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EDITED TRANSCRIPT

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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Terrance Coyne *Royalty Pharma PLC - Chief Financial Officer*

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

CONFERENCE CALL PARTICIPANTS

Geoffrey Meacham *Citi Infrastructure Investments LLC - Analyst*

PRESENTATION

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

We have Royalty Pharma. We have Terry Coyne, CFO; Marshall Urist, EVP, Head of R&I, Research and Investments. I once said R&D and people got really -- Dana like almost fired me.

QUESTIONS AND ANSWERS

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

So I guess on the back of a very successful year, maybe, Terry, this is for you. You got rid of the external manager. You did a buyback. You sort of have the gradient of like, is it buybacks? Is it uses of cash?

You're obviously going to still invest in new assets, right? But help us with kind of where you are in that process? Are the price of assets change over the course of this year to where you would tilt towards maybe continued buybacks? Or just help us with kind of that thought.

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

Yes. So you mentioned the internalization that was a big strategic transaction that we did in the beginning of the year to internalize the external manager and sort of make everything into a single company, which was really important from both a strategic perspective and also a financial perspective. And with that, we also -- at that time, we announced a \$3 billion share repurchase authorization.

And we were very aggressive in the first half of the year, particularly in the first quarter. We took advantage of what we thought was really attractive valuation in our equity and bought back through the first six months, about \$1 billion of stock.

We did slowdown in the third quarter, and that was driven largely by actually just the deal flow. So we look at everything. We have a framework, a capital allocation framework that we've talked a bit about. It's based on the relative value of our stock price relative to intrinsic value and the attractiveness of the royalty opportunities. And so in the first half of the year, clearly, we were really focused on taking advantage of the really attractive valuation in our stock. As the year progressed, the deal flow increased pretty significantly, and we had some amazing transactions that we were able to get across the finish line like Revolution Medicines in June and then Imdelltra over the summer. And I think that what we feel right now is that there is still a tremendous amount of momentum from the deal -- from a deal flow perspective. So we'll continue to look at everything through that lens going forward. And there could be periods where it tilts more one way or the other. I think as we've -- certainly in the second half of this year, our focus has been capitalizing on some of these really unique opportunities that we -- that have come across -- that have come our way.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Yes. And let me follow up on that. So if you look at the BD/M&A environment this year, you see either biased towards like Chinese deals that are low upfront, bigger bio-bucks down the road or maybe this is for you, Marshall. Or you see a lot of deals that are CVRs, right, super creative structures. Is this entering you guys thinking more frequently like in terms of having a more novel structure? Or has it just been risk sort of stage amount paid? In other words, like has there been a demand from the sellers of royalties to have a more unique like pressing valuation sensitive - the puts and takes?

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

Yes. No, it's a good question. And I think certainly, as we are working with a broader range and type of company, I think the demand and the need to customize structures to fit their needs has continued to increase. And we really welcome that. I think creative structuring is something that we really pride ourselves on. I think we've been a leader in that. And as we get -- as the market demands more and more of it, I think we're more than happy to stay creative. Terry mentioned Revolution Medicines. That's a deal with a structure that evolves along several dimensions, goes from a Phase 3 investment today to a -- that expands as data cards turn over as there's commercial performance, as there's label expansion. And that's going to span five-plus years easily, right, of working with a company. And then that structure also evolves in terms of cost of capital, right? So the incremental draws that become available to the company as derisking events happen is reflected in the sort of prewired cost of capital. So I think there's a lot of moving pieces there, but I think it's a reflection of just we have the flexibility to meet partners' needs in new and different ways.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Okay. Yes, that's helpful. And just on the cost of capital. I mean, you guys have very impressive like ROIC numbers that you've been very public about. As you look forward, do you have to take additional risks to keep at that level? Do you -- or is it sort of the natural stacking of some of these royalties and their contribution going to play a natural like sort of tailwind to the return numbers?

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

Yes, it's a great question. So yes, for the first time this September, we've always talked about internal rate of return as sort of the key metric that we look at. And for us, that is still the major factor behind -- the major thing we consider when we're making investments, is the IRR attractive? Is the duration of the investment attractive, so it can generate a really nice multiple on the cash? But what we realized over time is that IRR is tough for everyone to calculate on every single deal. And it doesn't really speak to the performance of the overall company. And so in September, we introduced these two new metrics, return on invested capital and return on equity. And what we showed is that very consistently over the last five years, our return on invested capital has been consistently in the mid-teens with very little variability. And our return on equity has been consistently in the low 20%. I think looking forward, we are confident that we can maintain similar levels.

