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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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

Marshall Urist *Royalty Pharma PLC - EVP, Head of Research & Investments*

CONFERENCE CALL PARTICIPANTS

Jason Gerberry *Bank of America - Analyst*

PRESENTATION

Jason Gerberry - *Bank of America - Analyst*

(audio in progress) BofA Annual Healthcare Conference. My name is Jason Gerberry. I cover biotech and pharma, and I am pleased to be introducing Royalty Pharma. We've got Terrance Coyne, EVP and CFO; and Marshall Urist is going to be joining us in a minute, EVP, Head of Research & Investments.

So Terrance, thanks for joining us.

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

Thanks, Jason. Thanks for having us.

QUESTIONS AND ANSWERS

Jason Gerberry - *Bank of America - Analyst*

So maybe I'll kick things off if you kick things off, just state of the landscape and the royalty financing business, which you guys are in, and we are seeing some changes in the competitive landscape. And so I thought it would just be your overall view on market share, competitive moat, and a lot of the efficiencies that you provide for partners? How are you seeing those dynamics play out in the royalty financing market?

Marshall Urist - *Royalty Pharma PLC - EVP, Head of Research & Investments*

Sure. I can start on that. I'm sure we both have perspective on that. So I think the simple message is that we feel really, really confident about both our broader marketplace and our role in it and where we stand from a competitive point of view. I mean, you look at the transactions we've announced this year, right? We've done three really exciting transactions. Most recently, a really exciting and I think, innovative Phase 3 financing deal. I'm sure we'll talk about that broader market with J&J. We bought a sort of traditional royalty from Zymeworks on a Jazz oncology product, and then did another Phase 3 financing deal with Teva.

When I think about our kind of competitive advantages and where we sit, we've talked a lot about this, but simply, I think Royalty Pharma has been built, and we talked about this concept of optimized as our structure to be the biggest and strongest and most competitive buyer and originator of royalties on drugs in the world. And I think we feel like the wind is at our back. Our market continues to grow. -- the demand for our type of financing is only increasing. And we highlighted on our last earnings call that there's been a kind of a whole new source of demand from large pharma companies in terms of helping us partner in funding R&D. And so from that perspective, I think our market is only expanding. We're excited about China as a new geography to originate royalties. And so we feel really good about where we are. And certainly, any market that attractive is going to attract other competitors who want to be in it. But I'd say just two quick things on that, which is, one, competition in our case, I think, has only served to expand the market, right? It's been no question, it's been a positive to have

multiple people out there talking about royalties, convincing sellers that this is a robust market. And second is, we feel really good about our ability to compete, right? There's no -- and no change on that front. So that's kind of our take on where things stand today.

Jason Gerberry - *Bank of America - Analyst*

Okay. So we cover all those companies that you just mentioned that you did deals with, and they're not companies that I typically think of as resource-constrained. Typically, a lot of the synthetic royalties that you do, the SMid-cap biotech companies you think of as more traditionally resource constrained. But when I think about those deals, those are assets with multi-indication potential. We had a meeting with Teva yesterday, and they framed the deal is like giving us speed, the ability to move faster to go after more in risk share. So as pharma crowds into certain categories with these like multi-indicated drugs and they've got to interrogate assets and probably take on risk, is that sort of the wind at your sales for these sort of larger pharma deals that are now opening up for you? You mentioned the Teva, the J&J type deals?

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

Yes. I think that's part of it. Certainly, the there's just sort of a -- they need to do more, quicker. And so you need to be able to pull in a lot of resources to do that. We know that companies have -- they have only so much that they can spend on R&D. And as their pipelines grow richer and richer and they need to accelerate more, they need to be thoughtful about where they're allocating resources, and that's where we can come in and play a big role where we can, for a fairly low overall royalty, contribute a significant portion of the funding in a lot of cases, it's half or even more than half of the total funding of a Phase 3 trial.

So there's a risk sharing component. There's a speed component. It also enhances the returns that they generate on those programs because they're spending less and -- but they're still keeping a lot of the vast majority of the economics. And so -- and it allows them to kind of expand their R&D capacity. So overall, we think that this is actually an area that could see a lot of growth.

