biotech at around 80%. By 2030, our diversification is expected to improve dramatically with the top three products expected to represent just around 30% of our top-line in 2030.

Now that's much better than pharma and biotech, which are expected to remain relatively constant at around 50% and 75%, respectively. Now this is a really important point, our top-line diversification is exactly the same on the bottom-line. So the top three products represent 30% of our -- are expected 30% of our top-line in 2030 and are expected to represent 30% of our profits in 2030.

Now contrast that with pharma, where we know that their biggest products are also extremely profitable, and their bottom-lines are expected to be significantly more concentrated than their top lines, accounting with the top three products expected to account for 80% of their profits in 2030.

For mid-cap biopharma, it's even worse, where all of their profits and then some are going to fund their pipelines. This is why, unlike pharma, we don't face large patent cliffs. Our optimal diversification positions us perfectly to deliver predictable top- and bottom-line growth, and it's one of the many reasons we believe we offer such a compelling investment proposition compared to pharma and biotech.

Our unique business model positions us to succeed in all macro environments. And this has been shown over decades. Our success is uncorrelated with periods of market turbulence, whether it be the economy and rates, the risk appetite of the markets for biotech or even some of the recent uncertainty around tariffs and drug pricing. In fact, a lot of that uncertainty is actually driving an acceleration in the trend of royalties becoming a bigger source of biopharma funding. Now we don't expect this trend to slow down even when the biopharma backdrop improves. We don't know what tomorrow is going to bring. I don't think anyone in this room does. But what we can say with confidence is that Royalty Pharma will remain nimble and evolve to meet the opportunity like we always have.

Now our strong top-line growth is expected to drive even stronger bottom-line growth. Our Portfolio Cash Flow per share is expected to grow at a CAGR of 12% from 2020 to 2025 using consensus estimates. From 2025 to 2030, we expect to grow at a CAGR of 11%-plus reaching over $7.50 per share in 2030. Now this is a greater than 70% increase compared to 2025 estimates. On the right side of the slide, you can see the math and it's pretty simple. $4.7 billion of top-line, 4% to 5% operating expenses drives a 95%-plus Adjusted EBITDA margin. $400 million to $500 million of interest expense, layer in some buybacks and you easily get to north of $7.50 per share in 2030. And I should say that, that growth could accelerate if we deploy more capital on royalties or if we increase our share repurchase activity.

So we spent a lot of time talking about growth, but I want to be really clear here, we are in the returns business. We don't buy growth for the sake of growth. We are consistently investing at attractive returns that will drive long-term value for our shareholders.

Now our primary measure for analyzing deals has always been internal rate of return and cash-on-cash multiple. These two go hand in hand. We want to invest in long-duration assets at attractive IRRs that drive strong multiples on the cash that we're investing. So far, we're tracking ahead on the deals that we've done since 2020.

But we also recognize that IRR can be challenging for investors to calculate on every single deal. That's why today, we're introducing two new return metrics that are easy to calculate and speak to the cash return of the overall portfolio.

The first is return on invested capital. It's been consistently 15%. It's actually similar to the unlevered IRRs that we would expect on individual deals. The second is return on invested equity, which shows the impact of conservative leverage on our equity returns. That one has been consistently in the low 20%, again, actually similar to the levered returns, the levered IRRs that we would expect on individual deals.

Our IRRs have actually drifted a little higher in recent years, and we're maintaining very strong spreads above our cost of capital. So since our IPO, we guided to IRRs on approved products in the high single digits to low double digits and on development-stage products in the teens. We would expect that this would lead to around the low teens blended return.

Over the past five years, we've been at the higher end of those ranges, resulting in that mid-teens blended return I just described. Why is that happening? It's driven by a number of factors. It's, one, the higher cost of capital for the industry; two, the expanding role of royalties in the industry; and three, and I think this is the most important thing, is Royalty Pharma's unique leadership position in the industry. Now many of the deals that we've done have also outperformed the expectations when we underwrote them. Meanwhile, our cost of capital is around 7%. So you can see that we are maintaining very attractive spreads above our cost of capital when we make investments.