And it doesn't require taking on more risk. I think we're going to continue to have a very balanced approach. There will be things that are approved and selling with really attractive growth like lmdeltra. And then things that are in development that have a lot of upside where we also feel pretty confident that the risk is pretty low like daraxonrasib. So I think we're going to continue to take a pretty balanced approach. And I think we all believe that those levels of return on invested capital, return on equity are sustainable for the foreseeable future.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

And Terry, some of the historical numbers have been -- there's been a tailwind from some of the equity investments that you made, that sort of Biohaven, et cetera, that have played out. Is that the assumption going forward that you'll continue to make equity investments and maybe that could be an additional tailwind? Or is it just sort of a plain vanilla royalty agreement you're going for going forward?

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

We actually -- we don't include the benefits of equity investments in those calculations. It's really the royalty investments that we've made. But we have made some equity investments that have created a lot of value. Going forward, our plan is to -- we'll do it from time to time. It's not going to be a core part of the business, but more as a supplement and typically the times where we use equity are times where they -- our partner has a goal of a quantum of cash, but they also have a goal of a royalty rate, a maximum royalty rate. And so sometimes the equity can be there to sort of solve for the gap, if the royalty can't be as big as the quantum of capital that they need.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Got you. Okay. If you look at -- we had a discussion this morning with the FDA Commissioner and he was talking about innovations and moving beyond just sort of weight loss and some of the cell and gene therapies, which are obvious. But from maybe a technology or a TA perspective, like Marshall, is there a category that you'd say Royalty like absolutely has to participate in, in next like two to three to four years? Or you just look at every one of the opportunities kind of as a whiteboard and like on -- through almost an academic lens of what's the best IRR?

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

Yes. It is really about what is the best, most exciting product. And I don't think there isn't -- we certainly don't feel that there's any given therapeutic area that is kind of make or break or will define us and the success of our portfolio building going forward. I think the advantage we have and why we have that luxury is because we invest so broadly across every therapeutic area that there's just a lot of opportunity for us. And so I think if we're not in one, there's going to be opportunities in others, right? If you look at this year, it's been pretty broad across I&I and oncology. And there's like just a lot of variety in what we do. And I think that serves us well. And in a sense, it also mitigates any concerns people might have about our ability to continue to refresh and renew the portfolio because we can invest anywhere and have the team and the resources to do it. We don't -- there's nothing we would define as sort of must-win for us to be successful.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

But let's talk about diabetes, for example, or obesity, like metabolic diseases overall. You've seen a lot of M&A. You've seen lots of aggressive deals. Obviously, from the top down, pharma knows they want to be there, and there's a lot of companies that want to turn the data card over and maybe they're cash constrained at the moment, like -- but you'd have to take more risk to get there, right? There's a lot of -- it's a high bar, right, for clinical risk?

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

Yes. And I think you can see our selection criteria in a lot of the deals we've done. So I think there may be, right, cardiometabolic development programs tend to be very expensive, right? And it's competitive and you want to move quickly. So if and when those opportunities arise, right, we're going to go through it and think, one, is this a program that matters? Two, do we think it's in the hands of someone who can make it a reality, right? I think small companies in obesity these days is probably a pretty hard game to play, right? So we have to have the right partner and the right program together. But given the capital needs of the industry, I think we're going to continue to see a great flow of opportunities.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Okay. Yes. And just on the back of one of those companies in Lilly to reach the agreement with the White House, I do feel like there's a number of pharmas and big cap biotechs that have kind of tried to mitigate the tariff risk with onshoring of capital. Has the -- I guess, the expectations of some of the sellers of royalties to you guys changed over time in terms of do they -- maybe they don't take as much risk

now because they're onshoring resources and maybe they don't need as much money, but they still maybe want your validation or your support? I wasn't sure how the political environment has kind of changed the conversations that you've had with potential Royalty partners.