We announced, obviously, the J&J deal, Teva deal. Last year, we did a deal with Biogen. But we feel like we're still at just the sort of tip of the iceberg here. And prior to last year, it was a very small part of our overall business, and we've been deploying a lot of capital year in and year out without this. And so we're very excited about this because we think it could pretty dramatically expand our total addressable market.

Jason Gerberry - *Bank of America - Analyst*

Yes. And you talked about a lot of different mechanisms, even involving China and innovation coming out of there. How would you frame the two or three biggest growth sources as you see in like the next three years for -- where your deal flow could get allocated to at least?

Marshall Urist - *Royalty Pharma PLC - EVP, Head of Research & Investments*

Yes, I can start on that one. So you mentioned a lot of them, right, which is, look, I think fundamentally, our core market is still growing, right? The world of biopharma, even if you exclude the large global players, their need for capital is only increasing. We're obviously -- we're seeing a lot of M&A, yes, but we're also seeing a lot of companies that want to build and become the next Vertex's like with Rev Med or like an Insmed recently of companies that are really scaling into the future, and so that's creating a lot of demand for capital across the space.

We talked about pharma R&D. And then I also think we talked about China as well as like three kind of big pillars of that. The other thing I think is important for Royalty Pharma as a growth driver is we're coming into a period where a lot of the seeds that we planted in our pipeline are unapproved. Pipeline are starting to read out. We've had some really good successes so far this year. But I think as we think growth for Royalty Pharma, I think certainly that's another source of growth that's going to become more and more visible to the market and to our shareholders.

Jason Gerberry - *Bank of America - Analyst*

How do you need to scale the human resource side of the equation to keep up with this growth in all these deals that you're analyzing? I imagine it is growing a bit like a mushroom?

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

We are scaling, and we've scaled a lot over the last five years. We've probably tripled our head count since our IPO. But we're still going to grow. I think it's probably going to be a bit more surgical at this point. Marshall's team is going to continue to grow because the deal flow is growing, and we need people -- great people to analyze these things.

We've been growing on the data side. We hired a new head of AI, which we're really excited about because -- and in a way, that's also going to enhance the ability of Marshall's team to do great research and identify great drugs and structure and diligence investments, so it ultimately increases our probability of success and increases the returns on our invested capital.

So -- but overall, it's not going to be huge numbers. It took us a while that we're hovering around 100 people for the last almost two years. And we finally cracked 100, and I don't know if we'll go to 110 or 120, but it's not going to be dramatic and it will mostly be fairly junior people on the research team because we like to really develop people internally. We did have a really exciting hire, Greg Butz, who is actually ironically healthcare banking at Bank of America, but he's going to be a great addition to the team and work with Chris Hite and Marshall, obviously, on sort of the relationship side and bringing deal flow and helping us to drive that business.

Jason Gerberry - *Bank of America - Analyst*

Great, great. And so you did mention your unique tax status versus competition. Can you talk about how that's a competitive advantage just the operational structure?

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

So I don't know that tax is actually the key advantage. I think it's more of the way that we're structured as kind of an ongoing business rather than tax. So I think that most of our competition is probably pretty tax efficient as well. But where we are unique is that we because of our structure in that we're not set up like a fund, Fund 1, Fund 2, Fund 3, every asset contributes to the overall portfolio, and it lowers our cost of capital in a huge way. So that's, I think, where we see our structure is most differentiating is that we are able to borrow in the investment-grade debt market. We're investment grade rated, have been for a very long time, have access to significant capital, and it's pretty attractive cost of capital. And that, I think, it drives down our overall cost of capital, allows us to win more deals, but also allows us to generate really attractive equity returns to our shareholders.

Jason Gerberry - *Bank of America - Analyst*

Okay. And there's always going to be something to talk about on the policy front as it pertains to the landscape, and there's always going to be changing dynamics. Makary's out, there are IRA permutations that haven't been codified. Some people don't know if they'll actually be -- have teeth to them, the Globe and the Guard pilot programs, outside of the large pharma that have struck deals with the Trump administration, I guess, there's -- I don't have the best clarity on how this is going to affect the biotech ecosystem that has not struck these deals.