We've been very, very successful in generating consistent returns above our cost of capital. Over 90% of the deals that we've done since 2020 are expected to exceed our cost of capital with nearly 60% expected to significantly exceed our cost of capital. For the biggest deals, it's even better, 100% of the deals over $500 million are expected to exceed our cost of capital.

Again, we think this is a testament to the strength of our research and investment process. Now we've had some misses too, but luckily, it's been pretty low at only around 8%. And I should point out that this mid-teens blended IRR does not factor in the benefit of leverage, which takes the levered IRRs even higher. We're really, really proud of this track record.

So let's talk a little bit more about track record. So Royalty Pharma's track record of alpha creation is truly exceptional. It's no secret that in most cases, M&A destroys value. Studies suggest that between 60% and 90% of M&A deals destroy shareholder value. For Royalty Pharma, nearly all of our investments create value for shareholders.

This track record is unprecedented in the biopharma industry and stands up with the records of some of the great capital allocators in history. So how do we achieve this? It ties back to our strong competitive advantages. It's our business model, our world-class investment platform, the leadership position that we play in the growing royalty market.

Now moving forward, we're going to maintain our relentless focus on value creation. It's going to be something that's going to keep coming up in my presentation in all of our investor discussions, it's value, value, value.

Our return on invested capital has been remarkably stable since our IPO. So ROIC is one of the most common tools used in the industry to measure capital productivity. For Royalty Pharma, the calculation is very simple. First, you take Adjusted EBITDA. You add in accelerated payments like the ones we received from Biohaven and then you subtract equity performance awards paid. We divide that number by capital at work, which is simply total capital deployed less capital related to royalties that have expired. We're going to provide these numbers each quarter, so investors can track it. It's going to be very transparent about this. What you can see is that year in and year out, our return on invested capital has been consistently around 15%. This is really the cash yield on our total active royalty investments. We think this is a great number for an investment business. And the stability is even more compelling with a standard deviation of only around 1.2%.

This is a great chart, and Pablo touched a little bit on this earlier, but this is a great chart that shows how our cumulative capital at work has evolved over time. So 86% of our current capital at work is related to approved products. That's averaged around 90% since 2012. So it's been pretty consistent. 11% of our current capital at work is related to development-stage products, of which around 3% are already post pivotal, and we think very, very high probability of approval.

So you can see that our portfolio has a relatively low exposure to development-stage products at any one point in time. Now only 3% of our capital at work is related to unsuccessful investments. The beauty of our business model is that as we continually add new products to the portfolio and products advance in development, the overall risk profile of the portfolio is consistently low.

Part of that is the strong risk management that we have in the business. Now a big element of our -- sorry, an important element of our return on invested capital is that it's fully burdened by unsuccessful investments because we think this gives the most complete summary of our portfolio cash yield. Now if we exclude the impact of investments that have been written off, and luckily, there have not been many, our return on invested capital would be 60 basis points higher. So why am I highlighting this number, because it's a really small number, and it highlights the efficient risk management in the business, driven by our rigorous investment process and our scale and our diversification.

Our return on equity has been similarly strong. For that, we measure it by taking Portfolio Cash Flow, again, adding accelerated payments and then we subtract the equity performance awards paid. We divide that by our invested equity at work, which is simply capital at work, less net debt. This chart shows that our return on invested equity has averaged in the low 20% range, again, extremely consistent with the standard deviation of only 1.7%. This really reflects the cash yield that equity investors are realizing on our active royalty investments.

So how do these returns stack up? They look really strong compared to the broader S&P 500. Our return on invested capital is more than 500 basis points higher than the S&P and our return on equity is greater than 300 basis points higher. We're still a relatively new public company. But we have a decades-long track record of generating alpha and driving value creation, and we believe that this is sustainable.

I've said this before, but it's worth repeating, Royalty Pharma has a very simple and efficient financial profile. We collect royalties on many of the biggest, most innovative products in the industry. We have Adjusted EBITDA margins this year that are expected to be north of 90%, growing to 95% plus by 2030, with 85% of that expected to flow to the bottom-line in 2030.