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

I don't think it's changed things dramatically. I think, if anything, people having a little bit more confidence in what the landscape is going to look like is helpful, right, because it's giving people more confidence to continue to invest. And given the -- like you said, the amount of M&A we've seen, I think everyone expects we'll see more. I think there's clearly an appetite. The amount of capital our industry needs is forever growing. So I think that's where our opportunity is going to continue to see great opportunities.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Yes. Yes. And just in terms of the deals and the capital deployment, Terry, you guys have had a five-year target of \$10 billion to \$12 billion, although you've, I think, exceeded almost every year what you initially set out with the IPO. Looking forward, is it sort of more of the same and incremental higher number? Do you expect there to be sort of a step function? I guess it depends on the deals that are out there, but is there an urgency, I guess, to meet the targets and to do deals if it's something that you're not excited about, if you just want to --

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

So I guess the way I would describe it is more \$2 billion to \$2.5 billion is kind of baseline. And we feel though like there's a lot of momentum where that number could be much bigger. We're open to that. We're ready for that. But we're also not going to force the issue.

We're obviously out there talking to every company and telling them about the benefits of royalties and having us as a partner. But we're not -- we don't feel like we have to deploy capital. We need to make sure we make good investments. So that is always the sort of driving force. If you ask me, are we more likely to be higher than \$2 billion to \$2.5 billion in five years or lower, I think it's much more likely to be higher, right?

But it really -- I think it's going to happen naturally as we continue to see all this momentum from synthetic deals, partnerships with pharma, all of the innovation that's leading to all the fragmentation in the industry that's leading to more and more royalties. All of those things are going to be tailwinds for our business. And I think that we feel very good about the ability to meet and beat those types of -- the \$2 billion to \$2.5 billion that we've described.

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

But it's not as though we sort of start the year and be like, oh, starting from zero, got to get the capital off. We're going to wait and be disciplined. If the deals aren't there, we'll wait.

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

Yes. I mean, if you think about it, this year, to start the year, we did the deal with Biogen R&D funding deal on litifilimab. And then almost six months went by, and we didn't do a single deal. And that's fine. And we weren't worried about it. We figured it's going to happen. But even if it doesn't happen this year, it will happen next year. And so -- and it just so happened that then all of a sudden, in two months, we announced almost \$3 billion worth of total transactions. So we like to be patient, but we're always ready and resourced. We need to make sure that we're ready from a balance sheet perspective and a human capital perspective to sort of jump on the opportunities when they do come.

And they always do come.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Yes. Let's talk about the Merck TROP2, the sort of co-funding deal. I know you guys had -- Pablo said you had at least a look at that. Maybe help us with your thoughts about that overall as a strategy from pharma? And then looking forward, do you think those types of co-funding deals would be greater, like in frequency? Or do you think that's sort of a one-off?

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

Yes. No, it's a good question. So I think we really believe that the pharma R&D partnership deals are going to continue to evolve, and we'll see more of them. I mean, except for a couple of companies, you can't name a company out there that doesn't have sort of pipeline and LOE stress out there. There is more pressure to put more through the pipeline to invest more in R&D.

And these partnership deals are a really attractive complement in that situation. If you think about what's on offer with those deals, right, you have a partner who takes full risk on a Phase 3 program, can fund in the hundreds of millions of dollars in exchange for what is a relatively modest piece of the economics long term. And the pharma has a partner who they still keep the vast majority of the economics and a partner who is passive, right? They still run the program. They don't lose any control, that's pretty attractive, right? And so all the elements are there. We did look at that Merck transaction. I think if we take a step back and say, look, Merck is obviously one of the greatest oncology development companies in the world. That's a high priority program over there. So seeing R&D partnerships at that visibility, we think it's just a sign of that that is an area where you're going to continue to see more momentum.

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

Yes, I think that from -- just to add on to that, from our perspective, while we were not on the other side of that transaction, it's great to see momentum in the space for pharma deals, which it's been building. And it feels to us like as we look to the back half of this decade, there could be a lot of those types of deals. And that could be a really good opportunity for us to add great assets, great products to the portfolio and things that we're really excited about.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

I mean, it'll take time to see the return on that, but does it make you more nervous that a company like Blackstone could be more aggressive in this arena?