So maybe just a word on the policy front and what -- as you have discussions with prospective partners, if any of this is coming into the discussion at all and how you kind of think about pricing things?

Marshall Urist - *Royalty Pharma PLC - EVP, Head of Research & Investments*

Yeah. No, it's a great question. And I think us like everyone else doesn't really have all the answers or many of the answers here. We are in a time where I think a lot of this is uncertain about where it's going to play out. Our approach to that has been severalfold.

I think number one is we do make sure that from kind of a policy and DC intelligence perspective, we have good resources around the table to help us -- but of course, in this environment, I think we all acknowledge that only takes you so far.

So we have been -- we have always taken a very kind of scenario-based approach to sort of ask ourselves based on a variety of outcomes that could happen with MFN, with -- from a policy perspective to get comfortable that we can generate attractive returns for our shareholders across a range of outcomes. I'd say a couple of things, competitive advantages we have in this spaces.

Number one, when we work directly with companies, we are on the inside a lot of times. So we do have a lot of really good insight into what are the specifics of the regulatory process. You referenced the FDA. So we see a lot of the details that allow us to build kind of a good view of the likelihood of approval. More importantly, what's the label going to say? How broad is it? et cetera. And so we certainly -- we have that advantage in the way we invest.

And then the other thing is, I think royalties have a natural advantage in that we are aligned with our partners, right? They are aligned to -- they are incentivized to maximize sales and in turn that is what we want to see, too, to maximize the value of the royalty. So we do live in times where a lot of these are our questions. And we're certainly going into it eyes open. But certainly, this is certainly something we think we can navigate.

Jason Gerberry - *Bank of America - Analyst*

Okay. Maybe you've got a 2030 target for Portfolio Receipts, I think 9% growth CAGR of 2025. Consensus isn't there yet. Can you frame maybe the building blocks to getting there from your perspective, how much of that is going to come from like the existing royalty base versus future deal flow?

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

Yes. So what I can say is that at the time of our Investor Day in the fall, we said that around half of the growth was going to come from things that were already in the portfolio. And half was going to come from new deals. A lot of time has passed since then, and we've done a lot since then. And so now a big chunk of it can already be sort of allocated or can already be accounted for by things that we've already done that are already in the portfolio.

Obviously, we still need to continue to invest and create new royalties, and we're going to try our best to do that. But overall, we feel really good about being on track there. I think, hopefully, we can do even better, but we feel really good about that target at this point.

Jason Gerberry - *Bank of America - Analyst*

Okay. And so you deployed about \$2.5 billion last year. Thinking ahead to upcoming years, what -- do you think that you can push even higher to even closer to the \$3 billion number?

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

So taking a step back, we are always going to maintain a really high bar to make investments. So putting targets out there is always tough because any kind of like -- we wouldn't want to make investments that we weren't excited about. So we're really confident that we'll continue

to deliver that kind of \$2 billion to \$2.5 billion under a lot of scenarios, including scenarios where the market doesn't grow like we think it would.

But I think in the end, what we described -- that guidance is kind of more of a conservative modeling assumption. There's a lot of reasons to believe that it could be a lot higher and that especially as we're adding pharma, these pharma R&D deals, as the synthetic royalties continue to grow, as China starts to become a factor. So -- but we're not planning and we're not raising our target. We're going to see what happens and kind of take it as it comes, if it -- could it be -- could it be three, could it be four? Absolutely. But I think we're just going to be -- we're going to just make sure that we're investing in the right products and whatever happens from there, we think will benefit our shareholders.

Jason Gerberry - Bank of America - Analyst

And remind me, the leverage guardrails that you'd operate within if you found the right transaction?

Terrance Coyne - Royalty Pharma PLC - EVP, Chief Financial Officer

Yes. So we -- right now, we're at 2.9 times total debt to EBITDA, and we've said that we can go up to around 4, maybe a little bit more, maintain our rating, particularly as long as we have a clear path to delever from there. So we have a lot of dry powder. If we -- and we -- at our Investor Day, we said that based on our -- if we just do \$2 billion to \$2.5 billion, and we pay, and we continue to grow the dividend as we've committed to do and we finished the rest of our share buyback program, we would have -- we would allocate about \$20 billion on those things. But we said we have capacity to do about \$30 billion.