What that means is that $2.5 billion of Portfolio Cash Flow this year is expected to grow to $4 billion in 2030. Now put that $4 billion in the context of the $2 billion to $2.5 billion of capital that we've been deploying, and you can see that we could be entering into a period where we generate

significant excess free cash flow, reaching $1.5 billion to $2 billion in 2030. That cash flow gives us a lot of optionality. We could increase our investment activity. We can return more capital to shareholders, or we can do both.

So I'm going to touch now on our dynamic capital allocation framework. Capital is the lifeblood of our company. We're singularly focused on putting it to work in the most financially attractive way possible.

For Royalty Pharma, our capital allocation framework is pretty simple, and it's driven by the relative attractiveness of royalties and the relative value of our equity. If royalties are more attractive, we'll allocate more capital to royalties. If our equity is more attractive, we'll shift our capital allocation to buybacks. If both are attractive, we'll take a blended approach.

And if neither are attractive, we'll be patient, and we've done this in the past. We'll build cash to wait for the right opportunities. We can pay down debt. We can increase our dividends. We look at every investment decision through this lens.

Since our IPO, we've allocated $18 billion of capital, around 1/4 of that was returned to shareholders, and the rest went to acquire new exciting royalties. Looking out to 2030, we have capacity to deploy around $30 billion. Now the largest component of this is expected to be royalties. If we simply do what we've been doing, $2 billion to $2.5 billion, we'll be largely self-funded. We also expect to return capital to shareholders. We plan to repurchase shares, especially when there's dislocations versus intrinsic value.

Our current dividend implies a 2.5% yield, and we're committed to growing that by a mid-single-digit percentage annually. All of these decisions will be made through the lens of our dynamic capital allocation framework. If the opportunity is bigger, we have access to over $10 billion of additional capacity, all while maintaining our strong commitment to our investment-grade credit rating.

We believe there is a very strong case for meaningful multiple expansion. We currently trade at eight times portfolio cash flow per share. This is a low multiple, given our growth, our returns and our overall business model. We believe we are getting little value beyond our existing portfolio.

Our expectation though is that as we continue to execute and investors gain a greater appreciation for our business model, our competitive moats, our strong growth outlook, our leading diversification, our macro resilience, all of these things will drive an expansion in our multiple, all of that to reflect the platform value.

So looking out to 2030. If we simply deliver on our guidance of over $7.50 in Portfolio Cash Flow per share and maintain the current multiple, not expand, maintain, we will deliver at least a mid-teens total shareholder return and a share price that's significantly higher. But we think we can do much better.

We believe that with continued execution, it should drive a greater appreciation for our platform value, resulting in multiple expansion and a re-rating of our stock. Now what we can control is performance. However, we're confident that as we continue to execute, the value we are delivering will be reflected in our share price.

During Pablo's section, he laid out our goal to be a leading capital allocator with consistent compounding growth. There's an amazing book called The Outsiders that chronicle some of the great value creators throughout history. These same traits are shared by modern-day companies like TransDigm and Constellation Software and MSCI. Now when you look down the list of attributes of these great companies, Royalty Pharma stacks up really well. We're disciplined capital allocators. Our capital always goes to the highest returning investments. We look at everything with a long-term view, always focused on value creation. Our cost structure is optimized; we have great top- and bottom-line growth that is durable. We have an enviable market position with wide competitive moats, and we run the business-like owners because we are just that, with management owning over 20% of the company.

So in summary, we see a clear path to substantial share price appreciation. We expect a very attractive growth. Our top-line target of $4.7 billion or more in 2030 represents a CAGR of at least 9%-plus from 2025 to 2030, that's supported by best in pharma diversification. Our top-line growth is expected to translate to over $7.50 in Portfolio Cash Flow per share in 2030 with a CAGR from 2025 to 2030 of 11%-plus, an over 70% increase compared to 2025 estimates. Again, we're not just growing, we are creating value in the process. We expect to deliver consistent mid-teens returns

on invested capital, with IRRs on deals well in excess of our cost of capital. We think this should translate to substantial value creation at a minimum, at least a mid-teens total shareholder return.