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

Not at all. No. I mean, Blackstone and other companies have been in this space for a while now. And so -- and what we've said in the past, and we still believe this is if we're really excited about an asset, we should be able to win. We have the lowest cost of capital, and we have a proven track record of being great partners. And so we don't feel any -- we continue to maintain that same level of confidence. But the more parties that are out there talking about the benefits of royalties, the better because it just adds depth to the market adds legitimacy to the market, and it will be ultimately a tailwind for us as well.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

So I guess a growing TAM for the royalty market, I think is a --

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

Exactly. Exactly. Exactly.

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

And honestly, the more -- we've talked about this a lot, right, having other players in the marketplace is a good thing, right, because like Terry said, you have more people talking about it. But also when the partners see that there's like a robust environment out there, and there's multiple players that actually just give everyone more confidence to do more, right? So it grows the market.

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

Yes. I mean if you think back, Geoff, 10 years ago, even five years ago, royalties were a very bespoke thing. Only a few companies did them. Ten years ago, no one really did them, not synthetic royalties. But five years ago, it was still kind of new. And there were a couple of companies that were sort of at the forefront of that, like Immunomedics, Biohaven. But now it feels like it's become such an ingrained part of the capital solution for all of these -- for any company in biopharma, big and small. And that's a really great thing for our business.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

And not to sort of ask a boilerplate type of question, but we hear a lot about AI and the use of analytics. How have you guys rolled out maybe this across royalties, either in the investment process or in the financial process? And would you say that the barriers to entry could be lower going forward if companies can deploy some sort of AI tool to kind of evaluate things?

Or I mean, obviously, you have the reputation of Royalty, which is hard to put a number on, right, from a math context. But do you think there's going to be more entrants in the space if they're able to figure out how to engineer a royalty going forward?

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

I'll take a crack at that, and Marshall can jump in. It's not going to solve the capital problems. So we have -- we -- it may enhance people's ability to do due diligence. We are doing that now. And we're trying to figure out more and more ways to embed it in our investment process.

But people still are going to need tremendous amounts of capital to invest in this space and scale and diversification, all of which we have and all of which are very hard to come by. And so I think it will be an additive tool, but some of the barriers to entry that have existed will not be solved by AI.

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

Yes. I think there's no way that I think there's any substitute for the -- almost 30 years, we've been doing this, right? And all the accumulated institutional knowledge and experience that we have in terms of structuring, in terms of all of the financial scale that we've built over that time. None of that is that -- we at least don't think AI is going to help. And look, it can help with diligence. Does it give you conviction? Is it going to help with conviction to invest \$1 billion in a single drug, right? I don't think that's the case, right? We're certainly, like everyone else, trying to figure out how do we get faster, how do we get more out of the deep data resources we've built. And we're doing all of those things, right? But again, you have to have all the sort of building blocks to even get started.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Yes, it does seem like you guys' process is mostly the same that you could use AI to maybe make your process more efficient, but I wouldn't look to Royalty Pharma for margin expansion --

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

No, we're probably not going to -- not going to be a margin expansion story in the near term.

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

Not a lot of meat on the bone there. Yes.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Exactly. But could you use it, though, to look at therapeutic areas or portfolio -- royalty portfolio management to try to maybe optimize or fine-tune?

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

Yes. We are, I think, using it. I've been really impressed with the creativity of our team in terms of how we're using AI applications in diligence. And certainly, anything that helps with sort of large-scale data analytics can make it sort of faster and organize things faster and everything else. In some ways, it sort of just continues to add to our competitive advantage because we have a sort of a deep pool of experience and information to continue to stay at the forefront from a process perspective.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

And when you look at the royalties that once you have sort of expiration of the patent and you see sort of a decay, has the more mature assets, has their progression been as you guys had modeled before? I know it's probably a tiny --

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

So I think we would admit that we're pretty good at modeling things that go up. Understanding how something is going to erode from a generic entry is not a core strength of ours. But I think that we -- there's plenty of analogs out there, and we use them like everyone else. I think where we do differentiate ourselves is modeling the impact of competition. So like let me take you back to -- we did the Tysabri investment in 2017. And at that time, most people thought that Tysabri was going to just go down, down, down. And by -- I think by 2020, it was going to be almost cut in half. And it was almost a \$2 billion drug at that time. It has done so much better. And that was an area where we had a differentiated view that it would be a lot stickier and that it would -- it was such an important drug for the patients that were on it that it wasn't going to erode like some -- I think most -- a lot of people on the sell side thought.