And that's assuming that the portfolio doesn't outperform, and it's been performing really well. So we have an extra \$10 billion of capacity to add new royalties over that period if the right things come along.

Jason Gerberry - Bank of America - Analyst

Yes. How would you address the question with more competition, has that compressed deal terms, royalty rates, things like that? I imagine the answer is somewhat complicated, right, because -- there's different types of deals that are in the mix now as well, different risk profiles tied to that. But any way that you could maybe quantify last one to two years versus, say, a historical benchmark. We don't see a lot of deals with like maybe a Vertex like royalty now. So I just wonder if that's more of a relic of maybe the past, it's harder to get deal terms like that.

Marshall Urist - Royalty Pharma PLC - EVP, Head of Research & Investments

Yes. The way it might help you -- help everyone think about that is just a simple sort of a simple observation, which is we've been public for five years, right? And we have maintained our return targets, the exact same return targets for both approved and unapproved royalties the whole time. And even sitting here today, I think we feel very confident about our ability to continue to generate those kinds of really attractive returns for our shareholders.

I think the thing the competition question overlooks sometimes, and we referenced this earlier, is the biggest effect of competition has been made -- has been to make the pie bigger, to grow the market, right, which is this is such a big market, there is such need, there is, I think, plenty of opportunity for us to continue to be really successful and compete for the royalties that we want as part of our portfolio. delivering those with the returns that we promised to our shareholders. So that's why we really feel like competition has been a real positive because it has just grown the market.

Jason Gerberry - Bank of America - Analyst

Okay. Maybe we'll shift to the development stage pipeline catalysts. As we look ahead, you -- the development-stage portfolio is like roughly 20 assets with \$40 billion or so of combined peak sales potential. As we look to '26, '27, are there three or four individual catalyst events that you'd point to that are most exciting and maybe give a little bit of clarity on what may be a success looks like for those?

Marshall Urist - Royalty Pharma PLC - EVP, Head of Research & Investments

Sure. So I mean, I -- first of all, just to remind everyone, we've already had a couple of really nice ones from that portfolio to start the year with Revolution Medicines and daraxonrasib, right? We've had a -- we now have a \$500 million investment in that with the potential for that to grow much larger, to remind everyone, we committed \$2 billion to Rev Med last summer. \$1.25 billion of that is synthetic royalty, and then there's a senior debt facility as part of that. So obviously, very nice data, very high-profile data. Just had one very recently with our Cytokinetics partnership for Aficamten, a nice label expansion there. So I think we're really excited to start the year to have some really nice checkmarks there.

Going forward, yes, there are several, right? The next one coming up is we made a couple of investments in the Lp(a) class over the last few years. We're going to have the card for the first one of those, I think, sometime in the second half of this year. We're really excited to see that, that could be a very large class of cardiovascular drugs, and we have investments in two of them. So we're really excited to see that. That could be a very meaningful contributor to our top line in the years to come. So that's another one this year.

Terry, what else would you add?

Terrance Coyne - Royalty Pharma PLC - EVP, Chief Financial Officer

Then I think I'll probably point to maybe next year, we have data for frexalimab in multiple sclerosis. That's a product that's in development by Sanofi. We have a \$525 million investment there. It's a big royalty. And we think that there's -- MS is kind of a market that's been overlooked a couple of times in the past. And we think that there's still really big unmet need there and a lot of opportunity for a new for a new sort of modality. So that's where we're really excited about that one.

Jason Gerberry - Bank of America - Analyst

Yes. The -- I feel like the market is a little bit torn on Lp(a) as a modality. Arguably, it just hasn't been an outcomes trial run with this approach, although the genetic data is pretty interesting. So I don't know, do you have a sense of -- it does seem like -- the Street is very focused on a more profound hazard ratio benefit, whereas the company would -- companies would communicate like as long as it's stat sig or even like a 15% risk reduction, this could be a big class of drug?