But we think we can do much better with significantly greater share price increases with appropriate credit for our platform value. With that, I'd like to hand the mic back to Pablo for his closing comments.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chairman of the Board & Chief Executive Officer*

Thank you, Terry. Great job by the way. Before we proceed with the final Q&A, I'd like to briefly summarize my key messages. Royalty Pharma has executed strongly as the undisputed leader in the fast-growing royalty market. The fundamentals of our industry are highly attractive, driven by the immense funding needs for innovation in life sciences.

By scaling our business, we will continue to lead the royalty industry, delivering robust returns and growth that are outpace current Street expectations. We're confident that this strong outlook will translate into attractive total shareholder returns in the coming years.

Now I would like to share some personal closing remarks. Royalty Pharma has been a lifelong passion project for me, and I'm fully committed and personally invested in the long-term success of this exceptional and unique business. I am proud of what we have achieved. I am proud of the profound impact Royalty Pharma and our team have made on human health and the development of innovative medicines.

I am proud of the strong partnerships we've built with top research institutions and biopharma companies, underscored by the heartfelt comments you heard from several industry leaders. I am proud of the extraordinary team we have assembled over decades, a team we continue to grow and develop. I am very proud of the remarkable purpose-driven culture we've cultivated at Royalty Pharma, which only continues to strengthen.

Thank you to the entire Royalty Pharma team for your dedication and pursuit of excellence, to our biopharma partners for their trust and to our investors for their continued support. Thank you all for joining us today and taking the time to learn more about Royalty Pharma.

Thank you, George. Let's now open the floor for questions.

QUESTIONS AND ANSWERS

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

Thank you, Pablo. And we'll now start the second and final Q&A session. Question in the back?

Ivan Feinseth - *Tigress Financial Partners LLC - Analyst*

Ivan Feinseth, Tigress Financial Partners. Pablo, what area of pharmaceutical development on the horizon do you think has the most promise? And where do you see the biggest opportunities? And also what markets do you think are underserved that could be significant investment opportunities?

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chairman of the Board & Chief Executive Officer*

So I think one of the really unique things about Royalty Pharma is that we're not constrained. When I look at this entire industry where there's incredible innovation that's taking place, what's interesting to note, and this is another really key aspect of how this business, Royalty Pharma differentiates with the big companies in the space, the big pharmas that they're focused on five, six, seven therapeutic areas, often three, four therapeutic areas.

And that's exactly a big constraint that they face because it forces them to only focus on those, and they have to have massive investment in infrastructure, in sales and marketing and clinical teams in those areas. Now as you know, innovation occurs much more broadly than that. It occurs in many, many therapeutic areas, and it occurs because there's always new technologies that are being developed years ago when I started Royalty Pharma with small molecules, then antibodies.

Now we have gene therapies, and we have cell therapies. So one of the super unique things about our business is that we are completely therapeutic class or modality agnostic. We can really go where innovation takes us. And we can do that at a really, really quick time, record speed. Why? Because we don't need to build all of that infrastructure that companies need to build in clinical teams to develop drugs in sales and marketing to commercialize drugs and manufacturing.

So there's a new area that gets interesting. We can shift our focus and be in that area in a matter of weeks, months or years. So I just wanted to highlight that because at the end of the day, that's a very unique aspect of our business, and that's how we operate and that's how we see the world. So we can really look at everything and really focus on things that -- things where we see innovation that is high, where patients' life are going to be impacted and where we can make a really attractive return.

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

Question from Mike.

Michael DiFiore - *Evercore Inc - Analyst*

Mike DiFiore, Evercore ISI. Just one quick one for me. Obviously, there's been a recent New York Times article describing a looming executive order that may cut off the in-licensing of Chinese biotech assets. So my question is, and maybe this is for Terry, to what extent does your long-term guidance kind of factor this possibility in? And just more broadly, how big does this future opportunity pose for you guys?