And that gave us conviction in making that investment and paying the price that we paid. As far as what happens with other products and their LOEs, I don't know, Marshall, it's definitely not -- it's not like where we spend a lot of time.

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

Or maybe the way to think about it is when we make an investment, I think that the shape of the decline curve as like patents come off in various geographies is not a big driver of our return. Obviously, if it's slower, it's better, but that's never something that sort of makes it investable or not if the curve looks -- the shape of the decline curve to Terry's point. Very hard to do with any --

Terrance Coyne - Royalty Pharma PLC - Chief Financial Officer

A lot of times, we'll be pretty conservative and look at scenarios where it goes to zero after the LOE versus scenarios where the erosion is a little bit slower and look at different sort of outcomes.

Geoffrey Meacham - Citi Infrastructure Investments LLC - Analyst

But the big thing, though, to your example with Tysabri, Terry, is that you did the Sanofi deal, right, recently. So you have core skills in oncology and neuro --

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

We've been following that space for --

Terrance Coyne - Royalty Pharma PLC - Chief Financial Officer

We've invested almost \$4 billion in MS, north of \$4 billion, I think, in MS. So it's definitely a space that we know really well. And I think it's a space that we feel like it's been overlooked multiple times where people said, oh, MS, there's nothing to be done here. And then it happened with Tecfidera. I think it happened again with Ocrevus, and we think frexalimab is another example where that could be sort of another leg to the MS story.

Geoffrey Meacham - Citi Infrastructure Investments LLC - Analyst

And same thing you could say in the case of neuropsych, right, you guys picked Cobenfy, not emraclidine. And that's a category where the mechanism is exciting and could have a number of different indications. Is there another category? I know Alzheimer's and neurodegeneration, it's been super tough to predict what are the winners and losers. But is that a category you feel like it's still wide open for unique structures?

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

Yes. I think there's a ton of opportunity there. I think the emraclidine story is one that sort of keeps us all sort of humble in terms of what mechanism means in that setting, right? So yes, it is an area we look at a lot. We are sort of appropriately cautious and sort of being honest about what we really understand and don't understand.

But there's certainly -- look, the drugs that we have even in large categories are like depression and other areas are suboptimal in many ways. And so it seems like there's definitely opportunity and need. And I think it's a matter of being patient and waiting for stuff where you can really have conviction.

Terrance Coyne - Royalty Pharma PLC - Chief Financial Officer

Yes. And then I mean, in Alzheimer's, we're excited about -- we have a royalty in trontinemab, the Roche Brainshuttle product, and it's going to be later in this decade that we'll see data there. But so far, it's very encouraging. It looks like it could be the most potent drug to lower

amyloid. And so we will see, but I think we're pretty optimistic about that one as well. And certainly not something that we're -- feel like we get any credit for or that investors have much interest in from a Royalty Pharma perspective at least at this point.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Right. And looking at other assets, so Voranigo, talk a little bit about the process there because I think there is a theme where maybe consensus expectations are usually long term, remarkably lower than reality, but then you also want to keep some of the companies that you're doing the transaction with like grounded as well, right, in terms of their expectations. There's usually a delta, right, between what they think and consensus thinks and you guys are usually be in the middle or --

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

So two parts to that. I think one is, yes, we certainly sort of build and our team sort of is encouraged not to look at consensus while we're sort of building our own forecast to sort of come at it in sort of a pure way as much as we can. But Voranigo, you asked about, too, this is a product that is a great -- something that we are excited about because, look, it's a kind of product that only we can kind of get access to right now, right, when it's being launched by a private French company, right?

It's been an incredible launch annualizing at over \$1 billion after, I think, four quarters, something like that of launch. And so that's a great example of a product we identified, got excited about years ago and waited around until we had the opportunity and really went after it aggressively when we had the opportunity and we had the conviction, we like the product. We saw a forecast that had lots of drivers for upside in terms of how long patients would end up staying on the drug, et cetera. So that's a great story for the kinds of unique assets that Royalty Pharma can get access to and for our investors have exposure to incredible products like that.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Is there a trend, Marshall, on that? So if you have a, let's say, a product that has much less visibility across the street, do you usually find that the seller expectations are way higher than reality? Or I don't know, just like if you have a crowded process that everyone sort of --

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

You mean lifts higher?

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Peak sales and expectations?