Marshall Urist - Royalty Pharma PLC - EVP, Head of Research & Investments

Yes. So we're getting close to the event here. So I think everyone's sort of sharpening their pencils as we get closer, which is -- we've all seen this play out before. So look, I think -- we -- this is a whole new target, of a whole new profile of patient where their cardiovascular risk is genetic in terms of their level of Lp(a). So we are really excited to see the card turnover. We -- I think Novartis has been pretty clear about your -- as you just outlined about how they see this playing out. And so we're really excited to see it. And it's going to be -- it's likely to be a sort of multilayered sort of debate about what is the overall data, are there subgroups based on your baseline Lp(a), where you see certain levels of benefit. So I think we're really excited to see this.

We also, as a reminder, we have an investment in another sizable royalty in Amgen's program, which is the next one up after this. And so we're excited to see how this class comes together.

Jason Gerberry - Bank of America - Analyst

Yes. I mean, obviously, a lot of attention on Revolution just given the Wall Street Journal articles and some big numbers that we've never seen for a Phase 2 asset. If those numbers are real or they could be CVR dollars. We don't know. Ultimately, I think we get more pancreatic data this year. Just curious what moves the needle there in terms of your view on this as a really big mega blockbuster drug?

Marshall Urist - Royalty Pharma PLC - EVP, Head of Research & Investments

Yes. So we are -- RevMed, I think, is doing an incredible job moving as fast as they possibly can to bring this medicine in this target to as many patients and indications as possible. So we've only seen the first card turnover, which is in second-line pancreatic cancer. I think it was not lost on anyone that the performance in second-line pancreatic cancer is better in terms of survival than what's been seen historically in first-line pancreatic cancer, which is pretty amazing.

So we're excited to see it move earlier into -- move earlier into lines of therapy into earlier lines of therapy for pancreatic. They're looking at it in lung cancer as well. And I think you're going to see a very sort of extensive development program, and they've been kind of executing at the speed of light over there. So I think there's definitely more to come on that, and we're excited to see it play out.

Jason Gerberry - Bank of America - Analyst

Okay. And then maybe just in the approved portfolio, maybe some of the netting dynamics of growth versus LOE drags in the numbers this year? How you see that evolving? And does that -- did the drags carry out into '27 plus?

Terrance Coyne - Royalty Pharma PLC - EVP, Chief Financial Officer

The headwind this year is Promacta. And we still grew 10% in the first quarter despite a 3% headwind from Promacta. So that's something that we think is really important for investors to understand about our business. Not a lot of companies can have an LOE of a top five product and still grow double digits. But we've kind of shown that we can do that.

And that that's a unique element of our business. It's driven by our diversification. It's driven by constantly reinvesting at high rates of return and in exciting growing products and replenishing the portfolio. I think we can -- we're differentiated versus other pharma companies in our ability to do that, certainly in a value-enhancing way.

And so the headwinds, and this isn't new to us. We had headwinds in 2021 when we lost Gilead's HIV -- the royalties on Gilead's HIV franchise. That was a top four product at the time, and we still grew great that year. In 2022, with Januvia, an expiry for Merck's DPP-4, again, another top five product at the time. It still grew really nicely. So we're not really concerned about headwinds from LOEs.

These things are going to happen. They're going to happen in this sector. But for us, we feel like we're better equipped than anyone to kind of grow through that, and we've shown it over time.

Jason Gerberry - Bank of America - Analyst

Okay. And then the last 30 seconds, just how would you frame exposure at this stage around Vertex and Vertex arbitration outcomes, just given what we've seen with conversion?

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

Yes. So I think what we updated at our Investor Day is probably still holds that we said that under a downside case, if we lose the arbitration and our royalty on Alyftrek is only 4% that we still think that the CF franchise will generate Royalty Receipts to Royalty Pharma of around \$800 million. And then the upside, if we're correct, and succeed in the arbitration, as we hope we will, that will be north of \$1 billion.

So it's kind of the bookends are about \$800 million to over \$1 billion. Either way, it's going to be a very important product for us over the long term.

Jason Gerberry - *Bank of America - Analyst*

Understood. Great. Well, we're out of time. So gentlemen, thanks for joining us.

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

Thanks.

Marshall Urist - *Royalty Pharma PLC - EVP, Head of Research & Investments*

Thanks. Appreciate it.

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