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer*

So what was the last part? How big is what?

Michael DiFiore - *Evercore Inc - Analyst*

Basically, assuming this executive order does not come through, I mean, how much, I guess, of your top-line might come from the Chinese market?

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer*

Got it. Got it. Yes. So our growth -- the things that we own today are going to drive a lot of our growth through the end of this decade. But we're also going to get some growth from new investments, and that could come from anywhere.

So we don't have an assumption on whether it's China or Europe or the US or Japan. I think the reality is probably a lot of it is going to come from the US still. But China is an area where we are focused and devoting resources and there's a lot of royalties that already exist there, that's probably going to grow without totally understanding the dynamics of what was announced today.

But I think that we're very confident that there's going to be innovation all around the world. And I think the one thing that we've shown over the years is sort of a really good track record of finding it and figuring out ways to add it to our portfolio.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chairman of the Board & Chief Executive Officer*

One comment to make because there was this other question also about lots of big numbers. And just contrast what we guided to of capital deployment over the next five years, which is $10 billion to $12 billion, $2.5 billion per year roughly, which we think is very conservative, by the way.

Contrast that with the fact that if you just look at synthetic royalty opportunities, and if there's going to be something like $500 billion invested by biotech to move along their products, not pharma, but biotech over the next decade or so -- over the next five years, 4% to 8% of that $20 billion to $40 billion opportunity, and our guidance is $10 to $12, that's just synthetic royalties.

Think now about us working with big pharma and really opening that up. We haven't really made a big dent into us working with big pharma. It started because it takes time to change mentalities. So that's another huge opportunity. Think now of situations where we become the alternative to a big pharma partnership for a biotech where we can do deals like Revolution Medicines, just started. Again, huge opportunity for us, and then China. And China has really not been much in our numbers. I mean this is really new. When you look at the assumptions we've made, I don't think there's much China in there, but it could be big. So I think the point is that the scale of the opportunity for us is so big that deploying that kind of capital in attractive investments is not going to be difficult for us.

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

Great. Thank you, Pablo. Next question. Question in the back?

Ashwani Verma - *UBS AG - Analyst*

Great. Thanks for putting this event together. Ash Verma from UBS. So just looking at the investment funnel, I wanted to understand, that's a pretty narrow selection going from 42 proposals submitted to transactions that you finally executed on. Just what drives that from the proposal submission stage?

And then secondly, as you're looking at the drug investment landscape right now, what is your appetite for taking regulatory risk or for drugs that are facing a regulatory approval in the near term? How are you thinking about that even all the changes with the FDA that are happening right now?

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chairman of the Board & Chief Executive Officer*

It's so hard to understand. I don't know why the acoustics aren't good for us up here.

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

What drives then narrowing of the funnel?

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

Was the first question, what drives the narrowing of the funnel?

Ashwani Verma - *UBS AG - Analyst*

Yes. So from the proposal submission stage to the execution of eight transactions, what is driving that? Like what is the attrition that is happening along the way in terms of the different transactions? And then second question is about the regulatory derisking and how you're thinking about the FDA changing landscape?

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

I mean the funnel, we have talked about the funnel a lot over the years, and I would say that the in-depth reviews is a good segment to look at that we really spend a lot of time working on. I don't -- I think I'm going to address your question, but the -- some of the -- when we make a proposal, and we have gotten this question in the past, that may be something that we transact upon the next year or two years later or three years later or if we don't make a proposal, it's something that we could come back to because we're saying, hey, the data is not mature enough for us.

There's a lot of reasons why we maybe do not transact, but we are building relationships throughout by meeting those companies, hearing their stories, understanding what's going on. I don't know if that addresses your question as to why the funnel narrows so much. But a lot of those companies that we meet with, we circle back with over time.

I mean Jim Reddoch is in the front here, and he's done a great job sort of going out and making sure early-stage companies understand how we can work with them. They may be early for us, but that doesn't mean three or four years down the road, we won't work with them. So that may be a big part of the top of the funnel. Does that address your question?