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

It really depends. I mean, we -- Voranigo is kind of a specific example because we were buying it from Agios and it was their drug originally, right? So they knew the product pretty well, and I think they had a view as well. Look, I think overall, one of the things that's made us successful over time is we do really try to pay fair and reasonable prices for drugs, right? So like everyone walks away happy, right? We feel like we're getting a reasonable deal and the seller feels like they're getting good value as well. I think it's -- it would be sort of shortsighted to take a different approach, right, because if people feel like they're getting good value and it's a structure that makes sense for them, they're going to walk away happy. That's going to make our market bigger over time.

And so that's really our approach, is trying to always be fair. And look, maybe that means we're not -- it might be a situation where there's a piece of value that we don't want to pay for upfront, but we also acknowledge like, look, that could happen. Let's pay a milestone or share some value at that point. So we both feel like we have exposure to the upside scenario.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

You don't want to have an adversarial relationship with your seller, right? So like it's a win-win.

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

Exactly.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

You mentioned this came from Agios. So I guess that one of the things you guys have done the past couple of years is really engage with some of the earlier-stage companies just to kind of keep abreast of all the developments and innovation.

So what's the -- has the sourcing changed over time? Instead of companies coming to you, have you just followed these companies along and then been proactive to reach out to them on types of deals? I wasn't sure if that kind of has changed since you guys have IPO-ed and become a much bigger top line and bottom line.

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

Well, honestly, there's been more of both, right? Certainly, one of the incredible things and maybe that we underestimated about the IPO is just what it did for our brand and people coming to us and our position in the industry. So look, the amount of incoming volume that we see has grown dramatically. But at the same time, right, we have also invested in our team and sourcing and making sure we have a very robust outgoing effort because the truth is we know what we like a lot of the times. And so it's not a great strategy to just wait for that to walk in the door when we go out.

And so we have a team that interacts with companies very early, probably before they're investable, but to have that relationship to help be driving their conversation about how they see their capital structure when it does come time for them to be kind of in the zone, we have that relationship, and I think that's incredibly powerful. So it's a lot of both, actually.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

But you wouldn't necessarily leverage those relationships to maybe get in earlier to the process. You still have kind of the same risk parameters, generally speaking.

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

Yes. You haven't -- I mean, if you look at what we've done, you haven't really seen us shift significantly like to be doing a different type of earlier things.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Yes. No, that's true. And you can't really AI the relationships, right?

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

You cannot AI the relationship. I haven't figured that out yet. Have like an AI agent that goes out and does BD, no.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Exactly, exactly. Terry, I guess from an investment perspective, internally, you've seen -- you guys have hired a number of professionals and you -- I see the deal funnel, the flow still looks to be pretty compelling. But how are you thinking about the business like five years from now, like in terms of how you could scale the size and scope? Is it just a natural cadence to get to meaningfully higher? Or are you trying to move that along?

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

That's a great question. So the amazing thing about our business is it's so efficient. And since we are passive, there isn't like a huge ongoing effort to add value, right? We basically make our investment and then we let the partner execute, and we're making investments in partners who we are confident can execute.

And so where does the business look in five years? We will be bigger without a doubt. We'll be bigger from a financial perspective, but we will be bigger most likely from a people perspective. But if we were to double our capital deployment, we do not need to double our people. It might mean that we need to increase the investment team by, I don't know, Marshall, 1/3, but not double. And that's the amazing thing about our business is that we can -- we've set it up so we can be processing multiple deals at the same time. We had a period at one point this year where we were -- had three transactions going simultaneously.

And five years ago, we couldn't do that. It would have been really hard. And now we can do that. And I think that could that be five transactions going simultaneously, six, eight? Yes, for sure. And so I think that we just need to make sure that we're trying to stay one step ahead from a resourcing perspective.

One of the other benefits of being a public company has just been attracting talent. We've been able to get amazing people to join the team. And I think that they -- it's a shared vision. It's people that are very long term who want to toil away on one investment for three months and be the expert on that investment. And I think Marshall and the team have done an amazing job of finding those types of people and integrating them into the company and then also just developing them over time.

Geoffrey Meacham - *Citi Infrastructure Investments LLC - Analyst*

Yes. Okay, guys. Thank you very much.

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

Yes. Thanks, Geoff. Good conversation. Thank you.

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

Thanks a lot, Geoff.

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