Ashwani Verma - *UBS AG - Analyst*

Thanks.

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

And on the second part of your question, yes, we certainly are living in interesting times from a regulatory perspective. But look, I think everything is so case by case at this point. We've always had to think through these issues. Do we understand the regulatory standard? Do we think it's clear? Do we think it could shift? So I think there probably are some situations today where we might be a little reticent to step into if we feel like the sort of ground is shifting under us.

And in other cases, we don't think much has changed, right? We think assuming the Revolution Medicines drug, daraxonrasib shows a really compelling benefit in pancreatic cancer. I don't think there's a question in our mind that, that is going to make it to patients. So it's certainly -- it's a new and different environment, but I don't think substantively a different sort of process than we've always gone through.

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

Great. Thank you. Next question, please? Mike?

Michael Nedelcovych - *Cowen and Company LLC - Equity Analyst*

Mike Nedelcovych from TD Cowen. I have two, both pretty broad strokes. One is on biopharma innovation, kind of writ large, we've heard the view expressed by some in recent weeks that biopharma innovation may actually be plateauing, the idea being that the low-hanging biological fruit has been plucked, cell and gene therapies haven't quite lived up to their promise, and we might actually be heading into an era of diminishing returns. So why are those people wrong? That's my first question.

And then my second question relates to competition for Royalty Pharma. It sounds like increasingly; your competitors may be large pharma BD teams as opposed to other purchasers of royalties. So in that context, which of your competitive advantages break down and which others might come to the fore?

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

On innovation, I think something that's so cool about where we sit and where we operate is that we're agnostic as you heard about to where that innovation happens in aggregate. And I think we're still pretty optimistic that the aggregate level of innovation is going to continue to be attractive. And we have kind of a bird's eye view on a lot of that.

And that was one of the points we were trying to make is that we can -- we have an open model wherever we see innovative opportunities, we don't have constraints about where we can go. And so I think even as things shift or things change or the sources of innovation might change in terms of therapeutic area or geographically around the world, I think we have the right model to be able to capture that. I'm not sure I got the second, if you don't mind, just the second part of your question.

Michael Nedelcovych - *Cowen and Company LLC - Equity Analyst*

The second question was, as it relates to your competition to the extent that increasingly, it may be represented more by large pharma BD teams as opposed to other purchasers of royalties, where do your competitive advantages and disadvantages shift?

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

Was it -- I'm sorry, the mic, it's so hard to hear. Is it large? Yes. So competitive advantages versus pharma partnering? Is that really?

Michael Nedelcovych - *Cowen and Company LLC - Equity Analyst*

Yes, exactly.

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

Well, listen, I think we talked a lot about Revolution Medicines. I think that's a great example about -- and think about even way back like a Biohaven is a great example, right? We did four transactions with Biohaven to help them launch Nurtec. If they hadn't done that, maybe they would have gone to Pfizer or somebody else for a worldwide deal. And then how attractive might they have been for an acquisition.

So I think when you're a biotech company and I can think over my 30-year career, I'm sure Pablo can too, all the companies that partnered maybe too early, and then we're not strategically attractive because they gave away a lot at times when the valuation inflection point hadn't yet been achieved.

So I think to the extent pharma or biopharma can hold off on partnering and retain all the economics, they're going to be much more attractive from a strategic standpoint at a higher value, if the drug works. That's why I think we're so attractive, especially Revolution Medicine for sure and a lot of other companies we are talking to and have talked to and have worked with.

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

Great. Thank you for the question, Mike. Next question please?

Phillip Gross - *Adage Capital Management, L.P. - Analyst*

Phil Gross from Adage Capital. The consistency of growth is pretty solid. And even the deployment of capital in that one chart. How do you guys look at the cadence? Let's say, there were four really, really good deals, and you had to kind of go over your limits in terms of the debt level.

Would you accelerate this entire process because three or four really, really good assets came in? And likewise, I know this is probably true, if you went through a year, nothing really came to you guys, are you guys, okay? Or does the standards slightly change a little bit to make sure you're deploying the capital, both directions?

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chairman of the Board & Chief Executive Officer*

So I think, Phil, I'll answer your second question, and then Terry should go to the first. But you've seen us, you were an investor in Royalty Pharma for 20 years before we went public and have continued to be a very supportive investor. And when we were private, we actually went through periods of time of a year or 18 months, where we deployed very little capital because we were seeing things that were not attractive, or we just couldn't get to terms with potential partners.

And I think there's absolutely no pressure even today as a public company for us to deploy capital. Why? Because the company has so many other aspects that make it perform, the growth that we have, the pipeline that we have that is going to have a lot of readouts. You saw those 12 assets and readouts every year for the next four years and great. So it's not like we have this pressure like maybe many biotechs have that they need to have news or events to actually continue to show performance. In our case, we don't. And for years, it's been so obvious to me and to the team that making a bad investment is so difficult. It's just painful, difficult even -- so we are super, super careful and we're going to maintain that quality and not be forced to make investments. But Terry, why don't you go through --

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer*

And then in terms of your question on would we accelerate our capital deployment? Absolutely. And the amazing thing about the business is that we've never felt capital constrained. We don't feel in any way capital constrained right now. We have a lot of cash flow that we're producing. We have access to the investment-grade debt market. We're absolutely committed to maintaining our investment-grade credit rating, but we do have access there. So I mean, just in the last three months, we've announced transactions of like of around $3 billion.

So we -- if the opportunities come along, we will absolutely pounce on it, but we'll also, like Pablo said, will be patient. And the first half of this year is actually pretty slow. And we weren't worried about it. We knew like, eventually, there's going to be amazing things that come our way, and we'll just wait to see -- wait for the right things to come along and maintain that really high bar and focus on value creation.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chairman of the Board & Chief Executive Officer*

Terry, why don't you talk about what kind of capacity we have by increasing the leverage to about four times. We're now three times levered. And then our revolver.

Terrance Coyne - *Royalty Pharma PLC - Chief Financial Officer*

Yes. No, I mean, that -- and I highlighted it on the slide, but over the next decade -- sorry, over the back half of this decade, so the next five years, we have access to deploy $30 billion. And so there's a lot of excess capacity in there, again, maintaining that really high bar if the right opportunities come their way. And it's through our access to debt. It's through the huge cash flow that the portfolio throws off. And then Pablo also mentioned the revolver, which is very helpful in the sort of more short-term periods where we might have -- might need a little bit more, and then we can pay it down.

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

Great. Thanks, Phil. Next question, please.

Paul Kuhn, Ph.D. - *Cowen and Company LLC - Analyst*

Paul Kuhn, also TD Cowen. I'm just curious, you guys have talked about how the China licensing rate seems to have started to accelerate and also cite this around 250 licensing deals a year average. I'm curious if you think that the Chinese licensing increase will be ultimately accretive to that average or if that will really start replacing some of the other deals that have traditionally contributed to that historical average.

Pablo Legorreta - *Royalty Pharma PLC - Founder, Chairman of the Board & Chief Executive Officer*

Chris, why don't you take that question?

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

That's a great question. Hard to know. But I would say, I think it will probably add to the deals. For sure, I mean, it's been a fascinating thing to see this develop over the last very recent two or three years. And -- but I think what's constant is the fragmentation. The innovation happens globally, and it always has. I think what you're realizing now is the innovation and the willingness of Chinese national companies to out-license the innovation over the last two years or so.

But the bottom line is this sector is built on innovation, and it has always been global, and it's always been fragmented. And that's always been a big piece of our business buying those existing royalties that have been established through the fragmentation of the R&D.

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

Great. Thank you, Paul. Any other questions? Great. Thank you. So if there are no further questions, this will conclude the Q&A session and today's Investor Day.

We thank you all for joining us and for your continuing interest in Royalty Pharma. And as a reminder, it would be great if you could all join us for lunch.